



Insurance Requirements in Contracts

When entering into contracts with companies or service providers you need to consider whether the contract contains any requirements for insurance to be provided by contractors. This is mainly relevant when dealing with contracts for services and works. Standard contracts for building and construction works should already contain any necessary requirements.

The following guidelines should be followed:

1. Public Liability Insurance (sometimes known as third party liability insurance) - All contracts for the provision of services and works, whether above or below the tender threshold, should contain a requirement for the contractor to provide public liability insurance. The County Council's standard requirement is for a minimum cover of £10,000,000 for each and every claim. This requirement is applicable to all building maintenance contractors and anyone providing a service to children. However, there are some activities, other than those previously stated, which are fairly risk free or present very little risk, and in these circumstances it may be appropriate to lower the requirement to £5m.

The key issue is that any reduction in the requirement can only be made following a risk assessment and must not be influenced by the contractors / service providers ability or willingness to pay the premium required for the appropriate level of insurance.

Contracting officers should carry out a risk assessment on the activities undertaken / service to be provided under contract to ascertain if a *lower level* of insurance requirement would be appropriate, and put any request for a lower level to the Council's Insurance & Risk manager.

Where a lower level is agreed with the Council's Insurance & Risk Manager, and if a Pre-Qualification Questionnaire (PQQ) is being used, the lower level must be entered to the PQQ before it is issued

2. Employer's Liability - a contractor is required by law to have this cover. The legal minimum requirement is for £5,000,000 for each and every claim. You may wish to include a requirement to have such insurance, although if the contractor does not have such insurance, he is in breach of the law.
3. Professional Indemnity Insurance - you will need to include a requirement for such insurance in a contract where the contractor is providing professional services e.g. architectural services. The amount of cover required of the contractor needs to be assessed in relation to the potential exposure for the County Council if the contractor is negligent in providing the services. The cover is provided for an aggregate amount of claims during the year.

4. Motor Insurance - as with Employer's Liability insurance, there is a legal obligation for a contractor to have this type of insurance. You may wish to include a requirement for such insurance in a contract dealing with the provision transportation services e.g. delivery of school children by coach to school.
5. Product Liability - you may wish to include a requirement for this insurance where the County Council could be exposed to liability for defective products sold or supplied

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