

Determining tailored insurance requirements in procurement guide

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v1.1	July 2025	Minor updates made - highlights: <ul style="list-style-type: none"> • DHPW corporate branding • Machinery-of-government changes • Hyperlinks verified and updated or removed • Document date updated • New version history log and 'Administration' section added • Updated document title • Removed contextual policy information
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The State of Queensland (Department of Housing and Public Works) 2026.



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Contact us

We are committed to continuous improvement. If you have any suggestions about how we can improve this document, or if you have any questions, contact us at betterprocurement@hpw.qld.gov.au.

Disclaimer

This document is intended as a guide only for the internal use and benefit of government agencies. It may not be relied on by any other party. It should be read in conjunction with the Queensland Procurement Policy, your agency's procurement policies and procedures, and any other relevant documents.

The Department of Housing and Public Works disclaims all liability that may arise from the use of this document. This document should not be used as a substitute for obtaining appropriate probity and legal advice as may be required. In preparing this document, reasonable efforts have been made to use accurate and current information. It should be noted that information may have changed since the publication of this document. Where errors or inaccuracies are brought to attention a reasonable effort will be made to correct them.

Administration

Version 2.0 of this document replaces all previous versions of this document and takes effect immediately.

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Purpose

This guide aims to support anyone involved in procurement to determine tailored insurance requirements informed by the objective, risk, value, nature and complexity of procurement activities, the capacity and capability of the supply market, and an awareness of the commercial insurance environment.

How to use this guide?

Read this guide with:

- the [Queensland Procurement Policy 2026](#) (QPP 2026)
- your agency's procurement, insurance and/or risk policies and procedures
- whole-of-government policies, procedures and guidance related to procurement, insurance and risk.

Remember we are making it easier to do business with government!

Request information from suppliers 'just in time' during tender processes rather than all information up front.

This applies to insurance requirements and documentation (e.g. certificate of currency, policy schedule).

This guide is intended to provide general guidance that is applicable to all categories of goods and/or services, acknowledging there may be procedural nuances and risk appetites specific to categories and agencies. It flags key steps and considerations related to determining tailored insurance requirements in procurement and references other procurement guidance materials where necessary.

Buyers are encouraged to use professional judgement, recognise that requirements vary across industries and suppliers, and continue to apply the intent of this guide rather than adopting a one size fits all approach.

Important

While standard invitation and contract templates should be used wherever possible, it is important to ensure insurance requirements are tailored to the procurement.

If you have concerns when determining insurance requirements, particularly for complex matters or specific industries (e.g. health, construction, technology), seek appropriate advice from the end-user, procurement category and/or specialist advisors (e.g. financial, risk, insurance, legal).

For general insurance advice and information, please contact the State's self-insurance scheme, the Queensland Government Insurance Fund (QGIF) which is part of Queensland Treasury via telephone (07) 3035 6367 or email qgif@qgif.qld.gov.au. Further information can also be found via the QGIF [website](#).

QGIF differs significantly to the commercial insurance market and should not be compared to or used to determine insurance requirements in procurement.

Insurance and procurement

A contract of insurance is an agreement for the transfer of financial risk from one person (the insured) to another (the insurer) in return for payment of a sum of money (usually called 'the premium'). Insurance does not remove the liability of a party for its actions; it provides financial protection for that party in the event of an insurable loss or liability.

Important

In procurement, insurance is just one of several risk management tools that can be used to reduce the financial risk exposures that may arise out of the supply of goods and/or services.

Depending on the nature, risk and value of the procurement, including potential suppliers' activities and scale, other financial due diligence options should be considered to manage a supplier's financial risk – for example, reviewing key data from financial statements, use of third-party risk management and analytic tools, conducting an independent financial assessment or requesting a performance guarantee, bank guarantee or insurance bond.

It is important to tailor insurance requirements for all procurement – whether routine or significant (e.g. establishing a common-use supply arrangement, major construction project). This makes it easier for suppliers to do business with government by reducing the costs involved with procuring goods and/or services. It also improves accessibility for all suppliers, particularly small and family businesses and medium enterprises, supporting diversification of government's supply pool. Operationally, it helps to:

- reduce the risk that a supplier will not have sufficient financial resources to meet its insurable losses and liabilities and still be able to perform its obligations under the contract
- benefit any injured party by providing access to compensation
- mitigate an agency's exposure to costs that the supplier is liable for but cannot pay (e.g. an agency's legal costs if defending its position against claims where the supplier is liable).

Agencies should avoid adopting fixed insurance limits without regard to risk. Where agencies have established risk matrices, exposure models or internal benchmarks, these may continue to be applied, provided they are used flexibly and proportionately, informed by the specific risk profile of the procurement and prevailing insurance market conditions. Any departures from, or application of, benchmarks should be supported by a documented risk rationale.

Process summary

Table 1 below summarises the key steps to determine tailored insurance requirements in procurement.

Table 1: Determining tailored insurance requirements in procurement summary

No.	Step	QPP 2026 Reference
1	Conduct risk assessment and identify insurable risks <ul style="list-style-type: none"> • Conduct risk assessment by identifying risks and assessing likelihood and consequence. • Identify insurable risks, noting insurance products and insurer appetite differ across industries and supplier types. Adjust requirements to the context and record the rationale. 	Rules 1 & 3
2	Determine appropriate insurance type and period <ul style="list-style-type: none"> • Determine insurance type based on identified insurable risks. • Determine insurance period depending on insurance type and on what basis it is written. 	Pillars 2 & 3
3	Determine minimum level of insurance cover required <ul style="list-style-type: none"> • Determine the level of exposure by assessing the likelihood and consequences of insurable risks occurring. • Level of exposure informs the minimum level of insurance cover required. 	Pillars 2 & 3
4	Specify insurance requirements in invitation documents <ul style="list-style-type: none"> • Clearly detail proof of insurance that potential suppliers must provide. • Note you should consider requesting information from potential suppliers only at the point in time that it is required during the evaluation process (rather than up front), for example by requesting proof of insurance only if the supplier is shortlisted or successful. • Where a supplier's insurance program does not fully align with the stated requirements, you should assess for suitability and consider accepting functionally equivalent or proportionate cover where the overall risk outcome is acceptable, supported by additional financial due diligence and a documented rationale. 	Rules 13, 14, 15 & 16
5	Review proof of insurance <ul style="list-style-type: none"> • Ensure insurance requirements outlined in the invitation documents have been met, including that: <ul style="list-style-type: none"> ○ the policy is current and will be in effect at contract commencement ○ the supplier is covered by the policy ○ the supplier's goods and/or services are covered by the policy ○ there are no terms that will impact the supplier's ability to meet any claim or otherwise prejudice the agency's rights under the contract. • Where insurance is limited or difficult to verify, consider other financial checks (e.g. review key financials, independent credit/viability assessments, performance or bank guarantees). 	Rule 22
6	Specify insurance requirements in contract <ul style="list-style-type: none"> • Capture supplier commitments made in relation to insurances as part of the contract. 	Rules 23, 24 & 26

