



IRMI[®]

CONTRACTUAL RISK TRANSFER SEMINAR

GETTING WHAT YOU ASK FOR

Presented by

**Frances Oliver Heard
Risk Manager
Centex Corporation**

Monday, October 29, 9:00 a.m.-5:00 p.m.

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Frances Oliver Heard
Risk Manager
Centex Corporation

Ms. Oliver Heard is one of the presenters for Monday's all-day seminar, "Contractual Risk Transfer." As risk manager, she is responsible for risk management and financing activities at Centex Corporation, a Fortune 500 publicly traded company located in Dallas that specializes in residential and commercial building, pest control and lawn care, security alarm installation and monitoring, long-term care facilities, manufactured housing, real estate development, and mortgage banking; and Centex Construction Products, Inc., a separate publicly traded entity consisting of cement plants, wallboard plants, and readymix/aggregate operations. She oversees insurance purchasing and risk financing for both organizations and large claims coordination and risk management information system utilization. Interfacing with subsidiary companies is one of her primary functions. She is involved in the management of Centex's Vermont captive. Prior to joining Centex in 1992, Ms. Oliver Heard worked at various insurance agencies and brokers. She is a member of Commercial Insurance Verification Center project (a subcommittee of RIMS External Affairs Team), a member of the RIMS External Affairs Team, Zurich's Risk Management Advisory Board, and FM Global Risk Management Executive Committee, and was formerly chair of the RIMS Research Committee; vice president, secretary, and assistant secretary for DFW RIMS Chapter; and an inaugural member of the Texas State Office of Risk Management Board of Directors. She earned a business degree from Northwestern State University in Louisiana.

Notes

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GETTING WHAT YOU ASK FOR

***Frances Oliver Heard
Centex Corporation***

- I. Set Up the Standards**
- II. Training the Administrators and Others within the Organization**
- III. Training the Agents and Brokers**
- IV. Compliance Checklists**
- V. Noncompliance of Requirements**
 - A.** Documentation
 - B.** What are the downsides?
- VI. Auditing Certificate Work Files**
- VII. Are There Alternatives to the Standards?**
 - A.** Wrap-ups
 - B.** Increased limits on general liability and umbrella

Notes

GETTING WHAT YOU ASK FOR

In today's insurance market, one of the most difficult administrative tasks is the monitoring of certificates of insurance. A majority of the insurance language in contracts has been developed during a soft insurance market, where negotiating of terms and conditions was much easier. Obtaining certificates to meet contract language in today's environment requires tenacity and good negotiating skills.

Developing insurance standards is the beginning step in obtaining the required insurance from others. Certificate administrators within your firm should be the first line of communication. They are the ones that are dealing with the insurance agents, brokers and insurance carriers. These administrators will know what is occurring in the marketplace on a daily basis, and how agents, brokers and carriers are amending their certificates (and particularly, the additional insured forms) to get around contract language that has been developed. In addition, agents and brokers will provide insight into the latest developments in insurance language and amendments. By using coverage counsel (and particularly one that is involved in litigation) in the development of contract insurance language will potentially head off troublesome claims issues in the future.

The use of outdated insurance language is very frustrating and troublesome for those managing the certificate process as well as those having the certificates issued. There is a disconnect between what a policy issued today says as compared to language that was developed in the 1980s. A complete review against current terminology should be done to avoid and gray areas or discrepancies in coverage terms and conditions.

And, finally, the indemnity language should be reviewed against the insurance language. Not all indemnification provisions will be covered by insurance. Both the provider and the acceptor of certificates should understand what is covered by standard policies.

Some of the key elements to include in the insurance provisions of a contract are:

- Current Insurance Terms – As stated above, outdated insurance terms can be problematic in obtaining and giving certificates.
- Use of the Term "Equivalent" – Many times, there are equivalent policy forms or endorsements that can meet the contract's insurance requirements. This option should be provided as this will enhance the ability of the entity providing the certificate to comply with the contract terms.
- Additional Insured Status including primary and non-contributory – A copy of the issued endorsement should always be included as an attachment to the certificate. The contract should be very specific in what scope of coverage required via the additional insured endorsement. However, this is where the word "equivalent" is most used. Many insurance carriers have their own forms that do not comply with the Insurance Services Office version. Therefore, the endorsement should be reviewed for adequacy.
- Notice of Cancellation – This is probably the most troublesome part of an insurance certificate to monitor. However, it is critical to those receiving certificates to be able to monitor if the policy continues to be in-force or cancelled.
- Deductibles – Many times, insurance policies are not clear on who has the obligation to pay the deductible. To make sure that there is no misunderstanding between the giver and taker of the certificates, this is clearly outlined.
- Vicarious Liability – In most cases, were it not for the contractor or subcontractor being on the jobsite, the owner or prime contractor would not be involved in a claim. The damage emanates from the contractor's or subcontractor's work, and they should be responsible for any and all claims that the owner or prime would be held liable.

