

# **Section 6**

## **Insurance**

### **Chapter 26: Risk Management**

<b>Introduction</b> .....	<b>100</b>	Inland Marine .....	225
Establishing Risk Management in the Church .....	105	Earthquake and Flood and Determining Your Exposure Zone .....	230
Determining the Church’s Exposures .....	110	General Liability.....	235
Selecting an Insurance Broker or Agent.....	115	Automobile Coverage.....	240
Selecting an Insurance Carrier .....	120	Workers’ Compensation .....	245
Determining Adequate Liability Policy Limits .....	125	Umbrella or Excess Coverage.....	250
Determining Adequate Property Limits .....	130	Crime .....	255
<b>Types of Insurance to Purchase and Consider</b> .....	<b>200</b>	Directors & Officers Liability .....	260
Named Insured Listing.....	205	Employment Practices Liability.....	265
Policy Form Requirements.....	210	Educator’s Legal Liability.....	270
Property .....	215	<b>Optional Lines of Coverage to Consider</b> .....	<b>300</b>
Business Interruption/Extra Expense.....	220	Legal Defense .....	305
		Medical Expense.....	310
		Travel and Assistance .....	315
		Clergy Homeowner’s Protection .....	320
		<b>Claims</b> .....	<b>400</b>
		Reporting a Claim.....	405
		Duties in the Event of a Claim.....	410
		Loss Runs and Continual Claims Management .....	415
		<b>Loss Control and Safety</b> .....	<b>500</b>
		Safety in the Church.....	505
		Vehicle Safety and 15-Passenger Vans .....	510
		<b>General Information</b> .....	<b>600</b>
		Additional Insured and Loss Payee Rights .....	605
		Waivers of Subrogation.....	610
		Tort Liability .....	615
		Volunteers .....	620
		Missionaries.....	625
		Contractors and Certificates of Insurance.....	630
		The Church Web Site.....	640
		Laborers For Christ .....	645
		Sexual Misconduct/Abuse.....	650
		Glossary of Insurance Terms.....	655
		Helpful Web Sites .....	660
		Sample Forms (Templates).....	665
		Insurance Policy Checklists.....	670

## 26.100:

### Introduction

This chapter has been prepared to familiarize and encourage the practice of risk management throughout the congregation and use this practice in conjunction with daily operations, decision making and the annual renewal purchase of the church's insurance program. The Lutheran Church—Missouri Synod recognizes that, while all congregations share many similar exposures, each church also has its own unique exposures and each church should tailor its risk management and insurance program to merit their individual needs. Any lines of coverage, policy limits, policy deductibles or retention levels, or types of coverage contained herein, are only suggestions. Each individual church should work closely with their insurance representative and attorney to establish an effective and efficient risk management and insurance program.

This information is written and intended not to endorse, recommend or suggest any preferential opinion in regard to insurance brokers, agents, representatives or carriers. If you have any questions related to the material presented within this manual or wish to ask any question in general, please contact The Lutheran Church—Missouri Synod Treasury/Risk Management and Insurance Office at (314) 996-1419.

## 26.105:

### Establishing Risk Management in the Church

Most congregations are too small to employ a risk manager. Unfortunately, most get no risk management advice of any kind and buy whatever insurance their local agent/broker recommends. There is a middle ground that makes more sense. The incorporation of risk management into the daily operations of the church will assist with the administration of the unique operations and exposures the church may face. There are many definitions of risk management, but the basic theme is to protect the church's assets through identification, analysis, control, financing (either through internal funds, external funds or insurance), implementation and monitoring the risk management process. A continual presence of a risk management function will lead to lessen the frequency and severity of losses, reduce insurance premiums, create an understanding of the congregation's true operational exposures, and result in the clergy, leaders and members of the church being able to fulfill the mission with minimal distractions.

Each church should establish a risk management function/committee for loss prevention and control. Suggested individuals who should be appointed or included for this responsibility include clergy, the treasurer, the president or leader of the congregation or the chair of a committee. The appointed individuals should meet periodically throughout the year and be active in or have experience in risk management,

engineering, legal issues, or insurance (either as an underwriter, agent or broker).

## 26.110:

### Determining the Church's Exposures

Many of the exposures of a church are the same as might be expected of any occupied building. The structure may be physically damaged or destroyed. Personal property may suffer physical damage or may be subject to loss by theft or embezzlement. Employees may be injured. Members of the public may be injured or have their property damaged by an accident or occurrence arising out of the church's activity. Many of the perils are more or less routine, but churches face important additional perils, some of them unique to church organization.

Pure risk is defined as a chance of financial loss. Below is a partial listing of losses that a church may face, which could lead to a financial loss due to bodily injury or damage to property. These losses can result from daily operations like worship services, pastoral and lay counseling, school/daycare and child supervision operations and various outreach activities:

- Breach of Contract and Tort liability resulting from:
  - Premises defects
  - Sexual misconduct
  - Libel, slander and other personal injuries
  - Errors and omissions of directors, officers and trustees
  - Employment discrimination
- Damage to church property
- Automobile accidents
- Property disputes
- Crime, theft, disappearance

## 26.115:

### Selecting an Insurance Broker or Agent

The agent/broker relationship plays a very important role in the overall risk management function. They are valuable members of the risk management team since they often provide insurance expertise, loss control, training, and access to insurance coverage. To understand the difference between an insurance agent and an insurance broker, definitions of each are provided below:

- An **agent** is considered a representative of an insurance company or, under the independent system, is a representative of several insurance companies. The agent has the legal authority to act on behalf of the companies the agent represents, as well as acting on behalf of the agency. The scope of authority varies, but normally an agent is allowed to collect premiums, bind coverage and in some cases, issue policies. In other words, the agent is the insurance company and the insurance company is legally responsible for the commitments an agent makes on its behalf.
- A **broker** is not considered a representative of an insurance company. The broker is considered to be

the representative of the church and the broker may place coverage directly with an insurance company directly or through an intermediary (wholesale or excess) agency. The insurance company is not responsible for acts or omissions of the broker. Due to the dynamic nature of today's insurance industry, it is good risk management practice to have the congregation's insurance agent, broker and/or insurance company compete with other agents, brokers, and/or insurance companies every three to five years. The practice of comparing current representatives and carriers promotes a fair and healthy relationship, determines if the church is receiving fair and adequate coverage and pricing, and discourages a relationship to become too relaxed or "taken for granted" where service can diminish and gaps in coverage could arise. There are several methods for how a church can successfully select or compare agents/brokers and insurance companies that emphasize fairness or address a situation where change is demanded:

- **Agent/Broker of Record appointment:** Issued by the church to a specific Agent/Broker for a specific purpose.
- **Request For Proposal:** Where an entire insurance program or specific issue can be placed out for a bidding process.
- **Limited Broker Assignments:** Similar to an Agent/Broker of Record appointment but issued for a specific service or expertise.
- **Open bidding:** Public notice open to any and all that can qualify according to the church's bid specifications.
- **Conceptual Bidding:** No specific insurance policies are involved. A process of selecting who to do business with for the eventual pursuit of insurance coverage.

A copy of the agent's/broker's Certificate of Insurance with evidence of their Professional Liability coverage, policy limits and deductibles/retention levels should be obtained and kept in the church's insurance files in case of a coverage error.

## 26.120: Selecting an Insurance Carrier

An insurance policy is only as good as the company behind it and the agent/broker who helps construct it. An insurance company should be selected that is financially stable and reliable, service-oriented and highly familiar with the special needs of the church. Many churches feel more secure when dealing with insurance companies that specialize in church insurance. These companies have policies designed specifically for churches and methods for determining the amount of insurance a congregation should carry. These companies also have the specialized expertise needed for handling exposures unique to the church such as loss control, underwriting, legal, and claims support staff to work on the church's behalf.

It is highly recommended that a church ask for and check references with at least three to four other churches that are insured by the same company and through the same agent/broker.

Current financial conditions in the insurance industry warrant the determination of the financial strength of any insurance carrier. The best indicator of the financial stability of an insurance company is the rating it has been assigned by A.M. Best Company. A.M. Best is an independent analyst of insurance companies that assesses the insurance company's ability to pay claims. The Guide to A.M. Best's Ratings is provided below in which the church may refer to when determining the financial position of a current or potential insurance carrier.

### GUIDE TO A.M. BEST'S RATINGS

Best's Insurance Reports, published annually by A.M. Best Company Inc., presents comprehensive reports on the financial position, history and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States and Canada are assigned a Best's Rating to measure the comparative position of the company or association against industry averages.

Best's ratings are based on analysis, which give consideration to a number of factors of varying importance. While the analysis is believed to be reliable, its accuracy of the rating or financial stability of the insurance company cannot be guaranteed.

#### Best's Rating Classifications:

A++ to A+	Superior
A to A-	Excellent
B++ to B+	Very Good
B to B-	Good
C++ to C+	Fair
C to C-	Marginal

#### Best's Financial Classifications:

I	\$0	to	\$1,000,000
II	\$1,000,000	to	\$2,000,000
III	\$2,000,000	to	\$5,000,000
IV	\$5,000,000	to	\$10,000,000
V	\$10,000,000	to	\$25,000,000
VI	\$25,000,000	to	\$50,000,000
VII	\$50,000,000	to	\$100,000,000
VIII	\$100,000,000	to	\$250,000,000
IX	\$250,000,000	to	\$500,000,000
X	\$500,000,000	to	\$750,000,000
XI	\$750,000,000	to	\$1,000,000,000
XII	\$1,000,000,000	to	\$1,250,000,000
XIII	\$1,250,000,000	to	\$1,500,000,000
XIV	\$1,500,000,000	to	\$2,000,000,000
XV	\$2,000,000,000	to	or more

At the option of the church, you may wish to consult with other available rating services, such as Standard & Poor's, Moody's or Fitch's.

It is strongly recommended that insurance coverage is placed with a carrier that has been assigned an A.M. Best rating of either A++ to A+ or A to A-. A church should not place coverage with a carrier that has less than an A- rating unless special circumstances warrant this type of arrangement.

**26.125: Determining Adequate Liability Policy Limits**

The most critical base of the church’s insurance program is the Package Policy. A package policy provides property and liability coverage for most of the church’s exposures. To determine the most current and appropriate amount of insurance, several methods of measurement should be performed on an annual basis, typically three to six months before a church’s insurance program renewal date. These methods of measurement are described in **Section 26.130 Preparing Your Insurance Submission**. Recommended policy limits, deductibles and retention levels are provided with each line of coverage discussed in section 26.215—26.270.

