

Risk Transfer Setup Guide for Business Owners

As a business owner, the last thing you need is work performed by a subcontractor resulting in property damage and/or bodily injury claims—only to learn the sub’s not adequately insured. By checking all the boxes below, you can help make sure you’re using proper risk transfer to keep your business protected.



- Interview attorneys specializing in contractual risk transfer, and designate one firm to review every contract you enter into with third parties.



- Appoint one or two individuals in your operation with authority to enter into contracts, and clearly define their responsibilities as...
 - Create and maintain a file for each subcontractor, making sure to:
 - Retain certificates of insurance (COI) for all subs
 - Obtain new COIs when a sub’s coverage expires
 - Create and maintain a system to monitor COIs and verify new ones are in place
 - Complete a “Business Owner’s Checklist: Minimum Contract Insurance Requirements and Limits”
 - Know what other questions to ask when choosing a subcontractor (see p. 4)



- Communicate your risk transfer process and authority to employees



- Schedule periodic reviews of routine contracts with the individual(s) responsible for maintaining them

Note: The *Business Owner’s Checklist* featured on pp. 2 and 3 of this brochure is part of a 5-page document that also contains an appendix listing the 8 essential minimum requirements of any agreement you sign with a subcontractor. To obtain a copy of that entire document, ask your agent or Nationwide representative for form #CMO-0770AO.

Questions? Contact
Nationwide Loss Control
Services: 1-866-808-2101
or LCS@nationwide.com.

Business Owner's Checklist

Minimum Contract Insurance Requirements and Limits



Business Owner: _____

General Requirements

- For each policy type, you (i.e., the business owner) are to be notified of cancellation at least 30 days prior to the cancellation effective date.
- All contract insurance requirements apply to any subcontractor or person hired or used by the subcontractor.
- A certificate of insurance is to be provided prior to the start of work. The certificate is to either state that additional insured status for ongoing and completed operations is included, or be accompanied by copies of the endorsements confirming these coverages are in place.
- The contract is to be signed by the subcontractor prior to the start of work.
- Subcontractor adherence to your firm's safety manual/requirements is to be included in the contract.
- Importantly, all contracts should be reviewed by a qualified attorney.

Indemnification Agreement

- The contract is to include an indemnification agreement in your favor.
- The indemnification agreement is to include the phrase "to the fullest extent allowed by law" to improve its enforceability.
- The indemnification agreement is to include a waiver of workers' compensation immunity.

Commercial General Liability (CGL)

- At a minimum, the subcontractor's CGL policy limits are to be at least \$1,000,000 each occurrence, \$2,000,000 general aggregate, and \$2,000,000 products-completed operations aggregate to avoid being considered an "inadequately insured subcontractor."
- The subcontractor's CGL coverage is to provide broad coverage with no exclusions, such as exclusions for subcontractor's work (ISO form CG 2294).
- The contract is to require the additional insured coverage to respond on a primary and non-contributory basis, via ISO form CG 2001 or equivalent.
- The contract is to include a waiver of subrogation in your favor.
- The personal and advertising injury coverage limit is to be at least \$1,000,000.

Business Owner's Checklist

Minimum Contract Insurance Requirements and Limits (cont'd.)

Commercial General Liability (cont'd.)

- The contract is to specify additional insured status for *ongoing* operations via ISO form CG 2010 or equivalent coverage, PLUS ...
- The contract is to specify additional insured status for *completed* operations via ISO form CG 2037 or equivalent coverage.

The parties to whom additional insured status is extended are to be clearly identified in the contract to avoid costly litigation. Note: Many contractors purchase a CGL policy with blanket additional insured endorsements. This additional insured coverage will not respond in the absence of a signed written contract.

Auto Liability

- At a minimum, the subcontractor's auto liability policy limits are to be at least \$1,000,000 combined single limit (CSL) or \$1,000,000/\$1,000,000 split limits.
- The contract is to require additional insured coverage for your business.
- The contract is to require a waiver of subrogation in your favor.

Workers' Compensation/Employers' Liability

- At a minimum, the subcontractor is to provide evidence of workers' compensation/employers' liability coverage with a limit of bodily injury (BI) by accident of at least \$100,000 per accident; the limit of BI by disease should be at least \$500,000 per policy and \$100,000 per employee. These minimum limits are to apply in any state in which work is being done under the contract.
- The contract is to include a waiver of subrogation in your favor.

Umbrella Liability

- At a minimum, the subcontractor's umbrella coverage limit is to be at least \$1,000,000. Limits that match or exceed your limits are highly recommended.
- The contract is to require additional insured coverage for your business.
- The contract is to require the subcontractor's coverage to respond on a primary and non-contributory basis.
- The contract is to include a waiver of subrogation in your favor.

This is a list of minimum insurance requirements and limits that would assist in making your business insurable with Nationwide. It is not a complete list of those contract requirements to fully protect your business. You are to review these minimum requirements with your attorney as a starting point in the development of your standard subcontractor agreement.

Note: Written contracts are to be used 100% of the time with your subcontractors. Failure to obtain a signed written contract can impact your insurability, cost of your coverage and success of your business.

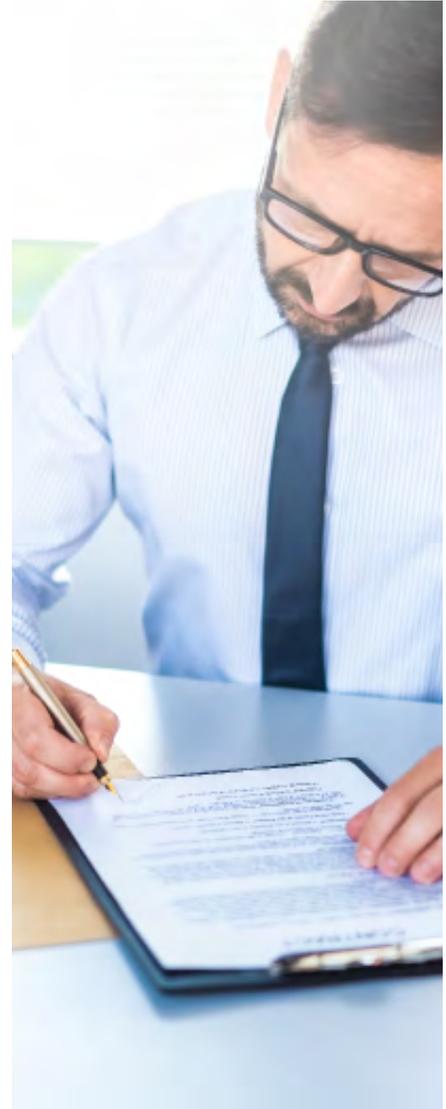
Questions?

Contact Nationwide Loss Control Services at 1-866-808-2101 or LCS@nationwide.com, or visit mylosscontrolservices.com to schedule a virtual consultation where one of our loss control professionals can assist you in managing your risk.

Other questions to ask when choosing a third party service provider.

In addition to making sure the third party is properly insured, (see pp. 2 and 3 for minimum coverage limits), you'll also want answers to the following questions:

- Is the subcontractor competent, qualified, properly licensed and experienced?
- Does the subcontractor's insurance coverage exclude contractual liability or have other coverage restrictions?
- Have the subcontractor's references been checked?
- Does the subcontractor properly screen and use effective risk transfer for all of their subcontractors and employees they hire and utilize?



Providing solutions
to help our members
manage risk.®



For your risk management and safety needs, contact Nationwide Loss Control Services: 1-866-808-2101 or LCS@nationwide.com.