

Pastor's Business or Personal Property — Typically church insurers include the pastor's **business** property on the church premises such as books, computers, etc. Some policies include the pastor's **non-business** personal property and may include personal property at the parsonage or rented dwelling. Check with your agent.

Limited Building and Personal Property — There is usually limited building and personal property that is away from the church premises included in church policies. Some property may need to be insured on an Inland Marine (Floater). Check with your insurer.

Systems & Equipment Breakdown Coverage — Typical property policies — while covering perils like fire, wind, hail and vandalism — specifically exclude most equipment breakdown accidents, including electrical arcing, mechanical breakdown, and explosions from steam pressure and centrifugal force. To protect your church or related ministry's equipment investment, you need to consider Systems Equipment Breakdown Coverage (SEBC).

SEBC pays the cost of repair or replacement of electrical or mechanical equipment such as organ and sound systems, office equipment, kitchen equipment, electrical systems, air conditioning units, and boiler and pressure vessels.

If your ministry operates a day care or school, SEBC provides insurance against the loss of tuition or the extra expense needed to continue normal operations and is covered as the result of a systems equipment breakdown.

From your heating and air conditioning, computers and telephones and sound systems, you rely on equipment every day to accomplish the work of your ministry. Think about the investment you've made. Can you afford the costs of repair or replacement?

Maintenance contracts cover routine care (cleaning, adjustments), but they do not pay for damage due to operator error, the cause of over 35 percent of equipment breakdowns. Maintenance contracts do not pay for business income losses or spoilage resulting from the breakdown. In addition, if you have equipment that requires state-mandated inspection, your SEBC provides that service.

Liability Coverage

Basic Liability (general liability) Insurance and optional liability endorsement forms can be purchased based on the churches ability to pay and the risk they are willing to assume (self insure) above the limits and options purchased.

Liability exposure to churches has increased dramatically in years. You should purchase the highest limits of protection possible that you can reasonably afford. If a plaintiff prevails in a lawsuit against your organization and the judgment is higher than the limits of liability, or for a coverage omitted, your ministry property/assets can be attached for that judgment.

Liability limits should be based on an "occurrence" coverage basis. In simple terms, occurrence means that as long as the coverage was in force at the time a claim-producing event occurred, coverage will apply for the church or organization regardless of when the claim or lawsuit is brought even years after the policy has expired.

Unfortunately, some insurance companies, including some who write insurance programs for church and religious organizations, occasionally introduce "claims-made" coverage forms into their policies. It is common for such insurers to include such forms on director's and officer's liability, pastoral counseling, sexual acts, and employment practice liability.

Claims-made forms are not as broad as occurrence-based forms and can leave the church or related ministry with a significant uninsured exposure. The claims-made form means that the claim-producing event will be covered only if the event occurs, and the "claim is made" within the term of the current "claims-made" policy. It is quite common for claims or lawsuits to be made years after the claim-producing event has occurred. Unless additional "tail coverage" is purchased at considerable expense, changing insurance policies may create an

insurance gap in coverage when changing from claims-made form. Tail coverage extends the reporting period beyond the expiration date of claims-made policies.

Liability coverage can vary a great deal. There are numerous options in addition to the basic liability, such as: counseling; sexual abuse; directors, officers and trustees; and hired and non-owned auto liability; medical for premises and activities (including sports and volunteer labor, etc.). It is important to be adequately protected in all these areas.

Sexual Misconduct Insurance

Regretfully, sexual misconduct can happen anywhere, including churches. It can involve any church employee, including members of the clergy. In recent years it has become a more frequent occurrence.

The *Los Angeles Times* has reported that child sexual abuse is the worst problem facing the church in centuries. According to *Church Law and Tax*, the sexual misconduct problem is the most serious financial exposure facing church-related organizations. Nationwide media coverage of such incidents reflects the growing concern of our society about sexual misconduct.

Similarly, false allegations of sexual misconduct have increased. One of our Southern Baptist ministers was sued for \$6,000,000 alleging sexual misconduct. Although he eventually won the case, substantial expenditures were required for his personal defense. A number of sexual abuse claims have been filed in Kansas and Nebraska against churches and other religious organizations.

Sexual misconduct insurance provides protection for legal liability up to the stated policy limits. This type of coverage protects the church and its members, directors, officers, employees, and volunteers where the church may be held legally responsible and liable for the acts or conduct of such individuals. This is true even if the church is not specifically aware of, does not participate in, and does not direct or condone such conduct or actions in instances of sexual misconduct. Those claims, which occur most frequently against churches or individuals, are based upon poor hiring or supervisory practices, although the allegations can take many forms.

Sexual misconduct insurance is available through most church insurers. The church leadership should review this coverage with the insuring company. Generally, the limits available for this coverage will be stated as a separate amount, usually lower than your other liability exposures. Church insurers are offering higher limits for an appropriate screening procedure. Some companies offer protection to employees for allegations of sexual misconduct (including the pastor). Most companies will not continue defense for the employee if there is a confession or conviction, but will continue to defend the church. This coverage will not apply to individuals who actually engage in sexual misconduct nor will it apply if a KNOWN perpetrator is appointed to a position within the organization.

Director's and Officer's Liability

This optional endorsement provides protection for covered claims of financial damage arising out of decisions made by your organization's leaders, including trustees.

Employment Practices Liability

This optional endorsement provides protection for covered claims of emotional injury, personal injury, or financial damages arising out of employment-related events.

The covered injury must be sustained by a past or present employee or job applicant and the event(s) causing the covered injury must constitute an improper employment practice or wrongful employment act of your church or related organization.