- Exclusionary Policy Language – In today’s market, many insurance carriers are attaching endorsements that exclude coverage for soils subsidence/earth movement, punitive/exemplary damages, multi-family, mold/fungus, EIFS, etc. The monitoring of the exclusions in the policy is almost impossible. But, putting the contractor/subcontractor on notice on the unacceptability of these may cause them to review their policies in detail.
- Waiver of Subrogation on Workers’ Compensation – This is common for the industry, although becoming more difficult to obtain particularly with State Funds.
- Waiver of Subrogation on Other Policies – Applying to property/inland marine policies is perhaps the most important area to address. Typically, care, custody and control of real or personal property are excluded from the standard commercial general liability policy and difficult and costly to insure. The owner of the real or personal property should maintain the risk of loss to real or personal property and would do so via a waiver of subrogation. Typically, this grant is automatic as long as the contract is executed prior to a loss.
- Continuing Coverage through Statute of Limitations – It is important that the contractor/subcontractor be obligated to provide coverage until claims/suits can no longer be filed against the owner or contractor.
- Job Specific Coverage – Unless there are special reasons to do so, a non-job specific certificate should be issued to cover “All Work Performed For The Additional Insureds.” A contractor or subcontractor may be working on multiple jobs for the certificateholder. If a job specific certificate is obtained for one job, and overlooked for another, the additional insured status may not be transferable. By stating the “All Work” cite above, one certificate could cover several projects.

The following is a copy of standard insurance language that many of our Homebuilding divisions use:

**CENTEX INSURANCE REQUIREMENTS FOR SUBCONTRACTORS
May be amended by Division**

[__]. **INSURANCE.**

The following coverage, terms and limits are minimum requirements (the “Required Insurance”):

(a) Commercial General Liability:

- i. [limit] each occurrence limit, [limit] personal and advertising injury limit, [limit] general aggregate, [limit] products/completed operations aggregate or equivalent approved by [Owner/Contractor], or current limit carried, whichever is greater;
- ii. ISO or comparable Occurrence Form (Occurrence Form #CG0001-1093 or equivalent) (Modified Occurrence and Claims Made forms are not acceptable);
- iii. Bodily injury and property damage coverage including products liability/completed operations coverage (including any product manufactured or assembled), premises operations, blanket contractual liability (for this Agreement), broad form property damage, personal and advertising injury, independent contractor’s liability, mobile equipment, elevators, owners and contractors protective liability, damage from explosion, collapse and underground hazards (No “XCU” exclusions are acceptable), and cross-liability and severability of interest clauses;
- iv. Additional Insured Endorsement CG2026-1185, or CG2010-1185 or CG2010-1093 (but only if modified to delete the word “ongoing” and insert the sentence “Operations include

ongoing and completed operations”) or equivalent satisfactory to [Owner/Contractor] at no expense to [Owner/Contractor] naming [Centex Homes, a Nevada general partnership, Centex Real Estate Corporation, a Nevada corporation, and the owner of the Site if other than Owner, their respective officers, directors, partners, members and employees], as additional insureds. General liability coverage shall continue to apply to “bodily injury” and to “property damage” occurring after all work on the Site of the covered operations to be performed by or on behalf of the additional insureds has been completed and shall continue after that portion of “your work” out of which the injury or damage arises has been put to its intended use;

