

Insurance Requirements in Contracts (IRIC) Manual

What is the purpose of the IRIC Manual?

The purpose of the [Insurance Requirements in Contracts \(IRIC\) Manual](#) is to serve as a guide in both developing proper insurance requirements in contracts and utilizing the Manual as a resource during contract review. 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. As always, please contact your Alliant representative if you have contract review questions outside of the information provided by the IRIC Manual or if you need additional assistance.

IRIC Manual FAQs and Samples

The items listed below are some of the most frequently asked questions received by Alliant.

Question: Service providers, contractors and vendors regularly question members why the certificate of coverage references a Memorandum of Coverage (MOC) rather than an insurance policy.

Sample Answer 1: Coverage in this Program is provided in the form of a memorandum of coverage, as PRISM is a risk-sharing pool, rather than an insurance company. As a risk sharing pool, PRISM is permitted to provide coverage to public entities in the State of California. The relevant sections of California Code are listed below:

- *Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (Section 6500 et seq.) permits two or more public agencies by agreement to exercise jointly powers common to the contracting parties; and*
- *Article 16, Section 6 of the California Constitution provides that insurance pooling arrangements under joint exercise of power agreements shall not be considered the giving or lending of credit as prohibited therein; and*
- *California Government Code Section 990.4 provides that a local public entity may self-insure, purchase insurance through an authorized carrier, or purchase insurance through a surplus line broker, or any combination of these; and*
- *Pursuant to California Government Code Section 990.6, the cost of insurance provided by a local public entity is a proper charge against the local public entity; and*
- *California Government Code Section 990.8 provides that two or more local entities may, by a joint powers agreement, provide insurance for any purpose by any one or more of the methods specified in Government Code Section 990.4 and such pooling of self-insured claims or losses is not considered insurance nor subject to regulation under the Insurance Code.*

Sample Answer 2: Coverage is provided under a Memorandum of Coverage (MOC). The MOC is on a broad manuscript form which is, at a minimum, as broad as the coverage provided under (fill in blank).

General Liability

Q: I have a contract that requires providing additional insured status for a vendor, what do I do?

A: PRISM Liability programs provide a universal additional covered party endorsement that generally meets this requirement. If an entity needs to be specifically named, then please send the contract to your Alliant representative and they will work on having the necessary endorsement issued.

Q: Can you please provide a sample letter of self-insurance?

A: Please contact [Michelle Bradley](#) for samples.

Q: Is Auto Liability covered by PRISM's Liability programs? Can you provide information about Auto ID cards?

A: Auto Liability is covered within PRISM Liability programs. Auto ID Cards are an entities general proof of General Liability coverage. Auto ID Cards can be found on PRISM's website under PRISM Documents section. This card is a blank fill-form template so that the member can update the contact information accordingly.

Q: Is Liquor Liability included in PRISM Liability programs?

A: Liquor Liability is not specifically excluded from the coverage documents.

Workers' Compensation

Question: I need a waiver of subrogation, is it included?

A: A waiver of subrogation endorsement can be included as long as it is required by contract.

Question: Are my volunteers covered?

A: Volunteers are covered as long as the member has adopted a resolution and has the resolution in place prior to a loss. The Workers' Compensation MOC reads, "VOLUNTEERS: This Memorandum shall apply to loss on account of bodily injury or occupational disease sustained by volunteer workers while acting within the scope of their duties for or on behalf of the Covered Party, provided that, prior to the occurrence, the Governing Board of the Covered Party has adopted a resolution as provided in Division 4, Part 1, Chapter 2, Article 2, of the California Labor Code, declaring such volunteer workers to be employees of the Covered Party for purposes of the Workers' Compensation Act; or provided that such volunteer workers are statutorily deemed by the Workers' Compensation Act to be employees for the purposes of workers' compensation."

Question: Are students covered?

A: In general, students are not considered employees and therefore are not covered for workers' compensation. It is important to note however that some members, like Community Colleges, have student work programs (e.g. Nursing classes, student book store, ROP, etc.) and resolutions in place that provide workers' compensation coverage for these individuals. California Education Code 51769 addresses students in programs considered employees under the California Labor Code. Regular students attending class or on campus are not covered.

Property

Question: I have a new COP/Bond and need help reviewing the insurance requirements, can somebody provide assistance?

A: Please contact [Sara Carlisle](#).

Question: Are rental equipment/vehicles covered?

A: Licensed Vehicles including Buses and Contractors Equipment/Unlicensed vehicles are covered for Property Program members if the member participates in these optional coverages. Replacement cost values for the rental equipment need to be added to the member's property schedule. If a member does not currently participate in those optional coverages, then they can be added midterm.

Medical Malpractice

Question: What does claims made mean?

