

INSURANCE SECTION

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Insurance and Risk Management

Then the Lord said to Noah, “Go into the ark, you and all your household Take with you seven pairs of all clean animals, the male and its mate For in seven days I will send rain on the earth for forty days and forty nights; and every living thing that I have made I will blot out from the face of the ground. . . .” Only Noah was left, and those that were with him in the ark. . . . Then God said to Noah, “Go out of the ark Bring out with you every living thing that is with you of all flesh so that they may abound on the earth, and be fruitful and multiply on the earth.

Genesis 7: 1-24; Genesis 8:15-17

Introduction

Risk in the context of risk management is uncertainty about a future event that can threaten an organization’s ability to carry on with its work and fulfill its mission. Risk management, then, is the affirmative action that an organization takes to: 1) minimize the risk of a harmful event occurring and, 2) minimize the damage done when a harmful event does occur. Managing risk is everyone’s responsibility in the community known as a church, from the senior pastor to the occasional volunteer.

Churches are so focused on their vision and mission that risk management is easy to neglect. In today’s world, however, **every** church needs to make risk management an integral part of its culture, for several important reasons:

- Risk management helps to prevent staff, church members, visitors and the general public from harm
- Risk management helps to reduce the number of claims and lawsuits filed against churches (experts tell us that one in fifty churches is sued every year)
- Risk management helps to prevent negative publicity that can lead to a crisis that erodes the confidence and trust of members and the general public about the church
- Risk management helps to preserve the financial viability of the church

Many organizations naively believe that purchasing insurance coverage is all it takes to address risk management. While the purchase of insurance certainly is a crucial aspect of risk management, it is only one aspect.

It is important to mention that risk cannot be eliminated. Accidents do happen, and all persons in our society today need to accept more personal responsibility and model for the world an acceptance of the plain fact that bad things do happen to good people from time to time, without

searching for someone to blame. That said, risk management will reduce the risk of many needless accidents and provide some protection for churches when bad things do happen.

This section of the Legal Manual will address the various aspects of risk management, from the purchase of insurance to the handling of a crisis after an accident has occurred. The GCFA legal department is grateful for the materials that have been provided by the GCFA risk management department for portions of this section.

Conflict

Conflict is a part of the life of every religious organization. Each of us has our own examples: the controversy over the new pipe organ, choir robes or hymnals; the disappointed donor who feels that his/her large donation isn't being used for its intended purposes; the board member who voted "no" on important decision and then in frustration shared with a large group of members why the decision was "wrong;" the disappointment and fears of the members of the church who don't want a rock band to be playing praise songs in the sanctuary of the church; the staff member whose ideas have been rejected by the board; the angry letters to the pastor about the change in the order of worship or design of the new sign in front of the church property. . . .

If conflict is poorly handled, it can be very destructive. If conflict is constructively engaged, religious institutions can be transformed in positive ways.

In very general terms, there are three basic ways that individuals deal with conflict:

- fight (battle)
- flight (avoid)
- engage (address openly and collaboratively).

We all probably would like to say that we engage conflict openly and collaboratively. More often, however, we have been taught from a very young age to battle or avoid conflict. Most people, being completely honest, would have to admit that they would prefer to avoid conflict at all costs! Our attitude toward conflict is important, and it is worth spending time thinking about and engaging in discussion as a board about our individual and collective attitudes toward, and typical actions when we deal with, conflict.

The Latin root of this English word "conflict" is *confligere*, which means to strike together. How different this is from the Chinese symbol of conflict, which is a combination of two terms, danger and opportunity. If we could only see clearly that conflict is not so much a collision as a

challenge. This is indeed the Biblical view of conflict, with the Bible being a long story of conflicts that are transformative for those involved.

Conflict is a natural part of life. Conflict can be helpful, if not required, for growth and change. Individuals usually need conflict, as do organizations, for new life. Remember the cross, which is at the center of Christian faith: conflict, estrangement, death and yet forgiveness, grace, reconciliation and new life.

Pastors and seminarians say there is one basic aspect of their training that was completely missing: how to deal with conflict. The same may be said for the leaders of a church organization. It's easy to give and receive awards, attend banquets and congratulate staff on their fine work. It's much more difficult - - and yet more common - - church leadership to be facing some thorny issue that includes a conflict or potential conflict.

What does all of this mean for the leaders of a church organization? This is not a handbook for dealing with conflict, nor can church leaders be adequately trained on how to handle conflict from a legal manual. However, this section – in fact, the entire legal manual - would be much simpler and shorter if the Church and all of its people knew how to handle conflict in a positive way and how to establish processes for decision making that those involved feel are fair. Most conflicts consist of three basic elements: two or more people, a problem, and the process by which decisions are made. These three basic elements should be familiar to all churches, because every decision made by a church has the potential for conflict or already involves conflict in some way: people, a problem, and a decision made by some process.

Church leaders should be trained and re-trained on handling conflicts in peaceful and collaborative ways that create growth, change and transformation rather than resentment and destruction. In fact, we are Biblically called to this task! In Micah 6:8, we are told to do justice, love kindness, and walk humbly with God. Matthew 18:15-17 compels us to go alone to the person who has sinned against us, to talk quietly and try to work out the conflict between us. In Matthew 18:20, we learn that God is present with us in the midst of our conflicts. And, of course, we are challenged to seek reconciliation in all that we do (2 Corinthians 5:17-18; Colossians 3:12-15).

Conflict training opportunities abound and should be explored. Some are focused on church organizations and others are based on business models. The basic teachings are the same, whether based on a Biblical or business model. And, church leaders should practice their learnings and serve as a role model for everyone else in the organization on how conflict can be engaged openly and collaboratively, for the health and vitality of the organization.

For more information on training opportunities and how to address church conflict constructively, call JustPeace, 847.425.6526, www.justpeaceumc.org.

Crisis Communications Planning

As noted above, not all risk can be eliminated, and accidents do happen. Some accidents become crises, and church organizations need to be prepared to handle these crises.

What is a crisis? One definition of crisis is a significant event in the life of an organization that places the organization's values on the line because of intense public scrutiny fueled by extensive news media interest in the event. When a crisis strikes, everything positive about a church organization and its ministry is called into question.

A prompt and positive approach to crisis communication is extremely important. A crisis almost always comes as a surprise, and it brings with it the scrutiny of church members, non-members, the media, and sometimes lawyers, the government and insurance companies. It is horribly disruptive to the ministry of the church, and it has the potential for creating distrust, suspicion and irreparable harm to the reputation of the church and its leaders. It results in trauma for virtually every single person involved in the life of the church.

Church members and the public expect three things of a church organization when dealing with a crisis: first, they expect the church to **care** about what has happened; second, they want to know **what** the church is doing about the situation; and third, they want to know that the church is taking active steps to **prevent** the situation from recurring.

Imagine these very real scenarios, all of which have happened to churches, large and small:

- A boiler in the church basement explodes, killing three small children on the floor above
- A church van carrying ten children collides with a truck, killing several of the children and seriously injuring the others
- A fire, set by arsonists, destroys the church sanctuary
- A tornado destroys the church's education wing and seriously damages the rest of the church
- Three women in the congregation charge the pastor with sexual misconduct
- The pastor commits suicide
- A gunman storms into an evening church meeting firing random shots into the room
- A church member volunteer is paralyzed for life when he falls from a ladder while installing storm windows on the church's exterior

United Methodist Communications, in an invaluable practical publication aptly entitled, Not If, But When, for helping United Methodist organizations address crisis situations, including how to handle media inquiries. The publication is available for \$10 through the Division of Public Media at United Methodist Communications, 800.476.7766. The publication will walk you step by step through the basics: how to develop a crisis plan and put together a crisis team, decide who will be one and only spokesperson for the church, and the like.

For other resources on crisis management, see www.crisisexperts.com/bibliography.htm

Loss Prevention

Loss prevention is a key element of risk management. Loss prevention is a three step process:

- Development of loss prevention policies
- Identification of probable risks
- Reduction or elimination of risks and reduction of severity of incidents

Both steps are intertwined and require ongoing monitoring. At the end of this section is a Safety and Security Checklist that is intended to help guide churches through the process of identifying and reducing risk. However, loss prevention is more than the annual completion of the checklist.

Whenever a church organization begins a new activity, whenever a torn carpet or stair tread is discovered, whenever new staff are hired, it is time to think about loss prevention measures. And, each new generation of church leaders should be trained on developing an awareness of the importance of protecting people and property.

The first task is to **develop loss prevention policies** that address all areas of risk reduction, including but not limited to fire prevention, crime prevention, safety and security, safe food storage and preparation, employment practices (including job descriptions, performance appraisals, personnel policies, supervision, and the like), sexual misconduct, screening of staff and volunteers, supervision of children, pastoral counseling guidelines and boundaries, training, child abuse prevention, and the like.

