

Vendor Insurance Exception Review Checklist

This checklist is intended to guide companies and public entities when evaluating vendor requests for exceptions to standard insurance requirements. It provides key red flags, considerations for when exceptions may be appropriate, and decision points to ensure consistency.

Red Flags – Pause Before Granting Exceptions

- Vendor is financially weak or small and may not withstand a major claim.
- Nature of services involves high hazard, public interaction, children, vehicles, or professional advice.
- Vendor has history of claims, OSHA violations, or disputes over coverage.
- Vendor is subcontracting work, adding unknown exposures.
- Pushback is on the exact coverages most critical for their risk profile.
- Vendor resists without offering alternative risk-transfer solutions.

When It May Be Appropriate to Grant an Exception

- Vendor provides low-risk services (office supply delivery, janitorial, small consultants, trainers).
- Vendor is a small or local business the company or public entity wishes to support, with minimal exposure.
- Alternative risk transfer exists (bonds, indemnity, company's or public entity's own coverage).
- Vendor provides substitute assurance (higher deductibles, self-insurance, letter of credit).

Decision Tree

Decision Point	Yes ---> Action	No ---> Action
Is the vendor's service high hazard or public-facing?	Do not grant exception.	Proceed to next check.
Is the vendor financially strong or offering alternative security?	Consider limited exception.	Require standard insurance.
Is there a community/economic reason to support a smaller vendor?	Consider scaled requirements.	Require standard insurance.
Have you documented the rationale and obtained senior approval?	Grant exception with safeguards.	Do not grant exception.

Some factors to consider when determining what types of policies, policy limits, and maximum deductibles and self-insured retentions (retentions) to allow may include:

- project size
- project location
- scope of work
- length of time and quality of business relationship with vendor
- number of other available vendors who can provide the services (or lack thereof)
- financial size and stability of vendor
- company's or public entity's contractual risk transfer preferences and risk appetite.

It is not possible to propose limits that will be adequate to cover any and all claims. Ultimately what insurance requirements to require of vendors is a business decision.

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