

THE STEWARD

Trustworthy Insurance Insights for Churches and Ministries

Psalms 91:1

“Whoever dwells in the shelter of the Most High will rest in the shadow of the Almighty.”

- Habitational Risk Defined & The Importance of Insurance Coverage
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RISK

Habitational Risk Defined & The Importance of Insurance Coverage

Insurance Board

As defined by Google and widely recognized in the insurance industry, habitational risk refers to the combination of property damage, liability, and operational risks associated with owning and operating residential rental properties, such as apartments, condos, and rental homes.

These risks stem from hazards inherent to both the property and its occupants, and are addressed through a type of commercial insurance called habitational insurance, which provides coverage for incidents like fire, theft, vandalism, and bodily injury claims by tenants or visitors. It can also include liability protection in cases of accidents or legal disputes.

For churches, faith-based organizations, and institutions, habitational risks might not seem like an immediate concern, especially if housing isn't part of your current ministry. However, many ministries are increasingly offering housing solutions to serve vulnerable populations. Whether your ministry is assisting with providing housing for the homeless, providing temporary shelter for families in crisis, or offering short-term lodging for migrants or refugees, these generous efforts of compassion may unintentionally expose churches to significant risks.

For churches and faith-based organizations, this specific type of risk is one that ministries may not be acutely aware of, but it's impact can be costly. These risks are not just theoretical—they can have real, costly consequences if a ministry does not have appropriate insurance coverage or a clear understanding of legal responsibilities.

To help your ministry avoid these risks, Insurance Board is dedicating this Winter issue of **The Steward** to habitational risks with articles explaining what you need to know.

Also, remember that operating housing—whether temporary or long-term—comes with various legal requirements and obligations. These may include:

- **Zoning laws:** Local zoning ordinances may restrict or prohibit the use of church property for residential housing.
- **Landlord-tenant laws:** Ministries offering housing may be legally considered landlords and subject to state and federal regulations regarding rental agreements, tenant rights, and property maintenance.



- **Eviction laws:** Ending a housing arrangement can become complicated if not handled according to state-specific procedures and documentation.
- **IRS regulations:** Churches must be mindful not to provide *private inurement*, which means that no part of the church's income or assets may unduly benefit an individual (such as a church leader, staff member, or board member).

We encourage you to visit the [Online Learning page](#) of our website to watch the webinar titled "*Sanctuary: Legal Considerations for Faith Communities*," found in the General Safety section.

To discuss your specific needs regarding Habitational Risk and insurance coverage, contact your local agent today!

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Risks to Churches in Owning Property and Housing Tenants

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Churches have long been pillars of support in their communities, offering spiritual guidance, food assistance, and shelter in times of crisis. As housing insecurity grows, many congregations feel called to do more. However, directly providing housing, especially long-term habitational arrangements, can expose churches to significant liability and insurance challenges. Fortunately, there are alternative ways to support housing needs without assuming habitational risk.

1. Partner with Local Housing Organizations

Instead of managing housing themselves, churches can collaborate with nonprofits, housing authorities, or transitional housing programs. These partnerships allow churches to contribute resources—such as funding, volunteers, or space for meetings—while leaving the operational and legal responsibilities to experienced housing providers.

2. Offer Supportive Services

Churches can play a vital role in stabilizing housing by offering wraparound services. This might include financial literacy workshops, job readiness training, counseling, or

childcare. These services help individuals maintain housing once they secure it and reduce the risk of homelessness.

3. Advocate for Affordable Housing

Churches can use their voice to advocate for zoning changes, funding, and policies that promote affordable housing. By engaging in local government and community planning, faith communities can influence systemic change without taking on direct risk.

4. Provide Financial Assistance

Many churches already have benevolence funds. These can be directed toward rent assistance, utility payments, or security deposits—small interventions that can prevent eviction or help someone transition into stable housing.

By focusing on collaboration, advocacy, and supportive services, churches can make a meaningful impact on housing insecurity while avoiding the complexities of habitational risk. In doing so, they remain faithful to their mission of compassion and justice, while protecting their long-term sustainability.

