

THE STEWARD

Trustworthy Insurance Insights for Churches and Ministries

Luke 14:28 "For which of you, intending to build a tower sitteth not down first and counteth the cost, whether he have sufficient to finish it?"

- Understanding the Impact of Market Conditions & Reinsurance on Commercial Insurance Premiums
- Loss Control Strategies that Impact Your Bottom Line
- Agent Corner
- Claims Lessons Learned—Tips For A Smoother Claim Investigation And Resolution
- CEO Corner



Understanding the Impact of Market Conditions & Reinsurance on Commercial Insurance Premiums



Insurance serves as a vital risk management tool for businesses or in our case churches, providing protection against potential losses and liabilities. However, the premiums charged for insurance coverage are not static. They are subject to various market conditions and are influenced by the strategic use of reinsurance. This article aims to delve into the relationship between market conditions, reinsurance, and their impact on insurance premiums.

Market Conditions & Commercial Insurance Premiums:

Market conditions often play a crucial role in shaping insurance premiums. Insurers carefully analyze the prevailing economic and industry-specific factors to determine appropriate pricing. Here are some key market conditions that can influence commercial insurance premiums:

1. Underwriting Losses:

Insurance companies maintain profitability by controlling their underwriting losses, which occur when claim payouts exceed premiums collected. High underwriting losses may lead insurers to increase premiums to restore profitability and manage risk.

2. Loss Trends:

The frequency and severity of claims within specific sectors directly impact premium rates. If industries experience a surge in losses due to emerging risks or unfavorable market conditions, insurers may adjust premiums to reflect the heightened risk.

3. Economic Factors:

The overall economic environment, including GDP growth, interest rates, inflation, & unemployment rates, influences insurance premiums. During periods of economic growth, increased business activity and asset valuations may result in higher premiums. Conversely, economic downturns can lead to reduced premiums as businesses face decreased demand and lower risk exposures.

4. Natural Catastrophes:

Natural disasters such as hurricanes, earthquakes, floods, and wildfires cause significant property damage and business interruption losses. Insurers adjust premiums in regions prone to such catastrophes to account for the heightened risk exposure. In the aftermath of catastrophic events, insurers may also review and revise their pricing strategies to reflect the updated risk assessments.

5. Legal and Regulatory Changes:

Changes in laws and regulations can impact insurance premiums. New regulations may require broader coverage, impose additional requirements on insurers, or alter the legal environment for specific industries. These changes can affect pricing strategies and lead to adjustments in premiums.

Insurance Market Cycle: Insurance operates in a cyclical market with alternating soft and hard market phases. In a soft market, characterized by intense competition among insurers, premiums tend to be lower as companies vie for market share. Conversely, during a hard market, insurers tighten underwriting standards and increase premiums due to reduced capacity and higher losses.

Understanding the Impact of Market Conditions & Reinsurance on Commercial Insurance Premiums Continued...

Reinsurance and Insurance Premiums:

Reinsurance plays a critical role in shaping the cost of commercial insurance premiums. Reinsurance is a risk transfer mechanism where primary insurers (ceding companies) transfer a portion of their risks to other insurance companies known as (reinsurers). Here's how reinsurance influences the cost of insurance premiums:

1. **Risk Mitigation:** By ceding a portion of their risks to reinsurers, primary insurers reduce their exposure to catastrophic losses. Reinsurance enables primary insurers to handle more significant risks without the need for excessive capital reserves. This risk mitigation factor helps primary insurers offer commercial insurance coverage at competitive rates, as they can accurately assess and price risks while maintaining financial stability.

2. **Increased Underwriting Capacity:** Reinsurance allows primary insurers to increase their underwriting capacity. By transferring a portion of the risks to reinsurers, primary insurers can underwrite more policies and cover a broader range of risks. This increased capacity enables primary insurers to spread the costs over a larger pool of policies, potentially resulting in more competitive premium rates for clients.

3. **Stabilization of Pricing:** Reinsurance provides stability to primary insurers by reducing the volatility of their claims experience. By transferring a portion of the risk to reinsurers, primary insurers can smooth out their claim payouts over time. This stability allows insurers to offer insurance coverage with more predictable and consistent premium rates, benefiting insurers and policyholders.