	<ul style="list-style-type: none"> If necessary, seek legal, and category and/or contract advice to vary template terms and conditions to accommodate bespoke insurance arrangements (e.g. self-insurance, multinational insurance program). 	
7	<p>Monitor and review to ensure insurance is maintained and adequate as part of contract management</p> <ul style="list-style-type: none"> Conduct periodic reviews to ensure insurance cover is adequate to address insurable risks associated with the contract. Request proof of insurance at policy renewal and when the supplier has modified its cover. 	Rules 30 - 32

Important

Seek specialist insurance advice before going to market

Some procurements need tailored insurance advice because standard requirements will not fit the type of work or the risks involved. Seek specialist insurance advice before setting insurance requirements when:

- the work involves professional services (e.g. consultants, engineers, accountants, lawyers). For these engagements:
 - avoid setting fixed insurance limits or apply benchmarks without regard to risk. Appropriate cover depends on the nature of the services, specific deliverables, the type of provider (size and operational footprint), and current market appetite
 - standard limits can be inappropriate or unachievable and may exclude capable suppliers
 - document the rationale for any limits you adopt.
- the procurement falls into categories where case-by-case assessment is needed (e.g. significant procurement, construction/capital works, hazardous materials, artificial intelligence-enabled solutions, supplier-controlled terms and conditions)
- healthcare professionals will be providing services (e.g. occupational health, clinical or diagnostic services).

These activities often involve complex or long tail risks and varied insurance products. Templates and preset limits may not always suitable for these arrangements and can misalign with real market offerings. Tailoring keeps requirements proportionate, achievable and aligned with best practice.

What to do:

- Contact your agency’s insurance or risk advisers to confirm suitable requirements. Record any departures and the risk rationale.
- If the work involves healthcare professionals, seek advice from the Queensland Health Insurance Services Team, Finance Branch, Corporate Services Division via ask_ist@health.qld.gov.au who maintain health specific insurance guidance and category benchmarks.
- If the work involves building construction and maintenance activities, refer to the [Building Policy Framework, associated templates \(e.g. Standard Contracts\)](#) and seek advice from the Building Construction and Maintenance procurement category via BCMSecretariat@hpw.qld.gov.au.

Step 1: Conduct risk assessment and identify insurable risks

Risk assessment

Assess the risks involved with the goods and/or services procured. This will help you to identify insurable risks and forms the starting point to determining tailored insurance requirements.

Refer to the *Procuring in the Queensland Government guide* for general guidance and supporting resources on conducting risk assessments in procurement. **Note:** The *Procuring in the Queensland Government guide* is currently in development and will be published in due course. Once published, a link will be included to the guide.

Identify insurable risks

Review your risk assessment to identify insurable risks. These are events or incidents that the supplier may cause, or contribute to, that could potentially generate a claim for compensation and/or pure financial or economic loss from third parties or from the agency. In other words, these are events or incidents which could cause harm to someone, damage to property or financial loss.

Tip

Consider the following factors when identifying insurable risks, noting these are not exhaustive:

- Profile of procurement category.
- Type of goods and/or services supplied (e.g. defective product, provision of incorrect professional advice).
- Nature of goods and/or services (e.g. uniqueness, complexity, reliance on new technologies or use of hazardous materials).
- Cyber security risks within the supply chain.
- Supplier experience.
- Potential for design and manufacturing defects.
- Level of skills and technical expertise needed.
- Contract duration.
- Degree of hazard involved with the contract.
- Whether the supplier will interact with the public as part of delivering the contract.
- Likelihood of supplier causing severe injury.
- Potential for several people to be injured in one occurrence.
- Likelihood of supplier damaging property, and value of property.
- Risk of damage to third party property, and quantum of losses that could arise.
- Delivery location.
- Likelihood of pollution or dust nuisance.
- Standard invitation and contract template insurance provisions relevant to the scope and procurement category.

Important

Some risks cannot be insured (e.g. reputational, political, regulatory). These risks should be managed according to your agency's risk management framework.

Think about risks associated with each contract regardless of its value as even low value contracts can be high risk, and some high value contracts can be lower risk than may have been expected initially.

If any of the circumstances described in the specialist advice call out box on Page 6 of this guide apply or if in doubt, seek advice to help identify insurable risks.

Step 2: Determine appropriate insurance type and period

Insurance type

Identify the likely insurance type (also known as class of insurance) that would respond to cover each insurable risk.

Table 2 below outlines insurance types commonly encountered in procurement and suggested periods, noting [Appendix 1](#) contains general information on more specialised insurances.

