



**CHURCH  
PENSION GROUP**  
Passionate About Our Purpose

# Safety & Insurance

Handbook for Churches



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### **Safety and Insurance Handbook for Churches**

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If you have any questions, please do not hesitate to contact us at **(800) 293-3525**.

\*Collectively, The Church Insurance Agency Corporation, The Church Insurance Company, and The Church Insurance Company of Vermont

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**Introduction:**

# Safety & Insurance Handbook

Many predicaments might befall a 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 11 chapters that discuss the types of insurance that every institution should consider in order to be adequately protected.

- Property
- General Liability
- Malicious Attack
- Cyber Liability
- Directors' and Officers' Liability/Employment Practices Liability
- Business Automobile Liability Insurance
- Workers' Compensation and Employer's Liability
- Excess/Umbrella Liability
- Commercial Crime
- Travel Accident and Sickness
- Disaster Preparedness and Risk Management

Our goal is to give you information you can use to make decisions about your institution's insurance and 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.

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

### D

#### **Declarations:**

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

### I

#### **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), taking the paid premium into account.

### C

#### **Conditions:**

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

### E

#### **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 that have special meaning within the context of the insurance contract.





## Chapter One:

# Property Insurance

Property and Casualty 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 Additions:** 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.

## 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 religious organization. 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 the following:

- 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 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, and includes the following:

- 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 3%), 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.

## **Policy Limits**

The amount of coverage you have and 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, a school, and a rectory, there would be a separate Specific Limit for each of those discrete buildings and their contents.

A Margin Clause covers up to 115% of the stated building limit, on a per-building basis. This additional coverage reduces the possibility that physical facilities or contents are underinsured for a covered loss.

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 dollar amount 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.

## **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.

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 the values of important items 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.

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 a 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 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%). 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 a financial burden upon settlement of the claim. The penalty is proportional to the extent of underinsurance.

As a result, you should be careful about appraisals and valuations and make certain that your 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% (in this case, \$400,000). That would mean you're underinsured by \$100,000. In other words, your coverage is only 75% 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% 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%). 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.

An insurer may 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.

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 due 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 causes 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.
- 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 an area 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.
- If you have a church with 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.



- If you have objects of art offsite 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).
- If you have a school dependent on tuition revenue that could face a disruption of your revenue stream after direct damage to the property, you could insure Loss of Tuitions and Fees.
- If you have 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.
- If you have 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.)

*Every religious organization is different.*

All of these types of situations are simply examples. Every religious organization 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 cause potential 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.

## **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 company.

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 do the following:

- 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 their insurance.

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

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### **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.

### Crime Deterrence with Security Systems

Many criminals will seek out easier targets if they see increased security indicators (such as outdoor cameras or other signs of a security system) on your property.



If you do install a security system, only give disarm passcodes to leaders and those who need to access the building at odd times when leaders may not be present. Change the passcode regularly.

Your local government may have regulations associated with security systems. For example, in some areas, you may be required to register your alarm system with your police department and pay an annual fee. You may also discover that your local police department charges a penalty fee for false alarms.

**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.

### **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, in terms of repair and replacement.



Manage the risk by installing deterrents like:

- Motion-sensor lights
- Surveillance equipment
- Burglar alarm systems
- Tamper-resistant hardware
- Disguising copper with PVC piping to foil thieves. It's a good idea to replace copper with galvanized steel or similar materials where possible. Request police patrols if your property is secluded.

### **Unoccupied or Vacant Properties**

Vacant or unoccupied properties are open to extra risk, such as theft, vandalism, or fire. To mitigate the inherent risk associated with these properties, do the following:

1. **Property stewardship:** Assign a groundskeeper or volunteer to check on the property consistently.
2. **Notify local law enforcement:** Let police know the building is temporarily (or permanently) unoccupied and request occasional patrols.
3. **Turn off water:** Prevent frozen and burst pipes.
4. **Fence in the property:** Security fences deter break-ins.
5. **Keep the outside well-lit:** Light the exterior, and also consider putting inside lights on a timer to create the illusion of occupancy.
6. **Secure points of entry:** Lock doors and windows, check roof hatches and vents.
7. **Invest in a security system:** Burglar alarms and cameras could help protect the property from invaders.
8. **Keep it clean:** Maintain landscaping, mowing, and clearing debris.

## Vandalism Prevention

- Keep landscaping neat and avoid planting large bushes or shrubs that could serve as cover next to doors or windows.
- Set up outdoor lighting and point it away from buildings to make it easy to spot vandals and intruders.
- Lock gates, doors, and windows when few people are on the property.
- Place protective screens over valuable stained glass windows.
- Consider setting up a security system with motion-activated cameras.
- Take care of damage immediately because it demonstrates that vandalism won't be tolerated.
- Organize a small group of volunteers to increase community awareness and pride by cleaning up graffiti and picking up litter in other parts of your neighborhood.



## Inventories, Appraisals, and Fine Arts

Inventories are one of those tasks that everybody means to do, but few get around to completing. If you don't have an inventory prepared and experience a loss, it causes a delay in claim settlements. Although the building claim gets settled quickly after a catastrophic loss, the case file remains open much longer 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 vestry member or a junior or senior warden.
- Use technology. You can easily record video inventories on your smartphone.

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.

Make sure you record the quality of each object as well as 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 offsite.

### 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 offsite.

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 the following:

- 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 (nonessential architectural elements)
- Ornamental woodworking
- Furniture (altar-related and antique, artist/architect design pieces, which may include pews)
- Ornamental marble work (fonts, plaques, altars, priedieux, 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)

## Pipe Organ Maintenance

Most traditional and hybrid pipe organs are considered part of your church building. A hybrid pipe organ is a traditional pipe organ modified with digital components so that some sounds are produced by pipes and others electronically. Fully digital organs may or may not be incorporated



into the building structure. The process can be complex, and most state-of-the-art digital organs are treated as part of the building. Contact your insurance company to make sure that your organ is insured appropriately. Because traditional pipe organs are complex instruments made of many parts that require expertise for repair and replacement, use an organ builder for repair, maintenance, and tuning.

Common issues include outdated internal electrical systems, insufficiently lubricated blower motors, and cracked or stiff leather. Pipe organs built before heating and cooling systems became common might require more frequent maintenance because rapid temperature changes can cause the wood to expand and contract more quickly.

## **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.*

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)

- Jagged cracks in the lead comes (seams that join the glass sections)
- Color changes, such as fading or darkening

### **Stained Glass's Enemy**

Standing water is the enemy of stained glass. If the protective glazing used on windows isn't properly vented, water can be trapped between layers. Sometimes the fix is as simple as changing the humidity setting on your HVAC system.

Caring for stained glass windows should include the following:

- 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.

### **Stained Glass Repair Strategy**

Don't spread your budget across all of the windows. Concentrate on those that need it most. Address additional windows as funds become available.

