This is to inform you of interpretations of the Liability Self-Insurance for State Agencies policy as it has been applied. Please file this as part of your policy.

**Issue:** Extending state coverage to other persons or entities by contract or other means.

**Background:** Exclusion No. 7, page 5, of the Liability Self-Insurance Policy for State Agencies (125-7-201) says, *you may not extend coverage to anyone who is not covered as a matter of law and of fact without our knowledge and written permission. Only we may obligate the Insurance Fund or issue certificates of self-insurance or endorsements thereto on behalf of the state.*

This means you need our signed consent before you enter any agreement which attempts or purports to extend the liability, workers' compensation, or employee dishonesty coverages of the State Insurance Fund to any person or entity who is not automatically covered by operation of law. You do not need our consent to extend state property coverage to non-state property in your possession or control.

If your agency needs to name any person or entity an agent of the state, who is not one by law or of fact, the Department of Justice needs to agree in advance. If DOJ agrees, they will then provide you with advice in writing that an “agent” relationship exists. The Risk Management Division does not approve or sign these contracts.

**Extending Coverage:** Our foremost position is that the state not accept or assume the cost of independent contractors' liabilities. Professional service providers should be fully compensated by fees alone. It is not in the interest of the state to accept the contingent risks of the contractors' business and activities. However, if this position would result in the failure of an essential state mission or function, we can make an exception.

For independent contractors, we do not normally agree to provide defense, settle, or pay judgments on the same terms as we do for you and your employees. The Act's limits on liability and any of its immunities from liability come only to one who is really your employee or agent. For example:

The dollar limits, extended by contract, for paying settlements or judgments on behalf of non-state, public entities is:

(a) $50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages, arising out of a single accident or occurrence.

(b) $100,000 to any claimant as general and special damages for all other claims arising out of a single accident or occurrence unless those damages exceed $100,000,
in which case the claimant may recover additional special damages, but in no event shall the total award of special damages exceed $100,000.

(c) $500,000 for any number of claims arising out of a single accident or occurrence.

The dollar limit for defense cost coverage per single accident or occurrence is $100,000.

The dollar limits, extended by contract, for paying settlements or judgments on behalf of non-state, non-public entities is:

(a) $50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages, arising out of a single accident or occurrence.

(b) $100,000 to any claimant as general and special damages for all other claims arising out of a single accident or occurrence.

(c) $200,000 for all claims arising out of a single accident or occurrence.

The dollar limit for defense cost coverage is included in the above dollar limits for paying settlements or judgments.

If you need to extend state liability coverage to anyone (other than an agent of the state as a matter of law and of fact, or by DOJ advice), call us for advice and approval. Also call your attorney for legal advice. Before we consent, we will want to know your alternatives and your financial impacts. We will provide the pertinent contract clauses, along with instructions outlining the process. You can then add the clauses we provide you and a block for our signature to your contract.