

## **Indiana Conference of The United Methodist Church Coverage Limits Recommendations**

During the 2016 General Conference in Portland, OR, Petition 60158, relating to adequate insurance coverage, was adopted. This Petition amends ¶ 2533.2 in *The Book of Discipline (2012)* and alters the responsibilities of a local church's board of trustees as it relates to their report to the charge conference. The current *Book of Discipline* does not provide for any standards to be made available to assist local church trustees in their annual review of insurance coverages. The paragraph now states:

“The board of trustees shall annually compare the existence and adequacy of the church's insurance coverages to an insurance schedule annually published by the General Council on Finance and Administration. The purpose of this review is to ensure that the church, its properties, and its personnel are properly protected against risks. The board shall include in its report to the charge conference (¶ 2550.7) the results of its review and recommendations needed to timely bring the church into compliance with the published schedule.”

Typical “a la carte” programs designed for businesses allow churches to pick and choose their coverage, which often leads to gaps in coverage. Churches need a package that covers all of the lines of coverage important to a ministry – i.e., sexual misconduct, employment practices, directors', officers' & trustees, employee benefits liability, and coverage for volunteers. This allows for focus on more important aspects of ministry.

This change provides guidance and empowerment to local church boards of trustees in ensuring that the assets of the denomination are protected by adequate insurance coverages. Within this document (Page 4) you will find current minimum insurance requirements from GCFA. These dedicated (non-shared) limits provide a starting point for churches as they are entrusted to be good stewards in protecting God's assets.

The INUMC Coverage Limits Recommendations (Page 5 through 9) meet or exceed the minimum insurance requirements set forth by GCFA. Helpful clarification, provided by Church Mutual Insurance, regarding Workers Compensation coverage and how limits apply to such coverage can be found below (Page 2 & 3).

## **Workers Compensation Coverage Overview**

- Workers' Compensation laws were enacted to prevent financial hardship for an injured employee due to medical costs and loss of income, resulting from a job related accident or illness.
- Benefits provided can include payment for medical treatment, employee loss of income, permanent physical impairment, and both medical and vocational rehabilitation for those cases involving severe disabilities.
- Workers' Compensation coverage is subject to statute and can vary from state to state and insurance is governed by various rating bureaus, including the National Council on Compensation Insurance (NCCI) and independent bureaus.
- Most accident or health insurance plans contain an exclusion denying recovery when workers' compensation benefits apply.
- A workers' compensation policy contains:
  - Part 1 - Workers Compensation Insurance
  - Part 2 - Employers Liability Insurance
  - Part 3 - Other States Insurance, along with any other endorsements.

## **Workers Compensation Coverage Application**

### **Part 1: Workers' Compensation**

- Workers' Compensation laws require that the employer assume the cost of work-related damages, regardless of who was at fault for the injury or disease.
- Coverage provides an exclusive remedy for employee injuries through cash benefits, medical benefits, and rehabilitation benefits.
- No exclusions exist under Part 1, however, restrictions and conditions exist within the policy form.
- Coverage territory is not defined under Part 1.
- There is no 'policy limit' of insurance for Part 1 coverage.

**\* Benefits are set by state statute and are not capped by any policy limit.**

## Part 2: Employers Liability Insurance

- Employers Liability (EL) Insurance is designed to protect the employer against compensable claims for occupational diseases or work-related injuries *not covered* under state compensation laws.

Example: In a third party over action suit, a pastor is injured by a chainsaw while grooming trees on the church property in which the church had not properly maintained the chainsaw. The pastor may receive benefits under the workers compensation program, but may also sue the manufacturer of the chainsaw for lack of adequate safety features. The manufacturer may then bring suit against the church for contributory negligence due to poor maintenance of the chainsaw. Employers liability insurance would cover the suit brought against the church by the manufacturer.

- A minimum premium and/or increased limit factor may apply for employers' liability coverage. This charge is in addition to the minimum premium for Workers Compensation.

State exceptions may exist in the Exception Rule to Minimum Premium Charge for Increased Employer Liability Limits of \$500,000/\$500,000/\$500,000 Only rule in the Miscellaneous Values Page of the Workers' Compensation Program Manual.

- This coverage is standard on all Church Mutual Insurance Company workers' compensation policies and the EL limits are located under Item 3.B. on the Policy Information (declarations) page.

