

*Safeguarding Your Assets*

**Risk  
Management  
& Insurance  
Basics**

*for Episcopal Organizations*



**CHURCH**

**Church Insurance  
Agency Corporation**



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# Foreword

Our customers appropriately remind us that commercial insurance can be a confusing subject for those who don't deal with it regularly. Our typical contact, especially at the parish church level, is a volunteer treasurer—a banker or accountant, a homemaker, an educator, perhaps a civil servant—but rarely an insurance professional. As stewards of their organizations' assets, these faithful servants are asked to make informed choices from a confusing array of property and liability products available in today's competitive marketplace. This can be a daunting task.

As an instrument of the Episcopal Church, Church Insurance Agency's mission is to serve: by making cost-effective insurance available to any entity that needs it; by providing hands-on services that enable Church organizations to reduce their long-term costs of risk; and by educating our policyholders so they can become more discerning, self-sufficient consumers.

We designed this booklet with the “average” buyer in mind, hoping to provide a user-friendly overview of property and casualty insurance. Our goal is to help you develop a broad and cohesive asset protection program for your organization, whether you purchase coverage from Church Insurance or from another provider. Some will find this booklet a long-awaited replacement of the *Insurance Coverages* booklet we produced some years ago.

Please bear in mind that this publication provides only a “treetop view” of a complex subject and may not address every type of insurance relevant to your situation. Nonetheless we hope that reading this booklet will motivate you to review each of your policy contracts carefully before you have a claim.

As always, we invite your comments and suggestions on how we can best serve your Episcopal organization.

Faithfully,

A handwritten signature in black ink, appearing to read "D. Roderick Webster". The signature is stylized and cursive, with a large initial "D" and "W".

D. Roderick Webster  
Senior Vice President & General Manager

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# The Basics of Risk Management

Risk management is a disciplined approach to asset conservation. It involves more than just buying insurance; in fact, insurance may well be the court of last resort after the other means of managing risk are thoroughly explored.

## The Five Steps of Managing Risk

Risk management involves a set of strategies that may be employed individually or in combination. They are normally undertaken in sequence.

### ■ *Risk Identification and Measurement*

*The two-fold process of (1) examining your business, from property holdings to operational processes, and identifying all risks that potentially threaten your organization's assets; and (2) estimating each risk's potential financial impact on your organization's asset base.*

An example of risk identification and measurement is an organization's assessment of threats to its income stream in the wake of damage to its premises. For instance, if a fire would incapacitate the property for a maximum of six months during repair and restoration, and the property normally generates rental income of \$1,000 per month, the organization is vulnerable to a \$6,000 income loss.

In another scenario, a congregation may realize that several years of active growth and change have resulted in significant staff turnover, but that the organization has never developed formal hiring, performance management, salary administration, or employee termination procedures. The vestry may conclude that the organization is vulnerable to employment practices liability from prospective, current, and/or former staff. Based on accounts of large employment-related settlements and verdicts, the vestry may also conclude that the risk could be in a six-figure dollar range or greater.

### ■ *Risk Avoidance and Reduction*

*The process of averting risk or mitigating it through operational planning and loss prevention/safety programs.*

An example of risk avoidance is a church's decision not to allow a local martial arts studio to use the undercroft because the vestry

believes there is an unacceptable risk of bodily injury claims against the church.

An example of risk reduction is a diocese's development of extensive protocols to guard against sexual misconduct liability. Another is a school's development of an emergency evacuation plan, which mitigates risk by providing all occupants with information on safe, swift egress from the premises.

### ■ *Risk Retention*

*Self-funding certain types and amounts of risk.*

An example of risk retention is an organization's election of a \$5,000 property insurance deductible instead of the insurer's standard \$500 deductible. In deciding to bear more risk in the form of a higher deductible, the organization has examined its historical pattern of property insurance claims; its ability to fund claim amounts below the deductible threshold from its own treasury; and the annual premium savings that result from assuming more front-end risk.

