



INSURANCE AND BONDING GUIDELINES

ts, certificates, and bonding recommendations for procurements at the State of Georgia

**Prepared for: State of Georgia Entities
State Entity Purchasing Officers
and Designated Buyers**

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I. Insurance and Bonding Fundamentals

Before you can determine the appropriate type and amount of insurance for your contracts, it is important to understand the concept of **exposure**.

What is exposure?

Exposure is defined as any situation that can lead to a loss or claim against the State of Georgia.

What are the different types of exposure?

Exposure can be categorized broadly into **two types**: situations that can lead to **property** loss or situations that may lead to injury or medical harm to **personnel**.

- **Property exposure** deals with potential damage to tangible things such as buildings, motor vehicles and personal items caused by the negligent acts by vendors, contractors, state officials, and other third parties.
- **Personnel exposure** deals with the potential harm, injury, or illness of any party resulting from the service, delivery, or use of goods that the State procures. Affected parties can include employees, contractors, sub-contractors, customers, and unrelated bystanders.

How is exposure related to insurance?

Exposure is present in any solicitation. It is common for more than one area of exposure to exist. For example, a building remodeling or construction contract should consider among other things the potential loss from fire (property exposure) and potential harm to construction workers (personnel exposure) or pedestrians (personnel exposure). ***In almost all contracts, it is necessary to purchase insurance to cover the potential financial loss to the State resulting from one or more exposures.***

Do only high value contracts require insurance?

No, the need for insurance is not related to the value of the contract, but to the degree of exposure.

Why do vendors or contractors need to purchase insurance?

Insurance has two primary benefits:

- It **ensures that vendors and contractors have the financial ability to pay for damages** that result from their negligent acts.
- It **protects the State from financial loss** as a result of third party acts during the acquisition, delivery, or usage of purchased goods or services.

What are the different types of insurance?

- **Workers Compensation (WC):** provides medical, disability, and rehabilitation benefits to injured employees of the contractor
- **Commercial General Liability (CGL):** pays for property damage and bodily injury to others resulting from contractor negligence
- **Automobile Liability:** pays for bodily injury or property damage resulting from a motor vehicle accident
- **Professional Liability:** provides coverage in the event of loss or damages from providing service and or advice. Also known as E&O coverage.
- **Umbrella / Excess Liability:** provides limits in excess of an underlying liability policies.
- **Fidelity Insurance:** covers loss due to crime or dishonesty by an employee/contractor. Also known as “Fidelity Bonds.”

What are bonds?

Bonds are financial instruments that reimburse the State for financial losses due to a vendor non-performance of contract terms and conditions.

What are the different types of bonds?

There are two primary types of bonds.

- A **fidelity bond** protects against the financial loss that results from a dishonest act or crime committed by an employee of the vendor.
- A **surety bond** (bid, performance, or payment bond) ensures that a vendor fulfills certain terms and conditions of a contract.

For more information, please refer to the **Bonding Guidelines** section on page 16.

I have insurance – do I need a bond?

Insurance protects against a potential loss from property or personnel exposure. A bond provides additional coverage by protecting against a non-performance of contract terms and conditions by a vendor. For more information, please refer to the **Bonding Guidelines** section on page 16.

Are bond requirements related to the value of contracts?

For some types of contracts such as building construction, bonds are required above a certain dollar amount set by state law. For lower value contracts, one may consider requiring liquidated damages in lieu of bonds – please contact your legal department for additional guidance.

