



Evangelical Lutheran Church in America

God's work. Our hands.

GUIDELINES FOR PURCHASING INSURANCE

For

ELCA LEADERS

Developed By



Developed Aug. 2012
Guidelines unchanged as of Dec. 2023

WTW is pleased to provide the following information to help ELCA congregations and synods in evaluating different insurance programs and coverage.

While the ELCA has endorsed Church Mutual Insurance Company, S.I., we want congregations to have this as a resource to understand and evaluate various insurance coverage quotations.

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

BIDDING YOUR INSURANCE

DETERMINE WHAT YOU WANT TO ACHIEVE

- ~ Your goal should be the best coverage for the most reasonable price.
- ~ Understand what your insurance budget is and determine how much risk you are willing to assume yourself.
- ~ If possible, consider making a three-year commitment with your insurance carrier. Please note that a three year policy provides coverage for that period. Premiums, however, can be adjusted each year of the three year policy.

- ~ If you use more than one agent, request the name of the insurance company(ies) who will be asked to quote. Assign companies, if necessary, to avoid multiple submissions to the same company as this will negatively affect your quote.

DEVELOP A WRITTEN REQUEST FOR PROPOSAL

- ~ Put together specific written instructions outlining coverages and limits that you need to cover your operation and make sure any company either quotes all of the coverages or explains alternatives they are providing.
- ~ Describe all property to be insured. Estimate the replacement value of each structure and contents. The “replacement cost” is the cost to bring your building back to its original state. This will usually be a higher value than market cost or book value.
- ~ Describe all church operations and activities including outreach programs.
- ~ Obtain your 5-year claims history from current or prior insurance carrier(s).

WHO SHOULD PROVIDE A QUOTE?

- ~ Select someone you can trust. Will they be there when you need them the most?
- ~ Select a church specialist. Ask for references and contact the churches they indicate.
- ~ What other services will be provided by your representative or insurance company?

TIMING

- ~ Begin the process at least 90 days before your policy’s expiration.
- ~ Distribute specifications 60–90 days before expiration.
- ~ Require written proposals 30–45 days before expiration.
- ~ Make your decision 14 days before expiration.

GENERAL GUIDELINES FOR ALL INSURANCE COVERAGES

WHO IS INSURED?

The **Named Insured** controls the policy, pays the premium, and is authorized to make any changes. In most cases this will be the formal, legal name of your congregation or synod.

It is very important that you verify that this name is correct, as all coverages stem from this information.

Additional Insureds can also be added to the policy, if required. These are people or entities that require you to provide insurance coverage for them only for specific property or situations.

At a minimum, you should include your clergy, employees, church members and volunteers as additional insureds when they are acting on your behalf. You may also have others, that require this coverage from you, such as the owner of a property that you are renting to park cars (you only want to cover them while you are using their property).

There are many types of additional insured endorsements, so you should ask your insurance representative to review any requests and provide the proper coverages.

TERM OF COVERAGE

For most insurance coverages you will be considering, the policy will only cover accidents or losses that occur between the effective and expiration dates of the policy. Nearly all property and liability policies in the United States are effective at 12:01 a.m. on the effective date shown on the policy and expire at 12:01 a.m. on the expiration date shown on the policy.

Because of this 12:01 beginning and ending time, all policies should start and end on the same day (for example: January 1, 2008 to January 1, 2009). If this policy were to show an expiration date of December 31, 2008, it would actually provide coverage for one day less than a year.

Most insurance policies do not automatically renew, so it is important that you request written verification that your policy has been renewed before the expiration date on your policy. The Church Mutual endorsed program for ELCA provides three-year policies, so you can be assured that your coverage will remain in force for more than one year.

However, it is strongly recommended that you review your coverages each year to make sure that the limits and coverages are still adequate.

INSURANCE COMPANY

The name of the insurance company providing the insurance will be shown on the declarations page of the policy. This name may not be the one you know the company under, as most insurance companies do business under several different names, depending upon the state and the coverages being provided.

A.M. Best provides a free website at www.ambest.com on which you can look up the name of the insurance company and find out its rating. (There is no cost, but you must register to use this site) ELCA recommends that you do not purchase insurance from any insurance company carrying an A.M. Best rating of less than A- VIII.

SPECIMEN COVERAGE SPECIFICATIONS

PROPERTY COVERAGES

COVERED PROPERTY:

Building: All owned buildings (or buildings leased with a requirement to provide insurance) should be covered for their full replacement cost. This is the cost to put your building back into pre-loss condition and will not necessarily have any relationship to the market value of your building. If you have an insurance appraisal on your property, it will indicate the proper insurance value. If not, your Church Mutual representative can help you determine the correct limit to insure.