In addition, there are other guidelines that a church may wish to consider when establishing adequate policy limits:

- Use the respective LCMS district office insurance program as a benchmark. For example, if the district office has the policy limits listed below, then the congregation should consider carrying identical limits as a minimum. Some ministries will have exposures that warrant higher limits of coverage (e.g. many outreach activities, more than two owned autos, significant cash assets).

<b>General Liability:</b> .....	\$1,000,000 per occur/\$2,000,000 Annual Aggregate
<b>Workers Compensation/ Employers Liability:</b> .....	\$500,000/\$500,000/ \$500,000
<b>Automobile Liability:</b> .....	\$1,000,000 Combined Single Limit
<b>Umbrella</b> .....	\$1,000,000

- Consider the church’s loss history. If the church has experienced recent losses that come close or have the potential of exceeding the current policy limits, it may be time to consider increasing the church’s policy limits (or modify the deductible or retention levels).
- Consult other congregations to see if they are willing to share their policy information. This practice can also help the church determine if they are over insured, under insured, or if the church is comparable with its peer group.

**26.130: Determining Adequate Property Limits**

Within the past few years, insurance underwriting requirements have become more stringent. Underwriters

are demanding more information than ever before and they insist that the data be up-to-date. Therefore, the quality and thoroughness of the church’s submission of exposure information to the underwriters become critical to a successful and, hopefully, a pleasant renewal.

To determine the most current and appropriate amount of insurance, several methods of measurement should be performed on an annual basis. A permanent and recorded inventory of the church’s owned buildings, contents, personal property, revenues, square footage, equipment and automobiles is an excellent way to begin this process. When recording the inventories, a coding system should be assigned to each building, each room within the building, and serial or model numbers, and the replacement cost of each item should be assigned. Making a video showing church-owned contents can also be very helpful.

It is important to properly classify the owned property into the correct categories when performing the inventory since many different types of assets can be combined to arrive at the proper value. The lists below should not be considered complete but are only provided to capture the main items of the building and its contents.

**Buildings:**

The insurable value of the building is comprised of several factors. Begin by determining the replacement value of the basic structure. The church may wish to begin with the actual cost to construct the building and then apply an inflation factor that is available from the agent/broker. Next, list the items that are also considered to be part of the building; simply, any item that is permanently attached to the structure (walls, floor, roof or ceilings). For example (this list should not be considered complete):

- Heating and air conditioning equipment
- Sound systems
- Attached podiums, baptismal, lecterns
- Attached seats, pews, or benches
- Kitchen appliances, cabinetry, counters
- Fiber optic cable
- Attached projection screens, blackboards
- Satellite dishes
- Fixed carpeting/flooring
- Attached lighting
- Installed playgrounds
- Attached signage
- Alarm systems
- Organs
- Altars and railings
- Windows, including stained glass
- Outside property (stand-alone structures that are unattached to the main structures, like sheds, garages, storage, etc.)

After the replacement cost of the basic structure and the replacement cost of the additional items that are to be considered as part of the building value have been established, total these figures to arrive at

the Replacement Cost/Agreed Amount Value for each individual building the church may own.

If a congregation does not own a structure, but leases a building, then a review of the lease is in order to determine if the church is not responsible to insure this structure. If not, then only the contents need to be recorded on the inventory schedule. There is a likelihood that, at a minimum, the church will be required to insure tenants' improvements and building glass.

### **Contents and Personal Property:**

Items that are on the property and are not permanently attached to the buildings. For example (this list should not be considered complete):

- Unattached carpeting and rugs
- Classroom and daycare items: toys, books, cribs, dressers, tables, chairs, desks
- Playground equipment
- Jewelry or religious adornments
- Robes, vestments, stoles
- Outdoor property: signs, unattached satellite dishes, furniture
- Artwork: pictures, paintings, sculptures, carvings, statues
- Fine arts: statuary, crosses, paintings, sculptures, carvings, etc.
- Kitchen items: dishes, silverware, food, supplies, microwave, refrigerator, cookware, coffee makers, punch bowl sets; also, washer/dryer units
- Altar items: candles, communion ware, unattached podiums
- Decorations: seasonal or special event
- Maintenance equipment: lawnmowers, snow removal, blowers, trimmers, rakes, shovels, clippers, tools, ladders
- Computer equipment: hardware and software, laptops, PDAs
- Bibles and hymnals
- Library: books, videotapes, DVDs, chalkboards, dry erase boards, tables, chairs
- Office furniture: desks, chairs, filing cabinets, shelves, drapes, lamps/lighting, televisions, VCR players, DVD players, CD players
- Books: library books, general books, as well as rare books
- Office equipment: copiers, fax machines, telephones, typewriters, screen projectors
- Gymnasium and sporting equipment

A suggested form to use to gather the building, contents and personal property values for the annual insurance renewal submission is provided with this manual, located in Section 26.665 Sample Forms.

Building descriptions and construction can be classified as Frame, Joisted Masonry, Masonry Non-Combustible and Non-Combustible constructions. Please see Section 26.655 Glossary for a definition of these categories. For determining property insurance rates, insurance underwriters commonly use these four factors:

- Construction type (esp. fire resistive, masonry, non-combustible)
- Distance from nearest fire department/hydrant
- Fire Sprinklers (sometimes req'd by code)
- Age of roof

A suggested form to use to record all property information for the annual insurance renewal submission is provided with this manual. This form has been formatted to comply with the most recent underwriting demands and requests. Please see a sample of this template form (Sample 3) located in **Section 26.665 Sample Forms**.

## **26.200: Types of Insurance to Purchase and Consider**

This section will outline the types of insurance coverage that should be considered when addressing the unique exposures of the church and what critical coverage terms to be included in the church's insurance program.

### **26.205: Named Insured Listing**

Named Insured is defined as the person or organization specifically designated in the insurance policy as the one protected from a loss; it is a person, business or organization specified as the insured(s) in a property or liability insurance policy. When preparing your insurance submission or reviewing your policy, it is most important to make sure that all Named Insureds are included on the policy Declarations Page or by way of a policy endorsement. A thorough check of spelling and addresses should be performed, and the agent/ broker should be immediately notified of any errors or omissions to the Named Insured listing. Ministries with related, but separately incorporated, organizations should ensure that all such organizations are adequately covered by inclusion on the policy declarations page as a named insured or by way of additional insured endorsement.

### **26.210: Policy Form Requirements**

It is recommended that a church's insurance program contain the following stipulations:

### **26.215: Property**

Property insurance is coverage provided for the direct or indirect damage of property stolen, damaged or destroyed by a covered peril within a stated distance of the premise. Recovery of a loss may be limited to the values reported to the insurance carrier.

The amount of insurance to carry on the Property policy affects how much a church may receive for an incurred loss. To arrive at the proper amount of insurance, it must be determined how much it would

cost to replace the church and its related structures along with its contents with materials of comparable kind and quality at today's prices. This method of determination will establish the **Replacement Cost Valuation**. Once these values have been determined, the insurance carrier will need to review and agree with these values. Once this occurs, an **Agreed Amount** has been established and any co-insurance requirements/penalties can be avoided. Also, by establishing the Replacement Cost Valuation with an Agreed Amount, most losses will be indemnified on a replacement cost basis and not an **Actual Cash Value** basis which takes depreciation of the asset into account when determining reimbursement of a loss to the church.

Many property policies stipulate that a church's insurance be not less than 80 percent of the value of the property at the time of a loss. If a congregation fails to have adequate property policy limits of at least 80 percent of the replacement cost values, a co-insurance penalty may be incurred. This means that a congregation will share in the loss with the insurance company, beyond the church's policy deductible. To satisfy the policy co-insurance requirement and be better protected at the time of a loss, a congregation may wish to secure property policy limits 90 percent to 100 percent of the inventoried values.

When possible, the church should have its property policy written on a **Blanket Basis** instead of having individual limits for each building/location. This means that all of the church's individual building and content values are combined into one policy limit. Blanketing also serves to better cover additional contents that would make a separate contents limit inadequate. Blanketing also allows the church to shift contents from building to building without the concern that a specific contents limit at one building is inadequate. This is especially beneficial for camps. Blanketing also helps establish a Replacement Cost Valuation with an Agreed Amount at 100 percent that can eliminate the need for co-insurance requirements. A potentially more affordable option is to cover buildings individually with a Broadened Valuation option.

The church will also need to have their property policy written on a "**Special Cause of Loss**" basis that provides coverage for all risks of loss except as excluded. Examples of covered losses: theft, fire, lightning, explosion, windstorm, hail, smoke, riot, civil commotion, vandalism, sprinkler leakage, sinkhole collapse, glass breakage and backed up water (not flood) from sewers and drains. A Special Cause of Loss form is sometimes referred to as an ALL RISK policy.

Many times a church insurance property policy will have limitations for signs, glass breakage, building ordinance, earthquake and flood. The church will want to make sure that its property policy is extended to provide adequate coverage.

- Make sure that any signs are disclosed to your agent/broker with their replacement values so they can be properly insured/scheduled.

- Sometimes a property policy will limit the recovery of glass breakage to \$250 per pane, with a maximum of \$1,000 per loss. If the value of any of the church's windows (either individually or collectively) exceeds the policy limitations, the church may need to purchase "full" glass coverage that will eliminate any glass breakage limitations. Please see **Section 26.225 Inland Marine for Stained Glass**.
- In some communities, building ordinances are imposed upon the repair of older, heavily damaged buildings in order to bring the structure up to current construction code. The church's property policy may need to be endorsed to account for increased building costs or demolition costs resulting from the compliance of such ordinances.
- Earthquake and flood is not often an automatic coverage within the property policy. It will need to be determined if the church and other owned structures are located in flood plains or high-risk earthquake zones in order to determine if separate Flood or Earthquake coverage is required. Contact the agent/broker to find out what flood and earthquake zone the church is located in and they can assist the church in placing the required coverage for these exposures.

Systems and Equipment coverage (formerly Boiler and Machinery) is provided for the direct physical damage of equipment breakdown for electrical equipment; mechanical equipment; boiler and fired or unfired pressure vessels; air conditioning equipment; refrigeration systems; business equipment and systems; phone systems, sound systems; elevators, hoists, cranes; escalators; ovens, stoves and furnaces; maintenance, production and process machinery. This coverage can be secured through a property policy or as a separate line of coverage.

Recommended Policy Limit, Deductibles/Retention Levels: The limits of a property policy should be established based upon the inventoried Replacement Cost values that are agreed upon with the insurance carrier.

Property deductibles normally range from \$250 to \$1,000. It is becoming more common today for a church to take on deductibles from \$5,000 to \$100,000 per occurrence. The higher a deductible can mean a lower annual premium. But, when considering taking on a higher deductible for a lower annual premium, be sure to base this decision on the church's ability to take on this additional risk and that the premium savings is worth it. If a higher deductible does not produce material savings in premium dollars, it may not be worth the additional risk.