II. Insurance Coverage Guidelines for Vendors / Contractors

The following *recommended minimum* insurance limits apply to vendors doing business with the State of Georgia. The Standard Insurance Limits are recommended for all procurements of goods and ancillary services. The specific requirements for vendors providing high risk services supersede the Standard Insurance Limits. Coverage types and limits are recommended minimums and should be increased as appropriate based on contract value and potential risks to the state. Procuring entities should always consult with appropriate risk management experts. **The Georgia State Department of Administrative Services, Risk Management Services, can assist entities in risk management.**

To achieve the appropriate coverage levels, a combination of a specific policy written with an umbrella policy covering liabilities above stated limits is acceptable.¹

Important:

All policies shall contain a provision that coverage afforded under the policies shall not be canceled, changed, allowed to lapse, or allowed to expire until thirty (30) calendar days after written notice has been given to the state certificate holder on the certificate of insurance. All such coverage shall remain in full force and effect during the initial term of the agreement and any renewal or extension thereof.

All policies must be issued by an insurance company licensed to do business in the State of Georgia, with a minimum AM Best rating of A-, and signed by an authorized agent.

A. Standard Insurance Limits for Goods and Ancillary Services

| | |
|---|--|
| Workers Compensation (WC): | Statutory Limits – required in all contracts |
| Bodily injury by Accident – each employee | \$ 100,000 |
| Bodily injury by Disease – each employee | \$ 100,000 |
| Bodily Injury by Disease – policy limit | \$ 500,000 |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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¹ For example: If appropriate limits are \$2 million per occurrence and \$2 million aggregate, acceptable coverage would include a specific policy covering \$1 million per occurrence and \$1 million aggregate written with an umbrella policy for an additional \$1 million.

Please note: The following list of high risk categories, relevant insurance types, and recommended limits are to be used as guidelines and are indicative of best practices but are not exhaustive. Your insurance needs may be higher (or lower). Please consult your appropriate risk management expert or DOAS Risk Management Services.

B. High Risk Insurance Limits

AIR CHARTER:

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | \$ 1,000,000 |
| Each Occurrence Limit | |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Aircraft Liability: Piston | \$ 5,000,000 |
| Jet | \$ 25,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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AMBULANCE SERVICE:

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 3,000,000 |
| Professional liability | \$ 3,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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ASBESTOS ABATEMENT:

| | |
|--|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | \$ 1,000,000 |
| Combined Single Limit | |
| Contractor's Pollution Liability Each Occurrence | \$ 3,000,000 |
| (with 1 year extended reporting period) | |
| Umbrella Liability | \$ 2,000,000 |

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BUILDING REMODELING AND CONSTRUCTION: *This includes all aspects of building work, including, but not limited to, ducts, electrical, HVAC, painting, plumbing, roofing, etc.*

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 (per project) |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |

Property Coverage or Builders Risk Policy Equal to or greater than the existing building limit if performing renovations.

If hazardous substances are involved:

| | |
|--|--------------|
| Contractor's Pollution Liability (with 1 year extended reporting period) | |
| Each Occurrence | \$ 1,000,000 |
| Aggregate | \$ 2,000,000 |
| Umbrella Liability | \$ 2,000,000 |

Other specific coverage requirements / levels may exist depending on project size, scope, and type.

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CONSULTING SERVICES:

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | \$ 1,000,000 |
| Each Occurrence Limit | |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | \$ 1,000,000 |
| Combined Single Limit | |
| Professional Liability | Type and limits defer by Consulting type |
| Umbrella Liability | \$ 2,000,000 |

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CUSTODIAL SERVICES:

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Fidelity Coverage | Type and limits by Services |
| Umbrella Liability | \$ 2,000,000 |

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Please note: The above list of high risk categories, relevant insurance types, and recommended limits are to be used as guidelines and are indicative of best practices but are not exhaustive. Your insurance needs may be higher (or lower). Please consult your appropriate risk management expert or DOAS Risk Management Services.

ELEVATOR MAINTENANCE (includes all passenger and freight elevators):

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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FOOD SERVICE:

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Liquor Liability (When applicable) | \$ 1,000,000 |
| Automobile Liability | \$ 1,000,000 |
| Combined Single Limit | |
| Umbrella Liability | \$ 2,000,000 |

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INFORMATION TECHNOLOGY:

Begin with Standard Insurance Limits. Various types of coverage may come into play based on procurement type, job requirements, and other contract specific details. One should consider Professional Liability insurance which includes Errors and Omissions coverage.

