

A PRACTICAL GUIDE FOR COMMERCIAL CLIENTS

Managing subcontractor insurance

Put the agreement, coverage and records in place before work begins.

1	SIGNED AGREEMENT	Defines the work, insurance duties, lower-tier rules and remedies.
2	CURRENT EVIDENCE	Includes the certificate and the policy provisions or endorsements supporting required protection.
3	DOCUMENTED REVIEW	Compares names, dates, limits, forms and restrictions before authorization.
4	RENEWAL MONITORING	Tracks expirations, corrections, lower-tier firms and completed-operations records.

The rule to remember

A certificate of insurance is evidence, not the policy. Being named as a certificate holder does not make your business an additional insured. Require the supporting policy language and have your insurance professional review it.

Produced for Liberty Union clients

Prepared and published by Liberty Union Insurance Group, Inc., an independent insurance agency founded in 2007 and based in Plano, Texas. Reviewed by Richard Phillips, Agency Owner and Licensed Insurance Agent.

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Licensed in AZ, IL, MO, NM, NC, OK, SC, TN and TX. Coverage and carrier availability vary by state, operation and risk.

01 / SET THE STANDARD

Set insurance requirements before pricing or work

Give each subcontractor the requirements with the bid documents or work order. Resolve exceptions before the subcontractor mobilizes, delivers materials or enters the jobsite.

Commercial general liability	Common baseline for discussion
Coverage form	Occurrence form
General aggregate	\$2,000,000
Products-completed operations aggregate	\$2,000,000
Personal and advertising injury	\$1,000,000
Each occurrence	\$1,000,000
Medical expense	\$5,000

This is a starting point, not a universal minimum. Project contracts, operations, state law, severity potential and carrier requirements may call for different limits or coverage.

Require the protections that match the work

- Additional insured status. Identify the correct legal entity and require appropriate ongoing-operations and completed-operations protection. The contract should describe how long completed-operations protection must be maintained.
- Primary and non-contributory wording. Require policy language supporting the intended priority of coverage when your business qualifies as an additional insured.
- Waiver of subrogation. State which insurance lines must include it and verify that the applicable endorsement or policy provision was issued.
- Workers' compensation and employers' liability. Address covered states, employer's liability limits and any excluded owners or officers. A 1099 label does not settle worker status or insurance treatment.
- Commercial automobile liability. Address owned, hired and non-owned vehicles used in the work, including employee-owned vehicles and delivery exposures.
- Specialized risks. Consider professional liability, pollution, cyber, inland marine, crane or rigging, railroad protective, builders risk, maritime or other project-specific coverage.

Do not overpromise cancellation notice

A COI cannot create a notice right that the policy, endorsement or law does not provide. Ask what notice is actually available, which events it covers and who receives it.

02 / CONTRACT FIRST

Use a written subcontractor agreement

The agreement, insurance program and work authorization process should tell the same story. A proposal, invoice or handshake may leave critical obligations unresolved.

WHO AND WHAT	Correct legal names; scope, location and dates; safety duties; permitted subcontracting; and project restrictions.
INSURANCE	Policies, limits, insured entities, additional-insured scope, waivers, primary wording, evidence and due dates.
DURATION	Continuous coverage during work, renewal evidence before expiration and an agreed completed-operations period.
CLAIMS	Prompt incident reporting, cooperation, record access and legally reviewed indemnity, defense and hold-harmless duties.
LOWER TIERS	Approval before further subcontracting and equivalent controls for firms hired by the subcontractor.
REMEDIES	Correction periods, authority to restrict or suspend work and contract-compliant remedies for unresolved deficiencies.

Coordinate legal wording with actual insurance

Indemnity is a contractual promise. Additional insured coverage is protection under an insurance policy. One does not automatically provide the other. A promise to buy coverage does not make an insurer responsible for coverage that was never issued or that does not apply to the loss.

Texas construction contracts

Texas Insurance Code Chapter 151 limits certain construction indemnity provisions and related additional-insured requirements, subject to defined exceptions. Texas counsel should determine how the statute applies to the parties, project and wording. Similar anti-indemnity rules may apply in other states.

Three timing rules

BEFORE WORK	Sign the agreement and receive the required evidence.
DURING WORK	Monitor renewals, scope changes and lower-tier firms.
AFTER WORK	Retain the file and monitor agreed completed-operations protection.