## **26.220:**

### **Business Interruption/Extra Expense**

Business Interruption coverage is provided for the loss of profits or revenues due to an interruption in the normal operations of the church, school, daycare, camp

or nursing home as a result of a covered loss. Extra Expense covers the extraordinary expenses that may become necessary after a covered loss occurs. Extra Expenses may include rent for temporary space, extra transportation costs and other temporary expenses during the time period it takes to relocate or rebuild a church after a loss.

**Recommended Policy Limit, Deductibles/**

**Retention Levels:** To estimate the church's Business Interruption/Extra Expense limit, a simple worksheet will need to be completed and presented to the agent/broker. A sample worksheet (Sample 5) has been provided in **Section 26.665 Sample Forms**.

**26.225:**

**Inland Marine**

Some items in the church may have a higher dollar value assigned to them due to their rarity, antiquity or uniqueness as compared to other ordinary items. Examples of such items are fine arts (paintings, statutes, old Bibles, communion ware, stained glass and rare books). Values for these expensive, unique items should be agreed upon with the agent/broker and should be specifically listed in your policy. This is generally called "scheduling" an item or providing "inland marine" coverage.

**Recommended Policy Limit, Deductibles/**

**Retention Levels:** The limits of an inland marine policy should be established based upon the inventoried values that are specifically scheduled and reported to the insurance carrier. The inland marine policy deductible normally ranges from \$250 to \$1,000 per loss.

**26.230:**

**Earthquake and Flood and Determining Your Exposure Zone**

Earthquake and Flood coverage can be either purchased as an endorsement to a property policy or as a separate policy known as Difference In Conditions. Earthquake and Flood coverage is for direct damage resulting from earthquake, volcanic eruption, or from flooding occurrences. Each church should determine what earthquake and flood zone they are located in prior to purchasing either of these lines of coverage since:

- The church's exposure zones will determine if insurance is available through a property policy or if a separate policy is required.
- The church's exposure zones will be a critical factor in establishing sufficient limits. If sufficient limits cannot be attained through the primary property policy, the church may need to purchase coverage either through a government program or purchase excess layers of Difference In Conditions policies.

**Recommended Policy Limit, Deductibles/**

**Retention Levels:** Please consult with the agent/broker in order obtain the earthquake and flood zone of the church's location and to establish sufficient policy limits.

**26.235:**

**General Liability**

General Liability coverage is provided for claims of negligence involving bodily injury, property damage, personal injury (such as libel or slander) and advertising injury occurring from a church's sponsored activities either on premise or away from your facilities. A church's General Liability policy should also include coverage for lawsuits originating from your premises, operations, products (including food preparation), construction, athletics, and the use of non-owned watercraft. It is strongly recommended for the church's General Liability policy to include:

- **Medical Expense:** covers the medical expenses of congregation members, guests and volunteers who are injured on the church premise or while participating in a church-sponsored event, regardless of fault.
- **Sexual Misconduct and Molestation:** protects the organization and, while acting within the scope of their duties, members, clergy, officers, board members, employees and volunteers. (See Section 26.650 for additional information.)
- **Employee Benefits Liability:** provides protection for improper administration of an employee benefit plan such as providing incorrect information, negligent counseling, or errors in administration of a benefit plan.
- **Fire Legal Liability:** Coverage for property loss liability to leased premises as a result of fire caused by negligent acts and/or omissions of the church. Additional coverage can be obtained to cover such damage caused by other than fire.
- **Host Liquor Liability:** Coverage for liability resulting from the serving (not the sale) of alcoholic beverages at church functions.
- **Hired and Non-Owned Automobile Liability:** Coverage to protect the church from liability arising from the use of rented or borrowed vehicles. If the church does not own any vehicles but does rent, borrow or lease (short term/less than three months — check with your carrier as some might not cover leases for any period) a vehicle or have people who drive their personal vehicles on behalf of the church, then Hired and Non-Owned Automobile Liability coverage will need to be purchased.
- **Watercraft:** If the church or related organization (camp, etc.) owns watercraft, then a separate policy will need to be purchased. Check with your carrier; some will cover owned watercraft by endorsement to the General Liability policy. Only a General Liability policy will cover only the liability arising from a non-owned watercraft.
- **Counseling:** Coverage is for clergy, lay employees, and volunteers who provide counseling services that are performed within the scope of the church and under the supervision of a minister. Coverage should be written on a Blanket basis to provide the fullest coverage available.

- **Crime, Directors and Officers, Employment Practices Liability and Educator's Legal Liability** coverage should also be endorsed to a General Liability policy or can be purchased as separate lines of coverage.

Catastrophic Violence Response Coverage is also available from your agent/broker that provides coverage for immediate financial assistance as a result of a violent incident that may occur on premise.

**Recommended Policy Limit, Deductibles/Retention Levels:** General Liability policy limits should be \$1,000,000 per occurrence with an annual aggregate of either \$2,000,000 or \$3,000,000. The same limits should be established for the church's Automobile Liability policy. Policy limits normally range from \$100,000 to \$1,000,000 and will be determined by the carrier. There may be deductibles from \$1,000 to \$10,000 (or higher) for the sexual misconduct, counseling, crime and employment practices liability lines of coverage. Check with your carrier, some church insurance companies don't have retention.

## 26.240: Automobile Coverage

Automobile Liability coverage is provided for sums incurred resulting from bodily injury or property damage caused by an accident resulting from the ownership or use of a covered vehicle. If the church owns one or more vehicles, is it imperative to carry automobile insurance with liability, medical payments, uninsured and underinsured motorists, and physical damage coverage to protect the church, the vehicle, the driver, and any third party who may become involved in a loss.

It is also important to keep an accurate and updated inventory for any vehicles the church may own or lease on a long-term basis. When recording the inventory, a sequential and numerical code should be assigned to each vehicle. Other important information that should be included on the inventory form should be:

- Year
- Make
- Model
- Vehicle Identification Number (VIN)
- Purchase cost
- Lessor name and address
- License plate number
- License plate expiration date

A suggested form to use to record the church's automobile inventory information for your annual insurance renewal submission is provided with this manual. This form has been formatted to comply with the most recent underwriting demands and requests. Please see a sample of this template form (Sample 4) located in Section 26.665 Sample Forms.

Hired and Non-Owned Automobile Liability provides the church protection for bodily injury or property damage resulting from an auto accident caused by someone driving a vehicle on the church's behalf in which

the church does not own or lease. Medical expense can be endorsed to provide medical payments for injuries to persons occupying the auto, regardless of fault.

**Recommended Policy Limit, Deductibles/Retention Levels:** Automobile Liability policy limits should be the same limits established in the church's General Liability policy. If a church, school or daycare has and operates 15-passenger vans, the minimal Automobile Liability policy limit should be \$1,000,000 per occurrence. See section 26.510 and 26.635 regarding important information on the use of 15-passenger vans.

## 26.245: Workers' Compensation

Workers' Compensation coverage is provided for bodily injury or disease (including resulting death) for employees who are injured on the job or disease caused by aggravated conditions of employment. Injury or disease must occur within the course of normal employment responsibilities. Workers' Compensation benefits are set by state statute and generally provide financial assistance for wage loss, medical and rehabilitation expenses and survivor benefits. States in which Workers' Compensation coverage cannot be purchased through a normal insurance policy are North Dakota, Ohio, Washington and Wyoming. These states are recognized as Monopolistic States and workers compensation coverage must be purchased through each state's workers compensation bureaus (also known as a state insurance fund).

**Recommended Policy Limit, Deductibles/Retention Levels:** Employer's Liability policy limits should be from \$500,000 to \$1,000,000 per coverage. Workers' Compensation policies for churches normally are written on a First Dollar/Guaranteed Cost basis and have no deductible requirements.

## 26.250: Umbrella or Excess Liability

Umbrella or Excess Liability coverage provides additional limits for scheduled and underlying lines of coverage for liability losses that exceed primary policy limits. An Umbrella Liability Policy helps protect the church against devastating effects of a large loss or lawsuit and will provide additional policy limits for the General Liability, Professional Liability, Automobile Liability and Employers' Liability (Workers Compensation) exposures. This coverage can be stand-alone or endorsed to a general liability policy.

**Recommended Policy Limit, Deductibles/Retention Levels:** Policy limits for an Umbrella policy should be established at high enough levels to cover the assets of the church's balance sheet and reflect the unique exposures of the organization. Exposures to consider are existing camps (day or overnight), missionaries, sponsored athletic activities, affiliated schools or daycare facilities or nursing homes. Please



consult the agent/broker in determining the appropriate Umbrella policy limit. There may be a policy retention amount — check with your carrier.

### **26.255:**

#### **Crime**

Theft of property is covered under a Special Cause of Loss Property policy. However, theft of money is covered under a Crime policy also sometimes referred to as a Fidelity Bond. Crime coverage is provided for loss of money or securities due to a loss or theft occurring either inside or outside the premises while in the care, custody or control of the church or an employee. Coverage is available in several forms:

- Theft, Disappearance and Destruction of Money and Securities
- Employee Dishonesty
- Depositors Forgery
- Credit Card Fraud

#### **Recommended Policy Limit, Deductibles/**

**Retention Levels:** Monies and security coverage should be purchased to cover, at minimum, the amount that is collected from normal weekly offerings and should also provide automatic limit increases for times when offerings are much higher than normal, such as Christmas or Easter. The church's policy limits should also be established to cover any exposure of loss for fundraising activities.

Employee Dishonesty limits should be adequate to cover employee theft loss that could occur over a period of time, the minimal policy limit to be considered should be \$500,000.

### **26.260:**

#### **Directors and Officers Liability**

Directors and Officers Liability coverage is for claims (either actual or alleged) arising from church's officials' obligations to act diligently, loyally and obediently. Coverage is applicable to the church or organization and the directors, officers, trustees, clergy and other elected or appointed members while acting within the scope of their duties. Coverage may be purchased by endorsement to the General Liability policy or as a separate Directors and Officers Liability policy.

Many states offer Directors and Officers of non-profit organizations limited immunity from personal liability. Please check with the church's legal counsel or with the agent/broker to see if immunity is available in your state. However, it is still strongly recommended that this line of coverage be purchased to protect the church from legal expenses that would accumulate with the defense of any allegations.

#### **Recommended Policy Limit, Deductibles/**

**Retention Levels:** Policy limits to \$1,000,000 per claim is recommended. Typically, the policy retention level will be at \$10,000 per claim.

