



**MUNICIPAL INSURANCE ASSOCIATION
OF BRITISH COLUMBIA**

**RECOMMENDED MINIMUM INSURANCE REQUIREMENTS
FOR CONTRACTS**

INTRODUCTION

Vendors, contractors and consultants who supply goods and/or provide services to your local government do so with varying levels of risk. To effectively manage that risk, we recommend that our members require parties who they contract with to obtain and maintain an adequate level of insurance coverage to protect themselves, the local government and the public from unpredictable or accidental loss or damage to property and from third party claims for bodily injury, death, property damage or financial loss.

The following tables are meant to act as a guideline to assist you in determining the appropriate limits and type of insurance coverage to require from parties with whom you are contracting, depending on the nature of the contract. While we have provided some examples of contracts that might fall into each level of risk, it is for you to ultimately define the level of risk associated with each individual contract and your corresponding risk tolerance level. This document is available in word as well as PDF so you can change the descriptions of risk level or minimum levels of insurance to match your local government's risk appetite, ensuring it is in line with your mission and strategic values.

In addition to the recommended insurance coverages in the table below, we recommend that you require the following provisions in all of your contracts:

1. An indemnity/hold harmless provision which releases the Local Government from responsibility for claims, demands, actions, damages, losses and expenses relating to the Third Party's performance under the contract and requires that the Third Party name the Local Government as an additional insured under the Third Party's insurance coverages.

E.g. "The Third Party agrees to defend, indemnify and hold harmless the Local Government and its officers, agents, and employees for any and all claims, demands, actions, damages, losses and expenses, including attorney fees and costs of litigation, arising out of or relating to the Third Party's performance under this contract, including those brought by employees or subcontractors of the Third Party."

2. Workers Compensation coverage, which provides medical treatment and wage subsidy for work related injuries and illnesses for the Third Party's employees.
3. Automobile Liability (third party) with a minimum limit of \$5,000,000 when the nature of the services or goods provided requires the use of vehicles.

HOW TO USE THE TOOL

This tool involves a three step process. First, identify the type of contract and risk associated with the subject matter of the contract. Second, use the matrix to identify the various types and insurance limits you may want to require from the Third Party in relation to that contract type and risk level. Third, determine the maximum insurance deductible for each coverage required.

Additional information about insurance industry terms and FAQs are contained in the glossary and FAQ section at the end of this document.

STEP 1: IDENTIFY THE CONTRACT AND RISK LEVEL

The risk levels are defined below and are color coded on the first matrix.

Minimum or low risk contracts involve one or more of the following:

- Service does not involve any modification or maintenance to be performed to local government property;
- No engineering or architectural services are required; and/or
- No bodily injury to others, damage to, destruction or loss of property, or loss of income or additional expenses anticipated or likely.

Medium risk activities or projects meet all or some of the following conditions:

- Service involves some minor modification or maintenance to be performed to local government property, including engineering and/or architectural services;
- Some potential risk of bodily injury to others, damage to, destruction or loss of property, or loss of income or additional expenses;
- Recreation program with moderate physical activity or involving vulnerable people (children, seniors, disabled); and/or
- Activity taking place at locations belonging to others.

High Risk activities meet all or a majority of the following conditions:

- A large number of members of the public are present or will utilize the end product;
- New construction over \$3 million in project costs; and/or
- High risk of bodily injury to others, damage to, destruction or loss of property, or loss of income or additional expenses anticipated or likely.

Your local government should consider carefully the level of risk and the level of insurance you will require for contracts not described in the matrix below. Where a recommendation is marked with an asterisk (*), if the contractor is not in a position to provide that level or type of insurance we recommend that you consider whether the circumstances warrant waiving the requirement (because the risk is so low).