- v. A provision that such insurance afforded by the policy for the benefit of the additional insureds shall be primary and non-contributory to any insurance or self insurance maintained by the additional insureds;
 - vi. An endorsement affording thirty (30) days prior notice to [Owner/Contractor] by certified mail in the event of cancellation, non-renewal, modification or reduction in coverage. The reference to “endeavor to” and “but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives” in the cancellation notification portion of the certificate and/or endorsement must be deleted. To the full extent permitted by law, any provision on the face of any Certificate of Insurance provided by [Contractor/Subcontractor] that states anything to the effect that the Certificate of Insurance does not confer rights to insurance upon [Owner/Contractor] is hereby deemed deleted from such Certificate of Insurance;
 - vii. A deductible or self-insured retention of not more than \$25,000 as to Contractor/Subcontractor (unless approved in writing by [Owner/Contractor]) and no deductible or self-insured retention as to any additional insured;
 - viii. Coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) the negligent acts, errors or omissions of [Owner/Contractor] in connection with or relating to the Work;
 - ix. No exclusionary language or limitations relating to soils subsidence or earth movement of any kind regardless of cause;
 - x. If insurable by law, no exclusionary language or limitations relating to punitive or exemplary damages, fines or penalties;
 - xi. No exclusionary language or limitations relating to condominiums, multi-family or multi-unit dwellings;
 - xii. No exclusionary language or limitations that are applicable to any additional insured that are not applicable to the named insured; and
 - xiii. No exclusionary language or limitations relating to the scope of coverage for liability arising from pollution, mold or fungus, or arising from the use of EIFS, DEIFS or similar products.
 - xiv. A provision that defense costs are paid in addition to and do not deplete any policy limits.
- (b) Automobile Liability:
- i. [Limit] combined single limit for bodily injury and property damage or equivalent approved by [Owner/Contractor];
 - ii. Owned, non-owned and hired vehicles; and
 - iii. Thirty (30) days notice of cancellation by certified mail.

- (c) Workers' Compensation/ Employer's Liability:
- i. Bodily injury limits as required by statute;
 - ii. Employer's Liability:
 - Bodily injury by accident - [Limit] each accident
 - Bodily injury by disease - [Limit] each employee
 - Bodily injury by disease - [Limit] policy limit
 - iii. Waiver of subrogation for [Owner/Contractor] and the owner of the Site if other than Owner (in each case to the full extent permitted by law);
 - iv. If leased employees are used, issuance of an Alternate Employer's Endorsement; and
 - v. Thirty (30) days notice of cancellation by certified mail.
- (d) [Insurance carriers must have at least a "Best's Rating" of "A" and a Financial Size Category" of "VIII" or better as set forth in the most current edition of Best's Key Rating Guide, and shall otherwise be acceptable to [Owner/Contractor]. [Insurance carriers must be admitted in the State of [State]and admitted in the state in which the Work is being performed.]
- (e) The Required Insurance shall cover [Contractor/Subcontractor], its authorized representatives, employees, agents and any other person (including its authorized representatives, employees and agents) performing any work under any contract or agreement with [Contractor/Subcontractor].
- (f) [Contractor/Subcontractor] shall cause each subcontractor retained by [Contractor/Subcontractor] to purchase, obtain and maintain the Required Insurance prior to commencing any portion of the Work. Upon request of [Owner/Contractor], [Contractor/Subcontractor] shall provide [Owner/Contractor] with copies of certificates of insurance evidencing the Required Insurance for each subcontractor. [Contractor/Subcontractor] shall also obtain from each such subcontractor a written indemnification in form and substance identical to the indemnity set forth in Section ___ except that such indemnity shall be from such subcontractor for the benefit of [Owner/Contractor] (and the owner of the Site if other than Owner) and the Indemnified Parties (as defined in Section ____).
- (g) [Contractor/Subcontractor] for itself and on behalf of its insurers, to the full extent permitted by law without voiding the insurance required under this Agreement, hereby waives and releases the additional insureds from liability for loss, damage or loss of property at the Project, which loss or damage is covered by such insurance, irrespective of the additional insureds' negligence which may have contributed to or caused such loss, to the extent such damages are covered by [Contractor's/Subcontractor's] policies of insurance or are required to be covered by the Required Insurance. This provision is intended to waive fully for the benefit of [Owner/Contractor] and the Indemnified Parties any rights and/or claims which might give rise to a right of subrogation in favor of any insurance carrier issuing the Required Insurance or any other insurance (including any first party coverage) maintained by [Contractor/Subcontractor]. [Contractor/Subcontractor] shall obtain a waiver of any subrogation right that its insurers may acquire against the additional insureds by virtue of payment of any such loss covered by such insurance.
- (h) The project/job description and/or description of operations on all certificates, endorsements and other insurance documentation shall read "All Work Performed For The Additional Insureds."

