



INSURANCE BUYER'S GUIDE

For

ELCA LEADERS

April 2008 EDITION

Prepared by

**Charity First Insurance Services Inc.
Program Administrator
Insurance Program for ELCA Congregations and Synods**



Charity First is the Program Administrator for the ELCA Congregation and Synod Insurance Program underwritten by Zurich Insurance Company.

To contact Charity First

Call

1-800-352-2761

Fax

1-415-536-4033

Email:

elca@charityfirst.com

Write

Charity First
P.O. Box 193944
San Francisco, California 94119-3944

www.charityfirst.com/elca
CA License #0B39059

© Copyright 2008
Charity First Insurance Services, Inc.
San Francisco, CA



As an ELCA leader, you have been selected to oversee and manage the affairs of your Congregation or Synod. You and others are responsible for preserving and protecting its assets and financial well being. Maintaining adequate and appropriate insurance coverage will help you in this endeavor.

Your insurance policy is a legal contract. It contains important provisions, limitations, conditions, and exclusions. Each may impact the amount you recover in the event of a loss. Since insurance coverage differs between companies, it important you understand the coverage you are purchasing.

We have developed this guide to assist you in understanding some of the important insurance provisions. If you have specific questions or would like clarification, please feel free to call Charity First at 1-800-352-2761.

Blessings,

Important: This guide should be used only as a reference. Please refer to your policy or contact your insurance representative for specific questions or interpretation of coverage.

CONTENTS

QUOTING YOUR INSURANCE	1
GENERAL PROVISIONS	2 – 3
PROPERTY COVERAGES.....	4 – 8
LIABILITY COVERAGES	9 – 11
SPECIAL LIABILITY COVERAGES	12 – 13
WORKERS' COMPENSATION COVERAGE	14
ACCIDENT INSURANCE.....	14
CRIME COVERAGE	15

QUOTING YOUR INSURANCE

ESTABLISH OBJECTIVES & CRITERIA

- Determine your objective for obtaining quotes. These may include better coverage, pricing, or improved service.
- Establish specific criteria upon which your decision will be made.
- Request from your representative the name of the insurance company(ies) who will be asked to quote. This will ensure that multiple submissions are not sent to the same company which may negatively affect your quote.

DEVELOP SPECIFICATIONS

- Indicate the occupancy and estimated cost to repair or replace each building and its contents. Special attention should be given to stained glass, high valued fine arts and organs or musical equipment.
- Describe your ministries and activities including outreach programs.
- Request your 5-year claims history from current or prior insurance carrier(s).

Specifications will assist you in comparing quotes that are received.

SELECTING YOUR INSURANCE REPRESENTATIVE

- Select someone who is a church specialist that you can trust to guide you in developing your specifications, and analyzing quotes. This person should be your advocate to help resolve issues and problems.
- Ask for references
- Check with your synod or other ELCA congregations

TIMING

Begin the process 90 days before the expiration of your current policy. Distribute specifications 60 days before expiration. Be prepared to complete insurance applications and to provide risk exposure and claims history information as pertinent. Require written proposals 30 days before expiration. Make your decision 14 days before expiration.

GENERAL PROVISIONS

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Best Rating</i>	A.M. Best is a national rating service focused on the insurance industry. The alpha rating (A++ through F) measures the overall performance and financial character of the company. The numerical rating (I through XV) measures the financial size. A++XV is the highest rating.	Insurance Companies with at least an “A X” or higher rating.
<i>Named Insured and Additional Insureds</i>	This is the party to the insurance contract. For property coverage it should include all parties who have an interest in the property. For liability coverage it should include the corporate name of the Congregation or Synod and all affiliated corporations. Clergy, employees, members and volunteers, should be included as additional insureds for activities arising out of their duties for the Congregation and Synod.	Make certain all interested parties are included to ensure they have protection in the event of a claim.

GENERAL PROVISIONS

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Declaration Page</i>	Lists information specific to your Congregation or Synod. It includes insured name, policy dates, premium, and coverages provided.	Review carefully to ensure that all of the information is accurate as compared to your specifications and the quote received from the insurance company.
<i>Policy Period</i>	Is found on the Declarations Page or the policy. Most policies commence at 12:01 a.m. local time and are for twelve-month duration. Policies do not automatically renew.	You should obtain written evidence of coverage at inception of a new policy and prior to the expiration date of your current policy.
<i>Exposure Data</i>	Reflects the basis upon which your premium was calculated. This includes property values, square footage, and number of automobiles. It can also include number of children, if you have a school or day-care. Some policies have an audit provision that will adjust your premium at the end of the policy year.	Review carefully to ensure all of the information is accurate. If your policy has an audit provision, recommend it be deleted.
<i>Duties in the Event of a Loss</i>	These provisions inform you of what you are required to do in the event of a loss. They generally require you to report all claims promptly, protect your property from further damage, and cooperate with your insurance carrier.	Inform everyone in your organization of these important duties to avoid any problems during the claim settlement process.

