

Protecting Your Assets: Insurance Coverage Your Church Needs



Presented by Becky Moyer
November 20, 2014



Your Church's Valued Assets

Human resources

The buildings and grounds

The ministry

Your church's reputation



Risk Management and Insurance

- Risk management is about preventing harm to your ministry before anything happens
- Insurance is a means of paying for that harm after it happens
- Insurance is an important part of risk management, but it is just that: a part of the program



It is better to
prepare and
prevent than to
repair and repent.

Insuring Your Church Properly



Churches are Unique

- Unique property
 - Stained glass
 - Organs, etc.
- Unique activities
 - Spiritual counseling
 - On or off-site activities
 - Mission trips
- Unique people
 - Heavy reliance on volunteers



Church Insurance Carriers

Considerations:

- Know and Understand Churches
- Financial strength
- Specialty and experience
- Claims handling
- Risk management resources
- Coverage
- Cost
- Value-Added Services



Church Insurance Agent

Considerations:

- Experience in church market
- Professionalism
- Office structure – customer service
- References



Amount of Property Coverage

Common Mistakes:

- ♦ Insurance to value
 - ♦ Proper square footage
 - ♦ Construction type
 - ♦ Co-insurance penalty/Agreed Value
 - ♦ Many insurance agents simply look at your old policy to obtain a value. Often this is very out of date, leaving you underinsured.
 - ♦ Market value vs replacement value



Business Personal Property

- ♦ Commonly referred to as "Contents"
- ♦ Unattached items, such as furniture, fixtures, books and equipment
- ♦ At least 18 % of the building's value is what our claims department has seen to be accurate



Deductible

- ♦ If there is a claim, the deductible is the portion that is yours to pay
- ♦ Some churches are increasing deductibles to lower costs
- ♦ May make sense for churches with good loss history

Deductibles

- ♦ Wind/Hail
 - ♦ Percentage
 - ♦ Flat



Replacement Cost Coverage

- ♦ Coverage provided for most types of property
- ♦ Does not depreciate for age
- ♦ Replacement Cost preferred over ACV (Actual Cash Value) unless you want to insure an older building on a depreciated value because you would not replace it if damaged. Be sure to consider implications in a partial loss if ACV chosen.



Special Form Including Theft

- ♦ Broadest option for covered causes of loss (more limiting options are Broad or Basic Form)
- ♦ Most frequently selected causes of loss form
- ♦ Covers all risks of direct physical loss unless otherwise excluded



Extensions of Coverage

Most policies have automatic extensions of coverage. You can not remove them to reduce the premium. The limits vary significantly from company to company. If you have a unique exposure, you may need to schedule additional coverage.



General Liability Coverage

- ♦ Much more litigious society
- ♦ Churches no longer immune
- ♦ Seeing multi-million lawsuits

The church's legal liability resulting from injuries to people or damage to their property
Damage resulting from other offenses (libel, slander, defamation of character)
Legal liability to church members, guests, volunteers and/or third parties for injuries resulting from accidents at church or during church activities



Limits of Coverage

Per occurrence (at a time)/Annual aggregate
\$1,000,000/3,000,000 minimum

- ♦ Worldwide Coverage - (May consider purchase of additional coverage for international mission trips)
- ♦ Verify if company defends, separate and unlimited from the amounts above (some have a "burning or wasting" limit that is reduced by the cost of defense)
- ♦ Higher limits of coverage can be purchased with an umbrella policy



Medical Payments

- ♦ Coverage for bodily injury to visitors (including your members/volunteers) on the property or arising out of church operations
- ♦ Coverage provided regardless of who is at fault
- ♦ Primary vs Excess
- ♦ Includes coverage for athletic activities (excess)



Included Coverages

- ♦ Non-Pay Nursery Services
- ♦ Parents Day Out Programs



- ♦ If Day Care or Preschool - need to add Day Care Liability. Day Care med pay is optional



Ministers Counseling (Spiritual)

Included for licensed and unlicensed individuals for spiritual counseling. Covers the pastor and other paid staff or volunteers acting under the direction of church.



Optional coverage:

Fee based services that go beyond spiritual counseling



Sexual Misconduct Liability

Every church should carry sexual misconduct coverage!