## 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 nonexclusive 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.

## **Heating Ventilation and Air-Conditioning (HVAC) Maintenance**

Maintaining a system can cost much less than repairing a breakdown. Every HVAC system should be tuned up at least once a year. Indications of problems could include fuel use increase (demonstrating that the equipment is not running efficiently) or the unit firing, stopping, and refiring rapidly.

### **Frozen Pipe Prevention**

When pipes freeze, they can burst and cause an enormous amount of damage.

#### **Prevention:**

- Insulating pipes
- Wrapping pipes in heat tape

#### **Sealing air leaks**

To test for frozen pipes, turn on faucets to see if the water only trickles or doesn't flow at all. Open the faucets to get water flowing and call a plumber. If you find a frozen pipe has burst, shut off the water main and call your insurance company.

### **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.

### Tree-Trimming Better Left to Professionals

It's important to quickly remove dead limbs from trees before they become projectiles in high winds or fall and injure a parishioner or damage your church. But church staff and volunteers who use dangerous equipment (like chainsaws and ladders) are at risk for serious injury, such as deep cuts, fractures, and head and brain injuries. People can become disoriented when they're up in a tree. Call in a professional.

### 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 Risk Management report on the risks you've identified 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 likely 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.

### **Leave Roof Work to the Pros**

Never climb onto your roof to inspect for damage or attempt to make repairs yourself. Always call in a licensed professional for roof inspection and repair. Head and brain injuries and serious fractures frequently occur as a result of people climbing ladders to inspect or repair a roof.



### **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.
  - Don't use extension cords.
  - Store chemicals.
  - Never leave stove unattended.
  - Don't take shortcuts when cooking.
  - Use protective equipment.
  - Get both class BC- and K-rated fire extinguishers.
  - Clean up spills right away.
  - Wash foods and prepare them in a clean environment.
  - Use proper hygiene to prevent germs.
- 

### **Fire Prevention Checklist**

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

**Tip:** *Meet with your local fire department so they can get acquainted with your property layout. Point out valuables, such as stained glass windows, that firefighters should avoid damaging if at all possible.*

### **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.

### Lightning Strike Damage Prevention

Damage from a lightning strike can range from damaged electrical equipment to a fire. Lightning protection systems (consisting of air terminals installed on the roof, grounding cables, and ground terminals) can protect equipment and property. Surge protection devices can also shield equipment from voltage spikes.



## Extension Cord 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.

## 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
- Electric motors

## 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 reignites. 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.

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## **Painting and Working with Chemicals**

**Ladders:** If the person doing the painting is uncomfortable with heights, exceeds the weight limit, has issues with balance, or has a heart condition, they should not climb ladders.

**Drop cloths:** Use non-slip surfaces to cover the floor or ground.

**Asbestos- or lead-based paint:** If your facilities were built before the late 1970s, you may still have this kind of paint somewhere on your premises. Always test for the presence of lead before scraping old paint and leave asbestos removal to the professionals.

**Waste disposal:** Take unused materials back to the hardware store. In most cases, they will properly dispose of them for you. Don't leave paint or other chemicals in direct sunlight or deposit a large number of items in the garbage together, as this could lead to spontaneous combustion.

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## **Safe Candle Use**

- Select durable nonflammable 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.

### **Safety 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 a room.
- Remove trees before they dry out.



## Chapter Two:

# General Liability

The information contained in this chapter is intended to give 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:

**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 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.

## 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 would cover 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.

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### **Indivisible Conditions of Coverage**

There are certain indivisible conditions of coverage (all conditions must be present):

- 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.

## Limits of Liability

General Liability policies typically use two types of limits for different kinds 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.

There are typically two ways in which policies are written: on a claims-made basis or on an occurrence basis. Here's the difference:

- If an insured holds a claims-made policy and makes a claim in 2021 for a covered event that occurred in 2011, then that claim is covered—even if the insured did not hold a policy with the company in 2011.
- If an insured holds an occurrence-based policy and makes a claim in 2021 for an event that occurred in 2011, the current policy does not cover that event. Instead, the policy that was in force in 2011 would cover the event, even though that coverage has expired, as long as the event is within its scope of coverage.

### Liability Insurance Typically Covers:



Libel and slander claims



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 the following:

- **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 nonmedical 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 Typically 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.
- 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 remains being held for temporary safekeeping until burial were misplaced.
- Teachers' Liability risk, which is bodily injury or property damage arising out of teaching activities, including the administration of corporal punishment.

## 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.

- Cyber Liability is not covered as part of the General Liability policy but is usually covered under a separate policy, much like Workers' Compensation or Automobile Liability.
- Liability arising from communicable disease, which is excluded by most carriers.
- 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 appears later in this 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:

1. What to do in case of a slip-and-fall
2. Carbon monoxide poisoning prevention
3. What to do if you smell gas
4. Copyright infringement avoidance
5. Social media protocol planning
6. Food-borne illness prevention

### What to Do in Case of a Slip-and-Fall

*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.

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 to your insurance carrier.



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.

### What is copyright?

Copyright is a form of protection granted by law for original works of authorship fixed in a tangible medium of expression. Copyright can protect both published and unpublished works.

### What does copyright protect?

Copyright, a form of intellectual property law, protects original works of authorship including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, and architecture.

### What is copyright infringement?

According to the United States Copyright Office, if you reproduce, distribute, publicly perform, publicly display, or derive a new piece from a copyrighted work without the permission of the copyright owner, you may have 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.

The safest thing a church can do is only to use copyrighted materials when you have the express written permission of the copyright owner. This is generally accomplished by purchasing the appropriate license.

### How do copyrights impact the Church?

To better understand the impact of copyright from a church perspective, let's look at the use of music as an example. A church is free to use any

work no longer protected by copyright (public domain). An example of a Christmas song in the public domain is “Silent Night, Holy Night.” Additionally, the Religious Services Exemption (RSE) allows congregants to sing hymns during service without first getting permission. It also allows pastors to recite poems in their sermons. The RSE only applies while services are being conducted in-person at a religious gathering. The exemption excludes performance activities at a place of worship that are for social, educational, fund-raising, or entertainment purposes. *Lastly, the RSE does not allow for the printing or streaming of material covered by copyright.*

### Church Streaming and Internet Posting

The pandemic has seen a dramatic increase in the number of congregations streaming their services online. Since the congregations are now technically broadcasting, extra care needs to be paid to ensure against copyright infringements, specifically but not limited to the use of protected music. A solution is for the church to obtain permission to use materials protected by copyright, and this often involves paying a licensing fee.

### Respecting Copyright Laws

Rectors and 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. However, if you discover a piece you would like to share with the rest of the church population, you have to be careful that you’re not infringing on a copyright.

### How can our church obtain a license to print copies of lyrics and/or sheet music and perform (sing) them in the course of our church services?

