

Guidelines when Selecting Contractors and Vendors

At one time or another, every church will use outside contractors and vendors to perform work on church property. These contractors and vendors bring with them the risk of liability for the church and Conference for property damage or personal injury that might occur while they are performing their work or service.

1. Obtain Multiple Bids. It is generally a good idea for the church to obtain several bids for a job before selecting a contractor. This is a matter of good stewardship, as the bid process helps the church to determine whether it is paying a reasonable amount for the value it will be receiving in return. Obtaining multiple bids is important even when the proposed contractor is a congregation member.

2. Check References. Before selecting a contractor, check with organizations where the contractor has performed work in the past. References from other churches or worship centers are especially helpful, as you can get a good idea of the contractor's experience and willingness to work with the unique needs of churches. You may also want to contact your local Better Business Bureau (BBB) to see if other organizations have registered complaints about the contractor. Also, consider checking online court and government records to learn what you can about the contractor's history and to verify that he or she is appropriately licensed.

3. Have a Written Contract. Once the contractor is selected, it is a good idea to have a written agreement that sets out the scope of the work, price for the job, payment terms, anticipated beginning and completion dates, and other terms such as permit obligations and fees, warranty information and dispute resolution. To fully protect your church, two clauses are especially important to include in the written contract: (1) a hold harmless or indemnity clause and (2) an insurance clause. The purpose of the hold harmless clause is to have the contractor agree to indemnify the church for any injuries or damages that may occur while they are working on the church project. The purpose of the insurance clause is to specify the types and limits of insurance coverage the contractor will carry and that they agree to name the church as an additional insured on its insurance policies. (see chart)

4. Make Sure They're Insured. When an outside contractor comes to perform work on church property, there's no reason to put your church's insurance claims history – and potentially your insurance premiums – on the line. The contractor's insurance, not yours, should be at risk. To do this, check that the contractor has appropriate insurance policies as indicated in the attached chart. Require them to name the church as an additional insured on their insurance policies where indicated on the chart and then follow through to have them to provide proof that they have done this.

If the contractor is not insured or, as sometimes happens, is a sole proprietor who does not carry workers' compensation insurance, we recommend you consider another service provider. A contractor without insurance means that the church will typically retain liability for the work, damage, or injuries that might occur while he or she is on the job.

5. Protect the Church at the Finish. Once the job is done, churches can still be in a precarious position if they sign-off on the work and/or make final payment to the contractor. The danger here arises in two different situations: (1) where concerns

remain over the quality or completeness of the work; or (2) where the contractor has failed to pay its suppliers or subcontractors for materials or labor supplied for the job. In the first situation, churches lose leverage over getting the contractor to fully perform once they have made final payment. In the second situation, churches are at risk for the suppliers or subcontractors coming back against the church for payment. To protect themselves, churches should consider discussing their situation with an attorney before making the final payment. Requiring the contractor to provide either a payment bond or lien waivers from subcontractors or suppliers can protect the church from what are called “mechanics liens.”

5. When Protection is Particularly Needed

Sometimes the question arises whether these protections – specifically the written contract with hold harmless/additional insurance language and obtaining proof of the church’s additional insured status – are needed in every single situation involving a contractor. Ideally, the answer is yes but, at a minimum, these protections are vital in three contractor situations:

1. Where the work is significant, such as new construction, renovation, or demolition;
2. Where the work is high risk, such as involving roofs, electrical systems, trees, scaffolds, ladders, etc.; and
3. Where the work is regularly undertaken on church premises, such as regular cleaning, lawn service, etc.
4. When other entities are using or leasing church property, following the insurance requirements listed in the chart is always necessary.

By making sure that the church is properly protected in situations involving outside contractors, the church is exercising good stewardship over the people, property, and finances entrusted to its care.

