

RISK MATRIX AND INSURANCE LANGUAGE

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Exhibit 1

Risk Matrix Definitions

(Determine Risk Category by evaluating all factors that could increase the agency's liability for that particular project. Once Risk Category is determined, utilize Exhibit 2 to select insurance terms.)

Risk Category	Risk Level	Examples
1	Low	<ul style="list-style-type: none">• Vending machine providers• Special events• Consultant Agreements• General contracts
2	Intermediate	<ul style="list-style-type: none">• Most Construction contracts• Some professional service providers• Technology consultants• Facilities use/Rental Agreements• Special events w/ high risk activity, alcohol
3	High	<ul style="list-style-type: none">• Major construction contracts• Garbage, waste or toxic material haulers• Marine or Airport operations
Other	Undefined	<ul style="list-style-type: none">• The risk is unique• Custom insurance requirements needed

**Exhibit 2
Risk Matrix**

("+ " = Limits may need to increase for Risk Categories 2 & 3, depending on the project.)

Risk Category	Workers' Compensation	General Liability	Auto Liability
1	Statutory Employer's Liability \$1,000,000	\$2,000,000 per occurrence (may accept \$1,000,000 per occurrence for lower risks) \$4,000,000 general aggregate \$1,000,000 products/completed operations aggregate	\$2,000,000 Combined Single Limit (may accept \$1,000,000 for lower risks)
2	Statutory Employer's Liability \$1,000,000	\$2,000,000+ per occurrence \$4,000,000+ general aggregate \$2,000,000+ products/completed operations aggregate	\$2,000,000+ Combined Single Limit
3	Statutory Employer's Liability \$1,000,000	\$5,000,000+ per occurrence \$10,000,000+ general aggregate \$5,000,000+ products/completed operations aggregate	\$5,000,000+ Combined Single Limit
Other	Consult with Risk Management Professionals	Consult with Risk Management Professionals	Consult with Risk Management Professionals

Language Templates for Risk Categories 1-3

1. Category 1 “Low Risk”

Insurance Requirements

i. Commercial General Liability

- a. Vendor shall maintain commercial general liability insurance with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than one million dollars (\$1,000,000) per occurrence for bodily injury, personal injury, and property damage, including without limitation, blanket contractual liability. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit. Vendor’s general liability policies shall be primary and shall not seek contribution from the City’s coverage, and be endorsed using Insurance Services Office form CG 20 10 (or equivalent) to provide that City and its officers, officials, employees, and agents shall be additional insureds under such policies. For construction projects, an endorsement providing completed operations coverage for the additional insured, ISO form CG 20 37 (or equivalent), is also required.
- b. Any failure to comply with reporting provisions of the policies by Vendor shall not affect coverage provided the City.
- c. Coverage shall state that Vendor insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer’s liability.
- d. Coverage shall contain a waiver of subrogation in favor of the City.

ii. Business Automobile Liability

- a. Vendor shall provide auto liability coverage for owned, non-owned, and hired autos using ISO Business Auto Coverage form CA 00 01 (or equivalent) with a limit of no less than one million dollars (\$1,000,000) per accident.

iii. Workers’ Compensation and Employers’ Liability - Statutory

- a. Vendor shall maintain Workers' Compensation Insurance and Employer's Liability Insurance with limits of at least one million dollars (\$1,000,000). Vendor shall submit to City, along with the certificate of insurance, a waiver of subrogation endorsement in favor of City, its officers, agents, employees, and volunteers.
 - i. Proof of Worker's Compensation is not required if Consultant provides written verification that they have no employees.

iv. All Coverages

- a. It shall be a requirement under this agreement that any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the Additional Insured. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this Agreement; or (2) the broader coverage and maximum limits of coverage of any Insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements of this agreement are sufficient to cover the obligations of the Contractor under this agreement.
- a. Each insurance policy required by the agreement shall be endorsed to state that coverage shall not be suspended, voided, cancelled, or reduced in limits except after thirty (30) days' prior written notice has been given to the City, except that ten (10) days' prior written notice shall apply in the event of cancellation for nonpayment of premium.
- b. All self-insurance, self-insured retentions, and deductibles must be declared and approved by the City.
- c. Evidence of Insurance - Prior to commencement of work, the Vendor shall furnish the City with certificates, additional insured endorsements, and waivers of subrogation evidencing compliance with the insurance requirements above. The Vendor must agree to provide complete, certified copies of all required insurance policies if requested by the City.
- d. Acceptability of Insurers - Insurance shall be placed with insurers admitted in the State of California and with an AM Best rating of A- VII or higher.

