



Safety & Insurance

HANDBOOK FOR CHURCHES



CHURCH INSURANCE
AGENCY CORPORATION

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SAFETY AND INSURANCE HANDBOOK FOR CHURCHES

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Safety & Insurance Manual

Many predicaments might befall a church or religious institution. These problems range from natural disasters to embezzlement to auto accidents. This book is meant to act as a reference and a guide. It's divided into eight sections that look deeply into the types of insurance that every institution should have to be adequately protected:

- Property
- General Liability
- Directors' and Officers' Liability/Employment Practices Liability
- Auto, including Hired and Non-Owned
- Workers' Compensation and Employer's Liability
- Excess/Umbrella Liability
- Commercial Crime
- Travel Accident and Sickness

Our goal is to give you information that you can use to make decisions about your institution's insurance and about risk management. In each of the chapters, we'll encounter some common scenarios that institutions might face and offer tips for dealing with or preparing for those situations.

★ How insurance works (a look in) ★

Every insurance company hires actuaries who use statistics and the law of large numbers to determine expected losses and the probability of how much actual losses can deviate from these expectations.

Insurance companies prepare for losses in a number of different ways: They safely invest premiums to cover losses projected by the actuaries, and in case calculations are off and more money is needed to pay the claims, insurance companies have surplus, which is also conservatively invested.

On top of that, insurers buy insurance on the insurance they write. This is known as reinsurance, which allows insurers to operate in a stable and predictable way despite the uncertainty of catastrophic events. By purchasing reinsurance, insurance companies are able to take on—and protect their clients from—the extreme risk that catastrophic events present.

Before we begin, here's a helpful acronym you can use to understand your insurance policy: DICE.

Declarations: This section confirms details, such as the policyholder's name and address, the policy number, policy term, coverages and limits, applicable policy forms and endorsements, and the annual premium.

Insuring Agreement: This section spells out the insurance company's promise to perform a service (such as to pay damages on the insured's behalf) in consideration of the premium paid.

Conditions: This section defines the responsibilities of both the policyholder and the insurer.

Exclusions: This section restricts coverage by qualifying the promise made in the Insuring Agreement.

Confused? Don't worry. The policy also contains Definitions of words having special meaning within the context of the insurance contract.



Property Insurance

Property Insurance encompasses a lot. Because of that, there's a lot to be said. This chapter is divided into sections so you can read and reference those topics most applicable to your situation.

Here's what to expect:

The Basics: This section is an overview of important information, including what types of loss are covered, policy limits, deductibles, valuation, extensions of coverage, and more. This section can help clear up any questions you might have about your policy.

Contractors, Rebuilding, and Adding-on: If you want to update your property, it can get complicated. This section will tell you how to select and engage a contractor, along with other considerations.

Appraisals, Fine Arts, and Inventories: This section has to do with knowing and caring for what you have in case disaster strikes.

Checklists: Winter, spring, and fall checklists are in this section, as well as checklists for fire prevention—and some extra help for when you’re decorating around the holidays.



Property Insurance: The Basics

A Property Insurance policy covers buildings, contents, and other types of property against damage caused by certain perils, or causes of loss. Any number of perils might befall a church. Among the most common are fire, wind, and water damage—but these represent only a few of the many potential threats to a church property. A partial list of perils includes:

- Fire and Lightning
- Windstorm and Hail
- Vandalism and Malicious Mischief
- Explosion
- Sudden and Accidental Smoke Damage
- Vehicles or Aircraft
- Riot and Civil Commotion
- Building Damage by Burglars
- Sonic Boom
- Removal

- Weight of Snow, Ice, or Sleet
- Falling Objects
- Freezing of Equipment or Appliances
- Water Damage (limited)
- Sinkhole Collapse
- Volcanic Action
- Collapse of Buildings

Those are the types of perils you'd see represented in a "Named Perils" contract, one of the two kinds of property policies you're likely to encounter. A Named Perils policy covers those perils it names. Those that it doesn't name are not covered.

The other type of property insurance, the "Special Perils" contract, insures against all perils except those that are specifically excluded.

A Special Perils contract usually covers a broader base of perils than a Named Perils policy, including:

- Burglary and Theft of Property
- Glass Breakage
- Back-up of Water from Sewers and Drains

Special Perils policies also sometimes cover Flood and Earthquake at an additional premium.

If you have a Special Perils policy, it's important that you know what's excluded. If you have a Named Perils policy, you need to know what's included.

It's recommended that you purchase Special Perils Insurance whenever possible. Although the premium for a Special Perils policy is slightly higher (usually around three percent),

Named Perils policies carry higher deductibles. If you are thinking about purchasing a Named Perils policy because of premium price concerns, consider what would happen in case of disaster: It's possible you wouldn't be fully covered, and your out-of-pocket cost would be even higher.

If you have a Special Perils policy, it's important that you know what's excluded. If you have a Named Perils policy, you need to know what's included.

Policy limits

The amount of coverage you have, as well as the way the policy limits are expressed, are important considerations. Because a property policy is designed to insure all buildings, contents, and other property, you want to make sure you're covered in the event of a catastrophe.

If you select a policy that sets Specific Limits, then each location is limited to its own stated value. For example, if you have insured a church and a school, there would be a separate Specific Limit for each of those discrete buildings and their contents.

A Blanket Limit represents the total value of all structures and their contents. This type of limit can provide greater peace of mind: If you have multiple buildings or sites, the figure of your Blanket Limit is available to repair or replace the damaged property in the event of loss to any covered location or group of locations.

It's a good idea to arrange a Blanket Limit whenever available because it maximizes the amount of coverage available for any loss and is much less restrictive in delivering an amount of coverage adequate for all but the most catastrophic losses. For only a small premium increase, you get very large benefits.

Sublimit restrictions

Depending on the policy, coverage for some perils and types of property might be restricted by sublimits, or caps. Many policies exclude (or limit) Flood and Earthquake or limit Fine Arts to a specific dollar threshold.

Arrange a Blanket Limit whenever available.

Certain special types of property, such as individual works of fine art, contractors' equipment, or audiovisual equipment might be treated separately under a property "floater" endorsement. (An endorsement is a document that modifies the policy by changing the coverage.)

You must declare the values on these individual items, and the valuation has to be supported by an appraisal. You then know important items' values in case a loss occurs (which eliminates guesswork), but choosing to treat items separately under a floater endorsement usually generates a higher premium.

We'll talk more about fine arts and appraisals in later sections of this chapter.

Deductibles

Any Property Insurance policy includes a deductible, which shifts a portion of the cost of the loss to the policyholder. The deductible might range from as little as \$500 per loss to as much as \$50,000 or more. The policyholder must pay the amount of the deductible before the insurer makes any payment for a covered loss. The higher the deductible, the lower the premium.

Not all deductibles are expressed by a certain dollar amount. For example, a deductible for Named Storm (like Hurricane) protection might be a percentage of the building limit. Or Business Interruption (Earnings) Insurance may be triggered after a deductible expressed as a certain number of hours following direct property damage.

The higher the deductible, the lower the premium.

How do you select a deductible? Base your decision on property claims history, your current financial condition, and the premium savings that can be realized by assuming more front-end risk.

Basis of valuation

There are a number of different ways in which property can be valued. The way you value your property determines the extent of recovery after a loss. Here are some different ways property can be valued.

Keep in mind that church property differs from other property types. One way is the significant disparity between market value and replacement value:

- **Replacement Cost** is the cost of repairing or replacing damaged property with new material of similar kind and quality
- **Actual Cash Value** is Replacement Cost less reasonable depreciation reflecting the age, condition, and utility of the damaged property
- **Market Value** is the amount for which undamaged property can be sold in a fair market
- **Selling Price** is the amount used for wholesale or retail inventory

The way you choose to value your property has a direct bearing on the amount of insurance coverage you purchase and the resulting premium.

Here's an example: If you have had an appraisal and determined your Replacement Cost to be \$2 million, and the Actual Cash Value (which, as explained above, is Replacement Cost less reasonable depreciation reflecting the age, condition, and utility of the damaged property) to be \$1.7 million, you can see that the cost for Replacement Cost protection would be higher. However, most buyers

select Replacement Cost protection because they want to replace old property with new after a loss.

Another reason that buyers select Replacement Cost protection is due to concerns over a partial loss. If a customer purchases Actual Cash Value protection and damage was done only to the roof (not the entire structure), the check including depreciation would not be enough to cover the loss.

Most buyers select Replacement Cost protection because they want to replace old property with new after a loss.

Most insurance policies contain a coinsurance clause requiring that the policyholder insures his/her property to its full value or an acceptable percentage of its full value (usually 80 or 90 percent). If the policyholder neglects to do so, then that property is considered to be underinsured. And if the policyholder suffers a loss, he or she would bear financial penalty upon adjustment. The penalty is proportional to the extent of underinsurance.

As a result, it is important to be careful about appraisals and valuations and make certain that property is insured properly.

★ Here's an example: ★

Let's say you have \$300,000 of insurance in place, but your building has a replacement cost of \$500,000. Your policy has a coinsurance provision of 80 percent (in this case, \$400,000). That would mean you're underinsured by \$100,000. In other words, your coverage is only 75 percent of what it should be, according to the coinsurance clause.

So, if you have \$8,000 worth of water damage, you will only recover 75 percent of your claim. The formula looks like this:

To calculate the amount you'd receive on the claim, you take \$300,000 (the amount of insurance you have) divided by the amount of insurance required (\$400,000). You get .75 (or 75 percent). Take that number times the amount of your claim: $.75 \times \$8,000$. In this situation, you get only \$6,000 on an \$8,000 claim as a result of your underinsurance.

Often, an insurer will consent to relax the policy with an Agreed Amount Endorsement, which states that both policyholder and insurer accept the reported values as appropriate, waiving the application of the coinsurance clause.

The value of your tangible property changes with normal inflation, expansion of existing facilities, and acquisition or construction of new ones. To keep up with these changes, you should arrange periodic appraisals of buildings and contents to ensure that your coverage meets your needs.

Your premium may be lower for Actual Cash Value protection, but if you experience a total loss, you'll be left holding the bag.



Buildings should be appraised every five to seven years, or after you've made improvements or additions to a building or acquired new furnishings. Contents should be inventoried and appraised more frequently. Look for more information about inventories and appraisals later in this chapter.

Extensions of Coverage

Most property policies include Extensions of Coverage that broaden the basic contract terms for special circumstances and types of property. These Extensions are normally included at no additional cost, and no premium savings result from eliminating them. They sometimes apply on a first-dollar basis, which means that the customary deductible is waived. Extensions of Coverage may be increased for a nominal charge.

You might have Extensions of Coverage on:

- **New Construction and/or Newly Acquired Property:** provides automatic protection for new structures and property (without informing the insurer), but the amount and duration of automatic coverage are limited
- **Trees, Lawns, Plants, and Shrubs:** protects horticultural property against damage by Named Perils. The amount of coverage is limited, both on a per-plant and per-event basis
- **Valuable Papers and Records:** covers the cost of reconstructing important records, such as church registers, pledge reports, and similar one-of-a-kind documents
- **Additional Expense:** covers necessary expenses, incurred above and beyond normal operating expenses, in order to continue operations after direct damage to property by an insured peril. Coverage is limited, either by a specific dollar amount or for a finite duration
- **Property Off-Premises:** protects property while in transit or otherwise away from the policyholder's premises. Coverage is normally limited by dollar amount
- **Debris Removal:** covers costs of removing debris following a covered property loss. Coverage is normally limited to a percentage of the direct damage amount
- **Personal Effects:** protects property of others while on the policyholder's premises. Coverage is normally limited by per-person and per-occurrence dollar amounts

- **Contingent Liability and Increased Cost of Construction:** covers additional costs resulting from the forced demolition of any undamaged portion of a building following a loss (Contingent Liability) and repair/reconstruction pursuant to current building codes and ordinances. Coverage is normally limited to a dollar amount or a percentage of the structure's value, whichever is less. We'll discuss construction later in this chapter

Equipment Breakdown

Equipment Breakdown Insurance plugs coverage gaps left by conventional Property Insurance. It covers sudden and accidental explosion, mechanical breakdown, and electrical injury to heating, ventilation, electrical, and electronic objects. This covers everything from steam boilers to telecommunications equipment, making it an invaluable component of property protection.

★ What Could Happen ★

Let's say a rooftop air conditioning compressor stops working because of a sudden failure within the motor. The policy will cover the cost of repairs and ensuing loss (including limited additional expenses to continue in operation pending repairs), subject to the policy deductible.

Significant Exclusions

Some of the most noteworthy exclusions, or losses that would not be covered by a standard Property Insurance policy, are listed below:

- Loss caused by *power, heating, cooling failure, or power surge* (unless it is caused by direct damage to property on the premises by an insured peril)
- Loss caused by *wear and tear* and similar degenerative factors such as inadequate or lack of maintenance, deterioration, rust or corrosion, rot, inherent defect, settling, cracking, shrinkage, bulging or expansion, and animal, bird, or insect damage. When any of these factors cause a subsequent loss that would otherwise be covered, the policy responds for the subsequent loss only
- Loss caused by *mechanical breakdown, artificially generated electrical current, explosion or loss or damage to steam boilers, steam pipes or steam turbines, and loss or damage to hot water boilers or equipment for heating water.* Coverage for these Equipment Breakdown perils is available under a separate policy or by special endorsement to the property policy (See the Equipment Breakdown section earlier in this chapter)
- *Employee dishonesty*, which should be treated separately under a Commercial Crime policy (which we'll talk about in a later chapter). Churches should make sure to cover volunteers in addition to employees under this policy

Many commercial insurance policies also exclude Flood, other types of Water Damage, and Earthquake. Consult your insurance advisor to determine whether those coverages are included or can be made available.

Tailoring the policy to your needs

Many aspects of coverage, especially sublimits and Extensions of Coverage, are "off-the-shelf" provisions that you can tailor to your organization's operational exposures.

If the basic Property policy and its Extensions of Coverage make no provision for a significant risk exposure that you perceive, the gap can usually be repaired with an add-on "rider," or endorsement.

Here are some examples. If you have:

- A building next to a lake or river, or your property is in areas prone to sewer or water main breaks/backups and therefore may be at greater risk of damage by flood or water, you can add Flood and Broad Form Water Damage coverage, if it's not included in your standard policy
- Valuable stained glass windows and might face limited recovery for Fine Arts, you can eliminate the sublimit for Fine Arts to make the full blanket property limit available
- Objects of art off-site at a conservator's studio that might suffer damage in transit or while otherwise off-premises, you can amend the sublimit for Property Off Premises (including Transit)

- A school dependent on tuition revenue and could face a disruption of your revenue stream after direct damage to the property, you could insure for Loss of Tuitions and Fees
- An older structure that has not been recently renovated and could incur significant additional cost to repair or reconstruct in compliance with current building codes, you could amend the sublimit for Increased Cost of Construction
- A business without contingency office space and could face significant additional expense to move and rent temporary office space when the regular quarters are damaged and rendered unusable, you could amend the sublimit for Additional Expense

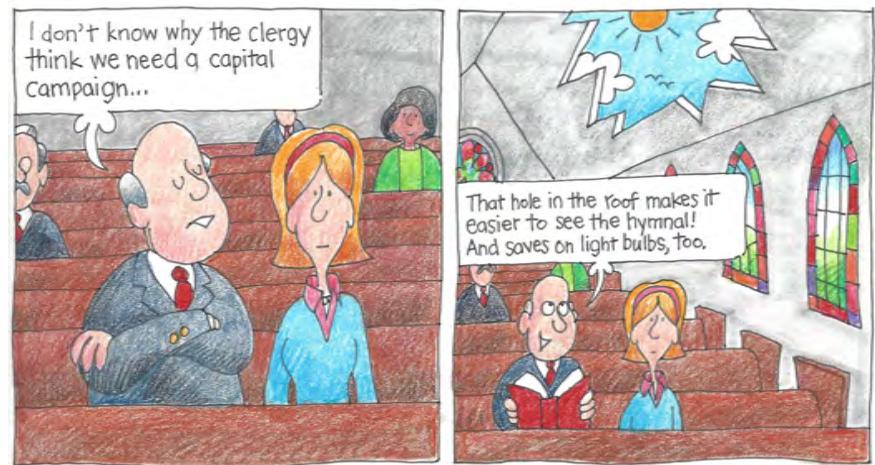
Church leaders should meet with other clergy in the community to develop a reciprocal use agreement in case disaster renders your meeting spaces unusable. If you neglect to do so, paying for temporary space can become a significant expense.

If the basic property policy and its Extensions of Coverage make no provision for a significant risk exposure, the gap can usually be repaired with an add-on "rider," or endorsement.

All of these types of situations are simply examples. Every church is different. If you speak with your insurance advisor about what makes your church or diocese different than others, you can determine what special exposures might potentially cause problems and tailor your policy accordingly.

Contractors, Rebuilding, and Additions

Maintaining and conserving church properties can be very satisfying, as anyone who has watched a church assume new life through construction, renovation, or repair will attest.



Most churches rely on outside contractors to perform all but the most basic maintenance. No matter what size the job, such work increases hazards to church people and property.

Many people have questions and concerns when beginning a building project. How do you select a contractor? What kinds of insurance should your contractor have and how should you supplement your Property Insurance? This section will assist you if you're in a situation where you're rebuilding, repairing, or adding on.

No matter what size the job, construction increases hazards to church people and property.

Selecting a contractor

The key to finding a good contractor lies in doing your research and due diligence. Hiring a trained and licensed craftsman to do a specific job may be the right approach, but if the job demands more than one kind of expertise, consider choosing a general contractor.

Give each contractor who is in the running for the job the same information about the type and scale of the project. Interview prospective contractors about how they'll approach the project, including any machinery and chemicals that will be used.



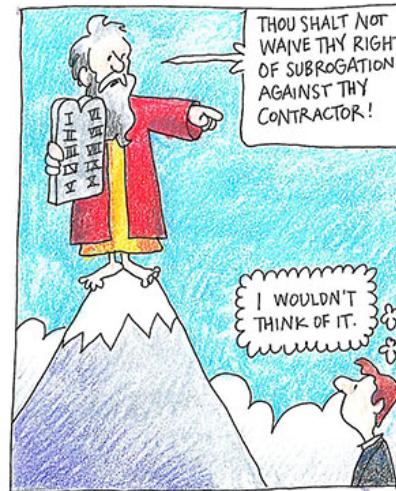
When you've narrowed the field, request trade licensing information and contact references. Check them out: Make sure they're qualified and have at least five years' experience. Check with the Better Business Bureau. Get bids and hire the contractor who appears to be dependable and reputable; don't always hire based on low bids.