- (i) Concurrently with the execution of the Agreement, [Contractor/Subcontractor] shall file with [Owner/Contractor] original certificates of insurance and endorsements showing the Required Insurance to be in force. Certificates of insurance such as "ACORD 25S" alone, without the requisite endorsements, are not acceptable to satisfy the provisions of the Required Insurance. Upon the request of [Owner/Contractor], [Contractor/Subcontractor] shall provide [Owner/Contractor] with certified copies of all policies as well as any subsequent policies and endorsements which [Contractor/Subcontractor] is required to procure and maintain. Upon the request of [Owner/Subcontractor], renewal certificates and endorsements for commercial general liability shall be provided to [Owner/Contractor], at no expense to [Owner/Contractor], prior to expiration of such insurance, for a period of [ten (10) years after the final notice of completion for the Project has been recorded][This provision is drafted in accordance with California law and should be modified based upon the applicable statute of limitations in each state]. Such continuing insurance shall comply with the requirements set forth in this Section _____. [CONTRACTOR/SUBCONTRACTOR] SHALL NOT COMMENCE OR BE PAID FOR ANY WORK UNLESS AND UNTIL INSURANCE DOCUMENTATION PROPERLY COMPLETED AND EXECUTED HAS BEEN DELIVERED TO AND APPROVED BY [OWNER/CONTRACTOR].
- (j) All insurance documentation evidencing the Required Insurance shall be sent to:
 _____ DIVISION; ATTN: [Controller][Estimating & Purchasing Manager][Land Development Manager]; Address
- (k) If [Contractor/Subcontractor] fails to procure, maintain or pay for the Required Insurance, [Owner/Contractor] shall have the right (but not the obligation) to secure same in the name of and for the account of [Contractor/Subcontractor], in which event, [Contractor/Subcontractor] shall pay the cost thereof and shall furnish upon demand, all information that may be required to procure such insurance. [Owner/Contractor] shall have the right to back-charge [Contractor/Subcontractor] for the cost of procuring such insurance. The failure of [Owner/Contractor] to demand certificates of insurance and endorsements evidencing the Required Insurance or to identify any deficiency in [Contractor's/Subcontractor's] coverage based upon the evidence of insurance provided by [Contractor/Subcontractor] shall not be construed as a waiver by [Owner/Contractor] of [Contractor's/Subcontractor's] obligation to procure, maintain and pay for the Required Insurance. Notwithstanding any provision to the contrary contained herein, any waiver of the Required Insurance, including, without limitation, the amount or extent of coverage, may only be obtained by the prior written consent of [Owner/Contractor].
- (l) The insurance requirements set forth herein shall in no way limit [Contractor's/Subcontractor's] liability arising out of the work performed under the Agreement or related activities (including liability under the indemnification provisions set forth in Section [___] or under any other provisions of the Contract Documents or at law). The inclusions, coverage and limits set forth herein are minimum inclusions, coverage and limits. The required minimum policy limits set forth in this Section [___] shall not be construed as a limitation of [Owner's/Subcontractor's] rights under any policy with higher limits, and no policy maintained by [Contractor/Subcontractor] shall be endorsed to include such a limitation. Nothing contained herein shall be construed as limiting the type, quality or quantity of insurance coverage that [Contractor/Subcontractor] should maintain. [Contractor/Subcontractor] shall be responsible for determining appropriate inclusions, coverage and limits which may be in excess of the minimum requirements set forth herein.
- (m) The failure of [Contractor/Subcontractor] to fully and strictly comply at all times with the insurance requirements set forth herein shall be deemed a material breach of the Agreement.
- (n) [Contractor/Subcontractor] shall immediately notify (or cause its insurers or insurance broker to notify) [Owner/Contractor] of receipt by [Contractor/Subcontractor] of any notice of cancellation or rescission received from an insurance carrier referring to or relating to a policy which names [Contractor/Subcontractor], its parent, subsidiary or affiliated companies or

their officers, directors or employees as additional insureds or which may otherwise impact the ability of [Contractor/Subcontractor] to fully perform its obligations hereunder (including, without limitation, the indemnity obligations of [Contractor/Subcontractor] set forth in Section [__]).

- (o) To the full extent permitted by law, if [Contractor/Subcontractor] is out of business or otherwise unavailable at the time a Claim is presented to [Owner/Contractor], [Contractor/Subcontractor] hereby assigns to [Owner/Contractor] all of its right, title and interest (but not any liabilities or obligations) under any applicable policies of insurance. The foregoing provision shall not apply to those policies where there is an express prohibition against assignment.
- (p) The Required Insurance set forth in this Section [__] is independent from all other obligations of [Contractor/Subcontractor] under this Agreement, including, without limitation, all indemnification provisions, and shall apply whether or not required by any other provision of this Agreement.