A: Claims Made coverage is a type of liability policy providing coverage that is triggered when a claim is made against the insured during the policy period, provided that the wrongful act that gave rise to the claim took place after a retroactive date applicable to that policy. This is in contrast to Occurrence coverage, which provides coverage that is triggered by when the wrongful act or occurrence happened, regardless of when the actual claim is made. The significant difference between these two types of coverage is which policy (in a series of annual policies is triggered for coverage). The claims made policy in effect at the time the claim was made would be triggered while on the occurrence side it would be the policy in effect at the time of the incident that would be applicable. Most general liability policies are occurrence and most professional liability policies are claims made. PRISM Pool is on a "claims made" basis and the current reinsurance layers of PRISM Program are on an occurrence basis.

The main impact of the claims made policy that needs to be recognized and managed is the exposure to future claims when changing carriers (the Tail exposure). This Tail exposure can be handled by purchasing "extended reporting" coverage from the old carrier, which causes that old claims made policy to respond to claims that are made within a certain period of time (typically 1-5 years) for wrongful acts that occurred while it was in force. It can also be handled by purchasing what is often referred to as "nose" coverage from the new carrier. This essentially has the effect of setting the retroactive date on the new policy equal to the one on the old policy and provides coverage for prior wrongful acts that had not yet resulted in a claim.

Question: Are our physicians covered, and what about their tail exposure when they leave our employment?

A: Claims that are made involving a covered doctor's provision of services on behalf of the Member during the time period that they were a member of the Program will be covered (subject to their retroactive date and any applicable policy exclusions). This will continue beyond the covered doctor's separation from the Member as long as the Member maintains continuous coverage in the Medical Malpractice Program.

Cyber

Question: Is ransom covered?

A: Yes, Endorsement 27 of the Cyber policy amends the Cyber Extortion Loss language in the policy to pay for Cyber Extortion Losses due to an extortion threat. Please refer to the policy form for complete coverage information.

Crime

Question: Does the Crime Policy satisfy the requirement for county officers to post official bonds?

A: California Government Code (GC) section 1458 requires that certain county officers post official bonds. GC 1481 allows for a master bond, in lieu of individual bonds; additionally, GC1463 allows for crime insurance in lieu of a bond. Based on the aforementioned Government Code, the PRISM Master Crime Policy can be used to fulfill the bonding requirements for many public officials. California Government Code Sections 1457 and 1459 address the counties' obligation to have the Policy approved by the presiding superior court judge, and then recorded with the county recorder, filed with the county clerk, and also filed with the county treasurer (as respects the county clerk's coverage).

Sample letter templates, signature pages and government code sections are available if needed, please contact [Mariana Salyer](#).

Question: I think I need a performance bond? What do I need to do?

A: Please contact [Mariana Salyer](#).

Pollution

Question: Does the UST coverage provided in the Pollution Program satisfy the State Financial Assurance Requirements?

A: If a member participates in the Pollution Program, then they can schedule an Underground Storage Tank (UST) onto the pollution policy. Coverage would be in place for specific pollution conditions. It is important to note that coverage provided in the Pollution Program does not satisfy the State Financial Assurance Requirements because the limits are shared among all members and the State requires dedicated limits. There is a separate UST program provided alongside the Pollution Program that offers dedicated limits at reduced rates for current Pollution Program members. Please contact [Chantelle Lobaugh](#) for more information.

Question: Are landfills covered in the Pollution Program?

A: Scheduled landfills are covered within the Pollution Program for third-party bodily injury or property damage. There is no on-site (first party) coverage for landfills.

Watercraft

Question: Does our Watercraft coverage fulfil the grant agreement requirements with the State for Surrender and Abandoned Vessel Exchange?

A: No, the policy covers member named vessels only. Normally the member will hire a third party salvage company to remove these derelict vessels. Please contact [Mariana Salyer](#) for more information.

Question: What amount is paid in case of a loss?

A: Scheduled value is what is paid in case of a loss, the carrier requests values be reviewed annually to confirm its fair market value.

Helpful links to frequently referenced sections of the [IRIC](#):

- FAQ section of the IRIC (page 8)
- Chapter Two: Insurance Specifications for Most Contracts (page 25)
- Chapter Three: Construction & Environmental Services (page 55)
- Chapter Four: Agreements Including Cyber Risks (page 77)
- Chapter Five: Aviation Related Risks (page 87)
- Sample Hold Harmless Agreements (page 211)
- Risk Analysis Worksheet within the IRIC (page 224)

As Alliant is not a law firm, we recommend members consult with their own legal counsel for specific language or utilize the services provided by [Steve Underwood, Esq.](#) through PRISM.

If you have questions that are not answered by the IRIC Manual or the FAQ listed above, please do not hesitate to contact your Alliant representative.