

Hello, my name is Mark Sierra; I have been in the insurance industry for over 15 years as an insurance broker. We serve the needs of Contractors in Florida and the Southeast.

This book is intended to be a guide to Certificates of Insurance, whether you are giving a certificate to a government agency, general contractor, homeowner or you are receiving a certificate from a general contractor or sub-contractor.

On the back inside cover you will find a Certificate of Insurance completely filled out. Please use this certificate as a basis of reference as we go through this book.

I made every effort to keep things simple and try not to use too many insurance words, but insurance wording cannot be completely ignored.



Over the years I have seen three attitudes towards certificates of insurance.

1. The contractor understands the importance of the certificate and takes great care in making sure it is handled correctly and has a "system" in the office that monitors the certificates.
2. The contractor understands the importance of the certificate but is too busy to make sure it is done and hands the duties over to someone else in the office that is not trained to properly handle the job.
3. The contractor does not understand the importance of the certificate and does nothing.

The truth is, Certificates of Insurance, not handled properly can cost you hundreds of thousands of dollars.



Here are a few examples of how certificates can cost you money:

1. At the end of your policy period, your insurance company has the right to audit your books. When the auditor comes in to look at your books he is trained to look for sub-contracted work. Since sub-contracted work is an expense to your company, it is very easy to find. He will then look for the certificate of insurance that corresponds to the work subbed out. If you cannot produce the certificate he will add the amount of sub-contracted work to your payroll, or gross receipts, in either case you will owe the insurance company an additional amount for your general liability insurance. *This can add substantial amounts owed to the insurance company. This is an extra expense you did not plan on.* It may also be that you have a Certificate but does not meet your insurance company's



requirements for subs. You will pay for this the same as if they had no insurance at all! If for some reason your current agent did NOT advise you what your requirements are for subs...that's one of the most common reasons contractors read this book...and one of the most common reasons to use an Agent that writes construction ONLY.



2. Successful contractors take the cost of insurance into account when bidding jobs. If you are audited and have to pay an additional amount to an insurance company, your cost of insurance has gone up and the "extra" is not in your bids. The result: You did not make as much money as you thought you did, or you lost more money than you thought you did! Either way it is a lose-lose situation. In the event of a claim there are two ways to lose additional money.

➤ If you do not get a certificate of insurance from a sub that does not have coverage and your policy does not cover subs, the cost of this claim will be directly out of your pocket! Many policies that do cover subs only cover them IF you have a certificate meeting their requirements. In other words you may be a GC with \$ 1,000,000 in subcontracted work estimated on your policy and have a Certificate and STILL have no coverage. OUCH!



➤ If your sub does not have coverage and your policy does extend then the claim will go against you. When you purchase insurance for the coming years, that claim will show against your record, since your cost of insurance is partly based on your claims history, your insurance will go up.

Certificates of insurance are not to be taken lightly!

Starting on the next page we are going to go through each line of the certificate of insurance so you will have an understanding of what all of this means.

I have broken down the certificate into 14 parts; use the example on the back inside cover as we go along.

Acord Certificate of Insurance Item by Item

- 1. Date** - This is the date the certificate was typed. If you request a certificate of insurance in May 04 and the certificate is dated Dec 03 you should ask for a newer certificate. Why? A lot could have happened in the last 6 months. It also tells you that the contractor has had the certificates in his briefcase for months. Insurance agencies usually get a request from the contractor to send out a certificate on his behalf. You should receive the certificate from the insurance agency; not the contractor and it should be recently dated.
- 2. Producer** - This is the agency that wrote the policy. There should be an agency name, address, and phone number and sometimes the agent's name that wrote the policy.
- 3. Insured** - This is the person or the company name who owns the insurance policy. The complete name and address must be in the box. If the name or the address is not listed, do not accept the certificate until it has been corrected.
- 4. Companies Affording Coverage** - This section is important. Read it carefully!

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.

This statement, which usually no one ever reads, is very important. The only way to actually know you are covered is to have a copy of the entire insurance policy, and the ability to interpret the exclusions. (We will talk about exclusions later on). The other really important factor here is that just because the certificate says something, doesn't mean it's covered. If you ever think an Agent is just adding something to a certificate because they don't know better...or want the issue to go away...they are not doing anybody any favors. If there is a claim and the certificate had erroneous language the insurance company still does not have to honor the certificate if it contrasts with the policy since certificates do not amend, extend, or alter company. So what should you do? Continue to work with everyone in good faith, but double check any information that smells fishy!