Another example—although arguably less prudent—is a vestry's decision to forego Directors' & Officers' Liability insurance on the premise that the organization enjoys charitable immunity and that its volunteers are unconditionally immune from civil liability for their decisions. In this case, the organization is optimistically "betting" that it will never become the subject of litigation arising from negligent decision-making or management mistakes; that statutory defenses will always be successful; and that any ultimate financial exposure, including legal fees required to defend any action, can be borne directly from its own assets.

In general, an organization should retain only that risk that is *predictable* and *affordable*. In these examples, an exposure of up to \$5,000 for minor property losses may meet these criteria, while exposure to unlimited catastrophic civil liability for egregious actions or decisions does not.

### ■ *Risk Transfer*

*The deflection of risk away from the organization and onto others.*

Risk transfer is normally accomplished through contracts such as leases and facilities use agreements, purchase orders, work orders, and similar covenants. Many contracts contain "Indemnification and Insurance" provisions that establish responsibility for risks associated with performance under the contract.

#### **Hint:**

**Commercial insurance is only one way to handle risk. Consider first whether you can avoid, reduce, assume, or transfer risk.**

An example of risk transfer is a church's contractual requirement that an independent preschool occupying its facilities indemnify and hold the church harmless from liability for claims arising from the school's occupancy or operations. The contract also requires that the preschool operator provide evidence of its liability insurance, designating the church as an "Additional Insured" to protect it under the school's insurance program.

## Hint:

**Don't blindly assume risk from third parties. Ask outside contractors, tenants, users of your facilities, and business partners to provide evidence of their insurance—and have your organization designated an "Additional Insured" whenever possible.**

In another case, an organization has requested proposals from several contractors to renovate its premises. A condition of the bid proposal is that every respondent comply with "Indemnification and Insurance" language in the construction contract that squarely places responsibility for construction-related injury or damage with the contractor.

*Commercial insurance* is also a form of risk transfer. The policyholder transfers risk to an insurance company for a financial con-

sideration (the premium), subject to policy contract terms, conditions, and exclusions. As a rule of thumb, insurance should be the final avenue chosen after risk avoidance, retention, and transfer are explored. The plan should be arranged thoughtfully to integrate with and promote the organization's overall risk management strategy.

The opposite of risk transfer is *risk assumption*, in which the organization takes on risk from others.

## ■ Risk Monitoring and Adjustment

*The periodic process of re-examining chosen risk management strategies and adjusting them to fit the organization's financial and other objectives.*

For example, a rash of minor playground accidents may lead a church preschool to develop a formal schedule for inspecting and maintaining all playground equipment, and to implement safety policies and procedures.

In another instance, as a church's membership grows, its financial health improves and greater resources can be dedicated to preventive property maintenance and conservation. Its leadership may conclude that property losses will be infrequent and minor and thus elect to raise the property insurance deductible for a modest ongoing annual premium savings.

In a third scenario, a board of directors may decide to buy Directors' and Officers' Liability insurance after a lawyer advises it of exceptions to charitable and volunteer immunity.

# Reading Your Insurance Policy

Understanding how an insurance policy is built makes reading it and locating its key provisions relatively simple. Every insurance policy has four basic sections, which you can remember with the acronym **D-I-C-E**:



**Declarations...** which confirm particulars such as the policyholder's name and address, the policy number, policy term, coverages and limits, applicable policy forms and endorsements, and the annual premium;



**Insuring Agreement...** which details the insurance company's promise to perform a service (for example, to pay damages on the Insured's behalf) in consideration of the premium paid;



**Conditions...** which delineate the responsibilities of both policyholder and insurer;



**Exclusions...** which restrict coverage by qualifying the promise made in the Insuring Agreement.

In addition, the policy contains Definitions of words having special meaning within the context of the insurance contract.

# Insurance Coverages

## Property Insurance

### Purpose

To protect an organization's assets against loss resulting from direct damage to property.