It is important to remember that not all works protected by copyright are available for licensing. Your church must obtain the appropriate license from the copyright owner or a licensing organization that has the right to license the music you are interested in using. You will need to review your specific needs to find the appropriate licensing organization for your situation. While we don’t endorse any particular organization, some include the following:

- **OneLicense.net** ([onelicense.net](http://onelicense.net)) is a service that licenses copyright permission to reprint, podcast, and record hymns and songs for your congregation from an impressive list of Member Publishers.
- **Christian Copyright Solutions (CCS)** ([christiancopyrightsolutions.com](http://christiancopyrightsolutions.com)) partners with various performing rights organizations to offer

licenses to religious organizations covering over 29,000,000 Christian and secular songs.

- **RiteSong** ([riteseries.org](http://riteseries.org)) is an online music library, owned by Church Publishing Incorporated (CPI), for hymns and other liturgical music. It includes permission to use all hymns available through the program for print congregational use. Subscriptions provide access to nearly 2,000 hymns from *The Hymnal 1982*, *The Hymnal 1982 Service Music*, *Wonder, Love and Praise*, *Lift Every Voice and Sing II*, *Enriching Our Music 1 & 2*, *Voices Found*, and *My Heart Sings Out*.
- **RitePlanning** ([riteplanning.com](http://riteplanning.com)) is a customizable worship planning tool also owned by CPI with a comprehensive library of liturgical and music resources. A subscription to the deluxe version includes permission for hymns and other music to be reproduced for use in a bulletin or service leaflet.

[In addition to printing copies of lyrics and/or music and singing them in the course of our church services, how can our church obtain a license to stream our church services over the internet?](#)

A church must obtain the appropriate license from a licensing organization for streaming and/or internet use. However, the church will want to be clear about the type of use (streaming/internet) they are seeking to license so that the licensing organization can provide them with the appropriate solution.

[Is our church able to play sound recordings of secular songs?](#)

A church would need to acquire the appropriate licenses from the copyright owner to play sound recordings of secular songs.

[How do artists or publishers find out their material is being used without permission?](#)

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

[What happens when artists or publishers find that their copyright has been infringed?](#)

Typically, if you are caught infringing a copyright, the publisher sends a demand letter, asking that you immediately stop and perhaps demanding a certain amount of money. If you need to take down infringing content, have your webmaster remove the materials from your website. If you just delete the text, it is possible that people searching the internet

might see a cached image of your site, which would still contain the copyrighted material.

### [Can I use works that are in the public domain?](#)

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. Using work in the public domain is the easiest way to make sure you aren't infringing on a copyright. However, a significant period of time must elapse before a work enters the public domain. Generally, for a work created after 1978, "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 US Copyright Office. An example of a song in the public domain is "O Come All Ye Faithful."

*Some works you might think would be in the public domain are actually protected by copyright.*

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 is the song "Happy Birthday to You," which was declared to be in the public domain only in 2016.

*Pay extra care if you are streaming or posting your services on the internet, since that can be considered broadcasting. Obtain permission to use materials protected by copyright.*



## Carbon Monoxide Poisoning

Each year the “silent killer”—unintentional carbon monoxide poisoning—kills an estimated 170 people in the US, according to the US 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 can 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 symptoms of 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 exceptionally high 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, their 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.

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### Generator Exhaust

Exhaust from a 50-kilowatt generator contains CO concentration comparable to tailpipe emissions of 252–572 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 Centers 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

## What to Do if You Smell Gas

You know a gas leak can cause serious damage, such as explosions. This can often be prevented by proper maintenance—and by simply following your nose. Natural gas is odorless in its pure form. A substance

called mercaptan has been added to it so you can smell it. If you smell sulfur or rotten eggs, you may have detected a gas leak.

If you smell gas inside your property, you should immediately:

- Open doors and windows to ventilate the area
- Evacuate the premises
- Contact your gas company from outside the property, either by calling from a neighboring building or walking well away from the affected property before you use your mobile phone

If you smell gas, DO NOT:

- Light a match or use a lighter anywhere near the property
- Turn on lights or appliances, especially the stove
- Use electronics (including your phone)
- Start any motors

The gas company will send a representative to your location immediately if you inform them that you smell gas. Sometimes it is as simple as a pilot light going out, but it could be as dangerous as a gas leak in a pipe or a serious problem with your furnace.

If the problem is dangerous, the gas company will turn off your gas supply, which will only be turned back on when the problem has been resolved. Having your furnace maintained on an annual basis may help to reduce these incidents.

## **Social Media**

A defamatory comment on any of your social media pages. 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 building a social media crisis communication plan.

### **Who to Respond to and How**

If someone were to post a derogatory comment on your Facebook or other social media 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.

1. **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.
2. **Who needs to know about the situation?** Depending on the seriousness of the issue, the response to this question could change.
3. **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. Be sure to work with legal counsel to ensure your privacy policy complies with all of the applicable privacy laws.

## 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.

## 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. 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. Put a protocol in place for if, for example, a young congregant were to email a youth director or a rector to ask a question. 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).

## **How to Avoid Food-Borne Illnesses**

If food isn't handled properly, or if basic hygiene practices aren't followed, certain types of bacteria could grow, and germs could be spread and transmitted. To make sure no one leaves a potluck dinner with a stomach bug, or with a cold or the flu, here are some basic but very important tips for food safety:

**Keep it clean:** Wash your hands both before and during the cooking process, and if you handle eggs, raw chicken, or meat of any kind. Use soap and rub your hands together vigorously for about the time it takes to sing the "Happy Birthday" song in your head. Serve food on clean plates with clean utensils.

**Keep the temperature consistent:** Hot dishes should be served hot (140 degrees Fahrenheit or higher), and cold food should be served cold (40 degrees Fahrenheit or colder).

**Keep it fresh:** Food should not sit out for longer than two hours. Keep unused dishes in the refrigerator. Check the "sell-by" and "use-by" dates if using prepackaged food.

## Be on the Lookout for New Safety Regulations



Remember to inspect—and potentially replace—items that could cause harm to children or other members of your church. 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% of “hazard patterns” since 2007. For that reason, the government now has stricter requirements with respect to 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 could be considered 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 for Use of Your Facilities**

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.
- A group leasing space from the church should have the church named as additional insured on its insurance policy.
- Leases should also include a hold harmless provision between the two parties providing for indemnification of your church.
- 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 it needs 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 nonprofit organizations, such as AA, Boy Scouts, etc.

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## **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.

You could find that you're hosting 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 on the insurance policy.

- 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.

## Safety Checklist

### **Bounce Houses (and Other Inflatables)**

- Require the rental company providing the inflatable to provide written 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 against 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 nonswimmers should be required to wear personal flotation devices.
- Stop activities at the first sign 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, or 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 nonalcoholic beverages are available.
- Limit events to within a certain time frame.
- 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 the requirement that they provide a certificate of insurance showing coverage for liquor liability.



