

# Contractors/Consultants insurance requirements policy

## **PURPOSE:**

To provide staff with clear guidelines as to the insurance requirements for contractors/consultants (as defined), in order to minimise exposure to risk of litigation in the areas of workers compensation, professional indemnity, public liability, motor vehicle third party property damage, and contract works.

## **SCOPE:**

This policy applies to all City of Launceston operations. This Policy does not apply to emergency works or to exceptional circumstances. In the case of emergencies or exceptional circumstances, Directors will be required to engage contractors and authorise purchase orders.

## **POLICY:**

City of Launceston will manage its exposure to the risk of litigation by requiring contractors to:

- a. Be adequately insured;
- b. Provide and regularly update evidence of the insurance cover; and
- c. By the Council keeping a record of the current insurance details for contractors that is accessible to the Council staff.

The areas of insurance include

- workers compensation,
- professional indemnity,
- public liability,
- motor vehicle third party property damage and
- contract works by keeping a record of current insurance details for contractors.

The management of the Policy operates with the following responsibilities and procedures:

- The Insurance Officer is responsible for interpretation and review of the Policy.
- The employee engaging the contractor/consultant is responsible for ensuring that contractors/consultants have the appropriate insurance cover and forwarding insurance Certificate of Currencies to [insurance@launceston.tas.gov.au](mailto:insurance@launceston.tas.gov.au) for the Procurement department to process.
- Procurement will maintain the Contractors Insurance Database in Tech One.
- In the case of one off contracts arrangements Contract Works insurance and Professional Indemnity insurance requirements will be managed by the responsible Directorate. Contract Works insurance will only be recorded against the contract file.
- Each Directorate of the Council will have access to current insurance details, and will use the database to check insurance details **prior to engaging a particular contractor/consultant**.

- Each Directorate of will also ensure that all induction procedures and the required documentation are completed and/or received for new contractors prior to contractor/consultant commencing work.

*Please note: A contractor is responsible for ensuring that any sub-contractors they engage to fulfil their contract obligations with the Council have appropriate insurance in place.*

## **Insurances Required**

Contractors/Consultants may need to supply to the Council up to date Certificates of Currency for the following insurances:

- Workers Compensation (WC) and/or Personal Accident/Income Protection (PA) Insurance
- Public Liability Insurance (PL)
- Third Party Property - Motor Vehicle Insurance (MV)
- Professional Indemnity Insurance (PI)
- Contract Works Insurance (CW).

(Please refer to section on Certificates of Currency for the details on what information is required on certificates for them to be valid under this policy).

The matrix on the following page shows the minimum requirements for different types of contractors and consultants. If a contractor/consultant that you wish to engage does not fit into any of the types listed, please contact the Insurance Officer for assistance.

Minimum insurance requirements for different types of contractors and consultants.

<b>Contractor/Consultant Type</b>	<b>WC and/or PA</b>	<b>PL</b>	<b>MV</b>	<b>PI</b>	<b>CW</b>
<b>Contractor</b> (Tool of Trade endorsement may be required)	✓	✓	✓	Possibly - dependent on work	Possibly - dependent on work
<b>Contractor - working only from their premises</b> - i.e. manufacture of goods, service or repair of goods at their premises	-	-	-	-	-
<b>Plant Wet Hire - no hire/rental agreement in place</b> (Tool of Trade endorsement required)	✓	✓	✓	-	-
<b>Plant Dry Hire - no hire/rental agreement in place</b> (Tool of Trade endorsement required)	-	✓	✓	-	-
<b>Car Hire - no hire/rental agreement in place</b>	-	✓	✓	-	-
<b>Car Hire - Dry Hire/Wet Hire - with a hire/rental agreement in place</b>	-	-	-	-	-
<b>Labour Hire</b>	✓	-	-	-	-
<b>Courier and Delivery Services</b>	-	-	-	-	-
<b>Consultant</b>	✓	-	-	Possibly - dependent on work	-
<b>Consultant - working from their own premises</b>	-	-	-	Possibly - dependent on work	-
<b>Training - at training providers facilities</b>	-	-	-	Possibly - dependent on work	-
<b>Entertainers (low risk activities)</b>	-	-	-	-	-
<b>Entertainers (high risk activities)</b> e.g. working with chemicals, at heights, electrical, sharp or heavy equipment	✓	✓	-	-	-

## **Types of Insurance**

### **• Public Liability Insurance (PL)**

- The standard sum required will be a minimum of ten million dollars (\$10,000,000).
- Tools of Trade cover to be noted on the Certificate of Currency and if applicable include Tool of Trade and in the following terms "liability cover is being provided for registered vehicles being used as tool of trade" (see definition).
- Tool of Trade cover can be noted under a Motor Vehicle insurance policy or under a Public Liability policy.
- If cover for Tools of Trade and specific identification of Tool of Trade, if applicable, is not stated on the Certificate of Currency the contractor will not be engaged for works which are known to require the use of tool(s) of trade.
- Hazardous Duties cover to be noted if applicable (see definition).

### **• Professional Indemnity (PI)**

Professional Indemnity insurance provides cover for losses sustained by third parties as a result of a breach in professional duty. A Certificate of Currency is required for Professional Indemnity Insurance (PI) for anyone who gives advice and/or services of a skilful level, according to an established discipline, to the Council.

- Professions requiring PI cover include but are not limited to Architects, Designers and Landscape Professionals, Consultants, Engineers, IT Professionals, Recruitment Consultants, Swimming Pool Safety Inspectors.
- Sum required to be consistent with risk – minimum \$5 million. The level of cover may be at the Director's discretion based upon the level of anticipated risk.
- Where a contractor is engaged for a design or construction consultancy this is particularly important and the sum insured may need to be greater dependant on the work being undertaken.

