

# Chapter 8

## Risk Management

Risk management is recognizing that insurance only can do so much and go so far in protecting the church. In reality, insurance is mostly about financial loss, while risk management is about financial, emotional, and physical loss. Risk management for the church is about making sure that children are as safe and secure as reasonably possible. It is about making sure individuals are not injured, harmed or even killed because of a hazard in the church or on the church property that has not been identified and taken care of in a timely manner. It is about making sure that the property is not needlessly destroyed because someone did not take the time to inspect the church for hazards or because the church was unwilling to spend the needed amount of maintenance dollars. It is about making sure your employees know that you care enough about them to protect them, if at all possible, from injury or that the church will address an injury quickly if it does occur.

Basically, there are three ways to manage the everyday risks inherent in the life of every church. The first, and probably most important, is to minimize risks whenever and wherever possible. This would entail a thorough safety audit of the church's property, people, policies, and procedures to identify where corrections should be made to minimize potential risks. Minimizing risks is a process of observing, imagining, and acting. Observe the things around the church or the personnel policies that are in place; imagine what could happen; and then take steps to reduce the potential loss. This may include investing in safety equipment such as alarms, locks, or even surveillance cameras. It may include training employees to know what to do in an emergency or accident. It may mean helping employees understand the need to take appropriate steps to reasonably protect the assets God has provided to the church.

The second way is to transfer those risks to others by placing the responsibility on them. This may include contract provisions with vendors or contractors that make them responsible, but more commonly it takes the form of a waiver of release for activities that the church may be sponsoring.

The final way is by procuring insurance coverage for potential losses and liabilities with the goal of protecting the church from a major financial loss.

## Insurance

A good insurance program is a central part of the church's overall stewardship responsibility. If the church has unforeseen losses or expenses, insurance can:

- Prevent severe financial hardship for the church and its staff.
- Provide resources to help resume normal activities.
- Compensate those who may be harmed in an accident involving church property or personnel.

Insurance does not ignore or replace God's provision. It is merely a prudent financial safeguard for God's people and property.

This chapter will discuss various types of insurance coverage available to the church. Each type should be considered in putting together the church's insurance program. The two general categories we will consider are:

- Personal insurance (for pastors and staff)
- Property and casualty insurance

## **Personal Insurance**

Today, a variety of personal insurance products are available. Consider the following factors to determine the types and amounts of coverage that the church will provide for the pastor and staff:

- Marital status and family size
- Base salary and other parts of their compensation
- Availability of other resources to provide funds that insurance will not cover
- Financial ability of the church

Give careful consideration to the types of coverage the pastor and staff will need when you develop their salary and benefits package (see further discussion of this topic in Chapter 6, Payroll and Pastoral Remuneration).

The list below highlights the coverage that you should consider.

### **Medical Insurance**

With the high cost of health care in America, this coverage is extremely important. Even routine medical procedures can cost thousands of dollars. Extensive or unusual procedures cost tens or even hundreds of thousands of dollars. Unfortunately, there is little relief in sight for this upward trend in medical costs.

Many different levels of coverage are available at varying prices. A group plan may be available to you through the C&MA National Office or your specific district. Otherwise, you may consider purchasing coverage through a local insurance agent. We strongly encourage you to consider medical coverage for the pastor and staff. You also may want to consider dental coverage. This is often available with medical coverage for an additional cost.

### **Life Insurance**

As with medical insurance, life insurance products abound in the market place with a mind-boggling array of features. The important considerations are to:

- Provide some coverage
- Clearly understand the goal of the coverage

For example, is it your intent to provide *income replacement* for the family of the deceased? Or is it merely to provide funds to cover funeral costs?

In making your choice, select a reliable agent or broker who will become fully aware of your objectives. Be sure they will meet those objectives at the lowest cost for the coverage desired. It is easy to let someone talk you into buying coverage that is not needed. It is also easy to underestimate the cost of providing for a family or spouse.

One further note: some medical plans also offer a life insurance feature. Usually the life insurance is offered at a very minimal additional cost or as part of the medical insurance plan as is the case with the C&MA national plan. This could be a viable option for the church staff, especially if your goal is to provide only a minimum amount of life insurance.

If you are interested in the C&MA national plan, please contact the Employee Benefits people at the National Office.

### **Disability Insurance**

Some benefits are available to the pastor in the event of a disability through the Social Security system. This is available unless the pastor has elected not to participate in Social Security (through filing an official waiver notice with the IRS). However, the restrictions on the payment of Social Security benefits are severe. Also, disability is a greater likelihood than death for many years. This makes consideration of a disability insurance policy an important matter. Some states may require the church to provide disability insurance.