Contents: This includes all property not permanently attached to the building, including property owned by clergy and property off premises. Make certain that the policy definition includes unique church property such as stain glass windows, organs, bells, tower clocks, altars, etc.

Miscellaneous Property: Some types of property—such as fine arts, jewelry, bullion, etc.—are better covered under a separate Inland Marine coverage part. If you have any unique property, be sure to identify it so that it can be endorsed properly to the policy. You may also want to request separate coverage on your laptops so that coverage will follow when they are off your premises.

Business Income and Extra Expense: This coverage provides you with the funds to cover your loss of income after a loss, to continue paying your employees, and to incur additional expense to keep your congregation together after a loss. It is recommended that you purchase at least a \$25,000 limit, although higher limits are available if appropriate for you.

COVERED CAUSES OF LOSS:

“Special” Perils: This type of form covers your property for broad causes of loss subject to specific exclusions rather than listing the types of losses that are covered. It is strongly recommended that you request Special Perils coverage rather than the more limited “Broad” or “Limited” perils forms.

Earthquake and Flood: These perils are not included in “Special Perils”. We recommend that you obtain a quote, although due to special local conditions you may elect not to purchase the coverage.

Backup of Sewer: This coverage should be included in your “Special Perils” quote. If it isn’t, be sure to request a quotation.

Boiler & Machinery Systems Equipment Breakdown: This coverage, which also covers electrical systems, air conditioning, and other machinery, should be included in your property premium. If it isn’t, be sure that a separate quote is provided.

Building Ordinance: This coverage provides funds to comply with local ordinances in case of a partial loss of your building. For example, your local ordinance may require that, due to the percentage of property damaged, the undamaged portion must be torn down as well and the entire structure replaced. Or you may no longer be grandfathered out of ADA or other local building requirements. You should request at least \$100,000 of coverage; depending on the age of your church you may need higher limits.

COVERAGE TERMS:

Blanket Limits: Wherever possible, we recommend that you purchase coverage on a “Blanket Limit” basis. This helps to avoid inadvertently having too much coverage on part of your property and too little on another. With Blanket coverage, the entire limit is available at the time of loss.

Agreed Amount: This is an agreement by the underwriters to accept your declared value and waive any coinsurance penalties that might apply due to the value at the time of loss exceeding the limit of coverage. Keep in mind, however, that although the penalty is waived, the policy will not pay more than the limit purchased. This is an important condition that you should definitely include in your insurance program.

Deductibles: The minimum deductible available is usually \$500. However, if you are facing budgetary restraints, it might make more sense for you to take a higher deductible and use that money to purchase higher limits or broader coverage.

ELCA Minimum Recommended Property Coverages:

- ~ Blanket Limits
- ~ Replacement Cost Valuation
- ~ Agreed Amount Clause
- ~ “Special” Causes of Loss

~ \$25,000 Business Income/Extra Expense

~ \$100,000 Building Ordinance Coverage

SPECIMEN COVERAGE SPECIFICATIONS

CRIME COVERAGES

Blanket Employee Dishonesty: This covers you for loss due to your employee (alone or in collusion with others) stealing money or property from you. Due to the unique terms of this coverage, it is important that you keep this coverage continuously in force and do not reduce the limits carried. Employee dishonesty is one of the biggest causes of loss for churches, so we strongly recommend that you invest some of your premium dollars to purchase this coverage.

Monies & Securities – Inside & Outside the Premises: This coverage protects you from the loss of money or securities due to robbery, burglary, theft by non-employees. A separate limit applies on your premises, and off your premises (such as on the way to the bank). The limit you consider would depend upon your individual church needs. You can also purchase higher amounts of coverage for specific times, such as Christmas and Easter, when you would have more than the usual amount of cash on hand.

Forgery & Alteration: Protects you from loss due to someone other than an employee forging a signature on a check or other negotiable instrument in order to obtain funds belonging to you. The limit you consider would depend upon your individual church needs.

ELCA Minimum Recommended Crime Coverages:

~ \$100,000 Blanket Employee Dishonesty limits (although we strongly recommend higher limits)

~ Limits for Money & Securities and Forgery & Alteration should be tailored to the individual synod or congregation's needs.

SPECIMEN COVERAGE SPECIFICATIONS

LIABILITY COVERAGES

Commercial General Liability: Covers your liability for bodily injury, property damage and personal injury to third parties. The insurance company will defend you for covered losses until their limit of liability has been paid out. Defense costs are typically in addition to the limits of liability.