- ♦ Occurrence & Claims Made Forms
- ♦ Includes medical coverage
- ♦ Counseling expenses
- ♦ Advanced payments
- ♦ Matching limits vs split limits



Optional Liability Coverages

Directors & Officers

- ♦ Occurrence & Claims Made
- ♦ Protects financial assets, as well as Board Members
- ♦ Retain qualified people



Employment Practices Liability

- ♦ Coverage if employees accuse the church of wrongful termination, discrimination, age, race, etc.
- ♦ Growing area of exposure
- ♦ Can reduce premium with higher retention (liability term for deductible)



Employee Benefits Liability

- ♦ Errors in administering employee benefits program
- ♦ Such as missed deadline, or did not offer benefits to someone who was eligible



Additional Liability Concerns

- ♦ Security coverage
 - ♦ Directed by church
 - ♦ Armed vs Unarmed
- ♦ Violent Incident Response
- ♦ Educators Legal Liability
- ♦ Lost Wage Coverage



Crime

Protection for the church's finances

- Theft of Money & Securities or Theft, Disappearance or Destruction of Money & Securities
- Church Fidelity Bond – Covers dishonest or fraudulent acts of employees (max of \$10,000)
- Employee Dishonesty Bond – Covers employee (someone trusted to handle money) embezzling money or property from the church (higher limits)
- Forgery and Alteration – Coverage for someone outside the church that forged or altered documents, causing a loss to the church
- Computer Fraud – Coverage for use of a computer by someone outside the church to fraudulently transfer property or money.



Workers' Compensation

- Important for churches of all sizes
- Cost is based on payroll and type of work employees perform
- Professional vs. maintenance
- Will be charged payroll of independent contractors who do not have their own workers' compensation
- Part A – Limits determined by the state wc laws
- Pat B - Employers' Liability – if worker is hurt due to negligence of the employer and family sues for loss of family member, etc.



Business Auto

- Liability
- Med Pay
- Uninsured Motorist Liability
- Underinsured Motorist Liability
- Comprehensive
- Collision



Can reduce cost with higher deductibles or removing physical damage on older vehicles.



Non-Owned and Hired Auto

- Liability coverage for autos you do not own (non-owned)
- Liability coverage for leased, rented or hired autos (hired)
- Coverage may be on CPP or BAP

How many vehicles are driven on behalf of church ministry that aren't owned by the church?

- Hired Auto Physical Damage



Umbrella

Extra layer of coverage if underlying liability limits are exhausted –available in increments of a million.



Inland Marine

- Coverage for property that is not always or rarely at one specific location
- For items that you desire a lower deductible

Examples:

- Minister's business personal property
- Musical instruments
- Maintenance equipment
- Data processing equipment
- Photographic equipment

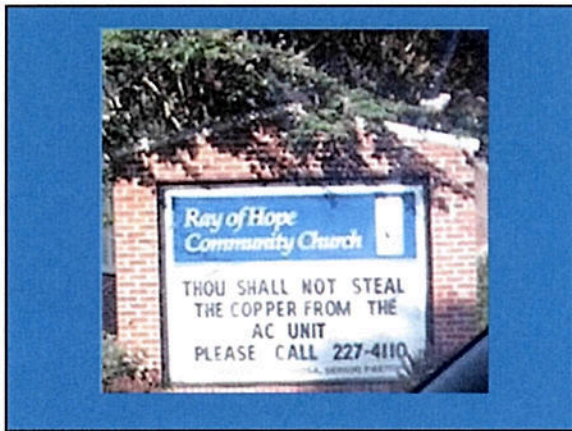


Cyber Liability

- ♦ Protects your church from:
 - Network Security and Privacy Liability
 - Electronic Media Liability
 - Funds Transfer Fraud Liability
 - Privacy Breach Expenses



Importance of Risk Management



Top 5 Reasons Churches End Up in Court

	2010	2011	2012	2013
Reason #1	Sexual Abuse of a Minor	Sexual Abuse of a Minor	Sexual Abuse of a Minor	Sexual Abuse of a Minor
Reason #2	Personal Injury	Property Disputes	Personal Injury	Insurance Coverage Disputes
Reason #3	Property Disputes	Personal Injury	Insurance Coverage Disputes	Religious Freedom
Reason #4	Insurance Coverage Disputes	Zoning	Property Disputes	Property Disputes
Reason #5	Zoning	Insurance Coverage Disputes	Zoning	Personal Injury