INSURANCE PROVISION FOR ARCHITECTS/CONSULTANTS/ENGINEERS:

Professional Liability/Errors and Omissions Insurance.1 Architect/Consultant/Engineer shall obtain and maintain professional errors and omissions liability insurance (including contractual liability, if available, and prior acts coverage sufficient to cover the services performed under this Agreement) with policy limits in an amount not less than [Limit] [(\$xxx00,000.00)] per claim and in the aggregate, or limit carried, whichever is greater, and with a deductible or self insured retention of not more than [Twenty-Five Thousand Dollars (\$25,000.00)]. If available at commercially reasonable rates, such insurance shall provide that defense costs are paid in addition to and do not deplete policy limits. Such insurance shall be renewed so as to provide continuous coverage during the term of this Agreement and for a period of at least ten (10) years after final completion of construction of the Project][modify based upon applicable statute of limitations] for acts and omissions committed during the term of this Agreement. **OPTIONAL PROVISION REGARDING MAINTAINING COVERAGE FOR 10 YEARS:** Such insurance shall be renewed so as to provide continuous coverage during the term of this Agreement and for a period of at least [ten (10) years after final completion of construction of the Project][modify based upon applicable statute of limitations] for acts and omissions committed during the term of this Agreement unless such continued coverage is not available or is available only at a cost which is so high as to render the maintenance of such coverage economically and commercially infeasible in the common view of architects/engineers in [Specify Region] of the same size and quality of Architect/Consultant/Engineer. If Architect/Consultant/Engineer at any time determines that it is unable to maintain and continue such coverage for the reasons specified in the immediately preceding sentence, Architect/Consultant/Engineer shall give [Owner/Contractor] written notice of such determination explaining in detail the basis for such determination at least ninety (90) days prior to expiration of such coverage.

*****Additional language required for pollution and abatement activities

USED TO MAKE THE CONTRACTOR/SUBCONTRACTOR RESPONSIBLE IN THE EVENT THAT THE INSURANCE CARRIER IS UNCOOPERATIVE.

XX. In addition to, and notwithstanding any provision of this Subcontract Agreement (including exhibits and attachment (s) which may be to the contrary), Subcontractor agrees that, at a minimum, it will purchase insurance that shall provide coverage of at least \$2,000,000 to Contractor and Owner as an additional insured (on a primary non-contributory basis in a form consistent with Exhibit "F") for injury, loss, damage or death to any person or persons (including employees, officers or agents of Contractor, Subcontractor and lower tier subcontractors) and any property damage arising out of, resulting from, or in connection with (in whole or in part) the performance or nonperformance of Work required in this Subcontract, whether on the Project or proceeding to or from the site, regardless of the negligence or fault of Contractor or Owner, their agents, officers or employees. Should the carrier(s) selected by Subcontractor fail or refuse to assume the defense of any claim that could or should be covered by the insurance required above, Subcontractor and its surety shall be liable to Contractor for all dam-

ages, fees and costs (including attorneys' fees) incurred in defending the claim, paying any settlement or judgment and/or pursuing the carrier for coverage.

Once the standards are set, certificate administrators must be trained. This may be difficult depending on the level of insurance knowledge that administrators have. In most cases, knowledge may be on a clerical basis. In the case of new administrators with limited insurance knowledge, basic concepts should be addressed. At a minimum, an overview of the business operations should be given with a brief overview of tort liability.

Further, the three ways to deal with risk should be addressed in simplistic terms such as avoidance (we don't need to be in this business), assume the risk (pay claims as they come and hope they're spaced out enough so you'll have enough money to pay and keep operating) or transfer the risk (to another party such as an insurance company or contractor). (In our training, an explanation on how we address these three items is given. We do this by accepting a large deductible and assuming the risk, then transferring the rest to an insurance company. And, we go on to explain that we want to transfer a portion of the risk we assume to the party that may have caused the liability, i.e., the contractor/subcontractor and/or the contractor's/subcontractor's insurance company, through general principles of tort law and liability, the contractor's/subcontractor's contractual agreement to be responsible – his indemnity, and through the additional insured endorsement or contractual provision of the general liability policy. We get the contractor/subcontractor and insurance carrier to accept this obligation through clear contract requirements, negotiation and administrative follow-up.)

