



SafeChurch®

## The Importance of Annual Insurance Reviews

When is the last time that you seriously evaluated your church's insurance coverage? If it has been more than a year, it's time to meet with your insurance agent to conduct an annual insurance review. This should be done so you can assess your church's insurance needs and determine if your existing policy is providing enough to cover a majority of losses that could potentially occur.

When it comes to insurance, many people tend to think that as long as they have a policy and keep paying their premiums each year, they will be fully covered if their facility experiences a loss. Unfortunately, this is not the case. Consider the following example that illustrates the importance of proper insurance protection and the danger of being underinsured.

*A church that was built in the 1940s was the victim of an arsonist, and the entire structure burned to the ground. The building was valued at \$4.2 million when an assessment was done, but the insurance policy was based on the value of the church from 2001 and would only cover \$3 million.*

While this is a worst-case scenario, it demonstrates the potentially devastating impact of inadequate insurance.

### Churches are Difficult to Estimate

There are several reasons why churches are undervalued. The biggest is that they are difficult to estimate because every facility is unique. Each church varies dramatically in its layout, construction and architecture. Many churches also were built in the early to mid-1900s and contain ornate details, which are costly to replace. Other reasons for undervaluation include the following:

- The cost of building materials and labor has increased considerably from when the original church was built, so the expense to rebuild is much higher.
- It's possible that when the initial policy was purchased, the value of the facility may not have been estimated correctly.
- The building might have expensive features or items, such as artwork, a pipe organ or hand-crafted stained glass windows that could be very costly to replace with like kind and quality.
- There may be gaps in coverage your church has developed that can now be filled with add-on policies or other endorsements.
- The church is appreciating in value, so the replacement cost will be higher today than it was a year ago.
- There may be a new program or ministry that increases liability exposure.
- The acquisition of new equipment or property could have increased the value of the contents of the church.

These are only a few of the reasons that it is important to have your facility assessed each year and have an insurance review completed by your agent.



## Utilize the Services of Your Insurance Agent

One of the best ways to begin an insurance review is to use the services of your church's insurance agent. In most cases, your agent will contact you on a regular basis and offer to conduct an insurance review. If that is not the case, contact him or her at least once a year in order to set a date and time for an insurance review. Every agent should be happy to conduct a review free of charge.

Before the agent meets with you, ask if there are any preparations to make or information to gather so the review process runs smoothly.

## Insurance Protection

Insurance can be confusing, so it is critical to understand some basic principles behind choosing a policy to ensure that your facility is properly covered. This way, you will be able to make an informed decision about your church's insurance protection. The following are basic definitions to know when selecting a policy.

- **Liability risks** – The number of lawsuits filed against churches is increasing, so your church faces greater liability risks. Additional liability coverage is available to purchase, such as non-owned and hired auto liability, directors and officers liability, workers' compensation, umbrella coverage, and more.
- **Actual replacement cost value** – Oftentimes, an agent can accurately estimate the cost of replacing your church if a fire, storm, or other major disaster were to occur. Make sure the square footage, type of material used, the facility's age, architectural features, and other facility details are considered to determine the cost. If you feel more comfortable, get a second opinion from a qualified independent appraisal firm.
- **Contents value** – The contents of your church facility, such as sound equipment, baptisteries or kitchen appliances, also should be properly inventoried to account for their replacement values.

## Make Insurance Reviews a Habit

A church leader is given a great responsibility to ensure the safety of its church's structure – from congregation members to the facility. Reviewing insurance is not the most exciting task to be completed, but it is an essential part of safeguarding your ministry. Make an annual insurance review top priority, and it will become a habit.