

DIOCESE OF KNOXVILLE CONTRACT REVIEW POLICY

NOTE: This policy and process is separate from the requirement that projects where the total cost will be \$10,000 or more must be sent to the Bishop for approval by the pastor/principal on the parish/school letterhead. That approval would be required prior to any contract negotiations.

HISTORY:

Several years ago, the Diocese of Knoxville ("DOK") joined the Catholic Umbrella Pool II ("CUP II") which is a separate and distinct fund within The Catholic Mutual Relief Society of America, Administrator for the Pool. This entirely separate and distinct fund is a self-insurance fund providing excess liability coverage for its membership, which consists of 54 small to medium-sized dioceses.

All participants of the CUP II are required to have a policy to ensure all contracts are properly reviewed. A significant purpose of this policy is to ensure that the liability under any contract is assumed by the proper party and, that the Participant does not agree to any unnecessary hold harmless provisions. This protects not only the parish, parish personnel, and the DOK, but all other dioceses participating in the pool.

At the time the DOK joined CUP II, a policy was implemented requiring all contracts, regardless of size, be sent to the Diocesan Finance Officer for coordination of the review. This policy noted that the Bishop is the only person in the Diocese able to sign contracts on behalf of the Diocese. In some instances, the Bishop may delegate that authority under specific circumstances via a written document. Requiring that no other party could sign a contract on behalf of the DOK was put in place to ensure that proper review was taking place. In most cases, review is performed by Catholic Mutual Group agents and / or the Diocesan attorney at Kramer Rayson. Since the DOK does not have in-house counsel, when use of the Diocesan attorney is necessary, the related costs are billed back to the parish. Thus, it has been continually stressed that contracts be in the most complete form possible.

To streamline the process, Catholic Mutual provided an addendum that has been circulated at various times to the parishes and specifies required insurance limits of contracts / service providers. While this provided a basic framework for a parish to share when initially determining a contractor / service provider (the parish should share the standard addendum with the contractor / services provider up front so they are aware of insurance requirements), it is possible that other items may exist in the relationship that require modification to this addendum. Note that in all cases, Catholic Mutual and our attorneys require that the parish be specifically listed as ADDITIONAL INSURED on the Acord Certificate of Insurance that the contractor / service provider is required to provide before work can begin (this is NOT the same as being listed as the Certificate Holder and ADDITIONAL INSURED should be specifically noted).

The Addendum and Certificate of Insurance are required regardless of the dollar amount of the contract (it's the potential liability from a claim that is of concern rather than the dollar amount of services. For example, a lawn maintenance person may only charge \$100 a week, but the liability if they injure someone or damage property could far exceed that).

UPDATED PROCESS AS OF NOVEMBER 16, 2022

As we have further reviewed this process with Catholic Mutual, we have made a few modifications to help streamline the process and reduce costs while, at the same time, still providing the necessary protection required by our participation in CUP II. The primary change is to establish some guidelines that would allow parishes some leeway on smaller contracts by following the below steps or sending them directly to Catholic Mutual for review. This would also allow signatures on some smaller contracts by the pastor / principal.

Contracts Under \$10,000:

- Proper documentation and the appropriate addendum should be obtained prior to signing or any work commencement.
- Basic requirements are:
 - Any general or independent contractor, or service entity, or individual should be required to carry three types of insurance: General/Commercial Liability, Worker's Compensation, and Auto Liability
 - Certificates of Insurance ("COI") should be obtained verifying all three of the above types of insurance and naming the parish/institution as ADDITIONAL INSURED.
 - The COI should show \$2,000,000 for General and \$1,000,000 Business Automobile Liability.
 - If the contractor does not have General Liability of \$2 million, umbrella insurance should be included with the parish and diocese as additional insured.
 - Any contract should NOT allow for waiver of subrogation.
- If there is a specific concern or the provider is unable to sign the addendum for any reason (or has lower insurance limits), the contract should be routed to Shannon Hepp or the **CMG contract Representative** for discussion.
- When all documents are in place, the pastor / principal may sign the contract.
- The copy of the contract, signed addendum and copy of the related COI should be maintained in a file for reference and review upon request.