The second task is to **identify probable risks**. The checklists at the end of this section will be helpful in identifying probable risks and also determining areas where loss prevention policies are

lacking or in need of being updated. Each church organization has its own unique property configuration and ministries. Loss prevention should become an integral part of the church's mission and ministry and encouraged as an ongoing concern for every person in a leadership position (volunteer or staff).

The third task is to **reduce or eliminate risks** and take steps that will reduce the severity of incidents. This is possibly the most difficult of the three steps, because it requires a church to evaluate the seriousness of the risk, determine whether and how the risk can be reduced or eliminated, evaluate all of these factors, and make decisions accordingly.

Here is an example that illustrates all three steps: playground equipment. The church should have policies about the use of playground equipment (supervision, no more than one person on a swing at one time, waiting one's turn, no pushing, etc.). Playground equipment in and of itself is a probable risk, because children will be hurt on it (most activities that are fun for children also involve some degree of risk!). This is a risk that cannot be eliminated. However, this risk can be reduced significantly by having playground equipment and a playground area that are inspected annually and meet current industry safety standards that are designed to minimize the risk of serious injuries on playgrounds. If the church playground equipment is old and located on a hard surface and thus probably not in keeping with current industry standards for the safety of children, the church needs to decide whether it needs playground equipment, what new equipment it can financially afford to purchase, what new surface would be most appropriate and what other steps it might take on an interim basis until the new equipment and surface can be purchased and installed. The evaluation team for this particular risk might include the church's insurance agent or broker, legal counsel, several parents of small and school age children, and someone from the community with expertise on playground equipment (a person who works for the local parks and recreation department, for example).

Insurance

1. Background

Church organizations are responsible for adequately insuring the organization against those risks of financial loss that could impair the organization's ability to carry out its mission. Insurance is readily available these days to cover most of those risks. The cost of insurance is inexpensive because

it can be budgeted. What is really expensive is a loss that was either uninsured, or under-insured by a wide margin.

Trustees are responsible for providing adequate property, liability, and crime insurance on church-owned property, buildings, and equipment. They also must review annually the adequacy of personnel insurance.

Insurance coverage should receive high priority due to:

- the recognition of the varied risks faced by the local church
- increase in building replacement costs
- the availability of specialized insurance coverage
- expanding ministry of many local churches

From an insurance (or risk financing) point of view, ¶ 2532.2 *Discipline* instructs The local church as follows:

2. The board of trustees shall review annually the adequacy of the property, liability and crime insurance coverage on church-owned property, buildings and equipment. The board of trustees shall also review annually the adequacy of personnel insurance. The purpose of these reviews 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 the results of its review and any recommendations it deems necessary.

The review of “personnel insurance” should include workers’ compensation coverage for pastors and employees.

The *Discipline* directs the local church board of trustees to include in their annual report to the charge conference the results of their review and any recommendations deemed necessary (¶ 2532.2). The trustees must also provide a detailed statement on the insurance carried on each parcel of real estate and an indication of whether this insurance is adequate (¶ 2549.7).

Providing for adequate insurance coverage for any church organization should include the following policies and procedures:

1. An annual review of the organization’s insurance program.
2. An annual safety inspection of the buildings with fire officials to identify hazards that may cause personal injury, fire, or other loss of property.
3. A detailed inventory of all furniture and equipment, kept current with additions and disposals of items. A photographic inventory of all furniture, equipment, and rooms of the church is an excellent inventory record. Video tapes have been used effectively by some church organizations. All inventory reports should be kept off the church property in a bank safe-deposit box or similar secure location.

4. A periodic appraisal to update the valuation of all property, at least every three years.
5. At least two quotations, when purchasing insurance coverage.
6. A determination of actual annual premium costs for budget development.

These annual reviews and periodic appraisals are important because rising replacement costs and changing laws (e.g., sprinkler and other safety ordinances) tend to reduce the adequacy of an organization's property insurance limits. Moreover, inflation and changing attitudes affect the size and frequency of liability claims. Also, the expanding ministries of many church organizations require an ongoing review of the adequacy of coverage. New kinds of liability insurance are needed to defend new kinds of charges, such as those relating to employment practices that may have been unheard of in years past.

2. The Need for Church Insurance

Insurance provides legal defense and pays for losses that couldn't be prevented.

A full replacement cost "all risk" property insurance limit will give the organization a sense of permanence and security. It helps guarantee the continuity of the organization by providing money for a new sanctuary or other church property in the event of destruction by fire, windstorm, etc.

Adequate liability coverages and limits are equally important to the continuity of the organization, because liability judgments and settlements are getting higher and more frequent, and unfortunately the public and members are less reluctant to sue churches.

Liability insurance policies have other important functions. First, they provide a legal defense for the church organization and its employees, board members and other volunteers. The cost of legal defense can be very expensive, even when there is no liability. Second, some liability policies will provide a medical payments limit to meet some of the costs of medical care even though there was no legal obligation to do so. This promotes good will and can help reduce the likelihood of a lawsuit.

Specific needs for insurance must be determined after careful review and evaluation of the replacement value of church owned property and the nature of the organization's activities in carrying out its mission. The annual insurance review should first focus on exposures to loss, then on the quality of the current insurance and insurer, and finally on the cost of insurance. Because insurance premiums are measurable and can be budgeted, they are inexpensive when compared to the surprise

cost of large uninsured losses. Some churches have been closed permanently as the result of a total fire or a major liability verdict or settlement.

3. Sources of Church Insurance

The United Methodist Insurance Program (UMIP) is sponsored by the General Council on Finance and Administration, as required by ¶ 807.22 the *Discipline*. This provision obligates the GCFA to make the insurance program available to United Methodist local churches, annual conferences, agencies and institutions, as required by the 1972 General Conference.

The lead underwriter is Kemper Insurance. This program serves local churches by setting a very high standard to follow when choosing coverages and limits, see pages 342 and 343 for some of the available coverages. If your annual conference does not yet sponsor a UMIP Conference-Wide Insurance Plan, ask for a quotation from your present insurer and also for an individual quotation from the United Methodist Insurance Program service center. Compare both coverages and prices. You will often find that the UMIP also serves local churches by offering broader coverages at prices competitive with the programs available from others. You or your independent insurance broker can contact the UMIP Chicago Service Center at 800.221.8552.

The UMIP Service Center is staffed by Arthur J. Gallagher & Company (AJG), one of the principal insurance brokerage firms in the world. AJG contracts with GCFA to act as the National Administrator for the United Methodist Insurance Program. See “For more information” on page 354.

If you are not participating in the UMIP, it is best to use an insurance company that has churches as one of its specialties. These companies are often better at settling losses because they understand the special needs of churches. It is also advisable to buy a complete program with high limits. Cutting corners to save money can prove to be very costly in the event of an uninsured or under-insured loss.

The UMIP coverages are even broader and less expensive when purchased on a master policy group-buying basis through the Conference-Wide Insurance Plans sponsored by a number of annual conferences. If your annual conference is not yet sponsoring such a program with the UMIP, check with your annual conference treasurer to determine how soon it might be available.

For More Information

United Methodist Insurance Program
Service Center
P.O. Box 8002
Itasca, IL 60143
800.221.8552
Fax: 888.908.7890
umip@ajg.com

4. Insurance Coverages

The discussion to follow will be based on this list of coverages:

PROPERTY INSURANCE:

Building and Church Personal Property
 “All Risk” of Physical Loss, unless specifically excluded
 Agreed amount coverage, blanket limit per location
 Stained glass, installed pipe organs
 Pews and other installed property
 Building Ordinance or Law
 Newly constructed property, report within 90 days
 Newly acquired property, report within 90 days
 Personal Property at an unscheduled location
 Personal Property in transit
 Scheduled Fine Arts, musical instruments, etc.
 Valuable Papers, Accounts Receivable
 Extra Expense (business income and extra expense)
 Fire Department Service Charges
 Fees for Preparation of Proof of Loss Statement
 Pollutant Clean Up and Removal – Land and Water
 Computer hardware, software, and in Transit
 Water Backup from Sewer or Drain
 Plants, Trees and Shrubs
Boilers & Electrical Breakdown
Earthquake
Flood
Subsidence
Rain (Special Event) Insurance
Builders Risk
Construction Contract Bonds
Crime Insurance
 (treat volunteers same as employees)

Fidelity Blanket Bond
Money & Securities losses, inside the premises
Money & Securities losses, outside the premises
Depositors Forgery
Computer Fraud

LIABILITY INSURANCE:

Commercial General Liability Insurance
Bodily Injury and Property Damage
Bodily Injury to include Mental Anguish
Sexual Abuse-Physical-Mental Abuse
Corporal Punishment
Personal Injury (libel, slander, false arrest, etc.)
Products and Completed Operations
Fire or Property Damage Legal Liability
Additional Insureds: staff and volunteers
Church activities covered at or away from the church
Medical Payments also apply for
 Church activities away from the church
 Participants in church athletic programs
 Children in church day care operations

Pastoral Professional Liability

Employee Benefit Plans Liability

Directors and Officers Liability

Employment Practices Liability

Fiduciary Liability, if applicable

Automobile and Bus Insurance

Automobile Liability
 Owned automobiles and buses
 Non-owned and hired automobiles
 Additional Insureds: staff and volunteers
Automobile Medical Payments
Automobile Physical Damage

Worker's Compensation And Employer's Liability Insurance

Foreign Mission & Outreach Liability Insurance

Umbrella Excess Liability Insurance

Church insurers today typically provide coverage on a “package” basis to include the property, boiler and crime coverages as well as General Liability, Pastoral Professional and Employee Benefit Plans Liability, plus the automobile coverages and often the umbrella excess liability. Directors & Officers Liability, Employment Practices Liability and Fiduciary Liability coverages are usually provided by separate policies. Here are some things to consider.