2. Category 2 “Intermediate Risk”

Insurance Requirements

ii. Commercial General Liability

- a. Vendor shall maintain commercial general liability insurance with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than two million dollars (\$2,000,000) per occurrence for bodily injury, personal injury, and property damage, including without limitation, blanket contractual liability. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit. Vendor’s general liability policies shall be primary and shall not seek contribution from the City’s coverage, and be endorsed using Insurance Services Office form CG 20 10 (or equivalent) to provide that City and its officers, officials, employees, and agents shall be additional insureds under such policies. For construction projects, an endorsement providing completed operations coverage for the additional insured, ISO form CG 20 37 (or equivalent), is also required.
- b. Any failure to comply with reporting provisions of the policies by Vendor shall not affect coverage provided the City.
- c. Coverage shall state that Vendor insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer’s liability.
- d. Coverage shall contain a waiver of subrogation in favor of the City.

ii. Business Automobile Liability

- a. Vendor shall provide auto liability coverage for owned, non-owned, and hired autos using ISO Business Auto Coverage form CA 00 01 (or equivalent) with a limit of no less than two million dollars (\$2,000,000) per accident.

iii. Workers’ Compensation and Employers’ Liability- Statutory

- a. Vendor shall maintain Workers' Compensation Insurance and Employer's Liability Insurance with limits of at least one million dollars (\$1,000,000). Vendor shall submit to City, along with the certificate of insurance, a waiver of subrogation endorsement in favor of City, its officers, agents, employees, and volunteers.
 - i. Proof of Worker's Compensation is not required if Consultant provides written verification that they have no employees.

iv. All Coverages

- a. It shall be a requirement under this agreement that any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the Additional Insured. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this Agreement; or (2) the broader coverage and maximum limits of coverage of any Insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements of this agreement are sufficient to cover the obligations of the Contractor under this agreement.
- b. Each insurance policy required by the agreement shall be endorsed to state that coverage shall not be suspended, voided, cancelled, or reduced in limits except after thirty (30) days' prior written notice has been given to the City, except that ten (10) days' prior written notice shall apply in the event of cancellation for nonpayment of premium.
- c. All self-insurance, self-insured retentions, and deductibles must be declared and approved by the City.
- d. Evidence of Insurance - Prior to commencement of work, the Vendor shall furnish the City with certificates, additional insured endorsements, and waivers of subrogation evidencing compliance with the insurance requirements above. The Vendor must agree to provide complete, certified copies of all required insurance policies if requested by the City.
- e. Acceptability of Insurers - Insurance shall be placed with insurers admitted in the State of California and with an AM Best rating of A- VII or higher.

f. Contractors shall require and verify that all subcontractors, or other parties hired for this work, purchase and maintain coverage for indemnity and insurance requirements as least as broad as specified in this agreement to the extent they apply to the scope of the subcontractor's work with the same certificate of insurance requirements and naming as additional insureds all parties to this contract. Contractor shall include the following language in their agreement with Subcontractors: Subcontractors hired by Contractor agree to be bound to Contractor and City in the same manner and to the same extent as Contractor is bound to City under the contract documents and provide a valid certificate of insurance and the required endorsements included in the agreement as proof of compliance prior to commencement of any work and to include this same requirement for any subcontractors they hire for this work. A copy of the owner contract document indemnity and insurance provisions will be given to the subcontractor upon request. Contractor shall provide proof of such compliance and verification to the City upon request.

