

THE ALS GROUP

Managing Risk to Influence Successful Outcomes

The Vendor Insurance Gap in Affordable Housing

Key Takeaways

- A certificate of insurance ("COI") is proof on paper, not proof of coverage.
- At LIHTC properties, capped rents mean an uninsured loss hits the owner's budget and loss history.
- Real compliance means requirements in every contract, verified certificates and endorsements, and tracked expiration dates.

Affordable housing properties run on outside vendors: rehab contractors, roofers, landscapers, pest control, security and maintenance crews. If one of them injures a resident or damages the building, the owner can easily end up in the claim. The vendor's insurance is supposed to respond first, and the COI is how owners know it will. The problem: many properties collect certificates at onboarding and never look at them again.

1. Vendor insurance gaps build up quietly

- **Expired policies:** A certificate was valid when collected, but the policy renewed (or didn't) and no one followed up.
- **Missing additional insured status:** The property is listed as certificate holder, but not as an additional insured, so the vendor's policy may not protect the owner.
- **Low limits:** Coverage is below what the vendor contract requires.
- **Missing coverage:** No workers' compensation, commercial auto or umbrella coverage where the work calls for it. Some small contractors carry workers' compensation exemptions that don't cover everyone on site.
- **Wrong entity:** The certificate names a different company than the one that signed the contract.

Across a portfolio with multiple properties and property managers, these gaps multiply fast.

2. LIHTC properties feel the gap more than most

- **Capped rents:** There is little room to absorb an uninsured loss. A claim that should have gone to a vendor's insurer hits the owner's own policy or operating budget instead.
- **Loss history:** Claims on the owner's policy add to the loss history underwriters weigh at every renewal. In a market where premiums are already rising, a preventable claim can cost the property for years.
- **Residents:** With seniors and families with children on site, the stakes of an incident are high.

3. Real COI compliance verifies, it doesn't just collect

1. **Set written requirements by vendor type.** A roofer and a window washer shouldn't carry the same requirements.

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2. **Put those requirements in every contract**, along with indemnification language.
3. **Verify every certificate against the requirements** before work begins, not just file it.
4. **Confirm additional insured status** through the actual policy endorsement, not only the certificate.
5. **Track expiration dates** and request renewals before coverage lapses.
6. **Flag exceptions** to someone qualified to read a policy and decide what's acceptable.

How ALS Helps

Our certificate compliance service pairs automated document tracking with review by licensed property and casualty analysts. Technology handles the volume. Experienced people handle the judgment calls that software can't. As an independent, fee-based firm, we don't sell insurance and we don't take commissions, so our reviews answer one question: is this vendor's coverage protecting you?

Not sure where your portfolio stands? Start with our free 10-COI Blindspot Audit. Learn more about our certificate compliance services.

There you have it: how vendor insurance gaps happen, and how to close them.

Frequently Asked Questions

Does a certificate of insurance prove a vendor is covered? No. A COI summarizes a policy at a point in time and gives the holder no rights. It doesn't change or guarantee coverage, so the certificate needs to be checked against your requirements and the policy endorsements.

Is a certificate holder the same as an additional insured? No. A certificate holder simply receives the certificate. An additional insured is added to the vendor's policy by endorsement and can be protected under it. Ask for the endorsement, not just the certificate.

How often should vendor certificates be reviewed? Before any work begins, and again before each policy expires. For long-term vendors, set reminders ahead of every renewal so coverage never lapses while they're on site.

What insurance should vendors at affordable housing properties carry? It depends on the work. Most need general liability, and many also need workers' compensation, commercial auto and umbrella coverage. Set requirements by vendor type and put them in the contract.

If you need more information on any of the topics covered here, or are interested in a Risk Management Assessment ("RMA"), please contact our Managing Principal, Albert Sica, at asica@thealsgroup.com or at 732.395.4251.