## **Chapter Three:**

# Malicious Attack

Malicious Attack coverage is a stand-alone product for most insurance companies. It provides for response to malicious attacks, including terrorism events—which includes the use of any handheld weapon or vehicle as a weapon—on your property or in close proximity.

This kind of coverage protects against business interruption and physical damage, as well as medical expenses and post-event counseling for people who have been affected by the incident. It also provides crisis management and public relations support, which can help organizations respond appropriately and communicate both internally and externally immediately after the event.

## **Church Violence**

People think of churches as idyllic places for contemplation and prayer. While that's certainly true, churches 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.

## 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 the 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. This also helps build the idea of safety being collaborative.



- **Rethink 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.





## Chapter Four:

# Cyber Liability Coverage

Data breaches can occur at any organization that has and makes use of personal information, no matter how small. Even if an international hacking ring doesn't target your religious organization, there are many ways in which data can fall into the wrong hands.

Cyber Liability coverage protects organizations for data and privacy breaches of their systems. These breaches can lead to internal losses or liability claims from members whose information has been stolen and misused or released.

It covers events such as ransomware, extortion, and fraudulent transfers. And it also has a media component that can help protect your presence online. This includes copyright infringement, trademark infringement, and libel.

## What Cyber Liability Covers

### Cyber Liability: Third Party Coverage (for claims made against you)

- **Multimedia Liability:** covers errors and omissions, such as defamation in a publication or broadcast
- **Security and Privacy Liability:** covers data breaches, such as failing to protect the personal identity of parish members (including their Social Security numbers or credit card numbers)
- **Privacy Regulatory Defense and Penalties:** covers penalties and fines for violations of applicable privacy and data security laws
- **PCI DSS (Payment Card Industry Data Security Standards) Liability:** covers PCI DSS Fines and Assessments, and related defense costs



## Cyber Non-Liability: First Party Coverage (for your own losses)

- **Breach Event Costs:** covers legal expense and forensics costs following a breach, which typically includes the following sublimits:
    - *Proactive Privacy Breach Response Costs:* covers public relations expenses related to a breach
    - *Voluntary Customer Notification Expenses:* covers expenses incurred in notifying members of a breach
  - **Network Asset Protection:** covers lost digital items, such as emails, photos, or videos due to a breach, mistake, or accident
  - **Cyber Extortion:** covers the cost to settle and prevent future extortion after an extortionist has threatened to release a virus or personal information
  - **Cyber Crime:** covers the loss of money or securities due to a breach
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### Common Cyber Liability Losses

- Ransomware encryption of computers and servers
  - Virus or malware encryption of devices
  - Stolen devices
  - Former or current employees' interference with data
  - Spoof or "phishing" emails leading to fraudulent wire transfer of funds, payroll fraud, or fraudulent gift card purchase
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## No One-Size-Fits-All Approach

When a religious organization is the target of a cyberattack and subsequent data breach, it must take certain steps to comply with privacy laws. There are a lot of state, federal, and international laws surrounding privacy and data security, and there's no one-size-fits-all approach to data security and privacy. In some cases, the religious organization that falls victim to cybercrime may need to notify those whose records were affected, sometimes offering them credit monitoring or financial compensation. Often, when insureds make a claim, the insurance company will retain attorneys and specialists to perform a forensic investigation.

*If a breach does occur, react quickly and appropriately by contacting counsel (and your insurance company) in order to find out what response is needed.*

## **Users May Play a Role**

Cybercrime is about more than hackers infiltrating systems. Some hackers will trick users into clicking on a link or opening an attachment that downloads malicious software onto their computers. The software locks out users and holds their files hostage until they pay the hacker.

Users might also fall victim to “phishing,” in which someone receives an official-looking email that asks them to provide a piece of information, such as a bank account number, only to learn that the email was fake and the user gave away important information to a hacker.

Or a user might receive a desperate message seemingly from a church member who needs money wired to them immediately. After sending the money, the user discovers that the church member’s email had been hacked and the money was wired to a criminal.



### **Typical Scams**

- **CEO scam:** A hacker sends an email posing as a company executive urgently requesting a confidential wire transfer.
- **Invoice scam:** A hacker poses as a vendor and sends an invoice requesting payment to a fraudulent account.
- **W-2 scam:** A hacker sends an email posing as a supervisor requesting W-2 information.

## **Tips to Help Protect Your Employees' and Parishioners' Data**

1. Don't write down your passwords on post-it notes and attach them to your monitor.
2. Keep your desk clean and lock up hard copies of sensitive information.
3. Store your laptop in a secure area.
4. Don't click on any link or open any attachment in an email from someone you don't know.
5. Before you click on links, open attachments, or take any other action in a strange email from someone you know, check with the sender directly by phone or in person to make sure the email was legitimate—or to make sure the sender knows that he or she may have been hacked or impersonated.
6. Strengthen passwords by making them long and by including symbols, numbers, and capital and lowercase letters.
7. Don't use passwords that can be guessed easily, such as using the word "password" or your spouse's, child's, or pet's name.
8. Password-protect and/or encrypt computers, laptops, and mobile devices.
9. Use antivirus software and firewalls.
10. Don't send sensitive information over unencrypted email.
11. Keep company data on company-issued (vs. personal) devices.
12. Have an information technology (IT) consultant help you create a protocol for protecting your data.



### Signs of Phishing/Spoof Emails

- **Generic salutation:** Your name is missing as the addressee.
- **Poor composition:** The text contains grammatical and spelling mistakes.
- **Privacy issues:** The sender asks for personal or confidential information.
- **Suspicious link:** Hovering over the sender's name reveals an unfamiliar address.
- **Provocation:** The email uses threatening or urgent language.

### Paperless Transitions

Some leaders of religious organizations are hesitant to make the transition to electronic methods, especially for financial transactions, such as collecting donations and paying bills. Though it's reasonable to be cautious, you can often create a more secure environment by doing the following:

- **Training.** Make sure any employees, interns, or volunteers who will be working with your organization's finances are aware of commonplace schemes, can recognize dubious requests, and know to double-check them. You may consider bringing in a local IT expert to educate workers.
- **Professional help.** An IT expert can also help you create a secure technology environment. For example, the correct firewall could help prevent viruses. Communicate your organization's operations to the expert and follow his or her advice to set up adequate and ongoing protection.
- **Proactive procedures.** Create procedures for off-boarding employees. For example, you may find that a former employee gained access to your organization's system and deleted files. That kind of activity can be

prevented by cutting off access and changing passwords as part of the off-boarding process when an employee leaves the organization.

- **Double-checking.** Requests that direct an employee to bypass authorization procedures should be viewed with suspicion. Financial transfers should always be done subject to policy and procedures that have been designed to mitigate fraud. And before clicking on a link in an email from an outside sender, hover over the link to see if the pop-up window shows a trusted destination website address.