Contracts between \$10,000 - \$25,000 and any real property lease agreement:

- These should be sent to the **CMG Contract Representative** at Catholic Mutual Group with a copy to Shannon Hepp. Basic requirements prior to sending:
 - Any general or independent contractor, or service entity, or individual should be required to carry three types of insurance: General/Commercial Liability, Worker's Compensation, and Auto Liability
 - COI should be obtained verifying all three of the above types of insurance and naming the parish/institution as ADDITIONAL INSURED.
 - The COI should show \$2,000,000 for General and \$1,000,000 Business Automobile Liability
 - If the contractor does not have General Liability of \$2 million, umbrella insurance should be included with the parish and diocese as additional insured.
 - Any contract should NOT allow for waiver of subrogation.
- Once CMG has reviewed the contract, they will reply with any follow-up questions / recommended changes, or she may reply that the contract is satisfactory as is. The parish should follow up and "reply to all" with the any answers / changes.
- If there is a more pressing concern, the contract may be routed to the Diocesan attorney at this point.
- If the follow up responses are sufficient to satisfy CUP II requirements, Shannon Hepp will reply that the pastor / principal may sign the contract.
- This approval should be kept with the copy of the contract, addendum, and COI for reference.

Contracts Over \$25,000 and any Construction contracts:

- These projects will almost always require Diocesan attorney review. The same Basic requirements as above should be followed, and the contract should be sent to Shannon Hepp who will review and forward to the Diocesan attorney.
- Only the Bishop will be able to sign these contracts.
- Standardized contracts (AIA documents) should be used for construction projects. Certain required changes should be made in advance of sending these contracts as noted in the attached "AIA Documents (Needed Deletions) document."

ADDENDUM TO CONSTRUCTION CONTRACT

BUILDER'S RISK INSURANCE: A Builder's Risk and Boiler and Machinery Coverage will be obtained by OWNER to cover the project. Any payment under Builder's Risk or Boiler and Machinery Coverages will be made jointly to OWNER and CONTRACTOR. Further, OWNER and CONTRACTOR agree that any payment under Builder's Risk or Boiler and Machinery Coverages will be placed into a joint account until such funds are reinvested in the construction project.

COMMERCIAL GENERAL LIABILITY INSURANCE: While CONTRACTOR is performing operations for OWNER at the PARISH, CONTRACTOR shall maintain commercial general liability insurance in the amount of not less than _____million dollars (\$____,000,000) per occurrence. If general liability is less than two million (\$2,000,000) per occurrence, contractor will also maintain excess/umbrella liability insurance in the amount of _____ million dollars (\$____,000,000). It is further agreed that the CONTRACTOR, to the extent of the limits of the Contractors commercial general liability and umbrella coverage, agrees to protect, defend, indemnify, and hold harmless the OWNER against and from any claim or cause of action arising out of or from any negligence or other actionable fault of the CONTRACTOR, or its employees, agents, members, or officers.

AUTOMOBILE LIABILITY INSURANCE: CONTRACTOR shall maintain automobile liability insurance for any owned autos, hired autos or non-owned autos used in connection with the contractor's business. Automobile liability coverage should be maintained by the CONTRACTOR in the minimum amount of one million dollars (\$1,000,000) combined single limit.

WORKER'S COMPENSATION INSURANCE: CONTRACTOR shall maintain worker's compensation insurance as required by law.

ADDITIONAL INSURED: CONTRACTOR agrees to provide a certificate of insurance to the PARISH which will name the PARISH as an additional insured on CONTRACTORS commercial general liability, excess/umbrella liability and automobile liability policies for claims arising out of CONTRACTORS, subcontractors or sub-subcontractors operations or made by CONTRACTORS, subcontractors or sub-subcontractors, employees, agents, guests, customers, invitees or subcontractors. CONTRACTOR must verify its liability insurance policy is primary in the event of a covered claim or cause of action against PARISH.

SUBCONTRACTORS: CONTRACTOR shall be required to verify that all subcontractors maintain general liability insurance, worker's compensation insurance and automobile liability insurance. Furthermore, to the extent of the limits of the Contractors commercial general liability and umbrella coverage, CONTRACTOR agrees to indemnify and defend the OWNER and PARISH for any claim or cause of action, whatsoever which was caused by the negligence, or other actionable fault of an uninsured subcontractor.

NO WAIVER OF SUBROGATION: OWNER does not waive any rights of recovery against the CONTRACTOR, subcontractor or sub-subcontractor for any damages. OWNER and CONTRACTOR, subcontractor and sub-subcontractor do waive the right of recovery against each other for any damages covered under Property, Builders Risk or Boiler and Machinery coverage for which either party is responsible if that party does not have liability insurance to cover such damages and liability insurance has been maintained as required by this document.

