

Vol. 2

Property

INSURANCE BOARD

Creating Safer Places for Ministry



2010 Edition



Our Mission:

To support and protect churches and church ministries by offering superior property and casualty risk and insurance management services.

Dear Church Friends,

Our new Loss Control Manual is a complete revision. We hope it will serve you better in your efforts to protect your church. It is broken into major areas of activity, providing you with a working document we hope will become tattered with use. You may also download additional copies at: www.InsuranceBoard.org.

Loss control is a continuous process of research, experience, and education. Attention to loss prevention is also **part of your covenant** with all other participants in the program. Because the IB program is a risk pooling venture, each church has a responsibility to the group to:

- Insure to full value and pay a fair share of premium
- Maintain property and grounds to minimize damage and protect parishioners, employees and visitors
- Professionally manage church ministries and business affairs
- Inform the IB of changes that affect coverage and report claims timely.

To assist you in fulfilling your covenant within the IB family of churches, the Insurance Board keeps you informed. We continuously update our website to provide you current and useful information, and we provide newsletters, posters, checklists, seminars, and webinars in an effort to get pertinent information to you.

Each volume of our new Loss Control Manual contains: guidance for getting started with your safety and protection stewardship; technical information regarding specific areas of concern including People (Vol. 1), Property (Vol 2), Transportation (Vol 3), Youth Activities (Vol 4) and Management (Vol 5); resources to further develop your knowledge or aid your work; and checklists to help you manage the details.

Managing a church property and its many activities is no simple matter. We hope these manuals will make it easier.

Sincerely,

Carl J Kotheimer, Director, Loss Control and Claims

Getting Started with Loss Control



As a steward of your church you have responsibilities in addition to work and family life. You don't have time for theory and paperwork, so we are going to try to make this as simple and as practical as it can be. In matters of risk you have a few choices:

- **Avoid** the risk – That's not always an option. Your church is committed to certain activities, so you must find a way.
- **Transfer** the risk – Sometimes you can hire it done, or transfer risk under a written contract. You might do it in a lease. Or you can buy insurance for some things.
- **Minimize** the risk – That is, reduce the likelihood that something bad can happen.
- **Mitigate** the risk – Once something bad happens, keep the "damage" to a minimum.

The better part of your stewardship responsibility will revolve around **Minimizing** and **Mitigating**. The activities and mission of your church are a given. Insurance has been purchased for major events, but it does not cover all things. Now you must manage it through.

Whether you operate in committee or individually, the major areas of risk and likely divisions of responsibility include, at least:

- Vol. 1 — People -- Injury prevention and safety training
- Vol. 2 — Property -- Buildings and Church Property
- Vol. 3 — Transportation -- Vehicle use and driver selection
- Vol. 4 — Youth Activities – Special concerns for youth centered activities
- Vol. 5 — Management – Church operations and employee management

Some of these overlap, but we created manageable pieces so you can get something done.



Church Property

To get started, you need to think about the following steps:

- **Process** -- First, how do you get things done? Do you have a process written down or a flow chart? Who is in charge? Who has direct responsibility? How are decisions made?
- **Training** -- Are special skills or knowledge required? How is training conducted? How are records kept? Do volunteers have the needed skills and training?
- **Inspection / Audit** -- How do you make sure that all is well or what needs "fixing"? Who is checking? Who shares the result?
- **Remediation & Resolution** -- How are problems fixed? Are there budgets? Who approves the fix and the expenditure? How is the fix verified? Who shares the information?

We will review these steps in each risk category. Depending on the size and complexity of your congregation, a very simple approach may apply, or something more complex. In some cases it may be as simple as one person taking the initiative and getting approval from trustees along the way. In other cases budgets and planning will be involved. Some projects will take weeks and others will take months.

PROCESS

From the most elaborate sanctuary in the city to the simplest frame house on the prairie, our churches are the trademarks of our congregations and our "second homes." They are life-long memories. However, sentiment aside, they are typically complex building systems, and they have special needs. Some congregations are lucky enough to have a full time sexton. Even so, the sexton cannot do all that is necessary to maintain a church, whether by time available, skills, tools, or budget.

The challenge to managing church property is to know what you have, and then how to find the resources to stay "ahead of the curve."



