State of Nevada

Risk Management Division

**INSURANCE REQUIREMENTS FOR CONTRACTS**

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GENERAL INFORMATION

## A. WHAT IS THE PURPOSE OF THIS DOCUMENT?

This document has been developed by the Risk Management Division to assist State agency contract managers in understanding and incorporating the State’s insurance requirements into contracts, requests for proposals (RFPs) leases and other agreements. Our goal is to provide easy-to-use guidelines that can be copied from our website into a contract document.

Indemnification language is required in all State contracts so that the responsibility for claims that may arise out of the course and scope of the contract will be transferred to the contractor. The insurance requirements ensure that the contractor has the financial resources to pay claims.

## B. WHO SHOULD USE THIS MANUAL?

This manual will assist State staff who:

* Negotiate or formulate State contracts or leases
* Administer State contracts or leases
* Review and approve State contracts or leases
* Review and track insurance certificates or binders

## C. TRANSFERRING RISK THROUGH CONTRACTS

The State transfers the risk of accidental loss through contracts and related laws or regulations. This transfer of risk is achieved by requiring the other party to the State contract, i.e., the "contractor”, "vendor", “permittee”, or "lessee", to protect themselves and the State against claims or judgments arising from their products, services, activities or use of State facilities. The best way to ensure that the transfer actually takes place, i.e., the loss will be paid by someone other than the State, is to require an **indemnification agreement** and **insurance**.

Bid specifications, contracts, leases and permit requirements should contain a clear description of the required insurance. In addition, they should contain a hold harmless and indemnification clause that works in conjunction with the insurance requirements. A hold harmless and indemnification clause is an agreement by which one party assumes the liability of another and agrees to defend them in the event of a claim. An indemnification agreement is the legal provision that transfers risk, while insurance provides the financial guarantee.

Insurance policies that financially support the hold harmless and indemnification clause may not automatically become effective upon execution of the contract. Coverage applies only when the contractor's insurance company issues the required insurance policies or endorses existing policies to match the insurance requirements of the contract.

As proof of coverage, most insurance agents and brokers will provide a document called a certificate of insurance. While a certificate is evidence that the contractor has an insurance policy, it does not guarantee that the required insurance provisions are in place. Even with this shortcoming, the certificate of insurance, if completed correctly, is the only practical means of confirming that coverage exists. In some situations it may be necessary to obtain and review the actual policy and specificendorsements.

This manual provides guidance on how to establish appropriate insurance requirements for a variety of contracts are discussed in this manual and sample insurance specifications are provided for each contract type.

## D. GUIDE TO AUTOMOBILE LIABILITY EXEMPTION

Some contracts may not require contractors to use a vehicle in the performance of a service. Others may require vehicle use with a limited scope, i.e. a commute. “Commute” means a trip between the contractor’s home or principal place of business and a State location or destination. In these cases, where **all** contractors under an agreement travel **only** within a “commute, or do not drive at all, the State agency may decide not to include the automobile liability requirement.

There are several sample insurance requirements sections included in this manual that have been developed for those situations where the intended vehicle use is either limited to a commute or not required by the scope of services. Other sections may be revised to delete the automobile liability requirement, provided the contractor’s vehicle use is limited based on the above criteria. It is crucial that State staff know the likelihood of such limited use before deciding to eliminate the requirement. If State staff needs guidance from Risk Management on eliminating the automobile liability requirement, they will need to present the scope of services to Risk Management for evaluation.

**Depending on vehicle usage, the State may reduce the automobile liability requirement form the standard $1,000,000 CSL to $300,000 CSL. However, the scope of services should be reviewed by Risk Management before any reduction in limits is granted.**

## E. GUIDE TO WORKERS’ COMPENSATION EXEMPTION

Some contractors may be exempt from purchasing workers’ compensation insurance. If the State contracts with a **sole proprietor** of a business, the workers’ compensation insurance requirement may be waived by completing the appropriate waiver form.

A Sole Proprietor, as referenced in NRS 616A.310 defines a **“sole proprietor” as a self-employed owner of an unincorporated business and includes: working partners and members of working associations. Sole Proprietors** can waive their rights to workers’ compensation benefits by completing the [Sole Proprietor Waiver Form,](http://risk.nv.gov/uploadedFiles/risknvgov/content/Contracts/AffidavitOfRejectionOfCoverage.pdf) which acknowledges that the sole proprietor is not an employee of the State and not entitled to workers’ compensation benefits. The sole proprietor must also acknowledge that if they have employees they must purchase workers’ compensation insurance for them.

In order to waive the workers’ compensation insurance requirement, the contractor cannot be a corporation, limited liability Company, partnership or a sole proprietor with employees. If the department authorizes a waiver of the workers’ compensation insurance requirement, the waiver form must be signed by the sole proprietor contractor. The signed waiver form should be kept in the department contract file.

## F. WHEN TO REQUIRE PROFESSIONAL LIABILITY

Professional liability insurance protects against losses that occur when a "professional" fails to practice his or her art to the usual and customary standards of that profession. Therefore, there can be risks to the State associated with errors (or allegations of errors) in the professional’s work product or judgment.

Professional liability may have a different meaning when it relates to insurance rather than a "type" of State contract. In order to determine if you should require professional liability insurance, ask yourself:

1) Is the professional licensed or certified (i.e. paramedics, attorneys, engineers, etc.)?

2) Will the information developed by the professional be used in a decision-making process within the State that could create a liability (i.e. prepares documentation used to complete an EPA permit)?

If the answer is **yes** to either of these questions, then professional liability insurance should be required.

The types of losses that can occur under such circumstances are often excluded under general liability policies. They can be covered through separate professional liability insurance policies,also known as “errors and omissions” (E&O) liability insurance.

Examples of services that would require professional liability coverage include but are not limited to:

|  |  |
| --- | --- |
| * Accountants
 | * Child care workers / facilities
 |
| * Appraisers
 | * Engineers/architects
 |
| * Attorneys
 | * Financial consultants
 |
| * Auctioneers
 | * Medical professionals
 |
| * Auditors
 | * Property managers / real estate agents
 |
| * Computer / software design
 | * Social workers
 |
| * Consultants
 | * Teachers
 |

Because professional liability insurance is generally written on aclaims-made basis, there is a concern about coverage for latent defects or design errors that may result in claims after the contract has been completed. One solution to this problem is to require the contractor to maintain the coverage for a specified period *after* the project has been completed or to purchase an extended reporting period, otherwise known as "tail coverage". The State’s standard requirements for professional liability require a two-year extended reporting period for all claims-made policies.

* **Note:** The contract manager will need to make sure that the contractor has provided evidence of the extended reporting period coverage at the end of the project and before all final payments to the contractor have been made.

## G. WHEN TO REQUIRE COMMERCIAL CRIME OR FIDELITY BONDING

**Commercial Crime**

Because General Liability policies exclude coverage for losses due to crime or employee dishonesty, insurance companies have developed specialized policies covering that risk. Contracts should include this when contractor is handling money, securities, other valuable property or has access to computer networks or computer data

Coverage provided by Commercial Crime policies can include:

* **Employee dishonesty** – covers embezzlement or theft of property or funds.
* **Forgery & Alteration** – covers when employee forges or alters documents
* **Monies & Securities** – cover theft of money and securities by employee or outside party.
* **Computer Crime** – covers employee or outside parties that steals money data via electronic means.

To provide coverage to the State, the Crime policies must be endorsed to cover **Third Party Fidelity**. Third party fidelity covers the contractor’s employees when engaged in work for a client. Additionally to ensure payment to the state, the policy should as include the State of Nevada as a **Loss Payee**.

**Fidelity Bonds**

Fidelity bonds are similar to fidelity insurance in terms of the type of protection provided. An individual bond covers a specific employee. Scheduled bonds cover specific positions or named employees, such as all employees of a retail store or all cashiers at the store.

Unlike fidelity insurance, which involves two parties, the insured and the insurer, fidelity bonds involve three parties. The principal is the person who might cause the loss; the obligee is the person who would collect if the principal caused a loss; and the surety is the entity that pays the loss. Fidelity bonds are also used in situations involving risk that an employee could steal from a third party. For example, a stock brokerage would bond employees to cover potential thefts from customers.

## H. POLICIES FOR SMALL BUSINESS AND SOLE PROPRIETORS

How can a vendor who is a sole proprietor or a small business obtain coverage to fulfill our Insurance requirements?

One package policy frequently purchased by small to mid-size businesses is the **Business Owner's Policy** or **BOP**. The BOP is a package policy designed to meet the insurance needs of small offices, stores, apartment houses, and certain types of small services and processing businesses. (**The business owner’s package policy does not provide coverage for worker’s compensation – for information pertaining to sole proprietors; see General Information, Section E.)**

A BOP policy includes coverage for many types of insurance policies usually purchased separately. The BOP can include property insurance for buildings and their contents. The package policy may also cover loss of business income and extra expense resulting from a fire or similar insured peril. The liability section of the BOP includes coverage for bodily injury or property damage that a business may be liable for.

The key to whether a business owner is eligible for the BOP is the size of the premises, the limits of liability required, the type of commercial operation it is, and the extent of its off-premises servicing and processing activities. Certain categories of small businesses, such as restaurants, wholesalers, florists, garages, etc., would not be eligible for a BOP, regardless of size, because they have specialized insurance needs. Many insurance companies offer specifically designed policies that usually include specialty coverage that is advantageous to those businesses.

More information regarding these policies can be obtained from their agent/insurance broker or from their professional trade association.

## I. ALTERNATIVE RISK FINANCING

One trend within Risk Management is the growth of alternative risk financing, which involves numerous financial strategies, including the use of captive insurance companies and self-insured programs. These strategies developed in response to capacity reductions and price increases within the traditional insurance markets.

***Captive*** insurance company is a subsidiary formed to insure the risks of its parent and affiliates, and when owned by a single parent is typically referred to as a **pure captive**. Ownership of captives can include multiple parents or, when owned by parents within the same industry are referred to as **association captives**. Captives like traditional insurance companies are licensed and subject to regulations established within the territory the company is formed and domiciled.

**Self-Insurance** is another risk financing technique which companies retain the loss and use their own financial resources to pay for losses rather than transfer risk to an entity outside the organization. Most commercial insurance policies have an aspect of retention built within them, for example, an insurance deductible could be consider a form of self-insurance. However; in the case the Self Insurance plan, it describes formal arrangement which the organization has set aside internal funds and resources to estimate and pay for losses. Full or exclusive self-insurance is rare and is usually combined with excess policies which are used to cap total amounts paid or to pay for catastrophic losses

When working with a company that utilizes Self Insurance it is important to realize that the ability for the company to pay for losses in dependent upon the financial strength of the organization, asset levels and its access to outside financial resources. Annual reports and/or financial statements can provide value information regarding a company’s financial standing. Additionally, a properly managed Self Insurance program should include a formal claims process and should subject their internal insurance fund to periodic audits or actuarial review.

## J. FINANCIAL GUARANTEES - BONDS AND LETTERS OF CREDIT

Financial guarantees are a means to financially protect the state and assure that a specific duty will be discharged, a certain performance maintained or a specific obligation fulfilled. The Nevada Revised Statutes and the Nevada Administrative Codes have numerous provisions which require outside parties to provide a financial guarantee. Each agency responsible for administering or overseeing those provisions should become familiar with the type of financial guarantee required. Financial guarantees can include – cash, certificates of deposit, securities, surety bonds or letters of credit. Surety bonds and letter of credits are the most common and are further described.

**Bonds**

A surety bond is a three-party agreement where the surety company assures the **obligee** (i.e. State) that the **principal** (contractor) will perform duties as outlined within a contact. The three primary types of contracts bonds are the bid, performance and payment bonds.

The **bid** bond provides financial assurance that the bid has been submitted in good faith and that the contractor intends to enter the contract at the price provide in the bid and will be able to obtain the required performance and payment bonds.

The **performance** bond protects the owner from financial loss should the contractor fail to perform the contract in accordance with its terms and conditions.

The **payment** bond assures that the contractor will pay certain workers, subcontractors and material suppliers.

Many similarities exist between insurance policies and bonds (many insurance companies often have separate surety divisions), but there some important distinctions as well. Insurance policies are contracts between two parties – the insured and the insurance company. Bonds are contracts between three parties – the obligee, the principal and the surety company. The premiums for traditional insurance policies are actuarially determined based on expected losses. Sureties qualify contractors based on the contractor’s financial strength and performance history.

Surety Companies also issue a type of bond called commercial bonds. Commercial bonds are defined by the specific purpose they intend to service such as **license/permit bonds; court bonds or fiduciary bonds.** These bonds are typically designed to meet statutory requirements and as a condition to engage in a particular activity or the granting of a permit or license.

**Letter of Credit**

Letter of credit (LOC) is a financial instrument issued through a bank to guarantee performance for an underlying contact. Unlike bonds which have default language, the beneficiary can draw down on the LOC upon demand, which converts the LOC to a cash payment. Unlike bonds, letters of credit can be collateralized and as such are reported as obligation within the company financial statements. Letter of Credit is unusually irrevocable unless both parties agree to terminate. Bank assesses an annual of fee to maintain the Letter of Credit.

## K. CONTACT RISK MANAGEMENT

If you have any questions about the information contained in this manual or need assistance in determining the appropriate insurance and/or indemnification language, please contact the Risk Management Division at:

**Risk Management Division**

**201 So. Roop Street, Suite 201**

**Carson City, NV 89701**

**Telephone: (775) 687-1756 Fax: (775) 687-3195**

**This manual does not address all contracts, but is intended to address the most common situations. Be sure to contact Risk Management and/or the Attorney General’s Office if you have any questions on the material contained herein or need guidance on insurance requirements for specific contracts**.