Empowering Communities: How Churches Can Support Housing without Assuming Risks

For many congregations, owning property is both a blessing and a responsibility. Church facilities often serve as community hubs, ministry centers, and even places of residence for staff or mission partners. Yet, with ownership comes risks that must be managed carefully to protect both the ministry and its people.

One of the most common exposures arises when churches provide housing—whether to clergy, ministry leaders, members of the congregation or outreach ministries. A church-owned parsonage or rental property can create potential liabilities like those faced by any landlord. If a tenant or visitor is injured on the premises due to unsafe conditions, the church could be held responsible. Issues such as mold, faulty wiring, or icy walkways can quickly escalate into costly claims. Maintaining the property to meet safety and building codes is essential. Here is a [property checklist](#) you can use. Regular inspections and documented maintenance reduce the likelihood of an incident and demonstrate due diligence in the event of a claim.

Another consideration is the insurance coverage itself. Many churches assume that their property policy automatically extends to all buildings and tenants, but that may not be the

case. It's critical to confirm that the policy includes liability protection for tenant-occupied dwellings and that each structure is properly listed on the schedule of insured properties. In some cases, a separate endorsement or even a distinct policy may be required. It is essential to ensure that the tenant carries their own renters' insurance with a minimum recommended coverage of \$100,000.

Churches need to consider the legal and contractual side of tenant arrangements. Written lease agreements should outline who is responsible for maintenance, utilities, and repairs, as well as clarify occupancy expectations. Housing a staff member without a formal agreement can blur the line between employment and tenancy, complicating eviction or disciplinary actions if problems arise.

Ultimately, property ownership is a stewardship issue. By proactively identifying and managing these risks—through sound maintenance, clear documentation, and appropriate insurance—churches can continue to provide safe, welcoming spaces for ministry while safeguarding their mission and financial health.

Agent Corner

Insurance Board



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After offering a property and liability program to churches and ministries for the last 40 years, we know ministry often extends far beyond the sanctuary. Sometimes this results in congregations offering housing as part of their mission. Whether it's a parsonage for clergy, transitional housing for individuals, or apartments offering affordable housing or senior living to serve your community. These efforts are deeply rooted in compassion and hospitality. However, when a church begins providing housing, these operations create "**habitational risk,**" a term used for the exposures that come with owning or managing property where people live. And it's a risk that requires careful thought and appropriate coverage.

What Habitational Risk Looks Like in Ministry:

Habitational risks vary depending on the situation. Here are a few examples I see:

- **Parsonages or staff housing:** The church owns a home occupied by a pastor or other employee or tenant.
- **Mission houses or retreat centers:** Short-term stays for visiting ministers, missionaries, or volunteers.
- **Transitional or supportive housing:** Programs that provide temporary shelter as part of a ministry to vulnerable populations.
- **Rental properties:** Church-owned apartments or duplexes leased to tenants, sometimes as a revenue source.
- **Additional unique and non-traditional uses:** Tiny home living or offering the church parking lot to park safely in a vehicle overnight as part of a community.

In all these cases, the church becomes not only a ministry center but also a landlord, even if the housing is offered rent-free. That changes the nature of the church's liability.

The Hidden Exposures Churches Often Overlook-Here are a few areas that need special attention:

- **Premises liability:** If a tenant, guest, or volunteer is injured on the property, the church may be held responsible.
- **Property damage:** Fire, water, or storm damage to housing units or other church property can have financial implications if not properly insured.
- **Landlord-tenant law exposure:** If housing is rented, the church must comply with local landlord regulations, including maintenance and safety standards.
- **Personal injury claims:** Issues such as privacy violations or wrongful eviction claims may arise.

Each of these risks can affect not only your financial stability but also your ministry's reputation and ability to serve.

Tailoring Coverage Through Your Agent

One of the advantages of being part of a denominational insurance program is that we understand your ministry context. We don't just insure buildings, we insure *mission*. We do our best to offer coverage that is inclusive of your mission goals. Your agent is your best advocate to discuss **ALL** operations and missions of your church, so they can help you determine whether your current coverage best protects your organization, as well as understand the underwriting philosophy of the insurance program and what needs to be discussed or documented with Underwriting. If for some reason you need to access additional coverage beyond the current insurance program, they can help you as well. At a minimum, it is important to consider the following when discussing this type of operation:

- **Intended use:** Who will live there, and under what conditions? Are there zoning considerations or local laws to consider?
- **Ownership and maintenance:** Who handles upkeep and repairs? Has the structural integrity been documented and fire safety considered?