Speaking of Insurance – You have an insurance policy on your property which provides comfort in the event of a serious problem. The question is: Do you know what you actually have? Your church policy may have significant shortcomings in relation to the property that your church owns. So, along with maintaining your buildings, you must also actively maintain your coverage to match.

In the spirit of **mitigating** loss which you believe has been **transferred** to insurance, here are some important areas to review:

- **Valuation** – Not having high enough insurance limits is a frequent undiagnosed problem, especially for churches with limited budgets. Too often, the problem is diagnosed after a serious loss. It is too easy to be out of touch with current building costs, and more demanding building codes. “Public accommodations” may require more wind resistant construction, sprinkler and alarm systems, elevators (etc). You cannot gamble with your church. You have fiduciary responsibilities to your church. Make sure your values are correct.
- **Pipe Organs, Stained Glass and Fine Arts** – Ordinary commercial insurance policies make no provisions for some of the special features of churches and other valuable fine arts. While many property policies are described as “all risk,” there are always limitations which may limit or exclude recovery for certain events. It may be better to have some items (organs, bells, furnishings, art work) appraised and scheduled on a Fine Arts policy or endorsement. While stained glass is generally considered part of the building, it is important to understand its value, and how your policy will respond to damage to “art glass”.
- **Business Income & Extra Expense** – Your church may rely on income producing activities or rental income to feed the operating budget. If your sanctuary and meeting places are out of service, you will need to rent another facility to sustain offerings and attendance at worship. It is fundamental that you consider your income sources and after-loss expenses when creating your insurance program.



The Insurance Board program is designed specifically for church buildings and other property, and takes the issues just mentioned into account. Its services are tailored to help churches manage these issues, including property valuation and inspection services. You should consult with your agent periodically to assure you still have a tailored fit.

Building Management, The Sexton

Spending time in your home every day, you probably know what needs work: a bit of loose flooring, a light bulb out, a little stain on the ceiling, a crack in the driveway. Meanwhile, your church sits vacant most of the week. Parishioners are in and out on Sunday. They linger, they're off! The church sits vacant another week. One light out above the stairs becomes two. The stain over the balcony ceiling becomes a little larger. The rut in the parking lot becomes a little deeper. Who's in charge? What's the plan? Where's the money?

Whether it's a full time employee or a volunteer, someone must be dedicated to maintaining your church property, inside and out. Ideally, the person has prior construction and maintenance knowledge and experience as well as good organization skills. After you have assigned this person, make sure s/he understands job number one: inspect and inventory. Take notes. Take pictures. Report back to the board.

The Inspection Baseline

A detailed inspection of the exterior is required as well. You can identify clues to the building's vulnerability to storms, as well as maintenance challenges. A flat roof is inherently more leak-prone than a gable one. High steep roofs will be more expensive to repair or replace. Steeples add another level of complexity. Exposure to coastal storms or flooding requires special precautions.

The building interior contains the standard infrastructure (electrical, heating and



plumbing systems) as well as the facilities (sanctuary, offices, restrooms, kitchen, etc.) your church relies on to conduct its ministries. The condition of interior walls, ceilings and the basement gives clues about things happening outside. Each area of infrastructure requires its own inspection, and each facility (office, classroom, kitchen, etc.) needs to be inspected as well to determine whether it has enough electrical outlets, functioning drains, adequate lighting, etc.

As the church becomes more complex in terms of size, age, historic qualities, and architectural and commercial features, it may be necessary to engage a professional engineer to inspect the facility. If asbestos building materials are found, even more complexity is introduced. Nevertheless, if a detailed inspection has not been completed recently, it is fundamental to have a baseline, a starting point.

For any church over a few decades old, electrical systems may not be adequate to current demands. Also, the incidence of power surges has gone up dramatically because of increasing demands on public power sources. Investing in a surge protection system is a crucial step to protect the building's HVAC (heating, ventilating and air conditioning), computers, alarm systems, and electric musical instruments. An electrical inspection is a must for older buildings (> 30 years), and will likely reveal faults that put your building at risk.

The Insurance Board offers loss control and electrical inspection services as part of its program. Electrical inspections have consistently revealed "critical" conditions that could be repaired on the spot at a minimal, subsidized cost.

Setting Priorities & Budgeting

Realistically everything that needs fixing cannot be fixed at once. Financial resources are limited. There are limited hours in the day. Volunteers have day jobs and families. Once the baseline inspection is complete, it is time to price out the work, and set priorities. The board of directors cannot easily act on a generalized complaint that "the place is falling apart."