Section A – CONSTRUCTION PROJECTS

## Architectural/ Engineering / Design Contracts

**NOTE: For all Construction Projects including Capital Improvement Projects (CIPs) and Deferred Maintenance requests over $100,000, please contact State Public Works Board for more information.** [**See State Administrative Manual, Section 1900 Public Works Board**](http://budget.nv.gov/uploadedFiles/budgetnvgov/content/Documents/State%20Administrative%20Manual.pdf)**.**

Construction projects begin with the design phase. Consultants that provide design or engineering services, i.e. architects, engineers and design firms are considered "professionals" by the insurance industry and as such are insured by a specific type of liability insurance called professional liability, also known as errors and omissions (E&O) liability. Therefore, in addition to the required general liability, automobile liability and workers' compensation insurance, the State also requires the consultant to provide evidence of professional liability.

Professional liability insurance protects against losses that occur when a "professional" fails to practice his or her art to the usual and customary standards of that profession. Therefore, there can be risks to the State associated with errors (or allegations of errors) in the professional’s work product or judgment. The types of losses that can occur under such circumstances are often excluded under general liability policies.

Because professional liability insurance is almost always written on aclaims-made basis, there is a concern about coverage for latent defects or design errors that may result in claims after the contract has been completed. One solution to this problem is to require the consultant to maintain coverage for a specified period ***after*** the project has been completed or to purchase an extended reporting period, otherwise known as "tail coverage". **The sample specifications that follow require a two-year extended reporting period for all claims-made policies**.

* **Note:** The contract manager will need to make sure that the consultant has provided evidence of the extended reporting period coverage **at the end of the project** and before all final payments to the consultant have been made.

**Sample Insurance Specifications**

**Architectural / Engineering / Design Contracts**

**The following paragraphs should be inserted into the contract**

**INSURANCE REQUIREMENTS:**

Consultant and sub-consultants shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Consultant, his agents, representatives, employees or sub-consultants.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract.

The State in no way warrants that the minimum limits contained herein are sufficient to protect the Consultant from liabilities that might arise out of the performance of the work under this Contract by the Consultant, his agents, representatives, employees, or sub-consultants. Consultant is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE -** Consultant shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage, broad form contractual liability and XCU coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada, Department (or Division of \_\_\_\_\_\_\_\_\_) shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Consultant".

b. Consultant's sub-consultants shall be subject to the same minimum requirements identified above.

2. **Automobile Liability**

Bodily injury and property damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada, Department (of Division) of \_\_\_\_\_\_\_shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Consultant, including automobiles owned, leased, hired or borrowed by the Consultant"**.**

b. Consultant's sub-consultants shall be subject to the same minimum requirements identified in this section.

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. Consultant's sub-consultants shall be subject to the same minimum requirements identified in this section.

c. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

1. **Professional Liability (Errors and Omissions Liability)**

Each Claim$1,000,000

 Annual Aggregate $2,000,000

* 1. In the event that any professional liability insurance required by this Contract is written on a claims-made basis, Consultant warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
	2. Policy shall contain a waiver of subrogation against the State of Nevada.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State shall be an additional insured to the full limits of liability purchased by the Consultant even if those limits of liability are in excess of those required by this Contract.

2. The Consultant's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Consultant from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Consultant shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time.

F. **SUBCONSULTANTS:** All required sub-consultants' certificates and endorsements are to be received and approved by the State before work commences. All insurance coverages for sub-consultants shall be subject to the minimum requirements identified above, unless otherwise specified in this Contract.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the State Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION A - CONSTRUCTION PROJECTS**

## Construction & Purchase/Installation of Equipment

**NOTE: For all Construction Projects including Capital Improvement Projects (CIPs) and Deferred Maintenance requests over $100,000, please contact State Public Works Board for more information.** [**See State Administrative Manual, Section 1900 Public Works Board**](http://budget.nv.gov/uploadedFiles/budgetnvgov/content/Documents/State%20Administrative%20Manual.pdf)**.**

##

With any construction or remodeling contracts, the contractor is responsible for ‘direct physical damage to the construction project’ as well as to construction materials in transit or storage that have not yet arrived at the construction site. Therefore, in addition to the required liability and workers' compensation insurance, the State also requires the contractor to provide evidence of property insurance, which will protect the project against damage while under construction. This is done either through specialized property insurance forms known as "builders' risk insurance" or an "installation floater".

**Builders' Risk** insurance is a form of temporary property insurance designed to cover buildings and construction materials while in the course of construction. Builders' risk insurance protects the construction project against loss or damage caused by a variety of perils, i.e. fire, wind, hail, and theft. Builders’ Risk policies can be issued on a per project basis or as a blanket policy which covers all the general contractor’s on-going projects.

In contracts where the State is purchasing **highly valued equipment** **or machinery** (i.e. compressors, air conditioning units, generators, etc.) the scope of services may include both the initial installation and on-going maintenance of the equipment.

**Installation floaters** are similar to builders' risk insurance policies in that they are designed to cover damage to materials and equipment for damage or loss but generally are not as comprehensive as coverage is usually limited to the equipment being installed. When Installation floaters are required, agency should include a specific schedule of equipment and their replacement costs.

Upon project completion, agencies should notify **Risk Management** and provide a list of that equipment for inclusion on state’s property policy for permanent property coverage.

* **Note:** It should also be noted that if the scope of services provided by the contractor generates, transports, treats, stores, removes or disposes of hazardous materials, petroleum products or chemicals, the contractor can be held liable for damaging the environment if an accident were to occur. Most general liability policies severely limit or exclude liability for pollution losses. In those cases, additional insurance, known as **Contractor's Pollution Liability** insurance,would be required. Please refer to **Section H** to determine the appropriate type and level of insurance that may be needed.

**Named Insured Guidelines for Builders Risk Policies and Installation Floater**

The Builders Risk Insurance requirements require the contractor to include the State of Nevada as a named insured under the builders risk policy. However, depending on the type of contract, other entities with an insurable interest in the project may also need to be named as insureds under the policy as well.

**Sample Insurance Specifications**

**Standard Construction Contracts**

**The following paragraphs should be inserted into the contract**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract.

The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this Contract by the Contractor, his agents, representatives, employees, or subcontractors. Contractor is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE -** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage, broad form contractual liability and XCU coverage.

**Minimum Requirements:**

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000
1. The policy shall be endorsed to include the following additional insured language: “The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including completed operations”.

2. **Automobile Liability**

Bodily injury and property damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

1. Policy shall contain a waiver of subrogation against the State.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Builders' Risk Insurance or Installation Floater**

In an amount equal to the initial Contract Amount plus additional coverage equal to Contract Amount for all subsequent change orders.

a. The State of Nevada, Department (Division) of \_\_\_\_\_\_\_\_\_\_\_, the Contractor and subcontractors, shall be Insureds on the policy**.**

b. Coverage shall be written on an all risk, replacement cost basis and shall include coverage for soft costs, flood and earth movement.

c. Policy shall be maintained until whichever of the following shall first occur: (1) final payment has been made; or, (2) until no person or entity, other than the State of Nevada, has an insurable interest in the property required to be covered.

d. Policy shall be endorsed such that the insurance shall not be canceled or lapse because of any partial use or occupancy by the State.

e. Policy must provide coverage from the time any covered property becomes the responsibility of the Contractor, and continue without interruption during construction, renovation, or installation, including any time during which the covered property is being transported to the construction installation site, or awaiting installation, whether on or off site.

1. Policy shall contain a waiver of subrogation against the State of Nevada.

g. Contractor is responsible for the payment of all policy deductibles.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada, Department (Division) of \_\_\_\_\_\_ is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

2. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State’s Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** subcontractors shall maintain separate insurance as determined by the Contractor, however, subcontractor's limits of liability shall not be less than $1,000,000 per occurrence / $2,000,000 aggregate.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the State Risk Management Division or the Attorney General’s Office, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

Section C – PROFESSIONAL SERVICES AGREEMENTS

## General Professional Services

Professional liability insurance protects against losses that occur when a "professional" fails to practice his or her art to the usual and customary standards of that profession. Therefore, there can be risks to the State associated with errors (or allegations of errors) in the professional’s work product or judgment.

Professional liability may have a different meaning when it relates to insurance rather than a "type" of State contract. In order to determine if you should require professional liability insurance, ask yourself:

1) Is the professional licensed or certified (i.e. paramedics, attorneys, engineers, etc.)?

2) Will the information developed by the professional be used in a decision-making process within the State that could create a liability (i.e. prepares documentation used to complete an EPA permit)?

If the answer is **yes** to either of these questions, then professional liability insurance should be required.

The types of losses that can occur under such circumstances are often excluded under general liability policies. They can be covered through separate professional liability insurance policies,also known as “errors and omissions” (E&O) liability insurance.

Examples of services that would require professional liability coverage include but are not limited to:

|  |  |
| --- | --- |
| * Accountants
 | * Child care workers / facilities
 |
| * Appraisers
 | * Engineers/architects
 |
| * Attorneys
 | * Financial consultants
 |
| * Auctioneers
 | * Medical professionals
 |
| * Auditors
 | * Property managers / real estate agents
 |
| * Computer / software design
 | * Social workers
 |
| * Consultants
 | * Teachers
 |

Because professional liability insurance is almost always written on aclaims-made basis, there is a concern about coverage for latent defects or design errors that may result in claims after the contract has been completed. One solution to this problem is to require the contractor to maintain coverage for a specified period *after* the project has been completed or to purchase an extended reporting period, otherwise known as "tail coverage". **The sample specifications that follow require a two-year extended reporting period for all claims-made policies**.

* **Note:** **The contract manager will need to make sure that the contractor has provided evidence of the extended reporting period coverage at the end of the project and before all final payments to the contractor have been made.**

**Sample Insurance Specifications**

**Standard Professional Service Contracts**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE** **A****N****D** **LIMITS OF INSURANCE**:Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

1. **Professional Liability (Errors and Omissions Liability)**

The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Services of this contract.

Each Claim$1,000,000

 Annual Aggregate $2,000,000

1. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada, Department (Division) of \_\_\_\_\_\_\_\_\_ is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

2 The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

**E. VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

All certificates required by this Contract shall be sent directly to **(State Agency Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Risk Management Division or the Attorney General’s Office, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION C – PROFESSIONAL SERVICE AGREEMENTS**

## Professional Contracts – No Driving involved

Professional liability insurance protects against losses that occur when a "professional" fails to practice his or her art to the usual and customary standards of that profession. Therefore, there can be risks to the State associated with errors (or allegations of errors) in the professional’s work product or judgment. For more information describing professionals and professional liability insurance, please refer back to **Introduction Section F.**

Certain contracted services will not involve the use of either a contractor vehicle(s) or a State vehicle in order to perform the scope of services. Automobile liability should only be required if the contract services involve the contractor's use of a vehicle as part of the services being provided. This does not include merely driving to and from the State on occasion, i.e. for meetings. (**See Introduction** **Section D. Guide to Automobile Liability Exemption).**

* **Note:** If the contractor is operating a State vehicle in the course of providing services, the requirements *should include* *automobile liability*. Please refer back to the provision listed previous section for the appropriate insurance specifications.

If vehicles are not used to perform the scope of services outlined in the contract**, the requirement for automobile liability insurance can be omitted**.

The sample requirements that follow ***do not*** include a requirement to provide automobile liability coverage.

**Sample Insurance Specifications**

**Standard Professional Service Contracts - No Driving Involved**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE**:Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000
1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

1. **Professional Liability (Errors and Omissions Liability)**

The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Services of this contract.

Each Claim$1,000,000

 Annual Aggregate $2,000,000

a. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

2 The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**. DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATES RISK MANAGEMENT DIVISION.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION C – PROFESSIONAL SERVICE AGREEMENTS**

## Professional Contracts – Technology Products/Services

**(Including data and equipment)**

Contracts for Technology products and services like system integration, programming and data management create specialized exposures from loss or loss of use of the state’s tangible property and intangible property (software, data or other electronically stored information).

Additionally as more systems become dependent upon network solutions, such as cloud services or mobile computing platforms; there is an increased risk for privacy and/or data security issues. Any contract involving capturing or processing the sensitive data, should include cyber liability coverage.

Sensitive data includes the following:

* Personally Identifiable Information (PII), such as name, address, date of birth, SSN
* Protected health information (PHI, HIPAA, HI-TECH);
* Student information (FERPA);
* Criminal History Repository Information (CHRI),
* Federal Tax Information (FTI);
* Bank accounts or credit/debit cards (PCI);

The fast pace of technology advances coupled with a highly competitive marketplace can lead to situations where IT vendors over-promise or misrepresent what their service/products solutions are able to deliver. Additionally, the nature of the agreements give vendors unique access to the state’s IT resources and data which could result in security issues if systems or data were misused, damaged or compromised.

The types of losses that can occur under such circumstances are often excluded under general liability policies. However, they can be covered through separate professional liability insurance policies,also known as “errors and omissions” (E&O) liability insurance.

Insurers have developed specialized policies E&O Policies that provide IT professionals coverage for the two common forms of IT liability risks: “malpractice” claims in which the company/individual were negligent in maintaining acceptable professional standards and breach of contract for failing to provide contracted services with timeframe or agreed specifications.

Examples of services that would require professional liability coverage include but are not limited to:

* **Software development**
* **Computer consulting**
* **Web site design/programming**
* **Multi-media designers**
* **Integrated computer system design**
* **Data Management**
* **Other computer service providers**

**Sample Insurance Specifications**

**Professional Contracts – Information Technology**

**The following paragraphs should be inserted into the contract**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

1. **Automobile Liability - can be waived if contract does not involves use of motor vehicle.**

 Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor"
2. **Worker's Compensation and Employers' Liability**

 Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

1. **Technology E&O/Professional Liability**

 The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Services of this contract.

Each Claim$1,000,000

 Annual Aggregate $2,000,000

1. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
2. **Network Security (Cyber) and Privacy Liability:**

**For Contracts under $5 Million**

Per Occurrence $1,000,000

Annual Aggregate $2,000,000

**For Contracts greater than $5 Million**

 Contact Risk Management Division

This errors and omissions insurance shall include coverage for third party claims and losses including with respect to network risks (such as data breaches, transmission of virus/malicious code; unauthorized access or criminal use of third party, ID/data theft) and invasion of privacy regardless of the type of media involved in the loss of private information (such as computers, paper files and records, or voice recorded tapes), covering collection, use, access, etc. of personally identifiable information., direct liability, as well as contractual liability for violation of privacy policy, civil suits and sublimit for regulatory defense/indemnity for payment of fines and penalties.