### Covered Causes of Loss (Perils)

A property insurance policy covers buildings, contents, and other types of property against damage by certain *perils*, or causes of loss. For many churches, the most frequent causes of loss are fire, wind, and water damage, but these represent only a few of the many potential threats to church property on a daily basis.

The insurance industry generally offers two kinds of property policies:

- *The "Named Perils" contract* insures only against specifically-listed perils. These commonly include Fire and Lightning; Windstorm and Hail; Vandalism and Malicious Mischief; Explosion; Sudden and Accidental Smoke Damage; Vehicles or Aircraft; Riot and Civil Commotion; Building Damage by Burglars; Sonic Boom; Removal; Weight of Snow, Ice or Sleet; Falling Objects; Freezing of Equipment or Appliances; Water Damage (limited); Sinkhole Collapse; Volcanic Action; and Collapse of Buildings.

### Hint:

Find out what your policy covers and doesn't cover. What perils are covered? Which ones are excluded?

- *The "All Risk" contract* insures against all perils *except* those that are specifically excluded. Among the common causes of loss included here (but not in a Named Perils policy) are Burglary and Theft of Property, Glass Breakage, and Back-up of Water from Sewers and Drains. Protection against Flood and Earthquake is sometimes available at an additional premium.

In effect, these two types of insuring agreements are reciprocals of one another. The Named Perils buyer should determine exactly which causes of loss are insured, since loss by any unlisted peril will not be covered. Conversely, while the All Risk buyer can take comfort in broader coverage, he must become familiar with the policy exclusions that restrict coverage.

### Policy Limits

A property policy is designed to insure all buildings, contents, and other property. The amount of coverage and the way the policy limits are expressed are important considerations.

Coverage may be underwritten two ways:

■ ***A Blanket Limit*** represents the total value of all structures and their contents. This aggregated figure is available in the event of loss to any location or group of locations, although the insurer’s liability will naturally be limited to the cost of repairing or replacing the damaged property (see “Basis of Valuation,” page 13).

■ ***Specific Limits*** reflect per-location building and contents values. Recovery for buildings and/or contents is limited to the stated value for each.

The blanket approach is generally preferable, since it is much less restrictive in delivering an amount of coverage adequate for all but the most catastrophic losses. The vast majority of business insurance policies are now issued on this basis.

Depending on the policy, coverage for some perils and types of property may be restricted by *sublimits*, or caps. For example, almost all policies sold in the commercial marketplace limit (or exclude) protection against Flood and Earthquake. Similarly, many commercial carriers limit coverage for Fine Arts to a specific dollar threshold.

**Hint:**  
Arrange a blanket property limit whenever available. This approach maximizes the amount of coverage available for any loss.

Special types of property—individual works of fine art, contractors’ or agricultural equipment, or audiovisual equipment, for example—may be treated separately under a property “floater” endorsement, in which the values of individual items are declared and supported by appraisals. This “carve-out” approach is useful in eliminating guesswork about an item’s value when a loss occurs, but it generates a higher premium.

## Deductibles

Every property insurance policy includes a *deductible* that shifts a portion of the loss cost to the policyholder. The deductible is usually expressed as a dollar amount, and can range from as little as \$500 per loss to as much as \$50,000 or more. The deductible must be satisfied before the insurer makes any payment for a covered loss.

For some coverages, the deductible may be expressed in other terms. For example, hurricane protection may be subject to a deductible equalling a percentage of the policy limit or the dollar loss. Business Interruption (Earnings) insurance may be triggered after a deductible expressed as a certain number of hours following direct property damage. Articles scheduled by special floater endorsement may be subject to yet a different deductible.

Every organization should select a property deductible based upon its property claims history, its current financial condition, and the premium savings that can be realized by assuming more front-end risk.

## Basis of Valuation

The basis of property valuation governs the extent of recovery after a loss.