TYPE OF CONTRACT	RISK LEVEL			
	MINIMAL	LOW	MEDIUM	HIGH
<p>Business Consulting and Professional Services</p> <p>Independent contractors retained to provide objective and professional advice</p>	<ul style="list-style-type: none"> • Conceptual or graphic design • Event planning • Facilitation of presentations • Data collection • Feasibility studies and needs assessment • Project or program facilitation and administration • Strategic planning for land use, art, cultural, social and community programs or services • Training and development 	<ul style="list-style-type: none"> • Public consultation meetings away from the local government • Financial valuations, estimates or projections • Advertising, promotions, newsletters and publications • Advice or evaluation of HR products or benefits • Mediation or negotiation on behalf of the local government with public or external agencies • Technical writing with consultations away from the local government facilities 	<ul style="list-style-type: none"> • Audits, actuarial services • Design and drafting (including structural designs, engineering plants or dwellings with built in machinery and equipment) • Design of electrical, mechanical and plumbing systems • Design of computer systems or programs; • Media broadcasts and communications • Inspections, surveys or mapping • Professional certifications • Laboratory studies or testing 	<ul style="list-style-type: none"> • Geological and geotechnical surveys and studies • Legal and medical services
	<p>The term of minimum and low risk contracts should be limited to a maximum of ONE year, subject to a performance evaluation prior to the expiry of each term</p>			

	MINIMAL	LOW	MEDIUM	HIGH
Community Programs Contractors that provide art, culture, sports and recreational programs on behalf of the local government	<ul style="list-style-type: none"> • Health and wellness programs • Leisure and recreation classes and workshops • Non-contact recreational sports • Social activities • Swimming and skating lessons • Art, cultural or general interest programs • Community art, mural or beautification projects that do not involve installation of any structures • Community involvement activities (community meetings) 	<ul style="list-style-type: none"> • Programs involving animals • No contact low impact self-defense martial arts • Offsite daytrips within BC using public transportation • Swimming, diving and wading in a public life-guarded facility • Personal training sessions and wall climbing lessons • Community art, mural or beautification projects that involve installation or erection of minor structures • Small performances that do not require special setup, modification to the premises, or specialized equipment; or that do not involve high-risk activities 	<ul style="list-style-type: none"> • Bike riding (not mountain biking), skateboarding and rollerblading lessons • Boating, canoeing, kayaking, sailing and skim boarding • Offsite recreation, day trips and tours within British Columbia involving use of a charter bus or rental passenger vehicle (i.e. senior sightseeing, day camp, hiking and orienteering activities) • Programs for adults and youth involving use of inflatables, bouncy castles or trampoline • Swimming or wading in a non-public and/or non life-guarded site 	<ul style="list-style-type: none"> • Longer sightseeing trips programs • Go-carting • Boxing and combative martial arts • Rock climbing • Snowshoeing, snowboarding and ski lessons, winter tubing • Snorkeling and scuba diving • Windsurfing • Performances that require special setup, modification to the premises • Large concerts

	MINIMAL	LOW	MEDIUM	HIGH
<p>Construction and other Trades Work</p> <p>Qualified contractors bidding on construction, installation and other trade works</p>	<p>Most, if not all, construction and trade work contracts court some risk and therefore we have not rated any type of contract in this category as minimal risk.</p>	<p>Contracts involving independent subtrades that deal with a small aspect of a larger project, such as installation of roofing, windows, drywall, painting etc. or repair or maintenance projects where the total contract value is less than \$100,000</p>	<p>Contracts involving independent subtrades that deal with a small aspect of a larger project such as installation of roofing, windows, drywall, painting etc. or significant repairs or maintenance where the total contract value is more than \$100,000</p>	<p>Contractors providing one or more the following services:</p> <ul style="list-style-type: none"> • Construction of buildings, infrastructure or retaining walls • Renovations or restoration projects • Repair of building envelope • Street or road work
		<p>The term for low and medium risk contracts should be limited to a maximum of ONE year, subject to a performance evaluation prior to the expiry of each term.</p>		
<p>Leases</p> <p>Local government rents or leases properties it owns, including land, building structures, commercial or residential strata units, to others to generate income</p>	<p>Residential leases</p>	<p>Commercial leases (i.e. offices, small retail stores, coffee shops, concessions, hair salons/barber shops, small garden centres, produce stores or sundry shops)</p>	<p>Commercial and light industrial leases (i.e. full service restaurants with deep-frying that serve alcohol, auto garages, mid-size garden centres or produce stores)</p>	<p>Air, land and ground leases (generally have a term of 60 years or more)</p>