It is important that the coverage you purchase is written on an “Occurrence” basis (covering claims that occur during the policy period no matter when they are reported). The alternative coverage form -“Claims-Made”—can be significantly less expensive the first year, but can increase in cost each year and severely restricts your ability to move your coverages in the future.

There are several limits of liability that apply under a Commercial General Liability policy:

~ ***Each Occurrence Limit:*** The most that the policy will pay for bodily injury or property damage arising out of a single occurrence. This coverage is subject to the policy aggregate limit.

- ***Medical Payments:*** This is a “good will” coverage that does not require the injured person to prove that you were legally liable for an injury before they can collect from you. This limit would be available if someone were injured on your premises and you wanted to pay their medical bills to avoid future legal action. If you were determined to be legally liable, medical costs would be included in your “Each Occurrence” limit, so it is not necessary for you to carry a high Medical Payments limit. This limit is subject to the each occurrence limit.

- ***Damage to Premises Rented to You:*** This is a legal liability limit providing coverage for damage you might cause to real property in your care, custody or control, and normally would apply to rented space used for an office or meeting. Only the portion you rent falls under this limit. This coverage is subject to the policy occurrence limit.

~ ***Personal and Advertising Injury Limit:*** The most that the policy will pay for Personal or Advertising Injury arising out of a single occurrence. Personal Injury is basically injury arising out of offenses such as false arrest, libel, slander, malicious prosecution. This coverage is subject to the policy aggregate limit.

~ ***Aggregate Limit:*** The most that the policy will pay for bodily injury, personal injury or property damage during the policy year (other than arising out of Products or Completed Operations).

~ ***Products/Completed Operations:*** A separate each occurrence and aggregate limit applies to all bodily injury or property damage arising out of your product or completed work.

Contractual Liability: Liability assumed under a written contract is normally included in the policy wording in a CGL. You will want to verify that a limitation to this coverage had not been added to your policy.

Sexual Abuse or Molestation Misconduct: Whenever possible, try to purchase this coverage on an Occurrence Form, for the same reasons as above. Defense costs are typically in addition to the limit.

Employee Benefit Liability: Covers mistakes in the administration of your Employee Benefits plans, such as failing to change a beneficiary. Coverage is usually only available on a Claims-Made basis, so be sure that the “retro date” used by your carrier is the earliest date that you purchased this coverage.

Pastors and Religious Counseling Liability: Covers claims and defense costs arising out of errors or omissions in the counseling of members.

Cemetery Liability: Covers claims and defense costs for professional liability arising out of the ownership and operation of a cemetery, if applicable.

Business Automobile Policy: If you have one or more vehicles licensed in the name of your congregation, you will need to purchase a Business Auto Policy. Non-Owned and Hired Auto is normally included on a Business Auto Policy. The Named Insured should match with the name on the vehicle registration, as coverage follows the vehicle.

Hired & Non-Owned Automobile Liability: If you do not own a vehicle, Hired & Non-Owned Automobile Liability can be included in your Package policy. This covers claims and defense costs arising out of your contingent liability for your employees while operating their own vehicles or vehicles rented or hired by you. This coverage applies excess over any other valid insurance, so the insurance on the vehicle (either the employee’s or the rented or hired vehicle’s) would apply first. Be sure that your coverage will also apply to volunteers.

Hired Car Physical Damage: Covers you for your legal liability for damage to a vehicle you hire, lease, rent or borrow. If an employee or volunteer drives his/her own vehicle on church business and has an accident, his/her own insurance applies. You are not responsible for providing coverage for that vehicle.

Umbrella Liability: This coverage provides higher limits over those included in the liability section of your package policy. You need to verify exactly which coverages the umbrella would be excess of. Nearly all umbrella policies will increase your General Liability, Automobile Liability and Employers Liability limits. However, you should also try to have it increase your other liability limits as well (Professional Liability and Sexual Abuse and Molestation).

Directors, Officers & Trustees Liability: Covers your operating board for damages arising out of decisions they have made in the management of your congregation. This can be written on an Occurrence or Claims-Made basis, although the latter is more common. If

Claims-Made, be sure that the “retro date” is the earliest date for which you have purchased coverage.

Employment Practices Liability: This coverage covers liability arising out of claims by terminated employees or current employees. This can involve allegations of discrimination or violations of laws such under the Equal Employment Opportunity Act or Americans with Disabilities Act. Coverage can be written on an Occurrence or Claims-Made basis, although the latter is more common. If Claims-Made, be sure that the “retro date” is the earliest date that you have purchased coverage.

Workers Compensation: This is a mandatory no-fault coverage in each state. Benefits paid under the policy are regulated by each state, so limits of liability are not scheduled on the policy. If you are located in ND, OH, WY or WA, you can only purchase Workers Compensation from the State Fund. In all other states, you should be able to purchase this coverage from the same carrier that writes your Package. Premium is always based on a rate per \$100 of payroll.