4. **Access to Expertise and Specialization:** Reinsurers often possess specialized knowledge, expertise, and data analytics capabilities. Primary insurers can leverage these resources to improve their underwriting practices, risk assessments, and pricing strategies. By utilizing the insights and support of reinsurers, primary insurers can refine their pricing models and offer more accurate premium rates for clients.

5. **Reinsurance Costs and Impact on Premiums:** The cost of reinsurance directly influences the pricing of insurance premiums.

If reinsurance costs increase due to changes in the reinsurance market or heightened risk exposure, primary insurers may pass on a small portion of these costs to policyholders through higher premium rates.

6. **Reinsurance Market Conditions:** The availability and cost of reinsurance can be influenced by market conditions. During periods of increased catastrophic losses or a reduction in reinsurance capacity, reinsurers may tighten their underwriting standards and charge higher premiums to ceding companies. This, in turn, may lead primary insurers to adjust their pricing strategies and increase commercial insurance premiums to offset the higher reinsurance costs.

7. **Reinsurance Structures and Impact on Premiums:** The structure of reinsurance arrangements can also impact the cost of commercial insurance premiums. Different types of reinsurance contracts, such as proportional or excess of loss, have varying cost structures. The choice of reinsurance structure by primary insurers affects the amount of risk transferred and the associated reinsurance costs, which can ultimately impact the pricing of commercial insurance premiums.

Market conditions and reinsurance play significant roles in shaping the premiums of insurance. Insurers closely monitor market conditions, including underwriting losses, loss trends, economic factors, natural catastrophes, legal and regulatory changes, and the insurance market cycle, to determine appropriate pricing strategies. Reinsurance allows primary insurers to mitigate risk, increase underwriting capacity, stabilize pricing, access expertise, and spread costs. However, reinsurance costs and market conditions can influence the pricing of insurance premiums, which may be passed on to policyholders. Understanding the interplay between market conditions, reinsurance, and premiums is crucial for churches seeking insurance coverage, as it helps them navigate the dynamic insurance landscape and make informed decisions regarding risk management and cost-effective coverage.

Loss Control Strategies that Impact Your Bottom Line

Insurance Board

Churches play a vital role in their communities, offering places of worship, support, and social services. Like any other organization, churches face risks that can result in insurance claims which have the potential to impact insurance premiums. Implementing effective loss control strategies is essential to help mitigate risk and reduce potential incidents from occurring. If ministries want to maintain recommended coverage and simultaneously lower their premiums, it is critical they learn strategies to lower their risk. In this article, we will explore various loss control measures for churches to protect their people and facilities and help them keep insurance costs at a manageable level.

ACCURATE BUILDING VALUE

A professional appraisal of your church's buildings is strongly recommended every five years due to factors including age, building style, construction method, materials, and special artisan features. The amount of property insurance you carry on buildings and contents will determine the maximum amount of funds you could receive if a disaster were to strike. This is why it is important to have an accurate replacement cost; a figure that differs from both original price and market value. It reflects how much it will cost today to reconstruct your building. Your local Insurance Board agent can help you obtain an estimate of your building's replacement cost.

ABUSE PREVENTION

Policies and procedures are the foundation for creating a safe environment. Elements of a strong policy include screening and selection, adult-child interaction guidelines, monitoring procedures, training, and reporting of suspected abuse as required by state law. All staff and volunteers should learn about predatory behavior and how to recognize if a child or vulnerable adult is in distress. Insurance Board offers a sample policy template that includes best practice policy considerations, in addition to the Praesidium Assessment Tool that can help identify potential gaps in your abuse prevention practices. Contact your Loss Control Department at Insurance Board or visit our online Abuse Prevention resources.

HUMAN RESOURCES

Churches face many employee and small business concerns. Insurance Board policyholders have access to an exclusive resource through our partnership with AIG and collaboration with Littler Mendelson. The EPL Pak® Premier is an industry-leading loss prevention resource to help ministries maintain best employment practice standards. There are handbooks, policies, and updated employment requirements for each state. Participants can register using an email address and your Insurance Board Policy Number, which can be found on your MOI or a quarterly bill. You may also take a guided tour of the website in a video that is housed on Insurance Board's Online Learning page.

