



TECHNICAL UPDATE

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GUIDELINES FOR INSURANCE COMMITMENT CONTRACTS

CAPP MEMBERS' POLICY STATEMENT EFFECTIVE JULY 1, 1987

Since commencement of the Colorado Counties Casualty and Property Pool (CAPP) on July 1, 1986, the CAPP Contracts Committee has learned that many counties have contractual agreements which obligate the contracting county to extend insurance coverage to the other contracting party. In some cases, the county has not been specifically aware of its insurance coverage commitment. Accordingly, the CAPP Contracts Committee has developed the following recommendations for guidelines and coverage limitations to be used in negotiating future contracts. Moreover, each CAPP member county should review existing contractual relationships including all intergovernmental agreements in light of these guidelines and limitations. These coverage limitations were adopted by the CAPP membership at the June, 1987 meeting to be effective July 1, 1987. The CAPP Board of Directors clarified responsibilities for the member counties on March 3, 1995.

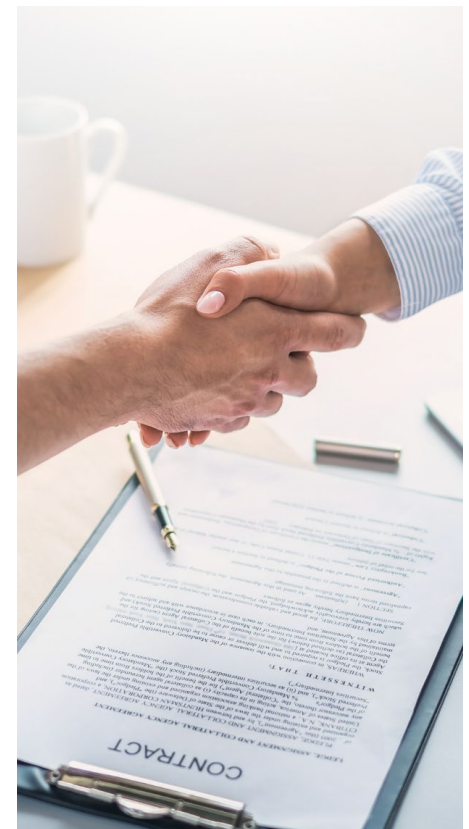
RISK TRANSFER

In negotiating contractual terms, it should always be the objective of each CAPP member county to transfer risk whenever possible. This transfer may be accomplished by incorporating into its contracts the obligation that the "other party" obtain insurance coverage outside of CAPP.

Further, when negotiating risk transfer issues, those contracting on behalf of a county should insist that the "other party" supply the county with a Certificate of Insurance to verify compliance with the insurance coverage obligation. Oral commitments that insurance obligations have been met are not acceptable. Requesting a Certificate of Insurance is a sound risk management procedure and warmly accepted in the insurance industry.

MINIMUM COVERAGE LIMITATIONS

At a minimum, each contract where the other party contracting is to provide insurance should contain the present Colorado Governmental Immunity Act statutory limits for bodily injury and property damage. As independent contractors do not have governmental immunity, county contract negotiators should require insurance coverage in an amount comparable to the potential risk inherent in the project. Moreover, the county should be endorsed as "Additional Insured" and execute a hold harmless agreement whenever possible.



WHAT THIS MEANS FOR COUNTIES

These coverage limitations relate to participating counties, their departments, and agencies and are in addition to any coverage limitations which may otherwise exist. For more information or questions on limitations on insurance coverage in connection with county contractual relations, please contact CTSI at (303) 861-0507.