	MINIMAL	LOW	MEDIUM	HIGH
<p>License to use/occupy (rentals and special events)</p> <p>Permits, licenses or permissions to the public, corporations or event organizers to use property owned or managed by the local government for various activities</p>	<ul style="list-style-type: none"> • Artists and small outdoor performances in parks • Block parties, picnics and small group demonstrations and rallies • Neighborhood matching fund programs • Photography, videography, or filming less than one day • Walk-a-thons and other non-competitive runs 	<ul style="list-style-type: none"> • Farmers' markets • Festivals, community celebrations – NO alcohol consumption • Occupancy of Streets at one single location • Photography, videography or filming – less than one week • Private or non-profit functions – NO alcohol consumption • Small theatrical, artistic or cultural performances on local government streets or in parks • Small-scale parades on City streets or in parks – • Special events involving rental of City or Park Board building facilities for less than 1 day • Temporary use of streets • Larger Walk-a-thons and other non-competitive runs 	<ul style="list-style-type: none"> • Competitive runs and cycling events • Corporate functions – with or without alcohol consumption • Encroachments or Right-of-Ways • Festivals, community celebrations – involving alcohol consumption • Field sporting events organized by Community groups • Large-scale parades and special events on local government streets or in parks • Non-competitive horse riding events • Occupancy of Streets at multiple locations • Operation of horse-drawn carriages or pedicab tourist carriages on City streets or in parks • Rock, rap or other large concerts • Special events or filming involving rental of local government facilities – 6 or more calendar days or recurring annually • Special events or filming on local government streets or in parks – 6 or more calendar days or recurring annually • Large Walk-a-thons and other non-competitive runs • Hockey tournaments 	

	MINIMAL	LOW	MEDIUM	HIGH
<p>Procurement Local government purchases goods or services from independent suppliers, manufacturers, distributors or brokers, generally through a public bid process</p>	<p>Most, if not all, procurement contracts have some risk and therefore we have not rated any type of contract in this category as minimal risk.</p>	<p>Vendor supplying or delivering one or more of the following products (exclude installation):</p> <ul style="list-style-type: none"> • Office furnishings, equipment, hardware/software, stationery, supplies or parts • Linens and uniforms (drapes, flags, or workmen or police or fire uniforms) 	<p>Vendor supplying or delivering one or more of the following products (exclude installation):</p> <ul style="list-style-type: none"> - Janitorial Equipment or supplies - Plants or ground maintenance supplies (e.g. Fertilizer) - Telecommunication systems - Construction Materials, hardware or supplies - Light manual/electrical tools, equipment or parts - Street furniture or amenities - Electrical supplies or parts - Automobiles or auto parts - Specialized heavy equipment, machinery or parts (including Fire apparatus and marine vessels); - Fuels or industrial lubricants 	
<p>Operating Agreements Services that are contracted out to be delivered by an independent operator and may also be leasing a City-owned property (land, building, strata unit, portable or trailer)</p>	<p>Most, if not all, operating agreements have some risk and therefore we have not rated any type of type of contract in this category as minimum risk.</p>	<ul style="list-style-type: none"> • Single location childcare/development services • Leisure, arts and crafts or other cultural programs or workshops • Employment placement or assistance programs 	<ul style="list-style-type: none"> - Alarm monitoring, patrol or other security services - Art, cultural, exhibiting or educational services - Community policing services - Courier/delivery, transportation, moving, packing or storage services - Food preparation, catering services or restaurants - Janitorial or laundry services - Multilocation licensed childcare/development services - Marinas - Neighbourhood drop-in centres that offer services for vulnerable people - Parking facilities - Property Management - Recreational services 	