Table 2: Common insurance types in procurement and suggested periods

Insurance type	Description	When is it needed	Suggested period
Public liability	<ul style="list-style-type: none"> Protects a business against claims resulting from accidents or injuries that occur as a result of business activities, as well as accidental damage to property owned or controlled by someone else. Excludes losses and liabilities that arise from products. Generally written on an 'occurrence', 'per occurrence' or 'per event' basis. 	<ul style="list-style-type: none"> Where the supplier's activities have the potential to cause personal injury or property damage to third parties. Where the supplier's activities require them to work with agency employees or clients, work in public spaces, visit spaces owned or controlled by others or to have visitors to its premises. 	<ul style="list-style-type: none"> Insurance to be in place prior to contract commencement and continue for duration of contract.
Product liability	<ul style="list-style-type: none"> Protects a business if sued because a product it sells, assembles, supplies or maintains has caused harm to a person or their property, including the cost of investigating and defending against a claim, and cost of any damages awarded to a customer if the business is found to be at fault. Generally written on an 'aggregate' basis. 	<ul style="list-style-type: none"> Where the supplier provides tangible goods that are sold, supplied or modified and which could cause injury or project damage. Where manufacturers, distributors, suppliers, retailers (including those that supply food), and others that make products available to the public. Where repairers, maintenance providers and builders are engaged to perform works. 	<ul style="list-style-type: none"> Insurance to be in place prior to contract commencement and continue for duration of contract.
Professional indemnity	<ul style="list-style-type: none"> Provides cover for errors made whilst advising or servicing customers and the legal costs and expenses of investigating and, if justified, defending the business advice and conduct. 	<ul style="list-style-type: none"> Where the supplier provides advice and/or services that may cause loss to a customer (e.g. advice, design, consultancy, opinion and/or analysis) – includes, but is not limited to, management and business consultants, accountants, information technology professionals, 	<ul style="list-style-type: none"> Insurance to be in place prior to contract commencement and continue for duration of contract. Insurance to be in place and maintained for no less than

Insurance type	Description	When is it needed	Suggested period
	<ul style="list-style-type: none"> Includes industry-specific insurances, such as medical indemnity insurance. Generally written on a 'per claim/occurrence and in the aggregate' basis. 	<p>technical and engineer contractors, recruitment agencies and consultants, designers, teachers and trainers.</p> <ul style="list-style-type: none"> Note certain classes of professionals are required to carry professional indemnity insurance under law (e.g. lawyers) or as part of their registration (e.g. healthcare professionals). 	<p>seven years after contract completion.</p> <ul style="list-style-type: none"> In some cases, a longer period of 10 years may be justified where the risk of latent defects being discovered later exists such as in construction contracts.
Workers compensation	<ul style="list-style-type: none"> Provides cover for the medical expenses and wages of the supplier's employees if they are hurt or injured in the course of conducting work-related activities. 	<ul style="list-style-type: none"> Where the supplier has employees. For sole traders and self-employed individuals, evidence of workplace personal injury insurance or, alternatively, income protection or personal accident and/or illness insurance that includes cover for occupational injuries should be sought. 	<ul style="list-style-type: none"> Insurance to be in place prior to contract commencement and continue for duration of contract.
Cyber	<ul style="list-style-type: none"> Provides cover for a supplier's liability for cyber attacks or data breaches involving sensitive information (e.g. credit card numbers, account numbers, health records). Commonly covers costs related to investigation, legal proceedings, extortion/ransom payments, business losses, data recovery, and crisis notification costs. Generally written on a 'claims-made' basis. 	<ul style="list-style-type: none"> Where the supplier is engaged to collect and manage personally identifiable and/or sensitive data on behalf of an agency, or does so in the course of delivering goods and/or services to the agency. This may include procurement involving ICT systems and services, critical infrastructure projects, payment and education systems. 	<ul style="list-style-type: none"> Insurance to be in place prior to contract commencement and continue for duration of contract. Insurance to be in place and maintained for no less than seven years after contract completion.

Tip**Broadform liability insurance**

This is an insurance product that houses both public and product liability insurance. Insurance product names should not be written into a contract, as the individual insurance policies (i.e. insurance types) included within a product will cover different risks and are subject to different limits. Focus on the insurance types that comprise an insurance product.

Cyber risk – seek specialist advice and set proportionate requirements

Cyber risk affects organisations of all sizes, but small and family businesses and medium enterprises, charities and not-for-profit organisations are often more vulnerable and may not always be able to obtain or afford cyber insurance. Because of this, agencies should seek specialist cyber or insurance advice where cyber exposure is a material risk for the procurement.

Cyber insurance may be desirable or required depending on the nature of the work and the level of the associated risk:

- For lower risk engagements, especially involving small and family businesses and medium enterprises, cyber insurance does not need to be a pass/fail requirement.
- For higher risk areas (e.g. ICT arrangements or services handling sensitive information), cyber insurance should be an essential requirement.

Cyber insurance should be considered and included in a Queensland Information Technology Contracting (QITC) contract where the nature of the ICT products or services presents a material cyber risk to the State, particularly where the supplier hosts, processes, stores, or has access to Queensland Government data, operates systems that are business critical, or could reasonably expose the agency to cyber security incidents, data breaches, or privacy impacts. In these circumstances, cyber insurance is used as a risk mitigation mechanism to ensure the supplier has adequate financial capacity to respond to and remediate cyber related incidents. The decision to require cyber insurance should be informed by a risk-based assessment of the engagement and applied proportionately, noting that QITC documentation expressly allows cyber insurance to be specified where appropriate rather than mandated for all procurements.

Where a supplier does not hold cyber insurance, agencies should not automatically exclude them. Instead, consider other reasonable checks, such as:

- asking basic questions about their cyber practices
- including a simple cyber incident notification clause
- assessing their ability to manage and respond to cyber risks in a practical way.

These approaches help agencies manage cyber risk sensibly and proportionately, without unnecessarily excluding capable suppliers. These usually complement approaches to manage information privacy risks (e.g. the [Queensland Privacy Principles](#) and the [Information Privacy Act 2009](#)).

For further information on managing cyber security in procurement, refer to the [Managing Cyber Security in Procurement Guideline](#).

Insurance period

Ensure insurance is in place before the contract starts and runs for at least the life of the contract. Depending on the insurance type and basis on which it is written, this could also mean a set period after the contract ends.

Insurance policies written on an ‘occurrence’, ‘per occurrence’ or ‘per event’ basis

Insurance policies written on this basis mean that coverage is triggered when the injury or damage occurs during the policy period, regardless of the date when the claim is made. This means that once the policy period is over, it will still cover the event or incident that gave rise to the claim if it occurred when the policy was in force, even if the claim is made many years after the event or accident.

Insurance policies written on a ‘claims-made’ basis

Insurance policies written on this basis mean that coverage is only triggered when a claim is made or reported during the policy period. It is important that any event or incident that is likely to give rise to a claim must be notified to the insurer prior to the policy expiring. The insurer may refuse cover if a claim, or a known event or incident that is likely to give rise to a claim, is not reported.

Claims-made insurance policies (such as professional indemnity, errors and omissions, and cyber insurance) only respond to claims notified during the policy period. Because some issues may emerge years after the work is completed, these policies must be maintained for a period after contract completion (via annual renewal or run-off cover).