### **26.265:**

#### **Employment Practices Liability**

Employment Practices Liability is offered to protect an employer from employment related claims such as discrimination, harassment, or wrongful termination. This coverage may be purchased by endorsement through the General Liability policy or in combination with a Directors and Officers Liability policy.

**Recommended Policy Limit, Deductibles/ Retention Levels:** Policy limits of \$1,000,000 per claim is recommended. Typically, the policy retention level will be at \$10,000 per claim.

### **26.270:**

#### **Educator's Legal Liability**

Educator's Legal Liability is provided for trustees (directors), officers, administrators, faculty, professional staff and other employees, student teachers, and non-compensated volunteers for their activities within the scope of their duties on behalf of the school, college or educational association/entity.

Educator's Legal Liability will provide coverage for lawsuits alleging such issues as failure to educate, student discrimination, wrongful termination or failure to hire or promote.

It is recommended that Corporal Punishment coverage also be purchased if a church has school, daycare or teaching exposures.

**Recommended Policy Limit, Deductibles/ Retention Levels:** Policy limits of \$500,000 to \$1,000,000 per claim is recommended. There may be a policy retention amount — check with your carrier.

### **26.300:**

#### **Optional Lines of Coverage to Consider**

The lines of coverage presented below are for the church's optional consideration. Please consult the agent or broker to determine if these policies are applicable to the church's unique exposures or already provided within your General Liability Policy.

### **26.305:**

#### **Legal Defense**

Legal Defense insurance is typically provided with a General Liability policy to cover legal costs of defending lawsuits against officials, employees and volunteers of the church, school, college, camp or daycare/childcare. An endorsement may be added to cover defense costs not otherwise covered.

### **26.310:**

#### **Medical Expense**

Medical Expense insurance is available through a General Liability policy to cover non-employees on the grounds of the church or attending an activity sponsored by the

church at any venue. Coverage includes congregational members, guests and volunteers. This coverage pays out regardless of fault.

### **26.315:**

#### **Travel and Assistance**

Travel and Assistance insurance is a separate insurance policy to cover exposures due to international travel that provides the combination of General Liability, Foreign Travel Accident and Sickness, Volunteer Workers Compensation/Employers Liability/Excess Repatriation, Automobile Liability and also has an optional endorsement for Kidnap and Ransom.

### **26.320:**

#### **Clergy Homeowner's Protection**

Clergy Homeowner's Protection is a separate insurance coverage for a clergy's residence (whether or not the residence is owned either by the church or the pastor OR whether the residence is a leased/rental property). This type of policy has additional coverage and features that go beyond the typical homeowner or renter's insurance policy.

## **26.400: Claims**

### **26.405:**

#### **Reporting a Claim**

Any claim, regardless of its type, should be reported to the insurance carrier as soon as possible and within 48 hours of its occurrence. Timely reporting allows the adjuster to investigate the claim while the events are still easy to document, allows for quicker resolution of a claim, and, if applicable, helps ensure proper medical attention and return to work solutions for those who have sustained bodily injury.

Claims can be reported to the insurance carrier by a number of methods:

- By telephone
- By fax
- By mail
- Through the internet (not all carriers will offer this service)
- By email
- By downloading the appropriate reporting forms (usually available through the internet)
- By notifying the church's agent/broker by one of the methods mentioned above

When the church needs to report a claim, there are several pieces of information that will need to be available to expedite the claim reporting process:

- The respective insurance policy number(s)
- The church's insurance account number (if known)

- The date and time of loss
- A detailed description of the claim or accident
- Name and phone number of a primary contact person whom the claims adjuster could call and ask questions about the claim

### **26.410:**

#### **Duties in the Event of a Claim**

The church's duties in the event of a claim include:

- Prompt notification of the loss
- Notification of authorities when the loss involves a crime
- Protection of property from further damage
- Protecting others from injury
- Cooperation with the insurance adjuster's investigation and settlement of the claim

If the church believes that a lawsuit or other legal action may be filed, is served with a Summons or Complaint, if the church fears legal action may arise, or if any significant injury has occurred, the insurance carrier should be contacted to seek advice, direction or file a notice of possible claim.

If an employee is injured, the loss must be immediately reported to the insurance carrier in order to report any medical attention received, file a First Report of Injury, allow time to gather facts and determine compensability. The First Report of Injury form will also allow the church to report any lost time, wage and benefit information that will be needed for wage and benefit payments.

### **26.415:**

#### **Loss Runs and Continual Claims Management**

It is good risk management practice for the church to receive detailed loss reports (a.k.a. loss run reports, loss summaries) from their insurance carrier on a quarterly or semi-annual basis. A detailed loss run can reveal a substantial amount of information as to the frequency and the severity of reported losses.

When requesting a loss report, the church should request, at minimum, the carrier to provide the following criteria within the report:

- Date the report is prepared (also known as the Valuation Date)
- Date of Loss
- Claim Number
- Claimant Name (parties involved)
- Description of Loss
- Type of Injury
- Status of Claim (Open or Closed)
- Financial position of each individual claim indicating:
  - \* Total Amount Reserved
  - \* Total Amount Paid to Date
  - \* Total Amount Incurred

Each line of coverage should have its own loss report and should be totaled by policy year.

When reviewing the church's loss report, procedures can be established to reduce, minimize or possibly eliminate losses that directly affect the church's insurance premiums. A review of the loss report can help identify and address the following:

- The types of claims the church incurs, e.g. lightning strikes, back strains, vehicle accidents, slips and falls
- The contribution factors that may cause or facilitate a loss, e.g. icy sidewalks, lifting too heavy items, improper driving
- Identify multiple claims by same claimant (person)
- How often (frequency) a claim occurs, e.g. three work comp claims, two property claims, five vehicle claims, 10 general liability claims; the frequency can be noted per month or per year
- How often or what types of claims result in an expensive (severity) claim
- If claims are a result of social events, maintenance/housekeeping, from the normal/ daily operations of the church, from vehicle use, or are weather-related

After a loss report is analyzed, the next step the church should take is to assess what steps can be taken to reduce the frequency and/or severity of the incurred claims through:

- Loss control measures
- Changes in housekeeping practices
- Driver training
- Ergonomic changes
- Promoting safety awareness throughout the church, school, daycare, camp or any other facility related to the church.

## 26.500: Loss Control and Safety

### 26.505: Safety in The Church

Daily and normal activities can expose the church, school, daycare and other church-related entities to numerous injuries that can range from minor first aid to severe or even life-threatening situations. Many of these injuries can be avoided or minimized by incorporating some basic safety planning. Safety awareness can easily become part of any church beginning with these simple steps:

- Establish a church safety committee and include individuals such as clergy, leaders of the congregation, janitorial staff, employees and volunteers. These individuals should meet periodically throughout the year to complete and review safety inspections, identify potential risks and introduce safety as part of the daily operations of the church.
  - Fully equipped first aid kits should be purchased and made accessible for use in the event of an accident. Kits should be visibly located in the kitchen, nursery, staff office and maintenance areas.
  - Offer or make available CPR classes to staff and congregational members. This can be coordinated through the local Red Cross.
  - Consider purchasing one or more AED units. Quantity and placement should be sufficient for the size, layout and usage of your property.
  - A list of emergency phone numbers should be posted alongside each first aid kit. Numbers to be included are police, ambulance, fire department, poison control center and local hospital/emergency centers.
  - Establish procedures on how to handle an emergency situation. Provide the training for these procedures, as well as fire and tornado drills.
  - Post emergency exit routes throughout the building and in each (class)room of the church, school, daycare or related building.
  - Perform regular inspections of the church's buildings and grounds. The use of an inspection checklist is recommended in order to document any maintenance or repairs that need to be performed.
  - Make sure all fire extinguishers have been inspected within the last year. Also, be sure that the correct type of extinguisher is available for the exposure for which the extinguisher will be used. There are four types of fire extinguishers:
    - **Type A** extinguishers are for ordinary combustibles such as paper, wood, cloth, or trash.
    - **Type B** extinguishers are for flammable liquids such as gasoline, paint, oil, tar and grease.
    - **Type C** extinguishers are for use on electrical fires.
    - **Type K** extinguishers are for use in kitchens and on combustible cooking media.
- Because of their versatility, it is recommended that a Class ABC fire extinguisher be used throughout the church, except in the kitchen. A Class ABC fire extin-

guisher can be used on type A, B and C fires. Type K should only be used in the church kitchen.

- Inspect all tools, lawn equipment, playground equipment, sporting equipment, watercraft, piers, stairs, bleachers, gymnasiums, toys, etc., to ensure that they are in good and maintained condition.
- Check and/or replace all light bulbs and smoke alarm batteries every six months.
- During winter months, keep parking lots, sidewalks, stairs and entryways free of snow, ice and puddles of water. Avoid excess salting of walkways since the loose salt can also create a slip and fall exposure.
- Limit access of master keys to appropriate personnel.
- Use deadbolt locks, safes, vaults, outside lighting and alarm systems to reduce or deter theft losses.

For additional safety tips, training, checklist, and other loss control/safety assistance, please contact the agent/broker.

## 26.510:

### Vehicle Safety and 15-Passenger Vans

#### ■ Vehicle Safety

Every congregation should recognize the potential for serious injury or death and the losses that both the employee and church could incur as a result of a vehicle accident.

All potential drivers should be screened before operating a church vehicle. The screening process includes the verification of a valid driver's license and a Motor Vehicle Report (MVR) to check a driver's record. All existing drivers should be screened every two years to remain eligible to drive church vehicles. The screening process is the same as a new or potential driver. Copies of the Driver Evaluation and Motor Vehicle Request forms should be maintained on file.

The National Safety Council states "defensive driving means driving safely, in spite of surrounding conditions and the actions of other drivers or pedestrians." This section presents key elements of defensive driving and is the basis of the driver-training program.

- No driver shall use the cell phone while driving the vehicle. All calls and texts must be made when the vehicle is stopped.
- Employees traveling in motor vehicles on church business should wear safety belts.
- Drivers should be or become familiar with a vehicle before driving. Vehicle familiarization includes knowing the location and operation of all safety devices and dashboard controls including: temperature gauge, horn, wiper controls, turn signals, head lights, rear window defroster, hazard lights.
- Weather conditions can contribute significantly to the risk of an automobile accident. Glare, fog, rain, snow or ice can make driving conditions more hazardous. Actions to take in the event of severe weather include:
  - \* If visibility is poor, reduce speed or pull to the side of the road. If glare is a problem, use the vehicle sun visor and sunglasses.