The sexton will have a better chance of success by providing a maintenance plan that (1) sets priorities; (2) establishes a schedule for maintenance; (3) identifies the costs; and (4) outlines a budget extending out several years. These steps usually require research of material costs, and estimates from contractors.

Your insurance policy certainly has a deductible. It's a good idea to budget all or part of your deductible each year toward a contingency fund to deal with unexpected damage or short term maintenance challenges. Longer term challenges, like a new roof, need to be planned well in advance.

Risk managers look at "frequency" and "severity" of claims to judge where prevention efforts should focus. The IB evaluates data periodically to understand where its participants need help. You may find this information useful in setting your priorities. For example, over a three year period, only 2.5% of claims were caused by fire, but they resulted in over one-third of the overall cost. At the other extreme were theft and burglary. Though the cost to insurance was low, there was a deductible involved which churches had to absorb. In between, over 20% of claims were caused by what were basically maintenance issues - mostly preventable given good maintenance and inspection of buildings. Likewise, except for the most severe storms, most windstorm losses can be prevented with proper roof installation, good maintenance, and timely replacement.



Major Causes of Property Insurance Claims	Frequency	Cost
Fire	2.5%	>33%
Windstorm damage to building exteriors	19.8%	13.6%
Water - plumbing related (freezing pipes, drain blockages)	10.3%	9.8%
Water - exterior defects (ice dams, defective roofs/flashings)	10.4%	5.7%
Theft - burglary (damage to doors, windows, and locks)	15.8%	3.8%
Total (2006-2008)	58.8%	>66%

TRAINING

OSHA (Federal or State Occupational Safety and Health Administration) requires training of certain employees based on job duties. Training may include:

- Bloodborne Pathogens – exposure to HIV and Hepatitis
- Hazard Communications – right-to-know about chemicals
- Confined Spaces – working in confined spaces, e.g., sprinkler vault
- Fall Protection – use of ladders and scaffolding
- Hazardous Energy – exposure to electrical hazards
- Personal Protective Equipment – use of protective masks/respirators

If your church chooses to use volunteers for labor, you cannot assume they possess complete knowledge or “common sense” about building maintenance hazards, and power tools. Whatever their enthusiasm for the work, their activities must be restricted until they have the proper training, supervision, and experience you would demand for yourself. Look to the OSHA training subjects above to identify where boundaries should be enforced. Some maintenance work, such as ANY roof work, is down right dangerous, and volunteer labor should be discouraged.



If volunteers are your only option, it is important to evaluate their skills. Do they really know how to do the work, and do it correctly? Will your church have to pay again to undo an amateur's disaster? Many times the premium for professional, skilled labor will be a wise investment, especially when dealing with historic structures or a complex infrastructure like the electrical system.

INSPECTION/AUDIT

Frequency – A baseline inspection provides an evaluation of the character and features of buildings, and an outline for future inspections. Multiple additions to the church complex suggest multiple checklists to assure that each addition's unique features are addressed. An inspection must be conducted seasonally, both to prepare for the next season and to discover damage from last season. Semiannual inspections (spring and fall) are mandatory; quarterly is better; monthly is best.

Sprinkler Systems – Many newer buildings have automatic sprinkler systems. You can rely on them to manage a fire only if they are turned on. But an alarming number of serious fires occur because the system was turned off for maintenance, or construction purposes, and never returned to service. This is why an **annual sprinkler inspection** and regular testing is a must. A trained sprinkler system engineer from a professional firm will exercise all of the major valves, test water flow and water pressure, and test water flow alarms and their connections to central station monitoring services.

Property Inventory – Your church property includes much more than your real estate. Some of it is precious, and some is essential to daily activities: computers, copiers, sound systems, and musical instruments. An inventory is essential, as matters of accountability, preservation and security. As fiduciaries the church board has the responsibility of securing precious objects, and tending to the general maintenance of assets. When a serious loss occurs, it will be easier to document the loss if the church has kept good records.



Alarm Systems - Church buildings stand unoccupied for much of their lives. Even though people are not present, they need surveillance to warn of fires and break-ins.