Employers Liability: This covers you for claims arising out of injury to an employee that does not fall under the Workers Compensation Act of your state. It is always written as part of your Workers Compensation policy and normally your Umbrella Policy will provide higher limits over what is included on this policy.

ELCA Minimum Recommended Liability Limits:

~ Commercial General Liability

Bodily Injury and Property Damage	\$1,000,000 each occurrence
Personal / Advertising Injury	\$1,000,000 each occurrence
Products / Completed Operations	\$1,000,000 each occurrence
Damage to Premises Rented to You	\$1,000,000 each occurrence
Medical Payments	\$5,000 each person
General Aggregate (Policy Limit)	\$3,000,000 aggregate

~ Sexual Abuse and Molestation Coverage

Each Wrongful Act	\$1,000,000
Aggregate	\$2,000,000

~ Pastors and Religious Counseling Liability

Each Wrongful Act	\$1,000,000
-------------------	-------------

Aggregate	\$3,000,000
~ Cemetery Liability (where needed)	
Each Wrongful Act	\$1,000,000
Aggregate	\$3,000,000
~ Employee Benefits Liability (where needed)	
Each Claim	\$1,000,000
Aggregate	\$1,000,000
~ Automobile Liability (including Non-Owned & Hired)	
Bodily Injury/Property Damage: ~	\$1,000,000 each accident
Directors, Officers & Trustees Liability	
Each Claim	\$1,000,000
Aggregate	\$1,000,000
~ Employment Practices Liability	
Each Claim	\$1,000,000
Aggregate ~	\$1,000,000
Umbrella Liability	
Each Occurrence	\$3,000,000
Aggregate	\$3,000,000
~ Workers Compensation & Employers Liability	
Workers Compensation	Statutory
Employers Liability:	
Each Accident	\$500,000
Each Disease	\$500,000
Aggregate – Disease	\$500,000

ELCA Minimum PROGRAM Liability Limits:

Although these are recommended limits, due to historical loss experience throughout the ELCA synodical and congregational programs, certain minimum limits have been built into the Church Mutual program. The following are the lowest limits that can be carried in order to participate in this endorsed program:

~ *Sexual Abuse and Molestation Coverage*

- Each Wrongful Act \$1,000,000

• Aggregate	\$2,000,000
~ Directors, Officers & Trustees Liability	
• Each Claim	\$100,000
• Aggregate	\$100,000
~ Employment Practices Liability	
• Each Claim	\$100,000
• Aggregate ~	\$100,000
Umbrella Liability:	
• Each Occurrence	\$1,000,000
• Aggregate	\$1,000,000

PROTECTING YOUR CHURCH FROM LOSS

Although purchasing adequate insurance coverage is important, ultimately your best weapon in protecting the assets of your congregation is to keep a loss from occurring.

The following are some tips to consider:

See the [Church Mutual website](#) for further risk management and safety information.

Use a standardized written employment application for all prospective employees.

Do background checks and reference checks on all prospective employees and volunteers, including checking for activity out of state. The Church Mutual website provides a [useful tool](#) to help you arrange these checks.

Adopt a written employee handbook, including written statements regarding:

- Procedures to report abuse, molestation or harassment
- Require a probationary period for new hires
- Outline other expected performance standards for employees and/or volunteers as appropriate

CHURCH MUTUAL INSURANCE COMPANY, S.I. has been dedicated to insuring houses of faith since 1897. The company was founded by two Lutheran ministers. It has been rated A (Excellent) by the leading financial industry analyst, A.M. Best.

Church Mutual Insurance Company, S.I. website: <http://www.churchmutual.com/elca/>
[Requesting a quote from Church Mutual Insurance Company, S.I.](#)

For further information from Church Mutual Insurance Company,S.I., please contact:
Telephone: 800-554-2642

Church Mutual Insurance Company, S.I. currently insures the ELCA-churchwide office, many synod offices and approximately 3,800 ELCA congregations. When ELCA went searching for a partner to provide a more coordinated program for all of its members, Church Mutual stood out as the best option.

WTW is the oldest and the third largest insurance broker in the world. Our team with WTW has many years of experience working with us to create the best options for risk management and risk transfer. They helped the ELCA create this endorsed program and are available to assist should you need specialized advice or assistance.

EVANGELICAL LUTHERAN CHURCH IN AMERICA

For further information, you may also contact the following:

Rob Thoma, Director, Risk Management
e-mail: rob.thoma@elca.org
Telephone: 773-380-2403
Website: <http://www.elca.org/insurance>