PROPERTY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Property Covered/ Excluded/Limited</i>	<p>Specifies what property is covered, excluded, or limited. Types of property normally covered include:</p> <ul style="list-style-type: none"> • Buildings • Personal Property owned by the church and others such as clergy • Fine Arts • Musical Equipment • Computers 	<p>Ensure coverage has been broadened to include adequate limits for special church property such as: stained glass windows, organs, musical instruments, paintings, and tower clocks.</p>
<i>Property Limits</i>	<p>Indicates the maximum amount the carrier will pay in the event of an insured loss. Policies designate separate limits by type of property (see types above) and by location. Separate limits also apply for property on or away from the premises.</p>	<p>After a claim you must itemize and describe the property you lost. It is critical that you do a complete assessment of all property both on and away from your premises (e.g. computers or musical instruments taken to other locations you do not own). You should value your property on a replacement cost basis (what would it cost to replace today). It may be helpful to bring in appraisers or contractors to assist in establishing your limits. Limits should be reviewed at each renewal and anytime you upgrade your building or business personal property.</p>

PROPERTY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Property Valuation Replacement Cost or Actual Cash Value (ACV)</i>	Establishes the basis upon which you will be reimbursed for loss or damage to your property. Replacement Cost will pay to replace the lost or damaged property on a like, kind, and quality basis with no deduction for depreciation. Actual Cash Value is the cost to repair or replace LESS an amount to reflect physical depreciation, wear and tear.	Replacement cost coverage is recommended. If the policy contains a restriction requiring you to replace at the same site, it should be deleted
<i>Coinsurance</i>	This provision warrants your Property Limit to be at least equal to the current value of your declared buildings and contents multiplied by the percentage amount shown in the policy (usually 80%, 90% or 100%). If you violate this warranty it may impact your loss recovery.	You should request “Agreed Amount” coverage which will waive the coinsurance clause in the event of a loss. If this coverage is not available it is critical that your limits are in compliance with this clause. Ask your insurance representative to assist you with a valuation calculation to confirm your limits are adequate.

PROPERTY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Deductible</i>	This is the amount you assume in the event of a property claim. Deductibles are designed to absorb small, non-catastrophic losses. Most policies contain a minimum standard deductible between \$250-\$1,000.	Select the minimum required deductible. If you can afford a higher deductible in the event of a claim, doing so will lower your premium.
<i>Cause of Loss (Perils)</i>	Defines the causes of loss covered by the policy. A named peril policy only covers the types of losses named in the policy (for example, fire, theft, smoke, and windstorm). An “All Risk” or “Special Form” policy covers all perils unless specifically excluded.	Select a policy with “All Risk” or “Special Form” coverage.
<i>Catastrophic Perils: Earthquake Hurricane Flood</i>	Most policies exclude or limit coverage for catastrophic perils.	If your property is exposed to these perils you should consider buying these coverages either by endorsing your policy, if the carrier will do so, or buy purchasing coverage for these perils through another insurance company.
<i>Ordinance or Law Increased Cost of Construction</i>	This provision limits your recovery in the event there are increased costs to replace your damaged building due to new building code laws or ordinances. These new laws may include adding building sprinklers, seismic upgrades, handicap access, or other ADA requirements.	Ensure that your policy includes a limit of insurance to cover the increased costs for required building upgrades.

PROPERTY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Loss of Church Income</i>	Designed to reimburse you for the loss of income you did not earn because of a direct physical loss or damage to your Church. Coverage is usually added by special endorsement.	Evaluate how long it would take to replace your church if it was completely destroyed. Determine how much income, based on your historical income earnings you would lose during this time. This is the amount of coverage you will need to purchase. It is recommended this coverage be purchased on an "Actual Loss Sustained" basis with no coinsurance.
<i>Extra Expense</i>	Reimburses you for expenses you incur over and above normal operating expenses necessary to continue Congregation or Synod operations in the event of a covered loss. This coverage is often included within the Loss of Church Income limit.	Evaluate your expenses which may include such things as renting another location to run all of your church activities. It is recommended you add this expense to your loss of income limit.
<i>Boiler & Machinery Systems Breakdown Coverage</i>	Most property policies exclude loss or damage caused by explosion of pressure vessels, mechanical breakdown of equipment or electrical arcing that damages or destroys electrical devices or equipment. Boiler and Machinery coverage reinstates these coverages usually by a specific endorsement or separate policy.	Coverage should be secured equal to the declared value of your Property and Loss of Church Income limits.