B. Category 3 "High Risk"

Insurance Requirements

i. Commercial General Liability

- a. Vendor shall maintain commercial general liability insurance with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than five million dollars (\$5,000,000) per occurrence for bodily injury, personal injury, and property damage, including without limitation, blanket contractual liability. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit. Vendor's general liability policies shall be primary and shall not seek contribution from the City's coverage, and be endorsed using Insurance Services Office form CG 20 10 (or equivalent) to provide that City and its officers, officials, employees, and agents shall be additional insureds under such policies. For construction projects, an endorsement providing completed operations coverage for the additional insured, ISO form CG 20 37 (or equivalent), is also required.
- b. Any failure to comply with reporting provisions of the policies by Vendor shall not affect coverage provided the City.
- c. Coverage shall state that Vendor insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

- d. Coverage shall contain a waiver of subrogation in favor of the City.
- ii. Business Automobile Liability
 - a. Vendor shall provide auto liability coverage for owned, non-owned, and hired autos using ISO Business Auto Coverage form CA 00 01 (or equivalent) with a limit of no less than five million dollars (\$5,000,000) per accident.
- iii. Workers' Compensation and Employers' Liability- Statutory
 - a. Vendor shall maintain Workers' Compensation Insurance and Employer's Liability Insurance with limits of at least one million dollars (\$1,000,000). Vendor shall submit to City, along with the certificate of insurance, a waiver of subrogation endorsement in favor of City, its officers, agents, employees, and volunteers.
(Proof of Worker's Compensation is not required if Consultant provides written verification that they have no employees).
- iv. All Coverages
 - a. It shall be a requirement under this agreement that any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the Additional Insured. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this Agreement; or (2) the broader coverage and maximum limits of coverage of any Insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements of this agreement are sufficient to cover the obligations of the Contractor under this agreement.
 - b. Each insurance policy required by the agreement shall be endorsed to state that coverage shall not be suspended, voided, cancelled, or reduced in limits except after thirty (30) days' prior written notice has been given to the City, except that ten (10) days' prior written notice shall apply in the event of cancellation for nonpayment of premium.
 - c. All self-insurance, self-insured retentions, and deductibles must be declared and approved by the City.

- d. Evidence of Insurance - Prior to commencement of work, the Vendor shall furnish the City with certificates, additional insured endorsements, and waivers of subrogation evidencing compliance with the insurance requirements above. The Vendor must agree to provide complete, certified copies of all required insurance policies if requested by the City.
- e. Acceptability of Insurers - Insurance shall be placed with insurers admitted in the State of California and with an A.M. Best rating of A- VII or higher.

Subcontractors and Consultants -

- f. Contractors shall require and verify that all subcontractors, or other parties hired for this work, purchase and maintain coverage for indemnity and insurance requirements as least as broad as specified in this agreement to the extent they apply to the scope of the subcontractor's work with the same certificate of insurance requirements and naming as additional insureds all parties to this contract. Contractor shall include the following language in their agreement with Subcontractors: Subcontractors hired by Contractor agree to be bound to Contractor and City in the same manner and to the same extent as Contractor is bound to City under the contract documents and provide a valid certificate of insurance and the required endorsements included in the agreement as proof of compliance prior to commencement of any work and to include this same requirement for any subcontractors they hire for this work. A copy of the owner contract document indemnity and insurance provisions will be given to the subcontractor upon request. Contractor shall provide proof of such compliance and verification to the City upon request.

Exhibit 3
Ancillary Coverage Requirements

Contract Activity Involved	Professional Liability	Pollution Liability	Builders Risk	Aircraft Liability	Cyber Liability	Installation Floater
Construction or Remodeling Projects - Construction or remodeling projects		X	X			X
Hazardous or Waste Materials - Removal of asbestos or lead-based paint; or the use, application, transport, removal, cleanup, or disposal of hazardous material in quantities of 100 gallons or more; or the disposal, treatment, transport, or storage of waste.		X				
Installation of Equipment						X
Professional Service Provider - Services from an accountant, architect, attorney, claims administration firm, consultant, insurance broker, engineer, financial advisor, medical professional, or other person who maintains a professional license.	X					
Technology Vendor	X				X	
Use of Aircraft or Helicopter				X		

