

“The Costs of Contracting”

WORKERS' COMPENSATION LIABILITY PROPERTY CYBER LIABILITY



STRONGER, TOGETHER



THE
CHAPMAN
FIRM
A Balanced Approach.

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The Costs of Contracting

Scott

- The Costs of Doing Business.

Aaron

- Types of coverages and minimum amounts.
- Defense provisions.
- Indemnification and hold harmless provisions.
- Additional insured status, including how that works with the Pool's coverage.
- Waiver of subrogation.

Jeff

- The insurance products/policy types a contractor provides to the city.
- The certificate of insurance – what it does and doesn't do.
- Common coverage gaps, exclusions, and endorsements.



“A lawn maintenance worker at the [golf course] drowned Monday morning.

[City] Fire-Rescue crews were called to the course just after 8:20 a.m. Monday regarding a possible drowning. Fire crews arrived to find golf course lawn maintenance personnel performing CPR on a male who had been found in one of the golf course's large ponds pinned under a large lawn mower. He was part of the same lawn maintenance crew.

According to other lawn maintenance workers at the scene, the man had last been seen about 30 minutes prior to being found in the pond. Fire personnel took over care of the patient and transported him to The Medical Center...where he was pronounced dead.”



“In a recent weekly memo on [date] City Manager [name] explained that last Fall it was discovered that the surety bonds provided by [Acme] Construction, LLC for three City bond projects, totaling over \$6.5 million dollars, were fraudulent.”



Types of Insurance

- *Admitted insurance* are those regulated by TDI.
 - All rates, forms, and coverages have been approved TDI - guaranty fund.
- *Non-admitted insurance* are not regulated by TDI.
 - Typically for hard to place risk and are not protected under the state's guaranty funds.



Type of Insurance	Amount of Insurance	Provisions
Commercial General (Public) Liability to include coverage for: 1.Premises/Operations 2.Products/Completed Operations 3.Independent Contractors 4.Personal Liability 5.Contractual Liability	\$1,000,000 each occurrence \$2,000,000 general aggregate \$2,000,000 Umbrella/ Excess Liability (follow-form)	City to be listed as additional insured and provided 30-day notice of cancellation or material change in coverage. City to be provided a waiver of subrogation
Business Auto Liability	\$1,000,000 per occurrence \$1,000,000 aggregate or; \$1,000,000 combined single limits	City to be named as additional insured
Workers' Comp & Employers' Liability	Statutory Limits \$1,000,000 each accident	City to be provided a waiver of subrogation
Builders Risk Policy/ Bonding	100% of construction total	If Applicable
a) Professional Liability b) E & O coverage c) Cyber Liability	Professional types of coverage are based upon exposures and should be added during contact formation	If Applicable

Financial Rating

- AM Best.
- The insurer's ability to meet ongoing obligations to policyholders.
- Financial strength: A++, A+ (superior).
- Financial size: I=\$250-\$500 millions.
- Outlook=positive, negative, stable (policy holder surplus).



Financial Size Category

Class	Adj. PHS (\$ Millions)	Class	Adj. PHS (\$ Millions)
I	Less than 1	IX	250 to 500
II	1 to 2	X	500 to 750
III	2 to 5	XI	750 to 1,000
IV	5 to 10	XII	1,000 to 1,250
V	10 to 25	XIII	1,250 to 1,500
VI	25 to 50	XIV	1,500 to 2,000
VII	50 to 100	XV	2,000 or greater
VIII	100 to 250		

Additional Insured

- A type of status associated with general liability insurance policies that provides coverage to other individuals/groups that were not initially named.
- After endorsement, the additional insured will then be protected under the named insurer's policy and can file a claim in the event they are sued.
- ISO CG 20 10 and CG 20 37 or equivalent.
- “When required by written agreement” - specific or blanket.



Waiver of Subrogation

- A special type of endorsement on a property-casualty insurance policy.
- The waiver of subrogation prohibits the insurer from attempting to seek restitution from a third party who causes any kind of loss to the insured.
- Applies to liability and workers' compensation.