Consult with an Information Technology Specialist, your Entity CIO Office, or GTA to assess impact to State IT infrastructure, IT security and/or other areas. Then seek Risk Management expertise as required.

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LANDSCAPING / LAWN CARE:

| | |
|--|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| <i>If herbicide, fungicide, pesticide or other chemical application is involved:</i> | |
| Environmental Impairment Liability (with 1 year extended reporting period) | |
| Each Occurrence | \$ 1,000,000 |
| Aggregate | \$ 2,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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LAUNDRY SERVICE:

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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MEDICAL/THERAPIST SERVICES (including optical and laboratory): *This includes all contracted medical services, including but not limited to, assisted physician services, laboratory equipment maintenance, and patient testing.*

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Professional liability (malpractice) | \$ 3,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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PEST CONTROL:

| | |
|--|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Environmental Impairment Liability (with 1 year extended reporting period) | |
| Each Occurrence | \$ 1,000,000 |
| Aggregate | \$ 2,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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Recreational Services: This includes a broad range of contracted services, including, but not limited to, golf course management, amusement services, pyrotechnic display, camps and clinics not sponsored by the agency.

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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Refuse Transportation and Disposal:

| | |
|--|---|
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| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Contractor's Pollution Liability (with 1 year extended reporting period) | |
| Each Occurrence | \$ 1,000,000 |
| Aggregate | \$ 2,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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SECURITY:

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | \$ 1,000,000 |
| Combined Single Limit | |
| Professional Liability Insurance | \$ 3,000,000 |
| | <i>This amount is a general guideline and can be lowered after consultation with Risk Management.</i> |
| Umbrella Liability | \$ 2,000,000 |

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STAFFING SERVICES:

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Fidelity Coverage | Type and limits by Services |
| Umbrella Liability | \$ 2,000,000 |

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TRANSPORTATION: *This applies primarily to the transport of people. If air transport see Air Charter.*

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability - seating capacity 15 or less | |
| Combined Single Limit | \$ 3,000,000 |
| Automobile Liability - seating capacity greater than 15 | |
| Combined Single Limit | \$ 5,000,000 |
| Umbrella Liability | \$ 2,000,000 |

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TRAVEL SERVICES: *Tour Operators and Agencies - This applies to any organization that makes travel arrangements, including travel services, tour operators, etc., on our behalf.*

| | |
|---|---|
| Workers Compensation (WC): | Required for all Contracts NO EXEMPTIONS |
| Commercial General Liability (CGL): | |
| Each Occurrence Limit | \$ 1,000,000 |
| Personal & Advertising Injury Limit | \$ 1,000,000 |
| General Aggregate Limit | \$ 2,000,000 |
| Products/Completed Ops. Aggregate Limit | \$ 2,000,000 |
| Automobile Liability | |
| Combined Single Limit | \$ 1,000,000 |
| Professional Liability Insurance – Errors and Omissions | \$ 1,000,000 ** |
| (** not required, but may be a consideration if bids are comparable and a bidder has the coverage.) | |
| Umbrella Liability | \$ 2,000,000 |

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III. Bonding Guidelines

What is a surety bond?

A surety bond ensures that a contractor fulfills certain terms and conditions of a contract.

What are the different types of surety bonds?

Bid:

guarantees that the bidder (e.g. construction contractor) will actually enter into the contract at the submitted price during the RFX process. Additionally, the bid bond sets the requirements for performance and payment bonds as necessary. Bid bonds are drafted during the RFX process.

Performance:

protects the owner (e.g. State Entity) from financial loss caused by the contractor who fails to deliver goods or services in accordance with the terms, specifications, and conditions of the contract

Payment:

protects most providers of material and labor to a job (e.g. subcontractor). It guarantees that the contractor will pay bills in accordance with the contract terms

When are surety bonds needed?

