



United Methodist Insurance Company

Quad Training

February, 2025

Houston, Texas



UMIP

Plan. Protect. Restore.

Agenda



“The one who guards the fig tree will eat its fruit, and whoever protects their master will be honored.”

Proverbs 27:18

- What is UMIP?
- Is the Market Really That Bad?
- How to Shop For Insurance
- 2 ■ Some Risk Management Fundamentals

What is UMIP?



- GCFA is required to make insurance available (§ 807.19)
- The United Methodist Insurance Program fulfills that obligation
- It is available everywhere there is not a conference-wide program
- Serves all ministries of the church through Sovereign Insurance Group

What is UMIP?

- Sovereign has served churches and nonprofits for over 60 years
- They have used nearly 40 carriers to place coverage for us
- They have a 97% customer retention rate
- Over 60% of new UMIP insureds in 2024 were nonrenewed by carriers

Is the Market Really That Bad?

- Spoiler alert (sort of): Yes, it is
- How did we get here?
 - Lack of carrier profitability
 - Industry-wide catastrophic property claims
 - Churches are not an ideal market for insurers
 - Class of business
 - Deferred maintenance
 - Property claims

Carrier Profitability

- Carrier pricing wasn't keeping pace with costs
- Carriers have issues with AM Best outlook and ratings
- Results
 - Underwriting losses reduce surplus – reduces capacity
 - Getting to profitability > premium growth
 - Increased prices and changing terms and conditions
 - Shedding risks where there are exposure concerns

Property Cost Drivers

- Inflation
- Shifting population and increased values in high-risk areas
- Increased storm and wildfire activity
- Severe winter storms over the past five years – frozen pipe claims
- 67% of global insured loss recorded in the US (75% in 2022)
- 2023 – record number of billion dollar losses (28)

Results

Renewal Pricing Trends - Property Renewals, Rolling Quarterly



Liability Cost Drivers

- Social inflation
 - Fears of misconduct claims
 - Hard to split out liability when property isn't covered (small premium)
 - Litigation cost increases *
 - Research Nester – litigation funding may exceed \$50B by 2036
 - Attorneys are using the web to “hijack” claims and file suit against carriers
- [* The Verdict Is In: Third-Party Litigation Funding Contributes to High Home Insurance Rates \(bankrate.com\)](#)

Results



- The same profitability issues affect this line to a lesser extent
- General inflation and medical inflation create upward pressure on rates
- “Nuclear” verdicts (\$10,000,000+) reached a 15-year high in 2023*
- 27 “Thermonuclear” verdicts exceeded \$100,000,000*

Buying Advice - Preparation

- Accept that this is the market and adjust accordingly
- Don't let your coverage lapse - reinstatement is no longer a sure thing
- Appreciate renewal offers
- Be proactive

Buying Advice – The Agent



- Proverbs 15:22 “Plans fail for the lack of counsel, but with many advisers they succeed.”
- Find an agent with experience with church insurance
- Get references – positive references
- Do they know the GCFA recommended coverages
- 12 ■ Make sure they have access to many carriers

Buying Advice – The Carrier

- Do they offer coverage designed for churches?
 - Sexual misconduct
 - Pastoral counseling liability
 - Specialty property (stained glass, etc.)
- AM Best rating
 - Look for an “A” rate carrier
 - May be required by your mortgage lender

Buying Advice – Application



- Start early 90 to 120 days
- Copies of your current policy
- Age and type of roof
- Age of your building and construction type

Buying Advice – Application

- Building systems updates – roof, electrical, plumbing, HVAC etc.
- Three to five years of loss history
- Describe losses of \$10,000 and over and steps taken to prevent reoccurrence
- Be transparent – a good agent wants their client to tell them everything needed to know how to place their coverage

Book of Discipline

■ ¶ 807.19 GCFA is mandated to provide an insurance program

■ ¶ 258.17 Treasurers must be bonded

■ ¶ 2533.2 Trustees must:

■ Compare the coverage to GCFA's coverage recommendations

■ Report the coverage and remedial action to the Charge Conference

■ Forms are on the GCFA website

■ ¶ 2550 Trustees' report:

■ Coverage on each parcel of real estate

■ Any co-insurance restrictions or other conditions and if coverage is adequate

Why Coverage Standards?