- **Replacement Cost** is the cost of repairing or replacing damaged property with new material of similar kind and quality; and
- **Actual Cash Value (“ACV”)** is Replacement Cost *less reasonable depreciation* reflecting the age, condition, and utility of the damaged property.

### Hint:

The value of your tangible property changes—with normal inflation, expansion of existing facilities, and acquisition or construction of new ones. Arrange periodic appraisals of buildings and contents to ensure that your coverage meets your needs.

Other bases of valuation include *Market Value* (the amount for which undamaged property can be sold in a fair market); *Selling Price* (commonly used for wholesale or retail inventory); and *Reproduction Cost* (the cost of repairing or replacing damaged property with materials identical to the original).

The starting point in establishing values is a physical appraisal and inventory. As a rule of thumb, buildings should be appraised every five to seven years. Contents should be inventoried and valued more frequently.

Property values should also be revised as the physical plant is expanded or significantly improved, or when new furnishings are acquired.

Naturally, the basis of valuation has a direct bearing on the amount of insurance coverage purchased and the resulting premium. Assume, for instance, that a church and its contents can be replaced with comparable materials and workmanship for \$2,000,000; the Replacement Cost is thus \$2,000,000. Now assume that, because of age and normal wear and tear, the same building and contents are depreciated by 15 percent, yielding an Actual Cash Value of \$1,700,000. The cost for \$2,000,000 of insurance—whether on a Named Perils or All-Risk basis—will be greater than the cost for \$1,700,000 of coverage. However, most buyers elect Replacement Cost protection, as they desire and intend to replace old property with new after a loss.

## Insuring to Value

Most off-the-shelf insurance policies contain a *coinsurance* clause requiring the policyholder to insure property to its full value or an acceptable percentage—perhaps 80 or 90 percent—or to bear a financial penalty upon the adjustment of any loss for which the property is found to be underinsured. The penalty is proportional to the extent of underinsurance.

For example:

- A building has a Replacement Cost of \$500,000;
- The insurance policy has a coinsurance provision of 80 percent, a policy limit of \$300,000, and a \$1,000 deductible; and
- There is a claim for repair of interior water damage totaling \$8,000.

The 80 percent coinsurance provision means that the policyholder must insure the building for at least 80 percent of the \$500,000 Replacement Cost, or \$400,000. However, the organization only bought \$300,000 of coverage—75

percent of what was required by the policy. Because of the coinsurance penalty, the policyholder will recover only 75 percent of its water damage claim, or \$6,000. After the \$1,000 deductible, the policyholder's net recovery is \$5,000.

<b>Amount of Insurance in Force</b>	<b>x Amount of Claim</b>
<b>Amount of Insurance Required</b>	
\$300,000 in Force	x \$8,000 Claim
\$400,000 Required	
.75 x \$8,000 Claim = \$6,000	

A coinsurance clause clearly underscores the importance of establishing accurate property values and buying adequate insurance. Assuming credible property values, however, an insurer will often consent to liberalize the policy with an *Agreed Amount Endorsement*. This provision basically states that both policyholder and insurer accept the reported values as appropriate, waiving application of the customary coinsurance clause. It should be requested whenever possible.

## Extensions of Coverage

Most property policies include “Extensions of Coverage” that broaden the basic contract terms for special circumstances and types of property. These Extensions are normally included at no additional cost and no premium savings result from eliminating them, whether in whole or in part. The Extensions of Coverage sometimes apply on a first-dollar basis, meaning that the customary deductible is waived.

### Hint:

Determine whether your policy covers Extensions of Property Coverage on a first-dollar basis, or whether the standard property deductible applies. The answer could affect the amount of coverage you need.