Once this groundwork is established, requesting, reviewing and monitoring certificates must be addressed. We have two in-house published manuals that we used to do the training. The first is the Centex Homes Insurance Overview. This Overview gives an explanation of Centex Homes' insurance requirements and includes checklists. A copies of these checklists are included at the end of this section. In addition, we outline the Corporate Policy, failure to procure coverage, our insurance program and a glossary of insurance terms. Also, many agents and brokers do not understand our insurance requirements. Step-by-step instructions and explanations must be given so that the agents and brokers can issue certificates to our specifications. As a note, we request that our divisions deliver a copy of the contract to the agent to make certain that the insurance should meet our minimums. A copy of Centex's requirements is easily attainable. An agent or broker, knowing that the contractor or subcontractor will be doing business with Centex, should obtain a copy of our contract language when marketing or renewing the programs so that the coverage is bound properly from the onset.

Others that required training may be internal personnel (i.e., project managers, controllers, purchasing). The same guidelines use for training administrators can be used for training these individuals.

Centex Homes - INSURANCE CERTIFICATE CHECKLIST

Subcontractor _____
Job _____
Date _____

In order to clarify the validity of a subcontractor's Certificate of Insurance, the following is to be checked upon receipt of a certificate.

- _____ 1. **Is the subcontractor named on the Certificate precisely the same as that in our Subcontractor Agreement?**
- _____ 2. **Has the Certificate been signed by an insurance company or agency representative?**
- _____ 3. **Are the types and limits of insurance the same or greater than those required in the Subcontractor Agreement?**
- _____ 4. **Does the Certificate provide a "Waiver of Subrogation" in favor of Centex Homes for Workers' Compensation?**
- _____ 5. **On General Liability, is Centex Real Estate Corporation and Centex Homes named as additional insured?**
- _____ 6. **As to all liability policies, is such primary and non-contributory to any other insurance that may be available to the additional insured?**
- _____ 7. **Has the Subcontractor's insurance agency or carrier provided the Additional Insured Endorsement or other similar form evidencing that Homes is named additional insured as respects general liability coverage? What endorsement form is being used?**
- _____ 8. **Does Additional Insured Form reference the same exact policy number as appears on the insurance certificate for general liability coverage?**
- _____ 9. **Have you checked the policy effective date(s) and expiration date(s) to see if they are adequate for the specific work schedule? In other words, will this Subcontractor have insurance in effect when he is performing this work on the site?**
- _____ 10. **Are all the applicable blanks entitled POLICY NUMBER, COMPANY LTR and COMPANIES AFFORDING COVERAGE on the certificate completed?**
- _____ 11. **Have you recorded the policy expiration date(s) so we will always have insurance in force for this Subcontractor?**
- _____ 12. **Confirm that the requirement to provide 30 days written notice of cancellation is altered on certificate. (Are words "endeavor to" and "but failure to . . ." crossed out on certificate?) If not, are cancellation endorsements attached to certificate?**
- _____ 13. **Notify the Subcontractor of any deficiencies and follow up until corrected.**

When you receive a Certificate, check it against this checklist and make certain it meets all requirements item-by-item. If there are any deficiencies, the Subcontractor should be notified and a corrected Certificate obtained.

Centex Homes Insurance Agent Notification (Initial Request for Certificate)

Centex Homes
Division _____

To: The Insurance Agent of:

From: _____

RE: SUBCONTRACTOR AND VENDOR INSURANCE REQUIREMENTS

This document lists the insurance requirements of Centex Homes _____ Division that must be met by all subcontractors and vendor(s) that provide products and/or labor services on its behalf. All the conditions are mandatory and cannot be negotiated nor altered. If your agency cannot provide policies and endorsements as required herein, please notify the vendor (your customer).

A faxed insurance certificate (ACORD 25-S 7/90 is preferred) will be accepted with an original form sent by mail within five working days.

ALL INSURANCE CERTIFICATES MUST SHOW:

1. Issue Date
2. Agency Name and Address
3. Full Name of Insurance Companies Affording Coverage
4. Vendor Name and Address (as appears on their contract agreement)

ALL POLICIES MUST BE SHOWN AS:

1. "Primary and Non-Contributory to any other insurance of the Certificate Holder."
2. All coverages are to be "For all work performed on behalf of the Certificate Holder."

