

Managing Certificates of Insurance

Requiring insurance certificates from your subconsultants is one thing; keeping track of them is another matter.

If you are in the position of being a prime consultant, you may have vicarious liability for the negligence of subconsultants you select and for whose services you are responsible. In the event of a claim, and absent the subconsultant's financial capacity to respond, you may find your deductible and your insurance protection on the line.

That's why it's so important that you require in your agreements with subconsultants that the subs maintain appropriate coverages, including professional liability, general liability, workers compensation, automobile and perhaps even valuable papers coverage. (Speak with your professional liability insurance specialist about the coverages and limits you should specify.)

To obtain proof of coverages, you'll need to request certificates of insurance from your subs. They can generally have these relatively simple documents issued after a phone call to their insurance broker.

Keeping track of the certificates is a job that usually falls to the already overworked project manager. He or she must ensure that each sub has filed the appropriate insurance certificates and make sure they remain current. But managing what can amount to dozens of insurance certificates may fall far down on the list of "must-dos".

As important as it is, however, the task of managing certificates of insurance is not that difficult or time-consuming and can easily be delegated.

One solution is to assign the responsibility to the accounting department. Write a letter reminding your consultants of the requirements for certificates and explaining that in your accounting system, the accounts payable clerk must have a current certificate on file before cutting the first check.

Instruct the AP clerk not to pay unless the appropriate certificates are on hand, and have the clerk set up a tickler system for expiring policies, which would then trigger another letter to the subconsultant. This pushes certificate management to the lowest possible level, relieves

the project manager of paperwork and hits the subconsultant in a place guaranteed to get attention—his or her wallet.

You'll want to talk to your attorney about whether your contract should include language that states you will withhold payment unless proof of insurance is on file. Ask, too, if your contract should require that your subs give you notice of any material change to their insurance coverage, such as non-renewal, another claim against the policy and so forth. In any case, make certain that you notify your subs in writing of your new accounting system.

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