Example: The standard limits of liability are as follows:

Bodily Injury by Accident	Bodily Injury by Disease	Bodily Injury by Disease
\$500,000 Each Accident	\$500,000 Each Employee	\$500,000 Policy Limit

- **Please note that your umbrella policy goes above you 500/500/500 employers liability limit whenever an Umbrella policy is overlying a Workers' Compensation policy.**

# United Methodist Church

## Minimum Insurance Requirements

The Book of Discipline requires local church trustees to annually review and report on the adequacy of local church property and liability insurance coverage “to ensure that the church, its properties, and its personnel are properly protected against risks.” Since 1797, the Book of Discipline has provided that the property and assets of local churches are held in trust for the benefit of the denomination. Inadequate insurance puts local church property and assets at risk, including the denomination’s trust interest therein. Therefore, in representing the denomination’s trust interest, the following minimum insurance requirements are adopted for local churches:

**COMMERCIAL PROPERTY & LIABILITY PACKAGE POLICY**, to include the following minimum limits:

### ***Property***

- Buildings, Pipe Organs & Contents - Insured to Replacement Value, “Special Risk” Coverage
- All Church buildings should have an updated replacement cost valuation every five (5) years.
- The replacement cost valuation must be updated within 180 days if additional square footage is added.

### ***Liability***

• Commercial General Liability	Occurrence	\$1,000,000	Aggregate	\$3,000,000
• Pastoral Counseling Liability	Occurrence	\$1,000,000	Aggregate	\$3,000,000
• Hired and Non Owned Auto Liability	Occurrence	\$1,000,000	Aggregate	\$3,000,000
• Employee Benefits Liability (EBL)	Occurrence	\$1,000,000	Aggregate	\$1,000,000
• Medical Payments		\$10,000		
• Sexual Misconduct Liability	Occurrence	\$1,000,000	Aggregate	\$2,000,000
• Crime / Employee Dishonesty	Occurrence	\$25,000		

**DIRECTORS’ & OFFICERS / EMPLOYMENT PRACTICES LIABILITY**, to include the following minimum limits:

- Directors’ & Officers / Employment Practices Liability      \$1,000,000 (including Sexual Harassment)

**UMBRELLA / EXCESS LIABILITY**, An Umbrella / Excess Liability policy is suggested for all churches and required for those with a membership of five-hundred (500) or more.

If applicable, this excess policy must extend over Commercial General Liability, Pastoral Counseling, Employee Benefits Liability, Owned Auto, Hired & Non-Owned Auto and Workers Compensation. A higher per occurrence limit may be appropriate based on specific risk characteristics such as church size and/or scope of operations and ministries.

**WORKERS’ COMPENSATION / EMPLOYERS LIABILITY INSURANCE**, as required by state law:

- |                             |               |             |
|-----------------------------|---------------|-------------|
| • Bodily Injury by Accident | Each Accident | \$1,000,000 |
| • Bodily Injury by Disease  | Policy Limit  | \$1,000,000 |
| • Bodily Injury by Disease  | Each Employee | \$1,000,000 |

**COMMERCIAL AUTOMOBILE LIABILITY**, applicable only if the church owns an automobile; to include the following minimum limits:

- Limit of Liability      \$1,000,000

## Indiana Conference of The United Methodist Church Coverage Limits Recommendations

### Property Coverage

- Property coverage may be purchased on a replacement cost or actual cash value basis. Do not allow your properties to be underinsured in the case of a catastrophic loss. Properly research the value of organs and stained glass.

- Coinsurance:**

Coinsurance requires a policyholder to carry insurance equal to a specified percentage of the value of property to receive full payment on a loss. The most common coinsurance percentages are 80%, 90% or 100%.

Example of adequate insurance: Property is valued at \$100,000 and the policyholder elects to insure at 80% coinsurance, which means the policy will be written with \$80,000 coverage on the property. In the event of a loss, the insured will collect full payment minus the deductible amount.

Example of inadequate insurance: Property is valued at \$100,000 and the policyholder elects to insure at 80% coinsurance. However, the policyholder elects to insure the property at \$70,000, which will not meet the coinsurance requirement value of 80,000. Any loss will be reduced by the percentage the amount of insurance carried bears to the amount of insurance required. In this case, \$80,000 was required, however, \$70,000 was carried. A loss will be reduced by the percentage that the \$70,000 value carried bears to \$80,000 value required ( $\$70,000/\$80,000 = 87.5\%$ ). Any loss will be multiplied by the factor of 87.5% minus the deductible amount because the coinsurance requirement was not met.

Coinsurance Options:

- 100% including blanket building and personal property coverage replacement cost
- 90% including blanket building and personal property coverage replacement cost
- 80% specific (no blanket) replacement cost
- 80% actual cash value (no blanket)

May not go below 80% coinsurance. It is recommended that property coverage be purchased on a blanket per location basis.