- \* Use headlights, set to low beam, when driving in fog, rain or snow.
- \* Reduce speed when traveling in icy conditions.
- \* If the vehicle starts to skid, **DO NOT HIT THE BRAKES!** Release the accelerator and turn the steering wheel in the direction the vehicle should be moving.
- \* If the vehicle ahead is not leaving tire tracks, slow down to prevent hydroplaning.
- Driving under the influence of alcohol or illegal drugs is against the law and is expressly forbidden.
- Watch out for impaired drivers on the road. Avoid drivers who appear to be impaired. Remember that the most dangerous time to drive is after midnight on Saturdays. Signs of an impaired driver include:
  - \* Erratic braking
  - \* Weaving
  - \* Speeding or driving very slowly
  - \* Crossing lines on roadways
  - \* Delayed reaction to traffic signals
  - \* Driving with head out of window or with window rolled down in cold weather
  - \* Stopping for no apparent reason
- Awareness of other drivers is a key element of defensive driving. This includes passing, meeting oncoming traffic, yielding right-of-way at intersections, following vehicles and watching for small vehicles.

#### ■ 15-Passenger Vans

Ministries with 15-passenger vans that do not comply with current standards should consider replacing them with mini-buses or properly equipped larger vans. Fifteen-passenger vans typically have seating positions for a driver and 14 passengers. Generally, they are used to transport sports teams to games, field trips, short trips and outings related to church, school and daycare operations. It is important to note that some states prohibit the use of 15-passenger vans for transporting students.

Statistics show that wearing seat belts reduces the risk of serious injury and fatality in the case of a rollover crash. Organizations that own 15-passenger vans should have a written seat belt use policy. Drivers should be responsible for enforcing the policy.

Research conducted by the National Highway Traffic Safety Administration (NHTSA) has found that the risk of a rollover crash is greatly increased when 10 or more people ride in a 15-passenger van. This increased risk occurs because the passenger weight raises the vehicle's center of gravity and causes it to shift rearward. As a result, the van has less resistance to rollover and handles differently from other commonly driven passenger vehicles, making it more difficult to control in an emergency situation. Placing any load on the roof also raises the center of gravity and increases the likelihood of a rollover. A rollover crash is a complex event, heavily influenced by driver and road characteristics as well as the design of the vehicle. In studies of single-vehicle crashes, NHTSA has found that more than 90 percent of rollovers occur after a driver has lost control of the vehicle and

has run off the road. Three major situations can lead to a rollover in a 15-passenger van:

- **The van goes off a rural road.** If this occurs, the van is likely to overturn when it strikes a ditch or embankment.
- **The driver is fatigued or driving too fast for conditions.** A tired driver can doze off and lose control. The driver can also lose control when traveling at a high speed causing the van to slide sideways off the road. The grassy or dirt medians that align highways can often cause the van to overturn when the tires dig into the dirt.
- **The driver overcorrects the steering as a panic reaction to an emergency or to a wheel dropping off the pavement.** Especially at freeway speeds, this situation can cause the driver to lose control, resulting in the van sliding sideways and rolling over.

Because most rollover crashes don't involve other vehicles, they are often preventable. Here are some tips for drivers to minimize the risk of a rollover crash and serious injury:

- Avoid conditions that lead to a loss of control. Never drive while under the influence of alcohol or other drugs. Make sure you are well rested and attentive, and always slow down if the roads are wet or icy.
- Drive cautiously on rural roads. Be particularly cautious on curved rural roads and maintain a safe speed to avoid running off the road.
- Know what to do if your wheels drop off the roadway. If your wheels drop off the roadway, or pavement, gradually reduce speed and steer back onto the roadway when it is safe to do so.
- Properly maintain your tires. Age of tires can affect safety regardless of tread life and appearance! Make sure tires are properly inflated and the tread is not worn down. Worn tires can cause the van to slide sideways on wet or slippery pavement. Improper inflation can cause handling problems and can lead to catastrophic tire failures, such as blowouts. Therefore, check tire pressure and tread-wear once a month.
- Other considerations for safe driving:
  - \* When a 15-passenger van is not full, passengers should sit in seats that are in front of the rear axle.
  - \* More than 15 people should never be allowed to ride in a 15-passenger van.
  - \* Because a 15-passenger van is substantially longer and wider than a car, it:
    1. Requires more space and additional reliance on the side-view mirrors for changing lanes
    2. Does not respond as well to abrupt steering maneuvers
    3. Requires additional braking time

Many insurance companies are requiring any driver of a 15-passenger van to comply with new guidelines for

the transportation of individuals for various events, trips and/or functions. Any driver for a church, school, day-care or related entity who transports children by use of a 15-passenger van during caregiving hours must obtain a Commercial Driver's License (CDL) or a Chauffeur's License and comply with all state mandated requirements.

Defensive Driving Instructional Courses are also being imposed by insurance carriers. A Defensive Driving course offers the education and training necessary to properly respond to and react accordingly in case of an accident for any driver who will operate a 15-passenger van. Several vendors through an Internet-based program at various rates offer many courses.

Please contact the agent/broker to see if the church is required to comply with Defensive Driving Instruction and to make the appropriate arrangements.

## **26.600: General Information**

### **26.605: Additional Insured and Loss Payee Rights**

An Additional Insured is an individual or entity that is not automatically included as an insured under the policy of another, but for whom the named insured's policy provides a certain degree of protection. An endorsement is typically required to effect additional insured status. The named insured's impetus for providing additional insured status to others may be a desire to protect the other party because of a close relationship with that party (e.g. employees or members of an insured club) or to comply with a contractual agreement requiring the named insured to do so (e.g. customers or owners of property leased by the named insured).

Loss Payee status is where an individual, company, entity or organization is named in an insurance policy to be paid in the event of loss or damage to property that is insured by the church but legally owned by another party. Loss Payee status is granted through a multi-peril property policy for any items that are leased, rented or borrowed from another/third party. Loss Payee rights should be granted only to those who have an ownership interest in the particular property.

### **26.610: Waivers of Subrogation**

Waiver is the intentional or voluntary relinquishment of a known right. Subrogation is the contractual right of an insurance carrier to "step into the shoes" of its insured in order to recover claim payments it has made due to the negligence of a third party. Subrogation commonly appears in construction contracts and insurance contracts

When the church agrees to a Waiver of Subrogation, either through a contract or by way of a Certificate of Insurance, it is giving up the right to pursue a right of

recovery (indemnification) from a negligent party who caused the loss. When the church is presented with this language in a contract or is requested to provide this stipulation with a Certificate of Insurance, it is advisable to consult the agent/broker to discuss the exposures at hand, identify any liability/negligence that could occur, and then determine if the waiving of recovery rights is prudent.

### **26.615: Tort Liability**

A tort is a violation of another person's rights usually due to negligent acts or omissions. A tort is subject to civil action and subsequent judgement for damages payable to the wronged party. There are three bases for legal action under tort law: Intentional Acts, Strict Liability, and Negligence. Please see **Section 16.650 Glossary of Insurance Terms** for a definition of these terms.

The legal nature of today's society no longer provides the church "charitable immunity" from their actions. Lawsuits against the church can be disabling or financially damaging due to the increasing awards churches are directed to pay. The most common form of legal action that is taken against the church today involves torts or breach of contract.

It is advisable to discuss any and all exposures, operations and obligations of the church with the insurance agent/broker in order to prevent or reduce any possibility of finding the church involved in a lawsuit.

### **26.620: Volunteers**

Volunteers can be a church's greatest asset or its biggest legal liability. Exposures a volunteer can create are similar to an employee of the church since they can be injured while they are working or they can cause injuries for which the church can be vicariously liable. However, volunteers can create an even greater exposure as compared to an employee:

- Workers compensation laws do not protect volunteers. Therefore, the church is exposed to potential lawsuits in case of injury.
- Volunteers frequently work many hours longer than a regular employee. In addition to this, volunteers are often undertrained, under-skilled and underequipped to perform the tasks set before them.

The Volunteer Protection Act of 1997 provides immunity from lawsuits against a volunteer where the claim alleges careless injury occurring as a result of the volunteer acting within the scope of their responsibilities. The immunity protects the volunteer only from claims alleging negligence and not gross negligence, willful or criminal misconduct, reckless misconduct or conscious flagrant indifference to the rights or safety of another individual.

Most claims against a church's volunteer include supervision of the volunteer, condition of the church's premises or the use of automobiles. The following "tips" can help reduce the church's liability exposures from volunteer workers:

- Select a capable person for completing the task at hand.
- Hire professional services for dangerous, special or difficult jobs.
- Provide a level of training and supervision.
- Carefully select any person who may work with children. Implement and maintain a thorough back-ground screening process.
- Perform a Motor Vehicle Records check on volunteers that drive a church-owned vehicle.
- If a volunteer uses their personal vehicle for church-related duties, a copy of the volunteer's personal automobile policy Declarations page should be on file.

The General Liability policy protects the church against bodily injury or property damage claims. Most insurance carriers that specialize in insuring ministries provide liability for volunteers in the General Liability policy — check with your carrier.

### **26.625: Missionaries**

A missionary is defined as a person who has been called to a ministry and who has crossed geographical and/or cultural boundaries to preach the Gospel and meet other forms of human need.

A missionary can present the same forms of exposures as an employee or volunteer, but if a missionary travels to a foreign country, there are additional exposures that can be created due to individual country laws, cultures and political conditions. As a sponsor of a missionary, the church should want to make every effort to ensure the safety of their missionary. Examples of risks include (this list is not complete):

- \* Accidents
- \* Property loss
- \* Negligence or intentional wrongdoing
- \* Crimes
- \* Terrorism or war
- \* Contagious disease
- \* Floods, earthquakes or other natural disasters
- \* Acts by foreign governments
- \* Unsafe travel conditions

The church can prepare any missionary for international travel through some advanced planning and an orientation process before any trip. Suggested travel tips would include:

- Create an Emergency Identification Kit, including photocopies of passports, phone number of U.S. embassy, driver's license, social security card, prescriptions, as well as any bank account numbers and a credit card. A copy of the missionary's travel itinerary should also be included.
- Find out the most recent travel security information that would pose risks to a missionary's security via the Overseas Security Advisory Council: [travel.state.gov/travel\\_warnings](http://travel.state.gov/travel_warnings).
- Have the missionary undergo a full medical checkup six weeks before departure consisting of physical and

dental examinations. Make sure all shots have been administered and are up-to-date.