Technology is meant to help individuals and organizations do things more easily. But if something does happen, promptly contact your insurance company for guidance.



**Directors' & Off  
Liability  
INSURANCE**

## Chapter Five:

# 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.

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

## 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.

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 or her duties.



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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 typically 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 nonrenewal for prejudice. When a demand, suit, or complaint is made by an employee, Employment Practices Liability Insurance kicks in.

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### **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 telling others in the organization that the assistant is "incompetent" and refuses to give her time off for vacation, though no major projects are planned for that period.



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## **Background Screening**

Background checks should be conducted for new hires. It is especially important that those working with youth or with finances be screened. Some of the steps you should take include doing a(n):

- Social Security Number trace
- Alias trace
- Multistate criminal background check
- National Sex Offender Registry check
- County-level check in all the counties the candidate has lived in during the last seven years
- 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 be applicable to these unique situations.

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:

- 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 would be 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 Equal Employment Opportunity Commission 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.

The **Equal Employment Opportunity Commission (EEOC)**: According to the EEOC's 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."

## 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.

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 that occurred 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)

## Limits of Liability

D&O/EPL 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 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 policies include defense costs within the limit of liability.



Some D&O/EPL 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.

### **Self-Insured Retention Similar to Deductible**

D&O/EPL 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 among others 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 a 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 rector. One or several members of the congregation upset with the process or decision might bring a claim.

One church recently discovered the value of D&O/EPL coverage when it received a charge of discrimination from their state's 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 **Self-Insured Retention Similar to Deductible** 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 policy.

## Employee Complaints

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 rector as soon as you become aware of them. A well-documented response is best. In most cases, the matter is settled out of court.

*If a church never reports any incidents, an insurer might wonder if it is getting an honest picture.*

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.

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.

## Hostile Work Environment

The EEOC says that *“harassment becomes unlawful where 1) enduring the offensive conduct becomes a condition of continued employment, or 2) the conduct is severe or pervasive enough to create a work environment that a reasonable person would consider intimidating, hostile, or abusive.”* This does not include *“petty slights, annoyances, and isolated incidents (unless extremely serious).”*

## Examples of Behaviors That Can Create Hostile Work Environments

- John is Sally’s supervisor. The two are friends and often flirt with each other. This doesn’t bother John or Sally—but it does bother Samantha, who shares an office with Sally. She feels so uncomfortable when John enters their office that she leaves until the other two are done speaking. Often, she has to wait for nearly an hour for him to leave so she can resume her work, and this happens more than once a day. Samantha now often stays late or takes work home.
- Lisa, Tom, and Michelle are coworkers. Lisa tells jokes throughout the day. Some are harmless, but some include racial slurs or sexual content. Tom and Michelle both have asked her to stop, but she ignores their requests and says they are “just jokes.”

Sexual harassment is not the only contributor to a hostile work environment. Bullying can make an individual feel uncomfortable and intimidated—and adults can be bullies, just as children can.

## How a Manager Can Bully an Employee

Angie is Jim’s supervisor. She thinks that Jim makes too many mistakes, and she draws attention to them in front of everyone else in the office. She starts to say that anyone who makes a mistake is “being like Jim.” The embarrassment flusters Jim, causing him to make even more mistakes. Soon the whole office ridicules Jim throughout his workday. Jim begins to dread going to work.



The EEOC suggests that supervisors “should clearly communicate to employees that unwelcome harassing conduct will not be tolerated.”



Supervisors should set up protocols making it comfortable for employees to make complaints, and should investigate allegations and act when something inappropriate has been found to have occurred.

The EEOC also encourages employees to “inform the harasser directly that the conduct is unwelcome” and “report harassment to management at an early stage to prevent its escalation.”

If harassment has occurred in your organization, let your insurance company know about it in a timely manner, because a hostile work environment could potentially lead to a liability lawsuit.



## Chapter Six:

# 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, what the policy provisions are, and more.

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

**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.

**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.

## 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 the following:

- 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 an organization’s employees or those employees’ spouses, partners, or other household members.

The policy could also cover the following:

- 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 versus 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 your church’s policy carries that coverage.

## **Hired and Non-Owned Automobile Liability Coverage**

You can arrange Hired and Non-Owned Automobile Liability coverage to protect your organization 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. See previous chapter for more information on General Liability.

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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 for personal reasons.
- 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 nonemployees) 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
- 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).

*Basic state-mandated Liability, Personal Injury Protection, and Uninsured/Underinsured Motorists’ limits are seldom adequate to cover large claims.*

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.

## **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 is not covered.
- 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.

## How to Avoid Typical Complications

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

### 1. **There is a \$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 coverage may not apply.

### 2. **Do not use 15-passenger vans.**

They're more susceptible to overturning 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 wheelbase 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. Think about 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.

## Risk Management: Parking Lots and Garages

### Physical Care

- **Lighting:** Make sure your entire parking lot is well-lit. Proper lighting can both reduce accidents and deter criminal activity.
- **Pavement:** If you have a pothole, placing an orange safety cone near or inside it is a good temporary solution, but potholes and pavement cracks should be repaired in a timely manner.

### Driver Safety

- **Take it slow:** Use common sense and go slowly. Look out for pedestrians and other vehicles.
- **Avoid backing out of spots:** If possible, park in such a way that you don't need to pull out in reverse; this cuts down opportunities for an accident to occur.



## Pedestrian Safety

- **Be aware of vehicles:** Don't move quickly in unexpected ways. Treat walking through a parking lot or garage as if you were crossing a street.
- **Watch children:** Keep children nearby and hold their hands if necessary. Help them to walk slowly and carefully in areas where a car is likely to suddenly appear.

## Criminal Activity

The Bureau of Justice Statistics found that “more than 1 in 10 property crimes occurred in parking lots or garages.” Protect yourself and your property by:

- Locking your vehicle doors
- Stowing valuables in your vehicle out of sight
- Avoiding parking next to large vehicles that might obstruct others from being able to see your vehicle
- Being aware of surroundings
- Avoiding using cell phones, particularly in parking garages at night
- Parking near good lighting and the entrance of the garage at night
- Considering carrying pepper spray
- Keeping your finger on your car alarm button
- Taking your keys out before you walk into a dark lot or garage

## Risk Management: 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
  - Fluids
  - Signals
  - Tires
  - Battery
  - Lights
  - Engine
  - Brakes
  - Horn
- **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:
  - Rector
  - Senior warden
  - Towing service
  - Police
  - Fire
  - Ambulance
  - Hospitals
  - Your insurance provider

## Summer Driving Hazards

### Glare

While sunrise and sunset bring stunning colorful sky tableaus, they also can cause severe glare, leaving drivers suddenly unable to see.