Never backdate signatures or ask an agent to certify protection that the policy does not provide. Some blanket endorsements apply only when a qualifying written contract was signed before the occurrence or work began.

03 / VERIFY THE EVIDENCE

Review the certificate and supporting policy documents

Ask the subcontractor's agent or broker to send evidence directly when practical. If a document appears altered or inconsistent, verify it using independently confirmed contact information.

1. Match the insured Compare the agreement, invoice and COI. Resolve trade names, related entities and spelling differences.	2. Match the dates Coverage must be in force when work begins and while required. Calendar every expiration date.
3. Confirm each policy Review insurer, policy number, coverage type and applicable limits. A blank section requires follow-up.	4. Compare every limit Check each occurrence, aggregates and separate limits. 'Included' is not a dollar amount.
5. Read the support Receive the endorsements or policy provisions. A checked COI box is not the endorsement.	6. Test blanket conditions Check whether a written contract, direct relationship or timing condition must be satisfied.
7. Review restrictions Ask about exclusions, deductibles or retentions tied to the trade, work, height, location or project type.	8. Record the decision Mark each item met, deficient or not applicable, with reviewer, date, follow-up and approval.

Certificate holder is not additional insured

The certificate holder box identifies the recipient. Additional insured status must arise from the policy and applicable endorsement. The exact entity, work and operations must satisfy the wording.

Keep deficiencies visible

Use a tracker that distinguishes document received from requirement verified. Keep missing or unverified items marked as deficiencies. If management approves an exception, document who approved it, why, for how long and under what conditions; do not relabel the original requirement as met.

STATUS	MEANING	NEXT ACTION
VERIFIED	Evidence supports the requirement reviewed.	Authorize subject to other controls.
DEFICIENT	Missing, expired, inconsistent or unsupported.	Correct before work or escalate.
EXCEPTION	Deficiency accepted by authorized management.	Record reason, scope, duration and conditions.

04 / KEEP IT CURRENT

Monitor renewals and preserve the complete file

Appoint one process owner and a backup. Project managers should confirm authorization before a subcontractor starts, returns after a break, changes scope or adds a lower-tier firm.

WHEN	RECOMMENDED CONTROL
Before work	Collect the signed agreement, COI and supporting policy documents. Resolve deficiencies and record authorization.
45 days before expiration	Request renewal evidence for every policy that expires during the work or required follow-up period.
30 days before expiration	Follow up and recheck terms. A renewal does not guarantee unchanged limits, forms or exclusions.
7 days before expiration	Escalate unresolved items and arrange a safe, contract-compliant response before a lapse.
At scope change	Reassess limits, operations, vehicles, states, professional services and specialized hazards.
At completion	Record completion dates, preserve the project file and continue agreed completed-operations monitoring.

Preserve a complete, searchable file

- Signed contracts, amendments, work orders and written insurance requirements.
- All COI versions, endorsements, relevant policy extracts and renewal correspondence.
- Deficiency notices, exception approvals, lower-tier records and authorization decisions.
- Project locations, work dates, completion dates, incident records and subcontractor payment records.

Audit exposure

Your own GL or workers' compensation carrier may request subcontractor payroll, contracts and evidence of insurance at premium audit. The applicable policy and carrier audit rules control. Maintain records throughout the policy period rather than reconstructing them at audit.

If an exception is requested

Ask the subcontractor and issuing agent to correct the gap. If the required protection is unavailable, ask Liberty Union to help evaluate the insurance issue and have authorized management document its business decision. Obtain any required owner or general contractor consent. An internal exception cannot alter an upstream contract or bind an insurer.

05 / UNDERSTAND THE EXPOSURE

What can happen when the process breaks down

Complete documents do not guarantee that a claim is covered, and missing documents do not prove that insurance is absent. The risk is discovering after a loss that an obligation, limit or protection was not in place.

Defense costs and uninsured loss

If your business does not qualify as an additional insured, the subcontractor's insurer may have no duty to defend it. Your own insurance may respond subject to its terms, or the business may have to fund uncovered costs.

Premium audit charges

Missing or unacceptable evidence can affect how subcontractor costs are treated under your own policy. A GL certificate is not workers' compensation evidence.