CENTEX HOMES, A NEVADA PARTNERSHIP, AND CENTEX REAL ESTATE CORPORATION MUST BE:

1. Named as "Additional Insured" under General Liability Additional Insured, CG2026 11/85 or its equivalent.
2. For personal auto coverage only, name Certificate Holder as Additional Insured.
3. Issued a "Waiver of Subrogation" endorsement in favor of the Certificate Holder under the Workers' Compensation Policy.
4. If leased workers are used, Workers' Compensation must include Alternate Employer endorsement from leasing company naming subcontractor as alternate employer.

CERTIFICATE HOLDER

Centex Homes

Division _____
Street Address _____
City, State, Zip _____
Attn: _____

CANCELLATION MUST STATE:

"Should any of the above described policies be cancelled before the expiration date thereof, the Issuing Company will mail a 30 day written notice to the Certificate Holder named to the left. *10 days for non-payment of premium. (If the Certificate cannot be amended to state the above wording, policy endorsements are acceptable.)

THE REQUIRED COVERAGE AND LIMITS ARE:

GENERAL LIABILITY*THE LIMITS FOR THE RISK CATEGORY OF THIS VENDOR ARE:

General Aggregate	\$500,000 or	\$1,000,000
Products/Comp. Ops. Agg.	\$250,000	\$ 500,000
Personal Injury	\$250,000	\$ 500,000
Each Occurrence	\$250,000	\$ 500,000

AUTOMOBILE LIABILITY*

THE POLICY MUST HAVE CHECKED EITHER:
[ANY AUTO] --or→ [OWNED], [HIRED], [NON-OWNED](All three conditions)

THE LIMITS MUST BE:
COMBINED SINGLE LIMIT \$350,000 --or→ SPLIT LIMITS OF \$100,000/\$300,000/\$50,000

WORKERS' COMPENSATION*

THE POLICY MUST MEET THE STATE MINIMUM REQUIRED LIMITS.

No policy shall contain any provision from liability other than provisions for exclusion forming a part of the standard basic unamended and unendorsed form of the policy, provided however, in no even shall any exclusion be permitted which conflicts with any coverage required by contract.

***NOTE: THE FULL POLICY NUMBER, EFFECTIVE AND EXPIRATION DATES MUST BE SHOWN FOR EACH POLICY.**

Centex Homes Subcontractor/Insurance Agent Notification (Deficit Certificate)

TO:

COPY: All Field Managers, Purchasing Managers, File

FROM: Accounts Payable

Currently, your insurance policies do not meet the Centex Homes requirements. Please have the below item(s) corrected by:

_____.

GENERAL LIABILITY

- Your Company's policy will expire or has been canceled as of: _____.
- Your Company's name on the Certificate must be the same as that shown on the Construction Agreement.
- The limit for your risk category must be:

General Aggregate	\$500,000	--or-->	\$1,000,000
Prdts./Comp. Ops. Agg.	\$250,000	--or-->	\$ 500,000
Personal Injury	\$250,000	--or-->	\$ 500,000
Each Occurrence	\$250,000	--or-->	\$ 500,000

- The policy must name Centex Homes, a Nevada partnership, and Centex Real Estate Corporation as Additional Insured with Company affording coverage issuing Additional Insured (CG2026 11/85 or its equivalent).
- The policy is written on "claims-made" coverage form. Only "occurrence" forms are acceptable.
- The insurance coverage must be primary and non-contributory to any other insurance of the Certificate Holder.

AUTOMOBILE LIABILITY

- Your Company's policy will expire or has been canceled as of: _____.
- Your Company's name on the Certificate must be the same as that shown on the Construction Agreement.
- For personal auto only, you must show Centex Homes, a Nevada partnership, and Centex Real Estate Corporation as Additional Insured.
- The Certificate must have checked either:

ANY AUTO--or--> [OWNED], [HIRED], [NON-OWNED](All three conditions)

The limits must be as follows:
COMBINED SINGLE LIMIT \$350,000 --or--> SPLIT LIMITS OF \$100,000/\$300,000/\$50,000

WORKERS' COMPENSATION

- Your Company's policy will expire or has been canceled as of: _____.
- Your Company's name on the Certificate must be the same as that shown on the Construction Agreement.
- The Certificate must contain a WAIVER OF SUBROGATION endorsement from the Company affording coverage.
- If leased employees are used, Alternate Employers endorsement must be included.

The above insurance requirements are mandatory and cannot be altered or negotiated. Please have your agent send a revised Certificate and/or endorsements to me. Failure to do so may result in the holding of your check for work done after _____.