Glare is impossible to eliminate altogether, but you can minimize it simply by wearing sunglasses and positioning your visors to block the sun. It is also important to recognize how dangerous and unpredictable glare can be, to not follow other cars too closely, and to keep your speed under control.

### Hot Cars

It should go without saying: don't leave passengers in a hot vehicle with the windows up for any length of time—especially young children, the elderly, or pets. If you stop, have everyone get out and stretch their legs instead of remaining in the car.

Also remember that heat can damage certain items. For example, wet swimsuits left in a hot car for a long period of time can encourage bacterial growth, and metal can quickly become very hot to the touch. So exercise caution when putting on safety belts, and make sure that everyone is buckled in before you take off.

### **Increased Construction**

In the summer, the weather is not only good for hitting the road but for fixing it. You may find that many miles of your journey have some sort of road work or construction in progress. Look out for signs and follow the instructions. Keep to the reduced speed limit, remember to check your blind spots, watch for drivers switching lanes when their lane ends, and do not follow other cars closely, even at low speeds.

### **Motorcycles and Bicycles (and Pedestrians, Too)**

As the weather gets nicer, you'll begin to see more motorcycles and bicycles on the road, as well as more people out running, walking, and simply enjoying the weather.

*Give bicyclists a wide berth. Some local governments have ordinances concerning bicycles and bike lanes.*

Because motorcycles are smaller than cars, they are hard to see when changing lanes or making turns. Keep them in mind and always check your blind spots and be ready to brake if a motorcycle or moped is in your path.

Give bicyclists a wide berth. Some local governments have ordinances concerning bicycles and bike lanes. Check to see what applies in your area. For example, in California, drivers are required to give cyclists three feet of space when they pass them.

Watch out for pedestrians crossing the road, as well as children or animals playing near the road, especially when passing a neighborhood park. Obey speed limits and slow down if you see a situation that could be dangerous. This is true in any weather.

## Heavy Rains

Each season brings its own weather hazards, and summer is no different. Heavy rains and thunderstorms can greatly affect driving conditions. Slow down to avoid hydroplaning, which is what happens when your vehicle's tires lose traction on wet roads. If your vision is so impeded that you cannot drive safely, pull over and wait for the rain to lighten or the storm to pass.

## 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 wind 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.*



## Chapter Seven:

# 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:

**The Basics:** This section discusses the difference between these two separate forms of coverage—eligibility and compensability—as well as 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: A Key Benefit for Lay Employees.** This section explains what short- and long-term disability insurance typically covers.

## 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.
- **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 is 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.

## 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 (versus 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 on an IRS Form W-2; casual or contracted workers whose remuneration is reported on an IRS Form 1099; 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?
- Does the individual only perform this type of work for your institution, or does he/she do the same type of work for other institutions?

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 the following:

- 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.

## 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 next steps.



## Classifications

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

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

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 their money back.

## 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% 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% 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 himself 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 urging the injured employee to seek 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 himself 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.

Here are some common situations that begin with the best of intentions and could end in injury:

- **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.

## Workplace Ergonomics

In some offices, a typical worker might spend the whole day seated in a chair, staring at a screen, continually typing and clicking a mouse. Lack of movement variety, incorrect posture, or poor workspace setup could lead to injury.

According to the Occupational Safety and Health Administration, “Work related MSDs [musculoskeletal disorders] (including those of the neck, upper extremities, and lower back) are one of the leading causes of lost workday injuries and illness.” Repetitive tasks could lead to the

development of MSDs, as can “working in awkward postures or being in the same position for long periods of time.”

*MSDs and repetitive strain injuries, such as carpal tunnel syndrome or eye strain, can result in lost productivity—and disability claims.*

It's important for companies to be proactive about assessing workspaces to identify hazards and come up with solutions. The more proactive a company can be, the more it will save costs in the long run.

### **Avoid repetitive strain**

Because so many workers now spend their days seated in front of a computer, it's important that they understand the different ways in which repetitive strain can be avoided. Here are some tips:

- Position the keyboard and mouse so that hands are level with elbows.
- Adjust chair height so that knees and hips are at a 90 degree or greater angle and keep feet flat on the floor.
- Position the monitor so it is arm's length away and at or below eye level.
- Take small breaks periodically, standing up to stretch every 20 minutes.
- Use products such as keyboard trays and adjustable office chairs developed specifically for long periods of continuous use.

There are a number of ergonomic products, such as phone headsets and wireless mice operated by thumb rather than wrist movement, which can ease the strain of repetitive movements.

### **Employers' roles**

The burden of preventing MSDs shouldn't fall solely on employees. Employers should also train employees to recognize symptoms of strain and take necessary steps to alleviate its effects, encourage rest breaks, and ask employees to report comfort issues to supervisors.

## **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 (2020 Life Insurers Fact Book), nearly 17% of working-age Americans reported a disability in 2010.”*

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 is 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 typically begin after an employee has been disabled for 12 months and continue until the employee is able to work again or reaches the age of 65.





Plan <sup>B</sup>~~A~~

A close-up photograph of a person's hand holding a white document. The person is wearing a dark brown suit jacket and a matching tie. The document has the text 'Plan A' printed in a bold, sans-serif font. The word 'Plan' is underlined. To the right of 'Plan', the letter 'A' is printed in a larger, bold font. A handwritten letter 'B' is written in dark ink above the 'A'. The 'A' is also heavily scribbled over with dark ink, making it partially illegible. The background is a dark, textured surface, likely the person's suit or a wall.

## **Chapter Eight:**

# 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.

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, Employer's Liability, and Employee Benefits 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 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 in 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.

## **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.

## **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

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



It can be prudent to 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.

## Significant Exclusions

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

- 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 liability 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.





## **Chapter Nine:**

# 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.

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 is also available.

## 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.

Commonly, institutions select an Employee Dishonesty limit equal to at least 5% of total assets. Another yardstick is a limit equal to 25% 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.

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.

**Discovery:** 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.

## **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.

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 Bylaws and Procedures**

It's a good idea to review bylaws to make sure they're not outdated and that they include appropriate 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.

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 username 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 Every 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.

## 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 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 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 Directors' and Officers'/Employment Practices Liability, which includes recommendations about types of background checks to do and what to do if you get a "hit" when screening backgrounds.



Travel  
Insurance



International

## Chapter Ten:

# 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.

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

## International Package Policy

When is the worst time to find out your healthcare coverage doesn't extend beyond the borders of the US? 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 US, its territories, and Canada.

*However, there's an easy path  
to peace of mind ...*

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 US workers injured in the course and scope of their employment while outside the US. 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 this chapter.

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.

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 US, 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 the following:

- 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.

Find out whether your Emergency Medical Expense coverage applies on a primary basis, or whether it is triggered only after exhaustion of other available insurance, such as individual health coverage.

- 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



## **Chapter Eleven:**

# 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 religious organizations that have faced fire, flood, and tornadoes.

