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Achilles Insight

Business Case

Continuous Insurance Verification Across the Supplier Lifecycle

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Executive Summary

For a typical mid-size enterprise, verifying supplier insurance coverage, at onboarding and throughout the supplier relationship, delivers an estimated:

$300,000 to $2.0 million in annual avoided losses, with ROI commonly in the **10×–50× range** relative to the cost of insurance verification.

In higher-risk sectors such as construction, logistics, facilities management, healthcare, and professional services, exposure is often significantly higher due to on-site activity, subcontracting chains, and elevated liability environments.

Insurance verification is not a point-in-time compliance step. It is a **continuous control that ensures risk transfer remains valid for the entire duration of supplier engagement**.

1. Uninsured and underinsured vendors are a persistent, ongoing risk

Industry data shows that **15–30% of vendors are non-compliant** with insurance requirements at any given time when organizations rely on manual or document-based certificate (COI) processes.

Common issues include:

- Expired or lapsed policies during contract periods
- Insufficient coverage limits relative to work scope
- Missing endorsements or incorrect policy structure
- Inaccurate or vendor-submitted certificates

Importantly, this is not a static problem. Insurance status changes frequently due to renewals, cancellations, and policy adjustments, creating exposure well beyond onboarding.

Without continuous verification, organizations often operate under a false assumption:

"Insurance was checked once, therefore risk is transferred."

In practice, that assumption deteriorates over time.

2. When insurance fails, liability reverts to the hiring organization

Under U.S. vicarious liability and non-delegable duty doctrines, liability can revert to the hiring organization when a vendor is uninsured or underinsured at the time of an incident.

Exposure may include:

- On-site injuries
- Property damage
- Professional negligence or service failure
- Workers' compensation gaps for subcontracted labor

Courts commonly assess whether:

- The vendor was performing work integral to the organization
- The incident occurred under the organization's operational control
- Reasonable ongoing steps were taken to verify insurance coverage

This creates an important distinction. Liability is not determined at onboarding. It is determined at the time of loss.

3. Loss severity is high when coverage is missing

When insurance is absent or insufficient, the financial impact escalates quickly:

- **$500K–$2M** for serious on-site injury claims without workers' compensation coverage
- **$300K–$1M+** for property damage exceeding vendor limits
- **Seven-figure exposure** for professional liability failures affecting clients

Even within insured portfolios:

- ~12% of liability claims exceed **$1M**
- ~3% exceed **$5M**, particularly where coverage limits are misaligned

When coverage is invalid at the time of incident, these costs shift directly to the contracting organization.

4. Translating insurance gaps into annual financial exposure

A conservative mid-market model illustrates the risk:

Assumptions

- 120 active vendors
- 20% perform on-site or high-liability work
- 20% are uninsured or underinsured at any point in time
- One material loss event occurs every ~5 years
- Average uncovered loss: $750K

Expected annual loss without continuous verification:

$750K ÷ 5 years ≈ $150K per year

This represents a baseline and does not include legal fees, operational disruption, or premium escalation.

Realistic enterprise exposure

When factoring in:

- Policy changes during contract periods
- Multiple vendor categories
- Higher-risk trades and subcontracting layers
- Legal and administrative escalation costs

Typical expected loss increases to:

$300K–$2.0M per year

These estimates align with insurer and broker risk models used in subcontractor exposure analysis and deductible setting.

5. Cost of verification vs. value protection

Insurance verification remains highly cost-efficient relative to exposure:

Typical Annual Cost

Manual COI review (internal): $5K–$20K
Automated verification tooling: $10K–$40K
One uncovered incident: $300K–$2M+

Critically, the risk is not only avoiding uninsured vendors at onboarding, but preventing exposure created by policy changes during the contract lifecycle.

6. What continuous insurance verification actually prevents

A lifecycle approach prevents failures that static onboarding checks miss:

- False risk transfer due to expired or cancelled policies
- Coverage gaps created at renewal or mid-term adjustments
- Exposure from subcontractors introduced after onboarding
- Misalignment between contract scope and updated insurance terms

These gaps are typically invisible until a claim occurs.

7. Where continuous verification has the greatest impact

Continuous insurance validation is most valuable where:

- Vendors operate on-site or under operational control
- Work involves physical assets or third-party safety exposure
- Subcontracting is common
- Contracts span multiple years

Key sectors include:

- Construction and engineering
- Facilities management
- Logistics and transportation
- Healthcare services
- Field-based technical services

Conclusion: Insurance verification is a lifecycle risk control

Supplier insurance verification is one of the highest-ROI risk controls available because:

- Non-compliance is common and dynamic
- Liability persists throughout the contract lifecycle
- Insurance status can change after onboarding
- Loss severity is high when coverage is missing
- Verification is relatively low-cost and scalable

For organizations managing large supplier ecosystems, insurance verification should not be treated as a procurement checkpoint. It is a **continuous control that ensures risk transfer remains valid from onboarding through contract completion.**

Platforms such as Achilles enable organizations to operationalize this lifecycle approach, moving from static document checks to ongoing supplier assurance and risk visibility.

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