INSURANCE REQUIREMENTS

Certificates of Insurance

Certificates give evidence that the other party has appropriate insurance to cover claims for which they may be responsible. Certificates are needed when another party performs services on behalf of the church or has church property in their care, custody or control, such as leasing your premises. Absent such proof of insurance, the church may have to rely on the other party’s assets to pay for losses they are responsible and the value of assets and their liquidity makes reliance on them untenable. The church may find itself paying the costs of the loss or may need to submit a claim under the Conference Insurance which can impact premiums.

What is an additional insured endorsement?

When you request a Certificate of Insurance from another party, in most cases you need to have your church endorsed on the contractor’s, vendor’s or facility user’s insurance policy for claims and suits alleging negligent acts or omissions by the contractor, etc. The additional insured endorsement provides that the church will have

legal representation for a claim or lawsuit in which the church is named but is not negligent. Why is this necessary? A certificate of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by a policy listed. An endorsement can amend a policy. Without an endorsement, the church would have to provide its own defense in the event it was named in a suit that arose out of the negligent acts or omissions of the contractor, consultant, vendor, or facility user with whom it was doing business or may need to present a claim under the Conference insurance policy. This protection is very important as, in many cases, defense costs incurred by litigation can exceed the cost of settlements and judgments.

Certificates should be issued by the other party's insurance company or authorized insurance agent or broker. The Conference insurance broker will review the Certificate for you as it must contain certain information and wording for specific types of coverage.

Property Insurance Certificates

This type of certificate is required by the church when another party has been made responsible for providing insurance on property the church owns or for which the church is responsible or in the case of tenants when it is specifically required contractually. In addition to listing the property covered, limits and interests, the church may need to be named as a Loss Payee. In such cases, the certificate should state the church is a loss payee and an appropriate endorsement must be attached to the certificate.

IF YOUR CHURCH IS ASKED TO PROVIDE A CERTIFICATE OF INSURANCE

When your church is asked to provide a certificate of insurance it is usually because the church is entering into a contract of some type or the church plans to participate in an event sponsored by another entity or plans to use property owned by others.

Contracts: Before signing any contract, the church must submit a copy of the contract to _____ for approval. Upon approval, a copy of the contract must be forwarded to the Conference insurance broker so they can review the insurance provisions and ascertain if the Conference insurance program is or can be in compliance with the provisions.

Events: The Conference insurance program is designed to protect your church when conducting normal church ministry activities on a regular basis such as church services, prayer meetings, revivals and other forms of outreach involving church ministry and missions. If your church is planning any type of unusual activity or event, **especially fundraising events**, you must contact the Conference insurance broker in advance to confirm if the activity or event would be covered under the insurance program. If it is a type of event or activity excluded in the Conference insurance program (see attached endorsement listing events not covered on page 7), the broker may request permission from the insurance company to cover the event depending on the extent of liability exposure and upon receipt of any information or details requested by the underwriter.

Using property of others: Asking a church to provide a certificate of insurance when a church is using, renting or leasing property owned by others, is very common. Please provide a copy of the contract to the Conference insurance broker so they can review it

and determine if the Conference insurance program provides the insurance coverage required in the contract.

The Conference insurance broker reviews the insurance provisions and provides Certificates of Insurance at no charge.

IF YOUR CHURCH IS ASKED TO ADD ANOTHER ENTITY AS AN ADDITIONAL INSURED TO THE CONFERENCE INSURANCE POLICY

As a matter of policy, California Pacific Conference **does not** allow other entities to be added to the liability policy as an additional insured. Any exceptions must be approved by the Conference Treasurer/Executive Director of Finance and Facilities and/or the Conference Board of Trustees.

Exceptions might include:

1. A situation where the church is using or leasing facilities owned by others, such as temporary meeting places or a hotel banquet room.
2. Use of campground or retreat properties owned by others.
3. Agreements with government entities or other non-profit organizations for co-sponsored events and where reciprocal arrangements are made.

The insurance company may charge an additional premium for the added liability exposure of adding others as an additional insured. The Conference insurance broker can advise you in those situations.