The length of this maintenance period is set by the contract terms and conditions, and should generally align with the relevant statutory limitation periods for the types of claims typically covered by these policies (e.g. negligence or breach of contract).

While whole-of-government contract templates may refer to four-year maintenance periods; agencies should consider whether adjustments need to be made to account for the usual six-year limitation period applicable to most claims-made risks or standard insurance market practice. In limited situations, such as product liability written on a claims-made basis under overseas arrangements, a longer period may be appropriate due to product lifespan or latency.

Any variation (shorter or longer) from the period specified in the insurance clause of the applicable terms and conditions should be identified and confirmed during evaluation or contract negotiations, based on risk, insurance market practice, and supplier context, and recorded in the contract.

Step 3: Determine minimum level of insurance cover required

Determine the minimum level (i.e. amount) of insurance cover required to cover the maximum probable loss as derived from your risk assessment. Consider:

- limit of liability for each type of insurance
- level of exposure for each insurable risk.

Limit of liability

An insurance policy’s limit of liability is the maximum amount the insurer will pay under an insurance policy. It is different for each policy type and may include the use of sub-limits. A limit of liability may also be referred to as a sum insured or limit of indemnity.

It is important to understand the limit of liability to confirm that the contracting party has sufficient financial means to cover any losses and liabilities that arise from the contractual arrangement.

The basis on which the policy is written (i.e. ‘claims made’ or ‘occurrence’) influences how the policy limit of liability applies.

Table 3 below provides a brief explainer of limits of liability.

Table 3: Limits of liability – brief explainer

Limit of liability basis	Description	Applicable insurance type
Per occurrence	<ul style="list-style-type: none"> Refers to the most that the insurer will pay regardless of the number of claims arising from an occurrence, noting there can be any number of occurrences within a policy period. Limit of liability is reinstated for each new occurrence. 	<ul style="list-style-type: none"> Public liability insurance.
Aggregate	<ul style="list-style-type: none"> An aggregate limit applies to all claims occurring either: <ul style="list-style-type: none"> within the same period of cover, regardless of how many claims occur during the period of cover (usually a 12-month period) for contract aggregate over the time the contract remains in place, regardless of how many claims occur during that time. The total of all claims that fall within the relevant period of cover will not be allowed to exceed the aggregate limit of liability; the insurer has no further obligation to the policy holder during the remainder of the policy for any subsequent claims that are otherwise covered by the policy and that would be payable under that aggregate limit. 	<ul style="list-style-type: none"> Product liability insurance.
Per claim/occurrence and in the aggregate	<ul style="list-style-type: none"> The claim/occurrence limit will be available unless the applicable aggregate limit has been used up. 	<ul style="list-style-type: none"> Professional indemnity insurance.

Important

Sub-limits

A sub-limit is a limitation in an insurance policy on the amount of coverage available for a specific type of loss. It is part of, rather than in addition to, the limit that would otherwise apply to the loss.

You should be aware of, and check for, any applicable sub-limits that may apply to potential insurable risks.

Level of exposure

Determining the level of exposure for each insurable risk involves analysing the likelihood (i.e. probability) and consequences (i.e. impact) of the insurable risk occurring.

As an example, you may refer to [Appendix 2](#) to determine the level of exposure for each insurable risk identified. This example is for assessing insurable risks only and is independent from the usual risk assessment of likelihood and consequence. As such, the consequences only look at the liabilities that would be covered by each insurance policy type – the financial impact, the extent and number of injuries and the extent and cost of damage.

Once the level of exposure is determined for each insurable risk, you can then determine the minimum level of insurance required to respond to it – refer to [Appendix 3](#) for an example.

Important

Determining level of exposure and associated minimum levels of insurance

Take care when undertaking this activity to balance the needs of the agency against making it easier for suppliers, particularly small and family businesses and medium enterprises, to participate in government procurement. This may mean either basing the minimum level of insurance on the highest level of exposure, or lowering the minimum level of insurance, depending on the insurable risks of the goods and/or services procured.

For a practical example of how Steps 1 to 3 are applied, please refer to [Appendix 4](#).

Step 4: Specify insurance requirements in invitation documents

Clearly specify insurance requirements in invitation documents to address each insurable risk. Generally, these should include:

- if the supplier's insurances must be held with an authorised and licenced Australian insurer or acceptable alternatives (e.g. an insurer with a security rating of A- or better from AM Best, or an equivalent ratings organisation)
- insurance types (including workers compensation insurance)
- minimum period each type of insurance is to be held during and after the contract, where applicable
- minimum level of insurance for each insurance type (excluding workers compensation insurance)
- the required territorial and jurisdictional limits that must apply to the policy (note that a territorial limit is about where the error or omission occurs, whereas a jurisdictional limit refers to where a claim can be brought)
- requirement for suppliers to provide proof of insurance (including acceptable forms and key information that needs to be included in the proof of insurance document) – e.g. policy schedule, certificate of currency or another form of evidence (refer to [Proof of insurance](#) section below)
- a requirement to declare any applicable exclusions (i.e. policy endorsements) or excess/deductibles
- notification to suppliers that they will be required to advise of any material modifications to their insurance (including changes to cover, cancellation or lapsing of insurance cover, reduced limits and applicable sub-limits)
- notification to suppliers that agencies may, as part of managing the contract, conduct periodic reviews of insurance requirements and make any adjustments as necessary to address insurable risks associated with the contract (which may include the need for suppliers to provide current proof of insurance or obtain additional levels of insurance cover).

Consider including insurance requirements as desirable evaluation criteria (instead of mandatory evaluation criteria). As part of this, consider requesting proof of insurance only at the point in time that it is required during the evaluation process (rather than up front) consistent with Rule 13 of the QPP 2026. For example, requiring suppliers to provide said proof only if shortlisted or successful. This helps to make it easier for suppliers, particularly small and family businesses and medium enterprises, to do business with government. This does not preclude agencies from streamlining this process beyond the minimum requirement outlined in Rule 13 – for example, allowing the supplier to only take out the insurance once successful.

