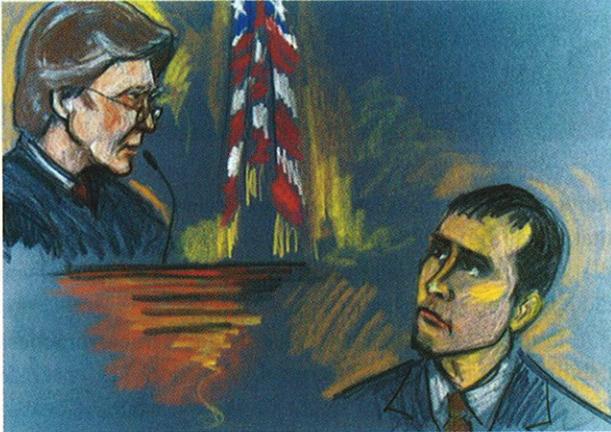
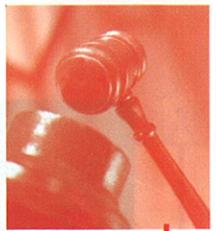


Insuring and controlling new risks facing churches



Look beyond the usual property hazards when evaluating your church's insurance coverages

Mention the word insurance and most church executives think of covering fire and water damage and slip-and-fall injuries. But the risks churches face today go far beyond traditional hazards. Consider these examples:

- Your pastor counsels a disturbed young man who commits suicide two weeks later. His parents sue for \$1 million, claiming the minister was incompetent and the church negligent, because the man should have been referred to a psychiatrist immediately.
- Your church fires a 63-year-old office worker because she's late every day. She sues, claiming age discrimination. Now you need to hire a specialized, expensive lawyer to defend the church.
- Your cemetery worker buries a congregant in the wrong plot. His family sues for emotional distress.

Controlling and insuring pastoral liability

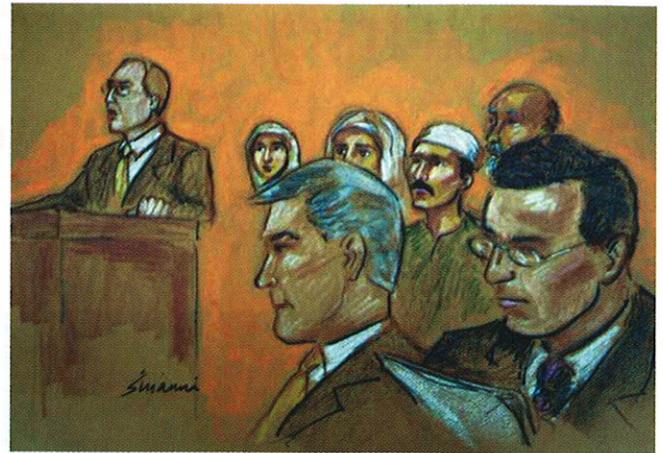
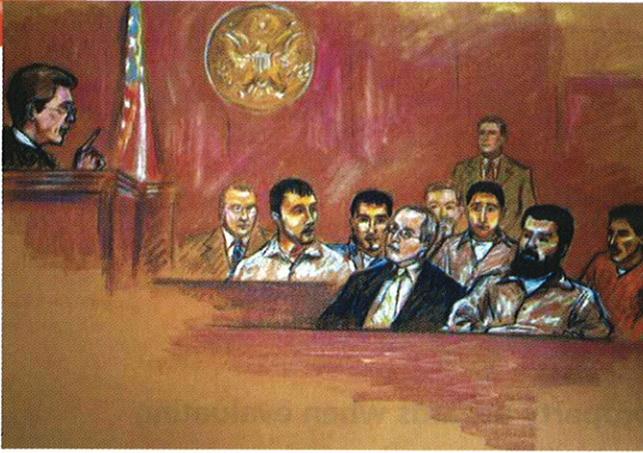
Today, parishioners often expect that ministers provide not only spiritual counseling but often psychological and marital advice as well. But have your clergy received formal training in counseling? Do they have guidelines on when to refer a depressed or possibly self-destructive person to a

mental-health professional? Are there guidelines on appropriate behavior? (Someone might, for instance, misconstrue the laying-on of hands as assault or a sexual overture.) Does your church actively promote or advertise counseling services provided by ministers or lay people?

Taking steps to ensure that clergy have proper training before they offer psychological counseling can save potential headaches, lawsuits and bad publicity later on.