Contract disputes and delays

Rejected documentation can delay mobilization, suspend work, trigger replacement costs or create breach-of-contract allegations.

Post-completion claims

Completed-operations protection for your business is not proven merely by seeing a completed-operations aggregate on the COI.

Example: the missing limit

The contract requires \$2 million general and completed-operations aggregates. The subcontractor carries only \$1 million. Finding the deficiency before work begins creates an opportunity to correct or evaluate it. Discovering it after a severe loss does not create the missing limit. Do not assume an umbrella cures a gap without reviewing its terms.

Respond promptly to an incident

1	Protect people and property	Arrange emergency help, control ongoing hazards and secure the site.
2	Notify	Notify your insurer and agency promptly under your policy's duties, even if the subcontractor is expected to respond.
3	Preserve	Keep photos, video, witness information, contracts, COIs, endorsements and communications.
4	Forward	Send demands, claims or lawsuits immediately. Do not let a response deadline pass.
5	Coordinate	Work with insurers and counsel. Avoid admissions, releases or settlements without appropriate guidance.

06 / WORKING WORKSHEET

Subcontractor insurance file checklist

Use one checklist for each subcontractor and project. This worksheet supports an administrative review; it does not determine coverage or replace review of the policy and contract.

Subcontractor: _____ Project: _____

Reviewer: _____ Review date: _____

- ☐ Written agreement is signed by the correct legal entities before work begins.
- ☐ Scope, location, dates, safety duties and permitted lower-tier subcontracting are clear.
- ☐ Insurance requirements and required evidence are included in the agreement.
- ☐ Current COI was received directly from or verified with the issuing agent/broker.
- ☐ CGL is occurrence-based unless another form was knowingly approved.
- ☐ Each occurrence, general aggregate and products-completed operations limits were compared.
- ☐ Additional-insured support was received for ongoing and completed operations as required.
- ☐ Primary and non-contributory wording was reviewed where required.
- ☐ Waiver-of-subrogation wording was reviewed for each required insurance line.
- ☐ Workers' compensation/employers' liability applicability, states and exclusions were resolved.
- ☐ Commercial auto addresses owned, hired and non-owned exposures as required.
- ☐ Trade, project, height, residential, professional, pollution and other restrictions were considered.
- ☐ Renewal dates, completion date and required follow-up period are entered in the tracker.
- ☐ Lower-tier subcontractors and evidence requirements are addressed.
- ☐ Every deficiency or exception has written follow-up and an authorized decision.
- ☐ Project manager/site contact has the final work-authorization status.

STATUS

☐ Authorized ☐ Authorized with documented exception ☐ Not authorized / correction required

Notes / missing items: _____

Ask Liberty Union early

Send proposed insurance requirements before signing when possible. We can help you identify insurance questions, unfamiliar endorsements, ambiguous limits, renewal gaps and coverage issues that should be discussed with the subcontractor or issuing agent. Your attorney should address contract enforceability and legal remedies.

07 / RESOURCES

Sources, limitations and next steps

The insurance principles and Texas-specific notes in this guide were checked against the sources below on October 21, 2026. Policy forms, carrier rules and laws can change.

Texas Department of Insurance - Certificates of Insurance FAQ
<https://www.tdi.texas.gov/certificates/faq.html>

Texas Department of Insurance - Property and Casualty Certificates
<https://www.tdi.texas.gov/certificates/index.html>

Texas Legislature - Insurance Code Chapter 151
<https://statutes.capitol.texas.gov/Docs/IN/htm/IN.151.htm>

Texas Mutual - Workers' Compensation Employer FAQs
<https://www.texasmutual.com/employers/employer-faq>

Texas Mutual - Agent's Final Audit Guide
<https://www.texasmutual.com/blog/posts/2025/09/agents-final-audit-guide>

ACORD - Certificates of Insurance FAQ
<https://www.acord.org/docs/default-source/forms/acordcertificatesfaq>

Important limitation

This handbook provides general educational and risk-management information. It is not an insurance policy, binder, coverage determination, legal advice or guarantee that a subcontractor's insurance will respond. Actual policy language, endorsements, facts, signed contracts and applicable law control. Consult qualified legal counsel about contracts and state law.

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