STEP 2: DETERMINE THE APPROPRIATE INSURANCE COVERAGE AND LIMITS TO REQUIRE FROM THE THIRD PARTY

Now that you have identified the type of contract and level of risk associated with the contract, you can use the matrix below to assist you in deciding what types of insurance and the limits to require from the third party. To use the matrix, look up the type of contract that applies in the top row. The recommended types of insurance and limits are listed in the column below your contract heading. Recommendations for insurance limits for pertaining to each level of risk for the contract type are color coded as follows:

- Blue: Recommendation on limits applies to contracts of all risk levels
- Green: Recommendation on limits applies to contracts with minimal risk
- Yellow: Recommendation on limits applies to contracts with low risk
- Orange: Recommendation on limits applies to contracts with medium risk
- Red: Recommendation on limits applies to contracts with high risk
- N/A: Not necessary for the contract type, or level of risk

TYPE OF CONTRACT	INSURANCE COVERAGE							
	Commercial General Liability (CGL)	All Risk Property	Professional Liability (E & O) (per occurrence & aggregate)	All Risk Course of Construction or Installation Floater (COC)	Wrap up Liability	Tenants Legal Liability	Business Interruption	Other (Comprehensive crime, marine, pollution/EIL)
Business Consulting and Professional Services	\$2 million	N/A	N/A	N/A	N/A	N/A	N/A	Pollution/Environmental Impairment Liability Insurance \$2M per occurrence/\$5M aggregate if the professional is advising on dangerous substances. May require higher limits on a case by case basis, depending on the risk of the project.
	\$2 million		\$1 million					
	\$2 million		\$2 million/ \$5 million					
	\$2 million		\$5 Million/ \$10 Million					

	Commercial General Liability (CGL)	All Risk Property	Professional Liability (E & O) (per occurrence & aggregate)	All Risk Course of Construction or Installation Floater (COC)	Wrap up Liability	Tenants Legal Liability	Business Interruption	Other (Comprehensive crime, marine, pollution/EIL)
Community Programs (Sports, leisure recreation)	\$2 million*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	\$2 million							
	\$2 million							
	\$2 million							
Construction and other Trades Work	N/A	Contractor's equipment	N/A	Full Replacement value of project	High risk contracts with total contract value between \$1 million and \$5 million require \$5 million plus 2 years extension of completed operation coverage	N/A	N/A	Pollution/asbestos (EIL) \$2M per occurrence/\$5M aggregate when required. May require higher limits on a case by case basis if the contractor is dealing with dangerous substances. Marine Insurance for contracts involving ownership, use or maintenance of marine vessels.
	\$2 million							
	\$5 million							
	\$5 million							
Leases	\$2 million	Lessee's/tenant's contents & improvements	N/A	N/A	N/A	\$250,000 (or replacement cost of premises if lower)	N/A	Pollution/asbestos (EIL) \$2M per occurrence/\$5M aggregate when required. \$5M per occurrence if the lessee is engaging in operations involving chemicals (i.e. operating a dump or recycling centre).
	\$2 million	Lessee's/tenant's contents & improvements				\$250,000 (or replacement cost of premises if lower)		
	\$3 million	Lessee's/tenant's contents & improvements				\$500,00 (or replacement cost of premises)		
	\$5 million	All building structures & improvements located at the leased site including property of every description belonging to the lessee				N/A		
Operating Agreements	\$2 million	Lessee's contents, equipment & improvements	N/A	N/A	N/A	\$250,000 (or replacement cost of premises if lower)	Applicable to for-profit organizations; up to 12 months' profits	Crime Policy may be required if Lessee handling or has care, custody or control of local government assets (e.g. cash, securities, properties) or is obligated within the governing contract to share a % of annual revenues with the local government. Marine Insurance for contracts involving ownership, use or maintenance of marine vessels.
	\$5 million	If the Lessee is the sole occupant of a building owned by the local government or has an air/land/ground lease with the local government and the term of the lease is 10 years or more, you may require lessee to carry All Risk Property Insurance for the building structures and improvements located at the site.				\$500,000 (or replacement cost of premises)		