Property Insurance for Church Buildings, Parsonages and Personal Property

First, make sure you have up-to-date valuations of Replacement Costs for all church buildings and parsonages, contents and equipment, to determine the amounts of insurance needed. Valuations on buildings can be obtained in several ways: by a competent appraiser, by a local builder or architect, or by an insurance company representative familiar with this type of construction.

Keep plans, specifications, appraisals and inventories in a safe off the premises. A video of your church is also helpful as a record of church construction and personal property.

Next, insist on All Risk replacement cost coverage with a blanket limit per location. The better church insurers no longer limit your coverage to “Actual Cash Value” (replacement cost less depreciation), and they no longer impose co-insurance penalties. “All Risk” is defined to apply to all causes of physical loss not specifically excluded, such as wear and tear, rust or corrosion, or infestation by insects. Remember to include the replacement value of stained glass and pipe organs in your building limit, along with any other installed items such as fixed pews, communion rails, etc. Make sure your parsonages are included for coverage within the blanket limit.

Check to make sure the policy includes adequate limits for “building ordinance or law coverage”. The church needs coverage for the increased cost of construction in case you are required to demolish a partially damaged building, or for the increased costs if the law now requires automatic sprinklers or if ADA requires expensive accommodations for disabled persons.

Ask for automatic coverage for at least 90 days to give the church time to report any newly acquired real property or newly constructed real property.

Coverage for church personal property in transit or at an unspecified location is important, in case the church may send property such as art work out for re-framing, or when musical instruments and other items are used off-premises. Musical instruments, historical documents, candelabra, bells, art objects, antiques, electronics items and similar valuable church property can be insured on a separate “floater” type policy, or may be included as “contents”. This separate treatment allows you to specify the insured amount and eliminates any difference of opinion with the claims adjuster. (If separately covered, do not include in contents value.)

Valuable church papers and records, including the records of members' pledges might be destroyed in a fire. Coverage applies for the cost of research and other expenses necessarily incurred to reproduce, replace or restore such records.

Extra Expense and Business Income, covers the extra costs of renting hotel rooms when the parsonage burns, or a meeting hall when the sanctuary burns; loss of income can arise when the old chapel burns and can no longer be rented to that other denomination.

Fire Department Service charges are expensive in some localities. Coverage is available for this fee and for the cost of re-charging automatic sprinkler systems.

Preparing a statement of "Proof of Loss" can be a difficult task. For example, the church might have a library of rare books that would require the services of an expensive specialist to help establish a proper replacement value for the insurer. It is strongly recommended that a video and inventory be made of all personal property of the church and kept off premises with the policy. In the event of loss or damage, such an inventory and visual evidence will be helpful in filing a claim quickly and obtaining a prompt adjustment.

Pollutant Clean Up and Removal coverage applies to accidental spill or leakage of pollutants, perhaps from a fuel oil storage tank or vehicle on church premises.

Computers, peripherals and software are a special category that needs to be addressed specifically, even in an all-risk policy. Our growing dependence on computers for record keeping and communication make this coverage important.

Backup of Sewers and Drains coverage has been important to many churches with washroom facilities or cooking facilities at a basement level.

Damage to trees, shrubs and plants are usually covered for loss caused by fire, explosion, riot, civil commotion or aircraft. Ask the insurer to add coverage for windstorm damage.

Boiler, Electrical and Mechanical Breakdown Insurance

Heating boilers, hot water heaters, air-conditioning and refrigeration equipment, electrical panels and other electrical equipment such as computers, sound systems and elevators are very important to churches and parsonages and are expensive to replace.

Electrical surges or spikes are a growing menace to much of this equipment because of the almost ubiquitous use of computer chips in electrical appliances. Computerized devices are much more susceptible to damage from electrical glitches than were their "hard wired" predecessors.

The insurance company will inspect pressure vessels at no cost to the church and will provide certification to the regulatory authorities when such is required.

Earthquake Insurance

Insurance against property damage resulting from earthquake is usually available by separate endorsement. This insurance covers damage to foundations, excavations and other parts of buildings, but excludes damage to the land itself.

Flood Insurance

This insurance is afforded by the Federal Government's (NFIP) National Flood Insurance Program to churches and their parsonages in communities that have qualified by enacting certain zoning regulations and the like. Your insurance broker can tell you if your community has qualified for this coverage.

Subsidence Insurance

Some states require property insurers to provide this coverage in those counties that have subsurface coal mines with old shoring that could allow cave-ins or settling serious enough to result in rupture of the church's foundation and walls.

Rain Insurance

This insurance provides a substitute for lost profits if an outdoor fund-raising event is rained out. It is a specialized form of "business interruption" coverage. Ask your insurance broker to provide a quotation for your next outdoor event.

Builders Risk Insurance

Churches under construction may obtain a special builder's risk policy to provide property and crime insurance while the building is being erected. Ask for "all risk" coverage. Best to buy coverage in the names of both the church and the contractor.

Before construction starts, ask your insurance broker to submit the architects' plans to the insurance company. The insurer's fire protection engineers might be able to suggest changes that could result in safer construction as well as a lower insurance rate. This service is free and available to all property owners.

Construction Contract Bonds

For those who are planning new construction or additions to existing facilities, construction bonds are essential (see ¶2543.14). The surety checks the contractor's financial background and track record for competence and fair dealing, and then guarantees that the contractor will satisfactorily perform your project at his price and pay his labor and material bills. These bonds lift a large portion of the burden from church trustees by financially qualifying contractors who ask to bid on construction work. If the surety refuses to issue such bonds, it means you should choose another contractor.

Check with your insurance broker about the bonds appropriate for your needs. Performance bonds protect the church against loss up to the bond limit in the event the contractor fails to perform all the terms and conditions of the contract between him and the church. Labor and material payment bonds lessen the possibility of mechanic's liens on the church's property, by guaranteeing the payment of the contractor's labor and material bills up to the limits of the bond.

Crime Insurance

Fidelity Bonds, also known as Employee Dishonesty Insurance, are just as important for churches as they are for businesses. No matter how much you trust your treasurers, staff members and other volunteers, it is only good administrative practice to require two signatures and annual financial audits ... *and* purchase adequate coverage (see ¶¶ 259, 2532). Many of the lapses in integrity take place over a number of years, and add up to rather large dollar amounts.

Use the blanket bond form, amended to apply to both employees and volunteers, which covers all eligible persons without listing names or positions. The blanket fidelity form indemnifies the insured for loss by larceny, theft, embezzlement, forgery, misappropriation or other dishonest acts committed by a person acting alone or in collusion with others.

These blanket fidelity bonds automatically cover new employees. They provide a uniform amount of coverage on all employees and volunteers, and pay up to that amount for losses even if the guilty persons cannot be specifically identified.

Money and Securities Insurance indemnifies the church against losses by theft or attempted theft of money, securities and other property. Separate limits apply to losses from inside the church owned premises and also from persons or locations away from the church. Examples of outside locations include the night depository of a bank, or while in the custody of a person authorized by the church to deliver the money to the bank or to take it home overnight.

Burglary Insurance can be included in the money and securities broad form policy, or separate burglary insurance is available. To be defined as burglary, there must be visible means of forced entry into a building or safe or the like.

Computer Fraud Insurance covers theft of property following and directly related to the use of any computer to fraudulently cause a transfer of that property from inside the Church premises to a person outside those premises. This would apply to losses caused by a “hacker” rather than by an employee or other trusted person (the fidelity bond applies to losses caused by employees and volunteers).

Commercial General Liability Insurance

This insurance provides defense against suits or claims arising out of accidents occurring on the church or parsonage premises, or away from the premises if such accidents are the result of a normal church activity. The policy pays on behalf of the insured, all sums for Bodily Injury, Property Damage and Personal Injury up to a stated limit for which a church may be legally obligated as the result of such accidents.

Check to make sure the definition of Bodily Injury has been amended to include Mental Anguish, and that the full Bodily Injury Liability limit applies to claims alleging Sexual Abuse. Some church insurers provide only a small limit for Sexual Abuse, and exclude coverage for the accused (even before any determination has been made as to his or her guilt).

