



# INSURANCE REQUIREMENTS IN CONTRACTS

## A PROCEDURE MANUAL

2026.1 Version

**This manual was originally developed and placed in public domain to benefit public agencies. Sections of this current edition have been updated by Alliant Insurance Services, Inc. The manual is intended to provide general guidelines. Alliant does not warrant or guarantee the legal effect or the appropriate use of the contents. Alliant recommends that users consult with their legal counsel when considering contractual language.**

**Forms from the Insurance Services Office (ISO) are reproduced and included with permission of the ISO.**

---

**IRIC VERSION 2026.1**  
**TABLE OF CONTENTS**

<b>Foreword</b> .....	<b>1</b>
<b>EMERGING TRENDS</b> .....	<b>3</b>
<b>Frequently Asked Questions</b> .....	<b>4</b>
<b>Introduction - Why Bother?</b> .....	<b>16</b>
<b>Chapter One: Contractual Risk Transfer – The Basics</b> .....	<b>17</b>
Step 1: Analyze the Risks and Relationships .....	18
Step 2: Use a Hold Harmless .....	18
Step 3: Select the Appropriate Insurance Specifications.....	19
Step 4: Verify Coverage .....	22
Step 5: Report Claims Promptly .....	23
Use Exhibit 1: Insurance Requirements for Most Contracts .....	23
<b>Chapter Two: Insurance Specifications for Most Contracts</b> .....	<b>24</b>
Evaluate the Risk.....	24
Use the Appropriate Contract Template .....	24
Insurance Requirements .....	24
Be as Specific as Possible in Describing Types of Insurance Required.....	25
Describe Maximum Deductibles or Self-Insured Retentions that the Other Party may Maintain .....	25
How to Evaluate an SIR .....	26
Require the Addition of Your Entity, its Officials, Employees and Volunteers as Additional Insureds to all Required Liability Coverage .....	27
Require that the Other Party’s Insurance be Primary .....	27
Require that Your Entity be Given at least Thirty (30) Days’ Notice of Cancellation with Ten Days’ Notice for Non-Payment .....	27
Specify that the Insurance is to be Placed with Insurers that Meet a Certain Minimum Rating, Unless Otherwise Acceptable to Your Entity.....	28
Fit the Insurance Limits to the Situation .....	29
How Much is Enough? .....	30
Professional Liability .....	30
Aggregate Limits.....	30
The Myth of “Following Form” Excess Insurance Policies for Higher Limits.....	31
Specify how Long the Insurance Must Remain in Effect for the Project or Lease .....	34
For Construction Projects or Claims-Made Policies .....	34
Professional Services Contracts.....	35
Professional Liability Insurance .....	35
Additional Insured Status .....	36
Claims-Made Coverage.....	36
Auto Insurance.....	37
Additional Insured Status .....	38
Workers’ Compensation.....	38
Independent Consultant Status.....	38
Indemnity Limitations.....	39
Property Insurance.....	39
Tenant’s Improvements and Betterments .....	40
Fire Legal Liability.....	40