- Research showed that churches were not carrying adequate coverage

- Survey

 - 40% - no workers compensation

 - 70% - no sexual misconduct

 - 90% with Sexual Misconduct Liability <\$500k limits

 - 60% - no directors and officers

 - 50% - no employment practices liability

- Proper stewardship of ministry assets and to take care of people

Proper Coverage

- GCFA has recommended coverage minimums
- In a “normal” market reaching the minimums was easier
- Some churches have been forced to make choices
 - ACV vs. replacement (explore other options)
 - Not carrying coverage
- Get as close to the recommendations as possible
- Do not skimp on liability coverages – puts you and the AC at risk

Property Basics

- Property risks generate the greatest number and amount of loss
- Total Insured Value is key – keep updated
- Remember it's the cost of construction – not the market value
- Valuation methods
 - Replacement – preferred but not always available or desirable
 - Actual Cash Value – net of accumulated depreciation
 - Functional Replacement Value – more on that

Functional Replacement Value

- When you would not rebuild to the prior size, quality, etc.
- Terms vary by carrier
- Should be approved by the Annual Conference – Trust Clause
- You should have a plan and cost estimate in place before doing it
- Understand the terms and conditions in detail
- Make sure you know what happens with partial losses

Other Value Issues

Blanket Values

- Maximum total value for all covered facilities
- May include some specific location limits

Margin Clause

- The most an insured can collect at a given location
- A specified percentage reported values at a locations (110% to 125%)

Escalation Clause

- Increases values by a specified percentage every year

Co-Insurance

- Must insure to an agreed to percentage of value (usually 80%)
- Ensures that you will receive full value on a partial loss
- You only receive the insured value on a full loss
- Keep up with the replacement cost of your building
 - Cost to rebuild (vs. market value) assessed every 3 to 5 years
 - Especially in today's environment

Maintenance and Budgeting

- Keep your roof in shape – reduces risk of uncovered loss and arguments
- Maintain key systems to reduce the possibility of loss
- Keep all vents free of dust and grease
- Keep trees limbs away from the roof line

Maintenance and Budgeting

- Keep areas around windows and doors free of bushes
- Repair vandalism and damage from break-ins as soon as possible
- Budget to replace building systems
- If you cannot afford to insure and maintain your building:
 - Consider sharing space with other organizations
 - Selling or merging
 - Finding other sources of revenue (GCFA partners)

Key Coverages

■ General Liability

- Key coverage for indemnification and legal expenses
- Med-Pay is a key provision

■ Sexual Misconduct

- Often not covered by standard policies
- Defense costs add up quickly
- Usually claims-made – “tail” coverage is available

Key Coverages



■ Pastoral Counseling

- Often not covered in standard policies

- Does not need to be a paid session – even a casual chat

■ Workers Compensation

- Never overlook this coverage for employees and volunteers

- Inexpensive first-dollar care for injuries and wage relief

- Shield from most lawsuits for work-related injuries

Key Coverages

■ Employers Liability

- Usually automatically included with workers compensation
- In monopolistic states may be purchased separately
- Work-related injury or illness claims not covered by WC

■ Employment Practices

- Hiring, supervising, promoting, or terminating employees
- Discrimination, wrongful term., failure to promote, retaliation, etc.
- Covers employees and volunteers – claims made

Key Coverages

■ Umbrella

- Suggested for all churches with > 500 members
- \$1M suggested – may need more depending on exposure
- Sits over your coverages (except property)

■ Directors and Officers

- Defense cost and damages for directors and officers
- Covers negligent acts, errors, omissions, or breach of duty
- Covers current and past directors and officers

Other Coverages

■ Fiduciary Liability

- Breach of duty to manage, conserve, or dispose of assets
- Relates to employee benefit and pension plans

■ Employee Benefits

- Particularly if you manage benefit and pension plans
- Covers other benefits – unemployment, maternity, social security, vacation, and workers compensation

Other Coverages

Commercial Auto

- Liability, med-pay, and third-party property
- Comprehensive and Collision for your own vehicles

Hired and Non-Owned Auto

- Someone uses a non-owned vehicle for church business
- Secondary physical damage, bodily injury, legal expense, and medical expense for third parties
- Available through general liability or automobile liability

Other Coverages

Travel

- Overseas and domestic
- Variety of covered losses and benefits

Event Cancellation

- Weather, strikes, fires, civil commotion, non-appearance of speaker
- May cover venue damage, emergency travel, penalties, personal property, door receipts, PR expense, civil authority confiscation or requisition of the venue, and terrorism