Some of the most common and significant Extensions of Coverage include:

<b>Extension</b>	<b>Purpose</b>
<b><i>New Construction and/or Newly-Acquired Property</i></b>	Provides automatic protection for new structures and property (i.e., without informing the insurer). The amount and duration of automatic coverage are limited.
<b><i>Trees, Lawns, Plants and Shrubs</i></b>	Protects horticultural property against damage by Named Perils. The amount of coverage is limited, both on a per-plant and per-event basis.
<b><i>Valuable Papers and Records</i></b>	Covers the cost of reconstructing important records, such as parish registers, pledge reports, and similar one-of-a-kind documents.
<b><i>Additional Expense</i></b>	Covers necessary expenses, incurred above and beyond normal operating expenses, in order to continue operations after direct damage to property by an insured peril. Coverage is limited, either by a specific dollar amount or for a finite duration.
<b><i>Property Off Premises</i></b>	Protects property while in transit or otherwise away from the policyholder's premises. Coverage is normally limited by dollar amount.
<b><i>Debris Removal</i></b>	Covers costs of removing debris following a covered property loss. Coverage is normally limited to a percentage of the direct damage amount.
<b><i>Personal Effects</i></b>	Protects property of others while on the policyholder's premises. Coverage is normally limited by per-person and per-occurrence dollar amounts.
<b><i>Contingent Liability and Increased Cost of Construction</i></b>	Covers additional costs resulting from the forced demolition of any undamaged portion of a building following a loss (Contingent Liability) and repair/reconstruction pursuant to current building codes and ordinances. Coverage is normally limited to a dollar amount or a percentage of the structure's value, whichever is less.

## **Hint:**

**Arrange Equipment Breakdown protection to plug coverage gaps left by conventional property insurance.**

## **Equipment Breakdown**

Most commercial property insurance policies exclude damage caused by explosion of steam boilers and pressure vessels, mechanical breakdown, and electrical arcing, thus leaving significant gaps in coverage. The common remedy is to arrange Equipment Breakdown (formerly “Boiler and Machinery”) insurance, either under a separate

policy or by endorsement to the basic property policy. Church Insurance automatically includes this protection within its *Pinnacle*<sup>™</sup> All-Risk product.

Equipment Breakdown insurance covers sudden and accidental explosion, mechanical breakdown, and electrical injury to heating, ventilation, electrical and electronic objects—from steam boilers to telecommunications equipment—making it an invaluable component of property protection. For example, if a rooftop air conditioning compressor stops working because of a sudden failure within the motor, the policy will cover the cost of repairs and ensuing loss (including limited additional expenses to continue in operation pending repairs), subject to the policy deductible.

## Significant Exclusions

Although the typical property policy contains a variety of exclusions, some of the most noteworthy are those for:

- **Loss caused by power, heating, cooling failure or power surge** unless it is caused by direct damage to property on the premises by an insured peril;
- **Loss caused by wear and tear** and similar degenerative factors such as inadequate or lack of maintenance, deterioration, rust or corrosion, rot, inherent defect, settling, cracking, shrinkage, bulging or expansion, and animal, bird or insect damage. When any of these factors cause an ensuing loss that would otherwise be covered, the policy responds for the ensuing loss only;
- **Loss caused by mechanical breakdown, artificially generated electrical current, explosion or loss or damage to steam boilers, steam pipes or steam turbines, and loss or damage to hot water boilers or equipment for heating water.** Coverage for these Equipment Breakdown perils is available under a separate policy or by special endorsement to the property policy;
- **Employee Dishonesty**, which should be treated separately under a Commercial Crime policy (see “Employee Dishonesty,” page 37).

Many commercial insurance policies also exclude *Flood*, other types of *Water Damage*, and *Earthquake*. Consult your insurance advisor to determine whether such coverages are included or can be made available.

