

The City of Providence,
Department of Purchasing
City Hall
25 Dorrance Street
Providence, Rhode Island 02903
www.providenceri.gov (401) 680-5000

Insurance Guidelines for Contractors/Vendors for the City of Providence

(Reviewed June 24th, 2024)

Purpose

This standard operating procedure outlines the process department directors and other City employees shall follow to ensure vendors meet certain insurance requirements to mitigate any potential risks to the City of Providence (“the City”). Unless exempt, all contractors/vendors performing services on behalf of the City are required to have insurance or a sufficient form of security. Directors and employees shall consult with the Law Department to determine whether an exemption should apply, particularly when working with smaller-sized vendors and/or contractors.

Key Stakeholders

- Department directors, particularly those in highly operational departments such as Parks, Public Works and Public Property
- Director of Finance, Chief Operating Officer & Director of Purchasing
- Law Department, particularly the Contracts Team.

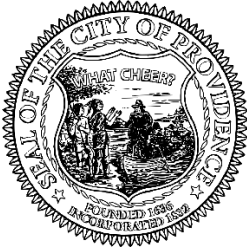
The respective department director and project team member(s) must identify the level of risks associated with their proposed project and develop appropriate insurance and contractual requirements prior to soliciting any bids.

Procurement

1. In preparing a Request for Proposals (“RFP”), departments must list which types of insurance coverage are needed and their associated limits. If applicable, vendors must submit Certificates of Insurance (“COIs”) with their bid submission or upon being awarded a project/contract with the City of Providence.
 - a. To determine which types of insurance are necessary, project leads should review *Appendix 1 – Key Definitions & Guidelines* as well as the ‘Insurance Requirements Spreadsheet’ linked in Appendix 1.
 - b. If a vendor must list the City as an “Additional Insured” on its insurance policy(ies), this must be clearly incorporated as a requirement in the supplemental information section in the RFP/RFQ.
 - c. Consult with the Law Department and Purchasing Department to determine whether an exemption applies. An exemption requires the Purchasing and Law Departments’ written approval.

Review and Award

2. In reviewing bid responses, project leads must ensure that the insurance policies held by the selected bidder meet the minimum requirements set for that particular RFP and that all COIs were submitted.
3. The department submits an award letter to the Purchasing Department for review and approval by the Board of Contract and Supply.
4. Prior to contract finalization, the awarded vendor/contractor(s) must provide their insurance policies to the City and these will be stored by the Law Department along with the contract.
5. Updated COIs must be provided after contract finalization if the City is to be listed as an Additional Insured, and renewal COIs shall be provided annually until all work is completed.



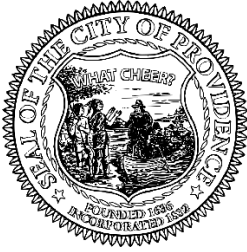
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Appendix 1 – Key Definitions & Guidelines

Please consult the Purchasing Department with any questions about this document and please contact the Law Department with any questions about appropriate insurance requirements and possible exemptions.

Coverage/Documentation Generally Required from Vendors/Contractors

- **Certificate of Insurance** – A certificate of insurance is a document used to provide information on specific insurance coverage. The certificate provides verification of the insurance and usually contains information on types and limits of coverage, insurance company, policy number, named insured, and the policy's effective period.
- **Automobile Liability** – Automobile liability insurance is financial protection for a driver who, while operating a vehicle, harms someone else or their property. Automobile liability insurance only covers injuries or damages to third parties and their property, not to the driver or the driver's property. For vendors who will be driving vehicles on behalf of the City, the minimum requirements shall be not less than \$1,000,000 per occurrence for bodily injury and property damage, including owned, hired, and non-owned vehicle coverage and in the aggregate. For any services involving bus transportation or other large, commercial vehicles, limits may need to be higher (in lieu of a sufficient Umbrella policy).
- **General Liability Insurance** – This is a standard insurance policy issued to business organizations to protect them against liability claims for bodily injury (BI) and property damage (PD) arising out of premises, operations, products, and completed operations; and advertising and personal injury (PI) liability. Required limits are not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. General Liability policies generally must list the City as an Additional Insured. Furthermore, if the vendor is performing construction, engineering, infrastructure, renovation, or maintenance-related work, the Additional Insured endorsement must include coverage for both ongoing and completed operations.
- **Additional Insured** – An additional insured is a person or organization that enjoys the benefits of being insured under an insurance policy, in addition to whoever originally purchased the insurance policy. The City generally must be listed as an Additional Insured on all vendor General Liability policies, and contracts with vendors/contractors should include a contractual clause that the City is to be added as or considered an Additional Insured on their insurance policies.
- **Umbrella or Excess Liability Coverage** – This is required for every vendor performing large-scale, higher-risk projects (e.g. major construction, engineering, infrastructure, or transportation-related projects). However, most companies should have this type of coverage because it is a best practice. Coverage should be for at least \$5,000,000 per occurrence and in the aggregate. This coverage generally only comes into effect once the limits of other policies have been exhausted, such as General Liability, Automotive, and Professional Liability. For major projects/contracts higher monetary limits may be needed.
- **Workers Compensation** – This is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue their employer for the tort of negligence. Minimum coverage for employers' liability must be \$500,000 for each accident/disease and in the aggregate and must include waiver of subrogation (discussed below).



