


MANAGING

The New Church Risk

Risk Management and Insurance Coverage
For The Newly Planted Church

Presented by
National Church Group Insurance Agency, Inc.





Know the state of your flocks, and put your heart into caring for your herds,
for riches don't last forever, and the crown might not be passed to the next generation.

Proverbs 27:23-24

This booklet could be called the
*Ten Commandments of Insurance
and Risk Management for Church Planters.*

At first glance, you may think that this is way more information than you will ever want to know; however, these ten areas of exposure will become the foundation of risk management and insurance for years to come, as your church grows. If you have a concise understanding of these areas of risk, you will understand the insurance needs of your church, no matter the size.

Risks To Be Managed

- 4 Church Property
- 5 Premises & Operations Liability
- 6 Financial Liability
- 7 Cyber Liability
- 8 Employment Liability
- 9 Religious Freedom & Expression
- 10 Sexual Misconduct
- 11 Church Security
- 12 Auto Coverage
- 13 Workers' Compensation

CHURCH PROPERTY

POSSIBLE SCENARIO






It's 6 a.m. on Sunday morning. You get a phone call. The voice on the other end of the line is panic stricken. "Pastor, I went to pick up the church trailer. It's gone. Someone took it in the middle of the night." Not only is the trailer gone, but now \$80,000 of church equipment has disappeared with the trailer. After calling the police, your next call is to your insurance company. They don't call you back until 8:30 on Monday morning. After you explain what has happened, the customer service representative says, "You mean you had all of your equipment in that trailer?"

THE ISSUES

Most church plants start in rented space, and many church plants are in schools, theaters, or other public buildings where church equipment cannot be stored. In other words, the equipment is moved in and out of the meeting space each week and stored in a trailer, in a storage unit, or at someone's home. If the insurance policy is not written correctly, there will be insurance coverage for the equipment while it is located within the meeting space, but not while it is in a trailer, storage unit, or off-site. In addition, many church plants have at least one laptop computer being used for child check-in, worship presentation, or other ministry needs. Perhaps the pastor or someone else in the church takes that computer home during the week for other use or simply to keep it safe. What happens if that computer is stolen?

MANAGING THE RISKS

-  For church equipment that remains in the rented meeting space, you will need coverage for **Business Personal Property**.
-  For special equipment such as cameras, projectors, and computers, you will need a **Scheduled Equipment Floater** for protection.

-  For church equipment that is being hauled in a trailer or stored at a location other than the rented meeting space, you will need a coverage called a **Miscellaneous Equipment Floater**. This is for equipment that will float around to temporary locations.



POSSIBLE SCENARIO

Mrs. Jones falls while entering your rented auditorium and breaks her ankle.


Your lead guitar player's tube amp catches on fire and does \$25,000 of damage to your rented space.

Someone forgot the donuts, so you send Bill to the bagel shop. On the way, he runs into a lawyer...literally. While there is little damage to either car, the church is served lawsuit paperwork on Tuesday morning, claiming damages against the church.

THE ISSUES

When you plant a church, there are many areas that require your attention. Mrs. Jones, the guitar player's amp, and the lawyer are not going to be in that group of things you think about. In fact, the only time you will think about them is after there is a problem. While property insurance is all about what the church owns, liability insurance is all about what the church does, and that always involves others. While you cannot stop the accidents or the lawsuits, you want to proactively protect the church and leaders.

MANAGING THE RISKS

 Every church insurance policy needs to have the basic liability coverages to protect the church in the event of an accident that causes injury to others or damage to the property of others.

Here are the basic coverages that every church insurance policy should include:

Premises & Operations Liability
Non-Owned/Hired Auto Liability
Damage To Premises Rented To You Liability

Pastoral Counseling Liability
Medical Expense Protection

In addition, there are liability coverages that are unique to church ministry. The following pages deal with areas of concern for churches that must be addressed.

FINANCIAL LIABILITY



POSSIBLE SCENARIO


You finally have five people in your newly planted church who agree to serve as members of your financial Board of Directors. At your first board meeting, one astute businessperson asks to see a copy of your Directors & Officers Liability Insurance Policy. You get the same look on your face that you get when someone asks you where dinosaurs come from.


THE ISSUES

Is the businessperson trying to be difficult? Absolutely not! They know that, in addition to the church, each member of your Board of Directors could be personally sued if you...

- Fail to maintain adequate financial records
- Discriminate in membership standards
- Exceed the authority granted by your church's charter or bylaws
- Use budgeted or donated money in a manner different from its original intent
- Fail to preserve the church's tax-exempt status

MANAGING THE RISKS

 **Directors & Officers Liability Insurance** provides legal defense money and helps protect your board members' personal assets in the event of certain financial damages and lawsuits. Typically, the type of person you will want as a board member will not serve your church if you do not have this coverage. The personal risk is too great.