Once you've settled on a contractor, ask for written details on the project's duration and scope and require a

performance bond that guarantees completion of work. Be sure to get a written contract for even the smallest job.

Many church leaders take what they think will be a shortcut by hiring contractors affiliated with their congregations. However, doing this can create actual or perceived conflicts of interest. For that reason, it's a good idea to look outside of your congregation for contractors. Doing so preserves your (and your insurer's) ability to seek recourse—without awkwardness or remorse—if things go wrong.

Contractors' insurance considerations



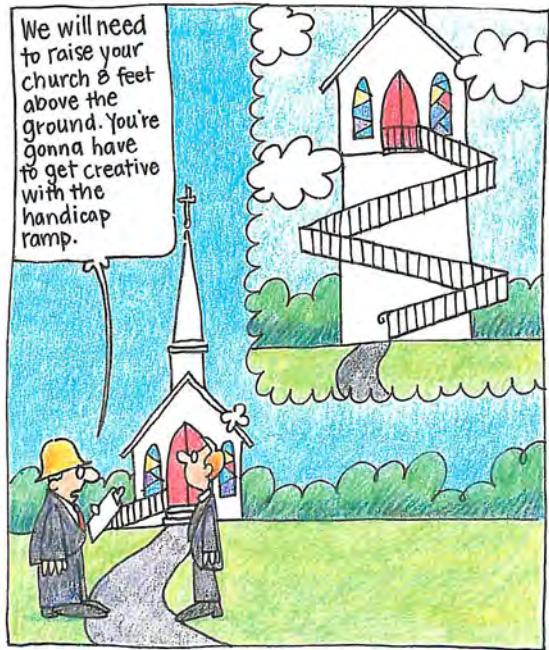
Enlist legal help to go over the contract. Don't agree to waive subrogation, which could relieve the contractor's insurance company from its responsibility to pay claims and shift that burden to the church's insurance.

Reputable contractors are insured and are accustomed to inquiries about their coverage.

Don't sign a contract without proof of the contractor's insurance, which must:

- Be underwritten by a financially secure insurer
- Provide limits adequate for worst-case injury or damage
- Be broad enough to cover all of the operations to be performed
- Directly protect your organization as an additional insured

If your contractor isn't insured (or is insufficiently covered), you could suffer a loss that isn't fully covered by your own Property or Liability Insurance.



The Certificate of Insurance your contractor gives you should show evidence of: Broad Form Commercial General Liability Insurance, including Contractual Liability and Products/Completed Operations Coverage; All-Risk Property Insurance; Owner's Protective Liability; Workers' Compensation and Employer's Liability Insurance; and Umbrella Insurance with limits equal to or greater than the church's value. The contractor should also name your church as an additional insured on his/her insurance.

If you find yourself in a situation where the contractor hires subcontractors, you also need to see certificates of insurance from them.

★ What could go wrong? ★

A roofing contractor in the Northwest used a blowtorch to seal roofing materials. The crew completed the work and went home. Sometime later that evening, the smoldering roof burst into flames, and the church burned to the ground. The cost to rebuild was estimated to be \$1.8 million.

The church's primary property/casualty insurer took responsibility and paid claims to the limits of the policy carried by the church: \$1 million. The contractor was uninsured, leaving the congregation \$800,000 short of the amount required to replicate the church it lost.

Insurance considerations: what you need

Builder's Risk coverage: Your basic property policy provides limited coverage for building materials, but for big projects you need coverage in excess of that. If you build a large addition, for example, you likely will be storing building materials and machinery on your property as the contractor works, which can be a big theft target. Builder's Risk covers that risk.

Owner's Protective Liability coverage: This coverage is specifically designed to protect churches as they take on the unique risk around a building project. This coverage protects the church from liability claims of a third party due to negligence caused by a contractor. For example, it covers damage to others' property caused by construction operations while on the church's premises.

Building codes

Building codes, the rules that specify the minimum acceptable level of safety for your church buildings, limit the materials and methods that can be used in construction. They also affect plans developed for electrical systems, roofing, sprinkler systems—even parking spaces.

Federal, state, and local lawmakers sometimes pass legislation, like the Americans with Disabilities Act, that changes building codes. Sometimes lawmakers change building codes after a serious situation occurs that demonstrates the need for an update. City codes can be very specific and change often.

Your building as it stands may no longer comply with current federal, state, or city building codes. If you need to modify or rebuild, the addition must meet the current code. This can add unexpected costs because the general policy will only cover rebuilding or repair to the structure as it was. Ordinance and Law Coverage comes in to cover those unexpected costs.

Inventories, Appraisals, and Fine Arts



while claims examiners wait for the submission of an inventory that details what was lost.

Clients without inventories have spent six months to a year trying to complete their inventories after a loss. They spend time going through old photographs and interviewing members. One danger of creating an inventory from memory is that there may be items that churches never recall.

Here are some ways to make inventorying less burdensome:

- **Make it a group effort** by placing an announcement in the church bulletin asking for volunteers to provide just one hour of help after the Sunday service. Each volunteer could be assigned to do a complete inventory of one room



- **Conduct the inventory** over time by dividing the property into sections
- **Appoint a leader** for the project, like a board member or a junior or senior warden

Any inventory is better than no inventory, and a church inventory can take many forms. You might make a list or use photos or video documentation—or a combination of all three choices. At the very least, taking pictures of each area of the church is a basic strategy for maintaining a visual inventory record. Very large institutions might contract with a company to produce a hard copy and electronic list.

Any inventory is better than no inventory, and a church inventory can take many forms.

Make sure you record the quality of each object, its size, appearance, and the manufacturer. Good inventories include detailed description, quantity, and approximate value. Write down the model numbers of electronic equipment, for example, and be sure to give fine arts special attention. Make more than one copy of records and store a copy off-site.

Fine arts and appraisals

Most churches have fine arts pieces that will need special consideration. That could include stained glass windows, paintings, sculptures, or historical records. It could include items with unusual or interesting provenance (history of ownership). Items gifted to the church should also be

taken into account.

If you do have records that have historical value, it's a good idea to make electronic copies of them for safekeeping—and, like the inventory, you should keep one electronic copy off-site.

Sometimes church leaders suspect that an item might have value, but they're unsure of its worth. An appraiser can help you determine the value of all of the fine arts pieces that are a part of your church's collection.

What is fine art?

Items that can be considered fine arts include:

- Paintings, works on paper
- Icons
- Sculpture and wood carvings
- Oriental carpets
- Textiles, such as tapestry, liturgical garments, embroidery, and needlework
- Gold, silver, and bronze (liturgical and secular)
- Gems and jewelry
- Mosaics
- Stained glass
- Metalwork (bronze doors, plaques, artist-created ornamental grillwork)
- Stone carvings (non-essential architectural elements)
- Ornamental woodworking
- Furniture (altar-related and antique, artist/architect design pieces, which may include pews)
- Ornamental marble work (fonts, plaques, altars, pries dieus, some columns)

- Arts and crafts
- Musical instruments (pianos, harps, etc.—but not pipe organs, which are covered as part of the building value)
- Documents, books, and archives
- Music library
- Decorative painting (murals and stenciling)

Stained glass care and repair

The value of stained glass windows—financially, historically, and sentimentally—is significant. Caring for and preserving them is an important aspect of church facilities management. Although they are durable and designed to withstand normal operational and environmental stresses, stained glass windows deserve additional attention.

Start with research. Identifying a window's designer or fabricator is a key to determining its market value and replacement cost. It's also valuable when/if restoration is needed.

Stained glass windows deserve additional attention.

Then, call in a conservationist experienced in the care of stained glass windows to evaluate the physical nature and condition of the window to determine if repair or restoration is needed.

Only an expert can determine the extent of deterioration and what corrective measures should be taken, but if you see the following problems appearing, it's your cue to seek

additional help:

- Glass breakage, cracks, and missing pieces
- Light leaks in the seams between the glass and the material used to hold the glass panels together
- Flaking paint
- Sagging and bulging windows (which indicate an inadequate support system)

Caring for stained glass windows should include:

- Documented yearly inspection by the proper custodian, coupled with professional assessments by a specialist every three to five years
- Painting wood, iron, and steel frames regularly to inhibit rotting or corrosion
- Repairing stone frames as necessary
- Regularly, but sparingly, lubricating operable vents

Remember, heavy-duty cleaning should only be undertaken by a professional, and semi-annual light cleaning should be performed gently with liquid glass cleaners intended for stained glass.

Keep the following in mind while cleaning:

- Never directly spray the windows with cleaner. Apply the cleaner to a soft, clean white cloth and gently wipe the glass
- Use dampened cotton swabs for detail work
- Do not scrub metal seams with abrasives or wire brushes
- Gently dry-wipe the windows monthly

Protect your stained glass from vandalism and the natural

environment with steel mesh. This type of protection allows the windows to breathe. The mesh is very fine and invisible from a distance. Speak with a protection expert for more information.

Checklists

Winter Checklist

Whether your climate is snowy or mild, it's important to protect your church property during the coldest months of the year.

Remember to communicate your findings by producing and distributing a report showing which tasks were accomplished and which are scheduled to be performed at a later date.

Here is a non-exclusive list of items to check:

Inside:

- After months of not being used, it is important that heating systems are functioning properly and efficiently. If systems are not maintained, it increases risk of fire as well as release of carbon monoxide and other gases. Have a qualified professional assess the heating system.
- Evaluate and take necessary steps to prevent frozen pipes and the plumbing damage they cause. Cold weather water damage problems can be costly.

Outside:

- Accumulation of snow or ice on the roof can stress the structure and cause damage to shingles, gutters, downspouts, and flashing. If you see snow or ice accumulating on the roof, arrange to get it removed.

- Verify that unimpeded natural drainage takes place as temperatures rise and fall. It may be necessary to get professional help to remove dangerous accumulations or repair damaged or blocked drainage systems.
- Inspect all walkways, entrances, exits, and parking areas for ice or snow accumulations. Make sure handrails are free from ice. You can minimize slip-and-falls during this season by using sand for traction and salt or similar chemical substitutes for melting ice and snow.

Spring Checklist

Outside:

- Walk around the property to get an overall sense of what needs to be done. Consider potential repairs to buildings, walkways, entrances and exits, steps, and parking areas.
- Create two lists, one of things that need to be done immediately and the other of things that can wait. Items needing immediate attention could be broken steps, loose handrails, debris that needs to be collected and removed, cracks in the walkways or parking lot, and any conditions that could cause physical injury.

As soon as you've dealt with the first list, move right on to the second list. Check the roof, gutters, and flashing, and look for deterioration of concrete and seals around windows and doors.

- This is also a good time to service maintenance equipment such as leaf blowers and lawn mowers.

Inside:

- Inspect your fire extinguishers and arrange for service or replacement. Determine if you have enough of them or need to add more.
- Check all lighting equipment and replace malfunctioning fixtures and burnt-out bulbs.
- If there are building-related systems such as sprinklers or alarm systems, arrange for the necessary water flow tests as well as circuit testing of all alarms.

- Inspect all electrical and plumbing systems and immediately repair any damage.

Planning:

- Produce, distribute, and discuss the report on the risks you've identified in your Risk Management report and the actions you've taken in regard to them, as well as risks scheduled for correction at a later date.

Fall Checklist

It makes sense to do an inspection in milder temperatures. If you find something that needs to be repaired or replaced, you won't have to battle inclement weather.

Remember to communicate your findings by producing and distributing a report showing which tasks were accomplished and which are scheduled to be performed at a later date.

Use this checklist to evaluate what needs to be done:

Outside:

Take a walk, make notes, and initiate plans for repair and clean-up:

- Where do you need to clear up leaves or other items on the ground?
- What repair work might be needed on parking areas, walkways, stairways, handrails, fences, and playgrounds?
- What about debris on the roof, in gutters, downspouts, and flashing? Are any of these areas in need of repair?*
- Is there any damage on outside walls or windows?*
- Where might water collect to form ice? Be especially mindful of areas used as walkways to prevent slip-and-falls.
- Make a plan for when you'll last use gardening equipment—and have it serviced before you store it along with other items not in use during winter.

* Use binoculars to inspect the roof and other high areas. That way, you won't have to climb ladders.

- ❑ As you put away mild weather items, take out your cold weather supplies, like doormats, so people can stamp off snow and ice from their shoes before entering the building.

Inside:

- ❑ Arrange to service or replace fire extinguishers.
- ❑ Check heating installations, plumbing, and insulation for needed repairs to prevent occurrences like freezing. Remember, maintenance saves money.
- ❑ Inspect window seals and weather stripping on doors. Replace problem areas.
- ❑ Check lighting for proper functioning; repair or replace fixtures and change burnt-out bulbs.

★ Safe in the kitchen ★

- Turn off coffee pot
 - Secure knives
 - Store chemicals
 - Never leave stove unattended
 - Store a class BC rated fire extinguisher
 - Clean up spills
-

Fire Prevention Checklist



Fire prevention requires a comprehensive approach because fires can start in many ways. This article provides checklists for electrical fire safety, proper use of fire extinguishers, and safe candle use.

Electric:

Recognize the early warning signs to reduce the risk of an electrical fire. Look out for recurring problems with blown-out fuses or tripped circuit breakers, a tingle when you touch an electrical device, discolored outlets, a burning smell or rubbery odor coming from a device, or flickering lights.

Fuses and circuit breakers:

- ❑ If a fuse or circuit breaker blows, have a professional find out why and correct the problem.
- ❑ Make sure replacement fuses have the proper amperage rating for the circuit they protect.
- ❑ Don't overload wiring by plugging more than one heat-producing device into the same outlet or circuit.

Electrical Outlets:

- ❑ Replace old outlets with new ones that accept three-pronged polarized plugs (only if your circuit has a ground wire).

- ❑ Never alter a plug to fit an outdated outlet.
- ❑ Use plastic safety covers in unused outlets, especially if children might be in the vicinity.

Appliances:

- ❑ Use only appliances that bear the label of an independent testing lab.
- ❑ Keep all heat-producing devices—such as space heaters, microwaves, and toasters—at least three feet away from flammable materials.

Extension Cords Power Strips:

- ❑ Replace cracked or frayed electrical cords immediately.
- ❑ Don't pinch electrical cords against walls or furniture or run them under carpets or across doorways.
- ❑ Treat power strips as you would any other electrical outlet: Don't plug in too many items that can overload the circuit or overheat the device.

Fire extinguishers:

- ❑ Fire extinguishers are one element of a fire response plan, but the primary concern in any fire situation is safe escape. If the extinguisher doesn't immediately stop the fire, leave the area.

- ❑ Read your fire extinguishers' instructions and become familiar with the operation before a fire breaks out. Once you've used a fire extinguisher to put out a fire, watch the area, and be prepared to repeat the process if the fire re-ignites. Have the fire department inspect the fire site—even if you are sure you have extinguished the fire.

- ❑ Only attempt to extinguish a fire if it is small, confined, and not spreading, if you have an unobstructed escape route, and if your extinguisher corresponds with the fire type.
- ❑ Make sure everyone has left the building, and that someone has been instructed to call the fire department.
- ❑ Keep your back to a clear exit and stand six to eight feet away from the fire.
- ❑ When operating the fire extinguisher, remember the acronym **PASS**:

Pull the pin (or activate the lever mechanism).

Aim low by pointing the nozzle or hose at the base of the fire.

Squeeze the lever above the handle to discharge the extinguishing agent (and release to stop).

Sweep the nozzle or hose from side to side, keeping your aim on the fire's base and moving very carefully toward the flames.

- ❑ Remember to periodically recharge or replace fire extinguishers according to the manufacturer's instructions.

Safe candle use:

- Select durable non-flammable candle holders that collect wax and won't tip over easily.
- Place candles in holders on uncluttered and sturdy surfaces. Be sure they can't be inadvertently upended.
- Keep wicks trimmed to one-quarter inch.
- Be mindful of your hair and clothing when lighting.
- Extinguish candles when they burn down to within two inches of their holders (or decorative material on holders), and don't leave the area until you see that the wicks have stopped glowing.
- Don't leave unattended children in areas with burning candles.
- Keep burning candles away from all decorations, natural or artificial.
- Use good quality candles.
- Collect candles immediately after service.
- Use drip trays if you use hand-held candles—but avoid processions with lit candles.
- Keep candles away from drafts.
- Do not put candles on a Christmas tree.

★ Types of fires ★

- Class A:** paper, wood, other ordinary combustibles.
- Class B:** flammable liquids such as oil and gasoline.
- Class C:** energized electrical equipment such as power tools, wiring, fuse boxes, appliances, TVs, computers, and electric motors.

★ Safe in the Boiler Room ★

- Remove combustibles
- Don't use the boiler room for storage
- Clear the doorway and the path to controls
- Clearly mark hazards that cannot be removed
- Schedule routine maintenance
- Do an annual inspection

Holiday decoration tips

When using decorative lighting:

- Make sure there are no empty sockets on strings of lights.
- Switch from incandescent strings to LEDs.
- Avoid placing lights on or near combustible materials.
- Don't leave lights on or unattended for extended periods of time.
- Ensure electrical sockets are not overloaded.

When displaying Christmas trees:

- Live trees should have straight, freshly cut bottoms.
- Place trees in appropriate stands.
- Water trees regularly.
- Avoid placing trees next to walls, curtains, or drapes, or making corner arrangements. These placements could facilitate rapid spread of fire through room.
- Remove trees before they dry out.



General Liability

The information contained in this chapter is intended to give individuals a broad idea of General Liability Insurance. General Liability Insurance protects an organization and its agents against civil liability for bodily injury, property damage, or personal injury to others.

Like Property Insurance, this type of insurance can be more complex for churches than for other organizations. In this chapter, we cover several topics pertaining to General Liability:

General Liability Overview: The Basics: This section provides an overview, including specialized types of coverage, special church-related exposures, exclusions, and more.

Common Scenarios: We look at some situations you might encounter, such as slip-and-falls, social media pitfalls, and carbon monoxide poisoning.

Outside Groups and Special Events: We consider who to let use your facilities, as well as provide tips for hosting special events on your premises.

Safety Checklists: Learn how to stay safe in certain common scenarios, like when you serve liquor at an event or rent a bounce house for children during a festival.