PROPERTY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
Miscellaneous Property Coverages	There are a variety of property coverages available for miscellaneous type exposures. Some of these you should consider include:	
	Property off Premises- In Transit	This covers property away from your insured location.
	Re-keying of Locks	This covers the expense of replacing keys if they have been stolen, damaged or destroyed.
	Sewer Backup	Covers damage as a result of sewer backup.
	Valuable Papers	Reimburses for the cost to replace, or restore valuable documents such as baptism and marriage certificates when lost due to a covered peril.
	Accounts Receivable	Covers the cost to recreate lost Accounts Receivables when lost due to a covered peril.
	Computers – Hardware/Software	Covers the unique exposures presented by owning computers, including off premises coverage.
	Outdoor landscaping	Covers expense for landscaping when lost due to a covered peril.
	Reward Coverage	Reimbursement for rewards you offer for loss or damage to your church because of arson, theft or vandalism, or the recovery of stolen property.

LIABILITY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Insuring Agreements</i>	States the company's obligations in broad terms. Indicates they will pay all sums for which the Insured becomes legally obligated because of Bodily Injury or Property Damage to a third party. Does not cover expected or intended injury or criminal acts. Coverage is subject to the limit of liability	Insuring Agreements are very standard amongst all companies. Bodily Injury should include Mental Anguish, Fright, and Shock.
<i>Exclusions</i>	Indicate what is not covered or limitations to coverage.	Review all exclusions and limitations to determine if any of them will impact your ministry activities. If so, request that optional coverage be added back by endorsement.
<i>Limit of Liability</i>	This is the most a company will pay in the event of a claim. Most policies provide a Combined Single Limit (CSL) for Bodily Injury and Property Damage and include an Aggregate Limit of Liability. The Aggregate Limit is the most that will be paid in any one policy period.	You should have at least a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit. Higher limits are recommended. Refer to the section regarding Excess Liability Coverage.
<i>Defense Cost</i>	Provides coverage for all legal and investigative costs associated with handling covered claims. These costs can either be included in your Limit of Liability or in addition to your Limit of Liability.	These costs can be significant and if included in your Limit of Liability will erode this coverage. Defense cost should be <i>in addition</i> to your Limit of Liability.

LIABILITY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Occurrence vs. Claims Made</i>	Occurrence policies cover negligent acts that occur during the policy period even if the claim is brought after the end of the policy period. Claims Made policies cover negligent acts during the policy period however coverage applies only <u>if the claim is brought in the policy period</u> . Claims Made policies typically have Retroactive Dates and Extended Reporting Dates.	General Liability coverages should be written on an “Occurrence” basis. The term “Commercial General Liability” is used to denote the first or primary layer of General Liability Coverage.
<i>Personal Injury Advertising Liability</i>	Extends the Insuring Agreements to include such claims as libel, slander, wrongful eviction or false arrest.	This coverage should always be included with the General Liability Coverage.
<i>Contractual Liability</i>	Some policies exclude coverage for liability assumed under a contract. Contractual Liability broadens coverage to include liability you assume under contracts or agreements usual to your Congregation or Synod’s operations and activities.	Ensure the policy Includes Contractual Liability.

LIABILITY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Liquor Liability</i>	The policy may limit coverage for losses arising out of the selling or serving of alcoholic beverages	Policy should be endorsed to cover this exposure as it relates to Congregation or Synod activities or functions.
<i>Aircraft, and Watercraft</i>	Owned aircraft and owned watercraft are excluded. Liability arising out of non-owned watercraft is usually covered for boats less than 26 feet that are not motor powered.	If you own or operate an airplane or watercraft consult your insurance representative to ensure the necessary coverage.
<i>Medical Payment</i>	A no fault coverage designed to pay medical expenses for individuals who may be hurt on your premises. Limit is typically \$2,500 to \$5,000 per person.	This coverage should be extended to include church members and volunteers. Many policies exclude this coverage for athletic participation. You should ask to have this exclusion deleted.
<i>Pollution Liability - Hostile Fire Exclusion</i>	Liability policies normally do not cover pollution liability.	Request that your policy be amended to cover pollution (smoke and vapors) arising out of a hostile fire as well as HVAC equipment
<i>Excess Liability Coverage</i>	Excess liability provides additional protection for the Congregation or Synod in the event of a serious or catastrophic liability loss. This coverage is usually excess of the Limits provided under the Commercial General Liability and Automobile Liability Coverage.	The selection of a limit is an important decision. The greater the liability exposure the higher the recommended limits. Churches with owned vans or busses and/or those with schools or day care should carry higher limits. Most carriers will offer between \$1,000,000 and \$5,000,000.
<i>Employee Benefit Liability</i>	Covers “Wrongful Acts” in the administration of your Employee Benefit Plans. Coverage is normally on a Claims Made Form and includes a retroactive date.	A separate limit of \$1,000,000 should apply. The “Retroactive Date” should be at least 24 months prior to your effective date.

