

In today's unpredictable world, it is difficult to know when a lawsuit, fire, tornado or other disaster could strike your church. That is why it is important to have your church and its contents protected under an insurance policy and to understand how insurance works. Overall, insurance helps protect against risks that could impact your organization. Insurance allows individuals or organizations to exchange the risk of a large loss for periodic payments, known as premiums, and an insurance policy, which is a legal contract, spells out the coverages that will protect your organization if it should experience a loss. If a loss occurs, insurance makes it possible for the property of the policyholder to be restored to the same condition as it was before the loss.

Property/Casualty Insurance

Church insurance is classified as property/casualty insurance, which pays for damage, loss or injury to the insured, as well as for liability from acts that cause property damage, injury or financial harm to a third party. The property portion includes coverage for physical items, such as commercial buildings, business inventory and motor vehicles. Casualty, also known as liability, covers the policyholder's (how an insurance company typically refers to its customers) legal obligations. Property/casualty policies are written for both individuals or families (personal lines policies) and businesses, including churches, schools, etc. (commercial lines policies).

Insurance Agents

Most insurance companies sell insurance through either independent or captive agents. An independent agent represents more than one insurance company and can choose from multiple policies to fit their clients' needs. On the other hand, captive agents represent only one insurance company and sell only that company's policies. Agents are paid based on the value and type of products they sell. For more information on insurance agents, read the fact sheet that is posted on this Web site about choosing the right insurance agent.

The Life of an Insurance Policy

At the center of protecting your organization is the insurance policy itself. An insurance policy is a binding legal contract with very specific terms, conditions and promises by both the insurance company and policyholder. The policy describes in detail what is and what is not covered. The following describes the lifespan of an insurance policy:

- **Application** – The customer contacts an insurance agent or company to inquire about the types of coverage available and the costs related to coverage for a specific need. The customer completes an application, which is then sent to an underwriter within the insurance company.
- **Underwriting** – Through this process, the insurance company determines which customers are considered good risks and which are bad. Based on the risk, they determine which coverages should be offered and the pricing on those coverages. This step in the process is when the insurance company will accept or reject the application.

- **Issuing the Policy** – The policy is sent to the customer and includes information about the policyholder and exposures and coverages to be provided. It also includes modifications or exclusions and any endorsements. It is the policyholder's responsibility to read the policy and make sure the coverage provided is what was requested.
- **Claims** – Most policyholders find that they rarely have to submit a claim during the term of their insurance policy. Each individual company handles how claims are submitted differently. Some require that the policyholder notify the agent, while others prefer to have the policyholder report it to a claims hotline. Therefore, it is important that you discuss the proper procedures for filing a claim with your insurance agent. Once your claim has been filed, a claims adjuster has the responsibility of offering a fair settlement, but can only offer up to the limits of the policy. Once the claimant and company agree on the amount of loss, the company pays that amount. If there is disagreement over the claim settlement amount, the matter may go to arbitration, mediation or court for resolution.
- **Renewal** – Most policies run for 12 months and are renewed at the end of the policy period. However, policies can be cancelled or non-renewed by either the policyholder or the insurance company. The policyholder can choose to cancel the policy during the policy period or move to another company at the end of the policy period. The insurance company can decide to non-renew a policy if the customer has had an unacceptable number of claims, and can cancel a policy during the policy period for non-payment of premium or other specific reasons.

Insurance Serves as a Safety Net

Overall, insurance helps individuals and businesses stay financially stable and recover from unanticipated and potentially, major losses. In fact, without insurance, almost all businesses would find that they would not be able to operate. This is because insurance enables organizations of all sizes and types to manage the risks that are an inherent part of any business operation. While hopefully, most organizations will never have to file a claim, insurance does serve as a safety net against things that you may have no control over.