Lease agreements or policies: Are expectations clear for all parties? Does the contract or agreement include terms of indemnity and hold harmless language and a requirement to list your organization as Additional Insured on the tenant's coverage? Is a certificate of insurance required for your files to document the insurance requirements? The tenant should maintain coverage for their owned property and liability exposures.

- **Security and safety measures:** Are smoke detectors, locks, and maintenance routines in place?
- **Impact to your non-profit status:** Will you have income that impacts Unrelated Business Income Tax (UBIT)? Seek counsel from your CPA to discuss any impact or considerations you need to be aware of.
- **Legal considerations for all of the above:** It is so important to seek legal counsel as you consider these options.

Stewardship and Protection Go Hand in Hand

At its heart, insurance for churches isn't just about compliance, it's about stewardship. When a congregation provides housing, it's extending its mission into the community. The agent's role is to make sure that mission is protected so it can continue to flourish without interruption or financial strain.

If your church is considering a new habitational ministry or already owns housing that hasn't been reviewed recently, I encourage you to connect with your agent. We can help you evaluate your exposure, clarify your responsibilities, and ensure your coverage truly reflects the scope of your ministry.

Claims Lessons Learned from Ministries Accepting Habitational Risk

Insurance Board

Churches that provide housing to the poor and vulnerable are engaging in ministry that meets a vital public need: providing shelter for those who are less fortunate. It helps fulfill the religious mission of “loving your neighbor as yourself,” and it provides a source of revenue for the church. This noble effort, however, comes with its own risks of which churches must be keenly aware. For example, a low-income tenant may not have adequate insurance (if any at all) to cover damages for which they may be liable. The potential for serious injuries can be higher for elderly and/or disabled renters, and can result in increased liability for churches that provide housing for this segment of the population. Also, in certain states, laws governing rental properties can place expensive requirements on landlords including in certain instances, paying tenant relocation expenses if the rental property suddenly becomes unsafe due to an accident such as a fire.

If participants aren't prepared to handle these types of challenges effectively, the unanticipated financial cost can be difficult to manage. Here are a few “lessons learned” from some of our claims involving landlord/tenant liability that illustrate this point:

Several years ago, we received a significant liability claim from one of our participants. The participant owned an apartment complex that provided housing to seniors through HUD, a federal housing and urban development agency. An argument between two of the residents resulted in a stabbing death of one of the residents. There were no surveillance cameras in the area where the incident occurred, nor were there any security officers present. The resident who committed the crime also had a prior assault conviction, but since the apartments were under HUD at the time, background checks were not required. The claim from the family of the deceased resident was eventually resolved. With adequate surveillance and security, however, this incident could have been prevented.

Another recent claim involved a tenant who accidentally started a fire that caused significant damage to the apartment & surrounding structure. The church owned the apartment, which provided housing to low-income residents. The tenant had no renter's insurance, and the lease agreement did not

include a risk transfer clause requiring the tenant to carry liability insurance. Damages totaled more than \$650,000. Since the apartment was for low-income individuals, the tenant didn't have any collectable assets. Had the lease agreement required tenants to carry liability insurance, there would have been an avenue to recuperate insurance monies paid out for repairs to the apartment building.

Churches must also be fully aware of any financial obligations local statutes may require for landlords. For example, some jurisdictions require landlords to pay relocation expenses in the event tenants are forced to permanently leave through no fault of their own. This can present an unexpected expense for participants that already have tight budgets. A few years ago, a fire destroyed a significant portion of a building owned by one of our participants. The small apartment located inside the building was also destroyed, forcing the tenants to find alternative housing. In the resulting claim, the tenants not only sued the church for items damaged by the fire, but they also sought additional relocation expenses, even though the church had already paid for temporary housing for the tenants, as required by the local statute. The fire was caused by a contractor that had been using a torch to repair the church roof, a procedure prohibited in certain locations due to inherent safety hazards. Had the church properly vetted the contractor, it could have avoided what ultimately caused the fire as well as the additional tenant expenses.