SPECIAL LIABILITY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Abuse, Misconduct, or Molestation</i>	This is a critical coverage for Congregations or Synods. It may be written on an “Occurrence” or a “Claims Made” basis with defense costs separate or a part of your limits. The limit can either be included in the General Liability Limit of Insurance or as a separate stand-alone limit. Some carriers have warranties or exclusions that will effect coverage.	A \$1,000,000 per claim and \$2,000,000 annual aggregate limit on an Occurrence form with Defense Costs in addition to your limits is highly recommended. Coverage should be written as a separate limit and not as a part of your General Liability limit. If previous coverage was on a Claims Made basis a potential gap may occur. Consult your insurance representative to confirm that no gaps occur when changing carriers or coverage type.
<i>Cemetery Liability</i>	Covers certain Congregations and Synods for claims arising out of the ownership and operations of a cemetery. This is normally written on a Claims Made Form.	A separate limit of \$1,000,000 should apply.
<i>Religious Counseling Services</i>	Pays on behalf of the Congregation, pastors, and its approved religious counselors claims from the rendering or failure to render service. Coverage does not apply for other professional services for which an individual may be licensed or credentialed.	A \$1,000,000 limit should be obtained

SPECIAL LIABILITY COVERAGES

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Non Owned and Hired Auto Liability</i>	All Congregations / Synods have an exposure for claims arising out of the operation of a vehicle it does not own. This includes vehicles owned by employees, members, or volunteers used for church business. The coverage protects the liability of the Congregation/Synod, should a claim occur.	All churches should maintain this coverage. Special coverage needs to be added to specifically cover volunteers and employees. A \$1,000,000 limit should be obtained.
<i>Directors, Officers and Trustees Liability Coverage</i>	Council members have assumed certain liabilities for the management of their Congregation or Synod's affairs. This coverage pays on behalf of council members, pastors and others for "Wrongful Acts" arising out of the scope of their duties.	A \$1,000,000 limit should apply. The coverage should include "Entity Coverage" which extends coverage to specifically include the Congregation and Synod.
<i>Employment Practices Liability Coverage (EPLI)</i>	Covers the Congregation or Synod against alleged claims of discrimination, wrongful termination, or sexual harassment including the cost to investigate and defend.	This coverage is usually included as a part of the Directors, Officers and Trustees Liability Coverage. Full prior acts coverage should be included.

WORKERS' COMPENSATION COVERAGE

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Workers' Compensation and Employers Liability Coverage</i>	Most states require employers to purchase and maintain Workers' Compensation insurance for injuries sustained to their employees in the course of employment regardless of fault. With very few exceptions, coverage provisions are the same among all insurance companies. Coverage is provided for employees' medical injuries, loss of compensation, and a death benefit.	Coverage is available through insurance companies and from your State Compensation Fund.

ACCIDENT INSURANCE COVERAGE

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Accidental Death & Dismemberment, and Accident Medical</i>	Congregations and Synods who have volunteers, students or participants in church sponsored sporting activities have a legal liability exposure if an individual is injured. This coverage provides medical and death benefits on a no fault basis. Coverage is offered in a range of limits usually from \$10,000-\$50,000 per person with an annual aggregate.	Purchasing this coverage provides medical benefits on a no fault basis. By purchasing this coverage the insured is providing a layer of protection to an injured volunteer, student, or participant that may prevent a claim under the Commercial General Liability coverage.

CRIME COVERAGE

<i>COVERAGE ISSUE</i>	<i>COMMENTS</i>	<i>RECOMMENDED</i>
<i>Crime Coverage, Fidelity Bond, Employee Dishonesty Coverage</i>	<p>This coverage is designed to protect the Congregations against the fraudulent or dishonest acts of their employees; Most policies include a provision that terminates coverage for an individual once his or her dishonest act is known. Some policies require you to allow the carrier to legally prosecute a dishonest employee.</p>	<p>A minimum fidelity limit of \$50,000 is recommended. Typically a deductible of \$1,000 is also included. The coverage should be extended to include volunteers and independent bookkeepers you may hire.</p> <p>Dual checking signing, the separation of duties for financial account reconciliation, and regular audits of financial procedures and investments are strongly advised.</p> <p>Churchwide provides Synods Crime coverage. For more information, contact the Office of the Secretary.</p>
<i>Money and Securities</i>	<p>Affords coverage for loss of money and securities typically by burglary or theft</p>	<p>Select a limit that will cover the amount of money on premises at any one time. Special limits should be provided for Christmas and Easter when church collections are normally greater.</p>