Taking steps to ensure that clergy have proper training before they offer psychological counseling can save potential headaches, lawsuits and bad publicity later on. But no amount of training can prevent all claims, so it's essential for churches to have professional liability insurance for pastors. And while covering jury awards and settlements is obviously important, probably even more crucial is coverage for legal defense costs, which can be astronomical. (In one case a synagogue spent \$1.5 million on legal fees in its >>

By Marjorie Young and Peter Scala



successful defense of an age-discrimination case brought by an employee it had fired.)

If your church's package policy does not include pastoral liability, you must ask your broker for it. Pastoral liability can be bought as a rider (add-on) to the basic liability policy or as a separate policy. Buy limits of at least \$1 million/\$3 million. The advantage of a separate policy over a rider is that the coverage is entirely separate; with a rider, the policy shares in

standard, put a written performance review in his or her file that details the problems and corrective actions. If you must fire that employee eventually, you'll be able to document that you did it for good reasons, not capriciously.

In today's litigious environment, employment-practices liability insurance (EPLI) is crucial protection. The coverage isn't as expensive as you might think, and again, it can be added to a package policy or bought as a separate policy.

More than money for back wages, terminated employees seek compensation for their emotional distress, hurt feelings and stress. Believe it or not, even a volunteer who's been let go can sue.

Cash is risky because it's easy for someone with "sticky fingers" to rip some off unless you have stringent procedures and safeguards — a system of checks and balances.

Directors and officers coverage

Just like members of a corporate board of directors, the people who serve on your governing body can be sued. Church trustees and officers make key financial, business, insurance and personnel decisions. And while they all mean well, many may not have the background needed to make these

the general liability limits. The premiums are affordable.

Besides protecting the church's assets, this coverage can be a tool to help attract and retain ministers, who will feel good that the church is financially protecting them.

Employee lawsuits

Today, more employees and ex-employees are suing employers, claiming they were fired or denied a promotion because of race, sex or age discrimination. Employers are also getting dragged into sexual harassment cases.

Until recently, employee lawsuits against churches were unheard of, but that's no longer the case. Church administrators need to take a page out of corporate America's book and institute written hiring and performance-review practices.

All positions should have written job descriptions detailing qualifications, duties and expectations. Traditionally, churches have done their hiring very informally, which can result in trouble later on. If an employee isn't performing up to

decisions. Unlike corporate directors who are chosen for their business or legal knowledge, church board members are usually selected on the basis of having attended church for many years.

It's important for the church executive to stay in close communication with the governing body. You don't want to find out too late that your treasurer lost most of your endowment speculating in Internet stocks!

Directors and officers coverage sometimes is included in a package policy. When it isn't, it can be added for a modest extra premium. Basic coverage is \$1 million/\$3 million, but churches should consider purchasing higher limits.

The benefits go beyond financial protection. Many of the topnotch people you want to attract to your governing body won't volunteer unless they know they're covered by D&O.

Sticky-fingered employees and volunteers

Churches are among the few organizations today where cash makes up the bulk of receipts. Cash is risky because it's



easy for someone with “sticky fingers” to rip some off unless you have stringent procedures and safeguards — a system of checks and balances. It’s important to have one group of people count the cash from collections and a separate group deposit it in the bank.

A dishonest church treasurer, whether motivated by greed or severe personal financial distress, can get away with stealing by taking a little at a time. Over many years, the small thefts can run into the hundreds of thousands of dollars. To deter larceny, an outside accounting firm should audit the books annually.

A fiduciary liability and crime policy covers dishonest acts by employees and volunteers, with limits of \$25,000 to \$500,000 available. Larger churches should look toward the higher figure.

Grave mistakes

If your church operates a cemetery, it needs special coverage. Knocking over and defacing gravestones has attracted bored kids and vandals about as long as there have been cemeteries, and repairing the damage can be quite expensive.

Another potential problem is that your sexton might bury someone in the wrong plot. The cemetery worker and the church could face a suit claiming the loved ones suffered

severe emotional distress. It’s nice to have an insurance policy in your pocket so you can offer a quick settlement and avoid a drawn-out struggle with the ensuing bad press.

When developing your risk management and insurance plan, take a look at the big picture. Start out with risk assessment by identifying all your major exposures to loss. After you’ve done that, you can begin a proactive loss control program that systematically reduces risk. Besides reducing losses, good loss control helps you get a better deal from insurance companies, which factor in what they see as loss potential.

Once you’ve identified risks and mitigated them, you’re in position to buy insurance that will cover all your risks under the most favorable terms and prices. **CE**

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