Common Mistakes

- Off-the-shelf product
- Inadequate limits or missing coverages
- Insufficient values or selecting the wrong method
- Not carrying workers compensation
- Missing coverage for volunteers or property used off premises
- Not shopping coverage too often or not often enough
- Not reporting changes in exposure for new or removed exposures

Basic Loss Prevention

- Misconduct – screen; train and retrain; keep records; apply policies firmly, fairly, and consistently
- Property
 - Maintenance and housekeeping are key
 - Keep drains and sumps clean and clear – power backup for pumps
 - Keep trees and limbs clear of building
 - Remove snow and ice from roofs and melt ice dams
 - Ensure proper drainage around buildings

Basic Loss Prevention

Fires

- Don't use candles – if you do, don't leave them unattended
- Update and maintain electrical systems
- Keep all exhaust vents clean
- Keep smoke detectors, sprinkles, alarms, and extinguishers working

Leaks and overflows

- Wrap or heat pipes
- Use leak detection systems – some come with automatic shutoffs
- Shut-off water if the building is unoccupied for long periods

Basic Loss Prevention

Burglary and Vandalism

- Motion sensors, dusk-to-dawn lighting, video systems
- Keep windows and doors clear of landscaping
- Keep expensive items out of view
- Clean up damage and vandalism ASAP and file a police report

Slips and Falls – leading source of GL claims

- Keep all indoor and outdoor paths clear, dry, smooth, and well-lit
- Fix noted issues immediately
- Secure cords, mats, and loose flooring
- Use med-pay coverage and report all incidents to your carrier

Basic Loss Prevention

Cyber

- People are the weak link
- Always verify the sender and contact in all communication
- Speak directly with the person believed to be making the request
- Dial a known number
- Use dual-factor authentication
- Have strong passwords (8 or more characters – letters, numbers, symbols)
- Privacy liability – remember, paper records are vulnerable and subject to the same penalties and reporting requirements

When Bad Things Happen

- Know what to do beforehand:
 - Take action to prevent further loss or injury
 - Deal with injuries and health-related incidents
 - Appropriate first aid kits and AED in proper, known, visible locations
 - Contact emergency services for immediate medical attention
 - Contact information and reporting requirements
 - What to say and not say
 - Keep required forms and documents readily available (e.g. insurance information in cars)
 - Have a worship and ministry continuation plan

When Bad Things Happen



■ After:

- Report the claim to your agent and carrier ASAP
- Follow their instructions
- Get as much information and names of witnesses as possible
- Provide details of the property lost or damages
- Document the reporting
- Workers compensation – stay in touch with injured worker
- The best way to handle a cyber loss is to have good coverage and take advantage of carrier technical, reporting, and legal resources (Make sure the FBI knows)

Education and Communication

- Articles and handbooks in UM newsletters/Website – insurance, loss prevention, updates
- Webinars
 - UMIP library of past webinars
 - Custom webinars on request
- Monthly *Church Protection Connection* newsletter
- Monthly Conference Treasurer Newsletter
- Available to provide information, webinars, and articles on request
- Coverage reviews and no-obligation insurance proposals

Questions



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[REQUEST A QUOTE FORM | United Methodist Insurance Program \(uminsure.org\)](#)

[Subscribe to the *Church Protection Connection* \(uminsure.org\)](#)

Resources from GCFA/UMIP

- [Proper Insurance Coverage Standards \(gcfa.org\)](https://www.gcfa.org)
- [UMIP Buying Guide | UMIinsure](https://www.uminsure.org)
- [Discipleship Ministries | Moving Toward a Safer Church \(umcdiscipleship.org\)](https://www.umcdiscipleship.org)
- [Insurance and Risk Management Section of Legal Handbook \(gcfa.org\)](https://www.gcfa.org)
- [Insurance Considerations for Leasing and Renting Church or Ministry Property \(uminsure.org\)](https://www.uminsure.org)
- [Annual Trustee Report \(gcfa.org\)](https://www.gcfa.org)
- [GCFA Insurance Worksheet \(gcfa.org\)](https://www.gcfa.org)
- [Internet Crime Complaint Center \(IC3 run by the FBI\)](https://www.ic3.gov)