### **• Worker's Compensation (WC) (where employing people) in line with current legislation.**

### **• Personal Accident/Sickness Insurance and/or Income Protection Insurance (PA)**

- Where a contractor is self-employed, or otherwise where Workers Compensation is not applicable.
- Where a self-employed Contractor/Consultant also has employees, Personal Accident/Sickness Insurance and/or Income Protection Insurance must be supplied in addition to the Certificate of Currency for Workers Compensation.
- A Certificate of Currency for Personal Accident/Sickness Insurance or Income Protection Insurance must state the capital and weekly benefit.
- The amount of cover is to be reasonable; having regard to what would be the contractor's expected loss of income.

- **Third Party Property Damage – Motor Vehicles (MV)**

- Third Party Property damage is a minimum requirement for Motor Vehicle insurance.
- Contractors that are required to use job specific vehicles or machinery to fulfil their contract obligations must provide a Certificate of Currency for their Motor Vehicle Third Party Property Damage and/or Comprehensive cover. This applies to personal and company vehicles being used by the contractor.
- A Certificate of Currency for Motor Vehicle Third Party Property Damage is not required where the contractor is using hire vehicles to fulfil their contract obligations.
- Third party property damage can be part of comprehensive motor vehicle insurance or can be provided as a stand-alone policy.

- **Contract Works Insurance (CW)**

- Contractors being engaged to undertake contract works may be required to provide proof of Contract Works insurance.
- Contract Works insurance covers the contractor's legal liability for death, bodily injury to persons or loss of or damage to property arising out of or in connection with their contract to produce an asset for the Council. It covers the contractor up until the Council takes ownership of the asset.
- The management of Contract Works insurance requirements will be at a Directorate level. The follow-up and need to sight proof of Contract Works insurance will be in accordance with the contract documents.

## **Certificates of Currency**

The Contractor must provide a clearly labelled Certificate of Currency.

Tax Invoices or receipts for paid premiums, policy schedules or any other insurance documentation will not be accepted or interpreted.

A Certificate of Currency from the contractor's insurance company or broker with the following details must be supplied:

- Name of Insurer
- Name of Insured, and if applicable, their trading name
- Business Description (Must appear on PL, PI and CW Certificates of Currency)
- Policy Type
- Renewal Dates
- Sum Insured
- Policy Number

The Certificate of Currency will not be accepted if it contains conditions which may limit the operation of any insurance policy.

NOTE: Contractor's Insurers/Insurance Brokers will in the majority of cases be able to have a business description added to the Certificate of Currency if requested. In the event that an Insurer cannot provide a business description on the Certificate of Currency, permission can be granted in writing by the relevant Director for the Certificate of Currency to be accepted.

### **PRINCIPLES:**

To minimise the Council's exposure to the risk of litigation in the event of a contractor engaged by City of Launceston performing a negligent act(s), providing faulty workmanship or product which leads to injury, death or damage to the public, the Council property or employees or associated entities.

### **RELATED POLICIES & PROCEDURES:**

[11-HLPr-001 Purchasing \(Non-Tendered\) Procedure](#)

[11-PI-001 Procurement Policy](#)

[03-HLPr-006 Contractor's Insurance Currency and Renewal System](#)

[03-HLPr-004 Contractors Insurances Required Procedure](#)

### **RELATED LEGISLATION:**

- Workers Rehabilitation & Compensation Act 1988
- Work Health and Safety Act 2012
- Sale of Goods Act 1896
- Motor Accident (Liabilities & Compensation) Act 1973
- Insurance Act 1973
- Insurance Contracts Act 1984
- AS4000 – General Conditions of Contract 1997

### **REFERENCES:**

Liability Mutual Insurance primary policy wording 2015/2016

### **DEFINITIONS:**

- **Definition of Tool of Trade under MARSH & JLT policy wording:**  
"A Vehicle which has a tool or plant forming part of, attached to, or used in connection with it while such tool or plant is engaged on a work site. 'Tool of Trade' does not include any Vehicle whilst travelling to or from a work site, or Vehicles that are used to carry goods to or from any premises."

**Note: 'Tools of Trade'** generally covers tools such as drills, power saws, compressors and the like against damage or loss of the item whereas **'Tool of Trade'** refers to a vehicle and the like being used as a tool of trade i.e. when a commercial vehicle has a lifting or digging device connected to it, and when the vehicle is stationary and the operator is using this digging device, it is said to be used as a 'tool of trade' and not being used as a Vehicle i.e. to drive on the road. Examples of a Tool of Trade include but are not limited to a Backhoe, Grader, a crane on the back of a truck or Roller.

- **Hazardous Duties**

Any duties that are undertaken by the contractor and may be excluded from the contractor's Public or Product Liability policies. Examples include but are not limited to:

- Asbestos removal
- blasting,
- bridge construction and/or working over water
- handling of radioactive matter
- working at heights greater than 10m
- welding
- working underground
- working in confined spaces

- **Contractor**

A contractor is someone:

- who has been awarded a contract; or
- is a person, other than an employee, working for reward for the Council.

- **Consultant**

A consultant is a person:

- who provides professional or expert advice in a particular area such as engineering, other than an employee, working for reward for the Council.

- **Business Description**

Business Description or description of risk includes:

- In the case of public liability - the areas of business the insured needs be covered for when working for the Council e.g. demolition, asbestos removal, blasting, bridge construction, engineering works, building works, cartage.

- **Third Party Property Damage**

Damage, caused by a motor vehicle, to property that belongs to a third party (somebody other than the insured or the insurer).

## **REVIEW**

This policy will be reviewed no more than 2 years after the date of approval (version) or more frequently, if dictated by operational demands and with Council's approval.