Where a supplier's insurance program does not fully align with the stated requirements, you should assess whether it is still suitable for the supplier's risk profile and the contract risks. You may consider accepting functionally equivalent or proportionate cover where the overall risk outcome is acceptable, supported by additional financial due diligence (e.g. targeted financial checks or other mitigations) and a documented rationale. If this approach is adopted, the invitation documents should specify this.

Ensure any agreed changes are reflected in the final contract prior to execution.

Proof of insurance

Suppliers should be requested to provide proof of insurance that includes the necessary details to enable evaluation and confirmation as to whether the insurance requirements have been met. These details include:

- insurer name
- whether insurer is an authorised and licenced Australian insurer (or acceptable alternative)
- policy holder/insured name/named insured
- policy number
- type of insurance policy
- period of insurance
- limits of indemnity/liability (listed separately for each type of insurance covered by the policy)
- jurisdictional/territorial limits
- business description/activities
- insurance excess (also known as a deductible)
- exclusions/endorsements listed (or show 'nil' if none apply).

Important**Policy holder/insured name/named insured**

Subject to agency, category and/or risk policies and/or procedures, ensure that the supplier is not requested to add the procuring agency as a 'named insured' to the supplier's insurance policy.

In naming the procuring agency as an insured, it entitles the procuring agency to make a direct claim against the insurer for anything which is within the terms of the policy. This may even extend to a liability claim made against the procuring agency which has nothing to do with the goods and/or services provided by the supplier.

When more than one party is permitted to use a supplier's policy in this way, they can quickly exhaust the insurance that is available for the supplier to use for other insurance claims.

Jurisdictional/territorial limits

Where a supplier can demonstrate that its insurer is an authorised and licenced Australian insurer, buyers may, subject to agency, category and/or risk policies and/or procedures, waive the requirement for jurisdictional/territorial limits to be declared.

Acceptable forms of proof of insurance include, but are not limited to, certificates of currency, policy schedules and certificates of insurance. Regardless of the form of proof of insurance, this should provide evidence of the details as listed above.

You should also note the following:

- all requests for proof of insurance should be directed at the supplier, and not through the supplier's insurer or broker
- proof of insurance should be issued by the supplier's insurer (or authorised underwriting agent), as not all documents issued by an insurance broker are binding on the insurer, unless the broker is acting as an agent of the insurer
- time needed for suppliers to obtain the requisite proof of insurance from their insurer as part of scheduling the invitation process
- proof of insurance will differ between insurers as there is no standard format
- store any insurance documentation received from suppliers securely and in accordance with relevant agency record-keeping and information security policies and procedures.

Tip**Certificate of currency**

A certificate of currency provides limited representation of the insurance policy and confirms that the policy is in place on the date it is issued. Commonly these documents only provide a bare outline of the cover. Usually this means that additional evidence may be required (e.g. policy schedule, product disclosure statement) to verify that a supplier's insurance cover complies with its contractual obligations.

Insurers can update certificates of currency to include key details if requested by its policy holder (i.e. the supplier). Suppliers can ask their broker to request these changes be made or make this request directly to their insurer.

Policy schedule (also known as a schedule of insurance)

A document issued by the insurer which attaches to and forms part of the contract of insurance and commonly contains the required level of detail to evaluate cover. A supplier will receive their policy schedule when they purchase their policy and at each renewal. Only key details need be present on the policy schedule for the purposes of verification; any other information that may be shown on the schedule can be redacted if required.

Certificate of insurance

In the commercial insurance market, insurance brokers and insurers may use this title to describe a certificate of currency and a policy schedule. The content, context and meaning can differ between each individual broker and insurer.

Step 5: Review proof of insurance

As part of evaluating the supplier's offer, review the proof of insurance against the insurance requirements in the invitation documents.

Insurance policies typically contain a range of terms that can impact on whether or not a claim may be made by the supplier in particular circumstances. Those terms can have a significant impact on the effectiveness of the insurance policy from the agency's perspective.

Check the following:

- Is the amount of cover equal to or greater than the amount of cover required as stipulated in the invitation documents? Consider limits of liability and any applicable sub-limits.
- Is the level of exposure covered by the policy's limit of liability high enough to cover the potential future losses that may result from the supplier's services and/or products if something went wrong? This should correspond with the level identified in your risk assessment.
- Is the excess high? Does the supplier have the financial capacity to cover the value of the excess?
- Looking at the policy period, will the policy still be current when the contract commences and ends? Does the policy period cover a period after the end of the contract?
- Is the legal entity name for the supplier listed as a named insured/policy holder under the contract?
- Does the policy's 'Business/Professional Services Description/Activities' correspond to goods, services and/or activities to be provided by the supplier under the contract? Are there any exclusions?
- If the supplier holds insurance cover with an overseas insurer, do the contract terms and conditions allow for this and does the policy correspond with those requirements (i.e. territorial and jurisdictional limits that include Australia and appropriate security rating, A- or more)?
- If endorsements are listed, do these appear to apply or relate to an activity, service or product supplied under the contract?

Where insurance is limited or difficult to verify, consider other financial checks (e.g. review key financials, independent credit/viability assessments, performance or bank guarantees).

Step 6: Specify insurance requirements in contract

In forming a contract with the successful supplier, specify insurance requirements in the contract. For example, this may include clauses that:

- allow action to be taken by the agency if insurance is not effected or maintained by the supplier
- allow for the agency to periodically review and change the insurance requirements in a contract
- specify the type of insurance required to be held, including any specific cover extensions or inclusions that must apply to the insurances
- specify the limits of cover that must be met for each required insurance
- require insurances effected with an insurer that is authorised and licensed to operate in Australia (or otherwise with an insurer or insurers with a security rating of A- or better from AM Best, or an equivalent ratings organisation, on terms that are reasonably commercially available)
- require the supplier to provide sufficiently detailed evidence of insurance, specifying details that must be included, and when documents must be supplied (e.g. before the commencement of the performance of the contract, on each renewal, when the policies are materially modified and otherwise on an agency's written request)
- specify the applicable periods of insurance that must apply to relevant insurances (e.g. any claims-made policies)
- require insurances to be subject to territorial and jurisdictional limits that include Australia
- require the supplier to notify the agency in writing of any endorsements, exclusions and deductibles relevant to the required insurance policies that the supplier is required to have under the contract
- require the supplier to notify the agency if any required insurances are cancelled or there is any significant change in any of those policies which may impact the supplier's ability to meet its obligations under the contract
- require the supplier to warrant that any endorsements, exclusions and deductibles that may be applicable to the required insurance policies, will not impact on the supplier's ability to meet any claim or otherwise prejudice the agency's rights under a contract.