	Commercial General Liability (CGL)	All Risk Property	Professional Liability (E & O) (per occurrence & aggregate)	All Risk Course of Construction or Installation Floater (COC)	Wrap up Liability	Tenants Legal Liability	Business Interruption	Other (Comprehensive crime, marine, pollution/EIL)
License to use/occupy (rentals)	\$2 million *	Permittee's or Licensee's properties	N/A	N/A	N/A	N/A	N/A	N/A
	\$2 million							
	\$5 million							
	\$5 million							
Procurement (goods)	\$2 million	Equipment, including work (products) in-progress prior to delivery	N/A	N/A	N/A	N/A	N/A	N/A
	\$5 million							

Note: Where not highlighted, recommendation applies to contracts of all risk levels.

STEP 3: DETERMINE THE MAXIMUM INSURANCE DEDUCTIBLE

The contractors and consultants are responsible for payment of all applicable insurance deductibles. In order to ensure that the contractors and consultants do not assume a deductible or self-insurance limit that exceeds their financial abilities, we recommend that your insurance requirements specify a maximum applicable deductible for each type of insurance coverage. Depending on the nature of risk associated with each contract, the following list specifies the maximum insurance deductibles:

All Risk Property Insurance	\$ 5,000
Commercial General Liability Insurance	\$ 5,000
Professional Liability Insurance	\$50,000
Pollution/Environmental Impairment Liability Insurance	\$50,000
Course of Construction/Builders Risk Insurance	\$10,000
Wrap-Up Liability Insurance	\$10,000

COMMON INSURANCE PROVISIONS IN CONTRACTS

We recommend that you consider including the following provisions in your contracts:

- that the local government be provided with 30 (or 60) days written notice of cancellation or material change resulting in reduction of coverage, except for policy cancellation due to non-payment of insurance premium, in which case the written notice of cancellation shall follow the applicable statutory insurance conditions. The duration of written notice required may vary in accordance with the term of the contract. If the term of contract is one year or less, 30 days written notice is adequate. If the term of contract exceeds one year, 60 days written notice may be required.
- If the local government has an insurable interest in the insured property, the local government must be added as a “Named Insured” or “Additional Insured” and “Loss Payee” under the property insurance policy in respect to its interests.
- All property insurance policies must contain a Waiver of Subrogation in favour of the local government whereby the Insurer, upon payment of any claim(s), waives its right to subrogate against the local government for any property loss or damage claim(s).
- Each Commercial General Liability Insurance policy must be extended to cover the Contractor’s or Consultant’s Blanket Contractual Liability, and contain a Cross Liability (or Severability of Interest) clause naming the local government (and/or its affiliated boards or institutions), its officials, officers, employees, servants and agents as “Additional Insured”; and
- The insurance policy (policies) carried by the Vendor, Contractor or Consultant will be primary in respect to the operation of the Named Insured pursuant to the Contract with the local government. Any insurance or self-insurance maintained by the local government will be in excess of such insurance policy (policies) and will not contribute to it.

GLOSSARY

<p>All Risk Property Insurance</p>	<p>Provides the Named Insured with coverage for any direct loss or damage to property of every description, including but not limited to, buildings, leasehold or tenants' improvements, furnishings, fixtures, office equipment, tools and mobile equipment belonging to the Named Insured or the property of others for which the Named Insured is legally liable.</p>
<p>All Risk Tenant's Legal Liability Insurance</p>	<p>Protects the Named Insured (tenant) against liability for damage to the premises rented, leased or occupied by the tenant, including damages resulting from any activities and operations of the tenant.</p>
<p>Auto Liability Insurance</p>	<p>Protects the Named Insured against third party claims for bodily injury, death or property damage resulting from the operation of licensed vehicles owned or leased by the Contractor.</p>
<p>Business Interruption Insurance</p>	<p>Provides the Named Insured with coverage for loss of income or profit, extra expenses, standing charges or payroll expenses incurred during the period the damaged or lost property is being repaired or replaced.</p>
<p>Commercial (or Comprehensive) General Liability Insurance</p>	<p>Protects the Named Insured against third party claims for bodily injury, death or property damage arising out of its operation.</p>
<p>Comprehensive Crime Insurance</p>	<p>Comprehensive Dishonesty, Destruction, Disappearance Crime Insurance protects the Named Insured from loss of money, securities or other property as a direct result of employee dishonesty; robbery (loss incurred inside or outside the premises); money orders and counterfeit paper currency and depositors' forgery.</p> <p>Fidelity Bond for janitorial or building service contractor protects the Named Insured against all claims for loss of money, securities or other property that the Named Insured or third parties may suffer as a direct result of the fraudulent or dishonest acts of the Named Insured, its employees or agents.</p>