Providing housing for those who are in need can be very rewarding for churches. Navigating the landscape of this endeavor, however, can become complex and challenging. Participants must, therefore, understand and wisely manage the risks associated with this type of ministry.

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Legalities of Habitational Risks for Ministries

Insurance Board, featuring Andrew Bunn JD, Board Chair, Hawaii Conference



The Legal Dimensions of Habitational Risk for Churches

Many churches and faith-based organizations provide housing, such as parsonages, staff residences, rental homes, transitional housing, senior living, and legacy properties maintained for income or mission. These arrangements support important ministries, but they also create legal responsibilities and habitational risk (the property and liability exposures that arise whenever a building is used as a residence). Courts hold religious property owners to the same standards as any other landlord, and charitable intent or nonprofit status does not lessen those obligations. Understanding the legal framework governing habitational risk is necessary for effective insurance planning, protecting residents, fulfilling the church's duty of care, and safeguarding its mission and long-term assets. Habitational liability generally arises under three legal theories: (A) negligence; (B) breach of contract; and (C) statutory noncompliance. Each imposes distinct duties and requires disciplined management practices to reduce risk.

A. Negligence: Failure to Maintain Safe and Secure Conditions

Negligence is the most common source of liability for church-owned housing. A negligence claim has four parts: (i) a duty of care, (ii) a breach of that duty, (iii) a link between the breach and the injury, and (iv) actual damages. Churches that provide residential housing have a duty to keep the property reasonably safe and secure. A breach occurs when the church does not take reasonable steps to inspect, maintain, or secure the premises. If that failure leads to an injury, the church may be liable. Because many churches rely on volunteers or informal procedures, missing inspection records or maintenance documentation can make it easier for a plaintiff to prove negligence.

Premises Liability: Maintaining Safe Physical Conditions

Churches must ensure the physical condition of their housing is reasonably safe. Courts look at actual notice (what the church knew) and constructive notice (what it should have known through reasonable inspection). For example, if the wooden landing outside a parsonage shows signs of rot and the handrail has been loose for months, a reasonable inspection would have revealed the hazard. If someone later falls and the church has no inspection or repair records, a court may conclude the hazard was foreseeable and that the church breached its duty of care. Regular inspections, written documentation, and clear reporting procedures are needed to demonstrate responsible oversight.

Negligent Security: Addressing Foreseeable Criminal Activity

The duty to maintain safe conditions also extends to security. Negligent-security claims arise when a foreseeable criminal act injures a resident. Courts evaluate prior incidents, neighborhood crime patterns, lighting adequacy, and the reliability of locks, gates, and surveillance systems. If a church-operated apartment building experiences repeated trespassing and an assault later occurs in a poorly lit parking area, a court may find the risk foreseeable and hold the church liable for not improving lighting or restricting access. Periodic lighting assessments, documented security maintenance, and written access protocols are critical.

B. Breach of Contract: Failure to Honor Tenant and Vendor Obligations

Contractual liability occurs when a church fails to meet obligations in residential leases or assumes unnecessary risk through inadequate vendor contracts. Unlike negligence, contract-based claims focus on the parties' agreed-upon duties and whether those duties were fulfilled.

Legalities of Habitational Risks for Ministries

Insurance Board, featuring Andrew Bunn JD, Board Chair, Hawaii Conference

Tenant Agreements and Implied Covenants

Residential leases, even when tied to clergy employment or ministry programs, carry both express and implied obligations, including the covenant of quiet enjoyment and the duty to maintain habitable premises. Breach of these duties may form an independent basis for liability.

For example, if a church commits under a housing agreement to maintain the premises in good condition but repeatedly fails to repair plumbing problems resulting in flooding, a resident may assert a breach-of-contract claim regardless of whether negligence can be proven. To reduce exposure, churches should adopt clear written agreements and ensure that maintenance practices align with promised standards.