Surety bonds may be required based on the terms of a given solicitation – especially when the nonperformance of contract terms would have adverse financial effects on the Entity or the State – or when subcontractors play a key role in the successful outcome of a contract.

Bid, Performance and Payment bonds are required for certain **state construction contracts** as described by various Georgia statutes. Please refer to the following links for additional information:

Bid bonds

<http://www.lexisnexis.com/hottopics/gacode/Default.asp> (See O.C.G.A. 13-10-20 & 13-10-21)

Performance bonds <http://www.lexisnexis.com/hottopics/gacode/Default.asp> (See O.C.G.A. 13-10-40 & 13-10-41)

Payment bonds

<http://www.lexisnexis.com/hottopics/gacode/Default.asp> (See O.C.G.A. 13-10-60)

What is a fidelity bond?

A fidelity bond provides financial reimbursement to the State for the wrongful taking of State property by a contractor's employee(s).

When are fidelity bonds needed?

Typically, fidelity bonds are required when vendors have **employees engaged in state work with little or no state supervision** present and have easy access to state property and/or monies. Examples: vendors who provide **after hour janitorial services, security services, or concessionaire contracts**.

Appendix

A. Certificates of Insurance

To be included in solicitation and contract:

As stated above, contractor shall procure and maintain insurance which shall protect the contractor and the state from any claims for bodily injury, property damage, or personal injury which may arise out of operations under the agreement. Contractor shall procure the insurance policies at the contractor's own expense and shall furnish the state an insurance certificate listing the state as certificate holder. The insurance certificate must document that the liability insurance coverage purchased by the contractor includes contractual liability coverage to protect the state. The certificate shall be furnished no later than ten (10) business days after notification of the State's intent to award a contract. In addition, the insurance certificate must provide the following information:

1. Name and address of authorized agent
2. Name and address of insured
3. Name of insurance company (licensed to operate in Georgia)
4. Description of coverage in standard terminology
5. Policy period
6. Limits of liability
7. Name and address of certificate holder
8. Acknowledgment of notice of cancellation to the state
9. Signature of authorized agent
10. Telephone number of authorized agent
11. Details of policy exclusions in comments section of insurance certificate

See attached Certificate of Insurance sample form.

| Certificate of Insurance (Sample) | |
|--|-------------------------|
| INSTRUCTIONS TO PRODUCING AGENT: Complete the shaded portions of this certificate and return to the Insured. No condition, term, qualification, limitation, exception, exemption, modification, or proviso shall appear on the certificate. | |
| Name, Address and Telephone Number of Producing Agent | CONTRACT NUMBER: |
| | CONTRACT NAME: |

| Name and Address of Insured Contractor | | | Certificate Holder (Owner) | |
|--|------------|----------------------------|-----------------------------------|---|
| Type of Insurance (include brief description) | Policy No. | Company Affording Coverage | Policy Period Dates (MM/DD/YY) | Limits |
| Commercial General Liability | | | | General Aggregate (Per Project) Products-Co./Op Agg Personal & Adv injury Contractual Each Occurrence |
| Commercial Business Automobile Liability Including, but not limited to, owned, hired and non-owned autos | | | | Combined Single Limit OR Bodily Injury (per person) Property Damage |
| Workers Compensation | | | | GA Statutory Limits Each Occurrence Disease - Policy Limit Disease Each Employee |
| Commercial Umbrella Liability | | | | Each Occurrence Aggregate |
| Employers' Liability | | | | Each Occurrence Disease - Policy Limit Disease Each Employee |
| Additional: | | | | |
| <p>Such insurance as is herein certified (i) applies to all insurance issues in connection with the work required by the provisions of the documents forming the contract, (ii) applies whether or not the contract documents between the insured contractor and the Owner have been executed, (iii) is written in accordance with the company's regular policies and endorsements, subject to the company's applicable manuals or rules and rates in effect, as modified by this certificate and the insurance article of the contract, (iv) have been issued to the insured named above, and (v) are in force at this time.</p> <p>The Officers, Members, & Employees of the Owner and the State of Georgia are included as additional insureds as their interests may appear. Each Insurer is hereby notified that the statutory requirement that the Attorney General of Georgia shall represent and defend the Indemnities remains in full force and effect and is not waived by issuance of any policy of insurance.</p> <p>Each policy shall contain a provision that coverage afforded under the policies will not be canceled (or not renewed or allowed to lapse for any reason) until at least thirty (30) days after Owner has received notice thereof as evidenced by return receipt of registered letter. All policies must be issued by an insurance company licensed to do business in the State of Georgia, with a minimum AM Best rating of A-, and signed by an authorized agent.</p> | | | | |
| <p>Authorized Representative: _____ Date: _____ Type Name: _____</p> | | | | |

