



# 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

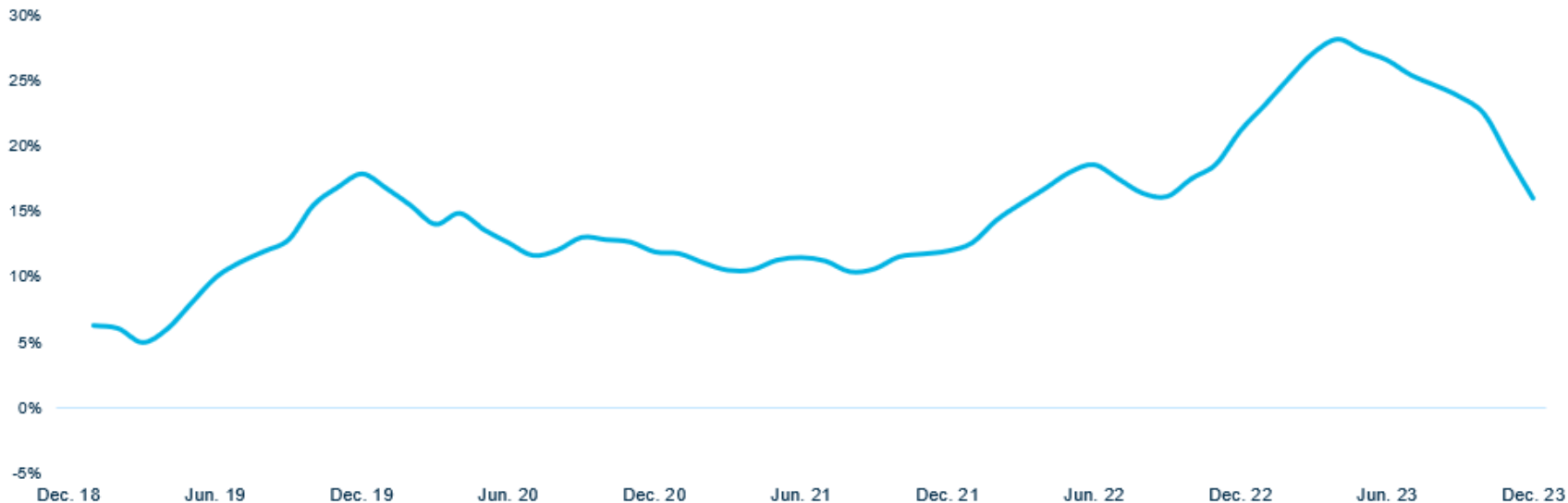


- Inflation
- Shifting population and increased values in high-risk areas
- Increased storm and wildfire activity
- Severe winter storms over the past five years – frozen pipe claims
- 67% of global insured loss recorded in the US (75% in 2022)
- 2023 – record number of billion dollar losses (28)

# 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://gcfa.org)

■ [UMIP Buying Guide | UMinSure](https://uminsure.org)

■ [Discipleship Ministries | Moving Toward a Safer Church \(umcdiscipleship.org\)](https://umcdiscipleship.org)

■ [Insurance and Risk Management Section of Legal Handbook \(gcfa.org\)](https://gcfa.org)

■ [Insurance Considerations for Leasing and Renting Church or Ministry Property \(uminsure.org\)](https://uminsure.org)

■ [Annual Trustee Report \(gcfa.org\)](https://gcfa.org)

■ [GCFA Insurance Worksheet \(gcfa.org\)](https://gcfa.org)

41 ■ [Internet Crime Complaint Center \(IC3 run by the FBI\)](https://ic3.fbi.gov)