Safeguarding God's Children Program: This program has helped to significantly reduce claims associated with Sexual Misconduct Liability. This section also includes information about performing background checks.



General Liability: The Basics

General Liability Insurance is meant to protect an organization and its agents against civil liability for bodily injury, property damage, or personal injury to others. It can protect the corporate entity, its subsidiaries and affiliates, their executive officers, employees, and volunteers for their actions on the organization's behalf.

Church-related policies may be even more specific in designating ordained clergy, wardens, and board members as additional types of insureds. What all this means is that General Liability can cover your organization and the people who work on its behalf. Members, volunteers, subsidiaries, affiliates, and their officers need to be specifically named insureds. Check your policy to verify who is covered.

If an accident were to occur during the policy term that causes unexpected, unintended bodily injury, property damage, or personal injury to someone else covered under the policy, your General Liability policy covers monetary

damages that the organization becomes legally obligated to pay up to certain limits expressed in the policy. In other words, General Liability Insurance covers you if you cause accidental damage to someone who seeks compensation for that damage. A conventional General Liability policy has no deductible, providing all coverage on a first-dollar basis.

General Liability insurance covers you if you cause accidental damage to someone who seeks compensation for that damage.

★ Indivisible Conditions of Coverage ★

There are certain *indivisible conditions of coverage*:

- The claim must seek compensation because of injury or damage
- The injury or damage must have been accidental and have occurred during the policy term
- The policyholder must be liable for the injury or damage
- Coverage has limitations (not an endless amount of coverage)

In addition to settlements and judgments, a General Liability policy also covers sums required to defend the insured parties. Here are some examples of these *Supplementary Payments*:

- Lawyers' and expert witnesses' fees
- Reasonable costs of securing other witnesses for court appearance
- Post-judgment interest
- Appeal bond premiums

These amounts are normally payable in addition to the stated limit of liability.

A conventional General Liability policy has no deductible.

Limits of Liability

General Liability policies typically use two types of limits for different types of coverage within the policy:

- **Per-occurrence Limit** is the maximum amount of coverage for a single event, regardless of the number of parties involved
- **Annual Aggregate Limit** is the maximum payout for all occurrences during the policy term. In other words, it's the annual cap

Certain specialized types of coverage within the policy—for example, Sexual Misconduct Liability and Products Liability—are commonly underwritten with their own aggregate limits.

We'll talk more about specialized types of coverage later in this chapter.

★ **Liability Insurance covers:** ★

- *Libel and slander*
 - *Mental anguish and injury as a result of physical injury*
 - *Physical injury while on church property or participating in a church activity*
 - *Reasonable medical, dental, and surgical expenses (incurred within two years of the original injury)*
-

Broad Form Protection

The ideal General Liability policy is a "Broad Form" contract. It's called that because it provides breadth of coverage for a variety of operational risks. Policies typically differ, but a Broad Form policy commonly includes:

- **Premises and Operations Liability:** liability attributable to aspects of the physical plant or daily operations, such as if a visitor were to trip on a cracked sidewalk, or if some unsupervised schoolchildren inadvertently knock down an elderly church member
- **Contractual Liability:** liability for injury or damage assumed by oral or written contract, such as if a member were to become injured at a public park during a church picnic, and the church had entered into a facilities-use agreement with the park

- **Personal Injury Liability:** liability for false arrest, detention, or malicious prosecution, libel, slander, or defamation, and invasion of an individual's right of privacy. An example of this might be if a community member sues after controversial statements about her are published in the church bulletin
- **Advertising Injury Liability:** liability for plagiarism or piracy of one's copyright or trademark, such as if another business were to claim that the policyholder's logo is confusingly similar to its own
- **Fire Legal Liability:** liability for fire damage to someone else's property while the policyholder is occupying it, such as if someone were to cause a fire by leaving behind a cigar smoldering in a pail acting as an ashtray
- **Incidental Medical Malpractice:** liability for a non-medical professional's rendering of, or failure to render, medical aid. For instance, a priest might administer CPR with an adverse outcome
- **Medical Payments:** cost of medical treatment, payable without regard to or concession of the policyholder's liability—such as if a church were to cover emergency room bills after a church member trips

Special Church-related Exposures

Even a Broad Form General Liability policy must be expanded to address several significant church-related exposures:

- **Pastoral Counseling Liability** risk, which is physical or emotional injury attributable to a priest's acts, errors, or omissions during counseling of a spiritual nature (for example, a couple's allegation that marital counseling further injured their relationship)

★ What Pastoral Counseling Liability Covers ★

Pastoral Counseling Liability covers ordained clergy within their scope of expertise, and clergy are considered experts in religious counseling. If a cleric were to counsel a congregant on areas outside of that definition—for example, some form of psychological counseling—it would not be covered. A church would be covered only if a lawsuit were brought against a cleric based on religious counseling activities.

Psychological counseling

If a counseling session moves past religious or spiritual territory, the cleric should refer the congregant to a professional counselor or psychologist.

Even if a cleric is also a trained psychologist and counsels his congregants professionally in that role, that cleric would need to purchase separate professional liability insurance to cover the psychological counseling side of his or her activities.

- **Sexual Misconduct Liability** risk, which is physical or emotional injury because of sexual abuse, molestation, or exploitation. For example, a parent might allege that the youth director engaged in inappropriate electronic communication with a youth

Later in this chapter, we'll provide you with information about a training program to prevent sexual misconduct.

- **Cemetery Liability** risk, which is physical or emotional injury because of an act or omission in connection with the cremation, burial, disinterment, or temporary care of any deceased human body. An example of this would be if cremains were misplaced while being held for temporary safekeeping until burial
- **Teachers' Liability** risk, which is bodily injury or property damage arising out of teaching activities, including the administration of corporal punishment

Even a Broad Form General Liability policy must be expanded to address several significant church-related exposures.

Significant Exclusions

Although the typical General Liability policy contains a variety of exclusions, some of the most noteworthy are below. Many of the exclusions are covered under other types of policies that are also addressed in this book.

- Liability arising in connection with ownership, maintenance, operation, use, loading, or unloading of automobiles, aircraft, and large watercraft. These should be addressed by separate Automobile Liability, Aircraft Liability, and Marine Liability policies. See more about Automobile Liability later in this book
- Employment-related liabilities, including obligations under Workers' Compensation, unemployment, or disability benefits laws and work-related claims under common law by employees or their family

members. These exposures may be treated by a combination of Workers' Compensation and Employer's Liability coverage or Directors' and Officers' Liability policies, depending on the exact nature of the allegations. More on each of these types of policies will appear later in the book

- Damage to property owned, used, or occupied by the policyholder, or property in an insured's care, custody, or control. These exposures should be addressed within a Property Insurance policy (addressed in the previous chapter)
- Liability resulting from the willful violation of laws addressing discrimination, humiliation, harassment, or wrongful termination because of race, creed, age, or sex. These exposures should be addressed by a separate Employment Practices Liability policy. (You'll read more about this later)
- Liability resulting from misuse of funds, which are addressed under a separate Directors' and Officers' policy. An example of this would be using endowed funds for something other than their intended use
- Fines, penalties, punitive, or exemplary damages that are typically awarded to punish willful, wanton, or reckless behavior (gross negligence). Most states prohibit wrongdoers from contracting away their responsibility for such damages because doing so would work against the good of society
- Liability arising from pollution, nuclear energy, or asbestos. A series of broad exclusions removes coverage for these exposures, which are universally uninsurable except within stand-alone specialty policies.



Common Scenarios

Included in this section are the following common scenarios:

- What to do in case of a slip-and-fall
- Copyright infringement avoidance
- Carbon monoxide poisoning prevention
- Social media protocol planning

Slip-and-falls

A visitor trips on the sidewalk leading up to your church. You ask him if he's all right, and he says he is. He picks himself up, brushes himself off, and leaves in his own vehicle. You forget the incident because everything seemed fine. Three weeks later, you get a call from his attorney.

It's a fairly common scenario. In many situations, there is no malicious intent: The person who fell wakes up in the morning, and his/her back hurts. He/she goes to the doctor, and it progresses from there. That's why you should report a claim even if it seems like the individual who fell was not injured.

It's important to alert your insurance company as soon as possible after an incident occurs because prompt reporting prevents inaccuracies and conflicting memories.

Prompt reporting prevents inaccuracies and conflicting memories. It also allows your insurance company to manage the situation from the beginning, which prevents value inflation of the claim.

When you report a claim promptly, it also means that potential reasons for the accident get explored, which can prevent further problems. Your insurance representative asks questions about such things as whether the sidewalk is in disrepair, if a step needs to be repaired, or if a handrail needs to be tightened. This can help make your church safer.

★ What to do if someone falls on your property ★

If someone falls on your property, ask for his or her name and contact information when you are checking to see they need help. Even if you aren't able to get the name, report the incident.

Slip-and-falls are not always serious, but they can be complicated by late reporting. It can be chaotic when an accident takes place, so it's important to put a system in place so you know what to do when something unexpected happens.

Respect Copyright Laws



Church leaders use a variety of methods to connect with their members. Sometimes a poem or a song might seem like just the thing; it might say something profound in a particularly lovely way. But if you discover a piece you'd like to share with the rest of the church population, you have to be careful that you're not infringing on a copyright.

What is copyright infringement?

According to the United States Copyright Office, if you reproduce, distribute, perform, publicly display, or derive a new piece from a copyrighted work without the permission of the copyright owner, you've infringed on copyright. That could include putting a poem or song on your website, printing an essay or column in your bulletin, or even streaming a service on your website that includes the performance of hymns from a hymnal you have purchased.

If you discover a piece you'd like to share with the rest of the church population, you have to be careful that you're not infringing on a copyright.

The safest thing a church can do is only to use copyrighted materials when you have the express written permission of the copyright owner.

How do artists or publishers find out you've used their material without permission?

The internet makes it easy to discover if materials are being used without permission. For example, artists could set up "Google alerts" for certain phrases or names, which would inform them when the material gets posted on a site. Then, it's easy to check whether the individual who has posted the material obtained permission and paid a licensing fee (if required).

The safest thing a church can do is only to use copyrighted materials when you have the express written permission of the copyright owner.

What happens when artists or publishers see you've used their work?

Typically, if you're caught infringing on copyright, the publisher sends a demand letter, asking for a certain amount of money that acts as a settlement. These settlement numbers can run up to several thousand dollars.

Get your webmaster to remove copyrighted materials from your website; if you just delete the text, it's possible that people searching the internet might see a cached image of your site, which would still contain the copyrighted material.

How do you license copyrighted material?

Some of the material you might want to reproduce is in the public domain; in other words, no one owns a copyright on the work. If that's the case, you don't need to worry about permissions and licensing fees.

You should not make assumptions about what is and isn't in the public domain, and you should always verify that you're dealing with the material appropriately.

Using work in the public domain is the easiest way to make sure you aren't infringing on a copyright. For an authored piece created after 1978 to be in the public domain, "copyright protection lasts for the life of the author, plus an additional 70 years, and copyright protection for anonymous, pseudonymous, or work made for hire lasts for 95 years from first publication or 120 years from creation, whichever expires first," according to the [U.S. Copyright Office](#). An example of a Christmas song in the public domain is "Silent Night, Holy Night."

You should not make assumptions about what is and isn't in the public domain, and you should always verify that you're dealing with the material appropriately. Some works you might think would be in the public domain are actually protected by copyright. One frequently-used example of this is the song "Happy Birthday to You."

Generally, if a work is published by a legitimate entity, you can identify and contact the publisher to inquire about obtaining permission and paying a licensing fee. For example, if you want music to play on your website, the usual channel through which you can clear its use is the Harry Fox Agency.

If you can't afford to pay the licensing fee, then don't use the work. The cost of a lawsuit will be a lot higher.

Once you've contacted a publisher for permission, they'll quote you the fee you'll need to pay to license the work. If you can't afford to pay the licensing fee, then don't use the work. The cost of a lawsuit will be a lot higher.

Carbon Monoxide Poisoning

Each year the "silent killer"—unintentional carbon monoxide poisoning—kills an estimated 170 people in the U.S., according to the U.S. Consumer Product Safety Commission ([CPSC](#)).

Carbon monoxide (CO) is odorless, colorless, and tasteless. At high levels, it can cause illness or death within minutes.

Symptoms and causes of CO poisoning

Symptoms of CO poisoning include dizziness, headache, chest pains, nausea, vomiting, weakness, confusion, and loss of consciousness. Symptoms can be difficult to identify because they are often similar to the flu or food poisoning.

CO poisoning occurs most commonly when fuel-burning devices are used indoors, or when indoor appliances have damaged or blocked ventilation systems.

Making a disaster worse

Hurricane and flood-related health risks are numerous, and times of disaster pose an exceptional risk for CO poisoning. Generators used during power outages can create hazardous fumes if they are used indoors or near an inhabited facility.

According to a study published in the *American Journal of Preventive Medicine*, "Portable, gasoline-powered electric generators are a common cause of unintentional carbon monoxide (CO) poisoning following power outages because of natural disasters. When used in an enclosed or poorly ventilated area or in proximity to an occupied building, generator exhaust can quickly infiltrate living spaces and

incapacitate or kill occupants." For more information about generators, please see our chapter on [Disaster Preparedness and Risk Management](#).

Generator Exhaust

Exhaust from a 50-kilowatt generator contains CO concentration comparable to tailpipe emissions of 252 to 572 idling vehicles, according to measurements made by the United States Consumer Product Safety Commission.

How to protect your home and church

The EPA warns that though carbon monoxide detectors are a good idea, they can be unreliable. Prevention measures should be the main focus in keeping your family and congregation safe.

The following are CO poisoning prevention tips from the Center for Disease Control and Prevention (CDC):

- Have heating systems, water heaters, and any other gas, oil, or coal burning appliances serviced by a qualified technician every year
- Never use a gas range or oven to heat a building
- Never use a charcoal grill, hibachi, lantern, or portable camping stove inside a home, tent, or camper
- Never run a generator, pressure washer, or any gasoline-powered engine inside a basement, garage, or other enclosed structure, even if the doors or windows are open, unless the equipment is professionally installed and vented. Keep vents

and flues free of debris, especially if winds are high. Flying debris can block ventilation lines

- Never run a motor vehicle, generator, pressure washer, or any gasoline-powered engine outside an open window, door, or vent where exhaust can vent into an enclosed area
- Never leave the motor running in a vehicle parked in an enclosed or partially enclosed space, such as a garage.
- If conditions are too hot or too cold, seek shelter with friends or at a community shelter

Churches should also:

- Conduct a church building survey to identify all potential sources of CO exposure
- Educate staff and congregants about the sources and conditions that may result in CO poisoning as well as the symptoms and control of CO exposure

Social Media



A defamatory comment on your Facebook page. An inappropriate post accidentally published by an administrator. When you take part in the world of social media, the potential for these types of problems exists. However, these risks do not necessarily mean you should disengage from social media because it can

be an extremely effective way to promote events, disseminate information, and build rapport.

Instead, spend time making a social media crisis communication plan.

Even though a communication crisis may have started online, it doesn't have to remain online.

Who and how to respond

If someone were to post a derogatory comment on your Facebook page, for example, there are many ways you could respond. You might delete it, request that the person contact you offline, send the individual a private message over email, or make a public reply. Each of these strategies has its own pros and cons.

What's important is that your institution has a protocol in place that outlines how to handle the situation.

Who will respond? Know who will act as the spokesperson and respond to the incident. That person might be a cleric, a communications manager, an administrator, or a volunteer.

Who needs to know about the situation? Depending on the seriousness of the issue, the audience could change.

What tool should you use to communicate? Even though a communication crisis may have started online, it doesn't have to remain online. That could mean, for example, that you request an in-person meeting with the individual who posted the comment.

Privacy policies

Define your media code of conduct on your website, including disclaimers and privacy policies. Make others aware of what is and isn't private, so you'll run into fewer issues. For example, a church's privacy policy might say that pictures of members won't appear online without their permission, unless they're posted on a private, password-protected page.

Social media manager

Consider selecting a social media manager, who could be responsible not just for updating social media sites, but for acting as a monitor of the sites, in case a breach or crisis should occur.

You wouldn't have a one-on-one communication with a child in person, and it should be no different with social media.

Communicating with minors over social media

Think of communicating with children over social media in the same way you would communicate with them in person. You wouldn't have a one-on-one communication in person, and it should be no different with social media. The communication adults have with children should always be transparent.

If a minor initiates a private message, many people are unsure of what to do. If, for example, a young congregant were to email a youth director or a clergy member to ask a question, you should have a protocol for response in place. Make sure parents know about the protocol.

Some advocate "cc"-ing another clergy member or administrator on email replies to children; others suggest that you can reply, but let the parents or guardians know you've gotten a question from their child and responded to it (without revealing the content).

The benefits of electronic communication and social media generally outweigh the risks, especially if a church has policies in place in case something happens.

★ Be on the look-out for new safety regulations ★



Remember to inspect—and potentially replace—items that could cause harm to children or other members. The United States Consumer Product Safety Commission (CPSC) periodically creates new safety regulations that may affect products you have in your facilities. For example, in June, 2011, they made the following requirements for cribs:

- Drop-side cribs no longer may be made or sold.
 - Problems with the strength of wooden slats causing breakage and detachment have accounted for 12 percent of "hazard patterns" since 2007. For that reason, the government now has stricter requirements around wood strength.
 - Hardware has to be reinforced with "anti-loosening devices," and "mattress supports must be more durable."
-

Outside Groups and Special Events

Outside groups often fall into two different categories:

- a) legal entities that want to lease your space
- b) small groups of people who want to use your space free of charge for periodic activities

Allowing those small groups of people (like a knitting or a book club) to use your space is ministry of the church, but anything that sounds like a business should go through a formal process before being permitted to use the space.

★ Make a Written Agreement with Outside Parties ★

Make sure the proper insurance is in place and, with the help of legal counsel, make written agreements with outside parties about the terms of use.

- A group holding an activity at your church should provide evidence of insurance by producing a certificate of liability
- Groups leasing space from the church should have the church named as additional insured on their insurance policy
- Leases should also include a hold harmless provision between the two parties
- There should be an agreement as to who will be responsible for maintenance and housekeeping regarding the space being used
- Be sure the group using your property understands any restrictions or hazards that they need to be aware of



- Complete a safety checklist before turning over the care and control of the property
- Check with your governing body/your legal experts to determine if approval is needed for leases over one year in length
- Users should typically be non-profit organizations such as AA, Boy Scouts, etc.