B. Glossary

Advertising Injury – arising out of libel or slander; violation of the right to privacy, misappropriation of advertising ideas, or infringement of copyright, title or slogan committed in the course of advertising goods, products, or services.

All Risk – insurance against loss or damage to property arising from any fortuitous cause, except such as may be specifically excluded.

Assumed Liability – liability that would not rest upon a person except that he or she has accepted responsibility by contract expressed or implied. This is also known as contractual liability.

Binder (Or Binding Receipt) - in lines other than life and (usually) health, a binder is an acknowledgement (usually from the agent) that insurance applied for is in force whether or not premium settlement has yet been made or the policy issued.

Bodily Injury – liability which may arise from injury or death of another person.

Bonds – financial instrument that guarantees reimbursement to the State for nonperformance of a contract.

Builders Risk Coverage – commercial property coverage specifically designed for buildings in the course of construction.

Causes of Loss – reasons for the loss; also referred as peril.

Claim – a demand for benefits as provided by the policy.

Claims Made Form – refers to a type of liability insurance form that covers liability incidents only if a written claim is made during the policy period or any applicable extended reporting period. For example, a claim made in the current year could be charged against the current policy even if the injury or loss occurred many years in the past.

Combined Single Limits – typically expressed when referring to liability limits in an automobile policy. Refers to an aggregate limit of liability coverage for bodily injury and property damage in one accident or occurrence

Commercial General Liability – insurance that pays and renders service on behalf of a contractor for the loss arising out of a contractor's responsibility due to negligence, imposed by law or assumed by contract.

Commercial Umbrella Liability – typically provides an extra layer of insurance limits over and above a contractor's commercial general liability, business automobile liability and employers' liability insurance coverage limits.

Completed Operation Liability Insurance – liability insurance coverage for bodily injury and property damage; arising out of the completed operations of a business, as opposed to the product of a business.

Contract Bond – guarantee of the faithful performance of a contract and the payment of all labor and material bills incident thereto. In those situations where two bonds are required, one to cover performance and the other to cover payment of labor and material, the former is known as a Performance bond and the latter as a Payment bond.

Contractual – liability assumed under a written agreement which would not otherwise be imposed. For example, a lease for a building usually requires that a person leasing the property assumes liability for accidents that occur on the property.

Deductible – a provision or clause in an insurance policy that the first given number of dollars or percentage of expense will not be reimbursed.

Employers' Liability – provides protection against claims by the contractor's employees or their dependants for damages resulting from personal injuries or illness sustained by employees during the course of their employment activities. Only applies to incidents not governed by workers' compensation statutes.

Each Occurrence Limit – indicates the amount of coverage the contractor has under a liability policy for any one occurrence other than Personal & Advertising injury occurrences.

Excess Liability Policy – a liability policy designed to provide liability protection above and beyond that provided by standard liability contracts.

Expiration – the date upon which a policy will cease to cover, unless previously cancelled.