Insurance Requirements for Lessees Exceptions for the Civic Center Act .....	40
Insurance Specifications for Common Situations.....	42
Sample Instructions for the Contractor, to be included as an attachment with the applicable Insurance Requirements.....	46
Sample Notice to Bidders regarding Indemnity and Insurance Requirements (may also be used with Purchase Orders).....	47
Exhibit 1: Insurance Requirements for Most Contracts .....	50
Exhibit 2: Insurance Requirements for Professional Services.....	53
Exhibit 3: Insurance Requirements for Lessees .....	56
Exhibit 4: Insurance Requirements for Vendors.....	58
<b>Chapter Three: Construction &amp; Environmental Services .....</b>	<b>60</b>
Construction Contracts .....	60
What is a “Construction Contract”? .....	60
Unique Construction Contract Provisions .....	61
Surety Bonds.....	61
Bid Bond .....	62
Performance Bond.....	62
Payment Bond .....	62
Subdivision or Completion Bond .....	62
Builder’s Risk Insurance (Course of Construction).....	63
Installation Floater.....	64
Consolidated Insurance Programs (Wrap-Ups) .....	64
Discussion of the New Updated ISO Wrap Up Exclusion: .....	66
Environmental Contractors and Consultants.....	69
Transporters of Hazardous Materials and Wastes .....	70
Owners and Contractors Protective (OCP) Coverage .....	72
Railroad Protective Liability .....	72
Exhibit 5: Insurance Requirements for Construction Contracts.....	75
Exhibit 6: Insurance Requirements for Environmental Contractors and/or Consultants .....	79
Performance Bond.....	83
Payment (Labor & Materials) Bond.....	84
<b>Chapter Four: Agreements Including Cyber Risks.....</b>	<b>86</b>
Cyber Risks & Electronic Data Processing (EDP).....	87
Exhibit 7: Insurance Requirements for Agreements Involving Information Technology.....	98
<b>Chapter Five: Aviation Related Risks.....</b>	<b>102</b>
Aviation Risks .....	102
Classes of Aviation Liability Exposures .....	102
Aviation Airport Liability / Fixed Based Operator’s Liability .....	103
Recommended Aviation Insurance Limits by Airport Type.....	104
Exhibit 8: Sample Insurance Requirements for Airport, Airport Operations and FBOs.....	107
Unmanned Aerial Systems – aka “Drones” .....	110
Exhibit 9: Sample Insurance Requirements for the Use of UAS.....	113
Exhibit 10: Sample Insurance Requirements for Chartering for Aircraft .....	115
<b>Chapter Six: Marine Related Risks.....</b>	<b>117</b>
Marine Risks .....	117
Coverage Guidelines for Marine Exposure .....	121
General Marine Insurance Exposures & Coverages .....	121
Exhibit 11: Sample Insurance Requirements for Marine Risk Exposures.....	123

---

Port Authority Minimum Insurance Requirements for Cargo Operators .....	128
Minimum Insurance Requirement Applicable to Ocean Carriers .....	129
Minimum Insurance Requirement Applicable to Stevedoring Firms .....	129
<b>Chapter Seven: Special Situations.....</b>	<b>131</b>
Park and Recreation Exposures: .....	131
Teaching, Coaching, and Childcare .....	131
Instructors.....	131
Facility Rentals .....	131
Special Events & Short-Term Rentals .....	132
Carnival Rides .....	133
Food Trucks/Farmers Markets.....	133
California State University (CSU) Special Events Resource Guide (SERG).....	134
Contracts Involving Cash/Receipts Handling – Fidelity Bonds & Crime Insurance.....	135
Other Specialized Professional Liability Insurance.....	135
Investment Bankers Errors and Omissions Insurance.....	135
Garagekeeper’s Legal Liability Insurance.....	136
Exhibit 12: Insurance Requirements for Rental of Facilities.....	137
Exhibit 13: Insurance Requirements for Instructors .....	139
<b>Chapter Eight: Schools and Other Youth-Serving Organizations.....</b>	<b>142</b>
Use of Facilities .....	142
Third Party Instructors .....	143
Special Events.....	143
Student Placement Agreements .....	144
Sexual Abuse and Molestation (SAM) Liability .....	144
Transportation Risks .....	145
Exhibit 14: Insurance Requirements for Bus and Transportation Contracts .....	146
<b>Chapter Nine: Verify Coverages .....</b>	<b>149</b>
Typical Contractors Insurance Program .....	149
Verification of Coverage Process and Service Providers .....	150
Certificates of Insurance Guidelines .....	151
Additional Insured Endorsements .....	154
Other Endorsements.....	161
Primary Insurance.....	161
Waiver of Subrogation .....	162
Notice of Cancellation.....	162
Customized Endorsements.....	162
Entity Supplied .....	163
<b>Appendix A: Risk Assessment .....</b>	<b>165</b>
Severity-Related Questions for the Contract Risk Analyst.....	166
Checklist for Evidence of Insurance .....	168
<b>Appendix B: Common Insurance Industry Forms .....</b>	<b>171</b>
<b>Appendix C: Sample Hold Harmless Agreements.....</b>	<b>238</b>
<b>Appendix D: Sample Checklists.....</b>	<b>246</b>
<b>Appendix E: Resources.....</b>	<b>255</b>