* 1. The retroactive coverage date shall be no later than the effective date of this contract.
	2. Contractor shall maintain an extended reporting period for not less than two (2) years after termination of this contract.
1. **Fidelity Bond or Crime Insurance (contracts involving financial accounts or data)**

Bond or PolicyLimit (contact Risk Management) \_\_\_\_\_\_\_\_\_\_\_

1. The bond or policy shall include coverage for all directors, officers, agents and employees of the Contractor.
2. The bond or policy shall include coverage for third party fidelity and name the State of Nevada as loss payee.
3. The bond or policy shall include coverage for extended theft and mysterious disappearance.
4. The bond or policy shall not contain a condition requiring an arrest and conviction.
5. Policies shall be endorsed to provide coverage for computer crime/fraud.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

2 The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**. DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATES RISK MANAGEMENT DIVISION.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION C – PROFESSIONAL SERVICE AGREEMENTS**

## Investment Advisor / Manager Contracts

Investment Advisor/Manager contracts include professional firms that in one fashion or another are responsible for the investment of funds on behalf of the State or otherwise provide investment or bond consulting services.

In addition to the standard general liability and workers' compensation insurance required in most State contracts, the unique exposures for these services require additional specialized insurance.

Because these firms are providing a professional service to the State, the contract should also include a requirement for professional liability, also known as errors and omissions (E&O) insurance. Professional liability insurance protects against losses that occur when a "professional" fails to practice his or her art to the usual and customary standards of that profession. Therefore, there can be risks to the State associated with errors (or allegations of errors) in the professional’s work product or judgment.

Contracts in which the contractor or employees of the contractor are actually handling funds on behalf of the State may present an additional risk of improper handling / use of our money, i.e. embezzlement. If the contractor has access to State funds, a **financial institution bond** or **security dealers blanket bond** should be required of the contractor. The bond should **include third party fidelity coverage** and name State of Nevada as **Loss Payee**.

The following list of activities should help determine if a financial institution bond or security dealers blanket bond is needed:

* **Does the investment manager have direct access to State funds?**

 *If the answer is "yes", then a bond is necessary.*

* **Is the investment manager directing State funds or merely trading stocks/bonds?**

 *If the investment manager is merely initiating a transaction which involves buying and selling stocks/bonds at our direction, a bond is not required. The exposure to risk for the investment advisor is in the professional liability area.*

* **Can the investment manager direct State funds into various unknown accounts?**

 *If the answer is "no", then a bond is not required.*

* **Does the State have a separate agreement with a custodian bank to move State funds from one account to another?**

 *If a custodian bank is under contract with the State, and the investment manager does not have access to our funds, and our agreement with the bank states that money cannot be moved from one account to another without proper State authorization, then a bond is not needed from the investment manager. Since the custodian bank has access to our money, the State could ask the custodian bank for evidence of a bond - all the banks carry them.*

* **What controls are in place to protect State funds?**

 *If the agreement with the investment manager gives the State strong controls over our funds, e.g. approval / authorization from the custodian bank and the State before moving any money, then a bond is not required of the investment manager.*

**If a bond is required**, the bond shall include the following conditions:

* The bond shall provide coverage for all officers, directors, employees and agents of the investment manager who are responsible for receiving, depositing, transferring or investing State funds, or issuing financial documents, checks or other instruments of payment for program costs.
* The limit required should be determined based on the contractor's accounting controls and the value of the States investment portfolio that is within the control of the investment manager.
* The bond **must not contain a condition that requires a conviction or arrest in order for a claim to be paid**.
* Coverage for theft and mysterious disappearance should also be included. This is the broadest form of coverage provided by the bond.
* **NOTE**: If the contractor is only providing consulting services or advice to the State, the bond is not required. The bond is required only if the contractor has access to State funds.
* **NOTE**: Generally speaking, there will not be an automobile liability exposure associated with this type of service. Therefore, this requirement can be omitted. **The sample specifications that follow do not require automobile liability.**

**Sample Insurance Specifications**

**Investment Advisor / Manager Contracts**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Financial Consultant and subcontractors, if any, shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Agreement are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Financial Consultant, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Financial Consultant from liabilities that might arise out of the performance of the work under this Agreement by the Financial Consultant, his agents, representatives, employees or subcontractors and Financial Consultant is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Financial Consultant shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000
1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Financial Consultant".

2. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

1. **Professional Liability (Errors and Omissions Liability)**

 The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Services of this contract.

Each Claim$10,000,000

 Annual Aggregate $10,000,000

1. In the event that the professional liability insurance required by this Agreement is written on a claims-made basis, Financial Consultant warrants that any retroactive date under the policy shall precede the effective date of this Agreement; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years from the time work under this Agreement is completed.
2. **Financial Institution Bond or Security Dealers Blanket Bond** (The bond is required only if the contractor has access to State funds.)

If the Scope of Services involve receiving, depositing, transferring or investing State funds, one of the above bonds is required.

**Bond Limit $\_\_\_\_\_\_\_\_\_\_\_**

a. The bond shall be issued with limits based on the amount of the States investment portfolio with the contractor.

 b. The bond shall include coverage for all directors, officers, agents and employees of the Contractor.

c. The bond shall **include coverage for third party fidelity and name State of Nevada as loss payee.**

d. The bond shall **include coverage for extended theft and mysterious disappearance.**

e. If the scope of services pertains to any employee benefit plans, the bond **shall include a third party ERISA endorsement.**

f. The bond **shall not** **contain** **a condition** **requiring an arrest and conviction.**

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Financial Consultant even if those limits of liability are in excess of those required by this Agreement.

2. The Financial Consultant's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Financial Consultant shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Agreement. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Agreement must be in effect at or prior to commencement of work under this Agreement and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Agreement or to provide evidence of renewal is a material breach of contract.

 All certificates and any required endorsement shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Agreement at any time**. DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATES RISK MANAGEMENT DIVISION.**

F. **APPROVAL:** Any modification or variation from the insurance requirements in this Agreement shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

Section D - SERVICE AGREEMENTS

## Standard Contracts

"Standard service" contracts do not present any unique exposures to the State and are not considered "professional services" by insurance definitions. Therefore, the States standard insurance requirements that follow would be appropriate to use in most general service contracts. Depending on the nature of the services being provided, it may be necessary to require certain supplemental insurance coverage in addition to the States standard insurance requirements in order to address specific risks. Some of the more unique services that may require supplemental insurance coverage have been addressed in this manual separately. Please refer to the Table of Contents in this manual for a list of specific service contracts that do require special insurance language. This may include such activities as ticket vendors, elevator maintenance services, equipment purchase and installation, vehicle maintenance and repair, etc.

In addition, certain contracted services may or may not involve the use of vehicles in order to perform the scope of services. Automobile liability should only be required if the contract involves 1) the contractor's use of a vehicle as part of the services being provided, or 2) if the contractor is operating a State vehicle as part of the services being provided. This does **not** include merely driving to and from the State on occasion, i.e. for meetings. **See Introduction** **Section D, “Guide to Automobile Liability Exemption” for detailed guidelines**. Examples of such services which would require automobile liability insurance include delivery services, transportation of persons or property, vehicles used to carry contractor equipment to a State service site, etc. **The insurance requirements in this section assume the contractor does use vehicle(s) in the delivery of services under the contract and therefore includes the requirement for automobile liability insurance.**

If the contracted services do not present any unique risks and are not professional in nature, use the following standard insurance requirements. If you are uncertain if a contract presents unique exposures that may require additional insurance coverage, contact the Risk Management Division for assistance in modifying the standard insurance specifications.

**Sample Insurance Specifications**

**Standard Service Contracts**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

1. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION D – SERVICE AGREEMENTS**

## Standard Service Contracts – No Driving Involved

Certain contracted services will not involve the use of either a contractor vehicle(s) or a State vehicle in order to perform the scope of services. Automobile liability should only be required if the contract services involve the contractor's use of a vehicle as part of the services being provided. This does not include merely driving to and from the State on occasion, i.e. for meetings. For more detailed guidelines s**ee Introduction** **Section D. Guide to Automobile Liability Exemption.**

* **Note**: If the contractor is operating a State vehicle in the course of providing services, the requirements *should still include* *automobile liability*. Please refer back to **previous section** for the appropriate insurance specifications.

If vehicles are not used to perform the scope of services outlined in the contract, the requirement for automobile liability insurance can be omitted.

The sample requirements that follow **do not include** a requirement to provide automobile liability coverage.

**Sample Insurance Specifications**

**Service Contracts - No Driving Involved**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

1. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contra*ct.*

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D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**. DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATES RISK MANAGEMENT DIVISION.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION D – SERVICE AGREEMENTS**

## Janitorial & Building Maintenance Services

In contracts where the contractor is providing janitorial or building maintenance services to the State, the insurance requirements should include some very specialized insurance coverages that are specific to this type of operation.

The contractor's policy should **include coverage for property in the care, custody and control of the contractor**. The standard general liability policy excludes coverage for damage to the property of others (State property) while in the care, custody and control of the contractor which is caused by the contractor's negligence. Therefore, this has to be endorsed back onto the policy and should be a requirement in all contracts of this nature.

The scope of services of the contract may make the contractor responsible for keeping a "master key" to the property. In this case, the contractor's policy should also be endorsed to include **master key coverage**. In the event that the contractor loses the master key, this coverage will pay for the expense to have the building "re-keyed".

These supplemental coverages should be added to the standard insurance requirements. The sample specifications in this section include the addition of both of these supplemental insurance requirements.

**Sample Insurance Specifications**

**Janitorial & Building Maintenance Services**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A**.** **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000
1. Policy shall be endorsed to include master key coverage.
2. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".
3. Policy shall be endorsed to include coverage for "care-custody-control".

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

1. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Fidelity Bond or Crime Insurance**

Bond or PolicyLimit$50,000

1. The bond or policy shall include coverage for all directors, officers, agents and employees of the Contractor.
2. The bond or policy shall include coverage for third party fidelity.
3. The bond or policy shall include coverage for extended theft and mysterious disappearance.
4. The bond or policy shall not contain a condition requiring an arrest and conviction.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

1. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION D – SERVICE AGREEMENTS**

## Security Services Contracts

In contracts where the contractor is providing security or armored car services to the State, the insurance requirements should include some very specialized insurance coverages that are specific to this industry.

General liability policies typically exclude many activities performed by security services. Therefore, the contractor's policy must either be endorsed to cover certain security service risks, or separate policies may need to be purchased. For example:

* **Master Key Coverage**: Security may be responsible for keeping a "master key" to the property. In the event that the contracted security staff loses the master key, this coverage will pay for the expense to have the building "re-keyed".
* Coverage for bodily injury and property damage resulting from the use of **reasonable force** for the purpose of protecting persons or property should be included.
* **Professional Liability**: Special Errors and Omissions coverage (or professional liability) for companies providing security services should be included.
* If State-owned golf carts are being used by the contractor to patrol our property, the contractor's insurance should include coverage for the **operations of mobile equipment**.
* The contractor's policy should include coverage for **property in the care, custody and control** of the contractor.
* If the security service is handling State money or other valuable property, or providing internal building services, **third-party fidelity** **insurance** should be provided, including coverage for theft and mysterious disappearance.

**Note:** Because the duties and responsibilities of security personnel pose a higher risk to the State, Risk Management recommends that higher limits of liability should be required. The contractor can accomplish this by providing the full limits under the primary general liability policy **or** as a combination of the primary general liability insurance and the excess/umbrella liability insurance in order to attain the total required limits of liability.

**Sample Insurance Specifications**

**Security Services Contracts**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$5,000,000
* Products – Completed Operations Aggregate $5,000,000
* Personal and Advertising Injury $5,000,000
* Each Occurrence $5,000,000
1. The policy shall be endorsed to include errors and omissions coverage.
2. Policy shall be endorsed to include master key coverage.
3. Policy shall be endorsed to include coverage for "care-custody-control"of property of others.
4. Policy shall include coverage for the operation of mobile equipment (if required as part of the Scope of Services).
5. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

1. Policy shall contain a waiver of subrogation against the State of Nevada.
2. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Fidelity Bond or Crime Insurance**

Bond or PolicyLimit$50,000

1. The bond or policy shall include coverage for all directors, officers, agents and employees of the Contractor.
2. The bond or policy shall include coverage for third party fidelity.
3. The bond or policy shall include coverage for extended theft and mysterious disappearance.

e. The bond or policy shall not contain a condition requiring an arrest and conviction.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

1. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION D – SERVICE AGREEMENTS**

## Contracts – Handling Money

In addition to the standard insurance requirements of general liability, automobile liability and workers' compensation insurance, additional insurance coverages may be required to address specific exposures not otherwise covered.

In contracts in which the contractor or employees of the contractor handle money on behalf of the State , a fidelity bond, or crime insurance policy should be required that **includes third party fidelity coverage**. An example of this would be service contracts for ticket vendors.

* **NOTE**: Generally speaking, there will not be an automobile liability exposure so this requirement can be omitted. **The sample specifications that follow do not require automobile liability.** However, if the scope of services requires delivery services or the use of an auto to provide the services, you will need to add the requirement for automobile liability.

The fidelity bond or crime policy shall provide coverage for all officers, directors, employees and agents of Contractor who are responsible for receiving, depositing, or transferring funds into program accounts, or issuing financial documents, checks or other instruments of payment for program costs. Generally, companies having more than just a few employees will purchase a blanket fidelity bond that covers all employees.

The following should be included in either a fidelity bond or crime policy:

* The limit required should be adjusted based on the accounting controls in place and the amount of cash being handled by the contractor.
* The fidelity bond or crime policy **should not contain a condition requiring a conviction or arrest in order to file a claim**.
* Coverage for theft and mysterious disappearance and inventory shortage should also be included.