For claims-made policies, ensure the contract specifies an appropriate post-completion maintenance period, aligned to statutory limitation periods and the insurance market practice for that class of insurance.

Seek advice from insurance specialists where changes to insurance requirements are needed, or where suppliers request variations or departures from the stated insurance requirements. Tailored advice ensures any changes remain commercially achievable, proportionate to risk and aligned with market standards.

Ensure that any agreed changes during evaluation or contract negotiation are carried through to the final contract, supported by a documented risk rationale.

High-risk contract clauses impacting on insurance

Suppliers may seek to include contractual indemnity, limitations and/or exclusions of liability clauses in the contract to control their potential losses. These high-risk clauses can limit the effectiveness of insurance as a risk mitigation tool. In addition, any liabilities that extend to an agency because of the inclusion of such clauses may have potentially significant financial implications to the agency (i.e. liabilities may be excluded from insurance cover with QGIF and need to be met by the agency from its own budget).

While it is beyond the scope of this guide to provide a detailed explanation of the function and implications of these high-risk clauses, [Appendix 5](#) provides an overview of these clauses for the purpose of general information and awareness. Where these clauses are identified, please refer to any agency-specific procurement, insurance and risk policies and processes, and seek specialist financial, risk, insurance and/or legal advisors to inform a decision to enter into a contract.

Step 7: Monitor and review to ensure insurance is maintained and adequate as part of contract management

As part of contract management, conduct periodic reviews to ensure insurances held by the supplier are adequate to address insurable risks associated with the contract. This includes requesting and reviewing updated evidence of insurance before the end of the insurance policy period.

Should any of the following occur, a review of insurable risks should be conducted:

- product upgrades
- changes to standards
- changes to the nature and scope of the contract
- when contemplating a contract extension
- changes to personnel and/or person managing the contract
- changes to the structure of government that impact on the type of procurement
- other changes that impact the risk profile of the contract
- modifications to the supplier's insurance cover
- the end of an insurance policy period.

Monitoring and reviewing insurance requirements throughout the life of a contract should be managed in accordance with the [Contract management guide](#).

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DRAFT - NOT GOVERNMENT POLICY

Appendix 1: Other types of insurance

Contract works insurance

Public liability insurance policies may include exclusions related to construction works. These exclusions can vary, but typically apply to any construction contract that exceeds a specific dollar amount.

For construction projects, contract works insurance (also known as builders contract works insurance or construction works insurance) is required. Contract works insurance covers projects under construction, building materials and equipment onsite against fire, malicious damage, storm damage, water damage, accidental damage, impact by a vehicle, theft, and property damage or personal injury caused to others.

Contract works insurance does not preclude a builder or construction company from holding product liability or public liability insurance. These policies are still necessary to cover losses and liabilities that fall outside the cover provided by a contract works insurance policy. Contract works insurance products also differ across insurers, and product liability insurance and public liability insurance may be included as part of the product. Consequently, specialist insurance advice should be sought for construction-related projects to assist with determining insurance requirements and drafting terms.

Self-insurance

Some suppliers may self-insure some or all of their risk, either by retaining, provisioning for and managing the risk internally or by transferring it to a captive insurer. A captive insurer is an alternative to self-insurance in which a parent group or groups create a licensed insurance company to provide coverage for itself.

Self-insurance can be applied to almost any class of risk, including liability, property, motor vehicle and workers' compensation. How much the contracting party can self-insure depends on their financial resources and the exposed risks.

Where self-insurance or captive insurer arrangements are requested by the supplier, agencies should seek further advice from specialist financial, risk, insurance (e.g. QGIF) and/or legal advisors as required.

Project-specific insurance

Project-specific insurance may be purchased by a contractor to cover insurable risks arising from a contract issued under a project, rather than rely on its general insurances which cover other activities of the contractor and possibly also other insured parties.

Project-specific insurance will usually result in higher insurance costs and may risk duplicate cover, but can be desirable where, for example:

- the risks under a contract are unique
- various unrelated parties are to be insured under the one insurance policy
- the policy is to be placed for an extended period (for example, a period of construction)
- the type of insurance has an aggregate limit of indemnity for all claims – an aggregate limit of indemnity could be exhausted by claims unrelated to the contract or contractor; project specific insurance ensures that there is an available insurance limit dedicated to claims arising from the performance of the contract.

It should be noted that the management of project risks should be considered as part of a project's overall risk management plan and strategy, and is distinct from the management of contract risks.

For certain complex projects, it may be appropriate for agencies to require project-specific insurance to be effected by potential contractors. Any such decision should be underpinned by specialist advice from financial, risk, insurance (e.g. QGIF) and/or legal advisors.

Appendix 2: EXAMPLE table – Determining level of exposure for identified insurable risks