Vendor Contracts and the Importance of Risk Transfer

Churches often rely on volunteers or informal arrangements for repairs, but failing to use written contracts with licensed, insured vendors exposes the church to contractor-caused losses. If faulty wiring installed by an unlicensed volunteer causes a fire, the lack of a contract, insurance verification, or indemnification provisions may leave the church fully liable. It is essential to have a good written contract ensuring that the party doing the work remains responsible and has adequate insurance.

C. Statutory Noncompliance: Violations of Habitability, Safety, and Housing Laws

Church-owned housing must comply with building codes, habitability laws, fair-housing statutes, and accessibility requirements.

Habitability Standards and Building Code Requirements

State and local laws require functioning utilities, safe electrical and plumbing systems, adequate heat, pest control, and mold-free environments. Building codes govern standards for construction and renovations, while landlord-tenant codes require ongoing maintenance of safe and habitable conditions. Violations can lead to governmental enforcement, rent abatement, statutory penalties, or findings of negligence per se.



If a recurring plumbing leak leads to hazardous mold growth and remediation is delayed, the church cannot use staffing or resources as a defense. Prompt responses, documented complaints, formal repair protocols, and regular inspections will significantly aid compliance.

Fair Housing Act (FHA) and Americans with Disabilities Act (ADA)

Most church housing falls under the Fair Housing Act and many provisions of the ADA. These laws prohibit discrimination, require reasonable accommodations, and mandate accessibility when applicable. A church that denies a tenant's request for an assistance animal without conducting the required interactive process or documenting the decision may face FHA penalties and enforcement actions. Churches should establish written fair-housing policies, train staff and volunteers, and maintain detailed records of accommodation requests and responses.

Summary

Habitational risk in church housing arises from negligence, breach of contract, and statutory violations. Managing these properties requires the same professionalism and legal awareness expected of any landlord. By maintaining safe premises, honoring contractual commitments, and ensuring compliance with habitability and fair-housing laws, churches protect residents, safeguard assets, and strengthen their long-term mission.



INSURANCE BOARD

Partners in Protection



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TIMOTHY S. HARRIS, CPCU

PRESIDENT AND CEO

Statistics reveal that there were 39 hurricanes making landfall in the mainland United States from 2006 through 2024. 30 (77%) of those have made mainland U.S. landfall just since 2015. From 2006 through 2015, there were no hurricanes making landfall in mainland Florida, yet there have been 9 since 2015 with 6 of the 9 being category 3 or higher. Whether or not you believe in climate change, the frequency, intensity, and impact of these weather events on the property insurance industry over the last several years cannot be ignored. Looking deeper into the data reveals that hurricane Melissa in 2025, while it did not impact the U.S. mainland, was only the 4th ever hurricane to intensify windspeeds 60 mph or greater over a 24-hour period, and, reportedly, the 3rd most intense Atlantic hurricane on record. 2025 was also only the second Atlantic hurricane season producing more than two Cat-5 hurricanes. I find such data to be remarkable, and compelling evidence of a warming environment.

For now, the property insurance marketplace seems to be moderating, aided by a relatively mild 2025 U.S. Atlantic hurricane season. But there are other stressors exerting themselves into the commercial insurance marketplace today coming from the liability side of the business. Notably, nuclear liability verdicts are on the rise, and, increasingly, ministries need to ensure that they are protecting themselves against the adverse financial consequences of liability losses.

This edition of *The Steward* focuses on habitational risks. Over the past several years as we have reached out to ministries to update our underwriting files, we have discovered instances of churches, or their affiliated ministries, engaged in habitational occupancies. In some cases, we have learned of these occupancies as a result of claims that were reported to us resulting in injury or damage. While it is certainly not uncommon for a church or ministry to own residences such as parsonages, rectories, or manses, etc., ministries must understand the liability issues that exist in a landlord-tenant relationship, the contractual elements required to manage that relationship, rights and obligations of tenants and landlords which often vary by state, and implications on the ministry's insurance coverage. Also, ministries should always alert their insurance carrier of their habitational occupancies, including temporary homeless shelters and low-income housing units, to validate the existence of the risk and to verify that such risk does not jeopardize a continuation of insurance coverage. Risks inherent in habitational occupancies are considerably different than that found in typical churches/ministries.

This is the last edition of *The Steward* in 2025, our 40th anniversary year. Thank you for your support, and the opportunity to serve you!