Thank you,

Accounts Payable

Centex Homes Insurance Reduction Request

To: Centex Homes – Executive Vice President
Division: _____
Contractor’s Name: _____
Trade: _____

Insurance Reduction Information
 ___ General Liability Amounts ___ Workers’ Compensation ___ Auto ___ Other: _____
 Describe Reduction: _____
 Reason for Reduction: _____
 If Workers’ Comp. is being reduced (Texas Only), check the following if applicable:
 ___ Medical and/or accidental death and dismemberment policy (attach certificate of insurance)

Remaining Insurance Coverage
 ___ General Liability (Attach certificate of insurance and additional insured endorsement)
 ___ Workers’ Compensation
 ___ Auto – Commercial Policy (Check applicable line)
 ___ Any Auto or ___ Owned ___ Non-Owned ___ Hired ___ Scheduled

Risk Assessment
 Category of Risk: ___ 1 or ___ 2
 Claim Experience: ___ No Known Prior Claims ___ Known Prior Claims
 If Prior Known Claims, Describe: _____

	<u>Approval</u>		Signature	Date
	Yes	No		
Construction Manager	___	___	_____	_____
Purchasing Manager	___	___	_____	_____
Division President	___	___	_____	_____
Centex Attorney	___	___	_____	_____
Executive Vice President	___	___	_____	_____

For Centex Homes, compliance on insurance certificates is particularly important. A quarterly report is completed by each division and sent to Centex Homes Home Office. Each subcontractor with insurance renewing or effective in that quarter is included on the spreadsheet. Certain spreadsheet items (such as additional insured) is checked "yes obtained" or "no." All items on the spreadsheet are tallied with a factor generated at the end. Based on the compliance by the division, they will be charged a premium or given a credit. Since these numbers are sometimes substantial, each division pays particular attention to obtaining the proper insurance coverage. For Centex Construction Group, losses are drilled down to the project level. For those jobs without proper insurance, bonuses may be affected for all participants. And, for both Centex Homes and General Contracting, periodic physical auditing is done by task teams to check accuracy of certificates.

In the most extreme cases, alternatives are developed for obtaining certificates. Wrap-ups for both the residential and commercial markets will be considered and implemented as is feasible. Also, depending on circumstances such as the availability of subcontractors, specialty work, low risk, occasionally, the requirements may be reduced to meet a particular situation. Also, in some cases, such as Colorado, to our knowledge, no residential subcontractors are able to get additional insured status on completed operations. We have made the decision that we will forgo the additional insured status on completed operations (on-going status is still required) and mandate the inclusion on an umbrella policy to extend the general liability limits. And, in very rare circumstances, we will assume the risk under our Corporate program.

With today's market becoming even more difficult, creativity will be needed by the owners/contractors, subcontractors, broker, agents and consultants for risk shifting techniques.

Getting What You Ask For

- **Set Up Standards**
 - Input from Certificate Administrators
 - Input from Brokers
 - Input from Coverage Counsel
 - Develop Clear, Concise and Current Insurance language
 - Tie It Into Indemnity (but keep indemnity separate)

Getting What You Ask For

- **Key Elements to Include in Contractual Insurance Language**
 - Current Insurance Terms
 - Use of the Term “Equivalent”
 - Additional Insured Status including Primary and Non-contributory
 - Notice of Cancellation
 - Deductibles

Getting What You Ask For

- **Key Elements – continued**
 - Vicarious Liability
 - Exclusionary Policy Language
 - For All Work Performed
 - Waiver of Subrogation – WC
 - Waiver of Subrogation – Other Policies
 - Statute of Limitations
 - Job Specific Coverage
 - Indemnity Inclusion

Getting What You Ask For

- **Training**
 - **Administrators (Centex Homes Insurance Overview, Centex Construction Company Joys of Insurance)**
 - **Agents and Brokers**
 - **Others**

Getting What You Ask For

- **Compliance Checklists**
 - **Centex Construction Group Checklist**
 - **Centex Homes Checklists**
 - ◆ **Hazards Groups**

Getting What You Ask For

- **Centex Homes Non-Compliance on Certificates of Insurance – Quarterly Report (Self-Audit)**
- **Auditing by Corporate Office**
- **However, there's no way to know if you're getting exactly what you ask for unless you obtain copies of insurance policies to back of the certificates.**

Getting What You Ask For

- **Alternatives to the Standards**
 - **Wrap-ups – Residential and Commercial**
 - **Less Additional Insured Status (i.e. not an additional insured on completed operations)**
 - **Increased General Liability and Umbrella Limits**
 - **Assuming the Risk**