- Company A, B, C, D — This is the insurance company that is providing coverage. Look for the corresponding A, B, C, D in the co. ltr. Box on the left side of the certificate.

What do we know about these companies? Are they strong solid companies, or on the verge of bankruptcy?

There is a source of information on all these companies. The A.M. Best company is used throughout the industry to evaluate the financial strength of insurance companies.

INSURANCE COMPANY RATING

Insurance Companies are given a grade, just think about the grades you received in high school or college. A, B, C, D, F. Insurance companies are given a financial report card by the A.M. Best Company.

An Insurance company with less than an "A" rating can be a potential problem for two reasons. 1. There is a risk of the company going out of business, and, 2. If you work for the state, county or city, they will usually not accept any company with less than an "A" rating. Also if you hire on as a subcontractor most general contractors will not accept any rating less than an "A". With some state government offices and general contractors not accepting your liability insurance, you will be limited to the type of jobs you can accept.

A. M. Best's Ratings

A.M Best assigns two types of rating opinions. Best's ratings (letter scale) and Best's FPR (numerical scale). Both ratings involve a quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Financial Performance Ratings (FPR)

The FPR is assigned to small or new companies, which do not meet the criteria required for a Best's rating. Both ratings provide an overall opinion of an insurance company's ability to meet its obligations to policyholders.

Secure Best's Ratings		Secure FPR Ratings	
A++ and A+	Superior	FPR 9	Very Strong
A and A-	Excellent	FPR 8 and 7	Strong
B++ and B+	Very Good	FPR 6 and 5	Good
Vulnerable Best's Ratings		Vulnerable FPR Ratings	
B and B-	Fair	FPR 4	Fair
C++ and C+	Marginal	FPR 3	Marginal
C and C-	Weak	FPR 2	Weak
D	Poor	FPR 1	Poor
E	Under Regulatory Supervision		
F	In Liquidation		
S	Rating Suspended		

Not Rated (NR) Categories

Companies not assigned either a Best's Rating or FPR opinion are assigned to one of five NR categories. The NR category identifies the primary reason a rating opinion was not assigned to the company.

NR-1	Insufficient Data
NR-2	Insufficient Size/or Operating Experience
NR-3	Rating Procedure Inapplicable
NR-4	Company Request
NR-5	Not Formally Followed

Financial Size Category (FSC)

In \$ millions of reported capita , surplus and conditional reserve funds

FSC I	> 1	FSC V	10 to 25	FSC IX	250 to 500	FSC XIII	1,250 to 1,500
FSC II	1 to 2	FSC VI	25 to 50	FSC X	500 to 750	FSC XIV	1,500 to 2,000
FSC III	2 to 5	FSC VII	50 to 100	FSC XI	750 to 1,000	FSC XV	< 2,000
FSC IV	5 to 10	FSC VIII	100 to 250	FSC XII	1,000 to 1,250		

If you do not know your Company Rating feel free to call your insurance agent or broker. All Insurance offices should have an A. M. Best Rating Guide.

5. Coverage

This is to certify that 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. Limits shown may have been reduced by paid claims.

EXCLUSIONS

First off let's get one thing clear... All policies have exclusions. You hear terms like special form, comprehensive, full coverage. Those phrases do not mean there are no exclusions.



In a contractors general liability policy all the exclusions are listed on the (Dec) front page of the policy or on the second page of the policy. The problem is that they are usually listed by form number, not by name.

In order to make sure you understand the exclusions, look at the form numbers on the front page and go find that form (by number) in the policy. (Usually the form number is in the bottom left hand corner)

If you see a form number on the front of the policy but you cannot find that form in the policy, your policy is not complete! Someone forgot to add that form to the policy when the policy was put together. People make mistakes! If you find a form number on the front of the policy and cannot find that form in the policy Call your insurance broker and ask them for the missing page(s). It may be a very important exclusion.

The exclusions are critical, when you get a proposal for insurance the first thing you should look at are the exclusions.

For instance, if you are a concrete contractor and you do house pads, if you have exclusion for foundation work in your policy you have a problem. The worse thing is you will not find out about your problem until you have a claim and it is denied, by then it's too late!

Here is a list of exclusions I have found in many policies; this list is **by no means "all inclusive"**.



