

INTERNATIONAL CHURCHES OF CHRIST
Office of General Counsel

FROM: John Bringardner

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To: World Sector Administrators

Subject: Insurance Frequently Asked Questions

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Over the last few months we have been working diligently to clear up the Insurance/Risk Management picture for our US churches. At the outset, let me thank each of you for your patience and cooperation. Also, I want to thank Mark Braunlich of my office who has done the lion share of the work to figure out this very complex picture. Mark has been an incredible addition to the Law department and I am sure each of you will agree as you and your US church administrators get to know him.

As was to be expected, several issues have arisen that we wish to address and clarify. We are sending you this memorandum to address some of the commonly asked questions we have received. Please feel free to pass this on to any of your administrators or church leaders as you see fit.

What types of Insurance do we have?

Currently, we have the following policies: General Liability, Umbrella Coverage, Excess Coverage, Executive Protection (Crime), Property, and Directors & Officers Liability.

What is covered under our General Liability policies?

Our General Liability policy provides coverage for accidents at church events on "scheduled" properties due to our negligence in the amount of \$1,000,000 per occurrence with a General Aggregate of \$3,000,000 per incident, with a \$5,000 deductible. Scheduled properties are any location, including parsonages, offices, camps, and all regularly scheduled meeting facilities (including minister's homes) that we use 30 or more times in a calendar year. Our broker, Cal-Surance, is keeping a database of all locations used by each church and ICOC Law will notify the church when a location should be scheduled. Unscheduled properties are those properties that are used infrequently (less than 30 times a year) and are covered by separate "Certificates of Insurance." Both scheduled and unscheduled properties are protected from the same kind of risks. All camps must be listed as scheduled property or no coverage applies.

What kind of risks are covered under the General Liability policy?

This policy covers Injuries on Location, such as Slip and Fall, Pastoral Counseling, Sexual Molestation, Non-Owned Auto, and Volunteer acts. Pastoral Counseling protects ministers from being sued for offering spiritual advice in their role as ministers. Sexual Molestation protects the church against allegations of sexual molestation or sexual misconduct by a minister or volunteer, including Kingdom Kids, Preteen and Teen workers. Non-Owned Auto provides coverage to the church for automobile accidents by church employees or volunteers on church business where the church does not own the automobile used in the accident.

What is an Umbrella Policy and what does it cover?

Umbrella coverage is a special coverage the church has purchased to increase the value of our General Liability coverage. Our policy covers up to \$10,000,000 for each Occurrence with an annual Aggregate of \$10,000,000.

What is Excess Coverage?

Excess coverage is additional coverage on top of the umbrella policy that protects the church in case of a catastrophic accident or claim, ie, bus accident, etc. Our policy provides an addition \$15,000,000 for excess coverage.

What is Executive Protection Coverage and why do we need it?

Executive Protection covers loss due to theft or embezzlement by an employee of the church. We have coverage for up to \$500,000 with a \$10,000 deductible.

What is Directors and Officers' (D&O) Coverage?

D&O covers all damages related to the acts or omissions of the directors and officers of the church corporation. It also covers allegations of Discrimination, Sexual Harassment and Wrongful Termination. We have \$5,000,000 worth of coverage with a \$25,000 deductible.

What is Property Insurance and why do we need it?

Property insurance covers direct physical damage to buildings we own or rent and business personal property located within those buildings. Our policy, like most, exclude direct damage from earthquake, wind (hurricane or tornado) in some areas of the country, and floods. There are other exclusions that should be noted. Business Personal property (office equipment, furniture, etc.) is ensured in an aggregate amount for all US church locations up to \$2,225,000 per year. Church property in Florida, Hawaii, Puerto Rico, Guam and the Virgin Islands must be scheduled or there is no coverage for damage to the building or business personal property.

What property is covered under this property?

We have previously requested that each US church provide a list of all property locations to be covered under this policy. This should include any church owned buildings or parsonages, all long-term leased facilities and any short-term lease where significant improvements to the property has been made. Each church owned property should be ensured for full replacement value, including demolition, and increased building costs due to code changes. These values should be determined by the local church in conjunction with an experienced broker or agent. The local church will be billed separately based upon this valuation of the property.

How do we know if our property is covered?

You need to check the list of locations on the ICOC Worldwide Directory. If your property is on the list, you are covered for the amount indicated. If your property is not listed, you may be only covered for business personal property on location. In the future, we hope to have this database available via ICOC.net or as a separate Risk Management channel on UpCyberDown.org.

What if our property is not on the schedule of listed locations?

For those churches that do not have scheduled coverage, damages up to \$25,000 may be covered under the policy. If the value of the building or business personal property exceeds \$25,000, you must (1) report this to your WSA immediately so that you can obtain appropriate coverage under the policy or (2) you may obtain coverage on your own. ICOC Law is not responsible for any coverage you obtain outside our kingdom wide policy and cannot assist you in any legal issues that may result from any act or incident involving that property.