ChurchLawTax.com

CHRISTIANITY TODAY



Sexual Misconduct and Background Checks



Prevention Steps

- Written Plan
- Worker Selection
- Supervision
- Responding to Allegations/ Reporting Obligations



Worker Selection

- Six month waiting period
- Application form
- Personal interview
- Check and document references
- National Criminal background check



Adult Sexual Misconduct & Counseling

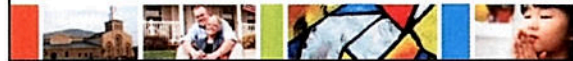


Adult Sexual Misconduct/Counseling

- 20% of GuideOne sexual misconduct claims
- Counseling Covenant or agreement
- Limited Scope of Counseling
- Opposite Gender Counseling
- Limited Sessions, Time and Duration
- Limited Locations and Visible Setting
- Maintaining confidences
- Watch for Boundary Violations



Contractors & Outside Groups (Facility Use)



Contractors and Outside Groups

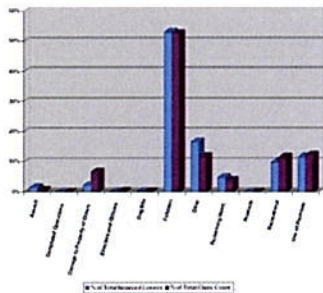
- Check references
- Written contract/facility usage agreement
 - Indemnity (hold harmless) provision
 - Additional insurance provision
- Proof of church's additional insured status



Slips and Falls



Falldowns Over 50% of GL Claims



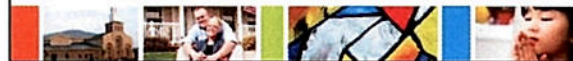
Activities On & Off Premises



Activities On & Off Premises

- Consent Forms
- Evaluate Risks
- Age Appropriate
- Adequate Supervision

Fraud Prevention

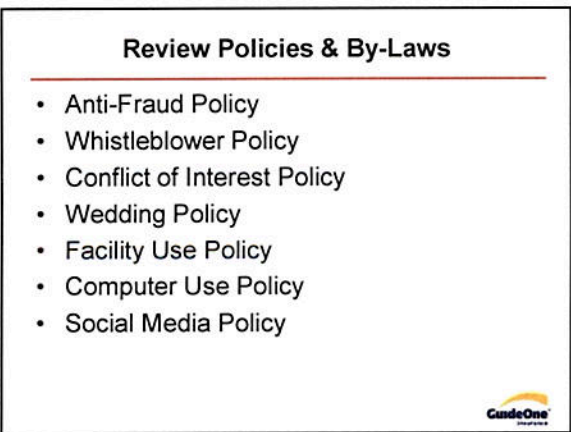
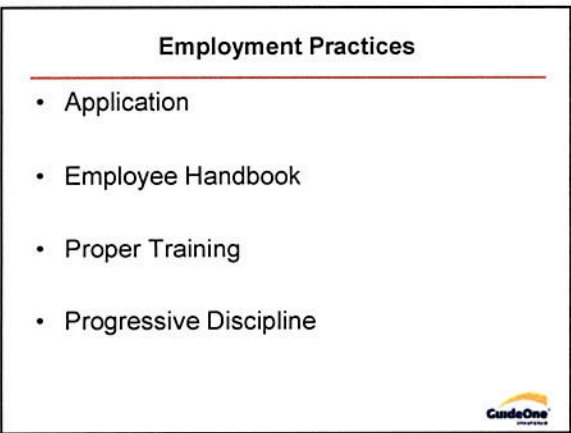


Cressey's Fraud Triangle



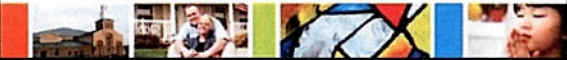
A sound financial policy includes:

- Collections
- Internal controls/Separation of duties
- Disbursements/accounts payable
- Reimbursement of business expenses
- Church credit cards
- Petty cash & discretionary funds
- Regular audit and/or review
- Special offerings and events
- Investment funds






Transportation Policy



Transportation Policy

- Vehicles
 - Selection
 - Pre-Trip & Post-Trip Inspection


- Drivers
 - Qualifications
 - Training
 - Conduct




Written Policies

- Only include what you will follow in every instance

- Having a policy that's not followed may be worse than having no policy at all



Questions?



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