

An insurance advisor or intermediary, while perhaps adept at recognizing risk and recommending ways to reduce it, does not engage in the practice of law. Always seek qualified legal counsel before entering into any significant contract.

What Else Do I Need to Know?

Once you've chosen a reputable, adequately insured contractor, and negotiated an acceptable contract, your work still hasn't ended. No one cares as much about the project, your people and property as you do. Do the following to help ensure success:

- Inspect the contractor's work periodically and alert the project leader to any concerns immediately;
- Keep your congregation informed—about site safety, job progress, and unexpected problems along the way. Managing parishioner expectations can be as important as supervising the contractor's performance;
- Withhold final payment until the project is completed to your satisfaction and approved by the necessary local building authorities;
- At the completion of work, conduct a "walk-through" with the contractor and insist that the property be free and clear of rubbish, old parts and materials; that no conditions have been left that create hazards; and that the contractor has properly disposed of any chemicals used.

The premises should be completely usable and all contractual requirements should be satisfied before the project is considered complete.

Where Can I Get More Information?

More detailed information is available on this subject from:

American Institute of Architects
1735 New York Avenue, NW, Washington, DC 20006
(202) 626-7300, www.aiaaccess.com

Associated Builders and Contractors
1300 N. 17th Street, Suite 800, Rosslyn, VA 22209
(703) 812-2000, www.abc.org

Associated General Contractors of America
333 John Carlyle Street, Alexandria, VA 22314
(703) 548-3118, www.agc.org

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Unlike other insurance carriers, Church Insurance:

- Offers coverage to all Episcopal parishes, large or small, struggling or prosperous;
- Provides Flood insurance, regardless of church location;
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Our unique mission and heritage give us specialized expertise in the risk management issues Episcopal parishes face. If you have a question or concern about property or liability risk, or if you are interested in an updated appraisal of your facilities or a review of your insurance coverage, please contact us. We are here to serve all Episcopal clergy and institutions, regardless of whether they are insured by us.



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For further information, contact:

*Are you renovating
or rebuilding?*

**Dealing With
Outside
Contractors:**

*Protecting
Church Property*

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Maintaining and conserving church properties is one of the most important functions we perform as stewards of the Episcopal Church's temporal assets. It's also one of the most satisfying, as anyone who has watched a church assume new life through construction, renovation, or repair will attest.

Most churches rely on outside contractors to perform all but the most basic maintenance. No matter what size the job, such work increases hazards to church people and property. A few simple steps can help safeguard your congregation, staff, and property.

How Do I Select a Contractor?

Choosing a reputable, qualified contractor promotes project success in many ways—from timely completion and quality of work to responsibility for job accidents. In selecting a contractor, you should:

- Identify several contractors with proven experience in the type of work to be performed;
- Provide all prospective contractors the same information about the scope of the work;
- Interview each contractor about methods it will employ, especially those involving the use of machinery or chemicals;
- Request trade licensing information;
- Request references and contact them to discuss their experiences with the contractor. If possible, inspect the finished work firsthand. Also consider contacting your state or municipality's consumer protection agency to determine whether any complaints have been filed against the contractor;
- Request written specifications detailing the nature and exact scope of work to be performed, the timeframe for completion, and responsibility for unforeseen problems such as delays or accidents.
- For large projects, consider requesting contractors' financial statements and requiring a performance bond that guarantees project completion.

In general, it's best to maintain an "arm's length" relationship with outside contractors: Avoid the temptation to do business with a well-intentioned or influential parishioner's company. This is important not only to avoid actual or perceived conflicts of interest, but also to preserve your ability (and your insurer's ability) to seek recourse—without awkwardness or remorse—if things go wrong.

What Insurance Should the Contractor Provide?

Reputable contractors are insured and are accustomed to inquiries about their coverage. Don't sign a contract without proof of the contractor's insurance, which must (1) be underwritten by a financially secure insurer; (2) provide limits adequate for worst-case injury or damage; (3) be broad enough to cover all of the operations to be performed; and (4) directly protect your organization as an Additional Insured.

Ask for a "Certificate of Insurance" evidencing:

- **Broad Form Commercial General Liability insurance**, including *Contractual Liability* and *Products/Completed Operations* coverage to protect the contractor—and your church, when designated an Additional Insured under the policy—against civil liability for Bodily Injury, Property Damage, and Personal Injury. The contractor may assume liability for aspects of the job by written or oral contract (e.g., agreeing to indemnify your organization and/or other contractors), so the Contractual Liability provision is especially important. Products/Completed Operations coverage is vital because it provides long-lasting protection against contractor-related injury or damage after the job is finished. You should require a Commercial General Liability policy limit at least equal to your own and in no case less than \$1 million per occurrence. The contractor's policy may also contain *aggregate* limits—caps on the total annual payout for certain types of claims—which should be no less than \$2 million. Be sure your organization is designated an "Additional Insured" under this policy as respects claims arising from the contractor's negligence. With a carefully crafted hold harmless agreement, this measure will enable you to deflect risk to the contractor and preserve favorable claims experience.
- **"All-Risk" Property insurance** covering your property whenever it is deemed to be in the contractor's "care, custody, and control." This exposure is normally excluded from a General Liability policy and should be picked up in the Property form—usually in the definition of "Covered Property." Make sure the policy limit is adequate to cover the worst-case damage scenario.
- **Workers' Compensation & Employer's Liability insurance** covering on-the-job injury to the contractor's employees. For an out-of-state contractor, request an "Other States" endorsement covering benefits in your jurisdiction as well as the contractor's home state. The Workers' Compensation limits should be "statutory" (that is, satisfying labor laws

in your jurisdiction) and the Employer's Liability limit should be no less than \$500,000 for bodily injury by accident or disease. These coverages won't absolve you of responsibility to run your own operations safely and keep your premises free of defect—but they provide a direct line of "no-fault" recourse in case a contracted employee is hurt on your job.

- **Umbrella Liability insurance** supplementing the contractor's primary, or basic, Commercial General Liability coverage. Ask for "Following Form" coverage so that the terms and conditions of catastrophic protection in the Umbrella policy will mirror the scope of coverage in the underlying General Liability contract. How much Umbrella Liability protection will suffice is a matter of individual judgment. Unlike General Liability policies, which nowadays have "standard" limits of \$1 million, Umbrella policies can offer as little as \$1 million to well over \$100 million of supplemental protection. The limit is usually a function of perceived need and budget. Your insurance advisor can help you determine the right amount to request.
- Depending on the nature, size and scope of the project, other coverages on the contractor may be important, including **Automobile Liability** insurance and **Bonding**.
- If you've engaged an architectural and/or design firm, request evidence of its **Architects' & Engineers' Professional Liability insurance**, which covers errors or omissions in the firm's rendering of professional service (faulty design, improper specifications, etc.).

How Can My Insurance Advisor Help?

Although insurance is designed to respond after an accident, your insurer can be a valuable resource before work begins.

- Share prospective contracts and ask about their risk implications before signing. A skilled insurance advocate can troubleshoot onerous insurance or hold harmless provisions and recommend more favorable alternatives;
- Inquire whether specialized or additional insurance protection is advisable for the job at hand;
- Ask your insurance counselor to "proof" the contractor's Certificates of Insurance considering adequacy of limits, key coverages, reputation of the insurers, and other issues.