

MJ SORORITY POSITION PAPER

MINIMUM REQUIREMENTS FOR CONTRACTORS

Inviting contractors on to your property can pose some significant risk management concerns. For that reason, we recommend some minimum requirements when working with contractors, in order to better protect your organization.

When a House Corporation/Chapter contracts with a third-party for services, it should be clear that each party is responsible for the consequences of its performance or work and the conditions under which the service will be rendered. This contractual relationship exists so that those who are in the best position to control the exposure are also the most likely to incur the liability for those incidents that may occur out of the work that the contractor is doing for the sorority house. Therefore, we would rely on each party's insurance policies to respond to the extent that they are negligent in causing either property damage or bodily injury.

If a contractor does not provide proof of insurance in compliance with the theoretical arrangement discussed above, it is very likely that the women's fraternity/sorority would have to pay in the event of a property damage and/or bodily injury incident, even though the organization had nothing to do with the incident occurring. Most consumers are opposed to paying for the sole-negligence of another party who is 100 percent responsible for an accident that causes a dollar loss and/or physical or bodily injury.

We recommend that our clients only use contractors that carry a minimum of \$1,000,000 in liability coverage, evidenced by a valid and current Certificate of Insurance for the following reasons:

- + Increases in material costs and health care costs have significantly increased the average cost of a claim.
- + If there is a bodily injury, the costs could very easily exceed \$1,000,000.
- + The cost of the insurance premium with a lower limit (\$500,000, for example) would be less than a 15 percent discount over the \$1M limit for the contractor. The insurance industry now views these limits of insurance as the minimum they will offer and rarely provide limits lower than \$1M per occurrence.
- + We believe that those who control the exposure (i.e. the contractor) should be the most likely to pay for a claim.

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Anytime a contractor shows any resistance or hesitation to this minimum limit of insurance is a red flag for our clients. The insurance marketplace is such that contractors can easily find competitive and comprehensive insurance coverage. In our experience, if a contractor balks at the \$1M requirement, it is not because they do not have adequate limits, but instead that they do not carry any insurance coverage at all. Professional and reputable contractors, in our experience, have no trouble providing you with proof of their insurance coverage that meets the \$1M limit.

We realize that this can be a confusing issue, so please do not hesitate to [contact us](#) with any questions or concerns.

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