

Claims Lessons Learned From Non-Renewals

Insurance Board



Property insurance policies were never designed to cover damage associated with wear and tear or a lack of maintenance. Buildings that fall into disrepair increase the likelihood that a serious claim can occur. If the property also has an adverse claim history, the insurance company will often respond with a notice of non-renewal.

Unfortunately, participants who try to avoid the expense of routine maintenance can find themselves in this situation. Below are some claims examples of churches that were non-renewed because of the condition of the property and an adverse claim history.

One participant reported a vandalism claim involving damage to a parsonage on the church property. Upon arriving to inspect the damage, the adjuster found that the building was in severe disrepair. The interior of the building had long-term water damage including extensive mold damage to the kitchen. This was also the second vandalism claim in less than a year involving this property. Unfortunately, because of the poor condition of the building and the frequency of claims within a short period of time a non-renewal notice was sent to the participant. Had this participant kept the building properly maintained, their non-renewal could have been avoided.

Another participant reported several claims for interior water damage. The most recent was caused by frozen pipes during a cold snap. The adjuster's inspection revealed that no heat had been maintained in the building for several months, which was a violation of one of the conditions of the insurance policy and the claim was subsequently denied. Underwriting's review of the other water damage claims revealed that they were all caused by aging plumbing – something that could have easily been prevented through regular maintenance. As a result, this property was also selected for non-renewal.

In yet another example, the adjuster inspected the church for what appeared to be a claim for a leaky roof. The adjuster found multiple issues that were caused by long term neglect, which resulted in serious structural damage to the interior of the building. Had the church properly addressed these issues, the leaky roof and the resulting structural damage to the interior could have been prevented. The loss history for this church also revealed several other claims for water damage. Unfortunately, this along with the long-term structural issues resulted in this church being non-renewed.

Damages from neglect/lack of maintenance can signal that the church presents a high risk because of the claims that may result from the hazards associated with these damages. At Insurance Board, we encourage participants to make sure their properties are adequately maintained. We also encourage that participants avoid reporting claims that are either below their deductible or are for damage caused by wear and tear or lack of maintenance.

Foregoing necessary maintenance is never a good option. Keeping your church safe and insurable is always the better financial choice. Employing and utilizing best practices also helps us to honor our covenants to one another.