**Sample Insurance Specifications**

**Service Contracts Handling Money**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000
1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

1. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

3. **Fidelity Bond or Crime Insurance**

Bond or PolicyLimit$contract risk management

a. The bond or policy shall be issued with limits based on the amount of cash being handled by the Contractor.

1. The bond or policy shall include coverage for all directors, officers, agents and employees of the Contractor.
2. The bond or policy shall include coverage for third party fidelity and name the State of Nevada as loss payee.
3. The bond or policy shall include coverage for extended theft and mysterious disappearance.

e. The bond or policy shall not contain a condition requiring an arrest and conviction.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

2. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION D – SERVICE AGREEMENTS**

## Elevator Maintenance Contracts

Contracts involving elevator maintenance services present a higher risk to the State. Therefore, the State requires higher limits of liability from these contractors due to the serious nature of claims that could result from the negligence of the contractor.

The elevator industry handles liability insurance somewhat differently.

Many elevator service and maintenance contractors purchase an **Owners and Contractors Protective (OCP) Insurance policy.**

OCP policies are often used as a solution to meet the higher aggregate limits requirement for general liability. However, they provide *limited* coverage. OCP policies only insure liability arising out of operations performed by the contractor for the State **while at the project location**, or liability arising out of acts or omissions in connection with the general supervision of the project.

OCP policies do not, for example, provide coverage for:

* Completed operations (losses that occur after the maintenance is completed)
* Contractual liability
* Property damage to work performed for the owner
* Injury resulting from events beyond the general supervision of the contractor's operations
* Claims alleging joint liability or sole liability of the owner.

These risks are still covered under the general liability policy. Overall, because of their limited coverage, OCP policies are not acceptable "substitutes" for commercial general liability (CGL) policies with adequate limits. In addition to the OCP policy, the insurance specifications should also **require standard commercial general liability** **insurance** in order to cover the risks mentioned above.

In the event that the contractor cannot, or will not, name the State as an additional insured under the general liability policy, then the contractor shall also provide an OCP liability policy covering **all work performed** under the contract. The State of Nevada will be a **named** **insured** under the OCP policy, rather than an additional insured.

The insurance specifications that follow include a requirement for **both commercial general liability insurance as well as OCP insurance**.

An OCP should be approved only as a last resort and in consultation with Risk Management and the Attorney General’s Office.

**Sample Insurance Specifications**

**Elevator Maintenance Contracts**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A**.** **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability and XCU coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $2,000,000
* Personal and Advertising Injury $2,000,000
* Each Occurrence $2,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor."

2. **Owners & Contractors Protective Liability Coverage (OCP)**

 (Policy is required **in addition** to the Commercial General Liability policy if the State is not named as an Additional Insured under the Commercial General Liability policy.)

Each Occurrence$2,000,000

 General Aggregate $2,000,000

1. In the event that the Contractor cannot name the State as an additional insured under the General Liability policy, then the Contractor shall also provide an OCP Liability policy covering all work performed under the Contract.
2. Contractor shall provide the State with a certified copy of the policy.

3. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

4. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

1. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(STATE Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

**SECTION D – SERVICE AGREEMENTS**

## Vehicle Transport / Storage / Repairs

Contracts that provide vehicle storage, transport or repair/maintenance services to the State may require specialized liability insurance when the contractor transports and / or stores or repairs the vehicle at their shop or garage. There are two types of liability insurance that should be required:

1. Garage Liability, and
2. Garagekeepers Liability.

**Garage Liability vs. Garagekeepers Liability**

The **garage liability** policy is equivalent to a general liability policy for garage operations. It also includes automobile liability coverage under the same policy. The garage liability policy provides coverage for losses occurring on the garage premises or due to the operations of the garage, repair shop, service station, towing company, etc. However, the garage liability policy generally *excludes* damage to cars being repaired, stored or transported by the contractor. Therefore it is necessary to add, or endorse, **garagekeepers liability** coverage to this policy.

**Garagekeepers liability** provides protection to the contractor for loss or damage to cars belonging to others that are in the care, custody and control of the contractor. This coverage responds to claims where the contractor is negligent. It is not the intention of the contract to make the contractor responsible for losses that are out of his control.

In summary, the **garage liability** policy can be substituted in place of the commercial general and automobile liability policy requirement. An additional requirement should be included for **"garagekeepers liability"** to be endorsed onto the garage liability policy so that vehicles belonging to the State or the general public will be covered while in the contractor's care. Garagekeepers should include vehicle while under tow and while being stored at contractor’s site.

**Sample Insurance Specifications**

**Vehicle Transport / Storage / Repair Contracts**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage at least as broad and with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Garage Liability (may be listed as a General Liability) - Occurrence Form**

Policy shall include bodily injury, property damage, premises, operational and broad form contractual liability for garage operations, covered autos and operations necessary and incidental to the garage business.

* General Aggregate$2,000,000
* Each Occurrence $1,000,000
1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".
2. The policy shall be endorsed to include coverage for towing or on hook coverage (if towing services are included in the scope of services in the Contract or part of the normal operations of the Contractor).
3. **Garagekeepers Liability** $100,000

Policy should provide coverage for damage to a customer’s vehicles while under the care, custody or control of the contractor.

1. The policy can be included as an endorsement to the contractor’s garage/auto liability policies or may be listed as a separate policy.
2. **Automobile Liability – maybe included in the above policy via endorsement or listed as a separate policy.**

 Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor"
2. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

1. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

Section E - SPECIAL EVENTS / USE OF STATE PREMISES

The specifications in this section should be used in contracts/permits with event promoters, concessionaires and vendors, including such operations or activities as commercial use of State parks or streets. This includes food and beverage concessionaires.

**State of Nevada CO-SPONSORED EVENTS**

For events sponsored jointly by the State and other businesses or groups, the key to determining the insurance and indemnification requirements is the level of control and involvement the State exercises over the event. If the State exercises a high degree of control over the event, then it may not be appropriate to require insurance or additional insured status from a co-sponsor. However, we do recommend that the co-sponsor have insurance to protect themselves and from third party claims. All vendors/concessionaire at the event should meet the requirements of the sample specifications in this section.

**PRIVATE (NON-Profit) EVENTS ON STATE PROPERTY**

The specifications in this section are not appropriate for rental of State facilities by private parties for small events such as weddings, company picnics, or other non-commercial uses. However, commercial vendors applying for permits for such events will be required to have proper insurance and list the State as an additional insured. Contact Risk Management if there are any questions.

**TENANT USERS LIABLITY INSURANCE POLICY (TULIP)**

For event and short period rentals, Tenant Users Liability Insurance Policy, or TULIP, is an easy to use, fast method of insuring most types of events and activities taking place at various State facilities. TULIP Programs provide low cost general liability insurance to “third party” users of various venues and facilities for events. It protects both the user and the facility against claims by guests who may be injured as a result of attending an event. Events may range from seminars, receptions and weddings, to sporting events and concerts. Your premium quote is based upon the risk associated with the given event or activity, the number of days coverage is needed, the number of attendees.

**Sample Insurance Specifications**

**SPECIAL EVENTS / USE OF STATE PREMISES**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Sponsor and subcontractors shall procure and maintain until all of their obligations have been discharged insurance against claims for injury to persons or damage to property which may arise from or in connection with the event.

The insurance requirements herein are minimum requirements and in no way limit the indemnity covenants contained in this agreement. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Sponsor from liabilities that might arise out of the activities encompassed by this agreement by the Sponsor, its agents, representatives, employees or subcontractors and Sponsor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Sponsor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

**1a.** **Commercial General Liability – Occurrence Form (Class A) – groups less than 50 persons or public events.**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$500,000
* Products – Completed Operations Aggregate $500,000
* Personal and Advertising Injury $500,000
* Each Occurrence $500,000
* Fire Damage (Damage to Rented Premises) $100,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Sponsor."

b. The policy shall be endorsed to include Liquor Liability coverage if alcohol is being sold at the event.

**1b**. **Commercial General Liability – Occurrence Form (Class B) – groups of greater than 50 person less than 500 persons, non-public events.**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000
* Fire Damage (Damage to Rented Premises) $100,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Sponsor."

b. The policy shall be endorsed to include Liquor Liability coverage if alcohol is being sold at the event.

**1c**. **Commercial General Liability – Occurrence Form (Class C) – groups greater than 500 persons, non-public events and all publicly held events.**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $2,000,000
* Personal and Advertising Injury $2,000,000
* Each Occurrence $2,000,000
* Fire Damage (Damage to Rented Premises) $100,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Sponsor."

b. The policy shall be endorsed to include Liquor Liability coverage if alcohol is being sold at the event.

**Additional Provisions for Event vendors or concessionaires**

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The state of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Sponsor, including automobiles owned, leased, hired or borrowed by the Sponsor."

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Sponsor even if those limits of liability are in excess of those required by this agreement.

1. The Sponsor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Sponsor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Sponsor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State as required at least two (2) weeks prior to the event. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before the event commences. Each insurance policy required by this agreement must be in effect at or prior to commencement of the event and remain in effect for the duration of the event. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required shall be sent directly to **(State Department Representative's Name and Address)**. The event title and location shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required at any time.

F. **SUBCONTRACTORS:** Sponsor's certificate(s) shall include all subcontractors as additional insureds under its policies **or** Sponsor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from these insurance requirements shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

Section F – COMMERCIAL LEASES/RENTAL AGREEMENTS

## Lease/Rentals Contracts – State as Lessor

The specifications in this section should be used in commercial-type leases with tenants. Generally, this section applies to long-term leases of office space or office buildings, warehouses, industrial space, land leases, development agreements (DDA’s) and the like. This section does not apply to short-term leases or permits to use State property such as park areas, park shelters, etc., for special events.

FIRE EXPOSURES

Fire damage legal liability coverage provides protection for negligent acts of the lessee which result in fire damage to the State property that is under the lessee's control. The commercial general liability policy typically has a sublimit of liability forfire damage of $50,000. In this section, we recommend a minimum sublimit of $100,000, in view of inflation. However, if the premises under the control of the Lessee have a value substantially higher than the standard fire damage sublimit, the required limits should be amended to equal the value of the premises under control of the lessee. This is particularly important if the lessee operates a business that presents a significant risk of fire, such as a restaurant.

**SUPPLEMENTAL INSURANCE COVERAGES**

There are additional insurance coverages that may need to be required under certain circumstances and should be included in the insurance requirements when appropriate.

Examples of supplemental insurance coverages:

1. **Builder’s risk insurance** -for those situations involving a ground lease, where the lessee will construct a building or other tenant improvements.
2. **All risk** **property insurance** - if the lessee is leasing an existing State facility where they are the *sole occupant*, this insurance will be required on the building and the lessee's contents.
3. **Pollution Legal Liability** - If the lessee will be using or storing hazardous materials or regulated substances, such as fuel, this insurance will be required.
* **Note:** Tenants are responsible for their own personal property (contents and equipment). The State does not require evidence of personal property insurance from the tenant, however, the lease agreement terms and conditions should make it clear that the State is not responsible for loss or damage to the tenant’s personal property.

If supplementary insurance coverage is required, contact Risk Management for assistance.

**Sample Insurance Specifications**

**Commercial Lease / Rental Agreements**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Lessee shall procure and maintain for the duration of the Lease, insurance against claims for injury to persons or damage to property which may arise from or in connection with this Lease.

The insurance requirements herein are minimum requirements for this Lease and in no way limit the indemnity covenants contained in this Lease. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Lessee from liabilities that might arise out of this Lease. Lessee is free to purchase such additional insurance as Lessee determines necessary.

A**.** **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Lessee shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000
* Fire Damage (Damage to Rented Premises) $100,000
1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the use and/or occupancy of the property subject to this Lease."
2. **Property Insurance**

 Coverage for Lessee's tenant improvements Replacement Value

 Coverage on building (required if Lessee is sole occupant) Replacement Value

1. Property insurance shall be written on an all risk, replacement cost coverage, including coverage for flood and earth movement.
2. The State of Nevada shall be named as a loss payee on property coverage for tenant improvements.
3. If property coverage on the building is required, "the State of Nevada shall be named as a loss payee".

d. Policy shall contain a waiver of subrogation against the State of Nevada.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Lessee even if those limits of liability are in excess of those required by this Lease.

1. The Lessee's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D**. ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Lessee shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Lease. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

All certificates and any required endorsements are to be received and approved by the State before the Lease commences. Each insurance policy required by this Lease must be in effect at or prior to commencement of this Lease and remain in effect for the duration of the Lease. Failure to maintain the insurance policies as required by this Lease or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Lease shall be sent directly to **(State Department Representative’s Name and Address)**. The State Department, Lease agreement number and location description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies and endorsements required by this Lease at any time.  **DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATES RISK MANAGEMENT DIVISION.**

F. **APPROVAL:** Any modification or variation from the insurance requirements in this Lease must have prior approval from the State of Nevada Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal lease amendment, but may be made by administrative action.

**Section G – COMMERCIAL LEASES/RENTAL AGREEMENTS**

## Lease/Rental Contracts – State as Tenant

The information in this section should be used as a guide for lease agreements or rental contracts where the State is the tenant or occupant. Generally, this section applies to long-term leases of office space, office buildings, warehouses, or industrial space, but it may also be used for right-of-way, right-of entry or easement agreements. In these types of contractual arrangements, the State will be occupying property that belongs to someone else. Typically the property owner will ask the State to sign an agreement outlining the terms and conditions of our right to occupy or use their property. Therefore, the State may be subject to compliance with certain insurance and indemnification requirements that may, or may not, be appropriate or legal.

In State contracts, in particular lease agreements where the State is the owner/landlord, the State dictates the insurance and indemnification requirements. However, when the State agrees to lease space from an outside organization or asks permission to occupy or use the property of others, the State may be asked to provide evidence of insurance as well as agree to certain indemnification / hold harmless agreements.

The information contained in this section is intended to act as a reference guide when reviewing the lease agreement insurance and indemnification requirements and should help determine if the insurance and indemnification language is acceptable or must be amended.