- The per occurrence property deductible must be \$1,000. The "Cause of Loss" coverage form should be "Special Perils," including all plate and stained glass.
- Flood coverage should be purchased where appropriate. (Program Limit - \$25,000)
- Earthquake/Earth Movement coverage should also be purchased in all earthquake zones – for no less than the insured value of all buildings and personal property.

### Property Coverage Continued

- Systems Equipment Breakdown coverage should be subject to the full property limit of the building in question, with a deductible of no less than \$1,000.

**\*SPECIAL NOTE CONCERNING VALUATION CHANGES:** Upon request to change values and/or valuation methods, the “Request for Change of Property Valuations” form must be completed, signed, and submitted to Church Mutual Insurance Company. Please contact your regional representative for assistance.

### Extensions of Coverage

The property extensions of coverage and additional coverage should apply to covered property and include:

<u>Coverage</u>	<u>Recommended Limit</u>	<u>Program Limit</u>
Newly Constructed Buildings (up to 180 days)	\$1,000,000	\$1,000,000
Newly Acquired Buildings (up to 180 days)	\$1,000,000	\$1,000,000
Personal Property of Others	\$10,000	\$10,000
Business Personal Property of Clergy	\$25,000	\$25,000
Valuable Papers and Records	\$10,000	\$10,000
Property Temporarily off Premises (up to 180 days)	\$25,000	\$25,000
Outdoor Trees, Plants, Shrubs, and Lawns	\$10,000	\$10,000
Limit Per Item	\$1,000	\$1,000
On-Premises Outdoor Structures	\$10,000	\$10,000
Fire Department Service Charges	\$25,000	\$25,000
Institutional Business Income and Extra Expense	\$100,000	\$100,000
Lock Repair or Replacement if Keys are Stolen in a Covered Theft Loss	\$10,000	\$10,000
Refrigerated Food Spoilage if Caused by an Off-Premises Power Failure	\$1,000	\$1,000
Arson Reward	\$10,000	\$10,000
Pollution Cleanup Due to a Covered Cause of Loss	\$10,000	\$10,000
Personal Tools & Equipment of Others (used in construction...)	\$5,000	\$5,000
Increased Cost Due to Enforcement of Building Ordinances	\$100,000	\$100,000
10% of value of dwellings for related structures, 5% for church-owned property in the dwelling, 10% for loss of dwelling rental value, and 10% for additional living expenses of occupants.	Same as indicated.	Same as indicated.
25% of the loss plus \$25,000, if necessary, for debris removal.	Same as indicated.	Same as indicated.
Your policy limit for covered property moved off-premises, for up to 30 days, to protect it from a covered loss.	Same as indicated.	Same as indicated.

## Commercial Liability Coverage

<b>Comprehensive General Liability</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Each Occurrence (Bodily Injury and Property Damage)	\$1,000,000	\$1,000,000
General Annual Aggregate (Except Products and Completed Operations)	\$3,000,000	\$3,000,000
Products and Completed Operations Annual Aggregate	\$1,000,000	\$1,000,000
Personal and Advertising Injury	\$1,000,000	\$1,000,000
Property Damage Legal Liability	\$300,000	\$300,000

\*\* General Liability Coverage should include coverage for allegations of corporal punishment, contractual liability, limited worldwide coverage, host liquor liability, owned and nonowned watercraft, day care operations, and mental anguish resulting from bodily injury.

<b>Medical Expenses</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Medical Expense, Per Person (Excess Medical Expense for Day Cares, Schools, Camps.)	\$10,000	\$10,000

\*\* Medical Expense coverage should include coverage for injuries resulting from athletic activities.

**Legal Defense** (This unique coverage is for defense costs incurred as a result of litigation not covered by other liability coverage forms or policies. Examples include suits (and administrative hearings) for contract disputes, discrimination, environmental issues, and title disputes over property ownership.) This is a coverage enhancement, not a limitation.

	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Each Claim	\$5,000	\$5,000
Annual Aggregate	\$15,000	\$15,000

<b>Hired and Nonowned Automobile Liability</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Each Occurrence (Bodily Injury and Property Damage)	\$1,000,000	\$1,000,000
Annual Aggregate	\$3,000,000	\$3,000,000
Medical Expense Each Person	\$10,000	\$10,000
Medical Expense Annual Aggregate	\$25,000	\$25,000

<b>Rental Automobile Contractual Liability</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Physical Damage Annual Aggregate	\$100,000	\$100,000
Physical Damage Per Occurrence Deductible	\$250	\$250

<b>Counseling Professional Liability</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Each Occurrence	\$1,000,000	\$1,000,000
Annual Aggregate	\$3,000,000	\$3,000,000