Hosting Outside Events

Many activities other than services might occur on church property. Hosting events in your church facility can be an important part of your church's community outreach and a critical factor in raising necessary funds.

Church leaders need to do their homework when adding new types of community and church events.

You could host a fundraising event that involves rides or bounce houses for children. You might take a group of children on a field trip to a nearby lake. You may host a wedding reception on your property at which liquor is served.

Church leaders need to do their homework when adding new types of community and church events, particularly those that take place at venues other than church property or that feature different kinds of catering and entertainment arrangements.

It's worth a call to your insurance agent so your church leaders can put insurance and operational procedures in place for whatever you have coming up. Your agent can help you develop checklists and guidelines to have on file for staff and volunteers.

Here are some examples to get you started.

When holding church-sponsored events offsite:

Caterers, homeowners, facility managers, and other key event participants should meet with church leaders and the church's insurance agent well in advance of the event to discuss potential liability issues and how inspections, safety issues, and coverage should be coordinated.

When holding a festival for the community on church property:

Just as you would do when hosting events for your church community, you should build specific protections into your risk management plans when hosting amusement rides, food festivals, or other events open to the wider community.

Make sure you have insurance coverage for Host Liquor Liability, as well as per-event liability coverage for concerts, amusement rides, and the use of inflatables such as jumpers and waterslides. Outside contractors offering such services should provide current and verifiable proof of insurance.

Train volunteers and church employees responsible for monitoring the safety of rides and activities for children and adults. Responsible adults should be watching for rough play, too many kids on a ride or inflatable, or kids who are too tired to stay with the others. They should also watch

to make sure that the rides are functioning safely and the inflatable has enough air.

Be sure the church has enough insurance to cover all of the renters, exhibitors, service providers, and volunteer workers at the event.

Guidelines for weddings, concerts, and parties:

- Require wedding parties and other renters to provide their own proof of insurance for whatever liability issues you may identify. Renters will need to secure coverage of a specific minimum limit to compensate the church in case of cancellation of the event, liability coverage for alcohol-related accidents, or other damage or problems for which the church might be held liable. You should also require that the church be listed as an additional insured party
- Provide strict scheduling guidelines for the use of all of the church facilities
- Provide neighborhood noise restrictions in writing, and explain and enforce them
- Hire all security personnel for events.
Do not leave this to the renter

Train staff and volunteers to maintain a safe environment:

Just as you should assign responsible adults to supervise minors and their activities, one staff person should be assigned as the safety and risk officer for any event sponsored by the church. This person should be properly trained, then supervise training for subordinates for special events.

Checklists

Bounce Houses (and other inflatables)

- Require the rental company providing the inflatable to provide proof of insurance.
- Before setting up the inflatable, check its condition to make sure there are no rips or holes.
- When setting up the inflatable, choose a flat area and place a tarp on the ground to protect the bottom from rips or holes.
- The inflatable should be staked and weighted down.
- The inflatable should be fully inflated and not sagging; this will increase the likelihood that children will not land on each other.
- Only children of similar sizes and ages should use the inflatable at the same time.
- Limit the number of children using the inflatable at any one time.
- Remove children who are tired and therefore more likely to be injured.
- Provide adult supervision (two or more adults are preferable) at all times; place an emphasis on avoiding rough play.

Water Activities

- ❑ Never leave a child unsupervised around water.
- ❑ Never allow participants to swim alone.
- ❑ Only allow participants to swim in areas supervised by a lifeguard.
- ❑ Participants should understand your requirement to read and obey all signs.
- ❑ An adult experienced in CPR should be present at all activities involving children and water.
- ❑ Children should be tested on skill level. Inexperienced swimmers should explore no deeper than waist-deep, and non-swimmers should be required to wear personal flotation devices.
- ❑ Stop activities at the first signs of bad weather.
- ❑ A safety inspection should be completed before the use of watercraft.
- ❑ Never combine events that include alcohol and water activities.
- ❑ Do not allow head-first diving at pools, lakes, and rivers.
- ❑ Do not allow the use of personal watercraft, such as jet skis.
- ❑ When boating, leave an itinerary with someone at the church; include the route, expected time of travel, and mobile phone numbers.

Liquor Liability

- ❑ Avoid serving alcohol to anyone under the age of 21 by checking identification.
- ❑ Do not serve someone who appears to be inebriated.
- ❑ Institute a drink limit.
- ❑ Make sure non-alcoholic beverages are available.
- ❑ Limit events to within a certain timeframe.
- ❑ When an outside party (such as a wedding) uses your premises, the church may require a certificate of insurance from the vendor.
- ❑ Check licensing requirements and determine if your organization is required to secure a liquor license.
- ❑ Consider the use of a professional bartender and require that they provide a certificate of insurance showing coverage for liquor liability.

Safeguarding Program: Preventing Sexual Misconduct

★ The History of Safeguarding ★

In 2004, the Church Pension Group (CPG) developed training materials, introducing a program called Safeguarding God's Children: Preventing Child Sexual Abuse. Using the training kit and its two 20-minute videotapes, train-the-trainer sessions were held around the country.

From 2004 to 2005, more than 700 individuals were trained and returned to their diocesan communities to train others, creating exponential growth. Within a few years, thousands had been trained to recognize the signs of potential abuse and educated about prevention practices and reporting methods.

Safeguarding Online

The introduction of Safeguarding Online in 2008 incorporated the face-to-face training materials into a web-based format of three modules, plus a module for regional policies. Users could take the modules as initial training or as a refresher.

As of the end of 2013, Safeguarding Online had grown from three to 13 courses, with more than 52,000 active users.

All of that training has paid off. Since institutions have been using the program, the reported number of misconduct claims at The Church Insurance Agency Corporation has been significantly reduced.

Along the way, the Safeguarding program has added more tactics to help prevent abuse. CPG recently negotiated reduced rates for background screening through Praesidium, Inc., the company with which CPG developed the Safeguarding training series. CPG also has hosted several webinars on subjects such as Social Media, Criminal Background Checks, and Best Practices in Training.

Available Modules

The modules that are currently available through the Safeguarding Online program are:

Child Sexual Abuse Prevention: These courses are the basis of the training for any entity.

- 1. Meet Sam**
- 2. It Happened to Me: Keeping Your Church Safe (also, Keeping Your School Safe and Keeping Your Camp Safe):** Unlike the face-to-face training, these modules have specific safe practices for each venue
- 3. Module for Policies:** This is where the regional policies are listed with some interaction to ensure that they have been read

Child Sexual Abuse Prevention options: These courses are optional—for specific groups—or for re-training. They are produced by Praesidium for a broader non-profit market and are not based on strictly church situations.

- 1. A Day at Camp:** This course is geared to Day Camp and Bible School counselors and can be offered as a "stand alone" piece for those employees/volunteers
- 2. Abuse Risk Management for Volunteers:** This course is a brief overview of training principles. It might be used for the occasional volunteer (driving on a class trip, helping in the classroom or with children's choir). It is not intended for volunteers who have direct responsibility for children
- 3. Abuse Prevention Refresher:** This course is meant for those who have been trained in the basics and need a refresher. Some of the teaching points go beyond what is taught in basic courses. It assumes knowledge of *Safeguarding* issues
- 4. Duty to Report: Mandated Reporting:** This course outlines the basics related to mandated reporting

Adult Abuse Prevention: These four modules are produced almost word for word from the face-to-face training materials of the same name.

- 1. Safeguarding God's People: Preventing Sexual Exploitation in Communities of Faith: for Ministries:** This module, as well as the module "for Congregations," should be taken by anyone in a leadership position. It outlines situations where persons in power might—even inadvertently—exploit those who have come to rely on them for advice or counsel. People in a leadership position should take this module as well as the module for congregations.

- 2. Safeguarding God's People: Preventing Sexual Exploitation in Communities of Faith: for Congregations**
- 3. Safeguarding God's People: Preventing Sexual Harassment of Church Workers: for Workers:** This module outlines the law in terms of sexual harassment. Any employee working in a church or a church-affiliated institution should be required to take harassment training. It's a good idea for managers and supervisors to take both this module specifically intended for them as well as the module for workers
- 4. Safeguarding God's People: Preventing Sexual Harassment of Church Workers: for Managers and Supervisors:** Some of the material in this module is the same as "for Workers," but additional information on reporting and handling situations is included

Background Screening

Anybody who has access to or works with youth should have a background check prior to interaction with them. The check should be repeated every three years, and seasonal employees (such as summer camp counselors) should be checked every year. Those working with financial aspects should also be checked. (See our later chapter on Commercial Crime for more information about fiscal issues.) It's a good idea to perform these checks:

- A Social Security Number trace
- An alias trace
- A multistate criminal background check

- A National Sex Offender Registry check
- A county-level check in all the counties the candidate has lived in during the last seven years

Conduct a check that is both broad and deep. The Sex Offender Registry Check and the multistate check are broad, and the county checks are deep.

When a conviction is identified (sometimes referred to as getting a "hit"), it could be a very straightforward situation. For example, if you have an applicant for a youth ministry position who has been convicted of sexually abusing a minor, you shouldn't hire that person. However, the information is not always that clear-cut. Churches should set up a standardized procedure for determining if a hit should or should not disqualify an applicant. Be sure to consult legal counsel before proceeding as there are many employment laws that could govern these unique situations.

Conduct a check that is both broad and deep.

Churches should set up a small review committee to react to background check hits on a case-by-case basis using Equal Employment Opportunity Commission (EEOC) guidelines.

Things to take into account are:

- The type of offense
- The gravity of the offense
- How long ago the offense occurred
- Whether the offense disqualifies the individual from doing the specific job for which he or she is being hired

For example, speeding tickets would not disqualify an applicant from being hired for an accountant position, but could disqualify someone from driving the van to church events.

Adverse Action Process

Set up a standardized adverse action process keeping Fair Credit Reporting Act and EEOC guidelines in mind. It's a good idea to send a letter to the applicant explaining the hit and letting him/her know they won't get the job. Churches should include a copy of the report as well as a document called "A Summary of Your Rights under the Fair Credit Reporting Act" to give the candidate a chance to correct inaccuracies or challenge the information.

★ FCRA and EEOC ★

The Fair Credit Reporting Act (FCRA) requires that inquiries into individuals' backgrounds, including consumer reports and background checks, must have a permissible purpose. It also requires that individuals are notified when adverse actions are taken. For more information about FCRA, click [here](#).

The Equal Employment Opportunity Commission (EEOC): According to the official [website](#), "the EEOC is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information."

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Employee Complaints: One major situation covered by D&O/EPL Insurance is employee complaints. This section explains what you should do and what you can expect to happen when an employee complains.

Directors' and Officers'/Employment Practices Liability

In this chapter we look at the different ways in which Directors' and Officers'/Employment Practices Liability Insurance (referred to throughout this book as D&O/EPL Insurance) can protect your organization against some common occurrences.

The Basics: This section looks at how your D&O/EPL Insurance policy works. We define "Wrongful Acts," discuss timing, exclusions, and limits, and talk about the Self-Insured Retention.

Some Common Questions and Answers: People tend to ask the same kinds of questions about D&O/EPL Insurance and what it does. This section answers those common questions.

Directors' and Officers'/Employment Practices Liability: The Basics

The purpose of Directors' and Officers'/Employment Practices Liability Insurance is to protect an organization and its agents against civil liability for "Wrongful Acts." It protects the corporate entity and its Directors and Officers, including clergy, church officers, chapter members, and boards and leaders of church-related institutions.

Coverage for individuals applies only to their actions in furthering the organization's business.
Check who is protected by your policy.

Some newer policies extend coverage to employees of all tiers and to volunteers, so it's important to check your policy to see who is protected. Coverage for individuals applies only to their actions in furthering the organization's business.

Within the Directors' and Officers' policy, a Wrongful Act is typically defined as:

- An act committed or wrongfully attempted
- An error
- An omission
- A misstatement
- A misleading statement
- Neglect
- A breach of duty

★ Wrongful Act Example: D&O ★

Let's say the treasurer of your board has been routinely categorizing your finances as "doing just fine," during meetings over the last six months—only for the board to discover later that in fact a major investment has gone wrong. The treasurer made misleading statements to the board and neglected his duties.

Generally, in a typical church, there aren't job descriptions, annual reviews, Human Resources files, and the like. As a result, there can be gray areas around employment issues.

Employment Practices Liability covers the following Wrongful Acts:

- Wrongful termination
- Allegations of discrimination
- Harassment
- Retaliation
- Misrepresentation to an applicant
- Libel, slander, and defamation
- Failure to employ
- Deprived opportunity
- Wrongful evaluation or demotion
- Wrongful discipline
- Failure to enforce policy
- Violation of civil rights

Wrongful termination is the most common type of claim related to this policy. Breach of contract wrongful termination suits are most common, followed by termination or non-renewal for prejudice. When a demand, suit, or complaint is made by an employee, Employment Practices Liability Insurance kicks in.

★ Wrongful Act Example: EPL ★

Let's say your new church administrator and his assistant, who has been with the church for several years, have a personality conflict. Though they have different ideas about how the work should be done, both parties still perform their duties well and in a timely manner. However, the administrator begins categorizing the assistant as "incompetent" to others in the organization and refuses to give her time off for vacation though no major projects are planned for that period.

Timing Considerations

Coverage is triggered by a claim presented during the policy period because of a Wrongful Act that has taken place after a designated Retroactive Date. The Retroactive Date marks the cutoff point for coverage.

Sometimes the Retroactive date is the date on which the policy begins; sometimes it is an earlier date negotiated with the insurer.

For example, if you have a Retroactive Date of January 1, 2012, for your coverage of the years 2013-2014, any claims resulting from a Wrongful Act prior to January 1, 2012, would not be covered. Sometimes the Retroactive Date is the date on which the policy begins; sometimes it is an earlier date negotiated with the insurer. Be sure to review your policy for this important date.

There are three important dates that define whether a claim will be covered:

- The date of the original event (which must be after the Retroactive Date)
- The policy Retroactive Date (which must be before the event)
- The date the claim is presented (which must be within the policy term)

To be covered, claims presented during the policy term must be for events that occur after the policy Retroactive Date.

★ Harassment module ★

To assist with ensuring that all parties are aware of what constitutes harassment, how to avoid it, and how to identify signs of the behavior in others, consider having employees and volunteers take the Harassment module of Safeguarding Online. For more information about the Safeguarding series, see the [General Liability chapter](#).

Limits of Liability

D&O/EPL Insurance policy limits are quoted in one of two ways:

- **Per-loss Limit:** the maximum amount of coverage available for a single claim, regardless of the number of parties involved
- **Annual Aggregate Limit:** the maximum payout for all claims presented during the policy term (or the annual cap)

This may sound familiar if you've already read the [General Liability chapter](#), but there's one important difference: Most D&O/EPL Insurance policies include defense costs within the limit of liability, whereas General Liability policies typically treat defense costs as supplementary to the limit of liability.

Additionally, defense costs are typically covered on a reimbursement basis: The policyholder pays his/her own defense costs and seeks reimbursement from the insurer after the fact.

★ Amount for settlements dependent on defense costs ★

If your insurance company pays attorneys' fees and related sums on a claim, the amount of coverage available for settlements and judgments lessens because D&O/EPL Insurance policies include defense costs within the limit of liability.

Some D&O/EPL Insurance policies provide a "Duty to Defend" option, which may appeal to smaller organizations lacking the staff or knowledge to manage complex

litigation. This option allows policyholders to delegate the responsibilities of selecting, paying, and controlling defense counsel to the insurance company. Some policies require that the policyholder delegates the duty to defend within 30 days of receiving a new claim, so be sure to check the conditions associated with this option in your policy.

The “Duty to Defend” option allows policyholders to delegate the responsibilities of selecting, paying, and controlling defense counsel to the insurance company.

★ **Self-Insured Retention similar to deductible** ★

D&O/EPL Insurance policies include a Self-Insured Retention, which is somewhat like a deductible because it requires the policyholder to bear some front-end risk. As with a deductible, the policyholder must pay the amount of the retention before the policy pays out on a claim.

A Self-Insured Retention is expressed as a dollar amount and (depending on the policy) may apply separately to the organization and to individual insureds, and it usually includes defense costs. Defense payments often satisfy the retention.

Significant Exclusions

The following are the most noteworthy exclusions. Be sure to check your policy to see what specific exclusions it contains.

- Illegal gain of profit or advantage by the policyholder
- Bodily injury, property damage, or personal injury (see the previous chapter; these are normally covered by a General Liability policy)
- Liability assumed by contract (see the previous chapter; these are normally covered by a General Liability policy)
- Pollution-related matters, which are universally excluded under all Liability policies, except specialty Pollution Liability products expressly designed to address the exposure
- Violations of certain Federal statutes, including the Employee Retirement Income Security Act of 1974 (ERISA)
- Civil or criminal fines, penalties, or taxes
- Claims related to securities transactions

Some Common Questions and Answers

Q: What are some typical claims?

A: One typical claim is a suit against members of the board alleging financial mismanagement. (We'll talk more about financial mismanagement later in this book.) In this case, the policy would provide both defense and indemnity coverage for the church and for the individual board members.

Another example could be a claim arising from violation of the Americans with Disabilities Act after terminating an employee with an existing medical condition.

Claims can also arise during or after the installation of a new clergy member. One or several members of the congregation upset with the process or decision might bring a claim.

Some policies exclude prior acts, but some don't.

One church recently discovered the value of D&O/EPL Insurance coverage when it received a charge of discrimination from the Department of Human Rights because an employee assumed a new set of responsibilities associated with a recently vacated position without a change in title or compensation.

Q: Is there a deductible?

A: There is a retention, which functions similarly to a deductible. A retention is the dollar value of the loss you

retain. Retentions range from \$500 to \$10,000, depending on the size of your organization. See the box earlier in this chapter for a more complete explanation.

Q: Is there coverage for claims evolving from our operations in the past?

A: It depends on the conditions of your policy. Some policies exclude prior acts, but some don't. Be sure to check your policy to find out which applies to your organization.

Q: Are volunteers included under the policy?

A: Again, check your policy to see if volunteers are covered, but in many cases, a volunteer performing an authorized activity on the insured's behalf is covered under a D&O/EPL Insurance policy.

When an Employee Complains

Don't take it personally if a current or former employee sues or threatens a suit, and don't ignore the issue. Instead, report any potential employment practices liability incidents or allegations to your insurance company, your attorney, and the clergy member as soon as you become aware of them. A well-documented response is best. In most cases, the matter is settled out of court.