* **INDEMNIFICATION LANGUAGE**

 The standard indemnification language found in many lease agreements is unacceptable to the State and should never be agreed to without the Attorney General’s Office approval. The law is very specific about what the State may agree to when indemnifying others. The indemnification language in the lease agreement must be amended to begin with ***"To the extent permitted by law . . ."*** and be approved by the AG’s Office to make sure that it is in compliance with the law.

* **REQUIRED INSURANCE COVERAGE & LIMITS**

 General Liability (sometimes referred to as commercial general liability or comprehensive general liability) is always required of a tenant. Sometimes incorrect or inappropriate insurance terms, such as “public liability” or “personal injury liability”, are used instead of the correct insurance term 'commercial general liability'. It is important to make sure that the correct insurance terms are used in the contract.

 The State is self-insured for its liability (general liability and auto liability). This means that we do not purchase the commercial liability insurance generally required in lease agreements. Therefore, all of the landlord's requirements that specify coverage, policy conditions, endorsements and acceptable insurance companies do not apply to our self-insured program. This section of the lease agreement should be amended to ***include the following language:***

 ***"The State may satisfy some or all of these requirements through self-insurance".***

Additional Insured requests are standard in lease agreements. Generally the landlord or property owner will require the tenant/occupant to name them as an additional insured under the tenant's liability insurance. This means that the tenant's liability insurance will protect the landlord/property owner as well. However, Chapter 41 of the NRS will not allow the State to indemnify others and therefore the State cannot provide coverage under our self-insured program to outside parties who want to be additional insureds.

* + **NOTE:** ***The additional insured requirement should be stricken from the agreement.***

 Workers' Compensation insurance may be required in the agreement. Evidence of Workers’ Compensation insurance is also shown on certificates of insurance issued by Risk Management.

 Property Insurance may be required in certain leases. Property insurance provides coverage for physical damage to the leased premises. If the State is the sole occupant of a leased building, the landlord may want the State to insure the building. If the State has made improvements to the leased property, the landlord may want the State to insure those tenant improvements. Unlike the liability program, we do not self-insure property losses. The State purchases commercial property insurance for its owned or leased properties. Therefore, if the lease agreement requires property insurance, the State can comply with this request. However, if the lease contains a disclaimer by the landlord or a provision for the States liability and/or property insurance to cover losses **due to the landlord’s negligence** (i.e. sprinkler or pipe leaks, fire, etc.) such a disclaimer or provision should be removed. These clauses have an effect similar to a waiver of subrogation, but often are not titled that way.

* + **NOTE**: In order for the State to insure leased property, the leased location must be reported to the Risk Management Division.

 Waiver of Subrogation language may be included in the insurance requirements asking the State to waive our rights of recovery. If we agree to this condition, we give up the right to pursue reimbursement from the landlord if a loss was caused by the negligence of the landlord. We also give up the right of our property insurance company. ***This language should be stricken from the agreement*** ***or a mutual waiver of subrogation may be used with the approval of the Attorney General’s Office AND the Risk Manager.***

* **CERTIFICATES OF INSURANCE**

 The State may be required to provide evidence of its insurance and self-insurance programs. If we are required to produce this evidence, certificates of insurance can be provided as follows:

 Liability and Workers’ Compensation: Certificates of self-insurance are issued by the Risk Management Division. A copy of the lease agreement insurance requirements should be provided to the Risk Management Division for review.

 Property: Certificates of insurance are issued by the State’s insurance broker. Requests should be directed to the Risk Management Division for processing.

If insurance coverages other than those stated above are required in the agreement, please contact the Risk Management Division for assistance.

* **NOTE**: It is required that the Attorney General’s Office review and sign off on all agreements or contract documents that originate from a source other than the State.

Section G – COMMODITY PURCHASE AGREEMENTS

## Contracts – Vendor Delivery

The requirements included in this section pertain to **standard** **commodity purchase** contracts (i.e. stationary, office supplies, etc.). For most commodity purchases it is **not necessary, or practical, to require the vendor to include the State as an additional insured under the liability coverages, or provide a waiver of subrogation**. The exposures presented as a result of purchasing such commodities are minimal; however, there are a few exceptions to this general rule. Those exceptions are as follows:

**Exceptions to the Standard Requirements:**

* **Purchase of products that will be resold or distributed directly to the public.** In this situation the State has a substantial product liability exposure and, therefore, the indemnification language and insurance requirements will be somewhat different. Contact the Risk Management Division for assistance in developing the appropriate insurance language for this type of commodity purchase contract.
* **Purchase and installation of large equipment.** When the State purchases **highly valued equipment**, i.e. compressors, generators or other machinery, the scope of services will generally include the installation of the equipment. This is no longer just a "commodity" purchase. The vendor's installation of the equipment makes this more of a "service contract" and, therefore, special insurance requirements should be included to address the exposures that are inherent to the operations being performed. When purchasing large equipment and machinery that will be installed in State facilities, refer to **Section F, “Purchase and Installation of Equipment”** of this manual for information about the appropriate indemnification and insurance specifications to use.
* **Purchase of aircraft or aircraft parts.** When the State purchases any type of product / equipment relating to aircraft, the limit of liability for products/completed operations coverage should be increased to $10,000,000 each occurrence / $20,000,000 aggregate. Contact the Risk Management Division for more information on developing the appropriate language.
* **Purchase of hazardous materials**, such as chlorine and other water treatment chemicals, fertilizers, herbicides and pesticides require special insurance as well as higher limits. The standard automobile liability policy excludes coverage for pollution resulting from an overturned vehicle. There is also no coverage for spills of hazardous materials while being transported. Refer to **Section H, “Environmental Service and Consulting”** for more information on the appropriate requirements for the purchase and/or transportation of hazardous materials, or contact the Risk Management Division for assistance.
* **NOTE**: Automobile Liability should be required only if the commodity is being delivered to the State by the vendor. **If the commodity is being shipped, automobile liability will not be required.** The sample specifications that follow are to be used when the vendor delivers the commodity and include the requirement for auto liability.

**Sample Insurance Specifications**

**Commodity Purchase Contracts - Vendor Delivery**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Vendor shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the purchase and or use of the commodity.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Vendor from liabilities that might arise out of the purchase and use of the commodities sold under this Contract by the Vendor, his agents, representatives, employees or subcontractors and Vendor is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Vendor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

1. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies are to contain, or be endorsed to contain, the following provisions:

1. The Vendor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C**. NOTICE OF CANCELLATION**: Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Vendor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract must have prior approval from the State of Nevada Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

**Section H – COMMODITY PURCHASE AGREEMENTS**

## Contracts – Commodity Shipped

The requirements included in this section pertain to **standard** **commodity purchase** contracts (i.e. stationary, office supplies, etc.). For most commodity purchases it is **not necessary, or practical, to require the vendor to include the State as an additional insured under the liability coverages, or provide a waiver of subrogation**.

* **NOTE**: Automobile Liability should be required only if the commodity is being delivered to the State by the vendor. If the commodity is being shipped, **automobile liability will not be required**. The sample specifications that follow are to be used when the commodity is being shipped to the State and does not include the requirement for auto liability.

The exposures presented as a result of purchasing such commodities are minimal; however, there are a few exceptions to this general rule. Those exceptions are as follows:

**Exceptions to the Standard Requirements:**

* **Purchase of products that will be resold or distributed directly to the public.** In this situation the State has a substantial product liability exposure and, therefore, the indemnification language and insurance requirements will be somewhat different. Contact the Risk Management Division for assistance in developing the appropriate insurance language for this type of commodity purchase contract.
* **Purchase and installation of large equipment.** When the State purchases highly valued equipment, i.e. compressors, generators or other machinery, the scope of services will generally include the installation of the equipment. This is no longer just a "commodity" purchase. The vendor's installation of the equipment makes this more of a "service contract" and, therefore, special insurance requirements should be included to address the exposures that are inherent to the operations being performed. When purchasing large equipment and machinery that will be installed in State facilities, refer to Section F, “Purchase and Installation of Equipment” for information about the appropriate indemnification and insurance specifications to use.
* **Purchase of aircraft or aircraft parts.** When the State purchases any type of product / equipment relating to aircraft, the limit of liability for products/completed operations coverage should be increased to $10,000,000 each occurrence / $20,000,000 aggregate. Contact the Risk Management Division for more information on developing the appropriate language.
* **Purchase of hazardous materials**, such as chlorine and other water treatment chemicals, fertilizers, herbicides and pesticides require special insurance as well as higher limits. The standard automobile liability policy excludes coverage for pollution resulting from an overturned vehicle. There is also no coverage for spills of hazardous materials while being transported. Refer to Section H, “Environmental Service and Consulting” for more information on the appropriate requirements for the purchase and/or transportation of hazardous materials, or contact the Risk Management Division for assistance.

**Sample Insurance Specifications**

**Commodity Purchase Contracts - Commodity Shipped**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Vendor shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the purchase and or use of the commodity.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Vendor from liabilities that might arise out of the purchase and use of the commodities sold under this Contract by the Vendor, his agents, representatives, employees or subcontractors and Vendor is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Vendor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies are to contain, or be endorsed to contain, the following provisions:

1. The Vendor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C**. NOTICE OF CANCELLATION**: Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Vendor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**. DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATES RISK MANAGEMENT DIVISION.**

F. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract must have prior approval from the State of Nevada Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

**Section F – COMMODITY PURCHASE AGREEMENTS**

## Purchase & Installation of Equipment

In contracts where the State is purchasing **highly valued equipment** **or machinery** (i.e. compressors, air conditioning units, generators, etc.) the scope of services will generally include the installation of the equipment. The contract has now become more than just a standard commodity purchase agreement and falls under the category of a 'service contract'.

In addition to the standard general liability, automobile liability and workers' compensation insurance requirements contained in most service agreements, purchase and installation of equipment contracts should also require the vendor to carry an "installation floater".

Installation floaters are similar to builders' risk policies in that they provide coverage for damage that may occur to the equipment and materials while they are being installed and tested. This type of policy is used by contractors performing a specialized job on an existing building or installing equipment or materials that are **not** **included in a construction project contract**.

**Sample Insurance Specifications**

**Purchase and Installation of Equipment**

**The following paragraphs should be inserted into the contract:**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability and XCU coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language*:* "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor."

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: *"*The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor*."*

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Installation Floater**

Coverageequal to the initial Contract Amount, policy shall include the following provisions:

a. The State of Nevada, Contractor, subcontractor and any others with an insurable interest in the work shall be Insureds on the policy**.**

b. Coverage shall be written on an all risk, replacement cost basis and shall include coverage for flood and earth movement as well as coverage for losses that may occur during equipment testing.

c. Policy shall be maintained until whichever of the following shall first occur: (1) final payment has been made; or, (2) until no person or entity, other than the State of Nevada, has an insurable interest in the property required to be covered.

d. Policy shall be endorsed such that the insurance shall not be canceled or lapse because of any partial use or occupancy by the State.

e. The Installation Floater must provide coverage from the time the equipment/material becomes the responsibility of the Contractor and shall continue without interruption during the installation, including any time during which the equipment/material is being transported to the installation site, or awaiting installation, whether on or off site.

f. Policy shall contain a waiver of subrogation against the State of Nevada.

g. Contractor is responsible for the payment of all deductibles under the Installation Floater policy.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

1. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

Section H - INTERLOCAL AGREEMENTS (Public entities)

For most mutually beneficial Interlocal Agreements it is not necessary or practical to require additional insured status from the other governmental entity. Each entity should be responsible for its own acts. In fact, the insurance requirements for Interlocal agreements with most major governmental entities, depending on the nature of the agreement, can be either omitted or accepted at a minimal level, provided the Attorney General Office approves.

For this reason, specific indemnification language has been developed and agreed upon by the various governmental entities in the state of Nevada. Please see the Intra/Interstate Interlocal [contract forms](http://purchasing.nv.gov/uploadedFiles/purchasingnvgov/content/Contracts/BlankIntralocal.doc) located on the Nevada State Purchasing website.

When the other governmental entity procures the services of a contractor, subcontractor or outside vendor to perform services on their behalf, or sublease State-owned property, those **contractors and subcontractors (non-governmental entities)** **must provide insurance** **in the amount specified in their contract with the other governmental entity.** The contractor and/or subcontractor(s) should name all the involved governmental entities as additional insureds.

Use the indemnification language found in this section **for Interlocal Agreements only**. Contact the Attorney General’s Office or Risk Management for guidance.

**GENERAL GUIDELINES FOR Interlocal Agreements**

* There are no insurance requirements for the other governmental entity.
* Use the indemnification language shown in this section in the Interlocal Agreement.
* If any part of the Interlocal Agreement is contracted, subcontracted or subleased, the other governmental entity shall require its contractor(s), subcontractor(s) or sublessee(s) to name the State of Nevada as an additional insured on the contractor’s/outside vendor’s insurance to the same extent the other governmental entityis named as an additional insured.
* Anyone, including governmental entities, occupying a hangar located at a State of Nevada airport must have Hangarkeepers’ Liability Insurance, with the airport operator (State of Nevada) named as an additional insured.
* Contractors and subcontractors of the other governmental entity/ies in the Interlocal Agreements are required to carry insurance limits of $5,000,000 General Liability and $5,000,000 combined single limits for Automobile Liability when performing operations or services on the “air side” of airport terminals.

For further details and assistance regarding Interlocal Agreements, please contact the Risk Management Division.

**Sample Insurance Specifications**

**Interlocal Agreements (Public entities)**

**The following paragraphs should be inserted into the Interlocal Agreement**

**Insurance Requirements for Governmental Parties to an Interlocal Agreement:**

None.

**Insurance Requirements for Any Contractors Used by a Party to the Interlocal Agreement:**

If any part of this Agreement is contracted or subcontracted, *(insert name of other governmental entity)* shall require its contractor(s) and subcontractor(s) to name the State of Nevada as an additional insured to the same extent that *(insert name of other governmental entity)* is named as an additional insured as required under the contract.

Section I - ENVIRONMENTAL SERVICE & CONSULTING

This section includes information regarding environmental service contracts. If the scope of services to be provided by the contractor includes generating, transporting, treating, storing, removing or disposing of hazardous materials, petroleum products or chemicals, the contractor can be held liable for damaging the environment if an accident were to occur.

