



Annual Insurance Reviews



Make Sure Your Church Coverage is Adequate — Before It's Too Late

by Jan Beckstrom

Despite your busy schedule, one thing you should definitely set aside time for is an annual insurance review. Many church leaders think once they've obtained insurance for the churches, and keep renewing their policies, they'll be covered in the event a claim is filed. The reality is quite different.

Here's a real-life example: One church, constructed in 1950, consisted of several buildings, including a sanctuary, basement fellowship hall, and a large educational wing. In 1991, the value of the facility was an estimated \$1 million.

In 2003, a fire broke out, destroying the sanctuary and causing considerable damage to other areas of the facility. At the time, the actual replacement-cost value of the property was \$2.1 million. Therefore, the church was underinsured by \$1.1 million. The church was paid the policy limit of \$1 million, but that amount was \$500,000 short of replacing the damaged portion.

Why Churches Are Undervalued

In general, the value of churches tends to be difficult to estimate because every facility is unique. The architecture, size, layout and construction vary dramatically from one campus to the next. Also, a large number of churches have ornate details and are, therefore, costly to replace.

A church can be undervalued for a variety of reasons:

- It might have recently built an addition or new building, which increases the facility's value.
- When the initial policy was purchased, the value of the facility might not have been correctly estimated, or important coverage might have been excluded.
- The church might have developed some gaps in coverage that can now be filled with additional add-on policies or endorsements.
- It might have expensive features or items — hand-crafted stained glass windows, for example, or a pipe organ or artwork — that are very costly to replace.
- The cost of building materials and labor are considerably higher today than when many churches were originally constructed. Accordingly, it will cost more to rebuild or repair the church.
- Facilities are appreciating in value. Replacing the church will be higher today than it was a few years ago.
- The church might have acquired new equipment or property, which increases the value of the building's contents.
- It might have started a new program or ministry, which has increased its liability exposures.

Where to Start

First, contact your church's insurance agent. This agent should be contacting you on a regular basis and setting up a review process at least once a year.

If this isn't the case, call and request an insurance review. Any agent should be happy to assist you. In fact, most provide this service free of charge.

Proper Protection

Knowing what protection your church should have is critical to ensuring your facility is covered. A number of considerations are important when evaluating coverage.

Actual replacement-cost value — Insuring your facility for actual replacement-cost value is the only way to ensure you could rebuild a new church that's similar in size and quality. A properly qualified individual should look at total square footage, type of materials used in construction, age of

the facility, architectural features and more. Oftentimes, an experienced insurance agent can provide an accurate replacement value for your facility. However, it might be wise to get a second opinion and have your church appraised by a qualified independent firm.

Contents value — To accurately determine the value of your church's contents, maintain an up-to-date inventory or checklist of all the items on site and their approximate values.

Liability risks — The number of lawsuits filed against churches is increasing. To enhance protection, consider buying additional liability options, or special policies, including:

- Non-owned and hired-auto liability
- Business auto liability
- Directors and officers liability
- Employment practices liability
- Employee benefits liability
- Sexual misconduct liability
- Umbrella coverage
- Workers compensation

Protection is a Top Priority

You have a responsibility to care for your church and its members. By conducting an annual insurance review, you help make sure it can rebuild or recover after a major loss.

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