



Risk Transfer Guidelines

Follow a set procedure every time a service is outsourced. Require written contracts with every contractor, vendor, or other third-party service provider. Do not allow the vendor/contractor to start until all contracts are signed and all risk transfer requirements are met. Risk transfer requirements should include:

1. A written construction contract with each vendor that includes at least:

- An indemnification agreement in your favor
- A hold harmless agreement in your favor
- A requirement that you be added as an additional insured on the vendor's commercial general liability policy
- A requirement that such additional insured status be on a **primary** basis
- A requirement that the additional insured coverage include both work in process (i.e., ongoing operations) and completed work (i.e., completed operations)
- A requirement that the additional insured coverage be maintained for a specified length of time
- A requirement that each vendor maintain adequate commercial general liability limits of insurance. Suggested minimum limits include:
 - \$2 million Each Occurrence (Bodily Injury and Property Damage)
 - \$2 million General Aggregate that applies on a per project basis
 - \$2 million Products/Completed Operations Aggregate
 - \$1 million Per Person or Organization (Personal and Advertising Injury)
- A requirement that you be given 30 days written notice if the contractor's policy is canceled

2. A completed certificate of insurance from every vendor/contractor that:

- Describes the type of insurance and limits of insurance in effect. Compare it to your risk transfer checklist to make certain it meets your requirements
- Names you as the certificate holder and indicates you have been named as an additional insured on the commercial general liability coverage
- Indicates the form number of the additional insured endorsement
- States that you must be given 30 days written notice if the contractor's policy is canceled

3. Other action items such as:

- Obtain a copy of the endorsement added to the vendor's policy that names you as an additional insured
- Verify that the additional insured endorsement provides coverage for the required work in process and completed work
- Maintain organized files that include the construction contracts, certificates of insurance and additional insured endorsements
- Set up a suspense system, whether manual or automated, to track the certificates and policy expiration dates. When a commercial general liability policy expires, contact the vendor and request a current certificate of insurance