 Some states have legislation protecting nonprofit directors and officers from lawsuits. This does not mean that you do not need Directors & Officers Liability Insurance. It is possible that the state statute is too narrow to cover all of the exposures that directors and officers face.



POSSIBLE SCENARIO


You are so proud of your new website. It could be better, but it didn't cost a dime. Your brother-in-law owed you a favor, so he put the site together for you. The first thing you look for is your picture. Once you are ok with the picture, you look for the next most important feature...the GIVE tab. You are not a detail-oriented person, so you don't ask too many questions. But you tried out the GIVE tab and donated a dollar to your newly planted church. Now you're in business! Six months later it is discovered that 38.6% of your brand new congregation has had their financial records hacked...and guess how that happened!

THE ISSUES

Most churches today, large and small, utilize a website, social media pages, electronic fund transfers, and online data management systems. Here are just a few of the potential problems that can arise:

- Transmission of a computer virus through an email, causing significant data loss and/or corruption to organizations or individuals outside your church
- Unprotected financial information that is hacked during transfer
- The expenses that are incurred to identify and notify those who have been affected in order to comply with "breach notification laws"
- The expenses that are incurred to provide credit-monitoring services to the individuals whose personal information was compromised

MANAGING THE RISKS

 **Cyber Liability Insurance** is a relatively brand new coverage that protects churches from loss due to privacy breach or infringement of copyright, trademark, slogan, or service mark, plagiarism, and many other third-party exposures. Cyber liability exposure is a real-time risk for the church that makes use of the Internet.

EMPLOYMENT LIABILITY



POSSIBLE SCENARIO


Your brand new church plant grew much faster than you expected. Three months from your launch date you are already overwhelmed with the administrative work. You need help! So you download the ready-made employee handbook from your church planting organization's website. Then you interview and hire the first person who will accept the job at this pay grade. Four months later you hear the term "hire slow, fire fast" and it all starts to make sense. You figure that you blew through the "hire slow" part, so why make two mistakes? You are back to opening up your own mail now, when you notice the letter from the law firm.

THE ISSUES

Employment issues can be complicated, and in today's litigious society, churches are not exempt. Here are just a few of the challenges that can be encountered:

- You discover that the employee handbook you downloaded, while somewhat helpful, does not pass the muster of your state statutes.
- Your employee handbook is acceptable in your state, but you unknowingly violated your own policy.
- You face a false allegation by an employee, but you have nothing to back up your defense.

MANAGING THE RISKS

 **Employment Practices Liability Insurance** is a must-have insurance coverage for a church with an employee, even if that only employee is you. Today, lawsuits brought by employees are commonplace. It is more important than ever for churches to protect themselves from this exposure. Coverage should include claims related to your hiring process, job discrimination, wrongful termination, and sexual harassment, as well as the cost to defend for these types of claims.



POSSIBLE SCENARIO

As a church planter, you have a great desire to reach the unchurched and lost people of your community. In your first year of ministry, you have seen many lost people turn their life over to Jesus Christ. It is time to teach your first series on the family. Your first sermon in that series defines the Biblical picture of marriage. While your teaching is solid, the response is frightening. You and your church have been named in a lawsuit claiming emotional injury. You know you will probably win, but legal fees alone will cost six figures.

THE ISSUES

While no one wants to experience the scenario mentioned above, it is more likely to happen in our culture today than at any other time in history. The local church will always be the light in the darkness of secular culture. If and when your church experiences something of this nature, you want to know that your insurance policy will be there for you, and for the church you pastor. Here are some of the claims that fall into this category:

- Damages that a church has to pay to others due to religious communication, such as sermons and written communications
- Discriminatory acts, such as refusal to perform a wedding
- Refusal to loan your property out to a group of people, due to differences in religious beliefs resulting in legal action
- Reimbursement for legal defense resulting from belief-based decisions or actions

MANAGING THE RISKS



Religious Freedom Liability Insurance coverage is a must in today's society. Your church is taking a stand for God's Word, and at some point, that will generate cultural reaction. This coverage must be part of your insurance program.

SEXUAL ABUSE & MISCONDUCT LIABILITY



POSSIBLE SCENARIO


It has been hard enough to get someone to teach the preschoolers in your new church plant. Your church handbook includes the “rule of two” (adults) with children, at all times. That complicates your situation even more. To top off the issue, Johnny needs to go to the bathroom. So now the “rule of two” is broken, and your classroom teachers are dividing responsibility. Two months later, you get a call from Social Services about a possible child molestation incident in the bathroom.

THE ISSUES

Molestation and sexual misconduct claims are nothing new to insurance companies. Since 1990, insurance companies have been working to improve their insurance policies to deal with this exposure. Church insurance companies have also been working to educate church leaders in molestation prevention and protection, but even with the safeguards and education, the risk still exists. Here are some of the issues:

- Every church needs a written child/youth protection program in their handbook, and those guidelines need to be followed.
- False allegations are extremely damaging to the church and the individual involved. A simple “rule of two” could eliminate the risk.
- In the event of the occurrence of sexual misconduct or even the allegation of such, your church must have adequate insurance coverage, including coverage for legal defense.

