



# Insurance Requirements in Contracts

Manual Update and  
Current Topics  
January 18, 2024

# Our Goal

Provide you with information on the **changing landscape**  
and discuss **advanced topics**.

Terms and  
Conditions  
may Apply



---

## Caveat

Consult with Legal/Risk Management before changing contract language.



# Outline

- **I. IRIC Processes & Manual v.2024 Updates**
- **II. Notable Topics**



---

# I. IRIC Processes and Manual v.2024 Updates

Insurance Requirements in Contracts (IRIC) Manual

# Efficient Processes Help Keep things on track

## Have a process!

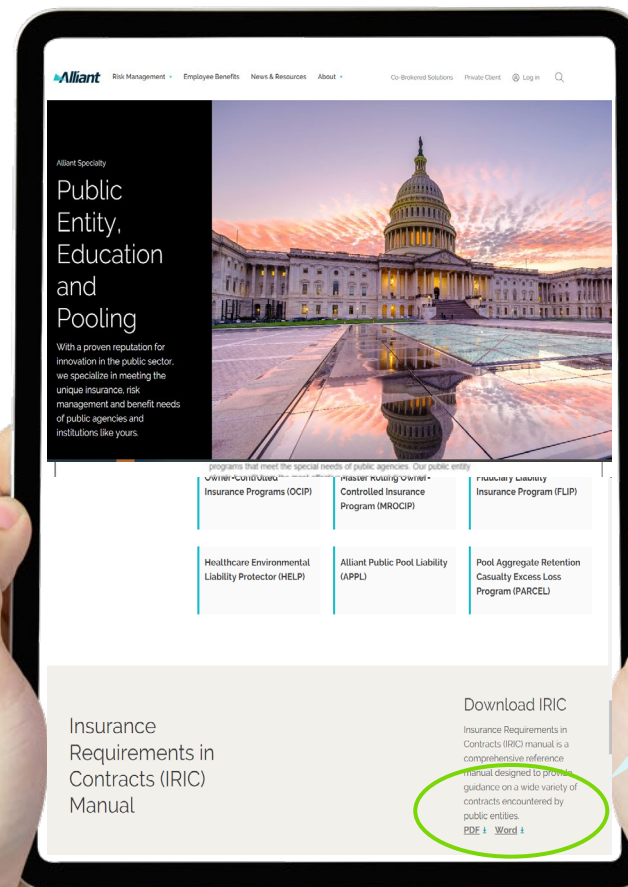
- Stick to it
- Document requirements in advance
- Use standard insurance industry language and forms
- Stay current on state of the industry language and forms
- Don't change your standard language without review
  - Legal to review indemnities
  - Insurance advisor on IRIC
- See Bob Marshburn's
  - [www.AutomatedInsuranceVerification.com](http://www.AutomatedInsuranceVerification.com)

# How to Locate the IRIC Manual

[Alliant's Website](#)

or

Google it!



**Insurance Requirements in Contracts (IRIC)**  
Download IRIC:  
[PDF](#) | [Word](#)

# Navigating the IRIC Manual





# Table of Contents

## Links to Pages

Ctrl + Click to follow link



INTEGRATED INSURANCE & FINANCIAL SERVICES

IRIC VERSION 2021.1

### TABLE OF CONTENTS

TABLE OF CONTENTS .....	ii
Foreword.....	1
Emerging Trends .....	3
Frequently Asked Questions .....	4
Introduction - Why Bother? .....	15
<b>Chapter One: Contractual Risk Transfer – The Basics .....</b>	<b>16</b>
Step 1: Analyze the Risks and Relationships .....	17
Step 2: Use a Hold Harmless .....	17
Step 3: Select the Appropriate Insurance Specifications.....	18
Step 4: Verify Coverage .....	21
Step 5: Report Claims Promptly.....	22
Exhibit A: Insurance Requirements for most Contracts .....	23
<b>Chapter Two: Insurance Specifications for Most Contracts .....</b>	<b>26</b>
Evaluate the Risk .....	26
Use the Appropriate Contract Template .....	26
Insurance Requirements .....	27
Be as Specific as Possible in Describing Types of Insurance Required.....	27
Describe Maximum Deductibles or Self-Insured Retentions that the Other Party may Maintain .....	27
How to Evaluate a SIR .....	28
Require the Addition of your Entity, its Officials, Employees and Volunteers as Additional Insureds to all Required Liability Coverage .....	29
Require that the Other Party's Insurance be Primary .....	29
Require that Your Entity be Given at least Thirty (30) Days' Notice of Cancellation of Insurance Coverage, with Ten Days' Notice for Non-Payment.....	30
Specify that the Insurance is to be Placed with Insurers that Meet a Certain Minimum Rating, Unless Otherwise Acceptable to Your Entity.....	30
Fit the Insurance Limits to the Situation .....	31
How Much is Enough? .....	32
Aggregate Limits.....	32
The Myth of "Following Form" Excess Insurance Policies .....	33
Specify how Long the Insurance Must Remain in Effect for the Project or Lease.....	35
For Construction Projects or Claims-Made Policies .....	36
Professional Services Contracts.....	36
Professional Liability Insurance .....	36
Additional Insured Status .....	37
Claims-Made Coverage .....	37
Auto Insurance.....	38
Additional Insured Status .....	38
Workers' Compensation.....	38
Independent Consultant Status.....	38
Indemnity Limitations.....	39
Property Insurance.....	40

Insurance Requirements in Contracts

ii

2021.1 Version



# Nine Chapters & Fourteen Exhibits



## Insurance Specs For:

1. Most Contracts – Exhibit 1
2. Professional Services
3. Lessees
4. Suppliers and/or Vendors
5. Construction Contracts
6. Environmental Contractors & Consultants
7. Information Technology - Cyber
8. Airports
9. Unmanned Aerial Vehicles (aka Drones)
10. Chartering Aircraft
11. Marine Related Risks
12. Short-term Rentals of Facilities
13. Instructors
14. Schools including Bus & Transportation Costs

# Glossary of Terms & Appendices



Foreword

Emerging Trends

**Frequently Asked Questions (FAQs)**

Introduction – Why Bother?