Insurable Risk for Construction

- Construction breeds accidents.
- Insurance protects the City (and adjacent landowners).
 - Commercial General Liability.
 - vibration damages to pools.
 - sinkhole in parking lot at Subway.
 - Builder's Risk.
 - Fire during roof replacement.
 - Contractor's Professional Liability.
 - Structural steel welding failure.
- Design Errors and Omissions.
 - Professional Liability – cost increases and delay.
 - geotechnical and structural parking structure.
 - post-tension slab concrete mid-rise.
 - Umbrella or Excess Coverage – policy depletion.





CERTIFICATE OF LIABILITY INSURANCE

DATE (MMDD/YYYY)
Month/Date/Year

PRODUCER Insuree Agent/Broker Name Insuree Agent/Broker Street Address or P.O. Box Insuree Agent/Broker City, State & Zip Code Contact & Phone Number	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURERS AFFORDING COVERAGE	NAIC #
INSURED Vendor Name Vendor Street Address or P.O. Box Vendor City, State & Zip Code	INSURER A: Name of Insurance Company	Enter NAIC#
	INSURER B: Name of Insurance Company (if applicable)	Enter NAIC#
	INSURER C: Name of Insurance Company (if applicable)	Enter NAIC#
	INSURER D: Name of Insurance Company (if applicable)	Enter NAIC#
	INSURER E: Name of Insurance Company (if applicable)	Enter NAIC#

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

NSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MMDD/YY)	POLICY EXPIRATION DATE (MMDD/YY)	LIMITS
A	<input checked="" type="checkbox"/>	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> _____ <input type="checkbox"/> _____ GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC	Enter Policy #	Enter Effective Date	Enter Expiration Date	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000 MED EXP (Any one person) \$N/A PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMM/PROP AGG \$1,000,000 \$
A	<input checked="" type="checkbox"/>	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALLOWED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS <input type="checkbox"/> _____ <input type="checkbox"/> _____	Enter Policy #	Enter Effective Date	Enter Expiration Date	COMBINED SINGLE LIMIT (Each Occurrence) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A	<input checked="" type="checkbox"/>	GARAGE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> _____	Enter Policy # (if required)	Enter Effective Date	Enter Expiration Date	AUTO ONLY - EA ACCIDENT \$1,000,000 OTHER THAN EA ACC \$ AUTO ONLY: AGG \$
A	<input checked="" type="checkbox"/>	EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$Enter Amount	Enter Policy # (if required)	Enter Effective Date	Enter Expiration Date	EACH OCCURRENCE \$Enter Limit AGGREGATE \$Enter Limit \$ \$ \$
A	<input checked="" type="checkbox"/>	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below	Enter Policy #	Enter Effective Date	Enter Expiration Date	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$500,000 E.L. DISEASE - EA EMPLOYEE \$500,000 E.L. DISEASE - POLICY LIMIT \$500,000
	<input type="checkbox"/>	OTHER				

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

CERTIFICATE HOLDER 	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE INSURER AFFORDING COVERAGE WILL ENDEAVOR TO MAIL _____ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE
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• Certificate of Insurance



ACORD - CERTIFICATE OF LIABILITY INSURANCE	
<p>TRUST ME I HAVE GENERAL LIABILITY INSURANCE</p>	
<p>THE CHAPMAN FIRM</p>	

Certificate of Insurance

- ✓ Standard Form
 - ✓ Evidence of Coverage
- ✓ Identifies Policies and Carriers
- ✓ Indicates Policy Terms and Limits
- ✓ Identifies Additional Insureds



Coverage Gaps, Exclusions & Endorsements

- Exclusions and Endorsements.
 - Contractual Liability Limitation CG 21 39.
 - Amendment of Insured Contract Definition CG 24 26.
 - Exclusion-Damage to Work Performed by Subcontractors On Your Behalf, CG 22 94 or CG 22 95.
 - Any Classification limitation.
 - Any Construction Defect Completed Operations exclusion.
 - Any endorsement modifying the Employer's Liability exclusion or deleting exception to it.
 - Any endorsement modifying or deleting Explosion, Collapse or Underground coverage.
 - Any Habitational or Residential exclusion applicable to the Work.
 - Any "Insured vs. Insured" exclusion except Named Insured vs. Named Insured.
 - Any Punitive, Exemplary or Multiplied Damages exclusion.
 - Any Subsidence Exclusion.
- Policy Tails – continuation of coverage.
- Insurance Requirements for Subcontractors.





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