- Have any prescriptions sufficiently filled to provide a supply for an extended stay. A copy of all prescriptions should be included in the Emergency Identification Kit along with any special medical conditions (allergies, etc.) and blood type.
- Ensure that all missionaries have personal insurance that will extend coverage for medical treatment in foreign countries, accidental death and dismemberment, medical assistance, emergency evacuation and repatriation. Coverages can also be obtained to cover not only medical expenses, but also medical/political evacuation, repatriation, travel expenses, liability exposures and kidnap and ransom. (Faithventures.com is one such resource.)
- Advise the missionary to make flight and lodging arrangements in their name and not the name of the church. A copy of their travel itinerary should be left with a close family member or friend.
- Advise missionaries to dress inconspicuously, eliminate jewelry and wear clothing that is void of any logos or designer labels that would attract unwelcomed company.
- Each piece of luggage should have two identification labels. The first label should be attached to the case handle and the second label should be placed/fixed inside the case. Use only the first initial and last name on the label and do not include the church's name or denomination. It is recommended that churches who have foreign travel exposures contact their agent/broker and inquire about a foreign property, liability- and travel insurance package policy.

### **26.630: Contractors and Certificates of Insurance**

The church needs protection from legal liability claims that could arise from a contractor's work or product that may cause injury or property damage. Having a certificate of insurance on file, serves as proof of insurance but does not necessarily transfer the church's risk of liability to the contractor's insurance. In order to transfer the risk of liability, it is recommended that the church obtain a written agreement from the contractor(s) in which the contractor(s) agree to indemnify the church for any injuries or damages related to the work performed by the contractor(s). A certificate of insurance should be obtained from every contractor who provides services to the church and the church should be named as Additional Insured.

A properly executed certificate of insurance will be issued on an ACORD 25 form and will contain the following criteria:

- \* Date of issue
- \* Name of insurance company(s)
- \* Name and address of agent/broker
- \* Name of insured (church)
- \* Types of insurance policies with coverage terms indicated

- \* Policy numbers
- \* Policy effective dates
- \* Policy limits
- \* Policy deductibles and/or retention levels
- \* Certificate Holder name and address
- \* Cancellation clause
- \* Any additional insured or loss payee language
- \* Description of event or why certificate is issued
- \* Signature of authorized representative

All certificate of insurance requests can be made directly to the church's agent/broker for processing.

### **26.640: The Church Website**

The church website is one of the fastest-growing methods through which a congregation can advertise its presence in the community, solicit donations for the church or charities, communicate upcoming events, and advise church members as well as the public about any information it wishes to present. Maintaining a website can also expose a church to a variety of criminal (illegal speech, privacy issues, etc.) and civil (libel, slander, defamation, etc.) sanctions if it is not careful. There should be limitations as to who can access the website. Also, monitoring the site on a regular basis, establishing security measures and using disclaimers is strongly suggested.

Personal information such as an individual's personal information, email address, age, illness, occupation, photograph or verbal statements should never be displayed without express written permission. Parental permission should be obtained prior to posting photographs of minor children to a church's website; combined first and last names should never be used.

Please be mindful when posting any type of information regarding youth and related activities as sexual predators have been known to monitor church websites when planning or seeking opportunities to become close, near or be involved with young children.

Advertising that a congregation requires a six-month waiting period before someone can volunteer or that a congregation actively pre-screens volunteers by performing background checks will deter or "run off" possible predators.

When designing or planning a church website, it is in the best interest of the church to consult their agent/broker and legal counsel during these early stages in order to reduce any liability.

### **26.645: Laborers For Christ**

Laborers For Christ is an organized group of dedicated Christians who volunteer their retirement time to work for the congregations, schools and social ministry organizations of The Lutheran Church—Missouri Synod that undertake the construction of their own buildings.

Many churches, schools and organizations have used the services of Laborers For Christ to build, remodel, renovate or expand their buildings. There are special insurance

and development procedures that are required for these projects. If the church is interested in considering this form of expansion, please contact

Laborers For Christ  
c/o Lutheran Church Extension Fund  
10733 Sunset Office Drive  
St. Louis, MO 63127  
1-800-854-4004 Ext. 6441

## 26.650:

### Sexual Misconduct/Abuse

Churches are obligated to protect their youth and congregation and preserve the mission and ministry of the organization. Claims, allegations, defense costs and lawsuits for Sexual Misconduct/Abuse are increasing at exponential rates. Settlements and courtroom judgements range anywhere from a few thousand dollars to multi-millions. These crimes and unfavorable publicity warrant the church to adopt proactive screening and prevention procedures that can help safeguard its younger church members as well as the church itself.

The importance of screening at the hiring or prior to volunteering stage cannot be overstated — especially when a church is fulfilling positions that require regular contact with young children, youth and vulnerable individuals. It has been shown that many of the Sexual Misconduct/Abuse cases would not have occurred if a church had screened out known offenders during their search. No church can be absolutely certain that sexual abusers of children are identified, but screening and prevention methods are highly successful in the reduction and elimination of potential exposures. Screening and prevention procedures include:

- National criminal background checks for previous sexual/abusive conviction.
- Verification of previous employers and employment.
- Verification of current and previous residences.
- Written prevention plans distributed, acknowledged and practiced by both new and existing employees and volunteers.
- Waiting periods for new employees and volunteers prior to contact with minors.
- It is recommended that churches and other related ministries screen all employees (regardless of position) and volunteers who work with children, youth or vulnerable adults using the following tools:
  - \* National background check
  - \* An application that inquires about sexual misconduct and/or criminal history (as allowed for by law) as well as traits or tendencies that pose a threat to vulnerable individuals
  - \* A personal interview and
  - \* References that are checked by ministry leaders

Insurance carriers today are adamant that churches initiate and maintain some form of preventative action against Sexual Misconduct/Abuse. Some carriers are requiring national background checks and written prevention plans in order to maintain policy limits and

coverage. Failure to comply with these requirements result in the termination of Sexual Misconduct coverage. In addition to this, many churches are now faced with complying with privacy issues of many individuals as they deal with national criminal background checks and confidential personnel matters.

There are a number of resources available to the church that offer screening tips, a variety of background services, reference materials, websites, sample policies, release forms and advice on how to structure a sound and proactive Sexual Misconduct/Abuse program. The primary insurance carriers for congregations, Brotherhood Mutual ([brotherhoodmutual.com](http://brotherhoodmutual.com)), Church Mutual ([churchmutual.com](http://churchmutual.com)) and Guide One Insurance ([guideonecenter.com](http://guideonecenter.com)) provide excellent tools for any church that will need assistance in structuring a Sexual Misconduct/Abuse preventative program.

Insurance carriers often recommend that ministries utilize the Two Adult Rule to create accountability to help prevent and deter not only misconduct, but also to reduce the ability for any false accusations to be made. The Two Adult Rule requires that two screened and unrelated adults be present at every function and in each classroom, vehicle or other enclosed area during all activities involving children, youth or vulnerable adults. When the Two Adult Rule cannot be supported, ministries are encouraged to require the Rule of Three to be followed. The Rule of Three requires at least three individuals (at least one being an adult employee or volunteer) be present. The goal is that no one adult should ever be alone with one child or youth. The age and capacity of the children being supervised should be taken into consideration when utilizing the Rule of Three. It may not be appropriate for one screened adult to be with two toddlers as there would be no accountability regarding the adult's actions. Similarly, one screened adult should not be alone with a youth volunteer and a very young child as there would be no accountability regarding the interactions between the adult and youth volunteer. It is good risk management to require children to be over five years old when considering the Rule of Three, with the Two Adult Rule being preferred for younger children.

The LCMS Group Purchasing Agreement program (formerly known as National Contract Program) offers vendors that can also assist any congregation that is in search of a background check vendor (see Chapter 15). As always, each church should also contact its insurance agent or broker for additional assistance.

## 26.655:

### Glossary of Insurance Terms

**Accident:** An unplanned event definite as to time and place that causes bodily injury or property damage.

**Actual Cash Value (ACV):** Replacement cost of property of comparable kind and quality less depreciation and deterioration.



**Agency:** An office where insurance is sold. It may be directed towards property and liability insurance or life and health insurance, or both. Also, it might be an independent organization or a company subsidiary group.

**Aggregate Limit:** The maximum amount of protection for all losses occurring under an insurance policy or funding arrangement during the specified term of the contract (usually one year).

**Avoidance:** A risk control technique whereby risk of loss is prevented in its entirety by not engaging in activities that present the risk.

**Breach of Contract:** The failure, without legal excuse, to perform any promise that forms the whole or part of a contract and causes injury (either bodily, property, or financial loss) to the promised party.

**Certificate of Insurance:** A document issued by an insurer that evidences that an insurance policy exists and provides information such as insurer, agent/broker, insured, types of insurance, policy numbers, effective dates, limits, certificate holder, cancellation procedure, special provisions, additional insured, etc.

**Commission:** A certain percentage of premium produced that is retained as compensation by insurance agents and brokers.

**Compensatory damages:** Money awarded in a civil lawsuit to make an injured person whole, including recompense for damaged property, lost wages or profits, pain, bereavement, medical expenses, etc.

**Contractual liability:** Liability of another party assumed under a contract or agreement, either expressed or implied, as opposed to liability incurred directly, as in tort.

**Cost of risk:** All components that are allocated to cover losses and expenses. Usually includes insurance premiums, retained losses, risk management department costs and outside services (such as consultants). Can also include loss of productivity, cost of overtime and opportunity costs.

**Deductible:** An amount specified in an insurance policy that is subtracted from a loss in determining the amount of insurance recovery.

**Earned premium:** The amount of the premium that is allocated to the expired portion of the policy.

**Estimated premium:** The amount of premium charged at the time a policy is issued. This amount may be subject to adjustment during the policy term in case of changes in coverage or additional underwriting information.

**Experience rating:** Describes any plan that uses the past loss experience and exposure levels of the individual risk as a basis of determining premiums.

**Exposure:** (1) Units used to measure loss costs. Typically, payroll is used for workers compensation, number of vehicles for auto liability, revenue for general liability and number of units in service for product liability. Forecasts of exposure can be used to forecast future losses. (2) The

state of being subject to loss because of some hazard or contingency. (3) A situation, practice, or condition which might lead to a loss; an activity or resource (assets, people).

**Fortuitous event:** An event subject to change without the implication of suddenness.

**Frame construction:** Exterior walls of wood, brick veneer, wood ironclad, stucco on wood.

**Frequency:** (1) The number of claims per unit of exposure. (2) The number of times an incident occurs. (3) The likelihood that a loss will occur; usually expressed as low or high frequency.

**Guaranteed cost:** Premiums charged on a prospective basis, but never on the basis of loss experience during the policy period. These types of policies usually have no deductible.

**Hired Automobile:** Any auto that is loaned, leased or rented or is used under contract to be used in the course of the organization.

**Hold harmless agreement:** A provision in a contract that requires one contracting party to assume responsibility for specified legal liabilities of the other party, e.g. bodily injury or property damage.

