



RMS

Risk Management
Services

SCMIRF/SCMIT Suggested Minimum Insurance Coverage Requirements

Coverage	Limits of Insurance		Comments	
Commercial General Liability	Each Occurrence	\$1,000,000	COI should name the city/town as an additional insured Explosion, Collapse & Underground (XCU) should not be excluded if the work contemplates this exposure For extensive construction work, the General Aggregate limit should apply per project. Be sure the work being done or service provided is specifically described under "Description of Operations" on the COI.	
	Damage to rented premises	\$100,000		
	Med Expense(per person)	\$5,000		
	Personal & Advertising Injury	\$1,000,000		
	General Aggregate	\$2,000,000		
	Products-Completed Operations Aggregate	\$2,000,000		
Automobile Liability	Combined Single Limit	\$1,000,000	If the contractor will be performing work where the use of their vehicle is more than incidental, the COI should name the city/town as an additional insured. An example would be hiring a contractor to perform garbage collection.	
	Split Limits	Bodily Injury per person		\$500,000
		Bodily Injury per occurrence		\$1,000,000
		Property Damage		\$500,000
Workers' Compensation	Statutory	Statutory	Even though SC law only requires Workers' Compensation Insurance for a business employing four or more employees, those with fewer than four employees or no employees can purchase Workers' Compensation Insurance. If they have not purchased the coverage, then the municipality hiring them will be responsible for injuries incurred while working for the municipality as their "statutory employer." Waivers will not supersede the statutory requirements of law. If a sole proprietor with NO employees, they can purchase a "ghost policy" which means they have formally rejected coverage under Workers' Compensation. If the contractor is domiciled in a state other than South Carolina, it should specifically state that coverage is afforded in South Carolina. Additional insured status is not available for Workers' Compensation however you can require a Waiver of Subrogation.	

Employers Liability	Each Accident Disease-each employee Disease-policy limit	\$1,000,000 \$1,000,000 \$1,000,000	This is part of Workers' Compensation coverage
Umbrella Liability	Each Occurrence Aggregate	TBD TBD	This coverage should be required for high hazard operations including excavation, roofing, water tower installation, painting, repair and removal, large construction projects. Should also consider for certain high hazard special event activities such as fireworks displays, inflatables, mechanical rides, etc.
Professional Liability	Per Occurrence Aggregate	\$1,000,000 \$1,000,000	This coverage should be required for professional services such as accountant, attorneys, architects, design, engineering and most consultants.
Environmental Liability	Per Occurrence Aggregate	\$1,000,000 \$1,000,000	Should be required for demolition, use of hazardous materials or the job is environmentally sensitive
Fidelity Bonds	Bond Limit	TBD	This covers loss of money or other property due to dishonest acts. Should be considered for banking, janitorial, fund raising, TPA's, etc.
Bid, Performance and Payment B	Bond Limit	Amount of job	Performance bonds gives the municipality financial protection against contractor default, guarantees against defective workmanship or materials and encourages adherence to provisions of a contract. Payment bonds ensure that subcontractors are paid for labor and materials by the general contractor. South Carolina law requires a labor and material payment bond in the full amount of the contract if the contract value is in excess of \$50,000.

Other considerations for the use of subcontr

Do not allow work to commence until required insurance coverage is verified through a Certificate of Insurance (COI).

If the contractor will be performing multiple jobs over the course of the time their insurance coverage is in effect, the coverage should be verified at the beginning of each new job.

Only accept COIs from the insurance agent, wholesaler or company. Do not accept from the contractor.

In the contract between the municipality and the contractor, it is recommended that a provision include that coverage must remain in place at the same limits of liability for three years.

This is especially important for claims made coverage (Professional and Environmental Liability).

If a COI is received for special events exposures, reverify the coverage with the agent the last business day before the event.

Although the COI might state the agent will endeavor to notify you if coverage is cancelled, do not rely on this provision.

Also consider the use of Hold Harmless and Indemnity Clauses to supplement insurance requirements.

Although not a part of insurance requirements it is recommended that contract wording include a provision making the contractor responsible for fines and penalties as a result of violation of federal, state and local regulations pertaining to the work being performed. This would include OSHA violations.

This information is provided as a guideline for SCMIRF and SCMIT members and is not intended to be all inclusive or take the place of legal advice.