Modern building codes require sprinkler systems in new public buildings, not to prevent or even put out fires, but rather to control a fire until the fire department arrives. Sprinkler systems are complicated, engineered specifically for the space and the availability of public water. They are a big investment and require ongoing maintenance. When included in the original construction they are expensive. To retro-fit a building is usually cost-prohibitive.

By the time a sprinkler system activates, there is already smoke and fire damage, which is then followed by water damage. When it comes down to cost and effectiveness, a smoke detection system with a central station monitoring service is an effective solution to fire protection. Many churches already have a security alarm system installed. The next logical step is to include smoke detection in several key areas: kitchens, utility areas, electrical panels, and storage areas. It is now possible to have water detection systems too. These wireless sensors identify the presence of water after a back-up or burst pipe incident. As always, regular inspection/testing is essential to assure reliability.

The Inspection – Checklists are provided in this manual to record conditions. It is useful to take notes. When an answer is “no”, an explanation is in order. If action is required, time will be saved by taking notes, dimensions, and pictures so that the scope of needed repairs can be relayed accurately.



REMEDICATION & RESOLUTION

It would be rare to find a church property that was not in need of some kind of on-going maintenance or repair. But the sexton may not have resources to make a repair without first getting approval (good financial controls require a purchasing authority structure). After an inspection, it's time to set priorities, develop the cost, and set a schedule for completing repairs.

The board should be aware of the work that is required. While the board may be more enthusiastic about bigger and glamorous projects, they need to understand the regular maintenance challenges your church faces. Deferred maintenance becomes a "pay them now or pay them later" proposition. "Later" usually translates to "pay them more."

YOUR OPTIONS

- **Avoid** — It is not uncommon to find vacant church property. So there is sometimes a practical choice between ownership and leasing space. Leasing permits shifting the investment and maintenance burden to the landlord.
- **Transfer** — Great reliance is placed on insurance to transfer risk of property ownership. It is mostly effective if carefully executed.
- **Minimize** — Regular programs of inspection and maintenance are fundamental to reducing the probability of damage. It's a simple matter of "a stitch in time saves nine."
- **Mitigate** — Pre-loss planning, especially when there are income producing activities, is critical to reducing the amount of loss and the time for restoration.



***Hiring Contractors** - Some projects, especially **roofing and electrical** work, require the use of a contractor who is experienced, licensed, and has appropriate equipment to get the work done. However, hiring a contractor is not as simple as getting a quote from the lowest bidder. When a contractor has its employees on your site, they become your ultimate employees (in many states).*

*It is extremely important that you verify the **general liability and workers compensation** coverage of the contractor, and obtain a hold harmless and indemnification agreement. Consult your attorney! When a major project is on the horizon, be sure to review the contractor's safety programs that apply to the project.*

Checklists — The checklists that follow are geared to the material in this booklet. The questions are formatted so that “yes” is “okay” and “no” is “not satisfactory.” That is, “no” means that further investigation is needed. Some questions are region/climate specific.

Especially in matters of property and building systems, there are **technical components and terminology involved**. If the person having responsibility is not familiar with the terms used in the checklists, there is reason to doubt the person has sufficient technical knowledge. Either additional training or **professional assistance may be required** in order to conduct a thorough inspection. If areas of inspection cannot be accessed with ladders, built-in access doors and basic tools, then professional services may be needed to conduct an inspection.



Checklist:

The checklists that follow are formatted so that "y" is "okay" and "n" is "not satisfactory."

Church Property	Y	N	N/A
PROCESS & MANAGEMENT			
Is there a committee or person assigned responsibility for managing church property?			
Is there a budget for maintenance of church property and grounds?			
Has there been a formal appraisal of church real estate in the last 5-10 years?			
Has there been a formal appraisal of special property such as pipe organs, stained glass or other fine arts in the last 5-10 years?			
Has there been a detailed review of insurance terms including coverage limits in the last five years? <ul style="list-style-type: none"> • Property coverage limits • Income coverage limits including rental value • Perils covered • Replacement cost benefits • Co-insurance provisions • Coverage limitations for certain property or causes of loss • Flood and earthquake coverage availability • Limitations on fine arts • Ordinance and law coverage • Deductibles for coastal wind, flood and earthquake (These are not all inclusive criteria to be examined but representative)			
Has there been an inventory of church personal property?			
Is there a record of seasonal (quarterly/monthly) inspections of building exteriors, interiors, utility infrastructure, kitchen, office and storage areas and alarm systems?			
Is there a record of sprinkler and alarm system inspections?			
Has there been a risk assessment to account for financial impact of interruption of essential ministries and services?			
Are there emergency preparation plans (especially in flood and coastal windstorm areas)? Are required materials available?			
Has contractor insurance been verified before beginning repair or construction projects?			



