



SECURING & EXECUTING AN EVENT CONTRACT A STEP-BY-STEP GUIDE

It is very common for local chapter officers to be asked to execute contracts with other parties for a number of different reasons, including rental of a restaurant or bar, transportation services, food services and third-party security.

Agreeing to comply with or execute a contract can create an assumption of liability for risks for the chapter. In many cases, the terms and conditions of these contracts contain inequitable language that will impact whether the Fraternity's insurance carrier is required to defend the vendor and to what extent. This type of inequitable language could increase the cost of a claim and, ultimately, the cost of Pi Kappa Phi's insurance.

If you are unsure about a contract provision, be sure to email a copy of the contract to prevacct@pikapp.org or submit it [here](#) review PRIOR to executing the agreement.

The following is a step-by-step guide to securing an event contract with a vendor and ensuring the contract is equitable BEFORE executing the agreement.

STEP 1: IF ALCOHOL IS BEING SOLD AT THE EVENT, REQUEST A COPY OF THE LIQUOR LICENSE FROM THE VENDOR

When you secure a contract with a third-party vendor to provide alcohol at a chapter event, the vendor must be properly licensed by the appropriate local and state authority (i.e., alcohol control board). This might involve both a liquor license and temporary license to sell alcohol on the premises where the function is going to be held.

STEP 2: REQUEST A COPY OF THE VENDOR'S CERTIFICATE OF INSURANCE

The vendor must be properly insured with a **minimum of \$1,000,000 of general liability insurance**, and Liquor Liability with a separate limit of at least \$1,000,000, evidenced by a properly completed certificate of insurance prepared by the insurance provider.

If the two items above cannot be secured and/or do not meet the standard, you CANNOT move to Step 3 and should NOT sign a contract with this vendor.

STEP 3: SECURE A COPY OF THE CONTRACT FOR REVIEW, REVISION AND AGREEMENT PRIOR TO EXECUTION

Taking the time to review contracts prior to their execution to ensure the contract is equitable for all parties can pay significant dividends when an incident occurs and a claim or lawsuit is brought against the chapter.

If requested, Pi Kappa Phi's insurance provider (Holmes Murphy) will review contracts for your events in order to ensure they are equitable. Please send an electronic copy of the contract to prevacct@pikapp.org or submit a copy [here](#).

When reviewing the contract, be sure to consider the following key points:

- **NAME ON THE CONTRACT** The contract should only be executed in the name of the undergraduate chapter (e.g., Alpha Chapter of Pi Kappa Phi Fraternity). Do NOT use "Pi Kappa Phi Fraternity" or the name of your local housing corporation to execute the contract.
- **INDEMNIFICATION LANGUAGE** Any language in the contract that establishes an obligation for the chapter to pay for the cost of future damages, loss or injury should be eliminated if possible.

If it is not possible to remove such language, it should only stipulate that the chapter will defend, indemnify and hold the other party harmless for loss arising out of the chapter's negligence.

Additionally, indemnification language should not result in the chapter assuming partial or full liability for loss arising from the other party's negligence. This type of language should be omitted.

- **WAIVER OF SUBROGATION** If included, the "waiver of subrogation" clause should be mutual and not be unilateral in nature. This clause prevents the Fraternity's insurance carrier from pursuing reimbursement from the other party's insurance carrier for claims the Fraternity paid that were caused by the actions of the vendor.

Mutual waivers of subrogation language should be drafted so that all parties agree to waive their rights to subrogation against the other party. If a mutual agreement cannot be reached, request that the provision be omitted entirely.

- **ADDITIONAL INSURED** Any requests by the vendor to be named as an additional insured on the Fraternity's policy needs to be approved by National Headquarters and the Fraternity's carrier. Please be advised that there are limits on the amount of additional insured coverage that can be provided.

Requests for a certificate of insurance naming the vendor as an additional insured should be submitted via [this form](#), the senior director of harm reduction or your director of chapter services.

Each of the items above directly affects the amount the chapter and/or the Fraternity's insurance carrier will pay if a claim arises, especially if the vendor's negligence is in whole or in part responsible for the claim.

If the vendor does not require a contract, the chapter should utilize the [Event Contract & Third Party Vendor Guidelines](#) as a contract for signature.

Additionally, if the vendor is selling alcohol at the event, the contract should contain the following provisions:

- The vendor agrees to cash/credit sales only to individuals over the legal drinking age, collected by the vendor, during the function.
- The vendor agrees to check identification cards upon entry.
- The vendor agrees they will not serve to minors.
- The vendor agrees they will not serve individuals who appear to be intoxicated.
- The vendor agrees to maintain absolute control of ALL alcoholic containers present.
- The vendor agrees to collect all remaining alcohol at the end of a function (no excess alcohol - opened or unopened - is to be given, sold or furnished to the chapter); and remove all alcohol from the premises.

GLOSSARY OF FREQUENTLY USED CONTRACT TERMS

Additional Insured	An agreement in which a party is included on the General Liability Policy of the other party. This results in the other party being afforded protection under the Policy.
Certification of Insurance	A document used to provide information on specific insurance coverage. The certificate provides verification of the insurance and usually contains information on types and limits of coverage, insurance company, policy number, named insured and the policies' effective periods.
Indemnification	An obligation to pay for the cost of possible future damage, loss or injury.
Indemnification Agreement	The contract by which one party agrees to protect another party from future damage, loss or injury.
Hold Harmless	A statement in a legal contract stating that an organization is not liable for any injuries or damages caused to the individual signing the contract. This results in the participant accepting all risks associated with the activity.
Liquor License	Licenses are issued by the legal authority of each state to allow an individual or business to sell alcoholic beverages. It is important for chapters to verify authenticity and validity of liquor licenses because insurance companies may not cover claims related to alcohol if there is no valid liquor license involved.
Subrogation	The process where an Insurer pursues reimbursement from another insurer for claims they paid that were caused by the actions of their policyholder.
Waiver of Subrogation	Prevents the insurer from pursuing reimbursement from the other insurer for such claims. Mutual waivers of subrogation language should be included in contracts in which all parties agree to waive their rights of subrogation against the other party.