----- **SEE INSURANCE REQUIREMENTS CHART ON PAGES 5 & 6** -----

INSURANCE REQUIREMENTS CHART

Type of Organization	Coverage you should require	Minimum Coverage Limits you should require	Require Certificate of Insurance?	Require Church be added as Additional Insured?	Require Waiver of Subrogation?
Other non-profit organization and government agencies you partner with	*General Liability	\$2,000,000/\$5,000,000	X	X	X
	Automobile Liability	\$1,000,000	X		
	Worker's Compensation	Statutory	X		X
	Pollution Liability (depending on activity)	\$1,000,000/\$2,000,000	X	X	
	Professional Liability	\$1,000,000/\$1,000,000	X	X	
	Sexual Abuse & Molestation Liability	\$1,000,000/\$3,000,000	X	X	
*Other organization's general liability policy should be Primary and Non-Contributory					
Temporary use or rental of your church facilities only	General Liability	\$1,000,000/\$2,000,000	X	X	
	Sexual Abuse & Molestation Liability	\$1,000,000/\$3,000,000	X	X	
	Check with your Pastor and/or Board of Trustees for a decision if insurance requirements can be waived for church members. If children are present on your property at any time it is being used or rented to others, Sexual Abuse & Molestation Liability Coverage is mandatory. If there will be no children present, HUB International can assist users who don't have insurance and want to purchase it for limited use on a daily, weekly or monthly basis. Sexual Abuse & Molestation Liability is not included so this insurance should only be purchased if there are no children attending an event.				
Independent Contractors working for the church (construction, roofers, plumbers, electricians, landscapers, painters, HVAC and janitorial service, etc.)	General Liability including Products and Completed Operations	\$1,000,000/\$2,000,000	X	X	
	Automobile Liability	\$1,000,000	X		
	Workers Compensation	Statutory	X		
Contracting with licensed	General Liability (unarmed)	\$1,000,000/\$2,000,000	X	X	

Security Guards	General Liability (armed)	\$5,000,000/\$5,000,000	X	X	
	Automobile Liability	\$1,000,000	X	X	
	Worker’s Compensation	Statutory	X		
	Professional Liability	\$1,000,000	X	X	
Solar Power and Cell Phone Tower companies Check to see if they are a vendor approved by the California Pacific Conference	General Liability	\$1,000,000/\$2,000,000	X	X	
	Worker’s Compensation	Statutory	X		
	Property Insurance:	Cell phone towers – make certain you are not responsible to insure the tower. For Solar Equipment – make certain you are not responsible to insure the equipment unless you have purchased it and own it.			

Note: If the other party's General Liability, Automobile Liability, Professional Liability or Sexual Abuse & Molestation Liability policies provide less than the limits required in the above chart, the Certificate of Insurance must give evidence of an excess policy for provide the additional limits. The Certificate must indicate whether the Excess Liability coverage is provided on an excess or an umbrella form.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

FUND RAISING EVENTS ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. This insurance applies to "bodily injury", "property damage", and "personal and advertising injury" arising out of all of your fund raising events with the following exceptions unless scheduled in paragraph C. below:

- Parades sponsored by the Insured
- Aircraft
- Motorcycle runs and automobile rallies
- Fireworks – exhibitors operated by the Insured.
- Firearms
- Animals – other than house pets
- Carnivals and fairs with mechanical rides sponsored by the Insured
- Rock, Hip-Hop or Rap concerts – with admission over 500 people
- Events including contact sports
- Rodeos sponsored by the Insured
- Political Rallies
- Any event lasting more than 5 days (including otherwise acceptable events)
- Any event with greater than 500 people at any one time (including otherwise acceptable events)
- Any event with liquor provided by the Insured if a license is required for such activity.
- Any activities by third party telemarketing, direct mail, or internet advertising (including spam) firms.

B. **Section II – Who Is An Insured** is amended to include as an additional insured the person(s) or organization(s) related to your fund raising events, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf. However, third party telemarketing, direct mail, or internet advertising (including spam) firms shall not be Insureds.

C. Schedule of fund raising events:

Event(s)	Start Date	Finish Date	Premium
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