Church Property	Y	N	N/A
TRAINING			
Have employees or volunteers received suitable training or demonstrated sufficient experience to conduct technical repairs?			
Have kitchen employees received training in use of fire extinguishers?			
Does the Sexton (or equivalent) have a clear mission and priorities from the board?			
INSPECTION			
Fire & Explosion			
Have HVAC mechanical and electrical components been inspected annually? (burners, motors, compressors, pumps, thermostats)			
Have "Code" and "Critical" level Boiler Inspection recommendations been corrected? (jurisdictional objects)			
When automatic sprinklers are present, is there a contract for periodic inspection?			
Are alarms and monitoring services tested monthly and results documented? <ul style="list-style-type: none"> • Fire & smoke • Intrusion/burglary • Water detection • Water flow (sprinkler systems) 			
Are portable fire extinguishers inspected and weighed by a professional service? ...or after discharge?			
Are flammable cleaning and painting materials segregated and stored in securely closed metal cabinets?			
Are flammable liquids prohibited in main buildings and stored in out-buildings or sheds? (gasoline, aerosol paints, paint thinner, etc.)			
Is all storage clearly separated from heat sources (furnace, water heater, motors and electrical panels) by at least three (3) feet?			
Is the exclusion area marked with paint or tape?			
Is storage of office and housekeeping equipment and supplies banned from dedicated utility, computer server and telephone rooms?			
Is storage banned from all stairwells?			
Are laundry driers vented to the exterior with metal conduit?			
Are small kitchen appliances unplugged when not in use? (coffee maker, hot plate, microwave, mixer, etc.)			



Checklist:

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Church Property	Y	N	N/A
Are extension cords banned for continuous use? Used only temporarily for maintenance and brief activities?			
Have all appliance and lamp power cords been inspected and damaged cords replaced or the appliance removed from service?			
Has excess stored material been discarded?			
Have dust, dirt, cobwebs, nests, spills and other combustible debris been removed from storage areas?			
Has an electrical system inspection been conducted by a licensed electrician?			
Has the UL300 fire suppression system in the kitchen been inspected and tested? (if present and required by code)			
Have stove tops, grease trays, range hoods and filters been cleaned regularly?			
Are correct dry chemical fire extinguishers present and accessible in the kitchen?			
Is all exposed electrical conduit in tact and not exposed to water infiltration?			
Have all recurring electrical problems (flickering lights; frequent tripping of breakers) been examined by a licensed electrician?			
Are lightning rods (air terminals) fully connected to ground without interruption?			
Are boiler safety valves installed according to code to prevent boiler rupture or explosion?			
Do dumpsters and trash containers have lids and kept closed at all times?			
Are computer files backed up off premises?			
Are valuable records secured in locked fire resistant cabinets?			
Wind & Water - Exterior			
Are roof surfaces and building interfaces accessible to visual inspection from the ground or from within the buildings?			
Are ladders and access available to conduct on-roof inspection?			
Does each distinct roof surface appear to be smoothly and securely sealed or attached?			
Does the underlying deck seem to be structurally sound after walking on it or by observing for sagging or undulation between rafters?			
Are valleys or ridges connecting surfaces securely in place and free of debris?			
Are flashings around rooftop HVAC units or skylights free of defects?			
Have loose or missing shingles been replaced?			
Has the roof been inspected for perforations after heavy hail?			
Are gutters and downspouts clear of leaves and needles and running freely?			