Keeping your insurer informed does not necessarily mean an increase in insurance costs. Insurance companies expect some claims. If a church never reports any incidents, an insurer might wonder if it is getting an honest picture.

However, if a church has multiple and ongoing problems with employment-related claims and seems to be negligent in fixing the underlying problem, that could result in increased costs or even cancellation of the policy.

Keeping your insurer informed does not necessarily mean an increase in insurance costs. Insurance companies expect some claims.

Under some insurance policies, a delay in reporting an incident or allegation may leave the church without Employment Practices Liability coverage. It is especially important to report promptly if an employee files a complaint with the Equal Employment Opportunity Commission (EEOC) because the EEOC puts a limit on the response time.

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Business Automobile Liability Insurance

Organizations use vehicles for a number of reasons. Don't overlook the importance of Business Automobile Liability Insurance (referred to simply as Auto Insurance throughout the rest of this chapter and book) and of having policies in place to ensure safe driving.

In this chapter, we examine what a typical Auto policy includes and excludes, make recommendations for mitigating risk around driving, look at the different issues that can arise when you rent a vehicle, and provide a safe driving checklist.

The Basics: We explore the purpose of an Auto policy, who is and isn't covered by standard policies, which automobiles are and aren't covered by standard policies, look at policy provisions, and more.

Renting a Vehicle: Renting a vehicle for a church or school outing is different than renting one for personal reasons. This section goes over what you need to know.

Mitigating Risk: This section provides steps you can take to reduce risk, concentrating on maintenance, drivers, planning, and emergencies.

Safe Driving Checklist: This handy list is a shorter version of the recommendations made in the Mitigating Risk section. You can tack it up in the office and consult it whenever you're planning a trip.

Business Automobile Liability Insurance: The Basics

The purpose of an Auto Insurance policy is to protect an organization against liability arising from the ownership, maintenance, and use of motor vehicles.

Conditions of coverage

One coverage condition is that an accident must involve a covered auto ("Covered Auto"). A Covered Auto is defined as a class of vehicle or specific operating unit designated in the policy Declarations. The types of vehicles that may be insured include:

- Owned Autos, including those on long-term lease
- Specifically described ("Scheduled") Autos that are listed on the policy by make, year, model, and serial number
- Hired ("Rented") Autos other than ones sourced from the organization's employees or those employees' spouses, partners, or other household members. These vehicles must be obtained for official business, and this provision does not include those obtained for personal use
- Non-Owned Autos, which means vehicles being used on behalf of the organization that are not owned, leased, or borrowed—including those belonging to the organization's employees or those employees' spouses, partners, or other household members

The policy could also cover:

- Trailers with a load capacity of 2,000 pounds or less, designed primarily for public road use
- Mobile equipment being carried or towed by a Covered Auto
- Any temporary substitute auto that the organization does not own but is using while a Covered Auto is out of service because of breakdown, repair, servicing, loss, or destruction

Owned vs. Hired/Non-owned Vehicles

Sometimes people get confused about the use of personal vehicles for church business by church employees or volunteers. It's important to remember that a church employee or volunteer who drives his/her personal vehicle—even on church business—is not generally covered by the church's Auto Insurance policy. Policies follow vehicles. Therefore, church-owned vehicles are covered by the church's Auto Insurance policy, and individuals' personal vehicles are covered by the individuals' personal Auto Insurance.

If a volunteer were driving her own car on church business and got in an accident, her personal auto policy would act as the primary coverage—and Hired and Non-Owned coverage would be excess, if her church's policy carried that coverage.

★ Hired and Non-owned Automobile Liability Coverage ★

You can arrange Hired and Non-owned Automobile Liability coverage to protect your entity against liability arising from employee or volunteer use of rented or personal cars for church business. This is typically covered by the [General Liability](#) policy.

Auto Insurance protects the organization as well as anyone using a covered auto with the organization's permission. But there are some exceptions to that. Individuals who are not covered include, for example:

- The owner or anyone else from whom the auto is rented or borrowed. For example, if a volunteer uses his/her personal car to run errands for the church and is in an accident, the church's Auto Insurance policy will not cover that individual or vehicle
- The organization's employee when driving a personal car or one owned by someone in the employee's household. In other words, the employee is protected when driving a church-owned car for church business, but not when driving his/her own car
- Anyone who is selling, repairing, or parking the vehicle as a function of their job. Someone valet parking a church vehicle would not be covered.
- Anyone other than the organization's employee, partner, lessee, or borrower

- Any of the organization's employees (or any non-employees) while moving property to or from a Covered Auto
- A partner of the organization for a personal auto

Covered Risk Exposures

An Auto Insurance policy covers several risk exposures within a single policy. Since policy provisions depend on state motor vehicle and insurance laws, policy provisions vary by state. The following information is a general overview.

- **Liability** is the most basic form of protection furnished in all Auto Insurance policies. This insures against civil liability for property damage and bodily injury
 - Mandatory for all vehicles
 - Covers property damage and bodily injury

Policy provisions vary by state.

- **Personal Injury (also known as "No-Fault") Protection** covers medical expenses, wage loss, and necessary replacement services (such as housekeeping) for the insured driver and/or passengers when injured in an auto accident, without regard to fault
- **Uninsured and Underinsured Motorists' Insurance** covers civil liability of another driver who either has no insurance or does not have enough insurance to cover bodily injury and/or property damage done by the insured driver

- **Physical Damage** covers damage to the policyholder's vehicle through collision with another vehicle or object (**Collision coverage**) or by other causes, such as falling objects or vandalism (**Comprehensive coverage**)

Although Liability coverage is mandatory for all vehicles, the other listed coverages are elective and subject to state vehicle requirements. Basic coverage amounts can vary by insurer and by state, with supplemental limits normally available as an option.

Basic state-mandated Liability, Personal Injury Protection, and Uninsured/Underinsured Motorists' limits are seldom adequate to cover large claims. Consider optional upgrades whenever available.

Although Liability coverage is mandatory for all vehicles, the other listed coverages are elective and subject to state vehicle requirements.

Auto Liability Exclusions

Although the various coverages available within an Auto Insurance policy contain their own unique conditions and exclusions, the following apply to the Liability coverage grant:

- Liability for work-related injury is not covered by your Auto Insurance policy and should be addressed by a Workers' Compensation policy. See our later chapter that examines this policy more closely

- Damage to property owned or transported by the policyholder, or property in an organization's care, custody, or control should be addressed within a Property Insurance policy. See our earlier chapter to find out more about [Property Insurance](#)
- Liability arising from the use of mobile equipment is normally addressed within a [General Liability](#) policy. Refer to our earlier chapter on General Liability policies
- Claims arising from the handling of property before or after being placed into or onto the Covered Auto are not covered

**Basic limits are seldom adequate
to cover serious claims.**

- Liability for pollution, as created, for example, when a vehicle containing toxic or hazardous materials overturns and discharges its contents, is not covered. Pollution Liability exposure almost always is excluded from conventional liability policies and insurable only through specialty markets



Recommendations for Auto Rental Coverage

There are many reasons why a church group might need to rent a vehicle. You might need to transport children to a retreat or choir members to a festival. How do you make sure you have sufficient coverage in case of an accident?

Should you purchase the rental company's insurance?

It's usually a good idea to purchase the Liability and Physical Damage Insurance the rental agency provides. It usually costs \$10-15 per day. When you purchase the rental agency insurance, that coverage becomes primary, and your organization's Auto Insurance plan provides coverage in excess of the rental agency's coverage.

How to avoid typical complications

People who rent vehicles for church use should be aware of the following:

1. The \$50,000/15,000 pounds threshold that most Auto Insurance policies use to limit coverage

Because more cars are approaching the \$50,000 value mark, it's one reason to consider purchasing the rental agency's Physical Damage Insurance. And remember that coverage only applies to vehicles weighing less than 15,000 pounds, so if you rent a bus, your Business Auto coverage may not apply.

It's a good idea to purchase the Liability and Physical Damage Insurance the rental agency provides.

2. Do not use 15-passenger vans

They're more susceptible to overturn because of the way they're constructed. Studies reported on by the National Highway Traffic Safety Administration (NHTSA) showed that 15-passenger vans carrying 10 or more people "have a higher rollover rate than lightly loaded vans." That's because the increased passenger weight raises the van's center of gravity and makes it more difficult to control in an emergency situation. These vans also handle differently because the wheel base is different. Removing the rear seats in a 15-passenger van doesn't necessarily make it safer because many churches load additional cargo in that area.

If you use a 15-passenger van, you may face punitive damages if anything were to go wrong.

3. If possible, the contract should be in the church's name

The person renting the vehicle should make sure the agency puts the rental in the church's name—not the individual's name. Because the rental agreement is a legally binding contract, putting it in the church's name obligates the church and not the individual acting on the church's behalf.

However, sometimes that is not possible, especially if the renter is a volunteer or employee from a small church. That's another reason why it's a good idea to purchase the Liability and Physical Damage Insurance the rental agency provides: Doing so provides extra protection for the individual renting the vehicle.

4. The "loss of use" clause

Let's say the person driving a vehicle rented in your church's name wrecks it. The car rental agency might exercise the "loss of use" clause in its rental contract to recoup its losses during the time that the car is in the shop being repaired. If it's in the shop, it can't be rented.

If you find yourself in that situation and have not purchased the rental agency's Physical Damage coverage, your church/the individual renting the vehicle would be required to pay the "loss of use" costs sustained by the rental company since "loss of use" is generally not covered by an organization's Auto Insurance policies.

If your church rents vehicles with any regularity, appoint someone who knows the process you need to follow to oversee this.

Mitigating Risk: Maintenance, Drivers, Planning, and Emergencies

Here are some steps you can take to reduce your risk:

Maintenance: In addition to performing required annual state inspections and taking regular trips to your local service station, it is a good idea to have drivers complete a vehicle inspection before every trip. The checklist should include:

- Gauges
- Tires
- Engine
- Fluids
- Battery
- Brakes
- Signals
- Lights
- Horn

Have drivers complete a vehicle inspection before every trip.

Drivers: Consider the following when deciding whom you will allow to drive a car owned or leased by your organization:

- Minimum and maximum age requirements for drivers (between 25 and 70 years of age)
- Conducting a review of driving records
- Initiating background checks (mandatory for individuals working with children); see the earlier General Liability chapter for more information on background screening

- Whether the driver has experience driving a 9- or 15-passenger van, if that is the vehicle being used. Generally speaking, it's a good idea to avoid using a 15-passenger van. See our explanation earlier in this chapter
- Whether driver education courses have been taken
- Using two drivers if embarking on a long trip, to make sure there's always an alert driver available

Safety Planning: Make sure the following are always in the vehicle:

- Roadside flares
- Spare tire and jack
- Water
- Gasoline
- Jumper cables
- Windshield wiper fluid
- Ice scraper
- First aid kit

Emergency Contact Information: Keep contact information for these individuals in the car as well as in the office:

- Clergy member
- Senior Warden
- Towing service
- Police
- Fire
- Ambulance
- Hospitals
- Your insurance provider

Safe Driving Checklist

Use this checklist for renting or using personal autos for church-sponsored activities:

- Drivers should be between the ages of 25 and 70.
- Background checks should be conducted on all drivers.
- Use two or more drivers on long trips, sharing the driving to avoid fatigue.
- Be sure there is a dedicated adult responsible for supervising children.
- Complete a vehicle inspection checklist before all church-sponsored trips. Check lights, blinkers, tires, fluid leaks, etc.
- Determine maximum speeds that all drivers are not to exceed.
- Cancel all trips when driving hazards such as fog, high winds, heavy rains, or severe weather conditions exist.
- The purchase of additional liability coverage from rental agencies is suggested.
- Leave an itinerary with someone at the church; include the route, expected time of travel, and contact numbers.

The information contained in this chapter is intended to give individuals a broad idea of Business Automobile Liability Insurance. Actual insurance benefits are listed in the applicable provisions of the specific insurance contracts and plan documents, and may include exclusions, limitations, or specific conditions that may modify or exclude the benefits as they appear in this document. Please note that this document is provided for informational purposes only and should not be viewed as investment, tax, legal or other advice. This information is not an offer to sell insurance.



Workers' Compensation and Employer's Liability Insurance

The purpose of this type of insurance is to provide state-mandated benefits for injured workers and to protect an organization against legal liability for workplace injuries.

In this chapter, we cover:

Workers' Compensation and Employer's Liability

Insurance: The Basics: This section discusses the difference between these two separate forms of coverage, eligibility, compensability, and premiums.

Keeping Workers Safe: Volunteers and employees might cut corners to get a job done quickly, but safety should be the first consideration.

Disability Insurance: This section explains what short- and long-term disability insurance typically covers.

Workers' Compensation and Employer's Liability Insurance: The Basics

The policy contains two distinct coverage grants:

- **Workers' Compensation:** This is a form of insurance that states require of employers in order to compensate workers injured on the job. Coverage applies on a "no-fault" basis (meaning it doesn't matter who was at fault) and typically includes medical, wage loss, rehabilitation, and death benefits—all as prescribed by state labor law

Unlike most insurance coverage, Workers' Compensation limits are arranged by state law.

- **Employer's Liability:** This is a protection against civil liability for work-related injuries. This insurance is there for settlements, judgments, and costs of defending claims brought by workers who are either exempted from Workers' Compensation or for whom benefits are otherwise not payable. This form of insurance is not required in all jurisdictions

As with other types of liability insurance, Employer's Liability coverage is triggered by a claim of negligence (in this case, against the employer), and the claimant must prove civil liability (meaning that the insured must be potentially responsible to pay for damages determined in a civil lawsuit).

Limits of Liability

Unlike most insurance coverage, Workers' Compensation limits are arranged by state law.

Employer's Liability typically provides standard policy limits of:

- \$500,000 per employee for Bodily Injury by Accident
- \$500,000 per employee for Bodily Injury by Disease
- \$1,000,000 policy aggregate for Bodily Injury by Disease

What this means is that \$1,000,000 is the maximum that the policy will pay out for Bodily Injury by Disease over the lifetime of your policy, if your limits are those stated above. Check your policy to determine your policy limits. Churches should consider Umbrella Insurance for Employer's Liability Insurance. [Umbrella coverage](#) will be discussed in a later chapter.

Workers' Compensation insurance applies to employees injured in the course and scope of their work.

Compensability

Workers' Compensation insurance responds to financial obligations imposed by labor law, so a claim is covered by the policy only when it is deemed compensable. In other words, a claim must meet certain eligibility tests under state law. The key considerations are basically:

- Whether the occurrence took place within the course and scope of the injured person's employment
- Whether an injury and associated disability are attributable to the work-related injury

★ **Workers' Compensation: Getting Employees Back to Work** ★

Workers' Compensation Insurance isn't just about covering medical benefits. It's about helping injured employees receive quality care and forging a path to recovery and a return to work.

Eligibility and Rating Considerations

In this section, we look at who could be considered an employee, as well as how to classify those employees and determine their remuneration (vs. payroll).

★ Who Should Be Considered an Employee? ★

Workers' Compensation Insurance applies to employees injured in the course and scope of their work. "Employee" may be defined broadly, especially in church circles.

For purposes of determining eligibility, "employee" may be defined in many states as including full- and part-time workers whose annual earnings are reported by an IRS W-2 form; casual or contracted workers whose remuneration is reported by an IRS 1099 form; and, at the employer's election, uncompensated volunteers.

Some churches have difficulty determining whether people in their employ should be designated employees (who would be covered by Workers' Compensation) or independent contractors (who would not be covered). The following questions will help you decide, but you should review with counsel before making any decisions. If you answer "yes" to any of these questions, the individual in question is probably an employee:

- *Will the church control how, when, and where the work is performed?*
- *Will the church determine the number of hours to be worked?*
- *Will the church determine the order or sequence of work to be performed?*
- *Will the church pay hourly, weekly, or monthly?*
- *Will the church pay business and travel expenses?*

Consider all individuals for whom you would intend to provide benefits in the event of on-the-job injury—and report their remuneration accordingly.

A Workers' Compensation premium is the product of rates developed for a variety of occupational classes and the policyholder's total annual remuneration to those occupational groups.

Here's an explanation of what that means:

Remuneration

The term "remuneration" is broader than "payroll" and should include the value of housing and car allowances, employer-paid utilities, and Social Security offsets payable to clergy and other personnel considered by the Internal Revenue Service to be self-employed.

Rates are expressed as a cost per \$100 of remuneration and, in general, reflect the relative riskiness of the occupation. For example, the Workers' Compensation rate for a clerical or office employee might be 50 cents per \$100 of remuneration, while the rate for maintenance personnel could be as much as \$6 per \$100 of remuneration.

Projecting remuneration involves:

- Developing reliable projections of employee remuneration for the policy period
- Declaring remuneration for all individuals you intend to treat as employees eligible for Workers' Compensation
- Allocating projected remuneration across the correct classifications

Volunteers also sometimes receive remuneration and should be declared. For example, some churches help homeless individuals by providing meals or a place to stay in exchange

for work performed. That person isn't necessarily connected to the church, but because the church is providing room and/or board, it is still considered remuneration. If something were to happen to someone who climbed a ladder to clean out gutters in exchange for dinner, that person should be covered under Workers' Compensation.

Workers' Compensation preliminary premiums are auditable, meaning that the insurer may adjust them at year-end to conform to the considerations listed above, among others. When written, premiums are estimates because they are based on current payroll—and salaries change. If salaries go up, then more is due at the time of the audit. If salaries go down, then the employer will get its money back.

★ **Don't Ignore Injury** ★

When an employee comes to you after having been injured on the job, don't ignore the situation, hoping it will get better. Don't ask the employee to address the problem in his/her next visit to the doctor, or suggest that he/she will get better with time. Take injuries and illnesses seriously, even if they seem minor.

Call your insurance agent, who can help you figure out what you need to do according to your state's laws.

Classifications

Although the exact classifications and their names vary from state to state, the broad categories most commonly applicable to religious institutions include:

- Clerical/Office employees (such as secretaries and administrators)
- Church Professional employees (such as clergy and program administrators)
- Church Other employees (such as maintenance personnel)
- Whatever else might be applicable to your situation—for example, you might have Cemetery or School classifications

How Claims Experience Affects Premiums

Claims experience directly affects premiums through application of an **experience modification factor**, sometimes referred to as the "mod." The mod is a numerical expression of the policyholder's three-year loss record compared to statistics from other organizations in its peer group.

