

# LOSS CONTROL MANUAL



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*Our insurance serves you so you can serve God.*

*Serve God*



# LOSS CONTROL MANUAL

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## INTRODUCTION

Our Loss Control Manual (LCM) is organized into major areas of activity, providing a working document to help develop a comprehensive safety program. If you are a member of the church's Board of Trustees (BOT) you have direct input on the activities of the church, and as a result, a direct responsibility to manage the risk and protect the church. Managing a church property and its many activities is no simple matter. We hope this Manual makes it easier.

Loss control is a continuous process of research, experience and education—and is also a part of your covenant with all other participants in the program. Each church has a responsibility to:

- Insure to full value.
- Maintain property and grounds to minimize damage and protect attendees.
- Professionally manage church ministries and business affairs.
- Inform Insurance Board of changes that may affect coverage and report claims in a timely manner.

The LCM contains guidance for getting started with your safety and protection stewardship as well as technical information regarding specific areas of concern: People, Property, Transportation, Youth Activities and Management.

When it comes to managing risk, you have a few options:

- **Avoid** – Not always an option. Your church is committed to certain activities, so you must find a way.
- **Transfer** – Sometimes you can hire it done, or transfer risk under a written contract. You might do it in a lease, facility use agreement or vendor contract.
- **Minimize** – That is, reduce the likelihood that something bad can happen.
- **Mitigate** – Once something bad happens, keep the “damage” to a minimum.

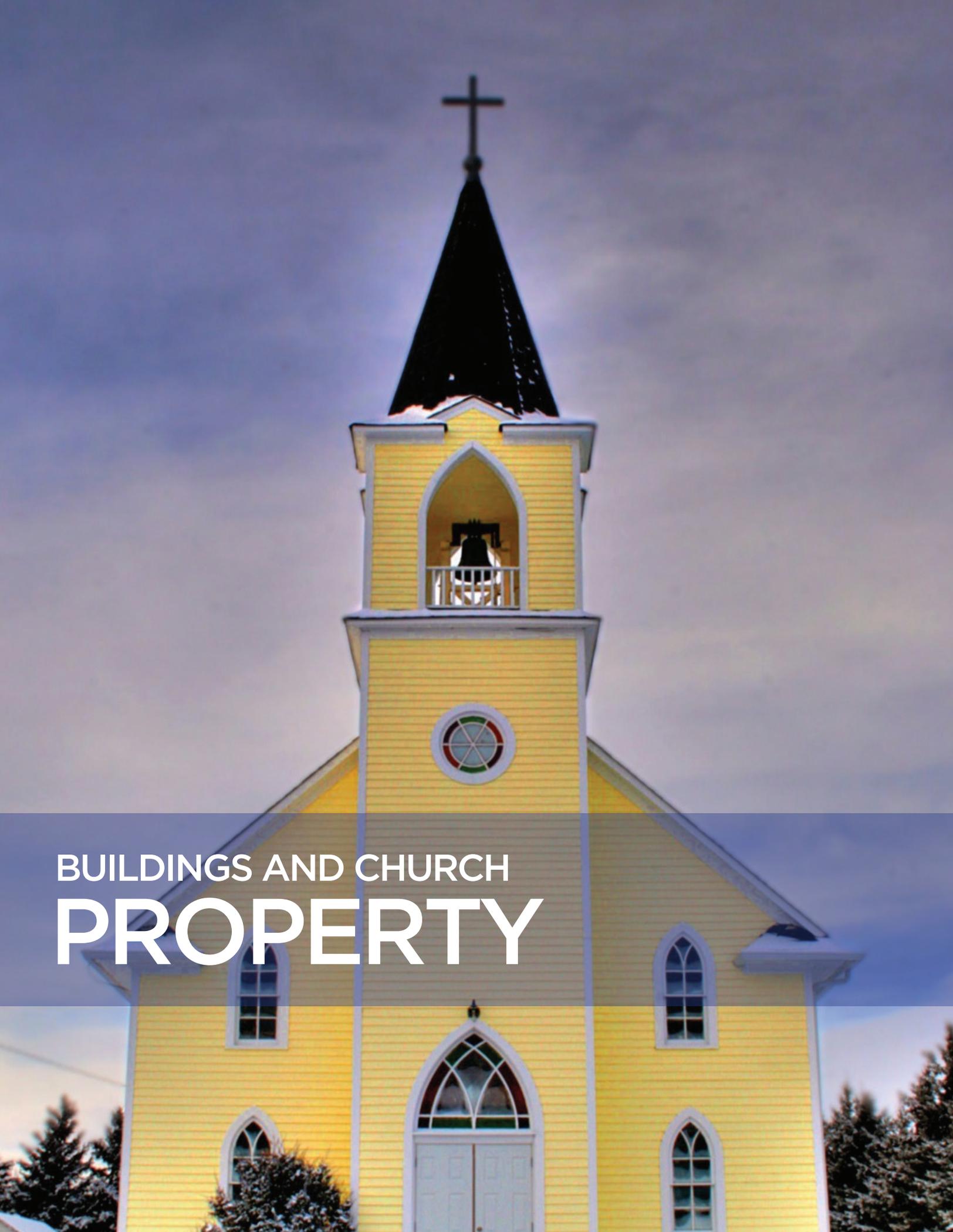
The LCM focuses on Minimizing and Mitigating. Whether you operate in committee or individually, the major areas of risk and likely divisions of responsibility include, at least:

- SECTION 1: PEOPLE – Injury prevention and safety training
- SECTION 2: PROPERTY – Buildings and church property
- SECTION 3: TRANSPORTATION – Vehicle use and driver selection
- SECTION 4: YOUTH ACTIVITIES – Special concerns for youth centered activities
- SECTION 5: MANAGEMENT – Church operations and employee management

Some of these overlap, but we created manageable pieces so you can get something done. Think of them as steps:

- **Process** – 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 Section. 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 (with approvals along the way). In other cases budgets and planning will be involved. Some projects may take weeks and others may take months.