Church Property	Y	N	N/A
Are gutters securely attached to the fascia or roof deck?			
Do gutters slope properly to drain completely?			
Are downspouts routed to properly flowing drains or routed away from foundations?			
Have metal drip edges been installed under shingles?			
Are roof eaves ventilated to prevent ice dams and rot?			
Are animals and birds prevented access to nest under eaves?			
Are other openings closed to prevent nesting? (Nesting often occurs in areas of roof and wall deterioration where wood is rotted.)			
Is wood siding securely attached and holding paint well?			
Has poor paint adhesion been investigated for underlying cause? (water intrusion, incorrect preparation, incorrect paint)			
Is vinyl or metal siding securely attached?			
Has deteriorated mortar and brick been investigated for underlying cause?			
Does slope and drainage prevent collection of water near foundation walls?			
Do all doors and windows close securely to prevent entry of wind-driven rain?			
Are all exterior window sills without cracks, rot or defects, and properly caulked?			
Is stained glass without defects or provided exterior cover to prevent leakage?			
Are stone, brick and concrete stairs free of damage from freezing or water intrusion?			
Do stairs, porches and sidewalks effectively drain away from foundations and walls?			
Have dying trees and branches been removed or pruned out?			
Is brush, undergrowth and other combustible material kept clear of buildings and trees in fire prone regions?			
Are exterior light stanchions securely bolted to pilings and free of rust?			
Water – Interior			
Are attic spaces insulated and ventilated to prevent ice dams?			
Is NO daylight visible through the roof interior under the deck or around roof penetrations (vents, chimneys, building connections)?			
Are interior chimneys free of mortar deterioration or staining?			
Is the roof deck free of evidence of moisture or rotting?			
Are upper level walls, ceilings and interior chimneys free of crumbling plaster, stains or flaking or peeling paint?			



Checklist:

The checklists that follow are formatted so that "y" is "okay" and "n" is "not satisfactory."

Church Property	Y	N	N/A
Are ceilings free of sagging or bowing or separation from walls?			
Have interior defects been matched to the exterior for possible causes? (roofing, flashing, gutter, siding and ventilation defects)			
Are basement walls dry? If not, have obvious exterior sources been addressed? (blocked drains; water collecting on ground)			
Are basement window wells sheltered from filling due to surface run-off or extraordinary rain volume?			
Are exterior entries below grade covered? Are drains cleaned if entry not covered?			
Are all exterior vents designed to prevent wind-blown rain from entering?			
Are water detectors "connected" to the alarm panel? (usually wireless)			
Heating & Plumbing			
Are backflow preventers installed on sewer lines?			
Have pipes near windows or drafts been insulated or sealed to prevent freezing?			
Are pipes in exterior walls identified and precautions taken against freezing?			
Are sink, shower and floor drains clean and unobstructed?			
Is piping going to the exterior of suitable material to prevent bursting when frozen? (usually iron rather than copper or plastic)			
Have pipes and valves in concealed spaces been inspected for leakage, seepage?			
Is the location of all water supply shut-offs known and documented?			
Are water supply shut-offs exercised annually to prevent corrosion build-up?			
Do boilers safety valves have an appropriate place to discharge water?			
Are boiler safety valves installed according to code to prevent boiler rupture or explosion?			
Where required by State law, do "jurisdictional objects" (boilers, water heaters) have current inspection certificates?			
Have all "code" or "critical" violations from the last boiler inspection been corrected?			
Are ceilings/walls under bathrooms/kitchens free of flaking/peeling paint or bulging surfaces?			
Has the source of mildew been investigated to prevent spread? (Check behind furniture.)			
Have mildewed building materials been removed?			



Church Property	Y	N	N/A
Have furnace flues and burners been tested prior to the season? (especially oil burners)			
Is there a system in place to monitor the fuel oil supply? (oil fired furnaces)			
Where there is experience with interior flooding from sewers or surface water, is all storage off the floor, at least 4-6" high? (including storage near boilers and water heaters)			
Are plumbing/heating vendors pre-qualified and after-hours contact information accessible?			
Is there a program for monitoring building temperatures during extreme weather events?			
Security			
Do all windows lock securely from the inside?			
Is a person routinely assigned to assure all doors are locked at the end of services, meetings or special events?			
Are keys strictly controlled and assigned to individuals?...and returned when employment/ membership ends?			
Are all exterior lights operating?			
Does all exterior lighting come on automatically at dusk?			
Are all exterior areas, especially where there are doors or windows, illuminated?			
Is shrubbery and undergrowth cleared to prevent concealment of burglars?			
Is the alarm system and all of its features tested quarterly? <ul style="list-style-type: none"> • Intrusion alarms (burglar) • Smoke detection (if present) • Water detection (if present) • Sprinkler system waterflow (if present) 			
Are offices locked when not occupied?			
Are security safes secured to the building so they cannot be removed with common tools?			
Are valuable objects used in liturgy locked up after services?			
Do all staff log off of computers at the end of the work day?			
Are checks and credit cards secured in locked cabinets?			
Are strong passwords required for computers and sharing of passwords forbidden?			
Are records containing Social Security numbers and Credit Card numbers secured physically or with limited computer access?			



