Managing Risk
- Retain
- Avoid
- Minimize

Transfer (Our Focus Today)

General Insurance Requirements
- General Liability
- Auto Liability
- Workers Compensation
- Professional Liability, if applicable
- Other, depending on nature of contract (e.g., Pollution Liability)

Why Insurance?
- Protects the STATE
- Protects the CONTRACTOR
- Allows Contractor to meet financial obligations imposed by Indemnity Agreement in Contract (Contractor agrees to hold the State harmless and indemnify the State for losses)
Tort Cap vs. Unlimited Liability

- **State's Liability:**
  Limited to Tort Claims Cap:
  - $500,000 bodily injury & property damage per person and
  - $1,500,000 bodily injury & property damage per occurrence

  *Note: Tort Claims Cap increased on 1/01/2008 and again on 7/01/2009.*

- **Contractor's Liability:**
  UNLIMITED

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General Liability

- **Minimum Limits:**
  - $2,000,000 Per Occurrence - BI & PD
  - $2,000,000 Annual Aggregate

- **State of Minnesota should be listed as an Additional Insured**

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Why Additional Insured Status?

- Protects the State from incurring liability unless the State is solely negligent

- Transfers defense and indemnity to the Vendor's insurer
Who Needs General Liability?

Contractors, Vendors, and Consultants

- Providing on-site services for the state
- Providing OFF-SITE services for the state such as fabricating, repairing, retrofitting...

Note: N/A for commodity purchases, such as off-the-shelf products (call us if in doubt!)

More on General Liability...

Off-Site Services

- **Products and Completed Operations**
  Examples:
  - Injury results from widget that Contractor produced for the State
  - Liabilities stemming from faulty work that results from Contractor’s widget repair for the State
- **Personal Injury** arising out of oral statements (slander) or written material (libel)

More on General Liability...

Low Cost Contracts

- Generally, there’s little correlation between contract cost and exposure to liability loss
- It’s more important to consider loss potential based on Contractor’s operations
Automobile Insurance Requirements

- Required if on-site work performed by Contractor/Subcontractor (or their employees)
- Owned, hired, and non-owned autos
- Minimum Limit: $2,000,000 Combined Single Limit
- Personal Auto policy is suitable substitute for Commercial Auto policy, if no vehicles are titled in the business name

Workers Compensation & Employers Liability

- Coverage A - Statutory Limits
- Coverage B - Minimum Limits
  - $100,000-Bodily Injury by disease by employee
  - $500,000-Bodily Injury by disease aggregate
  - $100,000-Bodily injury by accident

Workers Compensation Exemption

- If **MN Statute 176.041** exempts Vendor from MN WC insurance or if Vendor has no employees in MN, Vendor must provide written statement stating qualifying exemption. **Evidence of WC for non-Minnesotans is still required**
- If during course of contract the Vendor becomes eligible for MN WC, Vendor must provide Certificate of Insurance as evidence of compliance

Appendix C
Professional Liability
- Applicable for services of a professional nature
- Coverage: negligent acts; errors & omissions
- Minimum Limit: $2,000,000 per occurrence/annual aggregate
- Policy Type: Occurrence or Claims-Made

More on Professional Liability
If Claims-Made Policy:
- Retroactive/Prior Acts date shall not be subsequent to contract effective date
- Must maintain insurance a minimum of 3 years following project or activate Extended Reporting Endorsement for minimum of 3 years if policy cancelled/non-renewed.
- $50,000 maximum deductible, without financials

Other Policy Provisions
- Vendor’s policies shall be primary
- Vendor is responsible for deductibles
- MN authorized insurer
- Insurer with A.M. Best rating of A-, Class VII or better (www.ambest.com)
- 30 days notice of cancellation from vendor’s insurer or 5 days notice from vendor after they’ve received cancellation notice from their insurer
Umbrella or Excess policies may be used to supplement the limits of the required insurance coverages

(See Sample Certificate of Insurance)

Risk Management Division
Contracts

Todd Christenson  651-201-2594
Carol Morgan      651-201-2593
* Marlys Williamson 651-201-2591

*Main Contact

www.mn.gov/admin/risk

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