### **Have a Plan When You Can**

It's not possible to prepare for every kind of disaster, but some disasters come with a warning.

Mitigate losses from hurricanes by sandbagging doors and putting plywood over windows. Maintain buildings because worn-out components are more susceptible to damage.

If a tornado or other catastrophic storm damage occurs, call your insurance agent right away.

## **Disaster Preparations and Some Common Scenarios**

Church leaders should appoint an individual or a group of members who are able to put their church's 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.

## Emergency Kit

There are many excellent resources available on the internet for building your emergency kit. The Red Cross, Episcopal Relief & Development, the Centers for Disease Control and Prevention, and *Ready.gov* all have recommendations for emergency supplies.

Consider what items are important for your specific situation as you gather materials. Think about special needs for the elderly, young children, pets, and people with medical concerns.

Certain geographical locations may require additional supplies; for example, if you live in a location with very cold winters, consider adding stocking caps and other warm clothing to your kit. And if you live in a rural area that may be difficult to reach during a disaster, think about adding supplies that will last five or more days.

Here are some nonexclusive suggestions for building your emergency kit:

- A three-day supply of water (one gallon per person, per day)
- A three-day supply of nonperishable food (which could include items that don't require heating, such as granola bars and peanut butter) plus a manual can opener and utensils
- Cash in small denominations
- Flashlight with extra batteries
- Battery-powered or crank radio with extra batteries
- Crank, solar, or battery-operated power source for charging cell phone and other small electronics
- Multipurpose tool, such as a Swiss Army knife
- Emergency contact information for friends and family
- Blankets or sleeping bags
- Whistle
- Wrench or pliers
- Local maps with evacuation routes marked

- Personal hygiene supplies, such as trash bags, baby wipes, and feminine hygiene items
- Fire extinguisher
- Duct tape
- Matches
- Bug spray

A first aid kit is a very important component of any emergency kit. Again, consider what items might be necessary for your particular situation as you build your kit. Nonexclusive suggestions for building a first aid kit include:

- Antiseptic cleansing wipes
- Antibiotic ointment packs
- Aspirin
- Antacids
- Bandages, sterile gauze, and tape
- Hydrocortisone
- Vinyl gloves
- Thermometer
- Scissors
- Tweezers
- Prescription medications and a list of medications taken
- Extra glasses

Once you've gathered these items, store them in a safe location.

## 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. Hold onto 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 offsite.

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## The Big Chill

When the cold snap of February 2021 hit Central and Southern states, claims for frozen pipes and water damage came pouring in to Church Insurance.



In situations where you can mitigate damage, losses are lessened. But sometimes uncontrollable factors coincide to worsen a disaster. The damage from that cold snap was much more widespread in Texas than in other states due to lack of winterizing and power outages, with more than 70% of claims coming from that state.

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For staff members:

- Keep up-to-date copies of their important files offsite 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).
- 

### **Named Storms over the Gulf Coast**

Hurricane season was relentless for Gulf Coast residents in 2020, with six named storms bringing damage as they blew through the region: Tropical Storm Cristobal, Hurricane Marco, Hurricane Laura, Hurricane Delta, Hurricane Sally, and Tropical Storm Beta.



The storms came one after the other, sometimes causing new destruction on top of damage from the previous storm. Rather than holding religious organizations to a deductible each time a new storm occurred in the region, Church Insurance treated the storms from this season as one event with one deductible—which saved a lot of money for those affected.

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### **Flood Insurance**

In parts of the country where there are 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, if there's a hurricane, or if there's 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.

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## Hurricane Michael

A Category 5 storm, Hurricane Michael carved a path of destruction when it made landfall in Florida in October 2018.

Church Insurance worked with local first responders in one town and offered the Episcopal Church parking lot as a home base for generators and other life-saving equipment. Because of the proximity of emergency teams, the church suffered less damage.



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## 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 onsite.

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 hardwire 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 rector—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.

## Texas Twister

In 2020, St. Luke’s Episcopal Church in Dallas, Texas, suffered extensive tornado damage to four buildings on its campus.

The education building was among the structures rendered unusable, but its school was back up and running a couple of weeks later due to a rented temporary classroom and space sharing with another Episcopal school. All buildings were repaired quickly—thanks to the swift action and diligence of the church’s senior and junior wardens.



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## 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.

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 instead 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.

### **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.

### **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, nonperishable 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.

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.

## Compassionate Assistance

Church Insurance does not cover earthquakes as part of its offerings. But it does try to help its insureds whenever they are in crisis.

For example, a 7.0 magnitude earthquake struck Anchorage, Alaska, in 2018. Church Insurance sent an engineer to look at an insured religious organization's affected buildings at no cost. The engineer's reports addressed the relative safety of the buildings—that is, whether or not they could be entered. And the reports allowed the organization to hire contractors to make appropriate repairs.

## 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 structures 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.

## **Camp Fire in Paradise, CA**

The 2018 wildfire season in California was the second deadliest on record. The Camp Fire was especially notorious, causing 85 deaths in Butte County.

St. Nicholas Episcopal Church in Paradise suffered only minor damage from embers because Church Insurance coordinated with the fire department to set up on the property and protect the church.

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## **Wildfires Can Happen Anywhere**

Many people think wildfires occur only in certain areas of the United States—but that's not true. A wildfire can happen anywhere and in many different terrains, from prairies and deserts to forests and mountains. Wherever they occur, they are bound to be fast-moving and unpredictable.

### **Unexpected Causes**

Fires are part of a natural cycle in some ecosystems. A wildfire can be beneficial by clearing overcrowded plant material and debris. When the fire burns away dead vegetation, nutrients return to the soil, which encourages biodiversity.

Local conditions, such as droughts and lightning strikes, put areas more at risk. But did you know that most wildfires are caused by people? Almost 85% of wildfires come from human activities such as leaving campfires unattended, burning debris, operating equipment, negligently discarding cigarettes, and committing intentional acts of arson.

Preventing wildfires resulting from human error requires common sense. For example, campers need to watch their fires and completely extinguish any flames before leaving the area. Those who burn debris on their property need to follow local ordinances and make safe choices, such as not starting a fire under a canopy with low-hanging limbs. Practical thinking can go a long way toward deterrence.

### **Discourage Fire Spread**

Wildfires disrupt ecosystems and put nearby populated areas at risk. If your property adjoins a natural area, take extra precautions to protect it

from potential flames. Create a zone to discourage fire spread. A “fire fuel” break, such as a driveway, parking lot, gravel area, or lawn, can keep wildfires from encroaching on your property. Remove from your property any dry brush or other materials that may burn easily.

## **Be Prepared to Evacuate**

Even if you think you live at a safe distance from potential wildland fires, pay careful attention to weather reports and take fire warnings seriously. If your community has been experiencing extreme weather, such as high winds, then it’s far more likely a wildfire will spread quickly and be difficult to douse. It’s important that you follow any evacuation orders issued by local authorities. Do not attempt to fight off the wildfire yourself.