## Tailoring the Policy to Your Needs

Many aspects of coverage, especially sublimits and Extensions of Coverage, are simply “off-the-shelf” provisions that may need to be tailored to your organization’s operational exposures. If the basic property policy and its Extensions of Coverage make no provision for a significant risk exposure, the gap can usually be repaired with an add-on “rider,” or endorsement. For example:

Special Exposure	Potential Problem	Recommended Solution
Building next to lake or river, or in area prone to sewer or water main breaks/backups	Damage by flood or water	Add Flood and Broad Form Water Damage coverage, if not included in standard policy
Church with valuable stained glass windows	Limited recovery for “Fine Arts”	Eliminate sublimit for Fine Arts to make full blanket property limit available
Objects of art offsite at conservator’s studio	Damage in transit or while otherwise off-premises	Amend sublimit for Property Off Premises (including Transit)
School dependent on tuition revenue	Disruption of revenue stream after direct damage to property	Insure Loss of Tuitions & Fees
Older structure that has not been renovated recently	Significant additional cost burden to repair or reconstruct in compliance with current code	Amend sublimit for Increased Cost of Construction
Business without contingency office space	Significant additional expense to move and rent temporary office space when regular quarters are damaged and rendered unusable	Amend sublimit for Additional Expense

# General Liability Insurance

## Purpose

To protect an organization and its agents against civil liability for bodily injury, property damage, or personal injury to others.

## The Insureds

### Hint:

Find out who is protected by your General Liability policy. Does it cover employees and volunteers for their actions on your organization's behalf?

Most General Liability insurance policies designed for not-for-profit organizations protect:

- The corporate entity (the “Named Insured”);
- Its subsidiaries and affiliates;
- Their executive officers;
- Their employees; and
- Their volunteers

...for their actions on the organization's behalf.

Church-related policies may be even more specific in designating ordained clergy, wardens, and vestry members as additional types of Insureds.

## The Coverage Grant

A General Liability policy covers *monetary damages* that the Insureds become *legally obligated* to pay because of an *accident* during the policy term that causes *unexpected, unintended bodily injury, property damage, or personal injury* to someone else. These are indivisible conditions of coverage: The claim must seek compensation because of injury or damage; the injury or damage must have been fortuitous and have occurred during the policy term; and the policyholder must be liable for the injury or damage.

In addition to settlements and judgments, a General Liability policy also covers sums required to defend the Insureds: lawyers' and expert witness fees, reasonable costs of securing other witnesses for court appearance, post-judgment interest, appeal bond premiums, etc. These amounts, referred to as *Supplementary Payments*, are normally payable in addition to the stated limit of liability.

A conventional General Liability policy has no deductible, providing all coverage on a first-dollar basis.

## Limits of Liability

General Liability policy limits are typically quoted two ways:

- *Per-occurrence limit* is the maximum amount of coverage for a single event, regardless of the number of parties involved;
- *Annual aggregate limit* is the maximum payout for all occurrences during the policy term.

Specialized types of coverage within the policy—for example, Sexual Misconduct Liability and Products Liability—are commonly underwritten with their own aggregate limits.

## Broad Form Protection

The ideal General Liability policy is a “Broad Form” contract, so named because of the breadth of coverage for a variety of operational risks. This type of policy commonly includes:

<b>Type of Coverage</b>	<b>Exposure</b>	<b>Example</b>
<b><i>Premises &amp; Operations Liability</i></b>	Liability attributable to aspects of the physical plant or daily operations	Visitor trips on cracked sidewalk (Premises Liability). Boisterous, unsupervised group of school children knocks down an elderly parishioner (Operations Liability).
<b><i>Contractual Liability</i></b>	Liability for injury or damage assumed by oral or written contract	Municipal Parks & Recreation Department asks church to defend and pay bodily injury claim pursuant to facilities use agreement for parish picnic at city park.
<b><i>Personal Injury Liability</i></b>	Liability for false arrest, detention or malicious prosecution; libel, slander, or defamation; and invasion of an individual’s right of privacy	Community member sues after controversial statements about her are published in diocesan newspaper.
<b><i>Advertising Injury Liability</i></b>	Liability for plagiarism or piracy of one’s copyright or trademark	Another business claims that the policyholder’s logo is confusingly similar to its own.
<b><i>Fire Legal Liability</i></b>	Liability for fire damage to someone else’s property while the policyholder is occupying it	Fire damage to a cabin originating from a smoldering cigarette during a youth group retreat.
<b><i>Incidental Medical Malpractice</i></b>	Liability for a non-medical professional’s rendering of, or failure to render medical aid	Priest administers CPR with adverse outcome.
<b><i>Products Liability</i></b>	Liability for injury or damage caused by a “product” made or sold by the policyholder	Child sustains injury by pre-owned toy purchased at church rummage sale.
<b><i>Medical Payments</i></b>	Cost of medical treatment, payable without regard to or concession of policyholder’s liability	Parish offers to cover emergency room bills after parishioner falls on icy steps.

