Adding Your Municipality to a Vendor's Liability Policy

RMA Insurance frequently review insurance requirements in potential contracts on behalf of our municipal members. These contracts range from large construction contracts to simple rental agreements, but most contain requirements that ask for one party to be added to the other party's liability policy as an additional insured. There are a number of things to consider, including why it is important for your municipality to be added as an additional insured to a vendor's liability policy and the importance of keeping documentation.

Why Request to be Added as an Aditional Insured?

You should always ask a contractor, consultant, or vendor working on behalf of the municipality to include your organization as an additional insured under their general liability policy.

Once your municipality is added as an additional insured to the vendor's general liability policy, it becomes the primary policy. In other words, the vendor's policy would respond first should an action be brought against the municipality for negligence on the part of the vendor while performing work on behalf of the municipality as set out in the contract.

Due to joint and several liability, plaintiffs are able to get full compensation regardless of each individual defendant's ability to pay. Should a third party suffer a loss, be it property damage or personal injury, they could sue both the vendor and your municipality. Even a contractor doing a small job could lead to a very large claim in certain circumstances. If your organization is found even 1% liable, you could, under certain circumstances, be expected to cover 100% of the loss. Should that happen, your municipality would work with the vendor to contribute a proportionate share. The mention of the municipality as an additional insured under the contractor's policy should avoid this costly and complicated process.

There is no charge to the contractor for adding your organization as an additional insured. They simply have to request this from their insurance broker and then documentation is provided. Doing this adds another layer of protection for your municipality.

The Importance of Receiving and Keeping Documentation

You should always request a certificate of insurance that will be issued by either the vendor's insurance company or insurance broker. A certificate of insurance states who the insurer is, the name of the insured, the liability limit, the deductible, the policy number, and the expiry date. It will also

state that your municipality has been added to the policy with respect to the vendor's operations on your behalf.

It is important to acquire and retain the certificate of insurance due to the potential of future liability claims. It can take up to two years after damage or injury has been discovered before a claim has to be filed, so several years may pass between the original negligence act and an action being pursued. Should an action be brought against your municipality for a vendor's negligence while performing work on your behalf years earlier, it may be impossible to find out who the insurer was without the certificate of insurance. If there is no certificate of insurance, it will fall to your organization's insurance policy to respond, which will affect your claims history.

RMA Insurance staff are here to assist you in any way possible. Please let us know if you would like us to review the insurance requirements of any contracts that you may be entering into, or to review a certificate of insurance. We also recommend that you always contact legal counsel for input before entering into any contract.

Please feel free to contact our office if you have any questions.

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