Fidelity Bond – a bond which will reimburse a contractor for loss up to the amount of the bond, sustained by an contractor (the insured) by reason of any dishonest act of an employee (or employees covered by bond).

Fire Damage (Legal Liability) – insures against liability incurred when the negligent actions results in destruction by fire of property which is in the contractors care, custody or control.

General Aggregate Limit – indicates the amount of coverage (for other than Products/Completed Operations Liability occurrences) the contractor has under a liability policy for the policy period; no matter how many separate losses that may occur.

Hired Auto – protects the contractor in the event the contractor's business is sued as a result of an auto accident, involving one of the contractor's employees driving one of the contractors hired vehicles while performing contractor business.

Indemnify – to restore the victim of a loss, in whole or in part, by payment, repair, or replacement.

Installation Floater – insures machinery and equipment of all kinds during transit, installation and testing at the owner's premises.

Insurance – a formal social device for reducing risk by transferring the risk of several individual entities to an insurer. The insurer agrees, for a consideration, to assume, to a specified extent, the losses suffered by the insured.

Insured – the party to an insurance arrangement to whom, or on behalf of whom, the insurance company agrees to indemnify for losses, provide benefits, or render service.

Liability Insurance – insurance that pays and renders service on behalf of a contractor for loss arising out of his or her responsibility, due to negligence, to others imposed by law or assumed by contract.

Loss – generally refers to (1) the amount of reduction in the value of an insured's property caused by an insured peril, (2) the amount sought through an insured's claim, or (3) the amount paid on behalf of an insured under an insurance contract.

Named Insured – any person, firm, or corporation, or any member thereof, specifically designated by name as insured(s) in a policy as distinguished from the others who, though unnamed, are protected under some circumstances.

Named Peril Policies – named peril policies specify what perils are insured against, contrary to so-called all risk policies.

Negligence – failure to use that degree of care which an ordinary person of reasonable prudence would use under the given circumstances. Negligence may be constituted by acts of either omission or commission or both.

Non- Owned Auto – protects the contractor in the event the contractor’s business is sued as a result of an auto accident, involving one of the contractor’s employees driving a personal vehicle while performing contractor business.

Occurrence Made Form – provides liability coverage for injury or loss that occurs during the policy period regardless of when the claim is actually made.

Owned Auto – protects the contractor in the event the contractor’s business is sued as a result of an auto accident, involving one of the contractor’s employees driving one of the contractor’s owned vehicles while performing contractor business.

Peril – cause of a possible loss.

Personal & Advertising Injury Limit – indicates the amount of coverage the contractor has under a liability policy for any personal and / or advertising injury occurrence

Personal Injury – injury other than bodily injury arising out of false arrest or detention, malicious prosecution, wrongful entry or eviction, libel or slander, or violation of a person’s right to privacy committed other than in the course of advertising, publishing, broadcasting or telecasting.

Products & Completed Operations Aggregate Limit - indicates the amount of Products & Completed Operations liability coverage the contractor has under a liability policy for a policy period; no matter how many separate losses that may occur.

Professional Liability Insurance – sometimes referred to as Errors & Omissions coverage; covers individuals with extensive technical knowledge or training in a particular area of expertise (e.g. architects, engineers, physicians) for acts of negligence arising from their professional occupation.

Replacement Cost - the cost of replacing property without deduction for depreciation.

Risk – (1) A chance of loss. (2) A person or thing insured.

Split Limits – typically expressed when referring to liability limits in an automobile insurance policy; refers to separate limits for bodily injury each person/ bodily injury each accident/ property damage each accident.

Surety Bond – bonds that guarantees that a contractor will fulfill certain terms or conditions of the contract.

Workers Compensation – benefits payable to an employee for injury, disability, dismemberment, or death as a result of occupational hazard. The payments are a liability of the employer. (2) Insurance agreeing to pay the Workers Compensation benefits required by law on behalf of the employer.