## Special Church-Related Exposures

Even a Broad Form General Liability policy must be expanded to address several significant church-related exposures:

- *Pastoral Counseling Liability risk* is physical or emotional injury attributable to a priest's acts, errors, or omissions during counseling of a spiritual nature (for example, a couple's allegation that marital counseling further injured their relationship);
- *Sexual Misconduct Liability risk* is physical or emotional injury because of sexual abuse, molestation, or exploitation (for example, when a priest initiates a sexual relationship with a parishioner to whom he has provided pastoral guidance);
- *Cemetery Liability risk* is physical or emotional injury because of an act or omission in connection with the cremation, burial, disinterment, or temporary care of any deceased human body (for example, when cremains being held for temporary safekeeping until burial are misplaced);
- *Teachers' Liability risk* is bodily injury or property damage arising out of teaching activities, including the administration of corporal punishment.

### Hint:

Be sure your policy addresses church-specific liability risks as **Pastoral Counseling, Cemetery operations (including columbaria), Sexual Misconduct, and Teachers' Liability.**

## Significant Exclusions

Although the typical General Liability policy contains a variety of exclusions, some of the most noteworthy are those for:

- *Liability arising in connection with ownership, maintenance, operation, use, loading or unloading of automobiles, aircraft, and large watercraft.* These should be addressed by separate Automobile Liability, Aircraft Liability, and Marine Liability policies;
- *Employment-related liabilities*, including obligations under Workers' Compensation, unemployment, or disability benefits laws and work-related claims under common law by employees or their family members. These exposures may be treated by a combination of Workers' Compensation & Employer's Liability coverage or Directors' & Officers' Liability policies, depending on the exact nature of the allegations;
- *Damage to property owned, used, or occupied by the policyholder, or property in an Insured's care, custody or control.* These exposures should be addressed within a property insurance policy;

- *Liability resulting from the willful violation of laws addressing discrimination, humiliation, harassment, or wrongful termination* because of race, creed, age or sex. These exposures should be addressed by a separate Directors' & Officers' Liability policy;
- *Fines, penalties, punitive or exemplary damages* that are typically awarded to punish willful, wanton, or reckless behavior (gross negligence). Most states prohibit wrongdoers from contracting away their responsibility for such sums because doing so would work against the good of society;
- *Liability arising from pollution, nuclear energy, or asbestos.* A series of broad exclusions removes coverage for these exposures, which are universally uninsurable except within stand-alone specialty policies.

# Directors' & Officers' Liability Insurance

## Purpose

To protect an organization and its agents against civil liability for “wrongful acts.”

## The Insureds

### Hint:

Find out who is protected by your D&O policy. Remember that several parties may be exposed to liability—from the Entity to rank-and-file employees and volunteers.

Most Directors' & Officers' (D&O) Liability policies designed for not-for-profit institutions protect:

- The corporate entity, both in its own right and when it indemnifies Directors & Officers pursuant to its by-laws; and
- Its Directors & Officers (as defined within the policy).

Some newer policies extend the coverage to *employees* of all tiers and *volunteers*. In all cases, coverage for individuals applies only to their actions in furthering the organization's business.

## The Coverage Grant

Directors' & Officers' Liability policies are commonly underwritten on a “Claims-Made” basis, meaning that coverage is triggered by a *claim* presented during the policy period because of a *Wrongful Act* that takes place after a designated *Retroactive Date*.