These are the three classifications of claims experience:

- A **unity modification**—equal to 1.0—signifies that the policyholder's experience is on a par with others in the same general class of business
- A **credit modification**—less than 1.0—reflects better-than-average claims experience. For example, a mod of .850 indicates that the policyholder's history is 15 percent better than the peer group norm
- A **debit modification**—greater than 1.0—indicates poorer-than-average claims experience. For example, a mod of 1.20 indicates that the policyholder's history is 20 percent worse than the peer group norm. This classification suggests that the organization should undergo correction through safety programs and other preventive initiatives

In each instance, the mod is applied to the standard premium (the product of rates times total remuneration), causing the policyholder's cost to decrease, remain level, or increase commensurate with claims experience.

★ Protocol for on-the-job injury ★

Have a plan in place in case an employee injures him- or herself on the job. Make sure that employees know what to do if they are injured or suffer the effects of repetitive stress or environmentally-induced illness. Make sure your plan includes making a claim and arranging for medical care immediately. Time can make an injury worse.

Significant Exclusions (Employer's Liability)

Some of the most noteworthy Employer's Liability exclusions are for:

- Liability assumed under contract
- Punitive or exemplary damages because of bodily injury to an individual employed in violation of law, with or without the employer's actual knowledge, or the actual knowledge of its executive officers
- Obligations imposed by Workers' Compensation, occupational disease, unemployment, or disability benefits law or equivalent. This exclusion shifts coverage to the Workers' Compensation section of the policy, or to other types of insurance policies designed to address work-related benefit obligations
- Bodily injury intentionally caused or aggravated by the employer
- Bodily injury occurring outside the United States, its territories and possessions, or Canada

- Damages arising from employment practices, policies, acts, or omissions, including evaluation, demotion, reassignment, discipline, defamation, harassment, discrimination, and termination. This exclusion shifts coverage to a separate Employment Practices Liability or Directors' and Officers' Liability policy. See the earlier chapter on this subject for more information

★ To Claim or Not To Claim? ★

What if an employee:

- *Shows signs of frequent illness, and mold is discovered behind the wall of his/her office?*
- *Gets in a car accident while driving to a church-sponsored function?*
- *Slips and falls in the parking lot?*
- *Develops carpal tunnel syndrome?*
- *Injures him- or herself, but can still come to work?*

Any of these situations could possibly be reason to make a claim. If you're not sure what to do, consult with your insurance agent.

Keeping Workers Safe

Some churches are lucky enough to count tradespeople among their parishioners. Those professionals might volunteer to do repair and maintenance with their own tools. However, that's not the case with most churches.

Whenever you do repair or maintenance work, you need to be particularly mindful of safety. Injuries to volunteers or employees in a construction environment can be serious. Inadequate experience, skills, or tools contribute to risk. That's why it's important to plan carefully and know the limitations of your parishioners' abilities.

Some common situations that begin with the best of intentions and could end in injury include:

- **Placing items up high:** Tempting as it might be to skip getting a ladder when you just need to move a box from the floor to a higher shelf, don't do it. Don't stand on a chair. Use a ladder that's properly placed on the ground.
- **Lots to do—and not a lot of supervision:** You might have planned a day in which multiple volunteers are carrying out many tasks. Appoint someone to supervise so children (people under 18) don't use power tools or ladders and adults are performing only the tasks they're qualified to do.
- **Hedge-trimming:** You need special tools to trim a hedge. Make sure you rent or buy the proper tools rather than improvising with other types of blades.

- **Eye protection:** Be careful when using sharp objects. Make sure people wear eye protection whenever they use tools that could cause eye injury if something slips or chips go flying.
- **Ladders versus scaffolding:** If it's a one-person job, you can use a ladder. For any job larger than that, use of scaffolding is highly recommended.
- **Working "hot":** Never do electrical repair when the electricity is still flowing—even if the circuit breaker is in a locked space, and even if the volunteer electrician claims to have done it before.

Whenever you do repair or maintenance work, you need to be particularly mindful of safety.

Disability Insurance: A Key Benefit for Lay Employees

In addition to Workers' Compensation coverage, it's recommended that you consider Disability Insurance. Disability Insurance replaces lost income for up to a year of disability for employees of dioceses, parishes, and other church organizations. It also allows church organizations to hire temporary employees while the disabled employee recovers.

When you consider the likelihood of an employee becoming ill or injured for longer than a couple of weeks, short-term disability is a valuable asset to your organization.

Although most people do not consider themselves at risk, statistics prove otherwise. According to the American Council of Life Insurers (2001 Life Insurers Fact Book), nearly one third of all Americans aged 35 to 65 will become disabled for more than 90 days.

Because an accident or illness affects both the employee and the employer, an affordable and flexible short-term disability protection plan can provide critical benefits for both the employer and the employee. Short-term disability insurance coverage is designed to treat absences related to pregnancy, childbirth, and postpartum care in the same manner as any other illness or injury.

★ Short and Long-term Disability ★

Disability Insurance is its own policy and not included with Workers' Compensation or Employer's Liability Insurance.

Short-term Disability replaces lost income if an employee becomes medically disabled for more than 30 days, and benefits could continue for up to 52 weeks.

Long-term Disability provides benefits that begin after an employee has been disabled for 12 months and continues until the employee is able to work again or reaches the age of 65.



Excess and/or Umbrella Insurance

The purpose of Umbrella and/or Excess Insurance is to protect an organization and its people against catastrophic liability beyond the scope of their primary insurance policies. For example, an organization might have an Umbrella policy that covers bodily injury, in excess of limits set by its General Liability policy, in case of a serious injury that occurs during a church-sponsored activity.

The best way to think of this kind of coverage is as a safety net of additional protection that starts where your primary insurance ends. For example, if you have a \$1 million General Liability limit and a \$5 million Umbrella Liability policy, the Umbrella coverage gets triggered when the General Liability limit is exhausted.

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An organization should have Umbrella and/or Excess Insurance in place to provide additional coverage for the following policies and types of coverage: General Liability, Clergy Pastoral Counseling, Sexual Misconduct (if available), Automobile Liability, Directors' and Officers' Liability, and Employer's Liability, among others. All of these types of coverage are examined elsewhere in this book.

★ How does your coverage get "exhausted"? ★

"Exhaustion" of your primary policies can happen in a couple of different ways depending on how the primary policy is set up:

1. When payment of an individual claim exceeds the per-occurrence limit
2. When the total value of a series of claim payments within the same policy period exceeds the aggregate limit

The best way to think of this kind of coverage is as a safety net of additional protection that starts where your primary (basic) insurance ends.

The Difference between Excess Insurance and Umbrella Insurance

Excess Insurance and Umbrella Liability Insurance aren't interchangeable:

- **Excess** sits on top of primary coverage and simply provides additional capacity without changing the nature or scope of protection
- **Umbrella** supplements primary coverage, but also extends protection beyond the edges of underlying policies after fulfillment of a modest self-insured retention. (A Self-insured Retention acts in a similar way to a deductible. You can find more information in the General Liability chapter)

It's easy to remember what Umbrella coverage does because, like its namesake, the policy hangs over what is beneath it, providing broader protection.

Drop-down Provision

Although Umbrella Insurance policies are intended to deliver catastrophic liability protection, they also contain a feature known as the drop-down provision.

What the drop-down provision does: If a claim falls outside the scope of scheduled or required primary liability policies, the Umbrella policy will "drop down" to function like a primary policy, after fulfillment of the self-insured retention (typically \$10,000). This covers gaps that might exist on your policies.

Schedule of Underlying Insurance

Both types of policy contain a Schedule of Underlying Insurance that lists the specific primary liability policies that the Excess Insurance or Umbrella Liability policy is meant to augment.

Coverage must be shown in the Schedule for it to exist in the Excess or Umbrella layer. The Schedule generally specifies the underlying insurance you must maintain, or equivalent self-insured retentions for certain kinds of liability.

Businesses should typically confirm that primary liability policies are listed in their Schedule and find out whether their organization must absorb a Self-insured Retention before Excess or Umbrella Liability policies are activated.

Coverage must be shown in the Schedule for it to exist in the Excess or Umbrella layer.

Match Primary and Excess Terms and Conditions

Sometimes, an organization's primary liability protection is underwritten by a different insurer than the Excess or Umbrella policy. Therefore, it's a good idea to request the use of "Following Form" language to make sure that the primary and excess policy terms and conditions match each other. Following Form language means that the terms and conditions of the policy will mirror underlying policies, which ensures seamless protection.

Request the use of "Following Form" language to make sure that the primary and excess policy terms and conditions match each other.

Who Is Insured

Because these types of insurance are supplemental, they protect the same entities as the primary (underlying) policies:

- The corporate entity
- Its subsidiaries and affiliates
- Their executive officers and directors
- Their trustees
- Their employees
- Their volunteers

Sometimes the policy language may be even more specific in designating other leaders as additional insureds, and the same limitations are applied. Those entities are insured for their actions when furthering the organization's business.

Limits of Liability

There is no standard limit of liability for Excess Insurance or Umbrella Insurance policies. Coverage can range from as little as \$1 million to more than \$100 million. Coverage should reflect an organization's perceived vulnerability to catastrophic risk. The more active the church is in the community, the higher the limits that should be considered. That's because underwriters charge a higher premium for things like automobiles, schools, and extension ministries.

★ Factors to consider when selecting a limit ★

Consider:

1. The nature and scope of your organization's operations (how active it is in the community)
2. The strength of your risk management program
3. The location of your organization and the judicial climate of that jurisdiction
4. Your organization's large claims history
5. Regional and national trends toward large awards against similar organizations
6. Your organization's ability to fund catastrophic loss from its own treasury
7. The cost and relative value of insurance

Buy enough protection for the worst-case scenario, no matter how remote it seems. The cost for each additional \$1 million of protection typically decreases as you go.

Buy enough protection for the worst-case scenario, no matter how remote it seems.

Significant Exclusions

Most exclusions parallel those in the underlying policies, but two additional typical exclusions for Umbrella policies are:

- Any obligation imposed by the Employees' Retirement Income Security Act of 1974 (ERISA) or its amendments
- Any obligation of the Insured under a "No Fault," "Uninsured Motorist," or "Underinsured Motorist" law

Why You Might Need another Layer of Protection

A roofing contractor in the Northwest used a blowtorch to seal roofing materials. The crew completed the work and went home. Later that evening, the smoldering roof burst into flames, and the church burned to the ground. The cost to rebuild was estimated to be \$1.8 million.

The church's primary Property and Casualty insurer took responsibility and paid claims to the limits of the policy carried by the church—\$1 million. The contractor was uninsured, leaving the congregation at least \$800,000 short of the amount required to replicate the church it lost.

It could have been worse; if the uninsured contractor and his uninsured workers had been burned or otherwise injured trying to escape, the church might have been held financially liable for some degree of culpability. And if the workers weren't covered by Workers' Compensation insurance, the church also might have been compelled to pay for a portion of those missing benefits.

This, of course, speaks to the importance of making sure you're working with an insured contractor (see our previous chapter on General Liability), but it also emphasizes the importance of having Umbrella or Excess coverage. You can't plan for every possible disaster scenario, but you can be prepared to cover catastrophic loss.

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This type of policy should be written to protect individuals outside of the traditional definition of "employee," including directors, trustees, and volunteers.

When Employee Dishonesty Insurance is underwritten on a blanket basis, it applies to all covered individuals without specific designation by name or position.

Employee Dishonesty Insurance can protect checking and other financial accounts; donations, plate collections, and other contributions; and income from daycare, tuition, and other revenue-generating sources.

Forgery or Alteration protects an organization against loss arising from third-party forgery or alteration of checks, drafts, promissory notes, or similar instruments made or drawn by the policyholder or its agent. It also can be written to cover actions by those who are not employees, directors, trustees, or volunteers. Typically, no deductible applies.

Some Commercial Multiperil policies include protection against Theft, Disappearance, and Destruction of money and securities (inside or outside the premises). Protection may also be available against Robbery and Safe Burglary (inside or outside the premises). And because of computer use and electronic data transfer as a financial transaction medium, Computer and Wire Transfer Fraud protection now also exists.

Commercial Crime Insurance

The purpose of a Commercial Crime policy is to insure an organization's assets against loss attributable to dishonest acts.

A Commercial Crime policy may provide many types of protection within a single contract. Two major protections are Employee Dishonesty and Forgery or Alteration.

Employee Dishonesty (sometimes also referred to as "Fidelity") protects an organization against loss of money, securities, or other property arising from the dishonest acts of an employee.

★ Theft, Disappearance, and Destruction ★

A church volunteer might deliver a Sunday night deposit to the bank drop. If the volunteer neglects to check the chute and the bag gets stuck, the next person to use the bank drop would be able to take the church's deposit bag. If that were to occur, Theft, Disappearance, and Destruction coverage would kick in.

Assessing loss vulnerability

For many institutions, the most overlooked crime threat is theft. In assessing one's vulnerability to loss, remember that:

1. A Commercial Crime policy insures not only money and securities, but also other property, such as office equipment and supplies, computers, and Fine Arts
2. The policy should be written to cover the acts of people outside of the traditional definition of "employee," such as volunteers
3. An organization's money and securities exposure extends beyond mere petty cash on hand and may include bank and investment accounts

In applying policy limits and deductibles, typically all loss attributable to a single perpetrator or dishonesty pattern will be treated as a single occurrence—regardless of the number of individual dishonest acts or time span involved. The amount of available coverage is the face amount of the policy when the loss is discovered.

That's why it's important to arrange enough protection for the once-in-a-lifetime dishonesty scheme that most churches find unimaginable.

Limits of Liability

There is no standard limit of liability for any of the coverage sections of a Commercial Crime policy. Instead, the policyholder selects a limit commensurate with his/her institution's exposure to risk.

For many institutions, the most overlooked crime threat is theft.

Commonly, institutions select an Employee Dishonesty limit equal to at least five percent of total assets. Another yardstick is a limit equal to 25 percent of total annual revenue from all sources. This amount will vary according to security and cash management practices.

The policy limit you choose should reflect your vulnerability based on considerations such as money-counting procedures, check-signing protocols, access to financial accounts, and whether an outside CPA performs an annual audit.

Employee Dishonesty losses often involve more than just petty cash on hand. When choosing a coverage limit, also consider the value of other assets, such as bank and investment accounts and valuable property vulnerable to theft.

The difference between "loss sustained" and "discovery"

To know how your insurance will handle a loss, check your policy to determine whether it covers losses based on "loss sustained" or "discovery" during its coverage period. Here's the difference:

- **Loss sustained:** This means that coverage is provided for a loss that occurred within the coverage period. Generally, limits are stacked from year to year.

For example, if the treasurer discovered that another volunteer had been embezzling money for the last five years, a policy that works on a loss sustained basis would provide coverage for the policy period (generally that year). However, the insured would probably be able to make claims on previous policy periods, as well. It's recommended that institutions purchase loss sustained coverage when possible because of the additional protection it provides.

Employee Dishonesty losses often involve more than just petty cash on hand.

- **Discovery:** This is the more common type of coverage. If you discover a loss during the coverage period, the amount of the discovered loss is covered—no matter when the loss itself took place. So, as in the example above, if a volunteer had been embezzling money over a five-year period, the entire amount of the loss would be covered—up to the limits selected by the institution.

Policy application

Coverage is usually immediate—effective the date you are approved. You should be able to explain your auditing process to the insurance company if the person in charge of your audits is not a CPA. An annual independent audit is highly recommended.

Financial Mismanagement

Are your financial controls adequate for theft prevention? All too often, churches have no written procedures, and only one person is responsible for financial management—a situation that can lead to temptation.

If your institution does fall victim to theft, you'll face monetary consequences, but also a blow to your reputation as good stewards of your church's assets. Church leaders have responsibilities to congregants, who expect them to guard the assets and reputation of the church.

Types of theft that can occur

Donald Cressey, an American sociologist and criminologist, created the idea of the "fraud triangle": motive (need), plus rationalization (justification), plus opportunity (access) leads to fraud. Personal or financial pressure can induce an individual to steal. And the fact that the church does good work does not necessarily act as a deterrent.

Sometimes church leaders find that the perpetrator has used a variety of methods to steal from the church. Embezzlers can be clever and usually won't steal large amounts all at once. Generally, thefts occur over a long period—perhaps even years.

Here are some examples of ways in which people—sometimes trusted employees—have embezzled:

1. *Falsifying payroll:* Thieves create phantom employees or independent contractors. To prevent this from occurring, make sure pay stubs go to a second person who does not process payroll
2. *Wage advances:* Be especially careful to track wage advances to prevent employees from being overpaid
3. *Stolen checks:* Look for checks that are out of serial number order. Also, the check writer should not be the person responsible for reconciling the bank statement
4. *Unauthorized credit card use:* The cardholder should not be the one managing the church's credit card statements. Monthly statements should be delivered to the treasurer unopened, and the treasurer should not have a church credit card

If your institution does fall victim to theft, you'll face monetary consequences, but also a blow to your reputation as good stewards of the church's assets.

How to ensure prudent financial management

Though most people who help with a church's finances are honest, church leaders should still put safeguards and protocols in place to prevent theft from occurring. If there are no controls in place and money goes missing, suspicion

can fall on honest people. Avoid putting treasurers and volunteers in this position by knowing how to ensure prudent financial management.

Set yourself up like a corporate business entity

Form a committee dedicated to handling financial issues and reach out to members who have financial skills and knowledge in preventing fraud. The committee should meet on a quarterly basis to discuss internal controls.

Personal or financial pressure can induce an individual to steal. And the fact that the church does good work does not necessarily act as a deterrent.

If you represent a small parish without financial specialists on the roster, use software accounting packages that can help to identify suspicious transactions. Bring in a professional outside auditor to perform random spot audits. Letting your members know that these safeguards are in place can act as an obstacle to theft.

An annual independent audit conducted by an outside CPA is highly recommended.

Review by-laws and procedure

It's a good idea to review by-laws to make sure they're not outdated and that they include authority structure. Items such as financial and contractual activities of the church (Sunday collections, purchasing, service contracts, leases,

employment, banking, and budgets) should be addressed.

Segregate financial duties

A single individual should not have the authority to conduct the business of the church without routine oversight. Make sure your procedure has checks and balances in place to minimize risk.