BOUNDARY TRAINING

To maintain insurance coverage, Insurance Board requires that the Senior Pastor is in good standing. This includes staying up to date on Boundary Training requirements per your denomination. Ongoing training is critical for clergy to engage in healthy discussions and learn best practice recommendations on such topics as abuse prevention, sexual harassment, financial considerations, and the importance of maintaining healthy boundaries to protect your congregation. Consult with your Conference, Presbytery, Synod, or Region to confirm denominational requirements.

THIRD PARTY LIABILITY

Ministries should have contracts and agreements in place that define rules and responsibilities for third parties, as well as requiring them to provide proof of insurance coverage before allowing them to use church facilities. Lease/use agreements should contain an indemnity clause and hold harmless language to defend and indemnify your ministry against claims arising from third party use of the facilities, including injury to their employees. View the video on Managing Contracts and Third Party Relationships on [Insurance Board's Online Learning Page](#) for insights on how to protect your ministry. Insurance Board also offers a [Tenants & Users Liability Insurance Policy](#) to

Loss Control Strategies that Impact Your Bottom Line Continued...

Insurance Board

help protect your church, as well as third parties that utilize your facility. [Contact your local Insurance Board agent for more information.](#)

WATER DAMAGE PREVENTION

Severe weather incidents have increased across the country. Since clergy and staff are not always present, it can be difficult to protect your church from having pipes burst or water intruding with enough time to mitigate damage. It is now possible to receive water or freeze alerts via text or email by obtaining the latest water sensor technology through Insurance Board. This technology can detect water and monitor indoor temperatures that cause pipes to burst. Visit our Water Damage Prevention Page to [learn more about water sensors](#) and sign up to receive our [Water Damage Prevention Toolkit](#) to help prevent a disruption in your ministry.

ROOF INSPECTION

Churches can detect and repair small problems before they become big ones by conducting regular roof inspections. Although staff should perform visual inspections from the ground, licensed roofing professionals should inspect your roof at least once every 5 years. Immediate action should be taken to repair the roof if an issue is identified. The impact of deferred roof maintenance is far more significant than repairing damage right away. Contractors performing the work should provide a certificate of insurance as well as proof of worker's compensation insurance. Although claims are evaluated on an individual basis, property insurance was not created to cover wear and tear due to deferred maintenance. Contact your local agent to let them know if you have made improvements to the roof or other church property.

ELECTRICAL INSPECTION

It is critical to obtain regular safety inspections by a certified electrical contractor. Many fires are caused by electrical issues that would have been easily detected during an electrical inspection. An electrical inspection will ensure that all electrical systems and components in your facility meet safety standards. [Insurance Board's Electrical Inspection Resource](#) offers more information on the benefits of regular inspections, tips, and warning

signs that can help keep your ministry safe. Share your property maintenance logs and electrical inspections with your local insurance agent.

FINANCIAL CONTROLS

An independent annual financial audit should be done by an accounting firm or accountant who is not involved in your ministry's financial transactions. This is the hallmark of financial transparency and accountability for leadership. If your by-laws require an audit and it is not done, church officers are open to claims for breach of fiduciary duty, especially if it is found that financial losses have occurred. Church embezzlements of very large sums are very common, especially if ministries lack best practice policies and financial controls. [View our Insurance Board webcast to learn more about financial controls for your ministry.](#)

EMERGENCY PREPAREDNESS

Most incidents occur with little or no warning. Ministries should create or update their emergency plans to ensure they are prepared. Emergencies can impact churches in many ways, including weather events, fire, civil unrest, cybersecurity threats, or active shooter events. The Department of Homeland Security and the Cybersecurity Infrastructure Security Agency (CISA) developed multiple resources that are specifically designed for houses of worship. [Review Insurance Board's Security Resource Guide](#) for a comprehensive list of safety and security resources containing critical links, as well as more information about CISA's Nonprofit Security Resource grant to make security improvements at your ministry's facility.