MANAGING THE RISKS

 **Sexual Abuse & Misconduct Liability** coverage must be spelled out in your insurance policy. In addition, that coverage must include legal defense coverage. Your church should implement a child/youth protection program. This will allow your church to purchase higher limits of liability, and will also bring greater security to your church.



POSSIBLE SCENARIO


Matthew Murray was prepared for mass murder. He carried two pistols, a semiautomatic rifle, and 1,400 rounds of ammunition on the Sunday he attacked New Life Church in Colorado Springs, Colorado. More weapons and ammunition were stashed in his car. The 24-year-old gunned down people in the parking lot as he approached his target – the main building. Hearing shots in the children's hall, five people rushed toward the gunman. As Murray walked to the sanctuary, a female church security volunteer shot him. Then Murray took his own life, ending the shooting spree that killed two people and wounded three others.

THE ISSUES

Just a few years ago, one would only see church security guards at larger churches in the United States. But recent events have shown that churches of any size are vulnerable, including church plants. Ironically only 19% of large churches have security teams today. Here are some issues that should be considered:

- Even a small church can have a security team. It only takes one person to begin to provide needed security for a church.
- Great training is available for church security teams. Sometimes this training is very low cost or no cost to obtain.
- Issues that must be addressed while putting together a security team include arming the team and concealed carry permits in states that allow concealed carry.

MANAGING THE RISKS

 **Security Liability Insurance** coverage is available with some church insurance companies. Coverage includes personal coverage for members of your security team, including emotional distress and other injury as a result of enforcing your security policies.

AUTO INSURANCE COVERAGE



POSSIBLE SCENARIO

You have just started your new church. You purchased the best equipment available from Church-In-A-Trailer Company. Your volunteer, John, hooks the 10,000-pound trailer to his mini-van. Because of the weight of the trailer, the van begins to roll downhill...with no driver in the van. The van hits a telephone pole, the trailer flips over, and your new gear is now out in the street. There is personal insurance on John's van, insurance on the church property that was in the van (if you purchased that coverage), but what about the trailer?

THE ISSUES

When you think of auto insurance for your church, your response may be, "We are a brand new church. We do not own a van or truck. We don't have an auto." But you forgot one thing...you purchased a trailer. Your church trailer is considered a vehicle.

MANAGING THE RISKS

 **Auto Insurance** coverage must be purchased to insure your new church equipment trailer.

WORKERS' COMPENSATION COVERAGE



POSSIBLE SCENARIO

You are the only person employed by your new church. You are on your way to a hospital appointment to visit a new parishioner. As you walk into the hospital, you slip and fall, and your injury requires surgery. Your health insurance company asks, "Was this a work-related injury?"

MANAGING THE RISKS

Each state has different requirements concerning Workers' Compensation insurance. You must become familiar with the requirements of your particular state. **Workers' Compensation** coverage is required in most states to cover work-related injury.

MISCELLANEOUS INSURANCE INFORMATION

CERTIFICATE OF INSURANCE

If you are using rented facilities for your church plant, the owner of the building will most likely ask you to provide a **Certificate Of Insurance**. This is simply an official document your insurance agent should be able to provide that shows you have insurance to cover their property in the event that you cause damage to the property. You will need the name and address of the building owner. Your insurance agent will then issue the certificate showing the building owner as “Certificate Holder”. There should be no charge for the certificate.

INSURANCE BINDER

Once you make the decision to purchase your church insurance policy, your insurance agent can issue an Insurance Binder. This will serve as proof of insurance until your actual insurance policy is issued. The **Insurance Binder** is a legally binding contract of insurance.

INSURANCE PREMIUM PAYMENT

To avoid having to pay an annual premium up front, most insurance companies will allow you to pay your premium quarterly.


ABOUT NATIONAL CHURCH GROUP INSURANCE AGENCY



National Church Group was founded in 1984 to serve the insurance needs of churches and church related ministries. Today, National Church Group insures thousands of churches and ministries throughout the United States. Greg Wigfield, founder and president of National Church Group, is also a church planter. He and his wife, Pam, planted Destiny Church in Leesburg, Virginia, where Greg serves as Lead Pastor. Greg is a partner with The Association of Related Churches and a member of Liberty Church Network. Greg's family has been involved in planting churches for three generations.

National Church Group insures churches of every size. As a company, NCG donates thousands of dollars per year to church planting outreaches. In addition to churches, NCG insures camps, schools, non-profit ministries, and senior living centers.

For an insurance quote or for access to our extensive risk management library, please call us. We would love to help you as you take on one of the most exciting and rewarding endeavors of all time – planting a church!



FOR A **QUOTE** ON YOUR CHURCH INSURANCE,
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1-800-456-6624, OPTION 4.

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