Not allowing a single individual access to cash or records mitigates the opportunity for theft. All cash records should be verified and double-checked. In addition, all accounts should be reconciled by someone who does not have check-signing authority, and all checks for \$1,000 or more should be countersigned.

Make sure your procedure has checks and balances in place to minimize risk.

Be sure to exercise both caution and common sense when working with money. For example, it's not a good idea to put your bank account user name and password on a note attached to your computer monitor.

★ How can you tell if someone is stealing? ★

Most people who do financial work for a church are honest and want to protect the institution's financial security. But church leaders should still watch for certain warning signs that could indicate that a bookkeeper, treasurer, or volunteer might be stealing from the church. Here are a few characteristics often seen in embezzlers. They:

- *Never take vacation*
- *Don't want help with any tasks*
- *Do multiple jobs within the church*
- *Live beyond their means*

Independent auditor, new treasurer each year

An annual independent audit can uncover financial discrepancies, and electing a new treasurer each year can also thwart a thief's efforts. Be careful not to grant too much authority to the treasurer—even if he or she has a great deal of experience. Remember, the role of the treasurer is not to handle the money but to manage the money.

When you know what to look for and you have preventive processes in place, the likelihood of embezzlement occurring at your church diminishes.

Remember, the role of the treasurer is not to handle the money but to manage the money.

What to do when you suspect someone of theft

In a situation where you suspect a church member of theft, discuss it with the church's management body and in the financial committee before taking next steps, which could include reaching out to your insurance company, the district attorney, or local prosecutor. Many policies require that the church cooperates with law enforcement in order for coverage to apply.

background check turns up convictions for theft or reveals that the individual is in serious financial difficulty.

For more information on background screening, see our earlier chapter on [General Liability](#), which includes recommendations about types of background checks to do and what to do if you get a "hit" when screening backgrounds.

★ **Business Methods in Church Affairs** ★

If you need advice on financial management, internal controls, bookkeeping, clergy discretionary funds, and audit guidelines, you may find this [Manual of Business Methods in Church Affairs \(pdf\)](#) helpful. It was authored by a panel of diocesan and national church business leaders for The Episcopal Church. Though all of the guidelines might not apply directly to your denomination, this manual can be a good place to start.

Background investigation of those involved with finances

Although some churches hesitate to perform background checks on volunteers who will be working with money, doing so can help prevent cases of dishonesty. Be sure to consult your state and federal laws with respect to employment practices before conducting a background check on any volunteer.

Background checks signal potential trouble before someone is put in a situation where he or she has access to money or financial systems. You can categorize a person as a risk if the

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Travel Accident and Sickness protects travelers and participants of day schools, camps, and off-site athletic or recreational activities against medical expenses associated with accidental injury or sickness they sustain while participating in such programs.

The International Package and Travel Accident and Sickness Insurance

This chapter covers two separate, but related, types of coverage:

The International Package combines several unrelated forms of protection within a single contract. Each of the types of coverage relates specifically and only to incidents caused or claimed abroad.

International Package Policy

When is the worst time to find out your healthcare coverage doesn't extend beyond the borders of the U.S.? When you're injured overseas, of course.

Many stateside insurance policies, such as managed healthcare plans and Workers' Compensation, are not designed to protect travelers against overseas problems or emergencies. And many liability policies only cover claims brought in the U.S., its territories, and Canada.

However, there's an easy path to peace of mind when you take your church group on a choir tour, perform mission and relief work in emerging nations, attend a clergy conference abroad, or visit a companion community in a foreign land.

Depending on the nature and extent of overseas activity, your organization should consider arranging for an International Package policy. This type of policy combines several unrelated forms of protection within a single contract. Each of these types of coverage relates specifically and only to incidents caused or claimed abroad:

- **Foreign General Liability**, which protects an organization and its people from civil liability for bodily injury, or property damage caused or claimed abroad
- **Foreign Automobile Liability**, which protects an organization and its people from civil liability for vehicular bodily injury or property damage caused or claimed abroad
- **Foreign Workers' Compensation**, which provides state-of-hire Workers' Compensation benefits to U.S. workers injured in the course and scope of their

employment while outside the U.S. It also insures the employer against Employer's Liability incurred through an overseas workplace occurrence

- **Travel Accident and Sickness** provides Emergency Medical and Accidental Death and Dismemberment benefits in the event of injury, sickness, or death abroad and typically also includes emergency medical evacuation, repatriation of mortal remains, and travel assistance services. There will be more about this type of coverage [later in the chapter](#)

Depending on the nature and extent of overseas activity, your organization should consider arranging for an International Package policy.

Find out what your policy covers. Many Travel policies provide only basic Emergency Medical protection and fail to address liability and other risks.

Kidnap, Ransom, and Extortion insures the organization and its people against foreign abduction and ransom or extortion. This typically covers ransom monies, loss of ransom monies in transit or delivery, crisis-management expenses, consultants' fees, liability settlements, judgments and defense costs, and death or dismemberment.

Limits for International Packages

Some limits exist for International Packages. For example, there are some places where no international coverage is available, such as Afghanistan and North Korea, and other

areas where all coverage except Kidnap and Extortion is provided. In addition, complications may arise if the insurance policy must pay out directly to certain specifically designated nationals.

Although this policy is purchased and issued within the U.S., it responds to occurrences on foreign soil. Therefore, it's a good idea to select an insurer with extensive global operations and in-country resources.

★ **What could happen if you don't have international travel insurance?** ★

If you opt not to purchase international travel coverage, you run the risk of an uninsured claim. For example, a member of a mission team working in the Dominican Republic fractured his leg when a homemade ladder he was climbing collapsed. Because the organization had purchased international travel coverage, the policy paid for emergency surgery at the local hospital as well as evacuation back to the United States—which would have been very expensive to pay out of pocket.

Travel Accident and Sickness

Most other commercial insurance policies protect the organization first and foremost, but an Accident and Sickness policy provides direct protection for the individual participants enrolled in sponsored travel, school, camp, or athletic and recreational programs.

An Accident and Sickness policy typically covers:

- **Emergency Medical Expense** up to a policy limit for this coverage part. Coverage may apply in excess of a deductible (on a primary basis) or after exhaustion of other valid and collectible insurance, such as group health insurance benefits

Check your policy to find out how Emergency Medical Expense coverage applies.

Most other commercial insurance policies protect the organization first and foremost, but an Accident and Sickness policy provides direct protection for people.

- **Accidental Death and Dismemberment (AD&D)** up to a policy limit for this coverage part. The policy may include a schedule of AD&D benefits that vary according to severity of the injury

For example, the policy limit (or “principal sum”) may be payable not only in the event of the participant’s death, but upon severe injury, such as loss of multiple limbs or sight, paraplegia, and other equally dire circumstances. Partial benefits, such as one-half or one-quarter the principal sum, may be payable for other serious and permanent injuries.

For most buyers, the value of a Travel Accident and Sickness policy comes from the Emergency Medical Expense benefit, which can deflect claims away from the organization’s General Liability policy. The AD&D benefit—especially if only a modest principal sum—is a token addition. If insuring the value of participants’ lives is a significant concern, consider increasing the AD&D benefit.

Significant Exclusions

Some of the most noteworthy Accident and Sickness exclusions are for:

- Routine medical or dental treatment
- Services provided by the sponsoring organization or its employees
- Prescriptive hearing or vision aids
- Suicide or intentionally self-inflicted injury
- Injury due to participation in a riot
- Elective cosmetic surgery
- Loss arising from air travel



Disaster Preparedness and Risk Management

In this chapter, we’ll look at some common disaster scenarios and offer tips to prepare. Additionally, we examine the five steps of risk management and tell you about a safety program that helps organizations minimize risk. We’ve also included a list of sample questions you can use to get started.

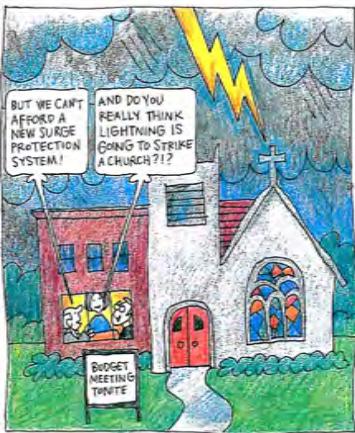
Throughout this chapter you’ll read stories of churches that have faced fire, flood, and tornadoes.

★ Monastery Fire ★

An out-of-control forest fire burned a monastery—with a fire-suppression system and a tile roof—to the ground in 20 minutes. The monastery stood in an area with extreme fire risk, and the monks were prepared in case of disaster. They made sure all guests and brothers were accounted for, consumed the sacrament, got the flash drive with files and records on it, and left with the clothes on their backs. Because they knew what to do, how to do it, and how much time it would take, there was no loss of life.

Tip: Have a plan in place in case of fire.

Disaster Preparations and Some Common Scenarios



Church leaders should appoint an individual or a group of members who are able to put the disaster response plan into action—or to recruit other folks to do it. There are a few disasters for which every church should plan—such as fire—but church leaders should also generate multiple potential disaster scenarios and plans.

Some preparation tips

Make sure you perform these actions:

- Emergency supplies should be frequently checked and fully stocked. Keep flashlights, roof patches, fans, generators, tools, gas cans, and other supplies in a designated area, such as a disaster relief toolshed. Stock a battery-operated radio with extra batteries
- Locate and know how to shut off gas and water main valves
- Computer files should be regularly backed up and stored off-site

For staff members:

- Keep up-to-date copies of important files off-site on flash drives or on detachable external storage devices in case of the need for sudden evacuation

- Make sure they have contact information for clergy and other staff accessible at all times
- Be prepared to secure the property and buildings

Make sure the congregation knows what to do if a disaster were to strike when the congregation is in the building (such as during Sunday services).

★ Hurricane Sandy Tested New Jersey's Resilience ★

Three hundred twenty gallons of heating oil spilled into about 15,000 gallons of floodwater in a church basement in New Jersey, thanks to Hurricane Sandy. Most of the damage at that parish was due to flooding—the basement windows failed—along with some wind damage to the roof and a small stained glass window, totaling almost \$500,000 in damages.

All of the electrical work below ground was redone and the HVAC systems were replaced. A contractor was brought in to prevent future flooding by putting in stronger windows and to rehabilitate what was a finished basement before the storm.



Damage caused by Hurricane Sandy

Flood insurance

In parts of the country where you have slab foundations and the water tables are high, it's tough to avoid a flood if there's a heavy rain over a prolonged period of time, hurricane, or tidal surge.

To mitigate risk, look into sump pumps, basement waterproofing companies, and French drains in the basement. Check your sump pumps regularly to make sure they're working properly.

It's very important to report any losses immediately because delay can compound the damage caused by the flood.

★ Katrina: largest hurricane to make landfall in the U.S. ★

In the Episcopal Diocese of Louisiana, 52 parishes were battered by Hurricane Katrina. One such church, St. Luke's, sustained significant damage. While the church itself did not need to be gutted because the plaster did not stay wet and grow mold, the remaining church buildings, including the office complex, took in 18 to 24 inches of water throughout. Those buildings needed to be gutted and rebuilt.

Flood insurance made the reconstruction possible.

Generators

If you live in an area prone to strong storms and intend your church to act as a community center during emergencies, it's a good idea to have a generator on site.

Seek professional help from a generator manufacturer and/or supplier to select your generator. Because the wattage

requirements of churches tend to be large, most church leaders choose to hard-wire standby generators into the church's electrical systems instead of using portable models. Consult an electrician if you plan to install a standby generator.

Designate a point person—an administrator, church secretary, or clergy member—to make sure the generator is well-maintained so that it will work properly in case of a disaster.

Generator misuse could cause carbon monoxide poisoning, so exercise common sense. Don't run a generator in closed quarters; make sure it's outside. Don't situate your generator in a place vulnerable to flood—or it may be affected by the very disasters that would cause you to need it.

★ Good Shepherd Church, Berkeley, California ★

A small church on a street corner in a residential area had a fire (that may have been electrical) that devastated the church, which was a National Historic Landmark. It also damaged the building next door. It happened on a Saturday night, but on Sunday morning, members and the guest preacher came to church as usual, not knowing what had happened the previous night. Fortunately, the detached parish hall was untouched by the disaster, and people could gather there.

Tip: Create a communication plan so all church leaders and members know when to use alternate meeting spots. Make sure you've put together an emergency relocation plan ahead of time. Many churches rely on reciprocal use agreements with other religious institutions. When such an agreement is in place, each of the parties can use the other's meeting space in case of disaster.

Church violence

People think of churches as idyllic places for contemplation and prayer. While that's certainly true, they are also public places. As recent devastating events in a wide variety of public places have demonstrated, it's important to have plans in place to mitigate the risk of violence—and to be able to react appropriately and quickly in case something does happen.

You should have a violence preparedness plan, just as you have disaster preparedness plans in case of fires, floods, or tornadoes—and run drills, too, just as you would for a fire or tornado.

There will always be the possibility of situations you can't predict, but the more situations you prepare for, the better you'll be able to respond if something does happen.

Violence preparedness plans

Violence preparedness plans share many of the same characteristics as other types of disaster preparedness plans. Communication is a key component, as well as notification.

There are also other eventualities you must prepare for. Do you evacuate or shelter in place? Who contacts the authorities? Do the main decision-makers have an easy way to contact one another immediately? Preparations for a violence plan may also raise questions about firearms in church.

★ Copper theft ★

Churches can be affected by copper theft as often as any other type of property. What the thieves get is very little in comparison to what a copper theft will cost you.



Manage the risk by installing deterrents like:

- Motion-sensor lights
- Surveillance equipment
- Burglar alarm systems
- Tamper resistant hardware

Another way to foil thieves is to disguise copper with PVC piping.

It's a good idea to replace copper with galvanized steel or similar materials where possible. Request police patrols if your property is secluded.

Communication with members

If you experience a violent incident in a small church, it's possible that most members will know about it immediately, but if you experience the incident in one building on a large site, you need to know how to share that information with everyone in the community.

Some churches set up an automated message to go to members in case of any kind of disastrous incident. Others arrange mobile phone trees, or use the intercom system. It depends on your unique situation as an institution.

Think about how you will communicate with the media and select one member to act as one consistent voice in the aftermath of the event.

Tips to mitigate risk of church violence

- *Practice basic risk management to improve security.* Make sure adequate lighting is in place in all public areas and that shrubbery and trees don't block windows
- *Use local authorities.* In many places, police will meet with you and do a site review. That way, you can determine where you might need to focus your attention and make changes. It also helps build the idea of safety being collaborative
- *Re-think an open-door policy.* More and more churches are requiring that people seeking entry be buzzed in
- *Use technology.* There are many technological solutions that churches can use, depending on needs and budgets. Locking and camera systems and key access can be automated

Keep a balance

As you plan for the possibility—however remote—of a violent act occurring at your church, it's important to remember that it's a balancing act. Minister to souls in need, but keep your people safe at the same time

★ Trinity Church, Bend, Oregon ★

A fire started by an arsonist caused damage to the church and its adjacent parish hall where the church's charitable feeding program is housed.

Church leaders were able to keep church services up and running at a different site during the aftermath and restoration. Each Sunday, the Senior Warden or another vestry member updated the congregation on the state of the restoration, which lowered anxiety levels during the rebuilding period.

The parish's data and inventory was stored off-site, which made handling the claim easier.

Tip: Keep copies of important records off-site.

Tip: Create a sense of security by keeping church members up to date on rebuilding progress.

Monitor, Shelter, Communicate: Tornado Preparedness

When a tornado hits, it can cause extensive damage and devastation. For example, a tree went through St. John's and St. Luke's Episcopal Church in Caruthersville, Missouri, during a tornado in 2006, rendering it unusable; fortunately, there were no casualties.



St. John's and St. Luke's Episcopal Church.
Photo: Robert Franken/Episcopal News Service

Because it was a small church with a small membership, the church leaders opted not to rebuild and instead joined with another parish about five miles away, choosing to put the insurance money into a program for ministry in their area.

Keeping people safe

While there are some preparations you can make to reduce damage to structures, tornado preparedness mostly centers on what you should do to keep people safe.

Churches have a shorter "length of exposure" (the time when the congregation meets on Sunday) than schools,

but both churches and schools should be prepared for the possibility of a tornado.

Tornadoes can occur at any time, but the peak seasons are spring and summer. If you don't have a tornado preparedness plan in place, now is the time to put one together. Tornadoes can come up quickly, and once they're sighted in the area, you don't know how much time you've got to get to safety.

3 Steps: Monitor, Shelter, Communicate

Monitor

Appoint someone to monitor the weather and be on the lookout for possible tornado conditions. The weather monitor would be responsible for alerting leaders to the possibility of having to take shelter. Many times you can hear a tornado siren, but you shouldn't rely on that exclusively.

The weather monitor should also track the situation while the group shelters in place, using a smartphone, iPad, or battery-powered radio, and let the group know when it is safe to leave the designated place of shelter.

Tornadoes can come up quickly, and once they're sighted in the area, you don't know how much time you've got to get to safety.

Shelter

Both churches and schools should determine the location that will act as a safe shelter for individuals on the property in case a tornado hits.

It might be the basement or the undercroft. Supplies such as a flashlight, first aid kit, blankets, non-perishable food items, and water should be stored in the safe space. If you don't have access to an underground space, shelter in an interior room, hallway, or closet without windows.

Communicate

Both internal and external communication should be considered. In a small church, everyone will know what's happening, but on a bigger campus, you should have a procedure in place to communicate with everyone present to tell them that they should get to the shelter.



Left: Damage caused by tornado



Right: Church rebuilt after tornado damage

Churches should also have a plan to reach out for help after the event. It could be that the building has been hit, but it could also be more minor. For instance, if there are electrical wires down in the yard, emergency services should be called.

With disaster preparedness planning, there is no one-size-fits-all approach. Church leaders should determine what works best for their particular situation.

Reinforcing structures

The damage a tornado causes depends on the severity of the storm and whether the structure is directly in its path. Tornadoes can cause a total loss of the building, but it could also be that the wind just peels away siding or roof shingles. Churches can attempt to mitigate secondary tornado damage by preparing roofs and windows to withstand high winds.

For example, there is a hurricane-nailing technique that can be applied to shingles that supposedly allows them to survive winds of up to 100 miles per hour. But such tactics won't completely protect against a catastrophic storm and making structural changes or reinforcing structure can be fairly expensive. When doing repairs or building new structures, you might find that there may be code changes that require you to reinforce the building.

