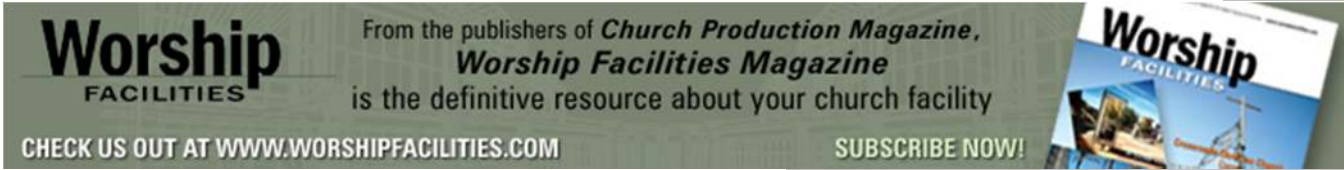


Minimizing Risk and Maximizing Coverage in Today's Environment

Advice for growing churches about the changing insurance industry

By Mike Devereux, May 19, 2011

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Worship FACILITIES From the publishers of *Church Production Magazine*, *Worship Facilities Magazine* is the definitive resource about your church facility

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As published in *Worship Facilities*, May/June 2011

The world is constantly changing, and from unpredictable natural disasters to technological innovations, recent events and advances are affecting the economy and business, including the way churches manage insurance coverage. Here are three timely tips to help minimize your risk and maximize your coverage in the current environment.

1. Lock into Three-Year Guaranteed Rates

When the time comes to insure your church, seek out agents and carriers who offer three-year guaranteed rates. This recommendation is especially timely because recent natural disasters, such as the earthquake in Japan, will play a role in insurance rate increases.

Insurance carriers determine potential losses based on “modeling,” which predicts damage that could be caused by natural disasters. While Florida has always been a primary focus of these loss models, recent weather patterns have landed hurricanes along other Gulf Coast states and up the Eastern Seaboard, and further inland.

Modeling also takes into account global activity. In the past year alone, Mother Nature has wrought earthquakes in Japan and Chile, volcano eruptions in Iceland and other major disasters around the world.

These recent occurrences are going to contribute to an increase in insurance pricing over the next couple of years. So if you can lock into a three-year guaranteed rate when insuring, do it.

2. Investigate Insurance Implications Before Starting New Construction

Before you begin new construction of a church facility, it's advisable to work with an agent, a carrier and your contractor to determine how the type of construction will impact your insurance coverage.

For example, you may have plans to build a remarkable-looking new building that uses some of the most cutting-edge architectural styles and materials around. But, before it's

too late to change building plans, make sure your carrier has approved insurance coverage for the new structure. Insurance companies may not be willing to cover buildings using architectural styles or materials that are unlikely to weather storms and strong wind without significant damage, for instance.

When tempted to make planning decisions solely based on keeping construction costs down, consider potential insurance rate increases that may occur as a result. For example, constructing an all-metal or steel building versus masonry block with steel girders and metal roofing, or foregoing a fire sprinkler system, may save money in the short-run. However, these factors alone will cause higher wind and fire rates, and will create increased premiums that will offset any construction savings.

3. Be Protected in Cyberspace

In the age of digital media and the World Wide Web, it's important to protect your church from liabilities and risk posed by the Internet and electronic information systems.

Network security/privacy coverage is available to organizations that individuals entrust with personal or private information of any kind, including credit card and Social Security numbers. There are federal and state laws that specifically address the actions required if a data breach occurs, and complying with these laws can be extremely costly.

How could this affect a church? If your organization accepts donations on its website and a hacker cracks into your system and extracts credit card information, or an employee e-mails a member's Social Security number to an outsider, or a computer storing personal data is stolen, the church could be held responsible for the breach.

Traditional insurance does not cover this kind of liability because personal information is not tangible property. However, network security/privacy coverage covers expenses associated with complying with data breach notification laws, securing legal counsel, credit monitoring to victims, hiring forensic experts to investigate the breach, and paying for regulatory defense and penalties from the privacy laws violation. Make a point to ask about this kind of coverage for your organization.

In a similar vein, social networking forums, such as chat rooms and bulletin boards, pose risks involving defamation and slander. Personal injury coverage, which may help with costs associated with a defamation suit, excludes defamation through electronic communications – i.e., chat rooms and bulletin boards. If your church has a presence on Facebook, MySpace or any other online forum, consider seeking coverage protecting your organization from cyber liability.

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