



# Subcontractor Default Insurance



## SUBCONTRACTOR DEFAULT INSURANCE APPLICATION

### A. General Information

1. Insured Name: \_\_\_\_\_
2. Mailing Address: \_\_\_\_\_  
City, State and Zip: \_\_\_\_\_
3. Type of Entity: ☐ Corporation ☐ Partnership ☐ LLC ☐ Other: \_\_\_\_\_
4. Ownership: \_\_\_\_\_
5. FEIN: \_\_\_\_\_
6. Has any officer of the company ever declared for bankruptcy protection? ☐ Yes ☐ No. If Yes, please explain: \_\_\_\_\_
7. Has any officer ever been convicted of a felony or any criminal conduct? ☐ Yes ☐ No. If Yes, please explain: \_\_\_\_\_
8. Insured Primary Contact: \_\_\_\_\_  
Title: \_\_\_\_\_ Phone Number: \_\_\_\_\_  
Email Address: \_\_\_\_\_  
Website: \_\_\_\_\_

### B. Broker Information

1. Name: \_\_\_\_\_
2. Address: \_\_\_\_\_  
City, State and Zip: \_\_\_\_\_
3. Primary Contact: \_\_\_\_\_  
Phone Number: \_\_\_\_\_ Email: \_\_\_\_\_
4. Other Contact(s) Name: \_\_\_\_\_  
Phone Number: \_\_\_\_\_ Email: \_\_\_\_\_

### C. Operations

1. Year Business Formed: \_\_\_\_\_
2. General Description of Operations:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Total # of Employees: \_\_\_\_\_ Home Office: \_\_\_\_\_ Field: \_\_\_\_\_

4. Annual Revenue / Subcontract Volume:

Year	Revenue	Subcontract Volume
Estimated Current Year (20 )		
Prior Year 1 (20 )		
Prior Year 2 (20 )		
Prior Year 3 (20 )		
Prior Year 4 (20 )		

5. Fiscal Year End: \_\_\_\_\_

6. Current Backlog: \_\_\_\_\_

7. Estimated months to work through: \_\_\_\_\_

8. % of work Negotiated vs Lump sum: \_\_\_\_% Negotiated \_\_\_\_% Lump sum

9. Public vs Private: \_\_\_\_% Public \_\_\_\_% Private

10. Top 5 States You Work In:

State	%

11. Any New Geographic Markets Anticipated in next 3 Years?

State	State	State	State

12. Work by Market Segment:

% of Work	Market Segment	% of Work	Market Segment
	General Commercial		Industrial
	Education		Residential (For Sale)
	Healthcare		Residential (Not For Sale)
	Hospitality		Other:
	Retail		Other:
	<b>Product Type</b>		
	Wood Frame Construction		Non-wood frame Construction

13. Labor Type: Union vs Non Union: \_\_\_\_% Union \_\_\_\_% Non union

14. Delivery Method: \_\_\_\_% GC

\_\_\_\_% CM @ Risk

\_\_\_\_% CM Agent

\_\_\_\_% Design Build

\_\_\_\_% Other \_\_\_\_\_

15. Current Surety Provider, length of relationship and Limit(s): \_\_\_\_\_

## D. Project History

1. Describe Largest Project Completed in Past 5 Years:

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2. 3 Largest Projects in Last 5 Years:

Construction Volume	Year Completed	State	Market Segment

3. 3 Longest Projects in Last 5 Years:

Duration (Months)	Year Completed	State	Market Segment

4. # of Jobs Underway: Total Number: \_\_\_\_ Typical Range from (Low) \_\_\_\_ To (High) \_\_\_\_ . Average: \_\_\_\_

5. Typical project duration (in Months): From (Short) \_\_\_\_ To (Long) \_\_\_\_ . Average: \_\_\_\_

6. Have you ever not completed a job? ☐Yes ☐No

7. Had your surety complete a project? ☐Yes ☐No

## E. Risk Management Approach

1. SDI / Bonding Philosophy (i.e. bond all subs > \$100,000, if currently not an SDI user):

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2. % of subs bonded \_\_\_\_% Threshold (e.g. >100k) \_\_\_\_\_

3. % of suppliers bonded \_\_\_\_% Threshold (e.g. >100k) \_\_\_\_\_

## F. Owners

1. % of Work with Repeat Owners: \_\_\_\_%

2. Typical Owner Types: \_\_\_\_\_

3. % of Work Fast Tracked: \_\_\_\_%

4. 5 Largest Repeat Owners:

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5. MBE/WBE/SBE Usage: \_\_\_\_%

6. % of Projects with MBE/WBE/SBE requirements: \_\_\_\_%

7. Typical Required Participation: \_\_\_\_\_

## G. Subcontractor / Supplier History

1. 5 Largest Subcontracts / Suppliers:

Sub/Supplier	Contract Value	Project Name

2. Average Size Subcontract: \_\_\_\_\_

3. Total Estimated # of Active Subcontracts: \_\_\_\_\_

4. Total Estimated # of Active Suppliers: \_\_\_\_\_

## H. Use of Subcontractor Default Insurance

1. Do You Currently Purchase SDI? ☐Yes ☐No. If yes, How long have you used SDI: \_\_\_\_\_ Years

If not, a current user of SDI, please provide a structure you would like to see quoted.