CONTRACT OVERRIDE AND SEVERABILITY PROVISION: CONTRACTOR and OWNER agree that this addendum overrides the current agreement and any and all portions of previous agreements between CONTRACTOR and OWNER that contain language in contradiction with this contract. If any portion of this Addendum to Construction Contract is deemed or is determined to be in conflict with local or state or national statutes, both CONTRACTOR and OWNER agree that the portion of the Addendum to Construction Contract which is in conflict with the statute will be stricken from the Addendum to Construction Contract with the remainder of the Addendum to Construction Contract remaining binding for both parties.

CONTRACTOR:

OWNER: DIOCESE OF KNOXVILLE:

(DIOCESE is understood to include its Parish, _____)

BY:

BY:

NAME

NAME:

DATE

DATE

START DATE OF CONTRACT (Understood to be date signed if left blank): _____

Instruction to PARISH (PARISH Use Only): This Addendum to Construction Contract stands on its own as a legal contract between DIOCESE and CONTRACTOR should this addendum not be incorporated or attached to a contract.

ADDENDUM TO SERVICE CONTRACT

GENERAL LIABILITY INSURANCE: While SERVICE PROVIDER is performing operations for OWNER at the PARISH, SERVICE PROVIDER shall maintain commercial general liability insurance in the amount of not less than ____ million dollars (\$____,000,000) per occurrence. If general liability is less than two million (\$2,000,000) per occurrence, contractor will also maintain excess/umbrella liability insurance in the amount of ____ million dollars (\$____,000,000). It is further agreed that the SERVICE PROVIDER, to the extent of the limits of the SERVICE PROVIDER commercial general liability and umbrella coverage, agrees to protect, defend, indemnify, and hold harmless the OWNER against and from any claim or cause of action arising out of or from any negligence or other actionable fault of the SERVICE PROVIDER, or its employees, agents, members, or officers.

AUTOMOBILE LIABILITY INSURANCE: SERVICE PROVIDER shall maintain automobile liability insurance for any owned autos, hired autos or non-owned autos used in connection with the SERVICE PROVIDER's business. Automobile liability coverage should be maintained by the SERVICE PROVIDER in the minimum amount of one million dollars (\$1,000,000) combined single limit.

WORKER'S COMPENSATION INSURANCE: SERVICE PROVIDER shall maintain worker's compensation insurance as required by law.

ADDITIONAL INSURED: SERVICE PROVIDER agrees to provide a certificate of insurance to the PARISH which will name the PARISH as an additional insured on SERVICE PROVIDERS liability policy for claims arising out of SERVICE PROVIDERS operations or made by SERVICE PROVIDERS employees, agents, guests, customers, or invitees and must verify its liability insurance policy is primary in the event of a covered claim or cause of action against PARISH.

NO WAIVER OF SUBROGATION: OWNER does not waive any rights of recovery against the SERVICE PROVIDER, for any damages. OWNER and SERVICE PROVIDER do waive the right of recovery against each other for any damages covered under Property, Builders Risk or Boiler and Machinery coverage for which either party is responsible if that party does not have liability insurance to cover such damages and liability insurance has been maintained as required by this document.

CONTRACT OVERRIDE AND SEVERABILITY PROVISION: SERVICE PROVIDER and OWNER agree that this addendum overrides the current agreement and any and all portions of previous agreements between SERVICE PROVIDER and OWNER that contain language in contradiction with this contract. If any portion of this Addendum to SERVICE Contract is deemed or is determined to be in conflict with local or state or national statutes, both SERVICE PROVIDER and OWNER agree that the portion of the Addendum to SERVICE Contract which is in conflict with the statute will be stricken from the Addendum to SERVICE Contract with the remainder of the Addendum to SERVICE Contract remaining binding for both parties.

SERVICE PROVIDER:

OWNER: DIOCESE OF KNOXVILLE:

_____	_____
	(DIOCESE is understood to include its PARISH _____)
BY:	BY:
_____	_____
NAME	NAME –
_____	_____
DATE	DATE

START DATE OF CONTRACT (Understood to be date signed if left blank): _____

Instruction to PARISH (PARISH Use Only): This Addendum to SERVICE Contract stands on its own as a legal contract between DIOCESE and SERVICE PROVIDER should this addendum not be incorporated or attached to a contract.