Consider packing a go-bag with irreplaceable valuables and important documents, and keep your emergency kit stocked. If you have not already done so, add to your kit respirators or dust masks marked “NIOSH with N95 or P1000.”

Once authorities have declared it safe to return to your property, document any damage with photographs or video footage and contact your insurance company.

## **Risk Management**

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:

1. Risk identification and management
2. Risk avoidance and reduction
3. Risk retention
4. Risk transfer
5. 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, with the assistance of counsel, 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.

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## **Risk Avoidance and Reduction**

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

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### **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 permitted 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.

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## Risk Retention

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

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### Here's an Example:

Let's say that you research your organization's 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.

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## 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.

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.

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.

### **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 preschool occupying your facilities. To transfer risk, the contract should require the school to 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 preschool operator provide evidence of its liability insurance, which designates the church as an Additional Insured to protect it under the school’s insurance program.

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## **Risk Monitoring and Adjustment**

This is the periodic process of reexamining chosen risk management strategies and adjusting them to fit your organization’s objectives.

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### **Here's an Example:**

Perhaps your organization’s membership is growing and, with it, the organization’s 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 modest ongoing annual premium savings.

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*“Church Insurance Companies” refers to The Church Insurance Company, NAIC No. 10669, a New York domiciled insurance company with its home office located at 19 East 34th Street, New York, New York 10016; The Church Insurance Company of Vermont, a Vermont domiciled insurance company with its home office located at 210 South Street, Bennington, VT 05201; and The Church Insurance Agency Corporation, an insurance agency with its home office located at 19 East 34th Street, New York, NY 10016. The Church Insurance Companies offer property and casualty insurance coverage and other related services to The Episcopal Church and its dioceses, parishes, and other entities.*

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*The Church Insurance Companies do not guarantee the performance of the legal and contractual obligations of any unaffiliated insurer.*

# Glossary

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**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%)

**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

**Cyber liability**

coverage that protects organizations for data and privacy breaches of their digital systems, which can lead to internal losses or liability claims

**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 continues 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 a 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 [www.ftc.gov](http://www.ftc.gov).

### **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 US workers injured in the course and scope of their employment while outside the US 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

**Hostile work environment**

a work environment characterized by severe, pervasive, intimidating, hostile, or abusive conduct

**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 attack**

Stand-alone coverage that provides response to malicious attacks, including terrorism events (including use of handheld weapon or vehicle as a weapon) on insured's property or in close proximity

**Malicious mischief**

intentional damage to property

**Margin clause**

covers up to 115% of the stated building limit, on a per-building basis, reducing the possibility of underinsurance

**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 nonphysical 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 nationwide sex offender data

**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

**Religious services exemption (RSE)**

allows the public "performance of a nondramatic literary or musical work or of a dramatic-musical work of a religious nature, or display of a work, in the course of services at a place of worship or other religious assembly" (17 US Code § 110(3))

**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 offsite 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

*\*These are general explanations for each term as it is understood in the insurance industry. However, every policy of insurance is different. Consult your individual policy for specific definitions of key terms applicable to your situation.*

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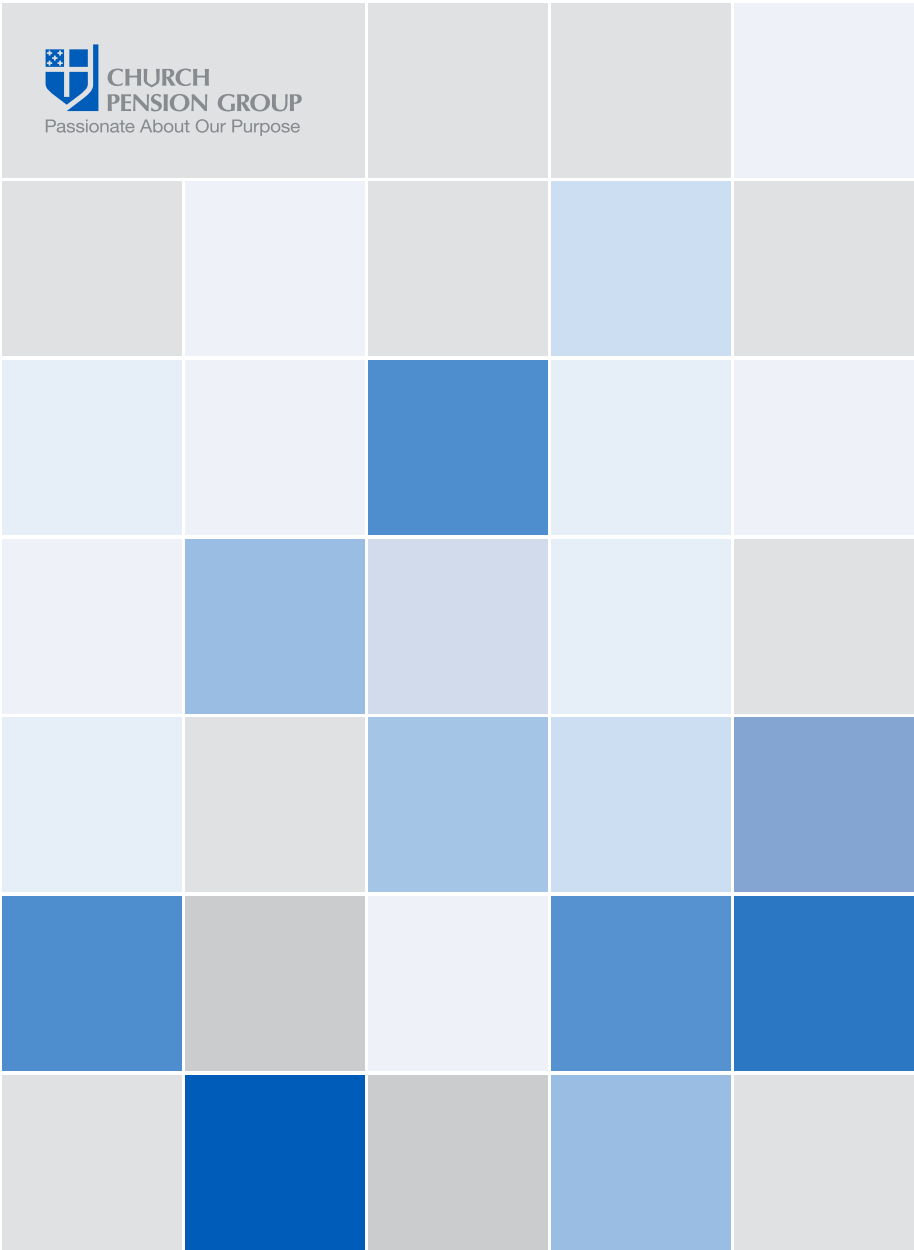
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