BUILDINGS AND CHURCH  
**PROPERTY**

### PROCESS 2-1

Property insurance protects the building and contents in the event of a loss. The following are some important considerations for your property insurance coverage:

- **Valuation**—Not having high enough insurance limits is a frequent, unrecognized 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, and elevators. 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.

## 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 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.

## TRAINING 2-2

Especially in matters of property and building systems, there are technical components and terminology involved. Additional training or professional assistance may be required in order to conduct a thorough inspection. A qualified contractor should be contracted to maintain fire protection systems and fire alarms.

2-2

## INSPECTION/AUDIT 2-3

**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.

**Inspection Documentation**—Checklists are available on our website, InsuranceBoard.org, 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.

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## REMIEDIATION & RESOLUTION 2-4

It would be rare to find a church property that was not in need of some kind of ongoing 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 2-5

- **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.
- **Finance**—Great reliance is placed on insurance to finance risk of property ownership. Insurance to value is critical.
- **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.
- **Transfer**—Sometimes you can hire it done, or transfer risk under a written contract. You might do it in a lease, facility use agreement or vendor contract.

**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.

**Sprinkler & 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 public buildings. Sprinkler systems are complicated, engineered specifically for the space and the availability of public water. When included in the original construction, they are less expensive; retro-fitting a building is usually cost-prohibitive but might be imposed by authorities after a major fire or as part of remodeling.

Sprinkler systems must be inspected and tested annually to be reliable. This is especially so for “dry pipe” systems found in many churches. Sprinkler systems have moving mechanical and electrical parts. Pipes can become blocked, mechanical valves seized, and dry pipe systems may leak air, resulting in undetected charging and long term damage. Routine testing is required to both maintain reliability and eligibility for sprinkler premium credits.

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 effectiveness, smoke detection with a central station monitoring contract is an effective solution to fire protection. The best time to enhance existing alarm systems is at the time of a major building remodeling or addition. This is an opportunity to install smoke and heat detection in critical areas: kitchens, utility areas, electrical panels and storage areas. All such systems must be tested regularly to assure reliability.

## VACANT CHURCH 2-6

The sad reality is churches and related organizations sometimes close and dissolve. What happens to the buildings and property? Is it possible to get insurance coverage for vacant buildings?

Denominational offices, and sometimes even churches themselves, find they are the beneficiary of a building that is vacant and unoccupied. Free building! Sounds great, doesn't it? Not so fast.

One of the major expenses to maintain a vacant building is insurance. Many insurance companies will not offer coverage because vacant buildings represent a significantly higher risk. Insurance Board is different. We strive to meet your needs and sometimes that means providing insurance for vacant buildings. However, the additional premium to do so is necessary to cover the risk, and can be a shock. In general, it is roughly double. Also, some vacant buildings cannot be accepted, depending on the condition.

It is important to know the insurance coverage differences for vacant buildings too. In short, the following causes of loss are not covered:

- Vandalism
- Sprinkler leakage
- Building glass breakage
- Water damage
- Theft or attempted theft

For all other covered causes of loss, the claim payment is reduced by 15%. Some common questions church representatives will ask:

- What makes a building “vacant?”
- What if the building is used for storage?
- What if there are occasional meetings or office space at the building?
- What if someone checks on the building periodically?

Every situation is different, but most of the above scenarios would be considered vacant. The insurance policy language will be used to determine “vacancy,” which states, in part, the following:

- *“Such building is vacant unless at least 31% of its total square footage is”... “used to conduct customary operations.”*
- *“Buildings under construction or renovation are not considered vacant.”*
- *“Dwellings of four families or less that are intended for employee occupancy are not considered vacant provided they have been used in that manner within 365 days prior to the date of loss or damage.”*

Last, but not least, the following loss control practices are strongly recommended for vacant buildings:

- Lock and secure the building, including a monitored burglar and fire alarm system
- Maintain minimum utilities; electricity for exterior lights, heat, sprinkler (regularly tested), etc.
- Turn off water and winterize plumbing pipes (if applicable)

If you have any questions, contact your Insurance Board Agent!

## REFERENCES AND RESOURCES 2-7

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- Asbestos Containing Building Materials (ACBM) - Asbestos Hazard Emergency Response Act, U.S. Environmental Protection Agency. - [epa.gov](http://epa.gov)
- Disaster Preparedness - Plan & Prepare - [fema.gov](http://fema.gov)
- Historic churches - Partners for Sacred Places - [sacredplaces.org](http://sacredplaces.org)
- Safety for small business - *OSHA Small Business Handbook*, U.S. Department of Labor, Publication OSHA 2209, 2005 (revised) - [osha.org](http://osha.org)
- Stained glass consulting - [americanstainedglass.com](http://americanstainedglass.com)
- Active Intruder Info - Department of Homeland Security - <https://www.dhs.gov/active-shooter-preparedness>

**Contact us with questions**  
[InsuranceBoard.org](http://InsuranceBoard.org)