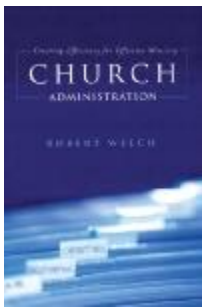


7 Common Pitfalls to Avoid in Purchasing Church Property and Casualty Insurance

Written by Keith Hamilton

The local newspaper read, “When firefighters arrived early this morning at New Hope Baptist Church much of the sanctuary was destroyed, but the firefighters were able to save most of the social hall and educational building.” The pastor of this small congregation was hoping to rebuild its sanctuary immediately, but discovered the church was underinsured. The church insurance that the church had been paying for years will only cover about half of the cost of rebuilding the sanctuary. The pastor was heartbroken to learn that the church had not insured its assets at fair market value resulting in reduced insurance benefits.



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This church like many other churches did not realize the importance of carefully examining their property and casualty insurance policy at least every two years. Many churches overlook many of the following pitfalls of purchasing church insurance:

1. The church was not insured at replacement cost.

Problem: Church insurance is written like a commercial insurance policy. If the church does not increase its coverage to keep up with inflation, then the church could find itself lacking the needed co-insurance coverage. In other words, if the church only insured its buildings at 50% of the fair market value, then in the event of a loss, most church insurance policies would only pay 50% of the claim.

Solution: Make sure the church's assets are insured at 100% of the replacement cost of the facilities. At least every two years, the church should meet with their insurance agent to make sure they are adequately insured.

2. The church does not carry enough liability coverage.

Problem: If someone had an accident on the church property that resulted in a serious lawsuit, many churches might discover they do not have enough liability coverage to cover a judgment against the church.

Solution: The church should have a minimum of at least two million dollars of coverage. Of course, the larger church the more liability insurance the church should purchase. As a minimum, a church should secure limits of liability equal to its total assets.

3. The church should have a waiver of subrogation for property losses.

Problem: Unless a church has a waiver of subrogation, a group that the church is allowing to use their facilities could be liable for property losses. For instance, if the local boy's club used the church facilities and caused a small fire by using an unsafe extension cord, the church insurance company would pay the claim to the church. However, without a waiver of subrogation, the church insurance has the right to sue the local boy's club to recover the costs. Certainly, this would not enhance the church's witness in the community.

Solution: Most church insurance companies would not sue the local boy's club, but the waiver helps the church know for certain that this lawsuit would not happen. Also, the church should secure Certificates of Insurance from outside groups that use its facilities to help protect the church against accidental loss.

4. The church insurance policy does not cover the minister's personal property.

Problem: Normally, a homeowner's insurance policy would cover personal property held at another location. However, a minister's books would normally exceed the policy limits of a homeowner's policy.

Solution: The church needs to schedule as separate policy limits on the church insurance policy the personal belongings of volunteers and church employees. The church leadership should perform and keep an inventory of their business personal property.

5. The church insurance policy does not cover hired and non-owned automobiles used in church business.

Problem: If the church secretary is involved in a traffic accident that was her fault while going to the office supply store for the church, then the church would be liable.

Solution: The church needs to provide automobile liability coverage for its employees and volunteers while they are conducting church business. This endorsement will help protect employees and volunteers while they are representing the church on events like visitation, trips, and other outings. This insurance does not provide for physical damage coverage, only additional liability coverage.

6. The church's insurance policy does not cover volunteers and employees if they are accused of wrongdoing at church.

Problem: For instance, if a Sunday School teacher is accused of abusing a child during Sunday School, unless the church has specific coverage for the legal defense of the Sunday School teacher, the church insurance policy will only provide coverage for the church, not for the teacher personally.

Solution: The church should have a policy endorsement for the defense of its volunteers and employees for church-related accusations.

7. The church selects a church insurance company that does not specialize in church insurance.

Problem: Writing church insurance is a specialized field. Many insurance companies will write a church an insurance policy. However, churches have so many unique exposures that are not covered under many commercial policies that the policy might not meet the insurance needs of the church. Although the church insurance policy might be cheaper with a company that does not specialize in church insurance, in the long run, the policy might cost the church more money.

Solution: The church should do its homework to find which insurance companies in its area specializes in church insurance. The insurance company should not offer church insurance as a minor product line.

The great thing about pitfalls is they can be avoided with careful planning and knowledge. Churches need to learn from other churches how to avoid these

common areas of church insurance pitfalls. Therefore, the church can take the necessary risk needed to reach its community for Christ. Avoiding these common insurance pitfalls will lessen the stress and financial burdens of conducting ministry in today's society.

About Dr. Hamilton

Keith Hamilton, D.Ed.Min, CFP, CRPC is with the [Georgia Baptist Convention](#). He has written several publications on establishing church designated funds, managing your household finances, and protecting your church and ministry from identity theft. Check out www.churchfinancialservices.org for more help.