A lot depends on where and how a tornado hits. There's no way to completely protect the building if it's in the direct path of a tornado. Focus on taking the necessary steps to protect yourself and others. Don't take the warnings lightly. Act fast after a warning and take the proper steps.

★ Hurricane Irene: Coverage and Commitment ★



Hurricane Irene battered states in the northeastern United States in 2011, affecting churches in New Jersey, New York, North Carolina, Vermont, and Maryland. St. Stephen's, Gethsemane Episcopal Church, was one parish damaged by the storm. Flood waters inundated both the parish hall and the church, causing the parish hall to collapse. The foundation of the church also needed to be completely rebuilt. A structural engineer and a contractor were selected and successfully made repairs.



Left: Gethsemane's collapsed parish hall after Hurricane Irene
Right: Gethsemane rebuilt after hurricane damage



Risk Management



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There are five steps in risk management that we can share with you here. Additionally, we introduce you to a program that Church Insurance uses with churches.

The Basics of Risk Management

There are five steps in managing risk:

- Risk identification and management
- Risk avoidance and reduction
- Risk retention
- Risk transfer
- Risk monitoring and adjustment

We'll go through the basics of what each of those terms mean.

Risk identification and management

First, examine your business—from property holdings to operational processes—and identify risks that could threaten your organization's assets. Then, estimate each risk's potential financial impact on your organization's asset base.

★ Here's an example: ★



Identification: If a fire were to occur in a building that generates rental income of \$1,000 per month, and the property were unusable for six months during repair and restoration, then that organization would be vulnerable to a \$6,000 income loss.

Management: A church might put in place a "reciprocal property use agreement" with another church or community building. That way, either entity has a place to meet if something should happen to their own space. This kind of preparation can be a real money-saver; after Hurricane Sandy hit the East Coast, the price per square foot for temporary rentals increased substantially.

★ Here's an example: ★

Reduction: A school might develop an emergency evacuation plan. This mitigates risk by providing all occupants with information on safe, swift egress from the premises.

Avoidance: Churches and schools should be mindful of the types of activities sanctioned on their property. Archery and shooting ranges are risky to provide because of the great potential for injury that could come out of those activities.

Risk retention

This is the act of self-funding certain types and amounts of risk.

★ Here's an example: ★

Let's say that you research your historical pattern of property claims and decide that it would be a good idea to bear more risk in the form of a higher deductible.

Doing that means you're striking a balance: on one side, you have your ability to fund claim amounts up to the deductible from your own treasury, and on the other side you have savings that come from paying less for premiums because of your higher deductible. You're assuming more front-end risk.

Risk avoidance and reduction

This is the process of averting or mitigating risk through operational planning and loss prevention/safety programs.

Risk transfer

This practice refers to the deflection of risk away from your organization and onto others. The opposite of risk transfer is risk assumption, in which the organization takes on risk from others.

★ Here's an example: ★

Many contracts contain "Indemnification and Insurance" provisions that establish responsibility for risks associated with performance under the contract. You might, for example, have a contract with an independent pre-school occupying your facilities. To transfer risk, the contract would indemnify and hold your organization harmless from liability for claims arising from the school's occupancy or operations. The contract should also stipulate that the pre-school operator provide evidence of its liability insurance, which designates the church as an additional insured to protect it under the school's insurance program.

Commercial insurance is also a form of risk transfer. The policyholder transfers risk to an insurance company for a financial consideration (the premium), subject to policy contract terms, conditions, and exclusions.

A tip: organizations should retain only predictable and affordable risk.

Commercial insurance is the final avenue chosen after risk avoidance, retention, and transfer are explored. Arrange your commercial insurance plan thoughtfully to integrate with and promote the organization's overall risk management strategy.

Risk monitoring and adjustment

This is the periodic process of re-examining chosen risk management strategies and adjusting them to fit your organization's objectives.

★ Here's an example: ★

Perhaps your membership is growing and, with it, your financial health. That means greater resources can be allocated to preventive property maintenance and conservation.

Because you're monitoring the property with such care, leadership might determine that losses will likely only be minor and infrequent. That might cause leadership to elect to raise the deductible for a modest ongoing annual premium savings.

The Safety Program

In 2006, Church Insurance began a safety program to help manage risk and increase the physical safety of the church properties it insures. The program helps churches identify and correct problems. That way, churches can determine ways to prevent or reduce the severity of claims.

★ Faulty Electrical Connection ★

An electrical fire burned quickly through a Methodist church on the coast of Oregon, causing a total loss of property. Fortunately, all people who were in the church at the time evacuated.

Tip: To help prevent electrical fires, unplug appliances when they are not in use and avoid or limit the use of extension cords.

How the program works



Each time the safety managers perform a walkthrough, they complete a survey. They look for certain indicators of general risk management, such as the presence of a clearly marked first aid kit or the existence of a crisis management plan. Then they delve into specific areas, including physical spaces (the kitchen, the parish hall, the boiler room) and vehicle safety. They also perform a survey of policies related to people and activities, such as money-handling.

Church Insurance then provides the church with a kit that includes safety brochures and a report of the safety manager's findings and recommendations. The safety managers return to each church every three to five years. Their purpose is to give helpful advice, not to tell churches how to run their operations.

Individual churches can request to receive the checklist from Church Insurance, and you can take on this project independently by naming your own safety manager and performing your own walk-throughs. These types of programs lead to safer churches and institutions.

What the walkthroughs yield

Almost always, safety managers find small changes that should be made—a light out in the stairwell, for example—and about one percent of the time, they find something severe, such as a structural integrity problem with a building.

★ Here's an example: ★

One potentially serious liability issue that a safety manager discovered during a walkthrough was that a church was renting out its condemned rectory to an outside group. After the safety manager pointed out the issue, the building was removed within 60 days, and a new home was found for the tenants.

Examples of questions

Review your church's risk by answering the following questions:

- Does the church maintain a video inventory?
- Does the church have a crisis management/emergency relocation plan?
- Does the church have a first aid kit clearly marked and readily available?
- Does the church have guidelines for referring members to a professional counselor?
- Has the church adopted the policies and procedures requiring training and background checks for anyone working with children?
- Does the church have guidelines pertaining to when a new member of the church may volunteer?
- Does the church require Certificates of Insurance/Hold Harmless agreements when outside groups use their property?
- Does the church require permission slips for youth group outings?
- Are check-signing responsibilities divided or do they belong to one person?
- Does the church deposit the offering on the same day it is collected?

- Does the church have screening requirements for money handlers?
- Are checks marked "for deposit only"?
- Does the church utilize a CPA to perform an annual audit?
- Are there any apparent roof hazards? (for each building)
- Are there any apparent electrical hazards? (for each building)
- Are there any apparent structural hazards? (for each building)
- Are there any apparent slip-and-fall hazards? (for the exterior of each building)
- Are there smoke detectors and fire extinguishers in the building? (for each building)
- Are all means of egress in the building clear of obstruction? (for each building)
- Are there exit signs or emergency lighting in the building? (for each building)
- Are all handrails secure and sturdy?
- Is any stained glass protected by an outside covering?
- Is housekeeping appropriate for the building? (for each building)
- Does the church prevent the boiler/HVAC room from being used for storage of flammable and/or combustible materials?

- Is there a smoke detector and charged fire extinguisher clearly marked and readily available in the boiler/HVAC room? In the kitchen?
 - If the church has a commercial stove, does it have fire suppression capabilities and a current Commercial Stove Inspection?
 - Does the church's walk-in freezer have an emergency means of egress?
 - Does the church prevent the storage of chemicals and/or poisons in the kitchen?
 - Are knives stored in an appropriate manner?
 - Is the type/depth of the playground surface appropriate?
 - Is all playground equipment designed for this type of installation and anchored securely?
 - Is all playground equipment spaced six to 12 feet apart?
 - Are there any playground areas with exposed concrete, stumps, or sharp edges?
 - Does the church provide adequate supervision of the playground?
 - Is the parking area well lit?
 - Is there appropriate lighting over the entrances to any stairways?
 - In regions subject to freezing, do any downspouts empty onto walkways?
- Does the church require the use of seat belts in vehicles used by or on behalf of the church?
 - Does the church have age requirements for and do background checks on drivers?

[Disclaimer / Disclaimer](#)

Glossary

actual cash value: replacement cost less reasonable depreciation reflecting the age, condition, and utility of the damaged property

actuaries: professionals who work for insurance companies and use statistics and the law of large numbers to determine expected losses and the probability of how much actual losses can deviate from these expectations

additional insured: an organization or person who is covered under an insurance policy purchased by another entity

adverse action process: a process an organization should have in place to share information with a candidate who has been found to be ineligible for a position due to information from background screening

Advertising Injury Liability: liability for plagiarism or piracy of one's copyright or trademark

agreed amount endorsement: an added provision that states that both policyholder and insurer accept the reported property values as appropriate, waiving the application of the coinsurance clause

Aircraft Liability: protects an organization against liability arising from the ownership, maintenance or use of aircraft.

All-risk Property: protects property against "all" covered risks that could befall it; see Special Perils Property

Americans with Disabilities Act: a civil rights law enacted in 1990 that prohibits discrimination based on disability

Annual Aggregate Limit: the maximum payout for all occurrences during the policy term, the annual cap.

Auto Liability: protects an organization against liability arising from the ownership, maintenance, or use of motor vehicles

background screening: a series of traces and checks to determine criminal history of applicants.

Blanket Limit: a property policy limit that represents the total value of all structures and their contents.

Broad Form: provides breadth of coverage for a variety of operational risks, usually including Premises and Operations Liability, Contractual Liability, and others

Builder's Risk: coverage in excess of basic Property policy, provides additional coverage for building materials and machinery and protects against theft

Business Interruption: earnings insurance, usually triggered after a deductible expressed as a certain number of hours following direct property damage

Cemetery Liability: covers physical or emotional injury because of an act or omission in connection with the cremation, burial, disinterment, or temporary care of any deceased human body

civil liability: financial responsibility for damages in a lawsuit
coinsurance clause requires the policyholder to insure property to its full value or an acceptable percentage of its full value (usually 90 or 100 percent)

Collision Coverage: protection against damage to the policyholder's vehicle through collision with another vehicle or object

Commercial Crime: insures an organization's assets against loss attributable to dishonest acts

compensability: meets certain eligibility tests under state law

Comprehensive Coverage: protection against damage to the policyholder's vehicle by causes other than collision, such as falling objects or vandalism

conditions of coverage: requirements that a claim must meet in order to be covered by a policy

Consumer Safety Product Commission: an agency that "protects the public from unreasonable risks of injury or death associated with the use of the thousands of types of consumer products under the agency's jurisdiction," according to its [website](#)

contingency space: a space at which you've prearranged for your congregation to gather in case of a disaster befalling your regular worship/gathering space, usually another nearby church's facilities

Contingent Liability: covers additional costs resulting from the forced demolition of any undamaged portion of a building following a loss

Contractual Liability: liability for injury or damage assumed by oral or written contract

copyright infringement: reproduction, distribution, performance, public display, or derivation of a new piece from a copyrighted work without the permission of the copyright owner, according to the [United States Copyright Office](#)

county-level check: a background check that looks deeply into whether a candidate has engaged in criminal activity in all of the counties an individual has lived in over the last seven years

credit modification: an experience modification factor that reflects better-than-average claims experience

debit modification: an experience modification factor that reflects worse-than-average claims experience

Declarations: section of a policy that confirms particulars, such as the policyholder's name and address, the policy number, policy term, coverages and limits, applicable policy forms and endorsements, and the annual premium

deductible: an amount the policyholder must pay before the insurer makes payment for any covered loss

Department of Human Rights: state agencies that uphold human rights, handling claims of discrimination in a variety of areas, including employment

depreciation: reduction in value over time

Directors' and Officers' Liability: protects an organization and its agents against civil liability for Wrongful Acts

Disability Insurance: Long-term: provides benefits that begin after you have been disabled for 12 months and

continue until you are able to work again, or until you reach the age of 65

Disability Insurance: Short-term: replaces lost income if you become medically disabled for more than 30 days, benefits could continue for up to 52 weeks

discovery: when a policy covers losses discovered during the coverage period

drop-down provision: if a claim falls outside the scope of scheduled or required primary liability policies, the Umbrella policy will drop down to function like a primary policy, after fulfillment of the Self-insured Retention

Duty to Defend: allows policyholders to delegate the responsibilities of selecting, paying and controlling defense counsel to the insurance company

Employer's Liability Insurance: a protection against civil liability for work-related injuries

Employment Practices Liability: covers Wrongful Acts related to employment practices; see Directors' and Officers' Liability

endorsement: an add-on rider that plugs gaps in policy in case of potential significant risk exposure

Equal Employment Opportunity Commission: commission "responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information," according to its [website](#)

Employee Retirement Income Security Act: "a federal law that sets minimum standards for pension plans in private industry," according to its [website](#)

Excess Liability: policy that sits on top of primary coverage and provides additional capacity without changing the nature or scope of protection

exclusions: section of a policy that restricts coverage by qualifying the promise made in the Insuring Agreement

experience modification factor: a numerical expression of the policyholder's three-year loss record compared to statistics from other organizations in its peer group

Extensions of Coverage: provisions that you can use to tailor to your organization's operational exposures

Fair Credit Reporting Act: act that "promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies, according to its [website](#)

Fidelity: insurance that protects an organization against loss of money, securities, or other property arising through the dishonest acts of an employee

Fire Legal Liability: liability for fire damage to someone else's property while the policyholder is occupying it

floaters: see endorsement

Following Form: language that provides that the terms and conditions of the policy will mirror underlying policies, which ensures seamless protection

Foreign Auto: protects an organization and its people from civil liability for vehicular bodily injury or property damage caused or claimed abroad

Foreign Workers' Compensation: provides state-of-hire Workers' Compensation benefits to U.S. workers injured in the course and scope of their employment while outside the U.S. and insures the employer against employer's liability incurred through an overseas workplace occurrence

General Liability: protects an organization and its agents against civil liability for bodily injury, property damage, or personal injury to others

Hold Harmless Provision: clause in a contract that states that your organization is not responsible for damages or injury

Host Liquor Liability: a protection against civil liability for injuries or damage caused by alcohol consumption during an event sponsored by or on the insured's property

indemnify: protect against or compensate for potential loss insuring agreement section of a policy that spells out the insurance company's promise to perform a service (such as to pay damages on the insured's behalf) in consideration of the premium paid

International Package: combines several unrelated forms of protection within a single contract; each of the types of coverage relate specifically and only to incidents caused or claimed abroad

Kidnap, Ransom, and Extortion: insures the organization and its people against foreign abduction and ransom or extortion

libel and slander: defamation by spoken (slander) or written (libel) words

Limits of Liability: limits on policies quoted in one of two ways: per-loss or annual aggregate

loss of use clause: clause in vehicle rental contract that charges the renter for time when the vehicle cannot be rented due to repairs being performed

loss sustained: coverage is provided for a loss that occurred within the coverage period

Malicious Mischief: intentional damage to property

Marine Liability: protects an organization against liability arising from the ownership, maintenance, or use of marine craft

market value: the amount for which undamaged property can be sold in a fair market

mental anguish: significant non-physical suffering, including anxiety, grief, and depression

mobile equipment: vehicles designed for use off public roads

multistate criminal background check: criminal background check that reports on the individual's history in states where he/she has lived

Named Perils Property: policy covers those perils it names; those that it doesn't name are not covered

National Sex Offender Registry: "resource that provides the public with access to sex offender data nationwide," according to its [website](#)

Ordinance and Law Coverage: covers unexpected costs if you need to modify or rebuild to meet current building code

Owner's Protective Liability: covers property damage caused by independent contractors

Pastoral Counseling Liability: physical or emotional injury attributable to a priest's acts, errors, or omissions during counseling of a spiritual nature

Per-loss Limit: the maximum amount of coverage available for a single claim, regardless of the number of parties involved

Per-occurrence Limit: see Per-loss Limit

perils: causes of loss

Personal Injury Liability: liability for false arrest, detention, or malicious prosecution, libel, slander, or defamation, and invasion of an individual's right of privacy

Premises and Operations Liability: liability attributable to aspects of the physical plant or daily operations

premium: amount paid for a policy

Property Insurance: covers buildings, contents, and other types of property against damage caused by certain perils, or causes of loss

Products Liability: liability for injury or damage caused by a product made or sold by the policyholder

Products/Completed Operations Coverage: coverage of manufacturing defects or malfunction, usually provided by contractors

psychological counseling: counseling outside of the realm of spiritual advising

reinsurance: insurance purchased by insurance companies, which allows insurers to operate in a stable and predictable way despite the uncertainty of catastrophic events

remuneration: payment for services rendered (usually goes beyond a simple payroll number)

retroactive date: marks the cutoff point for coverage

risk management: ways in which to identify and mitigate risk

Safeguarding program: training materials developed to prevent sexual misconduct

Schedule of Underlying Insurance: lists the specific primary liability policies that the Excess or Umbrella liability policies are meant to augment

Scheduled Autos: specific autos that are listed on the policy by make, year, model, and serial number

Self-insured Retention: somewhat like a deductible because it requires the policyholder to bear some front-end risk; the policyholder must pay the amount of the retention before the policy pays out on a claim

Sexual Misconduct Liability: physical or emotional injury because of sexual abuse, molestation, or exploitation

slip-and-fall: when an individual falls on the insured's property

Social Security Number trace: background search based on an individual's Social Security Number—not equivalent to a credit check

Special Perils Property: insures against all perils except those that are specifically excluded, covers a broader base of perils than a Named Perils Policy; see all-risk Property

Specific Limit: policy limits based on individual property and contents locations

subcontractors: contractors hired by the head contractor to perform specialized work on property

sublimits: caps for some perils and types of properties (such as Fine Arts, Flood, and Earthquake)

Teachers' Liability: bodily injury or property damage arising out of teaching activities

Travel Accident and Sickness: protects travelers and participants of day schools, camps, and off-site athletic or recreational activities against medical expenses associated with accidental injury or sickness they sustain while participating in such programs

Umbrella Liability: supplements primary coverage, but also extends protection beyond the edges of underlying policies after fulfillment of a modest Self-insured Retention

underinsured: state of not having adequate insurance coverage

unity modification: an experience modification factor that shows the policyholder's experience is on par with others in the same general class of business

valuation: the way you value your property, which determines the extent of recovery after a loss

Workers' Compensation: form of insurance that states require of employers in order to compensate workers injured on the job

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