## FOREWORD

The purpose of this manual is to serve as a guide in developing proper insurance requirements in contracts. This manual explains how to establish insurance requirements for most contracts, including those with contractors, professional service providers, tenants, vendors, and users of public property, and how to verify their compliance with those requirements during the term of the contract.

It should be noted, however, that risk management is more of an art than a science, and therefore, although this manual will provide guidance in 90% of the cases encountered by the user, there will also be exceptions to the rules contained herein. If the user encounters situations that fall outside of the manual's recommendations, the user should contact its insurance and legal advisors.

Recent editions have undergone extensive revisions to eliminate older insurance forms and to condense the material to make it easier for those without an insurance background to access and implement the recommendations. This includes a "basics" section that describes each element of the insurance requirements and provides a single set of specifications that can be used for most contracts. Instructions for the contractor and insurance agent or broker have also been included to make it easier for the contract administrator to request and receive the required coverage.

Another major change from years past is the elimination of most of the customized forms for public agencies. One of the proposed techniques of earlier editions was to request that insurers execute certificates and endorsement forms provided by the public entity. The obvious benefit of this approach is that the public entity knows that it is receiving the coverage it is looking for if the exact endorsement is provided. However, because many insurance forms require prior approval by state regulators, many insurers refused to use custom entity-designed endorsements, and it is no longer practical to obtain them. Also, most of the terms of the insurance requirements have been incorporated within standard insurance forms, lessening the need to spell out specific requirements. Finally, the reality of the emerging cyber and aviation risks has led the editors to create separate chapters on each.

The editors recommend that you use the specifications that spell out the form numbers and key terms described in this manual. Some insurers use custom policy documents, and we suggest that you compare the language in those documents to the specifications to verify that you are receiving the recommended coverage.

This manual contains sample standard Insurance Service Office (ISO) industry forms for reference. Occasionally, new editions of these forms are released. These new editions may broaden coverage, but they may also restrict coverage from the previous edition. An attempt is made in each successive version of this manual to include any updated forms, as well as comments on the changes made to old editions, and recommendations on which forms to use. Though a new edition is released, insurance companies may continue to use older editions of these forms. It is, therefore, important that the user check the edition date of the form supplied by contractors, tenants, vendors, and users of public property, and/or their agents and brokers. The edition date can usually be found in the lower left-hand corner of the form, following the form number.

While every attempt is made to present these changes in a concise manner, we strongly encourage you to review with your Legal and Risk Management staff the implications of these changes to your Agency and **update your Contracts to "trigger" coverage under these new forms. Otherwise, you may have reduced or even no coverage at claim time!**

As Alliant is not a law firm, we recommend that users of this manual consult with their own insurance professionals or legal counsel for specific language for this section’s wording. Make sure your indemnity language is strong, and if the contractor does not carry sufficient or correct insurance to cover its obligations to your Entity, make certain it does have the assets to indemnify the Entity for those uninsured or underinsured areas of risk.

Finally, a section is included containing the most commonly asked questions from manual users over the years. We have included this section as a resource for the user, to illustrate that risk management is not always a simple process, and to encourage the user to contact their insurance advisor when encountering an “outside the box” situation.

Disclaimer: As of this current IRIC edition, Verisk has acquired ISO. The authors of the IRIC are maintaining ISO nomenclature in this guide at present.

Disclaimer: Wheresoever gendered pronouns appear in this document; it is intended that these terms will serve as placeholders for pronouns that accurately reflect the preferred gender identity of the individual to whom the pronouns refer. This is the intent for all such gender pronouns whether they be possessive (i.e. “his” or “her”), objective (i.e. “him” or “her”), or subjective (i.e. “he”, “she”, or “he or she”).