Contractual Risk Transfer – The Basics

\*\*\*\*\*

Appendix A

Risk Assessment

Appendix B

Common Insurance Industry Forms

Appendix C

Sample Hold Harmless Agreements

**Appendix D**

**Sample Checklists**

Appendix E

Resources

# Annotated Sample Certificate in the IRIC Manual

## Appendix B

Couldn't resist – favorite IRIC 101 Training exhibit!

**2** This notice confirms the provisions of the California Insurance Code, §384. Other states have similar provisions. It states that the policy, not the certificate governs coverage.

### CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

THIS IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS IS NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES OR PRODUCER, AND THE CERTIFICATE HOLDER.

certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the provisions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the benefit of such endorsement(s).

**1** This block identifies the Agent or Broker.

**3** The insurer will be identified here. The insurer letter appears again near the left margin at "3" to show which insurer provides which coverage.

**4** The insured is your entity's contractor or lessee.

**5** This notice again states that the policy supersedes the certificate form.

**6** These sections show the type of coverage provided through the agent or broker identified in "1" above. If the insured uses more than one broker, this certificate will not identify all existing.

**7** These two columns show inception and expiration dates for policies identified. Pay special attention that coverage does not expire before or during your project or lease.

**8** This column identifies limits per occurrence and aggregate for each type of coverage afforded. Pay special attention to low aggregate limits for public works-type contractors. Losses on other jobs may reduce your coverage.

**9** This section will usually be used to restrict coverage to a specific job or lease. Watch for restrictions that would omit the coverage required by your specifications.

**10** Certificate holder is your entity.

**11** Cancellation provisions

**12** The authorized representative of the insurer should be an employee, unless the agent or broker is specifically authorized to sign on behalf of the company.

ACORD 25 (2010/05)

# v.2024 Update

## What's Changed?



- › New Case Studies of recent events that demonstrate the importance of proper language in contracts
- › Updated Cyber Exhibit
- › Notes on contracts with Non-Profits serving the unhoused community
- › Suggestions for contracts involving security guards
- › Notes on the new trend of litigation financing



---

## II. Notable Topics

Recent Situations Presented

---

# Temporary or Transitional Housing Solutions

Other Topics



## Temporary or Transitional Housing Solutions

- Hotels, Motels and other housing options contracted to take in unhoused population during COVID and beyond
- Contracting entity is liable for the tenants – the hotel / motels will not accept liability
- Issues about unsafe conditions and properties not up to current code
- Responsibility for damage at end of agreement

# Cyber Risks

## Other Topics



- Clarification added regarding language for Additional Insured status and Waivers of Subrogation involving cyber policies
  - You can and should request AI status from any vendors/consultants who have access to your entity's data, but your data is ultimately your responsibility.
  - Even if you can tap into a vendor's policy through AI status, your entity's own cyber policy could have broader terms and higher limits for certain coverages.
  - Requesting a waiver of subrogation on vendor's cyber liability policy is not typical but it can be done in certain situations. However most cyber policies simply won't grant this coverage extension so expectations should be managed.

# Security Guards

## Other Topics



### Insurance requirements for contracts involving security guards

- Standard commercial liability coverage must be endorsed to provide coverage for this exposure, including claims of personal injury and violation of civil rights including wrongful detention and discrimination.
- A professional service will likely have a customized package policy for security guards to include these additional coverages. Given the unique nature of these policies we recommend obtaining a copy of the dec page and confirming that coverage includes violation of civil rights. We recommend a minimum limit of \$3M for unarmed and \$5M for armed guards.
- Schools and similar organizations that hire police officers to serve as School Resource Officers should do so through the officer's agency and confirm the agency is providing coverage for their employee.

# Litigation Financing

## Other Topics



### New Trend of Litigation Financing

- \$1M/\$2M per occurrence/annual agg limit in 1986 would be over \$5M in today's dollars.
- But using an inflation factor impacted by tort litigation inflation aka "social inflation" we estimate that the value of \$1 million in 1986 is over \$10 million for tort liability claims in today's dollars
- Introduction of third-party litigation funding for plaintiff litigation costs to change the duration and trajectory of claims.
- Plaintiffs now have the financial ability to resist pressures for early settlement at lower value, meaning that these claims have now outpaced even standard inflation

# Case Studies

## Other Topics



- Case studies involving:
  - The need to satisfy SIR's to trigger insurance coverage, even in event of bankruptcy
  - Harvard University reporting claims late to excess carriers
  - Exxon's ambiguous contract wording leading to issues with excess carriers

# Questions?

Thomas Joyce  
[Thomas.Joyce@alliant.com](mailto:Thomas.Joyce@alliant.com)

Dan Howell  
[Daniel.Howell@alliant.com](mailto:Daniel.Howell@alliant.com)



The More Rewarding  
Way to Manage Risk

[www.alliant.com](http://www.alliant.com)  
[specialty@alliant.com](mailto:specialty@alliant.com)