For churches seeking to lower insurance premiums, proactive loss control strategies are essential. By conducting risk assessments, implementing robust security measures, prioritizing emergency preparedness, and investing in proper maintenance and training, churches can create a safer environment for their congregations and community. Such efforts demonstrate a commitment to loss prevention that can lead to more favorable insurance terms and reduced premiums. [Contact your local Insurance Board agent](#) to discuss other ways your ministry can reduce premiums, such as installing lightning rods or increasing deductibles, and

Loss Control Strategies that Impact Your Bottom Line Continued...

Insurance Board

share strategies you have already implemented to reduce risk. Feel free to contact your Loss Control Department at Insurance Board for more information at losscontrol@insuranceboard.org. Ultimately, combining compassion with effective loss control measures ensures that churches can continue fulfilling a crucial role in their communities while maintaining financial stability and protecting their congregations.

Tips For A Smoother Claim Investigation And Resolution

Insurance Board

An accident and/or a claim event at a church can certainly be traumatic not only for those who are directly affected, but also for congregants who may not be directly involved. Oftentimes mistakes such as reporting a claim late, providing inaccurate or incomplete information, or not fully understanding the coverages offered can delay the claims investigation and hinder resolution to an already stressful situation. Our participants can help make the claims process flow more smoothly by following the tips described below:

For property claims, prompt notice of the loss or damage including a description of the property involved and how, when, and where the loss or damage occurred is crucial as any delay in reporting the claim can result in the damage becoming more extensive.

If emergency/temporary repairs are needed, please photograph or video all the damage, make an inventory of all the damaged property, keep receipts, and do not discard anything as the adjuster will need to inspect.



Agent Corner

Jim Jensen an agent with Insurance Board shares: "We have lots of activities that we would like to 'set it and forget it'. The church's property insurance shouldn't be one of them. Most churches don't have a lot of dynamic changes that affect their property insurance coverages from year to year, but a periodic review is important. Small changes can sneak up on us and add up over time. Inflation for the cost of building materials has been abnormally high recently, for multiple reasons. The costs of furnishings and supplies in our church buildings have increased in cost, too. While Insurance Board tries to increase the amount of property coverage each renewal, simply relying on this can miss changes that may differ by location or type of construction. We recommend that churches periodically review what it would cost to rebuild and refurnish your buildings. Equally important, though, is to review what's in your buildings. All that stuff adds up quickly! You can do a complete inventory for each building, or at least take a general inventory and calculate how many tables, chairs, hymnals, Bibles, robes, and other general items there are and find their current cost to purchase them. Don't forget worship paraments, banners, plus all those dishes and utensils (I bet there's more of them than you think!) Of course, there's bigger ticket items like computers, sound boards, instruments, TVs/projectors and monitors to include too. If you have more than one building, some of these items may have migrated since your policy was written or last updated – let's make sure that they are assigned to the correct building, too. What's in the storage building? It sounds like a huge task, but if you share the workload, perhaps each person can take 1 room, it will be much less daunting. Many of these items have been around a long time and you may be surprised how much their replacement cost adds up to. Once you've done this, be sure to get with your agent to review what changes may be warranted."

Tips For A Smoother Claim Investigation And Resolution Continued...

Be familiar with your policy so you have a better understanding of what your policy does and does not cover. Your agent is a good source to use to discuss your coverage before you even have a loss.

When submitting an estimate from a contractor, please ask that it be itemized. This way the adjuster can compare their estimate with the contractor's estimate line by line. The adjuster cannot do this if the contractor's estimate is a lump sum. Refusal from the contractor in submitting an itemized estimate may result in additional expenses of utilizing an expert or obtaining a comparative bid from an independent vendor which unnecessarily delays the settlement of your claim.

Please do not complete the full repairs without the adjuster first being able to inspect the damage.

The loss may not be covered if the adjuster is not permitted to inspect the damage to verify the cause of loss especially if there is no supporting documentation (estimates, invoices, photos, etc.) to show what was damaged and how.