1. The following are suggested insurance language if Ancillary Coverages are recommended. Please consult with the Risk Manager for customized limits and language for specific circumstances.

a. Aircraft Liability Insurance

- i. Aircraft liability insurance coverage shall provide limits of \$5,000,000 - \$10,000,000 per accident.
- ii. The policy shall be endorsed to include the City, its officers, employees, and agents as additional insureds.

b. Builders Risk Insurance

- i. Contractor shall obtain and maintain Builders Risk/Course of Construction insurance. Policy shall be provided for replacement value on an "all-risk" basis, including earthquake and flood. The City shall be named as Loss Payee on the policy and there shall be no coinsurance penalty provision in any such policy. Policy must include: (1) coverage for removal of debris, and insuring the buildings, structures, machinery, equipment, materials, facilities, fixtures, and all other properties constituting a part of the project; (2) "Installation Floater" coverage with limits sufficient to insure the full replacement value of any property or equipment stored either on or off the project site. Such insurance shall be on a form acceptable to City to ensure adequacy of terms and limits. Contractor shall not be required to maintain property insurance for any portion of the Project following transfer of control thereof to City.

c. Cyber Liability Insurance

- i. Cyber Liability Insurance with limits not less than \$1,000,000 per claim.
- ii. Coverage shall be sufficiently broad to respond to the duties and obligations as is undertaken by Vendor in this agreement and shall include, but not be limited to, claims involving infringement of intellectual property, including but not limited to infringement of copyright, trademark, trade dress, invasion of privacy violations, information theft, damage to or destruction of electronic information, release of private information, alteration of electronic information, extortion, and network security.

- iii. The policy shall provide coverage for breach response costs as well as regulatory fines and penalties, and credit monitoring expenses with limits sufficient to respond to these obligations.

d. Pollution Liability Insurance

- i. Pollution Coverage shall be provided for liability arising out of sudden, accidental and gradual pollution and remediation. The policy limit shall be no less than two million dollars (\$2,000,000) per claim. All activities contemplated in this agreement shall be specifically scheduled on the policy as “covered operations.” The policy shall provide coverage for the hauling of waste from the project site to the final disposal location, including non-owned disposal sites.
- ii. The policy shall be endorsed to include the City, its officers, employees, and agents as insureds.

e. Professional Liability Insurance

- i. Contractor shall maintain professional liability insurance that insures against professional errors and omissions that may be made in performing the Services to be rendered in connection with this Agreement, in the minimum amount of two million dollars (\$2,000,000) per claim and in the aggregate. Any policy inception date, continuity date, or retroactive date must be before the effective date of this agreement, and Contractor agrees to maintain continuous coverage through a period no less than three years after completion of the services required by this agreement.

f. Crime/Fidelity Bond –

Insurance no less than **\$ (Varies depending on contract amount)** per occurrence, covering all officers and employees, for loss of City proceeds caused by dishonesty and/or theft.

g. Sexual Abuse or Molestation Coverage

Vendor shall maintain commercial general liability insurance with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than two million dollars (\$2,000,000) per occurrence for bodily injury, **sexual abuse and molestation coverage**, personal injury, and property damage, including without limitation, blanket contractual liability.

Risk Assessment Tool for Contractual Risk Transfer

1. Risk Analysis – What Coverage Do I Need?
2. Requirements for Contracts with Vendors

Risk Analysis – What Coverages Do I Need?

Establishing insurance requirements for contracts is an important part of risk control that can save your municipality both money and valuable employee hours. We recommend clear and precise insurance language that is included in the RFP process, so that vendors know the expectations prior to bidding. Some municipalities even have potential bidders sign a document to confirm that they can and will comply with the insurance requirements.

But, how do we know that we are requiring amounts and coverages that are appropriate for the job? This guide is intended to help you establish requirements that comply with industry standards and provide reasonable protections to the city and not an undue burden on the vendors. While no requirement is set in stone, creating a foundation for various categories will make what can be a daunting process into something more manageable.

