

What is Your Church Worth?

INSURANCE BOARD

More Than Insurance



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:**

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

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.

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



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 | | |

| | | |
|----------------------|--|--|
| Component 3 & Region | | |
| Cost range | | |
| Square feet x | | |
| Base cost = | | |
| Region factor x | | |
| Estimated Range | | |

BUILDINGS WORKSHEET

| | | |
|---------------------------------|--|--|
| TOTAL COST | | |
| Component 1 | | |
| Component 2 | | |
| Component 3 | | |
| 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

- Historic churches – Partners for Sacred Places – www.sacredplaces.org
- Stained glass consulting – www.americanstainedglass.org
- “Valuation Request” form, Marshall & Swift – www.insuranceboard.org



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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.