## ACKNOWLEDGEMENTS

This manual originates from work performed in the late 1970’s by public entity risk managers and consultants, a time when the field of public entity risk management was beginning to come into its own. The editors acknowledge the work of Erin Oberly, a risk management consultant working with Frank James of the Redwood Empire Municipal Insurance Fund (REMIF), for the earliest versions of this manual. Many changes have occurred in the fields of risk management and insurance since its inception, and this manual has kept up with those changes due to the continued support and dedication of public entity risk managers and consultants, including David Born, David Clovis, Joe Risser, Marcus Beverly, and Marjorie Segale. Over the past several years, the updates have been prepared with the support of PRISM (Public Risk Innovation, Solutions, and Management) including the expertise of Robert Marshburn of CertifiedRiskManagers.com. Mr. Marshburn is a recognized leader in the field of risk management, insurance policy language and public agency contracting as well as the founder of AutomatedInsuranceVerification.com.

Most importantly, this manual reflects the issues encountered by its users, and their feedback continues to be vital in keeping the material up-to-date and useful. We encourage you to contact your insurance or risk management consultant for advice as needed and send questions and suggestions for future editions of this manual to Marcus Beverly at [marcus.beverly@alliant.com](mailto:marcus.beverly@alliant.com), or to Daniel Howell at [dhowell@alliant.com](mailto:dhowell@alliant.com).

---

**Reproduction of Insurance Services Office, Inc. Form**COMMERCIAL GENERAL LIABILITY  
CG 35 08 01 26

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION – GENERATIVE ARTIFICIAL INTELLIGENCE**

This endorsement modifies insurance provided under the following:

## PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

- A. The following is added to Paragraph 2. Exclusions of Section I – Coverages – Bodily Injury And Property Damage Liability:  
This insurance does not apply to:  
"Bodily injury" or "property damage" arising out of "generative artificial intelligence".
- B. For the purposes of this endorsement, the following definition is added to the Definitions section:  
"Generative artificial intelligence" means a machine-based learning system or model that is trained on data with the ability to create content or responses, including but not limited to text, images, audio, video or code.

---

**Reproduction of Insurance Services Office, Inc. Form**

ISO | Commercial General Liability Forms | 01/01/26

**COMMERCIAL GENERAL LIABILITY**  
CG 40 47 01 26**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****EXCLUSION - GENERATIVE ARTIFICIAL INTELLIGENCE**

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART****A. The following exclusion is added to Paragraph 2. Exclusions of Section I - Coverage A - Bodily Injury And Property Damage Liability:**

This insurance does not apply to:

"Bodily injury" or "property damage" arising out of "generative artificial intelligence".

**B. The following exclusion is added to Paragraph 2. Exclusions of Section I - Coverage B - Personal And Advertising Injury Liability:**

This insurance does not apply to:

"Personal and advertising injury" arising out of "generative artificial intelligence".

**C. The following definition is added to the Definitions section:**

"Generative artificial intelligence" means a machine-based learning system or model that is trained on data with the ability to create content or responses, including but not limited to text, images, audio, video or code.

© Insurance Services Office, Inc.

©Insurance Services Office, Inc.

---

**Reproduction of Insurance Services Office, Inc. Form**COMMERCIAL GENERAL LIABILITY  
CG 40 48 01 26

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION – GENERATIVE ARTIFICIAL INTELLIGENCE  
(COVERAGE B ONLY)**

This endorsement modifies insurance provided under the following:

## COMMERCIAL GENERAL LIABILITY COVERAGE PART

- A. The following exclusion is added to Paragraph 2. Exclusions of Section I – Coverage B – Personal And Advertising Injury Liability:  
This insurance does not apply to:  
"Personal and advertising injury" arising out of "generative artificial intelligence".
- B. The following definition is added to the Definitions section:  
"Generative artificial intelligence" means a machine-based learning system or model that is trained on data with the ability to create content or responses, including but not limited to text, images, audio, video or code.