

Protecting Your Church With Insurance

By Jerry Sparks, AG Financial Insurance Solutions

Churches have become increasingly susceptible to lawsuits and claims. Though not a substitute for good risk management or safety and security planning, **INSURANCE** is a valuable tool to protect your church.

WHAT COVERAGE DOES YOUR CHURCH NEED? WHAT KIND? HOW MUCH?

There are basically two types of insurance: property and liability. Property covers the things you own, while liability covers the actions that could leave the church liable for damage to others (injuries, property, or reputation). Automobiles are covered under a separate policy due to a variance of the laws from state to state.

Getting the right kind and correct amount of insurance can make the difference between full recovery and bankruptcy after a disaster or a lawsuit and claims regarding behavior of someone on your staff.

PROPERTY COVERAGE

What kind do you need? Does it cover floods and earthquakes?

We recommend **Special Form**, which covers almost all risk of loss except for those that are specifically excluded like floods and earthquakes. Churches in Florida and the coastal areas will want to make sure the policy has windstorm and hail coverage for damage caused by tornadoes, hurricanes, and super storms like Sandy. This coverage will normally have a percentage deductible much higher than your normal property deductible.

How much insurance is needed depends on the needs of the church. Options include:

Replacement Cost provides enough coverage to **rebuild** the facilities or **replace** business personal property with new property of the same kind that was lost.

Actual Cash Value (ACV) might be chosen if the church facilities are in disrepair or the church would never rebuild that building type.

Coinurance is the specific percentage of insurance to the value of the property insured. Because of the rapid increase of building costs and the complexity of coinsurance requirements, it is extremely important that you discuss your property values and coinsurance requirements with your agent.

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Determine Building Values

- The coverage limits purchased by a church should be the cost to replace or rebuild the facilities with contract labor and new materials.
- It is the insured's responsibility to make sure it has adequate limits to replace the building and its contents.
- Do not assume that the amount you paid for the church or the amount of the loan is the correct value.
- Business personal property includes all items that are not part of the building. As the church adds items, make sure to adjust the coverage to include these items or there may be inadequate coverage when a loss occurs. Keep an updated inventory list and supporting pictures or video off-site.

Additional Property Coverage

Check with your insurance carrier to see if you need the following coverage.

Inland Marine: For business personal property that church members take off-site and use in various locations, and for items that the church uses in various locations on a large church campus, such as golf carts.

Business Income: Replaces lost or reduced income that the church suffers due to damage to property by a covered event. It also provides the extra expense for temporary locations or to expedite the repairs so that ministry can be operational.

Electronic Data Processing (EDP): For computer hardware and software, phone systems, video systems, and other high-dollar hardware used in ministry.

Water Damage: Coverage may be available for floods and sewer backup. Options are available through a national flood plan or through other companies.

Crime Coverage: Money and securities coverage will cover tithes and offerings. Employee dishonesty/fidelity bond coverage is also available.

Also check into the following:

- Limited law and ordinance enforcement coverage
- Pastor's business or personal property
- Systems and equipment breakdown coverage
- Builder's risk/construction occupancy

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LIABILITY COVERAGE

In recent years churches have become much more susceptible to lawsuits and claims for false accusations or inappropriate behavior. If someone claims any level of harm, you will want to have appropriate coverage. Optional coverages are available for a wide variety of risks. Discuss all the aspects of your ministry and any possible exposures with your agent so you can obtain proper protection.

Available types of liability coverage:

- General liability (bodily injury or property damage and defense costs for litigation)
- Sexual misconduct liability
- Directors and officers liability
- Employment practices liability
- Employee benefits liability
- Professional liability/counseling acts liability
- Foreign liability and foreign travel insurance
- Worker's compensation
- Hired and non-owned autos
- Medical payments
- Excess liability (umbrella)
- Business auto

CHOOSING AN AGENCY

It is important to place coverage with an insurance company that has A. M. Best's credit rating of A- or better. Also, place coverage with an agent that is knowledgeable about insuring churches. The General Council of the Assemblies of God has a customized insurance program for *Assemblies of God* churches. Church Mutual, an A-rated company with over 100 years of experience in insuring churches, underwrites this coverage.

Lastly, always maintain a good relationship with your agent and keep communication open. If you engage in a new ministry, add a new building or room, or add a new piece of equipment, contact your insurance agent for a review of your policy for sufficient coverage.

Additional Resources

On our [AG Financial Insurance Solutions Web site](#), you can download our Free Guide, "**The Essentials of Church Insurance**," and watch the "[Risk Management LIVE](#)" monthly video series with AG corporate attorney Richard Hammar.

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On our Web site you can also contact our staff of insurance professionals who can help you with your unique insurance needs. AG Financial Insurance Solutions exists to serve you so you can focus on ministry.

For further information on insurance coverage, contact Jerry Sparks at 866.662.8210 by phone or by e-mail at info@agfinancialinsurance.com or visit our Web site: www.agfinancialinsurance.com.

About the Author:

Jerry Sparks, CCRM, CIC, CRM is the president of AG Financial Insurance Solutions. He earned his Certified Insurance Counselor designation in 1986, his Certified Risk Manager designation in 2004, and his Certified Church Risk Manager designation in 2013. Jerry is also a long-standing member of the Missouri Independent Insurance Agents Association.