	Consequence				
Likely insurance type	Insignificant/Negligible	Minor	Moderate	Major	Extreme/Catastrophic
Public liability insurance	<ul style="list-style-type: none"> No injury. Minor injury or damage that may or may not result in a formal complaint being lodged. Minimal impact on business. 	<ul style="list-style-type: none"> Minor injury. Minor damage to property that could be managed within existing unit/agency budget. Interruption of service delivery affecting non-key operations. 	<ul style="list-style-type: none"> Injury or illness resulting in hospitalisation (medical expenses). Moderate damage to property that can be managed within the agency's budget. Interruption of service delivery affecting multiple units/branches. 	<ul style="list-style-type: none"> Permanent/serious injury to persons. Damage to property that cannot be managed within the agency's budget. Interruption of service delivery to multiple users and/or back-up failure. 	<ul style="list-style-type: none"> Fatality or multiple fatalities. Chance of multiple claims. Major incident requiring organisation-wide evacuation of site. Significant damage to property. Critical financial loss. Complete loss of service.
Product liability insurance	<ul style="list-style-type: none"> No injury. Minor injury or damage that may or may not result in a formal complaint being lodged. Minimal impact on business. 	<ul style="list-style-type: none"> Minor injury. Minor damage to property that could be managed within existing unit/agency budget. Interruption of service delivery affecting non-key operations. 	<ul style="list-style-type: none"> Injury or illness resulting in hospitalisation (medical expenses). Moderate damage to property that can be managed within the agency's budget. Interruption of service delivery affecting multiple units/branches. 	<ul style="list-style-type: none"> Permanent/serious injury to persons. Damage to property that cannot be managed within the agency's budget. Interruption of service delivery to multiple users and/or back-up failure. 	<ul style="list-style-type: none"> Fatality or multiple fatalities. Chance of multiple claims. Major incident requiring organisation-wide evacuation of site. Significant damage to property. Critical financial loss. Complete loss of service.
Professional indemnity insurance	<ul style="list-style-type: none"> Negligible circumstance resulting in no financial loss. Minimal impact on business. 	<ul style="list-style-type: none"> Interruption of service delivery with little financial loss to third party/agency. Moderate financial loss or additional expenditure (including legal costs) that could be managed within existing unit/agency budget. 	<ul style="list-style-type: none"> Interruption of service delivery with major financial loss to third party/agency. Major financial loss that can be managed within the agency's budget. 	<ul style="list-style-type: none"> Business interruption with major financial loss to multiple users. Financial loss that cannot be managed by the agency. 	<ul style="list-style-type: none"> Critical financial loss that has significant impact.
Likelihood of risk occurring	Level of exposure				
Almost certain	Medium	High	High	Very High	Very High
Likely	Medium	High	High	High	Very High
Possible	Low	Medium	High	High	High
Unlikely	Low	Low	Medium	High	High
Rare	Low	Low	Medium	High	High

Source: Queensland Health

Appendix 3: EXAMPLE table – Potential minimum level of insurance for each level of exposure

Level of exposure	Public liability insurance (limit of liability per occurrence)	Product liability insurance (limit of liability in the annual aggregate policy period)	Professional indemnity insurance** (limit of liability per claim, and double this amount for the annual aggregate limit)
Low	No less than \$10 million	No less than \$10 million	\$1 million
Medium	No less than \$10 million	No less than \$10 million	\$2 million
High	No less than \$20 million	No less than \$20 million	\$5 million
Very High	No less than \$50 million	No less than \$50 million	Greater than \$10 million

Note: Appendix 3 has been developed as an example only based on a generic supply market and is subject to future procurements with unknown risk profiles. Each agency is to develop its own internal policies and procedures to enable the determination of appropriate minimum levels of insurance for procurements, having regard to the following considerations:

- agency risk profile and tolerances
- nature, complexity and risk of procurement
- agency-specific procurement, insurance and risk policies and processes
- advice from business unit seeking the good and/or service
- advice from specialist financial, risk, insurance (e.g. QGIF) and/or legal advisors.

It should also be noted that the limits may be lowered for certain procurements (e.g. low risk procurement) to improve accessibility for smaller suppliers, subject to the abovementioned considerations. Contact QGIF to inform any such decisions.

***Note:** The minimum amount of cover required of medical indemnity insurance is generally higher than professional indemnity insurance as the cost of claims are greater than other professional service providers. In Australia, medical indemnity insurance policies typically provide cover up to \$20 million per claim and in the aggregate for individual medical practitioners and \$10 million per claim and in the aggregate for all other health practitioners.

Higher aggregate limits are likely required when entering into an arrangement with healthcare establishments as these entities often provide a range of medical services and have a number of healthcare professionals working in their facilities. Consequently, these organisations must have sufficient cover to respond to the vicarious liability that arises from the healthcare services provided by all of its employees and contracted medical and healthcare professionals.

Appendix 4: EXAMPLE – Determining minimum level of insurance cover

A supplier is to be engaged to collect information and maintain a database that members of the public will use to make decisions. In collecting the information, the supplier will primarily use email and phone calls. However, some minimal contact with the public is anticipated. No personally identifiable information will be collected. The supplier employs 30 people and operates from its own premises.

Step 1: Conduct risk assessment and identify insurable risks

Following a **risk assessment**, the following risks are identified as part of procurement planning:

- Possible injury to members of the public including agency employees.
- Damage to agency property.
- Accuracy of information provided to the public.
- Supplier is responsible for employees.
- Reputational damage to agency in the event of unauthorised disclosure of information.

On review of the risk assessment, the following **insurable risks** are identified, noting reputational risk is not insurable:

- Possible injury to members of the public including agency employees.
- Damage to agency property.
- Accuracy of information provided to the public.
- Supplier is responsible for employees.

Step 2: Determine appropriate insurance type and period

Determine the appropriate insurance type and period to respond to each insurable risk as outlined in the table below:

Insurable risk	Insurance type	Insurance period
Possible injury to members of the public including agency employees.	Public liability insurance.	If written on an 'occurrence' basis, ensure insurance is in place prior to contract commencement and continues for duration of contract.
Damage to agency property.	Public liability insurance.	If written on an 'occurrence' basis, ensure insurance is in place prior to contract commencement and continues for duration of contract.
Accuracy of information provided to the public.	Professional indemnity insurance.	If written on a 'claims-made' basis, consider procurement risk profile and agency procurement policies and/or procedures, and determine period for maintenance of insurance after expiry of contract.
Supplier is responsible for employees.	Workers compensation insurance.	If a worker (as defined in the <i>Workers' Compensation and Rehabilitation Act 2003</i>) is employed, workers compensation insurance is compulsory, and must be maintained so long as a worker is employed.

Step 3: Determine minimum level of insurance cover required

Understand the basis on which the insurance policies are written as this influences how the policy limit of liability applies to each identified insurance type:

- Public liability insurance policies usually have a 'per occurrence' limit of liability.
- Professional indemnity insurance policies usually have a combination of 'per claim' and 'aggregate' limits.