**Incident:** An event that occurs during ministry that may become a loss or claim.

**Incurred losses:** The total amount of paid claims and loss reserves associated with a particular period of time, usually a policy year. Generally, incurred losses are the actual losses paid and outstanding, interest on judgement, expenses incurred in obtaining third-party recoveries, and allocated loss adjustment expenses for employer's liability losses.

**Indemnify:** To make compensation to an entity for incurred hurt, loss, or damage; restore to original position.

**Insurance:** A formal social device for reducing risk by transferring the risks of several individual entities to an insurer. The insurer agrees, for a consideration, to assume, to a specified extent, the losses suffered by the insured.

**Insured:** The person(s) protected under an insurance contract.

**Insurer:** The insurance company.

**Intentional Acts:** Injury caused to a person or property that is the result of a state of mind in which a person seeks to accomplish a given result through a course of action.

**Joint and several liability:** A legal doctrine applying in some states that allows an injured person to sue and recover the full amount from any one or more several wrongdoers at his option, regardless of that wrongdoer's degree of negligence.

**Jointed Masonry construction:** Exterior walls of masonry material (adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile or similar materials), with combustible floor and roof.

**Kidnap-Ransom Insurance:** This insurance covers named employees for individual or aggregate amounts paid as ransom.

**Layering:** The building of an insurance contract by steps, using the excess of loss approach, whereby one insurer writes in excess of lower limits accepted by other insurers.

**Loss:** (1) The basis of a claim for damages under the terms of an insurance policy. (2) Loss of assets resulting from pure risk; a reduction in value.

**Loss control:** A risk management technique that seeks to reduce the frequency of losses and/or reduce the severity of those that do occur. Also called Risk Control.

**Loss development:** The difference between the original loss as originally reported to an insurer and its subsequent evaluation at a later date or at the time of its final disposal.

**Loss report:** A listing of reported claims, providing such information as the date of occurrence, type of claim, amount paid and amount reserved for each as of the report's valuation date.

**Loss reserve:** An estimation of the liability for unpaid claims that have occurred as of a given date, including those losses incurred but not yet reported, losses due but not yet paid, and amount not yet due.

**Masonry noncombustible construction:** Exterior walls of masonry material (adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or similar materials), with floor and roof of metal or other noncombustible materials.

**National Council on Compensation Insurance (NCCI):** An association of insurers selling compensation coverage and operating as a rating organization. NCCI collects statistics, develops rates and policy forms and makes state filing for its members. It is involved only with workers compensation and does not operate in all states.

**Negligence:** The failure to use that degree of care that is considered to be a reasonable precaution under the given circumstances. Acts of either omission or commission, or both, may constitute negligence.

**Noncombustible construction:** Exterior walls, floor and supports made of metal, asbestos, gypsum or other noncombustible materials.

**Non-insurance risk transfer:** The transfer of risk from one party to another party other than an insurance company. This risk management technique usually involves risk transfers by way of hold harmless or indemnity provision in contracts and is also called "contractual risk transfer."

**Non-Owned Automobile:** Any auto that is used on the behalf of the organization for business and is registered to a third party, such as clergy, officers, directors, congregational members, volunteers or employees.

**Occurrence:** An accident, including similar continuing events.

**Outstanding losses:** Calculated by subtracting paid losses from incurred losses. Represents the remaining liability to be paid on a group of losses.

**Paid losses:** The amount actually paid in losses during a specified period of time, not including estimates of amounts/reserves that will be paid in the future for losses occurring in the specified period.

**Peril:** A "cause" of loss; an event that may be the cause of loss.

**Punitive damages:** Damages in excess of those required to compensate the plaintiff for the wrong done, which are imposed in order to punish the defendant because of the particularly wanton or willful character of the wrongdoing.

**Reinsurance:** The practice whereby one part, the "reinsurer," in consideration of a premium paid to it, agrees to indemnify another party, the "reinsured," for part or all of the liability assumed by the reinsured under a policy or policies of insurance that it has issued.

**Replacement cost:** Amount of money paid to replace damaged or destroyed property with similar new property.

**Risk:** (1) Chance of loss. (2) Uncertainty concerning loss. (3) A possibility of a variation of outcomes from a given set of circumstances.

**Risk control:** The technique of minimizing the frequency or severity of losses with training, safety and security measures.

**Risk management process:** A system for treating pure risk: identification and analysis of exposures, selection of appropriate risk management techniques to handle exposures, implementation of chosen techniques and monitoring the results.

**Self-insured retention:** A dollar amount specified in an insurance policy that must be paid by the insured before the insurance policy will respond to a loss.

**Strict Liability:** Liability "without fault" that makes some persons responsible for damages that their actions or products cause, regardless of any fault on their part.

**Subrogation:** The right of a person to assume a legal claim of another; the right of a person who has paid a liability or obligation of another to be indemnified by that person; an insurer's substitution in place of the insured in regard to a claim against a third party for indemnification of a loss paid by the insurer.

**Third party administrator:** A claims administrator or insurance company that processes claims on behalf of a self-insured organization.

**Tort:** A liability wrongful act which involves the breach of a legal duty of care owed to an individual, resulting in harm thereto.

**Transfer of risk:** A risk management technique whereby risk of loss is transferred to another party through a contract, e.g., a hold harmless agreement, or to a professional risk bearer, i.e., an insurance company.

**Ultimate losses:** Total losses that will have been paid when all claims have reached final settlement.

**Unfunded reserves:** Not having sufficient sums of money or any sum of money to meet future liabilities.

**Vicarious liability:** The imposition of liability on one party for the actionable conduct of another, based solely on a relationship between two parties.

**Volunteer:** A person who performs services for another, receiving no compensation in return for such services.

**Waiver:** The surrender of a right or privilege.

## 26.660:

### Helpful Websites

The websites presented below are to assist any individual who wishes to have available references on hand when addressing the exposures and insurance of the church. The websites are not presented in any preferential order and The Lutheran Church—Missouri Synod does not endorse or promote any information that may be contained in any of the sites presented below. The LCMS also does not represent that any of the suggested sites are accurate or consistent with the doctrines and positions of the LCMS.

<a href="http://alertdriving.com">alertdriving.com</a>	Motor Vehicle Reports and Defensive Driving Course
<a href="http://ambest.com">ambest.com</a>	A.M. Best Rating Information
<a href="http://brotherhoodmutual.com/resources/safety-library">brotherhoodmutual.com/resources/safety-library</a>	Safety resources from Brotherhood Mutual Insurance Company
<a href="http://brotherhoodmutual.com/legalassist">brotherhoodmutual.com/legalassist</a>	Complimentary legal/risk mgmt. service by Brotherhood Mutual
<a href="http://churchlawandtax.com">churchlawandtax.com</a>	Church Law and Tax resources – some free, some by subscription
<a href="http://churchmutual.com/98/Safety-Resources">churchmutual.com/98/Safety-Resources</a>	Safety resources from Church Mutual Insurance Company
<a href="http://guideone.com/safety-resources">guideone.com/safety-resources</a>	Safety resources from GuideOne Insurance Company
<a href="http://insurance.about.com">insurance.about.com</a>	Guide to the Insurance Industry
<a href="http://nhtsa.gov">nhtsa.gov</a>	National Highway Traffic Safety Administration
<a href="http://nsc.org">nsc.org</a>	National Safety Council
<a href="http://nonprofitrisk.org">nonprofitrisk.org</a>	Non Profit Risk Management Center
<a href="http://travel.state.gov">travel.state.gov</a>	Overseas Security Advisory (foreign risk exposures)
<a href="http://insurancenewsnet.com/topics/property-casualty-news">insurancenewsnet.com/topics/property-casualty-news</a>	Property and Casualty Insurance Information
<a href="http://nasdpts.org">nasdpts.org</a>	School Transportation News (state laws on van use)
<a href="http://workerscompensation.com">workerscompensation.com</a>	Workers Comp First Report of Injury Forms





### Sample 3

#### Property Exposure Schedule

Performed (insert date)

Name of Church: \_\_\_\_\_

<b>General Information:</b>			
Building Number			
Street Address			
City			
State			
County			
ZIP Code			
Earthquake Zone			
Flood Zone			
<b>Policy Limit Information:</b>			
Building Value			
Contents Value			
Business Interruption and Extra Expense Coverage			
Total Values			
<b>Building Information:</b>			
Construction of Building	<input type="checkbox"/> Masonry <input type="checkbox"/> Non Combustible <input type="checkbox"/> Joisted Masonry <input type="checkbox"/> Steel Concrete	<input type="checkbox"/> Steel <input type="checkbox"/> Frame <input type="checkbox"/> Glass <input type="checkbox"/> Modified Fire Resistive	<input type="checkbox"/> Metal <input type="checkbox"/> Brick <input type="checkbox"/> Other
Year Built			
Occupancy/Use of Building	<input type="checkbox"/> Church <input type="checkbox"/> Classroom <input type="checkbox"/> Sports	<input type="checkbox"/> Bookstore/Library <input type="checkbox"/> Storage <input type="checkbox"/> Recreational	<input type="checkbox"/> Maintenance <input type="checkbox"/> Other
Occupied Square Feet			
Type of Electrical Wiring			
Construction of Roof			
Number of Stories			
Sprinkler System?	YES/NO		
Smoke Alarms?	YES/NO		
Type of Protection Systems?			
Distance to Nearest Fire Hydrant or Water Source			
<b>Liability Information:</b>			
Number of Employees			
Number of Students			
Number of Patients			
Number of Daycare Children			

■ Does the church own any vacant land? (Please provide address or legal description, number of acres and use of described property) \_\_\_\_\_

■ Additional liability exposures (cemeteries, swimming pool, nearby lakes, advertising, etc.): \_\_\_\_\_

■ Name and address of Certificate Holder/Additional Insured/Mortgagee/Loss Payee: \_\_\_\_\_

**Sample 4**  
**Automobile Inventory/Exposure Schedule**

PRM#	Year	Make	Model	VIN#	Garage Address	Garage City	State	ZIP	Cost New	License #
1	2018	Buick	LaCrosse	1G4HR54K82U12345	1333 S. Kirkwood Road	St. Louis	MO	63122	\$32,500	123 ABC
2	2010	Dodge	Caravan	1B4GH4436SX12345	1333 S. Kirkwood Road	St. Louis	MO	63122	\$24,000	456 XYZ
3	2008	Chevrolet	Impala	2G1WL54T8M12345	1333 S. Kirkwood Road	St. Louis	MO	63122	\$20,000	789 KLM
4	2003	Dodge	RAM Van 2500	2B4HB25Y1VK12345	1333 S. Kirkwood Road	St. Louis	MO	63122	\$21,500	040 AGA
5	2003	Dodge	RAM Van 2500	2B7HB21Y1VK12345	1333 S. Kirkwood Road	St. Louis	MO	63122	\$19,000	861 JUL

## Sample 5

### Business Interruption/Extra Expenses Worksheet

■ List the organization's monthly income:

January	\$ _____	July	\$ _____
February	\$ _____	August	\$ _____
March	\$ _____	September	\$ _____
April	\$ _____	October	\$ _____
May	\$ _____	November	\$ _____
June	\$ _____	December	\$ _____

**Total of all Months** \$ \_\_\_\_\_

■ List the organization's monthly payroll:

January	\$ _____	July	\$ _____
February	\$ _____	August	\$ _____
March	\$ _____	September	\$ _____
April	\$ _____	October	\$ _____
May	\$ _____	November	\$ _____
June	\$ _____	December	\$ _____

**Total of all Months** \$ \_\_\_\_\_

■ List the organization's monthly regular/fixed expenses:

_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____

**Total of all Months** \$ \_\_\_\_\_

■ If a catastrophic loss occurs, does the church plan to continue operations during the restoration period? \_\_\_\_ If yes, then list the extra expenses that would be incurred to maintain operations during the rebuilding/repair period:

_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____

**Total of all Months** \$ \_\_\_\_\_

■ If the church does not elect to continue operations during the rebuilding/repair period, then what expense would continue despite the loss of revenue?