If a church hires a public adjuster (PA), the church will be responsible for paying the PA's fee. That fee is usually a percentage of the total value of the claim. And it is not covered by the insurance policy. The settlement value of the claim will be reduced by the amount of the PA fees, which can prevent the church from receiving the full amount for the repairs. Also, because of the PA contract, all communication is handled by the PA. If there are any breakdowns in communication, the adjuster as well as Insurance Board staff are prevented from speaking directly with the church. This can result in delays in resolving the claim. Moreover, to increase the overall payout of a claim, PAs will often include undamaged items in their estimate. As we are not responsible for repairing/replacing undamaged items, this often results in

disagreements and can further delay resolution of the claim.

For liability claims, especially claims that involve claims made policies such as Sexual Misconduct, Employment Practices, or Directors and Officers coverage, timely reporting is essential and can be a requirement of the policy. To make sure that the reporting requirements for claims involving claims made coverages are properly followed, insureds should notify us of a potential claim event when they first learn about it. Even if there hasn't been a written demand or lawsuit, we can still set the claim up as an incident only. This would not impact loss runs and would satisfy the reporting requirement for those types of coverages. If the incident develops further (i.e., a lawsuit or written demand letter), the church can just email the suit or demand letter to their agent, who will then notify the Insurance Board. We would then convert the incident to a regular claim which will be assigned to an adjuster for investigation. For other claims that involve general liability coverage, timely notice can help ensure that the claim is investigated properly.

Other tips that can make the liability claims investigation and resolution process easier are:

1. Including accurate loss descriptions, photos and/or a video of the accident scene; and
2. Providing accurate contact information.

Notifying your agent promptly and providing our claims team with accurate information at the start of the claim process helps to ensure a smoother and more efficient resolution of your claim.

This communication, along with any attachment, does not amend, extend or alter the coverage terms, exclusions, and conditions of insurance policies referenced herein. Policy language is controlling and supersedes. Guidance provided by the Insurance Board does not constitute legal advice; please seek the advice of an attorney if you wish to obtain legal advice.



INSURANCE BOARD

Partners in Protection

CEO CORNER

TIMOTHY S. HARRIS, CPCU
PRESIDENT AND CEO



Over the past 2 months, members of my staff and I had the opportunity to attend and sponsor United Church of Christ General Synod 34 in Indianapolis, IN, and the 2023 General Assembly of the Christian Church (Disciples of Christ) in Louisville, KY. Exhibiting at both events, we were gratified to hear testimonials from insured participants visiting our booth and sharing accounts about insurance losses they faced in the wake of calamity. These insured participants recalled events at their churches ranging from hurricanes to burst pipes and applauded the response provided by Insurance Board in restoring their churches to their pre-loss conditions.

Since the early 1980's, Insurance Board has been guided by its mission to support and protect churches and church ministries by offering superior property and casualty risk and insurance management services. Insurance Board was formed by church leaders for churches, and was based upon a covenantal understanding: that our commitment to this mission be supported by the churches' commitments to maintaining their ministries. After all, **covenant** involves mutual agreement and responsibility. Such responsibility includes church practices involving regular maintenance and stewardship of church property, good church management and oversight, adoption of loss control techniques to mitigate risk, etc. This principle of covenant affords us the

opportunity to do what many church insurers do not; that is to offer insurance coverage across all 50 U.S. states.

Our financial ministry meets churches wherever they are within the country. And, while that includes insurance in some of the toughest states for adverse weather such as Florida, Texas, Oklahoma, and California, it also includes places like Vermont which experienced record flooding this summer, or Iowa which suffered a devastating Midwest derecho in 2020, or Kentucky surprised by a December EF4 tornado in 2021, or Hawaii which, as I draft this, is recovering from the worst wildfire in United States' history. Your participation in the Insurance Board program ensures that churches across the country are afforded the insurance protection they need when adverse events occur, to preserve and edify ministry.

The covenant referenced above is not simply between Insurance Board and its participants. It also involves the relationship and responsibility of participating churches to each other. The congregational nature of church polity should not relieve us of our collective accountability to the wider church community. Each church, doing its respective part in managing risk, benefits the entire church body. Such efforts at the church level actually reduce the overall cost of insurance for everyone. Our thoughts and prayers go out to our Hawaii neighbors, and, because of your participation in the Insurance Board program, we stand ready to assist.