



Q&A Insurance

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Subject Matter Experts:

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1. Talk to me about Risk in Government Contracts

Insurance is transferring risk to the insurance company and away from the business or the business customer. We, the insurance company, is going to set the limits to the risk you are able to transfer and the cost of that risk. Find an insurance company that is willing to communicate and explain all this to you so you can make informed decisions.

At the Port, we try and assess the realistic amount of exposure the Government Agency has rather than just arbitrarily setting the limits. We don't want our project managers to worry about the risk, that's our job in the Risk Management Department.

2. Does the insurance limits and cost vary job by job?

Your insurance is going to be on an annual basis. If the port says "we'd love to work with you, you need \$1m umbrella policy". The insurance company will offer you an annual policy rather than one for just that project. Your policy will likely be audited to see if you should pay more or less at the end of the year.

3. I'm a sole prop on the A/E side. What is a waiver of subrogation/transfer of rights? Do you ever deal with a small one-person firm?

The Port has a lot of work that has a sole prop conducting the work. The waiver of subrogation and transfer of rights are terms found in the Insurance Policy. You'll see these clauses in every insurance contract – they are designed to protect the insurance provider. These clauses help maintain the relationship and limits lengthy litigation.

Yes, small business that are sole props can get insurance.

4. Could you clarify how the insurance plan applies in situations where the prime contractor works with foreign subcontractors? Specifically, we are interested in understanding any additional coverage requirements or considerations for ensuring compliance and minimizing risks when collaborating with overseas partners.

Note that foreign could just mean from another state. Make sure the location extends to events in foreign countries and that you get an endorsement that has you on it.

5. If I'm looking at a specific contract that requires a higher limit than I have, what do I do?

You'll need quotes for the cost of that increased limits. Once you understand that, take that information and go talk to the government agency. Try to make the case that they should lower the limits. Keep in mind when estimating the cost of the job that when you make policy changes, it'll be for the year. And, when the job is done you probably need to maintain that insurance for a certain period of time. You need to add that cost into the bid too.

When the Port puts out a solicitation, we assess the risk based on the scope and other factors. When the solicitation is posted and the Q/A period is open, ask for clarification and bring up the issue during the bid walk through if there is one. You could Request to Reevaluate the standard. The Port is interested in ensuring small business subcontractor limits match the risk.

6. Cyber Security Liability insurance – What tips do you have to lower the cost of this to small businesses? It was noted that Cyber is a somewhat recent insurance add-on. It used to be simply included in the General Liability. Now, there are quite a bit of types of cyber insurance and risks to all involved. The Port is exploring its risk tolerance now.

When you look at a cyber liability policy, there are a lot of layers. You have to read your policy because they are all very different. Sometimes cyber crime is not included. Talk to your agent about what's included or not – wire transfer fraud for example. It's difficult for small businesses to purchase this type of insurance. Most underwriters say no to small businesses. Contractors should have a cyber security plan (just like a worksite safety plan). If you have a strong plan in place, getting that higher limit is possible.

Washington APEX Accelerators is working with Defense contractors that must comply with a new rule related to being cyber secure. The same resources available for Defense contractors are available to all small businesses. Your local APEX can connect you to these resources.

7. I'm a very small biz. Do I need an agent?

Would you do your own dental work? Haha. The rates are all over the place and the coverage is complicated. Your broker should be matching the insurance to your needs and allow with your business growth over time.

8. How do I find a good agent?

Woodruff Sawyer is one of the larger firms supporting larger firms. For the very small businesses, Kristina Dorer be happy to do an introduction to another broker that will support you.

9. A prime is subcontracting to us. We do not have any insurance beyond \$250k. The requirement is \$1m. What do I do? Do I really need to name the state in the policy?

Unless the Prime or the Government Agency is willing to work with you, you'll need to come up with the insurance. But, be sure to look for exemptions or reciprocity requirements. It sounds like your firm is involved in the inspection and are stamping the drawings. You will need professional liability to help cover you in case you mis something in the inspection . Ask to negotiate the contract to increase your contract to help offset the cost.

10. I run an HR/Recruiting firm as a sub to the prime. Do I need insurance?

Check your contract. There may be an insurance clause or watch for the indemnification clause. It is recommend you get professional liability insurance even if the contract doesn't require it. Think of all the what if's related to your profession – what if someone sues you for violating employment law?