Corporal Punishment coverage should be included, even though our denomination opposes corporal punishment. It is needed because someone might make a mistake in dealing with a day care or a Sunday School child, or to provide defense coverage in case a child or a parent makes a false accusation.

Personal Injury is defined to include false arrest, detention or imprisonment, malicious prosecution, wrongful eviction, libel or slander and invasion of privacy.

Products Liability pertains to such things as sales of Christmas trees and the like to raise money, or food provided in day care centers or to homeless people.

Fire Damage Legal Liability is needed when premises of others are rented by or on behalf of the church, and those premises (which are in the church’s care, custody or control) are damaged by a fire negligently started by the church folks. For example: on a church sponsored ski trip the youth group burns down their cottage by carelessly leaving pizza cartons on the gas range.

Make sure that church members, staff and volunteers are included as additional insureds. Also make sure that the liability insurance applies if the church operates a school or summer camp, or conducts business type operations such as a thrift shop. Liability coverage must apply both on and away from the church premises.

Medical Payments should apply on a no-fault basis to those injured on church premises, and while participating in church sponsored activities away from church premises. Do not accept an exclusion for participants in church athletic programs or for children in Sunday School or in the church's day care center.

The following coverages might be added to the “package” policy, but often are afforded by separate policies:

Pastoral Professional Liability is occurrence basis errors and omissions liability insurance that pertains to the “pastoral counseling services” rendered by ordained members of the clergy in the form of free advice or guidance. Some insurers provide the coverage also to persons in training for ordination, while acting under the supervision of an ordained member of the clergy. Some carriers provide the coverage to those who charge a fee for their counseling. There is no coverage for Bodily Injury, Personal Injury or Property Damage.

Employee Benefit Plans Liability is errors and omissions liability insurance on a claims made basis. Claims for damages must have been made during the policy period for errors or omissions which took place during the policy period. Claims may be made by past or present employees or their beneficiaries alleging negligent acts, errors or omissions in the administration of the church's employee benefit program (group life, accident or health insurance, profit sharing plans, pension plans, unemployment compensation, social security and death benefits insurance).

Directors and Officers Liability insurance is another type of errors and omissions liability insurance on a claims made basis. It applies to claims first made during the policy period for damages because of a negligent act, error, omission or breach of duty by current or previous church officers and board members acting within the scope of their duties. Coverage should apply to the individual directors and officers, and to the church or church related entity if obligated to indemnify its directors and officers.

Employment Practices Liability insurance is also written on a claim made basis. It agrees to defend and pay for claims alleging damages because of negligent acts, errors or omissions, or violations of Federal anti-discrimination laws, in the hiring, supervising, promoting or terminating of employees, or because of sexual harassment of employees, or of permitting or promoting a “hostile

workplace environment”. The policy should apply to both employees and volunteers. This is an important new coverage now available because of the general increase in claims of this kind.

Fiduciary Liability insurance insures against allegations of breach of duty for churches which manage their own Foundation or which otherwise have taken on the responsibility of management, conservation, disposition of property or investments for the benefit of others.

Automobile and Bus Insurance

Churches purchase automobile liability insurance for owned or leased autos or buses, but they sometimes forget that non-owned and hired automobiles are of equal importance when they are used by or on behalf of the church.

Non-owned Automobiles: Clergy use their own cars on behalf of the church almost daily. Parents and other volunteers use their cars to transport children to events and outings. Sometimes the church borrows a car or pickup truck or van. The rule of thumb is that “insurance follows the automobile”, so that the owner’s insurance would respond in the event of an accident. Don’t rely solely on the adequacy of the owner’s limits, when non-ownership Liability insurance is readily available and inexpensive.

Hired Automobiles: The situation with rented automobiles is similar to the foregoing. Pastors and other church people attend conferences in other cities, and rent cars when they arrive. The church should not rely on the minimal limits provided by the rental company, but should purchase the relatively inexpensive hired car coverage.

Automobile Medical Payments insurance provides a “no fault” limit per person. The injured persons do not need to bring suit in order to get money to pay their personal insurance deductibles. Make sure your insurer does not restrict the number of per person limits that it will pay out in the event of an accident involving a church bus.

Automobile Physical Damage insurance, i. e. Comprehensive and Collision coverages, are important for late model vehicles. The deductible could be chosen in keeping with the philosophy of the church with respect to the amount of its deductible on its property insurance.

Ask the insurer to include church employees and volunteers as additional insureds for automobile liability, both for owned autos and for non-owned and hired. Their coverage with respect to non-owned would, of course, apply as excess over their own primary insurance and not in place of it.

Note: Information on large bus and van safety is in the Property section.

Worker's Compensation and Employer's Liability Insurance

The purpose of worker's compensation insurance is to give greater protection and security to the worker and the worker's dependants against injury, illness, and death occurring in the course of employment. Worker's compensation provides, as a matter of right, for the payment of benefits to employees injured on the job. The amounts paid are set by state law for covered occupational injuries or disease. No determination of fault is made. The compensation award is, in nearly all situations, the covered employee's exclusive remedy against the employer. The laws in most states provide for fixed awards to employees or their dependents upon a showing of employment-related injury without requiring proof of negligence on the part of the employer.

Worker's compensation insurance is provided through a "Worker's Compensation and Employer's Liability Policy." Two types of basic coverages are afforded by this type of policy: one provides actual worker's compensation benefits, and the other insures the employer for liability when employees are able to sue for such problems as employer negligence, unsafe working conditions, etc. The combination of these two coverages is intended to provide financial security to the injured employee, and to provide the employer with maximum protection against all liability that may arise out of the employee-employer relationship due to occupational injury and disease.

The district superintendent should ensure that each of the churches of his or her district has purchased a worker's compensation policy. Information concerning the existence of the policy and of coverage limits should be available from the charge conference and the board of trustees of the local church.

Umbrellas provide an excess layer of liability limits to apply above your primary liability limits. Coverage applies as excess over:

1. primary limits specifically shown in the "Schedule of Underlying Insurance"
2. a self-insured retention (if any) as specified in the Umbrella policy

The umbrella coverage has become an important part of a church insurance program in these days of ever-increasing court awards and correspondingly high settlements. Make sure the umbrella does not specifically exclude some of the important coverages such as for sexual misconduct and Pastoral Professional Liability.

Foreign Mission & Outreach Liability Insurance

Local churches are engaged in a variety of mission projects in the United States, and in foreign countries as well. The insurance program discussed above can respond to all of a church's domestic programs and projects (check with your broker to make sure the insurer is aware of your activities), but the coverage is limited when the project is outside the USA or Canada. This limited coverage is likely to be for general liability claims for incidents which took place outside the USA, but only if the suit is brought in a US or Canadian court.

Some churches simply buy a low limit of Accidental Death and Dismemberment insurance, and ignore the general and automobile liability hazards.

A better approach is to take advantage of the Foreign Insurance Plan which is a division of the denomination's United Methodist Insurance Program (UMIP). This coverage is offered through some Annual Conferences, or by the UMIP Service Center at 800.221.8552. In addition to general liability and automobile liability, it provides the equivalent of workers' compensation medical benefits to participants injured in an accident. This accidental medical benefit, coupled with the repatriation benefits are most appreciated by work groups planning projects outside the USA, its territories, and Canada.

Bonding and Auditing Requirements

¶ 2511 of the *Discipline* states:

¶ **2511.** All persons holding trust funds, securities, or monies of any kind belonging to general, jurisdictional, annual, or provisional annual conferences or to organizations under the control of the general, jurisdictional, annual, or provisional annual conferences shall be bonded by a reliable company in such good and sufficient sum as the conference may direct. The accounts of such persons shall be audited at least annually by a recognized public or certified public accountant. A report to an annual conference containing a financial statement that the *Discipline* requires to be audited shall not be approved until the audit is made and the financial statement is shown to be correct. Other parts of the report may be approved pending such audit.

The General Council on Finance and Administration has secured employee dishonesty coverage for annual conference trustees, treasurers and staffs, and presidents of conference councils on finance and administration. The present limit is \$1,000,000. The following are included for employee dishonesty coverage under the policy:

- Any annual conference treasurer or member of his/her staff who reports and is accountable to the conference treasurer and who receives or disburses funds which are the responsibility of the treasurer.

- Any conference treasurer or a member of his/her staff who reports and is accountable to the board of trustees and who receives or disburses funds which are the responsibility of the trustees.
- Any annual conference president or chairperson of a council on finance and administration.

The local church committee on finance is required to provide for an annual audit of the records of the financial officers of the local church and all its organizations and to report the findings to the charge conference (§ 258.4c).