DESIGNATED WORK Claims arising from any classification or class code not listed in the declaration page of this policy. For example: You are a roofing contractor and you get a quote that is 50% less than all other quotes. The policy comes in and your company is classified as a landscape contractor. Any claims will be denied because you were not classed correctly.



INDEPENDENT CONTRACTORS Claims arising out of: The acts or omissions of independent contractors while working on behalf of any insured, or the negligent hiring or contracting, investigation, supervision, training, retention of any independent contractor for whom any insured is or ever was legally responsible and whose acts or omissions would be excluded. If you use subs, this exclusion can be a killer.



PROFESSIONAL LIABILITY Claims arising out of the rendering of or failure to render any professional services by you or any engineer, architect or surveyor who is either employed by you or performing work on your behalf in such capacity. Professional services include: The preparing, approving, or failing to prepare or approve. Maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings; and Supervisory, inspection, architectural or engineering activities. For example, if you make a structural change without the architect's approval, there is no coverage. (Very common exclusion).



X,C,U Explosion, collapses, and underground. Not a good exclusion for Grading, Excavation contractors. This is also dangerous for framers, electricians, plumbers, and for anyone subbing any work. Actually, this should be avoided in all cases because it is always needed (or it didn't save you any money if not needed!



CONTRACTORS WARRANTY This means that if you hire sub contractors, you must get a certificate of insurance from them. If you do not, the amount of your contract with the sub will be added to your payroll or gross receipts and you will be charged. In other words you will pay for the subs general liability. Some companies use a stricter version of this. They require the sub to have the same limits of insurance as you do.



ROOFING Some are not as strict. You must read the exclusion carefully. Some roofing exclusions say there is no coverage while the roof is under construction or repair. For example: You tore off a roof, since the weather forecast called for sunny skies you decide there is no need to cover the roof overnight. It Rains... There is no coverage. Read all exclusions carefully. Some are not as strict. You must read the exclusion carefully. Some roofing exclusions say there is no coverage while the roof is under construction or repair.

For example: You tore off a roof, since the weather forecast called for sunny skies you decide there is no need to cover the roof overnight. It Rains... There is no coverage. Read all exclusions carefully.



DEMOLITION Plain and simple right? No demolition. The thing to watch on this is how it relates to tear out work. If your sub is doing some tear out on a remodeling project, you may want a copy of that endorsement.

MOLD OR FUNGUS Very common and a very good reason for a GC to carry a pollution policy for protection. If you are using a Restoration Contractor—insist on this being covered and not excluded. In fact, even many plumbers have this exclusion. In the absence of a pollution policy, talk to your Agent about warranty company to minimize risk here.

LEAD Claims arising out of the actual or alleged presence or actual, alleged or threatened dispersal of lead, lead particles or products containing lead.

NUCLEAR



MULTI UNIT RESIDENTIAL Any work in connection with the pre-construction, construction, post-construction, reconstruction, exterior remodeling or repairs of any multi-unit residential building. Could also be an exclusion relating to new construction only.

This applies to condos, townhomes, and USAULLY apartments. If you are doing any work on multi unit residential have subs certificate reference that this type of work is NOT excluded on certificate.



EMPLOYMENT RELATED PRACTICES Refusal to employ, wrongful termination, Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or other employment-related practices, policies, acts or omission. You'll see this needed for racial slurs or sexual innuendo comments on jobsite. It is rarely covered on GL Policy. We also recommend dealing with this through our HR That Works! Program.

PRIOR ACTS This is a very severe exclusion. This says that any work you did prior to the policy date is not covered. For contractors this can be a death sentence on all prior work. Over 90% of all contractor claims occur after building was built....years later.

EIFS & Synthetic Stucco If you are doing any of this type work in any way, you are into an area that involves extreme due diligence (even with new products like Dryvit). Either deal with experts and extreme caution or AVOID EIFS work!

Don't Panic!

Our Verification checklist System will solve these potential traps!

6. General Liability

Commercial general liability must be checked.
Occur box must be checked ***

Occurrence vs. Claims Made.

Construction claims made policies are becoming more and more popular. The promise of these policies is lower rates, but at what long-term damage? In some instances there is no cost savings. Claims made policies for a contractor are the worst possible policy you can buy. Let me explain: Claims made policies allow you to make a claim on your policy only during the policy year they are in force. Contractors have claims down the road not in the same year as the project is built!

If you want to leave that company and go to another company you will have to purchase additional insurance to cover you for the next 15 years...that *'s right 15 years!* Why? Because the law may allow customers to file a lawsuit for construction problems up to 15 years after the project was completed.

Here is an example:



You build a new room addition, everything goes well and you and your customer are very happy with the final outcome... 4 years later your customer calls you and says that the roof is leaking and water came in the house and ruined his new \$25,000 grand piano. He expects you to repair the roof, the drywall, wallpaper, carpets and, of course, replace the grand piano...



A claims- made will not allow you to file a claim 4 years later unless you stayed with the claims made company the whole time. Your current non-claims made company may possibly be on this claim; it depends on the exclusions, (See Prior Acts exclusion on page 13).

There would be coverage for this claim on the claims made policy if you purchased "tail" coverage. Tail Coverage allows you to make a claim on a claims made policy after the policy period. Tail coverage is not cheap and it is limited as to how long you can report a claim. To make matters more unsettling, some companies do not offer tail coverage.

If you decided not to buy the "tail" you will not be able to report a claim against the claims made policy.

If you intend to shop other companies after the claims made policy expires you must make a decision, since you cannot make a claim against a claims made policy after the policy expires unless you buy extended liability coverage called a "tail."



When your policy comes up for renewal with a claims- made policy you must decide.

- Do I leave the company and pay the additional insurance for coverage for the next 10-year period or go without.
- Do I stay with the same company? Their prices on the New Year may stay the same or go up sharply.
- Do I switch to another company who has better rates and coverage?

This limits the marketplace for you, and makes it harder to accept a better bid from another carrier. Claims made policies may work in other lines of insurance, but for Contractors they are a disaster.

Take time after reading this report to look for your policy and see if your current policy is either an occurrence form or claims made...



7. Auto Liability

Any Auto - means any owned, rented, leased or borrowed auto. It includes hired, non-owned, newly acquired, replacement and temporary substitute autos.

- All Owned Autos - means autos you own that are not of the private passenger type. It includes any trailer or semi-trailer while attached to that auto. It also includes newly acquired autos of the same type; replacement autos of the same type; and temporary substitute autos.
- Hired Autos - means any auto that you hire, rent, lease or borrow from others, other than your employees or members of their households.
- Non-owned Autos - means any auto that: you don't own, hire, rent, lease or borrow; and is used in the conduct of your business. It includes autos owned by your employees or partners or member of their households. But only while such autos are being used in the conduct of your business.

Why are these auto descriptions important?

When hiring sub contractors it is important because the subs are bringing their trucks to your jobsite. If a sub drives onto the job site and causes an accident, The sub is responsible. But if the sub does not have auto insurance, the general contractor is next in line. Why? Because you hired him and he is on the job site working on your project. When hiring a sub you should require him to have auto insurance. The next step is to require the sub to have high limits of auto insurance, if you have \$1,000,000 auto insurance so should the sub.

To protect yourself, you should require the sub to carry "Any Auto" coverage. When reading the description above concerning "Any Auto" you are covered if the vehicle he is driving is owned, rented, leased or borrowed, as opposed to the Owned auto, where only vehicles he owns is covered. Additional problems occur when the sub brings along his employees who may or may not have insurance on their personal vehicles on your jobsite. To fully protect your business, insist that the sub have "Any Auto" or Owned auto coverage **and** Hired Auto and Non-owned Auto.

**It may seem that you are asking a lot from your sub,
but that is what it takes to protect your business.**

- Effective Date & Expiration Date – Date must be completed.
- Policy Number and Carrier completed
- Limits – All limits must be completed.

²The wording on the above auto coverages are from St. Paul Insurance Company. Their wording is very liberal. There are other forms out that are restrictive.

8. Excess Liability — Optional /



- Umbrella Form or Other than Umbrella Form?

What's all this umbrella talk? Is it raining?

Sometimes you will have to give a certificate of insurance to a general contractor or ask a sub contractor to increase the limits of his general liability. There are two different ways of doing this. Most people think an Umbrella Policy and an Excess Policy are one in the same but they are not.

Excess Policy – An excess policy is simple, you can add additional coverage to your general liability. You may have a \$1,000,000 limit but you are required to have \$3,000,000 for the project. An excess policy is written for the two additional million that you need.

Umbrella Policy- this is a little different, actually it is a lot different. You may be asked for \$3,000,000 liability AND \$3,000,000 Auto liability also. In this case an Umbrella is needed. Umbrella policies increase your general liability AND auto insurance.

- Policy number – Excess Liability policy number must be completed.
- Effective Date – Date must be completed.
- Expiration Date – Date must be completed.
- Limits – All limits must be completed

9. Workers Compensation

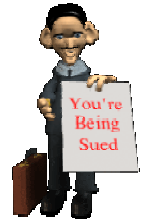
- Policy number — Work Comp policy number must be completed.
- Effective Date — Date must be completed.
- Expiration Date — Date must be completed.
- Limits — All limits must be completed.



- Watch for funny language in the remarks section from Employee Leasing Companies and be aware. If your subcontractor uses an employee leasing company, they have drastic limitations of coverage that do not apply to a sub that owns their own policy. If the certificate shows a PEO or Leasing Company as the Insured and/or specifies that this covers (only) the employees of your sub...be careful. The reason many GCs have quit using subs in PEOs is the following scenario:

* Drywall Sub hires a new employee and figures he'll send paperwork in later and puts new guy on job. New employee wants to impress by moving a large stack of wallboard and strains his

back. PEO denies claim as that employee is not named yet. New employee walks into the friendly offices of Punch, Hammer, and Sue, PA. Guess who now is paying his injuries? The next up line Contractor---YOU! Your insurance company may pay the premium (if you Are also with a PEO- forget that—it's out of YOUR pocket).



If your company pays the claim, whose rates will go up? YOURS! Fair? Of course not?! Happens? Every day! PEO and Employee Leasing should be discouraged by your subs and not accepted by you if your subs subcontract any work. It is just too dangerous!

Perhaps you've seen this since the Work Comp Bureau has been cracking down: Contractor hires a Sub. Sub brings his son on the job. Inspector finds no coverage for son and no valid exemption.



Work Comp Investigator RED TAGS the whole Project! Fair? Of course not?! Happens? Every day! What a mess we have now. Fines, Fines, Fines! Who gets fined? Better question is: Who doesn't?!

10. **Description** - This box is used to explain things such as:

- Name and address of project.
- Naming the additional insured. (This is discussed latter on)
- Cancellation wording for non-payment or reporting or work comp. payroll.

Exclusions (Did I get your attention?)

11. **Certificate Holder** - This is the person that the certificate is issued to. A Full name and address in mandatory!!!

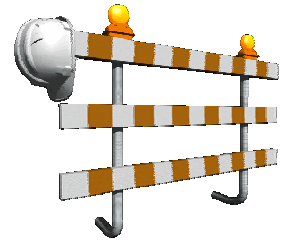
12. **Cancellation** -

Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will endeavor to mail 30 days written notice to the certificate holder named to the left, but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives.

Will endeavor to is the problem here...

Will endeavor to simply means the insurance company will try to let you know if the policy has been cancelled. For many certificate holders will endeavor to is not good enough. The reason is they want to be notified if contractor's insurance is going to be cancelled so they can ask the contractor for a new certificate or get him off the job site before his coverage runs out.

This causes a problem because most insurance companies will not allow the agent to cross out will endeavor to wording. Read your contract, see what the requirements are and call your agent to work out an arrangement. Also ask your agent how to be emailed electronically if a workers comp policy is cancelled. That will not work if your sub is stuck in a PEO. If your Agent does not know how to set this up, you are not dealing with an expert in construction. They may be nice, smart, charitable, have high integrity, and be an expert in many fields...but they are not an expert in construction. Keep that in mind.



Even with the will endeavor to wording crossed out, there is no guarantee that you will get notice of cancellation.

13. Signature must be signed.

14. Acord form version –This should be Acord 25. There are other certificates of insurance other than the Acord form. Sometimes a city or county will have its own, or an insurance company may have their own. But all the information will be there. Maybe not in the exact order of the Acord form.

Attachments to the Certificate of Insurance

Everything we have talked about up to this point is part of the Acord Certificate of Liability Insurance form. Now let's talk about additional form(s) that must be attached to the Certificate form. (If they apply)

Acceptance

Many governmental agencies, cities, general contractors and more and more, smart homeowners will ask to be additionally insured.

What is an Additional Insured Endorsement?

The primary reason for additional insured endorsements is defense coverage; another reason is to insulate your loss experience by making it unnecessary to make a claim under your own liability policy.

Here is an example:

A general contractor hires an electrical contractor and asks the electrical contractor to name the general contractor as an additional insured on the electrician's liability policy.

Let's stop right here..... Go read the Additional insured form CG 20 10 10 01 where it says: (Page 19)

Who is an insured is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of your ongoing operations for that insured.

What that means is the electrical contractor is adding the general contractor as an additional insured to his policy, giving the general contractor the right to turn in a claim against the electrical contractor's policy for liability arising out of the work of the electrical contractor.



This way the general contractor does not have to turn the claim into his liability insurance company.

The general contractor is protecting himself from errors made by the electrical contractor.

Any time you hire a sub-contractor you should ask to be named as additional insured on his policy to protect yourself from errors of the sub. If a claim occurs during the project, the sub-contractor's insurance company must provide a defense on your behalf and you do not have to turn the claim into your insurance company, saving your loss experience, thus saving you money down the road.

The same goes if you are a sub who hires a sub.

There are many additional insured endorsement forms, the two most popular for contractors are the CG 20 10 11 85 (Page 18) and the CG 20 10 10 01. (Page 19)

If you read both forms carefully you will find that there are only a few words that are different.

CG 20 10 11 85 -The last line says with respect to liability arising out of "**your work**" for that insured by or for you. (Page 18)

CG 20 10 10 01 -The last line say with respect to liability arising out of your **ongoing operations** performed for that insured. (Page 19)

The second one (CG 20 10 10 01, Page 19) implies that you must be working on the project at the time of the claim. This form is more restrictive and should be avoided. If AI for Products and Completed operations is NOT included in the Additional Insured Endorsement the GC has a whole lot less protection. Let's say that a drywall contractor punched a small pinhole into a pipe. A few months after completion of building, the building owner wants to sue for the extensive water damage that has been recently discovered after months of a slow leak. The GC has to defend himself and is not covered under the drywaller's contract unless the Additional Insured extended to Completed Operations.



In summary, When hiring sub contractors you must be very careful to get the right insurance certificates from the sub and make sure that you are named as additional insured on his policy. Be sure to ask for the CG 20 10 11 85, and if that's not possible, ask to have "Products and Completed Operations INCLUDED" in the Additional Insured Endorsement. You may also ask for any form that extends Additional Insured status that INCLUDES AI for Products and Completed Operations as well as a substitute for the 11/85 version since it (the 11/85) can be hard to get. If your sub says they can't give you an AI endorsement, recommend that sub research alternate insurance coverage. Listing you as an Additional Insured may actually better protect both you AND your sub because of your contracts. If they don't provide Additional Insured status to you, and you had a hold harmless endorsement in your contract, that might leave them in a mess if your insurance company pays the claim and then goes after them for expense reimbursement. (Check with legal counsel for more information on the contractual requirements).

The CG 20 10 11 85 (or equivalent) usually will cost the sub an additional charge. Most companies include the CG2010 10 01 (or equivalent) at no extra charge on a "blanket basis" Some companies include the endorsements at no additional charge but build the extra charge into the policy itself Other companies will charge as little as \$30 to a high of \$500.

So to recap, your goal is to be "additionally insured" for *completed operations* as well as *ongoing operations*. Please consult your Agent (assuming they are a construction insurance agent) to advise on the limitations of any additional insured endorsement OTHER THAN the CG 2010 11/85. The CG 2010 11/85 is your safest bet!



NAMED INSURED: The sub contractor
POLICY NUMBER: RAN4641 198451

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.
CG 20 10 11 85

**ADDITIONAL INSURED --OWNERS, LESSEES OR CONTRACTORS
(FORM B)**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name of Person or Organization:

Best Practices Giant
Contractors

*12345 Main Street
Anytown, FL 33604*

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

WHO IS AN INSURED (Section 11) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of 'your work' for that insured by or for you.

COMMERCIAL GENERAL LIABILITY
CC 20 10 10 93

POLICY NUMBER: RAN4641198451

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY

ADDITIONAL INSURED - OWNERS, LESSEES OR
CONTRACTORS (FORM B)

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name of Person or Organization:

*Giant Contractors
12345 Main Street
Anytown, FL 34208*

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of your ongoing operations performed for that insured.

CG 20 10 10 93

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What is a Primary Endorsement?

(See enclosed Gray form)

Primary Endorsements — along with the above Additional Insured Endorsement, many people are asking for primary endorsements, most insurance companies have an additional charge for these as well, mostly from \$30- \$250 each. Also listing primary and non contributory language may accomplish same thing.

Primary insurance wording are issued in conjunction with additional insured endorsements.

Stop here and go read the Primary wording. (Page 21)

Using our general contractor and electrician example above: The general contractor wants to be sure that regardless of what insurance he has (general contractor) the electricians insurance company is first (primary) on any claim.

It also goes on to state that the liability is determined to be solely the negligence or responsibility of the electrician.

THIS ENDORSEMENT CHANGES THE POLICY, PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED PRIMARY COVERAGE

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

It is agreed that any person or organization described below is an additional insured, but only with respects to liability arising out of the operations performed for the additional insured by or on behalf of the named insured, and caused by or contributed to a negligent act or omission by the named insured, its agents or employees. The insurance afforded to such additional insured is primary. Any other insurance with such additional insured may have will be non-contributing.

Any other endorsement, provisions, conditions and exclusions of this insurance shall remain unchanged and apply to the additional insured described.

ADDITIONAL INSUREDS:

Giant Contractors
12345 Main Street
Anytown, FL 34208

CG 07 04-02

Certificate of Insurance Checklist and Verification Procedures

I know I have been throwing all this information at you and now its time to sort it out. The first thing you must do is to set a standard set of insurance requirements that all sub contractors must meet in order to work for you.

Ok, here we go step-by-step.

Step #1

ESTABLISH SUB-CONTRACTOR INSURANCE REQUIRMENTS

What insurance requirements are you going to ask of your subs?

The certificate of insurance on the inside back cover of this book is a good example of insurance limits that most general contractors require. (Except for the umbrella option). Look it over, adopt this as your requirement or make changes. Remember to require your subs to name you as additional insured and primary.

Remember that these requirements are yours. Asking for these limits and endorsements allow you to protect your biggest asset. **YOUR BUSINESS.**

S t e p # 2

WHO'S IN CHARGE

Someone in your office must be in charge of certificates of insurance. Depending on the size of your operation, it can be the owner or a person designated by the owner to handle the job.

It has been my experience that contractors like to build things, they do not like to handle paperwork. If you are a one-man operation, make this a priority, or nicely ask your spouse to do this job. (After, you both sit down and read this book)



If you have employees, designate someone to do the job. (After, you both sit down and read this book)

P.S. Another good reason for the owner not to handle the certificates is that certificates need to be verified. To verify a certificate you need to make a phone call. An office person is better suited for this job than an owner who is in the field.

Step # 3 NO EXCEPTIONS

DO NOT MAKE EXCEPTIONS FOR ANYONE.....Not your brother, uncle, father, best friend since high school, current girlfriend or boyfriend, good buddy who is down on his luck right now, NOBODY

Step #4

NOBODY STEPS ON JOBSITE WITHOUT A CERTIFICATE
NOBODY goes on the jobsite until you have received his or her certificate of insurance and it has been checked and verified.



Step # 5 TELL THE SUB-CONTRACTORS YOUR REQUIREMENTS IN ADVANCE

When you send out your specs for the subs to bid, include a copy of the certificate of insurance (with your requirements typed in) and the additional insured endorsement(s) and primary endorsement you require in order for them to bid on your project.

Starting on the next page I have put an example of an insurance packet you can include with the job specs.

Use my sample packet or devise your own.

A good time to get your certificates of insurance file in good order is when you are not busy, you know, when you are between jobs. This way when your jobs start you will be ready and you will not hire subs and have to wait until they get their certificates in to you. You will already have them on file and ready to go.

(On your company letterhead)
Insurance requirements for Sub Contractors

Dear Sub-Contractor

In order to work for (Your Company), we have a set of insurance requirements that must be met before you can start on our jobsite.

Please look over the requirements before bidding, to make sure you can comply. If you do not comply, your bid will not be considered.

A sample of the certificate of insurance, additional insured endorsement, (CG 20 10 11 85 edition) and primary endorsement are attached. If you are not sure if you have the required insurance and endorsements, fax a copy to your insurance broker for confirmation.

Your insurance broker can quickly tell you if you have the correct coverage or will need additional coverage to comply.

We are looking forward to your bid.

Thank You,
(Name of certificate person in your office)
Phone Number and Fax Number

******Make sure you provide a certificate of insurance with your requirements and a copy of the CG 2010 11/85 and a copy of the primary endorsement, along with this letter*

Step #6 USE THE CHECKLIST

Now we have a copy of the sub-contractors certificate of insurance, additional insured endorsement, and a primary endorsement on our desk.

Using the checklist, go through each section of the certificate and see if anything is missing, misspelled or the dates are wrong. If there are errors Call the insurance agency who gave you the certificate and ask them to make the corrections and fax a new one back to you.

Step #7 THE EXTRA STEP - EXCLUSIONS

This is the area that can cause a problem and the only way to find out in advance is to ask.

For example; in Florida, many companies exclude New Construction on Residential projects, you should call the insurance agency and ask a very simple question.

Call the agency and ask the agent or customer service person handling the sub-contractors account if any exclusions on the policy regarding Condo's, Townhouses and Apartments? If the answer is yes, the certificate you are holding is worthless.

If the answer is no, then kindly ask the person to send you a short note stating there are no exclusions for New Residential Construction.

Other exclusions may be:

If you are hiring a concrete contractor for house pads, a good question to ask is, are there any exclusions on the concrete contractors regarding house pads?

If you are hiring a landscaper who is going to use chemicals, call and ask regarding the use of chemicals.

If you are hiring a grading or excavation contractor, ask about exclusions regarding earth movement.

Look at my list of exclusions and look at your own policy for exclusions to formulate your questions.

I realize this is more work, but the question is do you want to know about these potential problems before or after the claim?

Florida Contractor Insurance Certificate checklist

Subcontractor Name _____ Trade _____ Lic. # _____

- Contract signed
- Certificate received
 - Company's are A rated
- ✓ General liability section
 - Occurrence box marked
 - General liability limits \$1,000,000
 - General Liability expiration date current
- ✓ Auto Section
 - Auto Liability limits \$1,000,000
 - Any auto or all owned or scheduled auto marked
 - Non owned auto checked marked
 - Auto expiration date current
- ✓ Excess liability Section (optional)
 - Excess liability expiration date current
 - Excess limits correct
- ✓ Workers Compensation Section
 - Proprietor/partners/executive officers Included/Excluded
 - Workers compensation expiration date current
 - Workers compensation limits \$1,000,000
- ✓ Description of operations
 - Certificate holder is named as additional insured
 - Location of job specified
- ✓ Certificate holder
 - Is your company name spelled correctly
 - 30 days notice of cancellation (10 days for non payment)
- ✓ Signature
 - Is certificate signed
- ✓ Additional Insured Endorsement
 - Is additional insured endorsement attached
 - Is your name typed on the additional insured endorsement
 - Is the policy number typed on the additional insured endorsement
 - Name of person or organization typed in
- ✓ Primary Endorsement
 - Is primary endorsement attached
 - Policy number typed in.
 - Name of person or organization typed in.
- ✓ Verification
 - Called to verify exclusions

Verification performed by _____ Date _____

ORGANIZATIONAL SUGGESTIONS

- ❑ Buy a three ring binder; Label the Binder SUB-CONTRACTOR INFORMATION.
- ❑ Three hole punch the Certificate of Insurance, Additional Insured Endorsement and the Primary Endorsement and put them in the Binder. It is much easier to keep track of things this way instead of putting the information in a file and filing it away.
- ❑ Have a packet of your company's certificate requirements already made up in advance so you can quickly send it out.
- ❑ You must have a way of keeping track of the expiration dates of the sub-contractors insurance. Remember, when you get a certificate of insurance, all the subs insurance policies may not expire on the same day. The General Liability may expire in March, the auto may expire in July and the work comp may expire in October.

There are many ways of doing this, depending on how many subs you use. A wall or desk calendar, computer system, appointment book, etc. are some examples. Pick the best one for you.

Final thoughts

Over the years, our Clients have always asked: what do I need for Certificates of Insurance?

I finally sat down and wrote it all out. If you have a question regarding anything in this Guide or have something to add, please give me a call, I am always looking for new material.

Thanks for your time, and thanks for continuing to build, repair, remodel, develop, and provide jobs for this great state in this great country!

Mark Sierra

Come visit me on the web www.floridacontractorinsurance.com