2. Is there a project you have in mind ready to enroll? What is that project? \_\_\_\_\_

3. Current Program Structure:

Per Loss Limit: \_\_\_\_\_

Aggregate Loss Limit: \_\_\_\_\_

SIR: \_\_\_\_\_

Co-pay: \_\_\_\_\_

Co-pay Layer Size: \_\_\_\_\_

Aggregate Retention: \_\_\_\_\_

Annual: \_\_\_\_\_

3 Year/Program: \_\_\_\_\_

OR 2 Year Aggregate: \_\_\_\_\_

4. Estimated Annual Volume: \_\_\_\_\_

## I. Subcontractor Default History

1. List all Formal Subcontractor / Supplier Defaults (SDI and bond losses) in Last 10 Years (please provide separate attachment if required):

Subcontractor/ Supplier	Trade	Contract Value	Loss Estimate	Reason for Default	Year Defaulted	Project Name

2. Who in your organization has the authority to default/terminate a subcontractor:

\_\_\_\_\_

## J. Estimating & Bid Solicitation

1. Do you estimate project costs by trade prior to soliciting subcontractor bids? ☐Yes ☐No

2. How many estimating resources are on staff: \_\_\_\_\_

3. What is included in your typical bid package: \_\_\_\_\_

4. How many subcontractors do you typically obtain bids from for each package: \_\_\_\_\_

5. Under what circumstances do you meet with subcontractors prior to award to review work scope and bid amount:

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6. How do you track your total exposure with a subcontractor at any given time:

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7. Do you restrict awarding additional subcontracts if that sub has met a threshold? ☐Yes ☐No. If yes, who makes that determination: \_\_\_\_\_

### K. Subcontractor Prequalification

1. Do you have a formal/written subcontractor prequalification program? ☐Yes ☐No

2. Do you maintain a database of pre-qualified subcontractors? ☐Yes ☐No

3. How often do you update a subcontractors information: ☐at time of new bid ☐annually ☐other \_\_\_\_\_

4. Do you use a 3rd party pre-qualification service? ☐Yes ☐No. If yes, which vendor: \_\_\_\_\_

5. Who in your organization is responsible for final selection of subcontractors: \_\_\_\_\_

6. Who in your organization is responsible for determining if a subcontractor is enrolled in your SDI program vs bonded?

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7. How do you mitigate the risk of a sub that appears to have an elevated risk profile:

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8. Do you have a formal post-completion evaluation of subcontractor performance? ☐Yes ☐No

9. How do you prequalify subcontractors when entering into a new geography:

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10. Do you have any controls in place to monitor how your subcontractors select their subcontractors? ☐Yes ☐No. If yes, how:

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## L. Subcontractor Management

1. Who is responsible for approving subcontractor requested changes to your standard subcontract agreement:

2. Under what circumstances will you allow a subcontractor to start work without an executed subcontract agreement:

3. What is your process to approve change orders:

4. How often do you update project schedules: \_\_\_\_\_

5. Who is responsible for schedule updates: \_\_\_\_\_

6. Who is responsible for verification of installed quantities and completed work submitted by a subcontractor:

7. Who is responsible for final payment approval for requests by subcontractors? (is there a multi-level approval process):

8. Do you require lien releases? ☐Yes ☐No. If yes, what is your process:

9. From which subcontractor tiers do you require lien releases: \_\_\_\_\_

10. How do you verify executed lien releases: \_\_\_\_\_

11. Under what circumstances would you use joint checks to pay subcontractors:

12. Do use utilize CIPs for GL coverage? ☐Yes ☐No. If yes, when:

## M. Quality

1. Do you have a written Corporate Quality Plan? ☐Yes ☐No

2. Who is responsible for implementing the Corporate Quality Plan: \_\_\_\_\_

3. When are site specific Quality Plans developed? \_\_\_\_\_

4. Are you tracking metrics to evaluate Quality Plan effectiveness? \_\_\_\_\_

5. Do you ever use 3rd party vendors to inspect work on projects? ☐Yes ☐No. If yes, when and what scopes of work:

6. Do you typically use mock-ups? ☐ Yes ☐ No. If yes, for what scope:

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## N. Additional Information Required