**Commercial Liability Coverage Continued**

<b>Sexual Misconduct or Molestation</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Each Claim	\$3,000,000	\$3,000,000
Annual Aggregate	\$3,000,000	\$3,000,000

*Please note that there are optional lower program limits available through Church Mutual. Other limits available are \$1,000,000 each claim/ \$1,000,000 annual aggregate and \$2,000,000 each claim/ \$2,000,000 annual aggregate.*

<b>Sexual Misconduct or Molestation Medical Expense</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Per Person	\$10,000	\$10,000
Annual Aggregate	\$50,000	\$50,000

<b>Employee Benefits Liability (If Applicable to Your Church)</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Each Occurrence	\$1,000,000	\$1,000,000
Annual Aggregate	\$3,000,000	\$3,000,000
Retention	\$1,000	\$1,000
Retro-Active Date	Establish as Needed	Establish as Needed

<b>Employment Practices Liability (Program = Master Policy)</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Annual Aggregate	\$1,000,000	\$1,000,000
Self Insured Retention	\$5,000	\$5,000
Retro-Active Date	Establish as Needed	August 29, 1998
(If your church currently has a retro-active date that is prior to the program retro-active date, your church should consider purchasing stand-alone coverage.)		

<b>Directors, Officers &amp; Trustees Liability (Program = Master Policy)</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Annual Aggregate	\$1,000,000	\$1,000,000
Self Insured Retention	\$5,000	\$5,000
Retro-Active Date	Establish as Needed	January 27, 1992
(If your church currently has a retro-active date that is prior to the program retro-active date, your church should consider purchasing stand-alone coverage.)		

**Commercial Crime Coverage**

<b>Theft of Money &amp; Securities</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Limits	\$25,000	\$25,000
Deductible	As Appropriate	\$1,000
<b>Employee/Volunteer Dishonesty – Blanket Bond</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Limits	\$100,000	\$100,000
Deductible	As Appropriate	No Deductible
<b>Depositor’s Forgery or Alteration</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Limits	\$50,000	\$50,000
Deductible	As Appropriate	No Deductible
<b>Computer Fraud</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Limits	\$50,000	\$50,000
Deductible	As Appropriate	No Deductible

**Umbrella Liability Coverage**

<b>Umbrella Liability</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Annual Aggregate	A minimum of \$1,000,000	\$10,000,000
Self Insured Retention	\$10,000	\$10,000

\*\* For Umbrella Liability, larger churches should consider buying higher limits.

### Workers' Compensation Coverage

<b>Employers Liability Limits</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Each Accident	\$500,000	\$500,000
Policy Limit	\$500,000	\$500,000
Each Employee	\$500,000	\$500,000

*Please note that the master Umbrella policy with Church Mutual that covers the participating churches within the Conference will only issue payment for claims that exceed the Employers Liability Limits of \$500,000. If your church participates in the program, but chooses to obtain Workers' Compensation coverage with another company for limits less than \$500,000, your church may be held responsible by a court of law for any damages awarded between the limit of insurance you purchase and where the master Umbrella policy begins to pay its share of any claims. For example, if you carry insurance of \$250,000 for the above mentioned limits and a claim results in damages of \$750,000, your church will be responsible for the damages between your limit of \$250,000 and the \$500,000 program limit. In other words, you will potentially be responsible for \$250,000 of uninsured damages.*

### Commercial Automobile Coverage

<b>Coverage / Limits</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Liability Combined Single Limit	\$1,000,000	\$1,000,000
Automobile Medical Payments	\$10,000	\$10,000
Uninsured Motorists	\$1,000,000	\$1,000,000
Underinsured Motorists	\$1,000,000	\$1,000,000

*Please note that the master Umbrella policy with Church Mutual that covers the participating churches within the Conference will only issue payment for claims that exceed the program limit of \$1,000,000. If your church participates in the program, but chooses to obtain Commercial Automobile coverage with another company for limits less than \$1,000,000, your church may be held responsible by a court of law for any damages awarded between the limit of insurance you purchase and where the master Umbrella policy begins to pay its share of any claims. For example, if you carry \$250,000 of liability coverage and an automobile claim against your church results in damages of \$1,250,000, your church will be responsible for the damages between your limit of \$250,000 and the \$1,000,000 program limit. In other words, you will potentially be responsible for \$750,000 of uninsured damages.*

<b>Physical Damage</b>	<b><u>Recommended Limit</u></b>	<b><u>Program Limit</u></b>
Comprehensive and Collision Deductibles	As Appropriate	As Appropriate

### **Travel Accident Insurance**

Please be aware that travel accident insurance is available through the Church Mutual Specialty Services. It offers foreign travel accident and sickness insurance, foreign commercial general liability insurance and 24/7 travel assistance.