Checklist:

The checklists that follow are formatted so that "y" is "okay" and "n" is "not satisfactory."

Church Property	Y	N	N/A
Emergency Preparation			
Is plastic sheeting available to cover valuable fixtures and property after a storm or fire? (pipe organs, instruments, computers, altars, pews)			
Are boarding-up materials available for quick installation prior to evacuation?			
Has a response and assessment team been assigned in advance?			
Are communications organized for post disaster response to protect property?			
Is there a plan to monitor building temperatures during extreme conditions or power loss?			
Is someone assigned to monitor roof snow load after snowfall including the following? <ul style="list-style-type: none"> Identify excess accumulations where roof elevations join Remove excess snow, especially on flat roofs Inspect interior ceilings/walls for evidence of structural impact and imminent collapse Assure drainage upon melting 			
Are alternative sites identified for worship/other ministries in the event of building closure?			
Is employee and volunteer staff communication documented and updated?			
Are phone number and e-mail addresses known for reporting losses to the Insurance Board? (www.InsuranceBoard.org)			
Are contractors identified and pre-qualified for emergency board-up and repairs? <ul style="list-style-type: none"> Building Plumbing Electrical 			
Has the pool of parishioner skills, tools and equipment been identified?			
Has FEMA been consulted for information on disaster preparation? (www.fema.gov)			
REMEDATION & RESOLUTION			
Does the Sexton have authority to make emergency repairs within a specified cost limit?			
Have the results of inspection been communicated to the board?			
Have priorities of repair and replacement been established?			
Has a budget and time schedule for repair been created?			
Does the board require periodic reports of the status of building maintenance?			
Has the board reviewed emergency plans?			

What is your church worth?



How Much is Your Church Worth?

Judging the correct insurance value for your church is not simple. There are so many differences that no two churches are alike. And churches are not easily compared to other buildings because of their special features. If a church is old, it may be nearly impossible to rebuild it in exactly the same way. No one believes that a church's value can be estimated in a few easy steps. This section is intended to begin a dialogue about value and point out the challenges of determining value.

For insurance purposes, value should be set based upon “**replacement cost new**”, the cost to build by the same methods and materials and having the same features. This is different than “**market value**” and excludes land and pavement.

When building a church here are some of the variables:

- Building construction method – steel, masonry, wood frame.
- Roof construction method and materials – gable or flat; joists, trusses, rafters; shingles, membrane, ballasted, metal.
- Basements & foundations
- Exterior finish – stone, brick, stucco, clapboard
- Interior finish – plaster, drywall, tile, carpet

Special features:

- Steeples
- Stained glass
- Sanctuary details (altars, pews)
- Organs and bells
- Marble, granite or limestone features
- Balconies
- Kitchens and other special uses

In addition to these, local construction costs must be factored in to the calculation. They may differ greatly from urban to rural settings.



Building Codes

When a building is destroyed and must be replaced, building codes and environmental laws will impact cost usually due to additional requirements. Examples include: larger electrical service, fire sprinkler system, more parking, elevators, handicap access, storm water retention ponds, city sewer and water hook up.

Key Component Costs

Here is a list of key component cost ranges. Some building complexes may have different component costs within them because of changes and additions to the original structure. The range of costs is based on the **Variables** of quality listed above. Because local **Building Codes** will drive up costs, you should not underestimate the square foot cost of replacing your current facility or the cost of a lesser quality facility.

<i>Sanctuary (including finished basement area)</i>	\$107 - 309/sq. ft.
<i>Church w/ Sunday School</i>	\$104 - 213/sq. ft.
<i>Fellowship Hall</i>	\$56 - 172/sq. ft.
<i>Education Wing</i>	\$75 - 142/sq. ft.

These price ranges and the factors below are as of Summer,2009.

Construction Cost

Construction costs vary substantially by region of the country by as much as **40 percent**. Local costs are affected by labor costs, rapid development, cost of shipping materials and local codes. After major disasters, costs may escalate due to post-disaster “**demand surge**”.

The table following illustrates the range of increased costs on a regional basis.



