

## Certificates of Insurance

Your business may be at risk of loss as the result of the actions of contractors, subcontractors, vendors, or manufacturers with whom you conduct business.

A Certificate Of Insurance should be obtained to protect your interest in the event of legal action arising from the actions of others.

### What is a Certificate of Insurance?

Certificates of Insurance are convenient documents used to verify to another party the existence of required insurance and for monitoring compliance with insurance requirements in contracts.

### How could I suffer a loss as the result of something a contractor or vendor does or fails to do?

Most state laws provide that general contractors are responsible for losses of subcontractors. In a broader sense, most legal actions involve all entities who participate in the manufacture of a product or delivery of a service. An uninsured, or underinsured participant who becomes a codefendant may result in increased losses to you.

### Potential Causes of Loss

- Expressed or implied warranties that are not honored.
- Failure to adhere to design specifications, codes and/or standards.
- Unauthorized changes.
- Inadequate, improper and/or unreliable testing and inspection.
- Faulty workmanship.
- Defective parts, components, or materials.
- Failure to keep proper and adequate records.
- Failure to warn of inherent dangers and maintenance requirements, e.g., the omission of instruction and/or maintenance manuals.
- Failure to service and maintain properly.
- Failure to supervise subcontractors, manufacturers, suppliers, and vendors properly.
- Failure to use qualified and financially sound subcontractors, vendors, and manufacturers.
- Inadequate or lack of the proper hold harmless agreements and indemnification clauses.

### Contractual Insurance Requirements

Basic information to be included in contractual insurance requirements to be documented by a Certificate of Insurance includes:

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- Required Insurance Limits—should be equal to your own—minimum \$1,000,000.
- Scope of Coverage Provided.
- Provision of Policy Cancellation Notice.
- Inclusion of additional parties as insureds.

In addition, the following should also be addressed:

1. Your specific entity to be added as an “additional insured” and the type of loss the coverage will apply to. An entity should expect to be added as an insured as respects all liability arising out of the activities, premises, products, etc. described in the contract.
2. A maximum acceptable deductible and whether it is to include defense and investigation costs. Decide whether to express the deductible as “per occurrence.”
3. The scope of coverage required. For example, wording could indicate that the scope of coverage is to be equivalent to standard forms.
4. Severability of interest clause. Coverage should apply separately and distinctly to each person insured under the policy (except for policy limits). For example, the policy should have no limitations on suits by one insured against another.
5. Occurrence coverage where appropriate. If coverage must be claims-made, stipulate what extended reporting periods are required.
6. Specify the minimum acceptable rating or other indication of financial strength, or state that insurers must be acceptable to you. Also, if you want all coverage to be placed with insurers admitted to do business in your state, you must say so.
7. Consider defining the term “additional insured” to include your officers, directors and employees. This may prove to be beneficial if any of these individuals are named with you in a lawsuit.
8. Be specific in requiring that the policy (not just the certificate) be endorsed to give you notice of cancellation. Otherwise, the notice requirement might be technically fulfilled by providing a certificate that only promises that someone will “endeavor” to notify you of cancellation.
9. Coverage as an additional insured should apply on a primary basis to avoid a conflict with the other insurance condition found in most coverage forms.

The transfer of risk by contractual means is a valid and useful part of a comprehensive risk management process. Certificates Of Insurance help you to protect your interest.

The loss prevention information and advice presented in this brochure are intended only to advise our insureds and their managers of a variety of methods and strategies based on generally accepted safe practices, for controlling potentially loss producing situations commonly occurring in business premises and/or operations. They are not intended to warrant that all potential hazards or conditions have been evaluated or can be controlled. They are not intended as an offer to write insurance coverage for such conditions or exposures, or to simply that Great American Insurance Company will write such coverage. The liability of Great American Insurance Company is limited to the specific terms, limits and conditions of the insurance policies issued.  
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