

Business owner's checklist

Minimum contract insurance requirements and limits



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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 service provider or person hired or used by the service provider.
- 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 service provider prior to the start of work.
- Service provider 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 service provider'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 service provider."
- The service provider's CGL coverage is to provide broad coverage with no exclusions, such as exclusions for service provider'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.
- 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 service provider'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 service provider is to provide evidence of workers' compensation/employers' liability coverage with a limit of bodily injury (BI) by accident of at least \$500,000 per accident; the limit of BI by disease should be at least \$500,000 per policy and \$500,000 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 service provider'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 service provider's coverage to respond on a primary and non-contributory basis.
- The contract is to include a waiver of subrogation in your favor.

Other questions to ask when choosing a third party service provider

In addition to making sure the third party is properly insured, you'll also want answers to the following questions:

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

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 service provider agreement.

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



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