_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____

**Total of all Expenses** \$ \_\_\_\_\_

Complete this worksheet and provide a copy to the church agent/broker in order to determine the appropriate Business Interruption/Extra Expenses policy limit.



## 26.670:

### Insurance Policy Checklists

All new and renewed insurance policies that have been delivered by the agent/broker should be read and reviewed to determine their accuracy and gain a true understanding of the church's insurance coverage. Even though the agent/broker provides this service, it is a wise practice to perform an independent review to ensure that all of the church's exposures have been addressed.

The checklists included in this manual can be used as a reminder to help establish the correct coverage and endorsements during the policy review process. These checklists are concise and do not go into detailed coverage explanations. They should be used as a reminder to trigger the thought processes.

<b>■ General Checklist Questions: Applies to All Policies</b>	<b>Yes</b>	<b>No</b>
Name of Insured: Is it the full legal name?		
Name of Insured: Is it complete and correct?		
Are all Named Insureds listed on policy?		
Address(es) and Location(s): Are they complete and correct?		
Amounts of insurance and limits: Are they correct based on values and exposures?		
Are inception and expiration dates correct?		
Does the policy require a retroactive date? Is it correct?		
Are there any additional interests to be included such as mortgagees or loss payees?		
Are rates, classifications and premiums correct?		
Do leases and contracts affect the insurance requirements?		
Has financial stability of the insurance company been reviewed?		
Are the claims payment practices of the insurance company known?		
Did the agent/broker make coverage comparisons of the leading markets, as well as price comparisons?		
Do cancellation clauses provide at least a 60-day Notice of Cancellation?		
Are territorial limitations identified?		

Notes/Comments/Questions to ask:

## Property

■ Property Checklist Questions	Yes	No
Check policy against list of locations. Are locations correct? Is construction type correct? Is occupancy description correct?		
Is policy written on a "Special Cause of Loss" ALL RISKS form?		
Does policy provide Replacement Cost with Agreed Amount coverage?		
Does policy provide Blanket coverage?		
Check values listed in policy. Are they correct? Are any subject to co-insurance?		
Does policy provide coverage for:		
Business Interruption/Extra Expense?		
Earthquake? Are limits sufficient? If not, is a Difference In Conditions policy needed?		
Flood? Are limits sufficient? If not, is a Difference In Conditions policy needed?		
New construction or major renovation (if needed)?		
Building ordinance?		
Signs, fences, antennas, satellite dishes?		
Trees, shrubs and plants?		
Fire department charge?		
Lock replacement?		
Back up of sewers and drains?		
Debris removal?		
Valuable papers?		
Fine arts? Is a separate Inland Marine policy needed?		
Watercraft?		
Property of others? Property of clergy?		
Property away from premises?		
Building foundations and underground structures?		
Are there limitations for glass breakage? If so, have policy changed for unlimited loss.		

Notes/Comments/Questions to ask:

## Systems and Equipment

■ Systems and Equipment Checklist Questions	Yes	No
Check policy against list of locations. Are locations correct? Is construction type correct? Is occupancy description correct?		
Is policy written on a "Special Cause of Loss" ALL RISKS comprehensive form?		
Does policy provide replacement cost with agreed amount coverage?		
Does policy provide blanket coverage?		
Check values listed in policy. Are they correct? Are any subject to co-insurance?		
Does policy provide coverage for: Consequential damage? Hazardous substance? Off-premise power interruption? Explosion? Business interruption/extra expense?		
Are all mandatory inspections/certifications current?		
Is water damage from insured piping limited? If so, make sure limits are sufficient.		

Notes/Comments/Questions to ask:

## Inland Marine

■ Inland Marine Checklist Questions	Yes	No
Check policy against list of locations.		
Is policy written on a "Special Cause of Loss" ALL RISKS form?		
Does policy provide Replacement Cost with Agreed Amount coverage?		
Does policy provide blanket coverage?		
Check values listed in policy. Are they correct? Are any subject to co-insurance?		
Does policy provide coverage for:		
Elimination of monthly reporting forms?		
Earthquake?		
Are limits sufficient? If not, is a Difference in Conditions policy needed?		
Flood?		
Are limits sufficient? If not, is a Difference in Conditions policy needed?		
Legal liability for property of others?		
Loading/unloading at terminals?		
Newly acquired property for 60 days?		
Breakage?		
Loss to pairs or sets provided?		
Fine arts, musical instruments, cameras, projection equipment, signs?		
Accounts receivable?		
Builders risk, including foundations and underground structures?		

Notes/Comments/Questions to ask:

## Business Interruption/Extra Expense

■ Business Interruption/Extra Expense Checklist Questions	Yes	No
Check policy against list of locations. Are locations correct? Is construction type correct? Is occupancy description correct?		
Is policy written on a "Special Cause of Loss" ALL RISKS form?		
Does policy provide blanket coverage?		
Check values listed in policy. Are they correct? Are any subject to co-insurance?		
Does policy provide coverage for:		
Leasehold interest?		
Ordinary payroll?		
For how long? _____ days (365 days is recommended)		
Tuition and fees?		
Off-premise power failure?		

Notes/Comments/Questions to ask:

## General Liability

■ General Checklist Questions	Yes	No
Is policy written on an Occurrence Form?		
If coverage is written on a Claims-Made Form, is the Retroactive Date correct?		
Is there a deductible requirement?		
Is the deductible "per claim" or "per occurrence" according to your form?		
Does the policy deductible apply to bodily injury? Property damage? Both?		
Are all premises and operations covered?		
Are all additional Insured listed on policy?		
Does policy provide coverage for:		
Care, custody, control of property of others?		
Leased or temporary workers?		
Employees as insureds?		
Volunteers as insureds?		
Independent contractors?		
Personal injury?		
Advertising liability?		
Host liquor liability?		
Sporting/athletic teams/events?		
Medical payments?		
Fire legal liability?		
Employee benefits liability?		
Automatic coverage for new entities?		
Non-owned watercraft?		
Non-owned aircraft?		
Punitive damages?		
Is the term "insured" defined as "while acting on behalf of the organization"?		
Is medical malpractice professional liability needed?		
Is sexual misconduct liability included or quoted separately?		
Is pastoral counseling liability included or quoted separately?		
Is corporal punishment included?		
Is hired and non-owned automobile coverage included if no autos are owned by church?		
Is coverage extended to schools, childcare facilities, adult daycare facilities, camps and cemeteries?		

Notes/Comments/Questions to ask:

## Crime

■ Crime Checklist Questions	Yes	No
Is Blanket Bond coverage provided for employee dishonesty?		
Is theft, disappearance and destruction inside and outside the premises provided?		
Is coverage needed for robbery/burglary of property other than monies and securities held in a safe or vault?		
Is Extortion coverage needed?		
If yes, is this provided in the policy?		
Is computer fraud loss of monies/securities provided?		
Is forgery or alteration coverage provided?		
Is coverage extended for camps?		

Notes/Comments/Questions to ask:

## Automobile Liability

■ Automobile Liability Checklist Questions	Yes	No
Does the church lease vehicles (long term)? If so, are all insurance requirements addressed in lease contract?		
Is Mexican coverage needed?		
Is no-fault coverage required by the state? If so, is this coverage provided within the policy?		
Is personal injury protection needed? If so, is this coverage provided within the policy?		
Are all auto coverage symbols correct on policy?		
Are all loss payees listed in policy (if applicable)?		
Are applicable deductibles correct?		
Will higher deductibles result in substantial premium savings? (Make sure the higher deductible assumed is worth the reduction in premiums.)		
Are all vehicle identifiers correct? (year, make, model, VIN)		
Is fleet coverage provided if more than five owned vehicles are insured?		
Is physical damage for non-owned vehicles provided?		
Is physical damage for trailers provided?		
Is liability for both bodily injury and property damage (Combined Single Limit) provided?		
Is uninsured motorist and/or underinsured motorist coverage needed? If so, is this coverage provided within the policy?		
Is Hired Car Loss of Use needed?		
Is Driver of Other Car Coverage needed?		

Notes/Comments/Questions to ask:



## Workers Compensation

■ Workers Compensation Checklist Questions	Yes	No
Are payrolls used to estimate premium correct and properly classified?		
Is the premium calculated correctly?		
Is the correct Experience Modification Rate applied to the premium calculation?		
Are any out-of-state exposures addressed?		
Are any foreign exposures addressed?		
Are there operations or payroll generated from a Monopolistic State?		
Is Coverage B - Employers Liability limit adequate?		
Does the carrier provide safety programs and training as part of the annual premium?		
Are there any Waiver of Rights Agreements in place? If so, review these contracts since they are frequently invalid.		
Are all Premium Discounts applied?		
Are all Scheduled Credits applied?		
Are Loss Expense Constants correct?		

Notes/Comments/Questions to ask:

## Umbrella

■ Umbrella Checklist Questions	Yes	No
Does policy contain "Pays on behalf of" language?		
Are defense costs outside the policy limits? If not, have this changed.		
Does policy provide first dollar defense coverage if primary/underlying policy excludes coverage?		
Does policy provide for defense if underlying policy limits are exhausted?		
Does policy "follow form" with scheduled underlying policies?		
Are all underlying policies scheduled on umbrella policy?		
Are all underlying carrier names, policy limits, deductibles, etc. correct on umbrella policy?		

Notes/Comments/Questions to ask: