

Introduction to Insurance & Indemnity

The information provided here on insurance and indemnification serves as a guide in developing proper insurance requirements in contracts. These samples illustrate insurance requirements for contracts with contractors, tenants, consultants and users of public property. The certificate of insurance section advises on what to look for in insurance certificates you receive.

Risk Management is more of an art than a science, and therefore, although these samples will provide guidance in most instances to the user, there will also no doubt be exceptions to the requirements contained herein.

Remember that the \$1 million shown on these exhibits is a minimum limit. Higher limits should be required for any activity that has a severe loss potential. To assist in determining proper limits determine how much damage the contractor can cause to person or property if they totally botched their work. Consider the loss exposure and not the value of the contract in determining appropriate liability limits.

One question commonly asked is if we can lower the insurance limits when dealing with small contractors or users of our public property. Unfortunately you should not, as these are the very people or organizations that you want adequate insurance limits from. The smaller contractors do not have the assets needed to indemnify your entity in case of a serious underinsured loss. There are many risk management examples with stories of entities who allow under-insurance because a job being done was small, only to have a large uninsured loss that the entity had to absorb.

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