Most general liability policies severely limit or exclude liability for pollution-related losses. Therefore, it is necessary to require some form of pollution liability coverage. These policies provide coverage for losses caused by pollution conditions that arise from the contractor's operations.

Some examples of activities or services that may be included in the contractor's scope of services which require pollution liability insurance are:

* Remediation services
* Asbestos or lead abatement
* Disposal site operators
* Transporters of hazardous materials or regulated substances
* Purchase and delivery of hazardous materials or regulated substances
* Facilities that accept hazardous waste
* Environmental engineers and consultants
* Master environmental consultants (provide both professional consulting services and manage the remediation/abatement process)
* Certain types of recycling facilities

Please remember that contractors providing services on the "air side" of an airport have a much higher risk of loss due to their physical relationship with the flow of air traffic. For this reason, we require these contractors to provide higher liability limits. The Insurance Specifications should be amended to require minimum limits of $5,000,000 per occurrence and $5,000,000 in the aggregate for all liability coverages. This can be accomplished by providing the full $5,000,000 under each of the primary insurance policies **or** as a combination of 1) primary liability insurance and, 2) excess liability insurance.

**Note: The SPWB is responsible for most environmental engineering contracts. Please contact the SPWB, Contract Administration Division, for more information about these types of contracts.**

**Contact the Risk Management Division if you have questions about the various types of insurance coverages required for environmental services and consulting contracts.**

**SECTION F – ENVIRONMENTAL SERVICE & CONSULTING**

## Remediation and Abatement Services

Activities that affect the environment pose a special risk to the State. If the contractor is providing services that include remediation services or abatement of hazardous materials, such as asbestos or lead, from State buildings or removing underground storage tanks, the insurance requirements should include a requirement for Contractor Pollution Liability. This type of insurance provides coverage for bodily injury, property damage and cleanup arising from pollution conditions the contractor creates or encounters during work at a job site. It also provides coverage for errors and omissions liability of the contractor.

If the scope of services also includes testing or consulting, please refer to Section H, Environmental Consulting and Testing Services.

**Sample Insurance Specifications**

**Remediation and Abatement Services**

**The following paragraphs should be inserted into the contract**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this Contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AN****D LI****MITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability and XCU coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

b. The policy shall include coverage for pollution arising from products liability for environmental control equipment, manufacturers and distributors.

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

1. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Contractor's Pollution Liability (Including Errors and Omissions)**

For losses caused by pollution conditions that arise from the operations of the Contractor as described in the Scope of Services section of this Contract.

Per Occurrence $1,000,000

 General Aggregate $2,000,000

1. The policy shall provide for complete professional service coverage, including coverage for pollution liability that is the result of a breach of professional duties.
2. The policy shall provide for protection against claims for third-party bodily injury, property damage, or environmental damage caused by pollution conditions resulting from general contracting activities for which the Contractor is legally liable.
3. The policy shall provide for cleanup costs when mandated by governmental entities, when required by law, or as a result of third-party claims.

d. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

1. **Pollution Legal Liability (only if work involves the transportation of hazardous materials or regulated substances**)

If the Scope of Services in this Contract requires the transportation of any hazardous material or regulated substances, the Contractor shall provide coverage with limits of at least:

Per Occurrence $1,000,000

 General Aggregate $2,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

1. If the Scope of Services in the Contract requires the transportation of any hazardous materials or regulated substances, then the policy shall provide coverage for claims resulting in bodily injury, property damage or cleanup costs associated with a pollution condition from transported cargo.

6. **Pollution Legal Liability for Disposal Site Operator**

 If the Scope of Services in this Contract requires the disposal of any hazardous materials from the job site, Contractor shall obtain a certificate of insurance for Pollution Legal Liability from the disposal site operator.

Per Occurrence $1,000,000

 General Aggregate $2,000,000

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies are to contain, or be endorsed to contain, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

 2. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION**: Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A- VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract must have prior approval from the State of Nevada Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

**Section H – ENVIRONMENTAL AGREEMENTS**

## Disposal / Recycling / Storage Facilities

The State may enter into contracts with facilities that handle or store hazardous waste or materials. These services or operations may include, but are not limited to:

* Facilities that store hazardous materials or regulated substances
* Facilities that accept, treat, store and dispose of hazardous waste
* Disposal site / solid waste landfill operators
* Incinerators
* Water and waste-water treatment facilities / operations
* Certain types of recycling facilities that recycle metals, lead-acid batteries, used oil, etc.

These types of operations require special liability insurance called **Pollution Legal Liability**. This insurance is designed to cover bodily injury, property damage and cleanup costs arising from pollution claims resulting from the contractor's operations due to:

1. Unanticipated on and off-site pollution conditions
2. Pollution conditions resulting from transportation
3. Owned or non-owned disposal site-related environmental liabilities

The sample specifications that follow include these special insurance coverages in the requirements.

**Sample Insurance Specifications**

**Disposal / Recycling / Storage Facilities**

**The following paragraphs should be inserted into the contract**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits

contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this Contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Pollution Legal Liability:**

 If the Scope of Services in this Contract requires the acceptance, transport, storage or disposal of any hazardous materials or regulated substances, the facility shall provide coverage with limits of at least:

Per Occurrence $1,000,000

 Annual Aggregate $2,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

b. The policy shall include coverage for:

1. On and off-site cleanup of unknown pre-existing conditions arising from the Contractor's facility.
2. On and off-site cleanup of new conditions arising from the Contractor's facility.
3. Third-party claims for on and off-site bodily injury and property damage.
4. Claims resulting in bodily injury, property damage or cleanup costs associated with a pollution condition from transported cargoif the Scope of Services in the Contract requires the transportation of any hazardous materials.

c. Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies are to contain, or be endorsed to contain, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

 2. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION**: Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract must have prior approval from the State of Nevada Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

**Section H – ENVIRONMENTAL AGREEMENTS**

## Environmental Consulting & Testing Services

Some pollution claims arise from services that are performed by environmental "professionals". Professional services can include, but may not be limited to the following activities:

* Consulting on environmental issues
* Architects or engineers involved in environmental projects
* Testing materials or air quality for pollutants or other hazardous materials

These contractors provide a "professional service" which could result in a claim alleging damage to the environment or injury to the public. Therefore, the specifications should include a requirement for Contractor's Pollution Liability insurance **including Errors and Omissions coverage (E&O)**. Pollution Liability coverage is normally excluded under the standard Professional Liability insurance policy.

If the scope of services of the contract includes activities such as those listed above, the insurance requirements in the section that follows should be included in the contract.

**Sample Insurance Specifications**

**Environmental Consultants & Testing**

**The following paragraphs should be inserted into the contract**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors. The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this Contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE -** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

 1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability and XCU coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a **waiver of subrogation** against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Contractor's Pollution Liability (including Errors & Omissions)**

For losses caused by pollution conditions that arise from the operations of the Contractor as described in the Scope of Services section of this Contract.

Per Occurrence $1,000,000

 General Aggregate $2,000,000

1. The policy shall provide for complete professional service coverage, including coverage for pollution liability that is the result of a breach of professional duties.
2. The policy shall provide for protection against claims for third-party bodily injury, property damage, or environmental damage caused by pollution conditions resulting from the activities for which the Contractor is legally liable.
3. The policy shall provide for cleanup costs when mandated by governmental entities, when required by law, or as a result of third-party claims.
4. The policy shall be endorsed to include the following additional insured language: "The State Shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies are to contain, or be endorsed to contain, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

 2. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:**  Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract must have prior approval from the State of Nevada Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

**Section H – ENVIRONMENTAL AGREEMENTS**

## Master Environmental Services

You may find that some contractors will provide **all** services required under a large environmental contract. Master environmental service contracts can require the contractor to provide a variety of environment-related services; e.g. testing for pollutants and air quality, environmental consulting services and remediation or abatement services (removal of the hazardous material), including transporting hazardous materials, such as chemicals or regulated substances, such as petroleum products.

Therefore, the contractor is required to provide a variety of coverage that will address the entire scope of services of the contract. The sample specifications that follow address the various insurance coverages required from a master environmental contract that involves all of these activities.

**Sample Insurance Specifications**

**Master Environmental Consultant Contracts**

**The following paragraphs should be inserted into the contract**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this Contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability and XCU coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000
1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".
2. The policy shall include coverage for pollution arising from products liability for environmental control equipment, manufacturers and distributors.

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

1. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

a. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Contractor's Pollution Liability (Including Errors and Omissions)**

For losses caused by pollution conditions that arise from the operations of the Contractor as described in the Scope of Services section of this Contract.

Per Occurrence $1,000,000

 General Aggregate $2,000,000

1. The policy shall provide for complete professional service coverage, including coverage for pollution liability that is the result of a breach of professional duties.
2. The policy shall provide for protection against claims for third-party bodily injury, property damage, or environmental damage caused by pollution conditions resulting from general contracting activities for which the Contractor is legally liable.
3. The policy shall provide for cleanup costs when mandated by governmental entities, when required by law, or as a result of third-party claims.

d. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

5. **Pollution Legal Liability (for transported cargo only)**

 If the Scope of Services in this Contract requires the transportation of any hazardous materials or regulated substances, the Contractor shall provide coverage with limits of at least:

Per Occurrence $1,000,000

 General Aggregate $2,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

1. If the Scope of Services in the Contract requires the transportation of any hazardous materials, then the policy shall provide coverage for claims resulting in bodily injury, property damage or cleanup costs associated with a pollution condition from transported cargo.

c. Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies are to contain, or be endorsed to contain, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

 2. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract must have prior approval from the State of Nevada Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

**Section H – ENVIRONMENTAL AGREEMENTS**

## Hazardous Material Hauling

The State may enter into a contract where the scope of services includes the transportation of pollutants. This can also be found in contracts for the purchase and delivery of hazardous materials. These pollutants can include but are not limited to:

* Chemicals, such as chlorine products,
* Petroleum products and regulated substances, such as fuel,
* Hazardous waste products, such as asbestos

Standard business auto liability policies do not provide coverage for pollution resulting from a spill of any cargo carried in, towed by, or being loaded into or from the automobile. This risk is specifically excluded under the automobile policies normally required of contractors.

Therefore, depending on the type of vehicle being used to transport the hazardous material or regulated substance, some form of Pollution Liability should be required from any contractor moving hazardous products or waste in the contractor's vehicles.

If the scope of services in the contract addresses only the transportation of hazardous materials or regulated substances and does not include any other operations that could effect the environment, then the sample specifications that follow should be included in the contract.

Take note that if the hazardous materials or regulated substances are being transported by automobiles or pickup trucks with trailers, Supplemental Environmental Auto Liability is required. If the materials are being transported by tanker trucks, additional Pollution Legal Liability coverage should be required to provide coverage for a pollution condition resulting from the transported cargo.

**Sample Insurance Specifications**

**Hazardous Material Hauling Contracts**

**The following paragraphs should be inserted into the contract**

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this Contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase such additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

* General Aggregate$2,000,000
* Products – Completed Operations Aggregate $1,000,000
* Personal and Advertising Injury $1,000,000
* Each Occurrence $1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

 Combined Single Limit (CSL) $1,000,000

 a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation Statutory

 Employers' Liability

 Each Accident $100,000

 Disease – Each Employee $100,000

 Disease – Policy Limit $500,000

1. Policy shall contain a waiver of subrogation against the State of Nevada.

b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., **AND** when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Pollution Legal Liability (for transported cargo only)**

 If the Scope of Services in this Contract requires the transportation of any hazardous materials, the Contractor shall provide coverage with limits of at least:

Per Occurrence $5,000,000

 Annual Aggregate $5,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

b. If the Scope of Services in the Contract requires the transportation of any hazardous materials or regulated substances, then the policy shall provide coverage for claims resulting in bodily injury, property damage or cleanup costs associated with a pollution condition from transported cargo.

c. Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies are to contain, or be endorsed to contain, the following provisions:

1. On insurance policies where the State of Nevada is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.

 2. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Contractor shall for each insurance policy required by the insurance provisions of this Contract shall not be suspended, voided or canceled except after providing thirty (30) days prior written notice been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given.  Such notice shall be sent directly to **(State of Nevada Representative's Name & Address)**.  Should contractor fail to provide State timely notice, contractor will be considered in breach and subject to cure provisions set forth within this contract.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an “A.M. Best” rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf*.*

 All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.

 All certificates required by this Contract shall be sent directly to **(State Department Representative's Name and Address)**. The State project/contract number and project description are to be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time**.**

F. **SUBCONTRACTORS:** Contractors’ certificate(s) shall include all subcontractors as additional insureds under its policies **or** Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract must have prior approval from the State of Nevada Attorney General’s Office or the Risk Manager, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

##

Appendix – What Documentation is required?

## A. Certificates of Insurance

Evidence of insurance is frequently provided as a certificate of insurance. A certificateofinsurance is not a contract; rather, it is evidence of coverage at the time the certificate is issued**.** It does not guarantee that coverage is currently in force or that coverage is as broad as requested. It should, however, provide sufficient evidence of coverage in most cases. A sample certificate is provided in the Appendix.

A certificate of insurance should include:

 The name and address of the namedinsured

Limitsofliability for each policy

 Types of policies issued to the named insured (for example, Commercial General Liability, Employers Liability, Business Auto Policy, etc.

 Types of coverage, such as occurrencecoverage or claims-made coverage, or covered autos under the Business Auto Policy

 Policy effective dates and expiration dates

 Information about cancellation or non-renewal notice

 Contract specific information, including identification of the projects or operations for which the certificate of insurance is issued and that the State has been named an additionalinsured

**When Should You Ask For More Information?**

Ask for more information when a certificate of insurance does not provide enough information about insurance coverages. For example, exclusions could eliminate important coverage. Certificates may also contain disclaimers. For example, a certificate may say that payment of claims may reduce the limits of coverage. If the contractor’s aggregate limits have been depleted under a general liability policy, a certificate of insurance could be issued but no coverage available. These limitations highlight the importance of a strong hold harmless and indemnity agreement as your agency’s first line of defense.