Although the *Discipline* is quite specific about auditing requirements for the annual conferences, as outlined above, it is less specific regarding auditing requirements for local churches. The extent and depth of audits often varies significantly, depending on the size of the church. In general, the term “audit” does not refer to specific procedures, but denotes only whatever work an auditor undertakes in the way of substantiating or examining transactions, the records of a series of transactions, financial statements, or schedules reflecting one or more transactions or accounts. From a practical standpoint, the auditor of a local church must be satisfied that the financial statements of the church and their accompanying notes or records fairly represent the church’s financial position. An audit should verify the state of assets and liabilities, the existence and evaluation of contingency reserves, the distribution of receipts as indicated in the income statement, and the accurate recording of prior year financial transactions.

The *Discipline* establishes that annual audits of the records of the financial officers of a local church and of its organizations are to be made and reported to the charge conference. This function is the responsibility of the local church committee on finance (§ 258.4c). District superintendents should note any problems mentioned on the audit and seek to ascertain what plans are in place to resolve them. Failure to have an audit performed at all or having the audit done by an interested party can be warning signals of potential financial problems in a local church.

GCFA in 1996 prepared and published a booklet entitled, “Local Church Audit Guide.” It is available through the GCFA Accounting department (847.425.6511) or on the GCFA website (www.gcfa.org).

Note: To annual conference treasurers, CFA presidents and district superintendents: ¶ 614.3, provides that the CFA shall require annual compiled or audited reports of all funds received or administered by districts or district agencies. This is an important *Disciplinary* provision.

Fidelity Bonds - Local Church

In response to an individual's petition, the 1984 General Conference enacted *Book of Discipline* ¶ 258.4b, which requires the bonding of local church treasurers. An annual conference fidelity bond program for local churches is available as an adjunct to the United Methodist Insurance Program that GCFA sponsors. This program meets the requirements of the legislation by providing coverage to treasurers and others (financial secretaries, ushers, and others) who handle local church funds. Annual conferences that elect to enroll their churches can achieve a significant cost savings and uniform fidelity bond coverage.

Employee dishonesty coverage (fidelity bond) provides coverage for financial loss to the insured due to dishonest acts by volunteers or employees in the handling of the insured's funds. The most prevalent type of fidelity bond is the commercial blanket bond, which provides a limit per occurrence, regardless of the number of individuals involved in the dishonest act.

The annual conference-wide fidelity bond program for local church treasurers will provide commercial blanket coverage to a limit selected by the annual conference securing this coverage. (It should be noted that churches already enrolled in the United Methodist Local Church Insurance Program are provided with commercial blanket bond coverage as part of their package policy. If their conference purchases the group fidelity bond package for its local churches, the conference commercial blanket coverage will be additional protection for the local church. Primary coverage for churches already possessing fidelity coverage will be through their current carrier.) For information contact Linda Cholak, Risk Manager, General Council on Finance and Administration, 874.425.6558, or the United Methodist Insurance Program Service Center, 800.221.8552.

DOS AND DON'TS

When A Lawsuit Is Filed - - And Until It's Over

When The Papers Arrive . . .

- Do not sign anything other than a simple messenger's receipt that acknowledges your receipt of court papers;

- Keep the envelope or wrappers that the papers arrived in;
- Make a written notation of the date and time the documents were received and the method by which they were received (hand delivery by a court official; mail; other - - be specific);
- Call your attorney immediately for instructions;
- Call your insurance broker or agent immediately; forward a copy of the papers to your broker/agent, with a dated cover letter (save a copy of the cover letter, too);
- Determine whether your organization has a policy already in place for what to do when a lawsuit is filed; make sure you follow the requirements outlined in such a policy, if it exists;
- Deliver a copy of the papers to other leaders in your organization, as appropriate (for example, the chair of the staff/pastor parish relations committee, the treasurer, the chair of the church council, etc.);
- Inform the district superintendent or bishop, as appropriate
- If the complaint names “The United Methodist Church” as a defendant, contact the GCFA Legal Department immediately (847.425.6531 Mary Logan or 847.425.6533 Dave Ullrich).

The Next Step . . .

- Sit down immediately with a small group of leaders (the group will vary depending on the nature of the lawsuit - - perhaps the district superintendent, attorney, someone who knows what’s going on, etc.) and decide key strategy issues:
 - Prepare for possible media interest (see Not If But When on the steps to take to prepare for a media crisis available from United Methodist Communications, 615.742.5400);
 - Decide who is going to be the “up front” person on the lawsuit to handle inquiries, assist counsel, follow what’s happening, etc. (note: this person should be someone who has excellent follow through skills, knows how to keep information in strict confidence, and who consistently uses good judgment about delicate matters); ensure that this person gets the training that s/he needs on what is appropriate to say, when and to whom;
 - Ensure that a good file of all documents is maintained; decide who is going to maintain that file and be responsible for it;
 - Decide whether the local church congregation needs to be informed of the lawsuit, as applicable; (again, be careful - - seek legal advice);

- Decide whether any local church pastoral care will be needed and develop a plan to address these needs;
- Decide whether pastoral care will be important for anyone else - - including yourself!
- If the lawsuit is based on some type of misconduct of a pastor, determine whether there has been an internal disciplinary action filed and, if so, what is its status; if not, decide whether it would be appropriate to pursue such an action at this time (again, be careful - - seek legal advice);
- Make sure an attorney is hired immediately to file the appropriate response to the lawsuit; if your insurance agent/broker is not able to give you the name, address and phone number of the attorney assigned to the case within several days of your receipt of the papers, you will need to have your own attorney obtain an extension of time for the filing of appropriate papers; (note: there are important, short deadlines for the filing of responses in lawsuits; and, filing the wrong response can result in significant legal problems down the line; it is crucial an attorney be on the alert immediately to protect your interests);
- Do not talk with anyone about the lawsuit, except your attorney and the small group of leaders who work together to develop a strategy for what to do next;
- Do not call the plaintiff, his/her attorney, or anyone else who might be on the other side in this matter;
- Do not call or visit with the judge;
- Ask (your attorney) before you act;
- Remind yourself, your attorney and others that this is a church and that a church is different from other parties in a civil lawsuit; it is important for the church to act as a church at all times.

When You Meet With Your Attorney . . .

- Be completely open, truthful and forthright; your attorney cannot help you if you hide information; do not try to decide what information is important or unimportant - - let your attorney be the judge of that - - tell everything you know;
- Bring a copy of all documents, writings and things that may have anything to do with the lawsuit; keep the original;
- Talk with your attorney about your insurance coverage;
- Remind your attorney that s/he represents you, not your insurance carrier!

- Listen to your attorney and follow his/her advice; if you disagree with something that s/he says, tell him/her that you disagree and iron out the issue right then and there;
- Educate your attorney about the United Methodist denomination; make sure that s/he understands the importance of the structure of the Church; tell your attorney that there are lawyers at GCFA who may have legal research, briefs, and other helpful materials that would be of assistance in the case;
- If you receive a “reservation of rights” letter - - or a “denial of coverage” letter from your insurance carrier, you should obtain an opinion from your conference chancellor or a special insurance coverage attorney about whether there are steps you should take to protect your legal rights under the insurance policy(s).

As the Case Progresses . . .

- Remember the dos and don'ts from above!!!!
- Call your attorney immediately if you receive any additional official papers related to the lawsuit;
- Make sure that your “up front” person is continually updated about the status of the case and has access to independent legal counsel (such as the conference chancellor) to help answer questions about legal strategies and maneuverings and address concerns regarding insurance coverage or actions being taken in the lawsuit by your attorney or others;
- Try to be patient: the court system is sometimes very slow and cumbersome; it may seem like it's taking forever for your case to get anywhere. This, too, shall pass.

Tips for Preventing and Catching Misuse of Church Funds for Pastors/Audit Committees From a Church That Has Been There

FOLLOW THE MANDATES OF *The Book of Discipline* —
THEY HAVE BEEN PUT THERE FOR A REASON

When you think of embezzlement, do you think of a high-powered thief stealing millions from a multi-million dollar corporation? On the contrary, much embezzlement is done simply, and on a small scale by trusted employees, and churches can be vulnerable because of the high level of trust of all persons. It often happens because of inadequate internal controls in a church organization's accounting system.

Below you will find tips for preventing and catching the misuse of funds. If you maintain the suggested controls, it is a good indicator that everything possible is being done to prevent possible employee or volunteer fraud. An internal control system must, of course, be designed to fit the needs and size of a particular church organization. But these tips can serve as a starting point for determining whether you need an internal control review. An internal control review may help set up and maintain stronger controls.

Note: There are no foolproof guarantees against embezzlement and fraud! Internal controls can only help prevent them. Remember the *Book of Discipline* requirement of fidelity insurance or bonding.

Many internal control procedures are strictly observed when they are first implemented; then, because of job turnover, for the sake of convenience or because employees and volunteers are trusted, they are no longer enforced. Thus, a periodic checkup for internal controls is a good idea.

GENERAL TIPS:

- 1) Run a total for an account at random (for instance, altar flowers). Does the treasurer's figure come close to the amount you think it should be? Most churches have a set weekly fee: simply multiply it by 52.
- 2) Read the treasurer's reports to your administrative council and to the charge conference. Does one statement's ending balance equal the next beginning balance? Are there accounts (heat, etc.) that seem unreasonably high? If nothing else, you might bring expenses under control. A "no secrets" and "full disclosure" culture will also foster trust and cooperation with members.
- 3) Ask your auditor for suggestions to improve your accounting procedures and internal controls and then take their suggestions to heart.
- 4) If your treasurer is not an accountant or bookkeeper, provide training and consultation.
- 5) Know the requirements of *The Book of Discipline*! There are provisions in place designed to protect the local church from having these problems (annual audit, bonding, regular and detailed reports from the treasurer to the Committee on Finance and Church Council).

- 6) Questions deserve answers. When questions are raised to the pastor (or chair of the church council) that something is wrong, follow up! It may be difficult to imply that something is wrong, but it is worse to have contributions made to God through the church misused. Everyone may feel better if the treasurer is totally cleared and an explanation is given.
- 7) Make sure that there is adequate bonding on church officials who handle money. (See *Book of Discipline* ¶ 262.4b)
- 8) Rotate your treasurers (See *Book of Discipline* ¶ 249.7). Embezzlers will strike you as the most dedicated of people. They cannot afford to take time off or be replaced, because they will be found out.
- 9) All employees should take annual vacations and their jobs reassigned to others in their absence. Funds should not wait to be deposited until the usual depositor returns from an absence.
- 10) **Don't get paranoid.** Most treasurers are good, honest people. But embezzling is a sickness that doesn't go away or get better. In fact, the activity and amount generally grow to the point where the embezzlement becomes obvious and the person is caught. Embezzlers were good, honest people at one time, and are able to make excuses for themselves in their own minds. The United Methodist system does work when you use it. We have budgets, audits, and rotations for reasons. Don't let your local church down by ignoring the safeguards. For additional information on local church audits, see *Local Church Audit Guide* from GCFA (Accounting Department, 847.425.6511, or find this document on the Internet at www.gcfa.org).

OFFICE SECURITY:

- 11) Minimize the use of petty cash. Establish procedures for the permissible uses of petty cash and the maximum amount that may be removed at one time. Larger purchases should be handled with a voucher system. Petty cash payments should be backed up by vouchers that have proper approval.
- 12) Vendor invoices should be approved by the proper party before payment and marked paid after payment, with a notation for the date of payment and check number.
- 13) Though distasteful to many, routine background criminal and/or financial checks can be very helpful for anyone who will be handling money or accounts. The laws and procedures differ from state to state. Written authorization and compliance with state and federal law are required.
- 14) You don't have to wait until the end of the year for an audit or to have your treasurer complete the charge conference report. If you do choose to have the treasurer fill out this report, do not simply file the report in last year's charge conference file! Look it over and compare with the previous year's. Between December 31 and January 1, one church lost as much as \$15,000 on paper (the treasurer had already spent it, and this covered the trail). The treasurer simply began the new report with a different balance from the end of the last report. This way, there was \$15,000 that did not have to be accounted for in the new year. The committee on finance is to provide annual audits of records of financial officers of the local church and report to the charge conference (*Book of Discipline* ¶ 259.4 c).

- 15) Sudden changes in apportionment payouts may be a sign of trouble. Can you make it one year and not the next without really knowing why? The same can be true of general expenses — if you don't know how or why you sometimes make or miss your budget, take a look at your finances and find out. It may or may not be the treasurer, but you need to find out what forces are driving your church.
- 16) If you find that groups or committees are setting up their own treasuries, you have a problem. If they do it because the "church" cannot afford to pay its bills, why is it that all of these separate groups can? These separate groups can "enable" the embezzler because they confuse the financial situation. They also can prolong the embezzlement because they put off the eventual financial crisis.

CHECKS & BALANCES:

- 17) Mail should be opened by someone other than the treasurer (or his/her assistant).
- 18) Be sure you are seeing the original checkbook, checks, and records. Do not take your work for granted.
- 19) Bank statements should be reviewed/reconciled by someone other than the treasurer (or his/her assistant).
- 20) A regular list of checks received should be prepared by someone other than the treasurer (or his/her assistant). The list should be reconciled to the cash-receipts journal.
 - Arrange with your bank for deposit on Sunday
 - Do not remove cash to a home; many insurance policies will not cover the loss of funds under these circumstances
 - Secure cash in a fireproof safe if it cannot be deposited immediately
 - Counting teams should be rotated
 - Money should be counted by at least two people (not family members) in a secure area of the church
 - The offering total should be documented in a consistent manner
- 21) A duplicate deposit slip should be made out by the bank and retained.
- 22) Pre-numbered checks should be used for all payments.
- 23) Checks should not be signed until made out (not pre-signed). The check signer should be given supporting documents such as invoices at the time she/he is given the check to sign. If possible, consider requiring two signatures on all checks and withdrawals.
- 24) Canceled checks or equivalent bank documentation should be stored at the church. Yes, storage is a problem, but requesting bank copies of checks is extremely expensive and time consuming. The audit committee should review checks/documentation to be certain that the stubs match the checks/documentation. Get at least one bank statement. Does it agree with the treasurer's books?

- 25) Sign the checkbook itself with the date and balance at the time of the audit. Next year, begin at this point.
- 26) Make sure your finance secretary and treasurer are two separate people. Funds can quietly disappear when the same person deposits the money and writes the checks.
- 27) Instruct your bank to notify the pastor or the church office of any overdrafts. Many times, bank statements go only to the treasurer, who can then manage to cover misdeeds.
- 28) Put the canceled checks in numerical order or have the treasurer tape them back into the checkbook. Make sure all the checks are accounted for, even the voids. It is important to mark the check and the stub “void” and tear the signature area. If other than checks are provided as documentation from your bank, retain and verify with voided checks. These tasks should be done by someone other than the treasurer.
- 29) The committee on finance should designate two persons (preferably not related and not the treasurer) to count the offering, giving a record of funds to both the financial secretary and treasurer (*Book of Discipline* ¶ 259.4 a).

FOLLOW-UP

YES/NO/NA

COMMENTS

- | | | |
|---|-------|-------|
| 7. Are emergency phone numbers posted throughout? | _____ | _____ |
| 8. Are appropriate personnel trained in first aid and CPR? | _____ | _____ |
| 9. Do staff know how to respond to an incident of poisoning? | _____ | _____ |
| 10. Are facilities annually inspected by the fire department? | _____ | _____ |
| 11. Are first aid kits easily accessible and adequately supplied? | _____ | _____ |
| 12. Are maintenance volunteers and staff adequately trained on using ladders and other equipment? | _____ | _____ |
| 13. Have steps been taken to provide a safe environment when persons work alone in the building? | _____ | _____ |
| 14. Does staff know how to respond safely to strangers? | _____ | _____ |

YOUTH ACTIVITIES

- | | | |
|---|-------|-------|
| 1. Is a child abuse prevention policy in effect? | _____ | _____ |
| 2. Are applicable personnel adequately screened? | _____ | _____ |
| 3. Are alleged incidents properly documented? | _____ | _____ |
| 4. Are procedures in place for response to allegations? | _____ | _____ |
| 5. Are activities adequately supervised by at least two competent adults? | _____ | _____ |
| 6. Is a youth disciplinary policy in effect? | _____ | _____ |
| 7. Are appropriate day care staff/child ratios used? | _____ | _____ |
| 8. Are day care operations licensed by the state or local authority having jurisdiction? | _____ | _____ |
| 9. Is playground equipment safely installed, in good condition, and in compliance with industry standards? | _____ | _____ |
| 10. Does the church obtain signed consent forms and releases for activities, including medical authorization? | _____ | _____ |
| 11. Are all youth activities covered by adequate insurance? | _____ | _____ |

FOLLOW-UP

YES/NO/NA

COMMENTS

- | | | |
|--|-------|-------|
| 12. Does the church have procedures to ensure that children are released only to the correct person and at the end of the event? | _____ | _____ |
| 13. Does the church always have an adequate number of trained/secured adults for all activities? | _____ | _____ |
| 14. Do staff and volunteers know what to do in the event of suspected child abuse? | _____ | _____ |

TRANSPORTATION SAFETY

- | | | |
|--|-------|-------|
| 1. Has a personal use policy been implemented for church vehicles? | _____ | _____ |
| 2. Has a business use policy for personal vehicles been implemented? | _____ | _____ |
| 3. Are Certificates of Insurance obtained from drivers? | _____ | _____ |
| 4. Do drivers have good driving records? | _____ | _____ |
| 5. Are Motor Vehicle Reports obtained at least annually for all drivers? | _____ | _____ |
| 6. Are vehicles equipped with accident report forms? | _____ | _____ |
| 7. Are pre-trip inspection procedures in place? | _____ | _____ |
| 8. Are vehicles equipped with emergency equipment (e.g., extinguishers, fuses, reflectors, first aid kit)? | _____ | _____ |
| 9. Is periodic driver safety training provided? | _____ | _____ |
| 10. Is a safety belt use policy in place for all passengers? | _____ | _____ |
| 11. Is tire wear & pressure checked regularly for church vehicles? | _____ | _____ |
| 12. Are church vehicles serviced on a regular maintenance procedure? | _____ | _____ |
| 13. Do drivers know what procedures to follow in the event of an accident? | _____ | _____ |

CONTRACTUAL AGREEMENTS

- | | | |
|--|-------|-------|
| 1. Are Certificates of Insurance obtained from contractors and reviewed for adequate limits and effective dates? | _____ | _____ |
|--|-------|-------|

FOLLOW-UP

YES/NO/NA

COMMENTS

- | | | |
|---|-------|-------|
| 2. Are Certificates of Insurance obtained from outside users of church facilities? | _____ | _____ |
| 3. Have you reviewed the contracts portion of the GCFA Legal Manual? | _____ | _____ |
| 4. Are contracts signed only after proper authorization? | _____ | _____ |
| 5. Are your contracts with outside persons who use the church premises adequate to protect the church from liability for the outside persons' activities? | _____ | _____ |

PHYSICAL PREMISES

- | | | |
|--|-------|-------|
| 1. Are heating boilers and pressure vessels properly inspected, maintained and safely arranged? | _____ | _____ |
| 2. Are furnaces/boilers located in separate rooms with fire resistive walls and ceilings and a self-closing fire door? Is the room free of combustive materials storage? | _____ | _____ |
| 3. Has the electrical system been inspected by a qualified electrical contractor within the past year? | _____ | _____ |
| 4. Are there adequate outlets for electrical service? | _____ | _____ |
| 5. Are extension cords limited to temporary use only? | _____ | _____ |
| 6. Is responsibility assigned for disconnection of all electrical appliances when not in use? | _____ | _____ |
| 7. Are all electrical appliances UL listed/grounded? | _____ | _____ |
| 8. Is a lightning protection system (especially for steeples, spires and towers) in place and inspected annually by a qualified contractor? | _____ | _____ |
| 9. Is cooking equipment protected by an automatic extinguishing system and fuel shut-off and inspected semi-annually? | _____ | _____ |
| 10. Is refrigeration equipment adequately maintained? | _____ | _____ |
| 11. Are Class BC rated fire extinguishers properly located (near the kitchen exit) and inspected and charged annually by a qualified contractor? | _____ | _____ |

FOLLOW-UP

YES/NO/NA

COMMENTS

- | | | |
|--|-------|-------|
| 12. Are the number of extinguishers adequate and appropriately located? | _____ | _____ |
| 13. Check that a fire blanket is present in the kitchen. | _____ | _____ |
| 14. Check that the area near and above the range top is free of flammable items such as paper towels, dish towels, plastic bowls or utensils and potholders. | _____ | _____ |
| 15. Check that packages and empty ingredient boxes are stored away from the burners. | _____ | _____ |
| 16. Check that flammable cooking ingredients such as cooking oil have their lids on tight and have been stored away from burners. | _____ | _____ |
| 17. Check that the range hood is clean. | _____ | _____ |
| 18. Check that grease traps have been cleaned. | _____ | _____ |
| 19. Check that you have safety posters and instructions prominently placed to provide guidance on appropriate use of the kitchen. | _____ | _____ |
| 20. Are cribs, toys and other equipment in children's rooms in compliance with Consumer Product Safety Commission recommendations? | _____ | _____ |
| 21. Is the bell tower secured from unauthorized access? | _____ | _____ |
| 22. Are ladders in good working condition and in compliance with industry standards, and have the persons who use them been trained on ladder safety? | _____ | _____ |
| 23. Are all poisons kept out of the reach of children? | _____ | _____ |
| 24. Are sprinklers, standpipes and hoses inspected and tested at least annually by a qualified inspector? | _____ | _____ |
| 25. Are facilities equipped with heat/smoke detectors which are inspected at least quarterly? | _____ | _____ |
| 26. Have facilities been inspected for lead/asbestos and other environmental hazards? Have underground storage tanks been registered with the state and monitored for leakage? | _____ | _____ |
| 27. Are flammable (not latex) paints, thinners, gasoline, and other products stored in a garage or shed? If they must be stored inside the church, are they kept in locked metal cabinets? | _____ | _____ |

CHECKLIST

UNITED METHODIST LOSS CONTROL PROGRAM Parsonage Self-Inspection Checklist

NAME OF CHURCH: _____

ADDRESS: _____

Answer each item with YES, NO, or NA (not applicable). Support all "NO" items in the "COMMENTS" section, and indicate the date when corrective action has been implemented.

<u>FOLLOW-UP</u>	<u>YES/NO/NA</u>	<u>COMMENTS</u>
------------------	------------------	-----------------

HEATING EQUIPMENT

- | | | |
|--|-------|-------|
| 1. Is all heating equipment including chimneys, flue connectors, hot air ducts and parsonage heating appliances: | | |
| a. In good servicable condition and well maintained? | _____ | _____ |
| b. Properly insulated and separated from all combustibile material by a safe distance? | _____ | _____ |
| c. Serviced by a qualified person within the past year? | _____ | _____ |

LIGHTING AND ELECTRICAL EQUIPMENT

- | | | |
|--|-------|-------|
| 1. Has the electrical system been inspected by a competent electrical contractor recently? | _____ | _____ |
| 2. Are alterations of electrical installations made only by a qualified electrician? | _____ | _____ |
| 3. If any fuse or circuit breakers require frequent replacement or restoration, have these circuits been checked by a competent electrician for overloading? | _____ | _____ |
| 4. Are all fixtures, outlets and extension cords in safe condition? | _____ | _____ |
| 5. Are extension cords used only for temporary situations? | _____ | _____ |

FOLLOW-UP

YES/NO/NA COMMENTS

- 6. Are air conditioning units properly wired? _____
- 7. Are computer systems properly wired and equipped with surge protection devices? _____

APPLIANCES

- 1. Are kitchen range ventilating hoods, filters and ducts free of grease accumulation? _____
- 2. Are refrigerators, freezers, stoves, microwaves, washers and dryers properly wired? _____
- 3. Is manufacturer-recommended air space provided around all large appliances? _____
- 4. Are appliance exhaust systems properly vented? _____

PROTECTION

- 1. Is there a sufficient number of proper fire extinguishers provided? _____
- 2. Have fire extinguishers been inspected or recharged within a period of one year? _____
- 3. Is the date of inspection or recharge shown on a tag attached to each extinguisher? _____
- 4. Are UL listed automatic fire and smoke detection devices installed and operational? _____
- 5. Are smoke detector batteries checked semi-annually where warranted? _____
- 6. Are spaces beneath stairs, in attics and basements free of combustible material? _____

PUBLIC LIABILITY EXPOSURES

- 1. Are all walkways and floor surfaces safe (free of holes, uneven surfaces, cracks, carpet tears, etc.)? _____
- 2. Are sidewalks kept free of snow and ice? _____
- 3. Are all steps in good repair and provided with handrails? _____

FOLLOW-UP

YES/NO/NA

COMMENTS

4. Has the parsonage been inspected for lead and asbestos, and proper safeguards taken?

FURNISHINGS AND EQUIPMENT

1. Are all church-owned furnishings and equipment properly maintained and stored?

2. Are mowers, snow throwers, hedge trimmers and combustibles safely stored?

3. Are computer systems properly wired and equipped with surge protection devices?

INSURANCE

1. Do the church and/or pastor maintain adequate property and liability insurance on the parsonage and furnishings?

2. Is there a video or written inventory of all church-owned personal property in the parsonage stored off-site?

COMMENTS (Use additional sheets as necessary):

COMPLETED BY: _____ **DATE:** _____

REVIEWED BY: _____ **DATE:** _____

Incident Investigation Report

UNITED METHODIST LOSS CONTROL PROGRAM

Name of Church: _____

Claimant: _____ Age: _____

Relationship: Staff Member _____ Congregation Member _____ Visitor _____

Date of Incident: _____ Time: _____ AM/PM: _____

Nature of Incident: _____

Person/Object/Equipment/Substance Causing the Incident: _____

Medical Treatment by: _____

Location of Treatment: _____

Description of Incident: _____

Contributing Factors: _____

Loss Severity Potential: High/Major _____ Medium/Serious _____ Low/Minor _____

Probable Recurrence Rate: Frequent _____ Occasional _____ Rare _____

Action Taken to Prevent Recurrence: _____

Investigated by: _____ Date: _____

Reviewed by: _____ Date: _____

CHECKLIST

UNITED METHODIST LOSS CONTROL PROGRAM Follow-Up And Audit Checklist

PROGRAM ELEMENT	OPERATIONAL	NEEDS IMPROVEMENT	COMMENT
<i>Step 1</i> Statement of Support for Safety			
<i>Step 2</i> Assignment of Responsibility for Safety			
<i>Step 3</i> Safety Hazard Self- Evaluation			
<i>Step 4</i> Action Plans Based on Findings of Evaluations			
<i>Step 5</i> Incident Reporting, Investigation & Analysis			
<i>Step 6</i> Loss Control Follow-Up and Audit			
<i>Establish Plans for:</i> A. Staff Orientation & Training B. Reducing the Risk of Child Sexual Abuse C. Emergency Preparedness D. Hazard Communication E. Security F. Certificates of Insurance G. Transportation Safety			
Completed by:	Date:		

Arson Prevention Checklist

The National Fire Protection Association tells us – *Arson and suspected arson constitute the largest single cause of property damage due to fire in the United States.* While the number of arson fires in churches is relatively small compared to those in business, arson in churches is still a serious problem. Early in 1999 a firefighter died battling an arson-caused fire in a United Methodist Church in Georgia.

There is not typical church arsonist. Church arson fires include such diverse circumstances as juvenile vandalism, fires set to conceal burglaries, and fires set to retaliate for conflicts with individuals and with society in general. Therefore, each church needs to evaluate the adequacy of its own efforts to prevent an arson fire.

OK	Needs Work
----	------------

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Install night lighting |
| <input type="checkbox"/> | <input type="checkbox"/> | Securely lock all buildings when unattended. <ul style="list-style-type: none"> • Use solid wood or sheet metal faced exterior doors when practicable. • Use locks that penetrate deeply into the door frame (prevent easy prying). • Assign a responsible person to verify that exterior doors are properly locked. • Install burglar bars on grade floor windows, but be sure to comply with life safety codes. <p style="text-align: center;"><i>Note: Tempered glass or plastic glazing may be an alternative.</i></p> |
| <input type="checkbox"/> | <input type="checkbox"/> | Eliminate wood piles, paper and leaves that are around the church that could fuel a fire |
| <input type="checkbox"/> | <input type="checkbox"/> | Secure (in a locked area) flammable liquids and other materials that could fuel a fire. |
| <input type="checkbox"/> | <input type="checkbox"/> | Limit the number of entrances into the building while still providing adequate emergency exits. |
| <input type="checkbox"/> | <input type="checkbox"/> | Be alert to unusual activities in the neighborhood. |
| <input type="checkbox"/> | <input type="checkbox"/> | Install an effective security and fire detection system. |
| <input type="checkbox"/> | <input type="checkbox"/> | Keep valuables locked up and out of sight. |
| <input type="checkbox"/> | <input type="checkbox"/> | Prevent unauthorized access to the roof, fire escapes and stairwells |
| <input type="checkbox"/> | <input type="checkbox"/> | Assign personnel to secure the building |
| <input type="checkbox"/> | <input type="checkbox"/> | Limit keys to management only. |
| <input type="checkbox"/> | <input type="checkbox"/> | Leave some interior lights on at night. |
| <input type="checkbox"/> | <input type="checkbox"/> | Install perimeter exterior floodlights, perhaps activated by motion sensors. |
| <input type="checkbox"/> | <input type="checkbox"/> | Trim heavy shrubs near the building, low to the ground (eliminate places to hide). |
| <input type="checkbox"/> | <input type="checkbox"/> | Keep refuse containers well away from the buildings (vandals might ignite them). |
| <input type="checkbox"/> | <input type="checkbox"/> | Participate in formal and informal Neighborhood Watch programs. |

BOMBS AND BOMB THREATS:

Educate staff members to deal effectively with bomb threats. **(For information, contact your local fire/police authorities.)** Call police instead of opening any suspicious looking packages.

Church Contents Inventory

Date of Inventory _____

Name of Church:

Address:

In putting a value on building or contents items use the current cost to replace new, as near as you can estimate it. Most policies provide replacement cost coverage on both buildings and contents and adequate values are very important. Values for the contents of the parsonage should be limited to church-owned contents.

<u>Contents</u>	<u>Church</u>	<u>School</u>	<u>Other Building</u>	<u>Other Building</u>
Communion Service	\$ _____	\$ _____	\$ _____	\$ _____
Altar Furnishings	\$ _____	\$ _____	\$ _____	\$ _____
Draperies	\$ _____	\$ _____	\$ _____	\$ _____
Bibles	\$ _____	\$ _____	\$ _____	\$ _____
Hymnals	\$ _____	\$ _____	\$ _____	\$ _____
Choir Robes & Vestments	\$ _____	\$ _____	\$ _____	\$ _____
Choir Music	\$ _____	\$ _____	\$ _____	\$ _____
Musical Instruments (incl. Pianos)	\$ _____	\$ _____	\$ _____	\$ _____
Unattached Seats & Pews	\$ _____	\$ _____	\$ _____	\$ _____
Tables & Chairs	\$ _____	\$ _____	\$ _____	\$ _____
Pictures & Paintings	\$ _____	\$ _____	\$ _____	\$ _____
Statuary	\$ _____	\$ _____	\$ _____	\$ _____
Christmas Decorations	\$ _____	\$ _____	\$ _____	\$ _____
TV Sets	\$ _____	\$ _____	\$ _____	\$ _____
TV Security System	\$ _____	\$ _____	\$ _____	\$ _____
Sound System	\$ _____	\$ _____	\$ _____	\$ _____
Microphone Stands	\$ _____	\$ _____	\$ _____	\$ _____
Radios	\$ _____	\$ _____	\$ _____	\$ _____
Recorders	\$ _____	\$ _____	\$ _____	\$ _____
Record Players & Records	\$ _____	\$ _____	\$ _____	\$ _____
Video Recorders & Tapes	\$ _____	\$ _____	\$ _____	\$ _____
Slide Projectors & Equipment	\$ _____	\$ _____	\$ _____	\$ _____
Compact Disk Players & Disks	\$ _____	\$ _____	\$ _____	\$ _____
Cameras	\$ _____	\$ _____	\$ _____	\$ _____

<u>Contents</u>	<u>Church</u>	<u>School</u>	<u>Other Building</u>	<u>Other Building</u>
Office Desks & Chairs	\$ _____	\$ _____	\$ _____	\$ _____
Files	\$ _____	\$ _____	\$ _____	\$ _____
Computers & Printers	\$ _____	\$ _____	\$ _____	\$ _____
Typewriters	\$ _____	\$ _____	\$ _____	\$ _____
Adding Machines	\$ _____	\$ _____	\$ _____	\$ _____
Duplication Machines	\$ _____	\$ _____	\$ _____	\$ _____
Answering Machines	\$ _____	\$ _____	\$ _____	\$ _____
Fax Machines	\$ _____	\$ _____	\$ _____	\$ _____
Other Equipment	\$ _____	\$ _____	\$ _____	\$ _____
Other Supplies	\$ _____	\$ _____	\$ _____	\$ _____
Books	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
Unattached School Desks & Chairs	\$ _____	\$ _____	\$ _____	\$ _____
Unattached Cupboards	\$ _____	\$ _____	\$ _____	\$ _____
Unattached Blackboards	\$ _____	\$ _____	\$ _____	\$ _____
Book Cases	\$ _____	\$ _____	\$ _____	\$ _____
Maps & Globes	\$ _____	\$ _____	\$ _____	\$ _____
Science Equipment	\$ _____	\$ _____	\$ _____	\$ _____
Sporting Equipment	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
Domestic Appliances, such as Stoves, Refrigerators, Dishwashers, Washers, Dryers, etc.	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
Pots & Pans	\$ _____	\$ _____	\$ _____	\$ _____
Dishes	\$ _____	\$ _____	\$ _____	\$ _____

Silverware	\$ _____	\$ _____	\$ _____	\$ _____
Coffee Makers	\$ _____	\$ _____	\$ _____	\$ _____
Pressure Cookers	\$ _____	\$ _____	\$ _____	\$ _____
Warming Ovens	\$ _____	\$ _____	\$ _____	\$ _____
Microwave Ovens	\$ _____	\$ _____	\$ _____	\$ _____
Mixers	\$ _____	\$ _____	\$ _____	\$ _____
Toasters	\$ _____	\$ _____	\$ _____	\$ _____
Carts & Trays	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
Tools	\$ _____	\$ _____	\$ _____	\$ _____
Lawn & Snow Equipment	\$ _____	\$ _____	\$ _____	\$ _____
Pastors' Business Personal Property (not otherwise insured)	\$ _____	\$ _____	\$ _____	\$ _____
Personal Property of Others while in care and custody of church for business purposes	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL (Contents Only):	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

Certain building items are high in value and need constant check of current replacement costs to keep your protection adequate. It is recommended that you consult a qualified expert about the cost to replace these items. The person or organization that installed or services these items could be contacted for assistance.

Pipe Organ, including console, pipes and blowers: \$ _____

If value not known: Number of stops _____
Number of ranks _____

Chimes \$ _____

Carillon \$ _____

Stained glass windows \$ _____