Most of us probably know when General Liability, Auto Liability and Workers Compensation coverage is required. But, for more boutique coverages, the answer is not always clear. See below for a helpful risk analysis tool that will help you understand if a coverage is appropriate for the scope of services:

If the answer is yes to any of the questions below, then coverage may be necessary:

Professional Liability

- Is the vendor a Doctor, Medical Practitioner, Counselor, Therapist, Attorney or Architect?
- Does the scope of services include Zoning or City Planning?
- Is the IT service turnkey in nature?
- Is vendor providing accounting work of a turnkey nature?
- Is vendor consulting (i.e. Giving advice), Training, Educating, and/or translating?
- Is vendor providing brokerage services?
- Is vendor providing scientific/technical, research/testing or inspection services?
- Is vendor providing surveying or soil engineering services?
- Is vendor a Construction Management service?

Pollution Liability

- Is a building or structure being demolished?
- Will vendor be removing lead paint?

- Will vendor be disrupting asbestos?
- Will vendor be hauling or using chemicals or fuel?
- Is vendor remediating?
- Is vendor using fungicides, herbicides, or pesticides?
- Is vendor working underground, drilling, or working near tanks or pipelines?
- Is vendor using or hauling caustic or toxic materials?
- Is vendor using or working on sewer?
- Is vendor working on storm drains or laterals?
- Is vendor working in or near a body of water?

Builder's Risk or Course of Construction Coverage

- Is vendor building, re-building, or renovating property?

Property Insurance

- Is tenant leasing city property or lands?
 - Is tenant responsible for maintenance, improvements or betterments?
- Is tenant responsible for ADA compliance of building?

Crime Insurance

- Will vendor or vendor employees have access to city money?
- Will vendor or vendor's employees be investing city funds?
- Does vendor generate revenue for the city?

Requirements for Contracts with 3rd Party Vendors

Type of Agreement	GL Occur/Agg	Auto Liab.	Workers' Comp	Prof. Liab.	Pollution Liability	Bonds	Cyber	Crime
Aircraft Operations	2/4	10 (Aircraft)	(Statutory)					
Airport Lease	2/4	2	(Statutory)		1			
Construction*	2/4	1	(Statutory)		Maybe	Yes		
Construction (Major)*	5/10	5	(Statutory)		Maybe	Yes		
Consultant	1/2	1	(Statutory)	1				
Design Professional (Architect/Engineers)	2/4	1	(Statutory)	2				
Encroachment Permits	1/2		(Statutory)					
Encroachment Permits (Major)	2/4	2	(Statutory)					
Environmental Services	3/6	2	(Statutory)	2	2			
Explosives/Tunneling	10	5	(Statutory)		5			
Gasoline/Petroleum/Propane Provider	5/10	5	(Statutory)		5			
Grant or Loan Agreements	1/2		(Statutory)					1
IT Services	2/4		(Statutory)	1			2	
Land Surveyor	2/4	2	(Statutory)	1				
Lease Agreement**	2/4	1	(Statutory)					Maybe
Lease Agreement/Food Operations	3/6	1	(Statutory)					
Professional Services Agreement	2/4	1	(Statutory)	2				
Professional Services Agreement (Consultant)	1/2	1	(Statutory)	1 or 2				
Recreation Services	1/2	1	(Statutory)					
Recreation Services (Aquatics)	5/10	1	(Statutory)					
Recreation Services (Sports)	3/6	1	(Statutory)					
Ride Share Programs	5/10	5	(Statutory)					
Subdivision Improvement	3/6	2	(Statutory)					
Taxicab Agreements	1/2	1	(Statutory)					
Towing Heavy***	1/2	2	(Statutory)					
Towing Standard***	1/2	1	(Statutory)					
Transportation Services	5/10	5	(Statutory)					
Trucking, transportation, solid waste	5/10	5	(Statutory)		2			
Watercraft Operations****	3/6	1	(Statutory)		2			

*Construction contracts may require builder's risk, usually if a new construction or major renovation of existing building.

**Property insurance for betterments and improvements of renter with city as loss payee.

***Towing companies have some unique coverage details—see Alliant’s Contract Manual for more details

****Watercraft Operations should include P&I coverage in their CGL, and Jones Act or Longshoreman’s Harbor Workers Act Coverage for Worker’s Comp