##

## B. Letters of Coverage

Large companies and public or quasi-public entities are often asked to provide evidence of insurance. In response, they may provide a form letter signed by either their chief executive officer or risk manager instead of a certificate of insurance. This letter will describe the insurance coverages the entity has in place.

The drawbacks to a letter of coverage include:

 Often, your agency will not be named as an additional insured. As a result, the insurer may not pay your agency’s defense costs or agree to waive the right of subrogation if you are responsible for a loss

 There may be no verification that contractualliability is covered by insurance. Accordingly, insurance may not cover the obligations transferred in a hold harmless and indemnity agreement

 You will not receive notice of cancellation or non-renewal

We do not recommend accepting a letter of coverage unless the entity providing the letter addresses these drawbacks. If you have obtained a hold harmless and indemnity agreement and you are certain the entity has the financial resources to pay losses, the letter of coverage may be adequate. A sample letter of coverage is included in the Appendix.

## C. Sample Certificate

****

**Sample - Letter of Coverage**

 

## D. GLOSSARY of INSURANCE TERMS

**Accident** - An unforeseen, unintended, and unexpected event, which occurs suddenly and at a definite place. See **Occurrence**.

**Act of God** - An accident or event that is the result of natural causes, without human intervention, that could not have been prevented by reasonable foresight or care.

**Actual cash value (ACV)** - A method for placing value on property as of the time of its loss or damage. ACV may be determined as replacement cost, less depreciation. The market value of an item may be used to help determine actual cash value. Contrast with **replacement cost**.

**Additional Insured** - A party other than a named insured who is protected under the terms of an insurance policy without the obligation to pay premium. Usually, additional insureds are added by endorsement. See **Named Insured**.

**Admitted Company** - An insurance company licensed by the Insurance Division of the State of Nevada.

**Advertising Liability** - This refers to acts committed or alleged to have been committed in any advertisement, publicity article, broadcast, or telecast, or arising out of the named insured’s advertising activities. Coverage includes: libel, slander, or defamation, infringement of copyright or slogan, piracy unfair competition, or idea misappropriation under an implied contract, invasion of right or privacy.

**Agent (Insurance)** - A representative of one or more insurance companies who, operating under the authority of an agency contract, solicits, negotiates, and effectuates contracts of insurance.

**Aggregate limit** - The total amount payable under an insurance policy, regardless of the number of claims. This is usually based on an annual total amount paid.

**Aircraft coverages** – Policies designed to cover risk associated with the operation and ownership of aircraft. As with any specialty line of insurance, the absence of standardized forms limits practice to specialty markets.

A**ircraft hull and liability insurance** is the counterpart of personal or commercial auto policies coverage.

**Aircraft products insurance** is the counterpart of products liability coverage.

**Air cargo** insurance is mirrored in motor truck cargo.

**Hangarkeepers liability** is akin to garagekeepers coverage.

**All Risk Coverage** - Insurance that protects against all risk of loss except those specifically excluded. In an all-risk policy the burden of proof that the peril causing the loss was excluded falls to the insurer. In a named peril policy the burden of proof that damage was caused by an insured peril falls to the insured.

**Automobile Liability Insurance**

 **Any Auto -** incorporates all of the insurance coverage parts below.

 **All Owned Autos -** coverage on a blanket basis for all Contractor-owned vehicles.

**Scheduled Autos -** coverage for only those Contractor-owned vehicles named in the insurance policy.

**Hired Autos** - coverage for borrowed, hired, rented or short-term lease vehicles. (Long-term leased vehicles are usually covered as owned vehicles).

**Non-Owned Autos -** required of Contractors who does not have “Any Auto” insurance and whose employees use personal vehicles on company business.

**Auto physical damage insurance** - Insurance on the vehicle, itself. This usually is broken down into collision and other than collision coverages.

**Bailee** - One who has is charged with the care of the property of another. For example, a garage is bailee of a customer's ("bailor's") car (the "bailment") and a jeweler is a bailee of customers' jewelry while in for repair or appraisal.

**BI** - A shorthand expression for "bodily injury."

**Bid bond** - Guarantees an owner, the "obligee," that the accepted contractor will actually undertake the work and that the contractor will furnish performance, payment, and, perhaps, maintenance bonds — or that the contractor will pay the owner the difference between the amount of the contractor's accepted bid and the bid of another contractor who has to be called in to complete the project.

**Binder** - A temporary insurance agreement that obligates the several parties of the contract if the loss insured against occurs before the policy is issued; a legal document pending issuance of the policy contract.

**Blanket Insurance** - A single amount of insurance covering several items, as opposed to “specific insurance”, which covers one specific property, or a particular interest in a property.

**Bodily injury/harm** - A term that refers to physical injury, sickness, or disease, or death resulting there from.

**Bond** - A contract for expressing surety. A bond engages three entities; the "surety" (bonding company) sells the bond to the "principal" for the purpose of paying the amount the principal will owe to the "obligee" upon failure of the "principal" to perform some act or provide some service under agreed terms.

**BOP –** A shorthand expression for **Business Owners’ Policy**.

**Broker** - The representative of the buyer of liability and other insurance who deals with agents or companies in arranging for the coverage required by the customer.

**Builder’s Risk Insurance** - Insurance coverage to protect a building in the course of construction.

**Business Owners policy (BOP)** - A package of property and liability insurance for small and medium size businesses, the BOP owes its origin to the success of the homeowner’s policy.

**Carrier** - An insurance company which “carries” the insurance.

**Captive insurer** - An enterprise with all the authority to perform as an insurance company, but is organized by a parent company for the express purpose of providing the parent company's insurance.

**Care, custody, or control** - An expression common to liability insurance contracts. It refers to an exclusion in the policy eliminating coverage for damage to property of others that is in the insured's "care, custody, or control." The insured has a bailee relationship to the property, in other words, making the insured liable for the care of the property beyond damage caused by negligence. A bailees’ floater is often used to cover the insured's obligation for the care of such property.

**Casualty insurance** - The type of insurance concerned with legal liability for losses caused by bodily injury to others or physical damage to property of others.

**Certificate of insurance** - A written description of insurance in effect as of the date and time of the certificate. The certificate does not ordinarily confer any rights on the holder, i.e., the issuing insurer does not promise to inform the holder of change in or cancellation of coverage. An “information only” document.

**Claim** - The amount of damages for which an insured seeks reimbursement. Once the amount has been determined, it becomes a loss. Claim and loss are often used interchangeably.

**Claims-made Policy** - Liability insurance that applies only to a claim which is made during the policy period or during a designated **extended reporting period** beyond expiration. Any form of insurance under which the trigger of coverage is the presentation of a claim against the insured rather than the date on which the loss occurred. Opposed to “**occurrence**” policy.

**Collision insurance** - A type of physical damage insurance available for automobiles. Coverage is triggered when damage is caused by striking against another object.

**Combined Single Limit (CSL) -** Single limit of liability coverage for both bodily injury and/or property damage, contrasted with split limits, where specific limits apply to bodily injury and property damage separately.

Commercial Bonds **-** A general classification of bonds that refers to all bonds other than contract and performance bonds. Commercial bonds cover obligations typically required by law or regulation. Each bond is unique to the circumstances at hand.

**Commercial General Liability (CGL) Insurance** - A broad form of liability insurance usually covering business organizations to protect them against liability claims for bodily injury and property damage arising out of their operations. CGL policies typically exclude liabilities arising out of professional services and some other risks such as the use of automobiles.

**Common Law -** The body of law derived from judicial decisions and opinions, rather than from statutes or constitutions.

**Completed Operations** - Liability a contractor might incur after the job is completed from improperly performed work.

**Contingent Liability** - Liability incurred because of negligence of a person engaged by the insured to perform work, for example, a contractor’s responsibility for work of a subcontractor.

**Contract** - An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law.

Contract Bonds - A general classification of bonds that provide financial security and the construction assurance on building and construction projects by assuring the project owner (obligee) that the contractor (principal) will perform the work and pay certain subcontractors, laborers, and material suppliers. In many cases, two bonds are issued: a “performance bond” to cover performance and a “payment bond” to cover labor and materials.

**Contractual liability** - Liability that arises by assumption under contract. For example, in certain leases, a tenant may assume a landlord's liability to others for unsafe conditions on the premises.

Court/Probate Bonds – see judicial bonds.

**Crime insurance** - A broad category of contracts covering losses of property through criminal activity — from employee dishonesty to burglary and robbery, computer fraud, and forgery. When issued by insurance companies that are referred to as **Commercial Crime Insurance.** Sureties provide similar coverage, also know as **Fidelity Bonds.** Both types of contracts are designed to **r**eimburse the named employer for loss sustained by reason of any dishonest acts of their covered employees.

**Cross Liability -** Liability between two different insures of a single liability insurance policy. A “cross liability”, or “severability of interests”, clause says that each insured will be treated as though the policy applied separately to each. The standard Commercial General Liability policy titles this condition a “Separation of Interests”.

**Cyber/Privacy Insurance -** An insurance policy that provides coverage from losses resulting from network security programs or from data breach or loss of electronically-stored confidential information. Cyber and privacy [insurance coverage](http://www.investopedia.com/terms/i/insurance-coverage.asp) is designed to protect the insured from the activities of hackers and other individuals or groups who may gain access to computer networks and/or data stored within those networks.

**Damages** - Monetary compensation for loss or injury to person or property.

**Declarations page** - section of the insurance policy that discloses information pertinent to the coverage promised including names, addresses, limits, locations, term, premium, forms, etc.

**Deductible** - A provision requiring the insured to pay a specified portion of the loss on each claim.

**Direct Writers** - Insurers who sell policies through salaried employees or exclusive agents rather than through independent agents or brokers.

**Discovery Period** - Time given the insured after expiration of a policy to discover and make claim for a loss that occurred during the policy term.

**Duty to defend** - Part of the insuring agreement of many policies. The insurer has the duty to defend the insured in event of a covered loss.

**E & O** - Errors and omissions, or professional liability. Professionals, public officials, directors, and officers all make decisions, on which others rely, becoming susceptible to lawsuits for errors or omissions. See **malpractice**.

**Employers Liability** - Legal liability imposed on an employer making him responsible to pay damaged to an employee injured by the employer’s negligence.

**Endorsemen**t - A provision added to an insurance policy to modify it. An endorsement supersedes the printed policy text. If two endorsements contradict each other, the one with the latest date prevails.

**Exclusion** - Coverage that is specifically eliminated from an insurance policy.

**Excess insurance** - Coverage that applies on top of underlying insurance that is primary, i.e., that pays until its coverage limit is exhausted at which point the excess coverage takes over. There may or may not be underlying insurance for losses less than this amount

**Exposure** - An estimate of the probability and potential severity of loss from some hazard, contingency, or circumstance. Often used as a synonym for risk.

**Extended Reporting Period** - The time period beyond the expiration of the original policy term during which an insured may report claims from acts that occur within the original policy term and obtain coverage for such claims.

**Fidelity Bond** - See Crime Insurance.

Fiduciary **-** One who is appointed to act in the best interests of another. A fiduciary is a person appointed by the court to handle the affairs of persons who are not able to do so themselves. Fiduciaries are often requested to furnish a bond to protect against a lack of faithful performance of their duties.

Fiduciary Bonds - Bonds which protect against dishonest accountings and a lack of faithful performance of duties by administrators, trustees, guardians, executors, and other fiduciaries. Fiduciary bonds, in some cases referred to as probate bonds, are required by statutes, courts, or legal documents for the protection of those on whose behalf a fiduciary acts. They are needed under a variety of circumstances, including the administration of an estate and the management of affairs of a trust or a ward. Also see **judicial bonds**.

**Fiduciary liability insurance** - This insurance covers claims arising from: (1) a breach of the responsibilities or duties imposed on a benefit plan administrator; or (2) a negligent act, error, or omission of the administrator.

**Financial Responsibility Law** - A law requiring persons involved in auto accidents to provide a certain minimum amount of money, usually satisfied by insurance policies. All states have such a law.

**Fire legal liability** - Public liability policies routinely exclude coverage for damage to property in an insured's care, custody, or control. This leaves a big gap in a tenant's coverage, a gap partially filled by an exception in the commercial general liability policy that restores limited coverage for fire damage to the landlord's building. Perhaps the best benefit of the exception is to call attention to the exposure so arrangements can be made for broader coverage at appropriate limits.

**Floater** - A policy covering property which may not have a fixed location.

**Force Majeure** - A clause in contracts excusing the contractor from performance if he is restrained by acts beyond his control.

**Hazard** - A condition that creates or increases the probability of a loss. It differs from “peril”, which is a cause of loss.

**Hold harmless agreement** - A contractual assumption by one party of the liability exposure of another. Lease agreements, for example, commonly require the tenant to hold the landlord harmless for bodily injury or property damage experienced by others on the premises. **Hold harmless** by itself does not imply indemnification. **Indemnification** includes assuming the financial responsibility for all claims brought against the protected party within the scope of the agreement. **Hold harmless agreements** only prevent the agreeing party from bringing action against the protected party; it doesn't protect from the actions of other parties.

**Implied Warranty** - A warranty arising by operation of law because of the circumstances of a sale, rather than by the seller’s express promise.

**Improvements and Betterments** - Improvements paid for by the tenant which adds value to leased premises.

**Indemnify** – A duty to make good any loss, damage, or liability another has incurred. To indemnify is a fundamental concept governing insurance. With an indemnification policy, no claim need be paid until the insured has actually suffered a loss. In a property and casualty contract, the objective is to restore an insured to the same financial position after the loss that he or she was in prior to the loss. The insured should not be able to profit by damage or destruction of property, nor should the insured be in a worse financial position after a loss.

**Indemnity Contract** - Arises when one individual takes on the contractual obligation to pay for any loss or damage that has been or might be incurred by another individual. The *right to indemnity* and the *duty to indemnify* ordinarily stem from a contractual agreement, which generally protects against liability, loss, or damage.