<p>Course of Construction (Builder's Risk) Insurance</p>	<p>Course of construction or builder's risk insurance insures buildings or projects under construction against the costs of repair or replacement in the event of an accident.</p>
<p>Indemnification/Hold Harmless</p>	<p>Releases Local Government from responsibility for claims, demands, actions, damages, losses and expenses relating to Contractor's performance under contract. Names Local Government as additional insured under Contractor's coverage.</p>
<p>Marine Insurance</p>	<p>Hull and Machinery Insurance protects the Named Insured against any direct loss or damage to owned vessels, damage to vessels owned by third parties as a result of the operation of the Named Insured's vessel or damage for which the Named Insured is legally liable.</p> <p>Protection and Indemnity Insurance protects the Named Insured against third party claims for bodily injury, death or property damage arising out of the operation of vessels owned or leased by the Named Insured.</p>
<p>Pollution/Environmental Impairment Liability Insurance</p>	<p>Required when Contractor is involved in any activity which may include transport, application, disposal, use or handling of hazardous materials.</p> <p>Protects the Named Insured (contractor) against all claims for bodily injury, death, property damage or loss of use thereof, arising out of the operations of the Named Insured, its employees, agents or sub-contractors, including but not limited to claims resulting from use or removal of asbestos, lead, mould or any materials containing such contaminants.</p>

Professional Liability	<p>Required when Contractor is providing services for which professional malpractice or liability insurance is available. Generally "brain" work rather than "physical" work (accountants, attorneys, architects, engineers, etc.)</p> <p>Protects the Named Insured against claims resulting from any errors or omissions arising out of the provision of professional services.</p>
Project Specific Property and Liability Insurance	<p>All Risk Builders Risk [Course of Construction] or Installation Floater Insurance [issued in the joint names of the Owner (City) and the Contractor] provides coverage for any direct loss or damage to materials, equipment and machinery, supplies, labour and work-in-progress (including property of the Insured or others for which the Insured has assumed responsibility and which will form part of, or is incidental to, the Work or Project.</p> <p>Project Specific Professional Liability Insurance (issued in the joint names of the Consultant, Engineer, Architect, their sub-consultants and all other parties participating in the design work of the project) provides coverage for financial damage claims resulting from any wrongful act, error or omission of the Named Insured in the performance of their professional services.</p> <p>Wrap-up Liability Insurance (issued in the joint names of the Owner (City), the Contractor, Consultant, Engineer, Architect, including sub-contractors and sub-consultants, their respective agents and employees) protects against third party claims for bodily injury, death or property damage, including loss of use thereof, with respect to activities related to the Work or Project.</p>
Umbrella Liability Coverage	<p>Added when contract includes activity which could result in catastrophic bodily injury or property loss and basic limits of insurance are not sufficient.</p>
Workers Compensation	<p>Where applicable, the Contractor or Consultant must certify that they are registered and are in good standing with WorkSafe BC; and that all assessments have been paid in full. They must provide the City with evidence of compliance in the form of a confirmation letter from WorkSafe BC.</p>

Wrap-up Liability Insurance

Wrap-up Liability Insurance (issued in the joint names of the Owner (City), the Contractor, Consultant, Engineer, Architect, including sub-contractors and sub-consultants, their respective agents and employees) protects against third party claims for bodily injury, death or property damage, including loss of use thereof, with respect to activities related to the Work or Project.