- ☐ Sub Distribution – list of the previous 24 months of executed subcontracts (Sub Name, FEIN, Contract Value, Project Name, Start/End date)
- ☐ Prior 3 years audited financial statements and current year interim statement
- ☐ WIPs – Current and most recent Y/E
- ☐ Notice to Cure
- ☐ Notice of Default
- ☐ General Liability loss runs for previous 4 years (practice programs and CIPs)
- ☐ SDI Carrier loss runs for all previous years (if previously purchasing SDI)
- ☐ Named Insured Listing
- ☐ Company Organization Chart
- ☐ Typical subcontract agreement including standard exhibits/attachments. Also provide short form if used
- ☐ Typical Material Contract and/or purchase Order Agreement including standard exhibits/attachments
- ☐ Typical Letter of Intent
- ☐ Typical subcontractor /Supplier Request for Proposal (RFP) / Invitation to bind
- ☐ Complete copy of written risk/ project management procedure manuals for the following:
  - ☐ Go No-Go process for project selection
  - ☐ Preconstruction / Estimating
  - ☐ Subcontractor / Vendor prequalification
  - ☐ Purchasing
  - ☐ Job startup
  - ☐ Billing/Payment process
  - ☐ QA/QC
  - ☐ Job Closeout
  - ☐ Sub/Vendor Default process
  - ☐ Project Scheduling

You represent that the statements and facts made in this application are true and that no material facts have been suppressed or misstated. It is further agreed by you that each policy or renewal thereof, if issued, is issued in reliance upon the truth of the representations and information in the application.

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Signature

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Date

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Name

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Title

## Fraud Notice

**Arkansas:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**Colorado:** It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable for insurance proceeds shall be reported to the Colorado. Division of Insurance within the Department of Regulatory Agencies.

**District of Columbia:** WARNING: It is a crime to provide false or misleading information to an insurer for the purpose of

defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits if false information materially related to a claim was provided by the applicant

**Florida:** Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree.

**Kansas:** A "fraudulent insurance act" means an act committed by any person who, knowingly and with intent to defraud, presents, causes to be presented or prepares with knowledge or belief that it will be presented to or by an insurer, purported insurer, broker or any agent thereof, any written, electronic, electronic impulse, facsimile, magnetic, oral, or telephonic communication or statement as part of, or in support of, an application for the issuance of, or the rating of an insurance policy for personal or commercial insurance, or a claim for payment or other benefit pursuant to an insurance policy for

commercial or personal insurance which such person knows to contain materially false information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto.

**Kentucky:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

**Louisiana:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**Maine:** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties may include imprisonment, fines, or denial of insurance benefits.

**Maryland:** Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**New Jersey:** Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

**New Mexico:** ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO CIVIL FINES AND CRIMINAL PENALTIES.

**New York:** General : All applications for commercial insurance, other than automobile insurance: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation. All applications for automobile insurance and all claim forms: Any person who knowingly makes or knowingly assists, abets, solicits or conspires with another to make a false report of the theft, destruction, damage or conversion of any motor vehicle to a law enforcement agency, the department of motor vehicles or an insurance company, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the value of the subject motor vehicle or stated claim for each violation. Fire: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime. The proposed insured affirms that the foregoing information is true and agrees that these applications shall constitute a part of any

policy issued whether attached or not and that any willful concealment or misrepresentation of a material fact or circumstances shall be grounds to rescind the insurance policy.

**Ohio:** Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

**Oklahoma:** WARNING: Any person who knowingly, and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony.

**Pennsylvania:** All Commercial Insurance, Except As Provided for Automobile Insurance: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties. Automobile Insurance: Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing any false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and the payment of a fine of up to \$15,000.

**Puerto Rico:** Any person who knowingly and with the intention of defrauding presents false information in an insurance application, or presents, helps, or causes the presentation of a fraudulent claim for the payment of a loss or any other benefit, or presents more than one claim for the same damage or loss, shall incur a felony and, upon conviction, shall be sanctioned for each violation by a fine of not less than five thousand dollars (\$5,000) and not more than ten thousand dollars (\$10,000), or a fixed term of imprisonment for three (3) years, or both penalties. Should aggravating circumstances [be] present, the penalty thus established may be increased to a maximum of five (5) years, if extenuating circumstances are present, it may be reduced to a minimum of two (2) years.

**Rhode Island:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**Tennessee:** All Commercial Insurance, Except As Provided for Workers' Compensation It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits. Workers' Compensation: It is a crime to knowingly provide false, incomplete or misleading information to any party to a workers' compensation transaction for the purpose of committing fraud. Penalties include imprisonment, fines and denial of insurance benefits.

**Utah:** Workers' Compensation: Any person who knowingly presents false or fraudulent underwriting information, files or causes to be filed a false or fraudulent claim for disability compensation or medical benefits, or submits a false or fraudulent report or billing for health care fees or other



professional services is guilty of a crime and may be subject to fines and confinement in state prison.

**Washington:** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

**West Virginia:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly

presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**All Other States:** Any person who knowingly and willfully presents false information in an application for insurance may be guilty of insurance fraud and subject to fines and confinement in prison. (In Oregon, the aforementioned actions may constitute a fraudulent insurance act which may be a crime and may subject the person to penalties).