**Indemnification Agreement** - A contract provision whereby one party assumes certain legal liabilities on behalf of another party. Such a contract provision could be of **limited** form, where a party reaffirms responsibility for its own negligent acts thus protecting another party from vicarious liability; an **intermediate** form, where a party reaffirms its responsibility and agrees to share responsibility for joint and concurrent negligence of both parties; or a **broad** form, where a party assumes responsibility for all liability including that arising out of the sole negligence of the other party.

**Insurable Interest** – The financial or legal interest that an insured must have in the person, object or activity covered by an insurance policy. No insurance policy should be issued to insure anyone who will not actually be out-of-pocket if the calamity which is insured against should happen; an essential element of an insurance contract. If the policy does not have an insurable interest as its basis, it will usually be considered a form of wagering and therefore held to be unenforceable.

**Insurance** - A legal contract whereby the insurer, for a consideration (the premium) agrees to indemnify the insured for loss from specified perils and under certain conditions.A mechanism by which the risk of financial loss is transferred from an individual, company, organization, or other entity to an insurance company.

**Insurance Services Office (ISO)** - An organization providing statistical information, actuarial analyses, policy language, and related services for the insurance industry.

**Insured** - The person who has purchased an insurance policy and is protected by it; sometimes also referred to as the assured.

**Insurer** – An Insurance Company.

**Joint and several liability** - A legal doctrine under which a creditor or claimant may demand payment or sue one or more of the parties separately or all of them together.

**Judicial bonds** - Two types of bonds available to guarantee faithful performance of court appointed duties. Fiduciary bonds guarantee the faithful performance of persons entrusted by the courts in the management, conservation, and disposition of property. Litigation bonds (or "court bonds") are required in court actions. Bail bonds and appeals bonds are litigation bonds; where the bond amount is forfeited if the bonded person disappears or the appeal is lost.

**Lapse** - Termination of a policy because of failure to pay the premium.

**Law of large numbers** - An underlying principle of insurance; the larger the number of participants in a given arrangement, the more accurate the rate is to the exposure.

**Liability** - A legally enforceable obligation or responsibility, in the insurance context liability is usually pecuniary.

**Liability Insurance** (general liability insurance) - Refers to the form of coverage whereby the insured is protected against injury or damage claims from other parties. Any form of coverage whereby the insured is protected against claims of other parties from specified clauses.

**Libel** - A written defamatory statement about another.

License and Permit Bonds - Bonds required as part of the licensing or permitting within many cities, counties, states or other political subdivisions. They may be required for a number of reasons, including the payment of certain taxes and fees or providing consumer protection as a condition to granting licenses related to selling things such as motor vehicles or contracting services.

**LIMIT—** The maximum amount for which an insurer may be liable for any loss, as set forth in an insurance policy.

**Aggregate Limit—** The maximum amount of coverage that an Insurer will pay for all losses during a specific period of time, usually the contract period, no matter how many separate accidents may occur.

**Annual Aggregate Limit—** The maximum amount payable under an insurance policy for all losses occurring within a particular calendar or fiscal year.

**Per Accident Limit—** The maximum amount the insurer will pay for claims growing out of a particular accident, regardless of the number of persons injured or property interests damaged.

**Per Person Limit—** The maximum amount the insurer will pay for bodily injury to any one person in any one accident.

**Single Limit—** The overall maximum on the insurer’s liability for all types of bodily injury, property damage or personal injury claims growing out of one accident, regardless of the number of persons suffering injury.

**Split Limit—**Separate limits of liability for bodily injury and property damage claims.

Many split-limit liability policies contain three separate limits for (1) bodily injury to each insured person, (2) bodily injury to two or more persons injured in the same accident, and (3) property damage per accident.

**Long tail** - Refers to liability under policies written on an occurrence basis. Claims stemming from injury or damage occurring years earlier can be presented for coverage long after the policy has expired. Contrast with Claims-made.

**Loss Payable Clause** - A policy clause providing for payment to a third party at interest, such as a mortgage holder or lien holder, as its interests appear. See **Loss Payee**.

**Loss Payee -** The party named in a loss payable clause, to which insurance proceeds are to be paid in the event of damage to property in which the loss payee has an insurable interest.

**Malpractice** - Improper professional actions or failure to exercise proper professional skills by a person practicing a profession, such as a physician, lawyer, architect, accountant, etc. that result in harm to the client or patient. Professional liability is a somewhat broad term, which includes both bodily injury and financial injury. See **Errors and Omissions**, (E&O).

**Maintenance bond** - Guarantees that faulty work or defective materials charged to the bond principals will be corrected or replaced. A maintenance bond may be included among the terms of a performance bond

**Named Insured** - The one named in the insurance policy. It could be any person, firm, or corporation or any of its members specifically designated as insureds in the policy. A named insured under the policy has rights and responsibilities not attributed to additional insureds. See “**Additional Insured** “

**Negligence** – The failure to exercise the standard of care that a “reasonable person” would have exercised in the same situation. This can include an act or a failure to act. Negligence is also a tort (a civil wrong for which a legal remedy may be obtained) grounded in such a failure which is usually expressed in terms of the following elements: duty, breach of duty, a direct causal link between the breach and the harm, and damages or harm.

**Non-admitted Company** - See “Admitted Company”.

**Non-owned Auto** - This term signifies an auto that is not owned, hired, nor borrowed by the insured under a commercial auto policy. Employees' cars used in company business are commonly classified this way. The employer's auto liability cover for use of non-owned autos is covered by entry of symbol 1 ("any auto") or symbol 9 ("non-owned autos") on the declarations page.

**Obligee** - A term used in surety bonds to refer to the individual or firm that is to benefit from the bond's protection. A performance bond, for example, provides the obligee property owner with recourse if the bonded contractor, the principal, fails to perform.

**Obligor** - A term used in surety bonds to refer to the individual or firm bound by an obligation. Also known as the "principal".

**Occurrence** - in insurance contract language, continued or repeated exposure to conditions which unexpectedly results in injury during the period an insurance policy is in effect; in contrast to sudden injury or damage from an accident which takes place at a specific time and location**.** A basis for coverage in general and auto liability policies.

**Occurrence Form** - An insurance policy whereby coverage is provided for losses stemming from an event when the insurance policy was in force even if the claim is not made for several years. There is no cut-off date after which a claim will not be honored, except for the workings of a statute of limitations that may apply in a particular jurisdiction.

**Owners and Contractors Protective Liability Insurance (OCP)** - Insures the legal liability of contractors and other persons for the negligent acts of subcontractors and may include their own negligent supervision of the work performed. The State would be the named insured.

**Other Insurance Clause** - A clause found in almost every policy stating how it will respond when other insurance policies also cover a claim.

**Paid losses** - The losses that have been paid for a claim.

**Performance bond** - A bond that guarantees the property owner (the "obligee") that the contractor with the winning bid on a job will perform as promised and on time.

**Payment bond** - Sometimes also called a "labor and materials bond," this bond guarantees that bills owed by the contractor will be paid as they come due. The agreement may be incorporated into the performance bond.

**PD** - A shorthand expression for "property damage."

**Peril** - A cause of loss, such as fire, earthquake, and flood.

**Personal injury** - Distinguished from "bodily injury," this term relates to any harm including bodily injury or harm, any invasion of personal rights, and in the worker’s compensation context any harm, including a worsened preexisting condition, that arises in the scope of employment.

**Premises and operations liability** - Once known as owners, landlords, and tenants legal liability, or as manufacturers and contractors liability, depending on the business's activity, the term refers to the liability exposure of business entities to third parties (customers, guests, and passers by) who may become injured or have property damaged through the negligent acts of the business persons, their agents, or employees. Coverage of this exposure is by way of the commercial general liability policy. Contrast with Products and completed operations liability.

**Primary Insurance** - The first policy applicable to a claim; as opposed to excess insurance, which applies once the primary limits are exhausted.

**Principal** - In suretyship, the party whose actions, honesty, or responsibility are being guaranteed.

**Products and completed operations liability** - The liability exposure of the manufacturer whose malfunctioning products may cause injury or property damage or of the contractor whose failed structures or projects may do the same. Coverage of the exposure is a feature of the commercial general liability policy. The insurance does not in any way constitute a guarantee of either the insured's product or work. Contrast with **Premises and operations liability**

**Professional Liability** - See E & O

**Property Damage Liability Insurance** - Covers the insured’s legal liability for negligent damage to property of others.

**Real property** – Land and anything growing on, attached to, or erected on it, such as buildings, and other structures (such as a swimming pool or tool shed).

**Renewal -** The extension of the term of coverage of an expired policy, commonly by replacement with another policy effective on the date of expiration of the previous policy.

**Replacement cost insurance -** Covers property — both building and contents — on the basis of full replacement cost without deduction for depreciation on any loss sustained, subject to the terms of the co-insurance clause. See Actual cash value.

**Retention** - That portion of loss an insured undertakes to handle on his or her own. Same as a deductible except a policy with a deductible usually pays the entire loss then collects the deductible from the insured. A deductible is a form of **self-insured retention**

**Retro Date** - This term refers to the inception date of the first policy written on a claims made basis. The date is designated on each succeeding claims-made policy, thereby affording coverage for any occurrences that may have taken place since the retroactive date, provides that they are reported between the inception and expiration of the current claims-made policy.

**Rider** - Endorsement.

**Risk** - The chance of loss. The magnitude of risk is a function of the probability of an unfavorable outcome and the severity of the consequences of that outcome.

**Risk Management** - The process of minimizing the probability and severity of an unfavorable outcome at the lowest long-term cost to the organization.

**Schedule** - A list of items insured. **Schedule** - List of items on a policy declaration, sometimes also showing descriptions and values.

**Self-Insurance** - The systematic provision of a fund to provide for the loss which the individual or firm may have. A term used when it has been decided to assume one’s own risk through internal financing mechanisms rather than to purchase insurance.

**Self-Insured Retention (SIR)** - See “Retention”.

**Severability of Interests** - See “Cross liability”.

**Statutory Law** - Written law created by the legislature, as opposed to common law which is derived from custom and judicial opinions.

**Solvency** - Insurers must have sufficient assets (capital, surplus, reserves) in order to satisfy statutory financial requirements (investments, annual reports, examinations) and to meet liabilities

**Strict liability** - Liability that does not depend on actual negligence or intent to harm, but is ascribed to a manufacturer or seller as an absolute duty to make something safe. Strict liability most often applies to ultra hazardous activities or products.

**Subrogation** - The right of one party who has paid for the loss of a second party to obtain recompense from the third party who is responsible for the loss. For example, an insurance company becomes "subrogated" to the rights of its insured to the extent of the insurer's payment for collision damage caused by the negligence of the other driver.

**Surety Bond** – See bond.

**Surety Company –** A company licensed by the state insurance department to write bonds (surety and fidelity). Most bond companies are divisions of a large property/casualty insurance company.

**Surety Association of America (SAA)** - A voluntary, non-profit, unincorporated association that is licensed as a rating or advisory organization for surety and fidelity insurance in all states, D.C., and Puerto Rico. The SAA handles statistical information, filings, publications, and surety and fidelity bonds

**Term** - The length of time for which an insurance policy or surety bond is written and in effect.

**Third party** - Someone other than the insured or insurer who may become a claimant under a form of public liability coverage because of injury or property damage alleged to have been caused by the negligence of the insured.

**Tort** - A wrongful act or omission, other than a crime of breach of contract, for which the remedy is usually monetary damages. Many tort claims arise from **negligence**.

**Third party administrator (TPA) -** A TPA is a contractor that adjusts and administers insurance claims.

**Tail coverage** - Coverage for claims made after a claims-made liability policy has terminated; the extended reporting or discovery period.

**Umbrella Insurance** - A broad, high-limit policy, usually requiring the insured to carry primary or underlying insurance. An umbrella policy generally differs from an excess policy in that the umbrella can provides some coverage not available from underlying policies - subject to a significant self-insured retention.

**Underground Storage Tank (UST)** - Tanks sunk in the ground that are used to store or dispose of gasoline or other fuels, hazardous chemicals, or other pollutants or contaminants.

**Underinsured motorists’ coverage** - Coverage for the insured and passengers whenever the at-fault driver in an accident has auto liability insurance with lesser limits than the insured's. This coverage lies atop "uninsured motorists’ coverage" or atop the at-fault driver's low limit automobile liability insurance and provides the insured and passengers with protection equal (usually) to the insured's own automobile liability cover.

**Underlying insurance policy** - The policy providing initial coverage for a claim until its limit of liability is reached and an umbrella or excess policy's coverage is triggered.

**Underlying limits** - The limits of liability of the policies underlying an umbrella or excess policy.

**Underwriter** - One who researches and then accepts, rejects, or limits prospective risks for an insurance company.

**Valuable papers coverage** - Provides "all risk" coverage on "valuable papers," such as: written, printed, or otherwise inscribed documents and records, including books, maps, films, drawings, abstracts, deeds, mortgages, and manuscripts. It covers the cost of research to reconstruct damaged records, as well as the cost of new paper and transcription.

**Waiver** - Surrender of a known right; for example, waiver of subrogation under a fire insurance policy.

**Waiver of subrogation** - A waiver by the named insured giving up any right of recovery against another party. Normally, an insurer has the right of subrogation and insurance policy requires that subrogation (recovery) rights be preserved. In some insurance policy, a written waiver of rights is permitted if it is executed before the loss occurs.

**Wear and tear exclusion** - A common heading for an "all risks" exclusion relating to a group of events that do not represent risk at all. Property will become worn out and torn; it will rust, settle, become rotted, infested, marred, scratched, etc. It is easy to distinguish however between the marring that occurs over time (excluded) and marring that occurs when a concrete block is dropped onto a fine wooden table.

**Warranty** – In the insurance context, a pledge or statement by the insured that the facts relating to the person or thing insured, or the risk insured are as stated.. A breach of warranty usually voids the policy.

**Workers Compensation Insurance** - An insurance system in which liability is imposed by statute on an employer, whether or not the employer has been negligent, who must provide benefits prescribed by law to employees or their dependents as a result of job-related injuries or death.