Once again, the features of the programs vary and care should be exercised in selecting a program. A local insurance agent or broker can advise you on the many options available. Note that the policies fall into two general categories:

- Short-term, which provides income up to 26 weeks
- Long-term, which can provide benefits for life

The church may be able to provide support to the pastor or staff on a short-term basis. Providing long-term disability income payments, however, is usually not possible. Therefore, long-term disability insurance is the more important consideration. (Note: The C&MA national plan has a long term disability feature.)

### **Workers' Compensation Insurance**

This type of insurance covers all work-related injuries or diseases for the pastor and church staff. It provides income replacement, medical costs, and financial compensation for certain injuries. It also may cover volunteer workers at the church and foreign travel.

Some states require certain levels of coverage. Discuss the need for this insurance and the proper amounts of coverage with a local insurance agent or broker. The state's workers' compensation fund may also offer coverage, sometimes at a significant savings.

## Unemployment Insurance

Some states may require unemployment insurance. As with some of the other types of insurance described above, you should find out what is required by the laws in your state.

## Property and Casualty Insurance

Property and casualty insurance can be a very complex area. This is because of:

- The wide variety of coverage available
- The variations and subtleties involved

It may also seem to be a painfully dry subject! However, it is a very important part of the church's financial plans.

In this section, we will try to give a brief overview of this subject. We will also list some factors you should consider in the development of the church's insurance program.

### General

Obviously, your intent should always be to do everything in a manner that is above reproach. This includes being careful to protect the church's assets, and being safety conscious. No matter how careful you are, though, accidents will happen, for which others may try to hold the church responsible. This could be something hilarious, such as a pig bite at the annual greased-pig-catching contest (this really happened). Or it could be a serious lawsuit for alleged mishandling of a counseling situation. Even if the church's representatives are innocent, the costs can be significant. They can include paying restitution, defending a lawsuit or replacing property. Churches are not immune from lawsuits and are subject to civil law.

Insurance can be purchased, at a price, for just about any eventuality. Therefore, it is important to identify the types of insurance coverage that make the most sense for the church. The key is to find a balance between too little and too much coverage. It is helpful to have a knowledgeable, professional advisor assist you in making decisions about the appropriate insurance package for the church.

### Types of Coverage

Coverage	Description
Automobile Liability	Covers bodily injury, death, and property damage as a result of operating a vehicle.
Automobile Physical Damage	Covers damage to the vehicle.
Boiler and Machinery	Covers all pressure, electrical, and mechanical equipment damage resulting from an accident.
Crime	Insures against loss from theft, safe burglary, robbery, dishonest acts of employees, and forgery.

General Liability	Covers third party bodily or personal injury, death, property damage, and related costs.
Property	Includes all risks of damage to real or personal property. It may insure property damage from fire, sprinkler leakage, windstorm, explosion, vandalism, and collapse. This includes buildings and their contents.

Each of these types of coverage can have different exclusions, additions, and deductibles. Consider carefully the church's resources and unique situation.

In addition to the basic coverage, there are special types of insurance that you may need to consider. These can include:

- Pastoral counseling (some pastors carry this kind of coverage on their own)
- Coverage for special events (i.e. picnics, sports, camping)
- School or day-care facilities
- Protection for church's governance authority and trustees (directors and officers liability insurance)
- Employee practices (i.e. wrongful dismissal, harassment, discrimination)
- Inappropriate contact (i.e. with children or the opposite sex)

Some districts already have church insurance programs. If you are interested, please contact the district office.

### **Claims**

No matter how minor, report all accidents promptly to your insurance carrier. Send any notice of legal action against your church or staff by registered mail to your insurance carrier. Include a request for a returned acknowledgement.

### **Conclusion**

As stated earlier, risk management is a critical part of church stewardship and insurance is a prudent, valuable component of any church's financial program. You cannot avoid all accidents, but you can prevent many problems. It requires you to combine an awareness of situations that have risk and that could result in an insurance claim with good old common sense (which is not all that common!). No list of considerations can be all-inclusive. Here are some examples of items that you should consider:

- Maintain adequate security for the church's property.
- Screen people in particular areas of service, such as the church bus driver, children's and youth leaders.
- Maintain good internal controls (see Chapter 2).
- Get proof of adequate insurance (certificate of insurance) from those performing work for the church, such as contractors or service providers.

- Ensure careful planning and supervision for special events (for example, youth events, church picnics, fairs, etc.).
- Keep property in good condition.
- Clearly identify exits from your facilities.
- Keep an adequate number of operating fire extinguishers on hand.
- Maintain a current inventory of property and its value.

Most insurance agents or brokers will help you identify risks, and the types of insurance that are right for the church. As with any product, shop around for the best price, service, and coverage.