Regional Cost Variables					
< 0.90	1.00	1.10	1.20	1.30	1.40
Rural Southern (.9-1.00)					
	Rapidly Developing Areas (1.05-1.10)				
	Great Lakes—Upper Midwest (1.05-1.20)				
	Northeast and West Coast (1.05-1.30)				
			Alaska, Hawaii (1.20-1.41)		

Quick Estimate

Using either the component cost ranges or the regional cost factor ranges will result in a significant range of value. **Examples:**

<i>Component & Region</i>	Sanctuary/Great Lakes Mid range region factor	
<i>Cost range</i>	\$107/sq. ft.	\$309/sq. ft.
<i>Square feet x</i>		x15000
<i>Base cost =</i>	\$1,605,000	\$4,635,000
<i>Region factor x</i>	Selected	x1.10
<i>Estimated Range</i>	@1,765,500	\$5,098,500

<i>Component & Region</i>	Sanctuary/Great Lakes Mid range cost factor	
<i>Cost range</i>	Selected	\$200/sq. ft.
<i>Square feet x</i>		x15000
<i>Base cost =</i>	\$3,000,000	\$3,000,000
<i>Region factor x</i>	x1.05	x1.20
<i>Estimated Range</i>	\$3,150,000	\$3,600,000

Disclaimer: *The calculation you are about to make creates an **indication only** based upon very basic information. It does not constitute an appraisal for insurance purposes or guarantee insurance limits carried currently are adequate. Furnishings and other personal property are not included.*



Decision Making

As fiduciaries of your church, you have an obligation to soberly assess the “replacement cost new” of your church property. If members of your board are not comfortable with the result, additional steps are necessary.

Contact the **Insurance Board** for details on obtaining a *Marshall & Swift* valuation at no cost, or a formal appraisal from *Industrial Appraisal Company*. When several churches nearby each other agree to obtain an appraisal at the same time, a better price may be negotiated.

Don't forget to include other special property in your assessment and to match the items against the insurance coverage you have now. For example, a “pipe organ” may (or not) be included as part of the “building”. It should be added to the building value or separately insured if it is not covered under the building coverage.

When Fine Arts are covered under a special policy, the coverage terms may be broader than for a building, but the coverage will be limited to the amount scheduled. **These are important decisions! Ask your Agent for help.**

<i>Scheduled Items</i>	<i>Cost</i>	<i>Appraisal</i>
Stained glass		
Fine arts		
Liturgical items		
Sound system		
Pipe organs		
Musical instruments		
Sanctuary fixtures		



BUILDINGS WORKSHEET

Component 1 & Region		
Cost range		
Square feet x		
Base cost =		
Region factor x		
Estimated Range		

Component 2 & Region		
Cost range		
Square feet x		
Base cost =		
Region factor x		
Estimated Range		

TOTAL COST		
Component 1		
Component 2		
Total Building Replacement Cost		
Income & Rental Value		
Total Building Value		
Personal Property		
Scheduled Items		
TOTAL INSURABLE VALUE		

NOTE: Different insurers compile these values differently to define policy limits and supplemental benefits. Check your policy.

References and Resources

- Asbestos Containing Building Materials (ACBM) – Asbestos Hazard Emergency Response Act, U.S. Environmental Protection Agency. www.epa.gov
- “Deferred Maintenance Damages More Than Church Property”, Keeping our Covenant, Volume 14, Spring 2005 – www.InsuranceBoard.org
- Disaster preparedness – “Plan Ahead” www.fema.gov
- Historic churches – Partners for Sacred Places – www.sacredplaces.org
- Safety for small business: *OSHA Handbook for Small Business*, U.S. Department of Labor, Publication OSHA 2209, 1996(revised) www.osha.org
- Stained glass consulting – www.americanstainedglass.org
- “Valuation Request” form, Marshall & Swift – www.insuranceboard.org



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800.437.8830 * www.InsuranceBoard.org

The information presented is for educational purposes to assist churches in developing an organized, comprehensive approach to loss prevention and loss control. This material is limited in scope and does not apply in every case or circumstance. It consists of general guidelines or suggestions, rather than specific advice, does not replace any legal requirements, and should not be considered as legal guidance. Because it is necessary to apply principles or concepts to specific facts, always consult professional counsel before using this material as the basis for specific action or adopting any of the guidelines or suggestions as policy.