Workers compensation insurance covers claims or injuries only under certain circumstances – the limitations of this insurance type can be found under the 'Limitations of coverage' sub-heading in the *Understanding your Workplace Personal Injury Insurance Policy* published by WorkCover Queensland accessible at <https://www.worksafe.qld.gov.au/claims-and-insurance/workcover-insurance/types-of-insurance/workplace-personal-injury-insurance>

Determine the **level of exposure** to each insurable risk as outlined in the table below:

Insurable risk	Insurance cover type	Likelihood and consequence (refer to example table in Appendix 3)	Level of exposure (refer to example table in Appendix 3)
Possible injury to members of the public including agency employees.	Public liability insurance.	<ul style="list-style-type: none"> • Supplier has minimal contact with the public. • Likelihood: Possible, but unlikely. • Consequence: Insignificant/minor. 	The level of exposure for these risks is low .
Damage to agency property.	Public liability insurance.	<ul style="list-style-type: none"> • Supplier operates from own premises. • Likelihood: Unlikely. • Consequence: Insignificant/minor. 	The level of exposure for these risks is low .
Accuracy of information provided to the public.	Professional indemnity insurance.	<ul style="list-style-type: none"> • Public will use information provided in database. • Likelihood: Possible. • Consequence: Minor financial loss. 	The level of exposure for this risk is medium .

With reference to the example table in Appendix 3, use information on the level of exposure to determine the **minimum level of insurance** required:

- Public liability insurance: No less than \$10 million per occurrence.
- Professional indemnity insurance: \$2 million per claim and \$4 million in the annual aggregate.
- Workers' compensation insurance: Supplier must maintain this insurance while employing any worker.

Appendix 5: High-risk contract clauses impacting on insurance

The table below provides an overview of high-risk contract clauses impacting on insurance for the purpose of general information and awareness. Where these clauses are identified, please refer to any agency-specific procurement, insurance and risk policies and processes, and seek specialist financial, risk, insurance and/or legal advisors to inform a decision to enter into a contract.

Insurance clause	Description	Risks
Indemnity	<ul style="list-style-type: none"> An agreement by one party (the indemnifier) to meet the costs of liabilities incurred by another party (the beneficiary). Look out for words such as 'indemnify', 'hold harmless', 'indemnify, defend and hold harmless', 'reimburse', 'be liable for', 'pay' or 'make good'. 	<ul style="list-style-type: none"> If an agency agrees to indemnify a supplier, the agency is agreeing that if the supplier suffers a specified type of loss, the agency will meet the cost of that loss. Where an indemnity in a contract/agreement alters the common law and/or statutory rights of an agency (e.g. an agency accepts liability for losses caused by the supplier) those liabilities will be excluded from QGIF insurance cover and must be managed with other risk mitigation strategies and financed by the agency's own budget.
Liability caps	<ul style="list-style-type: none"> An agreement where one party (e.g. a customer/principal) agrees to a limit on the liability of the other party (e.g. a supplier) to the first party. Clause will list specific losses that are subject to a cap, and the applicable monetary value of that cap. The monetary value of the cap is commonly based on the value of the contract or the potential amount of damage a breach of contract may cause; suppliers will often choose a low monetary value in order to limit its liability. 	<ul style="list-style-type: none"> Where an agency agrees to a liability cap, the agency has no right of recourse/recovery against the supplier for losses in excess of the agreed liability cap and the agency will not be able to recover these costs under either party's insurances – the agency will bear the risk for all uninsured financial consequences that arise from the terms. If an agreed liability cap is lower than the supplier's insurance, its insurer will only cover up to the value of the cap.
Exclusion of liability	<ul style="list-style-type: none"> Specifies losses that a party will not be liable for, such as loss of profit, revenue, indirect or consequential loss or damage. Look out for words such as 'exclusion clause', 'exemption clause', 'disclaimer' and 'warning'. Cannot exclude liability for fraud or to contract out of relevant legislation, for example proportionate liability legislation and the Australian Consumer Law – if these are excluded, any such clause will not be enforceable. 	<ul style="list-style-type: none"> If an agency suffers a loss as a result of an act or omission of the supplier that is subject to an exclusion, the agency will not be able to seek recovery from the supplier or its insurer. Consequently, these assumed contractual liabilities may be excluded under the QGIF insurance policy and the agency will bear the financial risk from its own budget.

Important

Liability caps

A liability cap is not the same as a limit of liability or amount of cover in relation to insurance.

An agreement for one party (e.g. a supplier) to maintain a certain level of insurance does not necessarily equate to an agreement to cap the liability of that party to the other party (e.g. a customer/principal) to an amount equal to that level of insurance. The requirement for a party (e.g. the supplier) to hold insurance simply aims to reduce the risk that that party will not have sufficient financial resources to meet its liability under the contract.

Where liability caps are being considered, a risk assessment should be conducted to identify the resulting risk exposures and uninsured financial implications. This should be supplemented with guidance from legal and insurance advisors.

It is not appropriate to cap liability in the following situations:

- liabilities that can impact on the physical or mental well-being of individuals
- there is potential for major loss or damage to tangible property
- breach of third-party intellectual property
- confidentiality or privacy breaches
- where the goods and/or services are critical to the operation of the organisation.

It is QGIF's position, as the Queensland Government's insurer, that liability caps should not be included in invitation documentation, and they should not be offered within contracts unless requested by the supplier.

If a supplier requests a liability cap, QGIF advises that:

- it is in the best interests of an agency not to agree to such requests as these terms can have the effect of transferring risk to the agency that is not inherently its own
- should there be compelling reasons for an agency to agree to limit the other party's liability, that any capping be no less than the maximum limit of liability applicable to the relevant insurances required to be held under the terms of the contract.

Limitation of Liability (also known as Professional Standards) Scheme

This is a statutory scheme, enforced by the courts, that caps the amount of damages that can be awarded against a member's practice. Professional indemnity insurance pays the claim while the Scheme caps the amount of damages that can be awarded. The caps differ by profession and generally an individual must be a member of the practice's professional representative body and hold current applicable registration or a practicing certificate for the benefits to apply.

It should be noted that these schemes do not apply to liability for damages arising from:

- the death of, or personal injury to, a person
- any negligence or other fault of a lawyer in acting for a client in a personal injury claim
- a breach of trust
- fraud or dishonesty.

Therefore such schemes do not apply to medical or healthcare professionals and more commonly apply to professions such as accountants and lawyers. These should be referred to when setting liability limits for professionals that are subject to these schemes.

In procuring goods and/or services from a supply market where it is likely that suppliers are members of a professional standards scheme, please seek expert advice to ensure the risk assessment and resultant procurement insurance requirements are tailored to agency needs.

For general information on current Schemes in force, please refer to the [Professional Standards Schemes web page](#) by the Professional Standards Councils.