What if we recently moved, sold or acquired a new property and our old property is still listed?

Please let us know as soon as possible and we will work with the carrier to obtain an appropriate adjustment or credit on your next quarterly premium payment.

This seems like a lot of coverage. Why do we need so much?

Unfortunately, we live in a very litigious society. The average claim for negligence can easily run into the millions of dollars. Employment claims average in the several millions of dollars. Claims of sexual misconduct by ministers have run in the hundreds of millions of dollars! We have tried to draw the balance between economical premium cost and adequate coverage in light of this risky environment.

We have not yet received a bill for our insurance. We used to be billed annually by ICOC Benefits. When is our bill due?

Unfortunately, ICOC Law is not staffed to handle separate billing for each US church entity. As such, all billing will go through the World Sector Administrators.

We can get a much better deal through a local insurance agent. Why do we need to be part of this policy?

In some cases that is true. For instance, it may be better in the future for the local church to purchase its own Property Insurance. Sometimes, local agents can offer more competitive rates and may offer faster or more efficient service in case of loss. In most cases, however, economies of scale will dictate that kingdom wide coverage for catastrophic type risks should be covered under one "kingdom wide" policy.

What do we do if we have an accident or incident we need to report?

Please report all incidents through the Legal Case Management (LCM) system. ICOC Law will review the claim and make appropriate recommendations for reporting to the insurance carrier. In the future, we hope to have this database available *via* ICOC.net.

We had someone slip and fall at our church service. We reported the claim and it was investigated. We just got a bill for the investigation. Why are we being billed if we have insurance?

Investigative costs typically are part of your deductible.

What is the most we can be billed for investigative costs?

For most liability claims, investigative costs are limited by our deductible of \$5000 per occurrence.

How much does it cost to insure our camp?

The current average cost per camp is approximately \$8300/camp. This amount includes \$5000 for General Liability coverage, \$2000 for Umbrella coverage, \$1000 for Excess coverage and approximately \$300 for taxes and fees. We are presently working on a formula to determine the cost per "camper day" for each camp. A "camper day" is the cost for one camper to stay overnight at a camp for one day. Unfortunately, we do not have enough data from all of the camps to apportion this number at this time. The sooner we receive this information from all of the camps, the sooner we can give an accurate per camper quote for future budgeting.

Why is camp coverage so expensive? We got a cheaper quote from a local agent. Why can't we insure through them?

Usually, local insurance agents are not able to obtain coverage for sexual misconduct, the most significant risk of operating a church camp. Even those that do offer sexual misconduct, are often woefully inadequate or contain very complex language that may exclude or limit coverage. The high premium cost is directly related to the significant risk of sexual misconduct that must be adequately covered. Those camps that rely upon their own insurance coverage do so at their own risk. Worse than that, underinsured camps may subject the WS corporations or ICOC to lawsuits by injured parties seeking a "deeper pocket" than the local church. Our need for uniform protection requires each of us to cooperate in spreading the cost of this significant legal risk.

We just noticed our camp is not on the list. What does that mean?

Unfortunately, it means you are not covered under our policy and may be uninsured or underinsured for any acts that may arise out of the operation of your camp. To complicate matters, many states waive the statute of limitations (the deadline for bringing lawsuits) until several years after a minor child has reached the age of majority. That means an uninsured or underinsured camp is very much like a ticking time bomb. We need to know immediately if there are any camps that do not have adequate insurance so that we can investigate whether we can purchase "tail coverage" for that camp. As you can imagine this type of coverage is quite expensive, several times more than the previously mentioned cost.

But, we already have insurance for our camp with XYZ insurance company. They give us a great deal. Why do we need this insurance?

Most insurance companies make a killing on this kind of policy because they exclude or seriously limit sexual misconduct, the most significant risk for church camps. In fact, nearly every camp policy we have seen to date is either uninsured or under-insured for sexual misconduct. Remember, legal verdicts on these types of cases run in the tens of millions of dollars. There have been several in the hundreds of millions of dollars. The Law department perceives this to be the single most significant legal risk in our movement today. It is important that every church owned or operated camp have sufficient coverage that includes ample coverage for sexual misconduct.

Conclusion:

Unfortunately, this year we needed to respond to a Kingdom wide need for risk management assistance. Many, if not most, of our churches have had significant unknown risk management issues. These types of issues are not self-evident and, unfortunately, without experienced assessment, would only be discovered upon unexpected denial of coverage by the insurance company in the face of a catastrophic loss. None of us can afford for that to happen. After we have spent adequate time evaluating risks, we will advise the WSAs about the availability of alternative coverage as an option for local churches. In the meantime, we ask for your patience and a kingdom mind set as we try to ensure that all of our churches are adequately protected. Please understand that this process is long and tedious. We are trying to do our best. Unfortunately, we have had several years of operation without adequate risk assessment and coverage. We know that our current state of affairs is less than perfect and may not even be remotely equitable. However, it is the best we can do under the circumstances. As always, we are open to your input and suggestions. jmb