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- **Hold Harmless, Indemnify, and Defend Clause** – This is not a type of insurance policy but rather is a commonly used contractual clause, which is meant to transfer risk between the contracted parties. This generally should be included in all contracts with vendors/contractors. Reference item number 5 under the ‘Additional Resources’ section for further information.

Insurance Policies/Other Risk Mitigation Requirements that May be Required from Vendors/Contractors

- **Cyber Risk Insurance** – Also referred to as cyber liability insurance coverage (CLIC), this insurance is designed to help an organization mitigate risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event. Required limits are not less than \$2,000,000 per claim to be maintained for the duration of the agreement and for three years following its termination.

When do you need it? This insurance requirement may apply when a third party will be using, storing, or accessing private information on behalf of the City.

- **Environmental Liability** – This insurance requirement applies when a vendor will be performing environmental clean-up work or will be working with hazardous materials. It covers property loss and liability arising from pollution-related damages. Required limits are not less than \$2,000,000 per claim and in the aggregate.

When do you need it? If the product or service entails the vendor/contractor utilizing hazardous materials which could cause environmental damage such as asbestos or toxic materials, this insurance should be carried by the contractor or vendor. However, if they can definitively prove their general liability insurance covers this (though they typically do not), then it is not needed.

- **Surety Bond** – This is a three-party agreement that legally binds together a principal who needs the bond, an obligee who requires the bond, and a surety company that sells the bond. The bond guarantees the principal will perform the contract and/or will act in accordance with certain laws. If the principal fails to perform in this manner, the bond will cover resulting damages or losses.

When do you need it? Typically, this is only used in key infrastructure/construction-related projects (e.g. major roadworks, construction, or renovation projects). The amount of the bond will depend on the cost of the project and associated risks. Please consult with your supervisor, department director, or Law/Purchasing Department to determine if it is warranted.

- **Professional Liability Insurance** – Also called professional indemnity insurance (PII) but more commonly known as errors & omissions (E&O), this is a form of liability insurance that helps protect professional advice- and service-providing individuals and companies from bearing the full cost of defending against a negligence claim made by a client, and/or damages awarded in a civil lawsuit. The coverage focuses on alleged failure to perform on the part of, financial loss caused by, errors or omissions in the service or product sold by the policyholder. These are causes for legal action that would not be covered by a more general liability insurance policy which addresses more direct forms of harm. Professional liability insurance may take on different forms and names depending on the profession, especially medical and legal, and is sometimes required under contract by other businesses that are the beneficiaries of the advice or service. Coverage should be not less than \$2,000,000 per occurrence and in the aggregate.



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When do you need it? If there is a risk that an error or omission may pose a great risk to the City, this should be required. This type of insurance coverage is typically carried by accountants, lawyers, engineers, insurance brokers, consultants, medical professionals, architects, engineers, and major construction companies.

- **Waiver of Subrogation** – This is an endorsement that prohibits an insurance carrier from recovering the money they paid on a claim from a negligent third party. This is required with major construction or infrastructure projects and in workers' compensation policies.

When do you need it? Typically this is needed when vendors will be performing construction, renovation or maintenance projects on property owned by the City and in workers' compensation policies. Please consult your department directors, supervisors, and Law Department if you need further guidance.

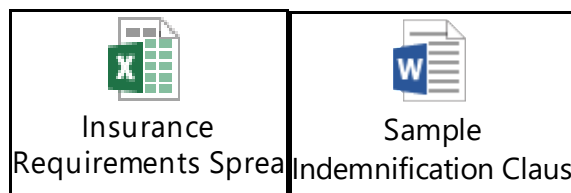
- **Primary & Non-Contributory Clause** – This is not a type of insurance policy but rather is a contractual clause (and resulting insurance endorsement) that stipulates the order in which multiple policies triggered by the same loss are to respond. A policy that is primary must pay before other applicable policies. A policy that is noncontributory must pay without seeking contribution from other policies that also claim to be primary. A clause providing that the vendor/contractor's insurance policy will be considered primary and non-contributory—meaning the city's own insurance or self-insurance will be considered only an excess policy—should be considered for inclusion in contracts with major vendors/contractors.

When do you need it? Typically, this is used in key infrastructure/construction related projects (e.g. major roadworks, construction or renovation projects) or with other vendors that involve significant operations (e.g., student busing or regular property maintenance).

- **Product Warranty** – This is a written guarantee, issued to the purchaser of an article by its manufacturer, promising to repair or replace the article, if necessary, within a specified period of time. Typically this is provided for capital equipment and durable goods.

When do you need it? For equipment and durable goods greater than \$500. A product warranty should be stored/saved by department purchasing the item(s). This is particularly needed for software, hardware and capital equipment.

*****Please reference the 'Insurance Requirements Spreadsheet' (embedded below) for further guidance on how to determine the proper insurance coverage for what you are purchasing. Sample indemnification clauses are also included. *****





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Additional Resources

1. <https://www.iii.org/>
2. <http://www.dbr.ri.gov/divisions/insurance/>
3. <http://www.dbr.ri.gov/rules/insurance/>
4. <https://www.insureon.com/>
5. <http://www.shakelaw.com/blog/indemnity-clauses-understanding-basics/>
6. <https://www.irmi.com/>