Within the context of a D&O policy, a *Wrongful Act* is usually defined as:

- An act committed or wrongfully attempted
- An error
- An omission
- A misstatement
- A misleading statement
- Neglect
- A breach of duty

Some Directors' & Officers' Liability policies cover Employment Practices Liability by including employment-related offenses, such as wrongful termination, discrimination, harassment, and violation of civil rights, within the definition of a *Wrongful Act*.

The *Retroactive Date* may be the policy inception date or an earlier date negotiated with the insurer.

## Claims-Made Timing Considerations

The element of timing is paramount in determining coverage within a D&O policy. Unlike a General Liability policy, which is triggered simply when a covered event takes place during the policy term, three dates govern Directors' & Officers' coverage:

- *The date of the original event*, which must follow the policy Retroactive Date;
- *The policy Retroactive Date*, which must predate the occurrence;
- *The date the claim is presented*, which must fall within the policy term.

## Limits of Liability

Directors' & Officers' Liability policy limits are typically quoted two ways:

- *Per-loss Limit* is the maximum amount of coverage available for a single claim, regardless of the number of parties involved;
- *Annual Aggregate Limit* is the maximum payout for all claims presented during the policy term.

In contrast to a General Liability policy, which usually treats defense costs as supplementary to the limit of liability, a D&O policy normally includes defense costs within the limit of liability. This means that, as the policyholder expends attorneys' fees and related sums, the amount of coverage available for settlements and judgments is eroded.

## Defense Considerations

In contrast to some other liability policies, the typical D&O contract covers defense costs on a reimbursement basis. That is, after securing the insurance company's consent to engage counsel, the policyholder pays its own defense costs and seeks reimbursement from the insurer after-the-fact.

Some newer D&O policies provide a "Duty to Defend" option, in which the policyholder may delegate to the insurance company the responsibilities of selecting, paying, and controlling defense counsel. This approach may appeal to small and medium-sized church organizations lacking the staff or knowledge to manage complex litigation.

### Hint:

If your policy is underwritten on a "Claims-Made" basis, pay close attention to the Retroactive ("Retro") Date. Claims arising from events before the retro date will not be covered.

### Hint:

Find out how your policy treats defense costs. Are they included within, or furnished in addition to, the policy limit? Does your payment of defense costs count toward the Self-Insured Retention?

Check to determine whether your insurer offers a “Duty to Defend” option and under what conditions it must be exercised. Some policies require that the policyholder delegate the duty to defend within 30 days of receiving a new claim.

## **Self-Insured Retention**

A D&O policy normally includes a *Self-Insured Retention*, which functions like a deductible in causing the policyholder to bear some front-end risk and thus participate in the total cost of the claim. The retention is expressed as a dollar amount and, depending on the policy, may apply separately to the organization and the individual Insureds.

The Self-Insured Retention, like the limit of liability, usually includes defense costs. This means that defense payments satisfy the retention.

## **Significant Exclusions**

Although the typical D&O policy contains a variety of exclusions, some of the most noteworthy are those for:

- *Illegal gain of profit or advantage by the policyholder;*
- *Bodily injury, property damage, or personal injury*, which are normally covered in a Commercial General Liability policy;
- *Pollution-related matters*, which are universally excluded under all Liability policies except specialty Pollution Liability products expressly designed to address the exposure;
- *Violations of certain Federal statutes, including the Employee Retirement Income Security Act of 1974 (ERISA);*
- *Liability assumed by contract*, which is normally treated within a Commercial General Liability policy;
- *Civil or criminal fines, penalties or taxes;*  
and
- *Claims related to securities transactions.*

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# Business Automobile Liability Insurance

## Purpose

To protect an organization against liability arising from the ownership, maintenance, or use of motor vehicles.

## The Insureds

An Automobile Liability policy protects the following parties in connection with covered autos:

- The organization named as the Insured;
- Anyone using a covered auto with the Insured's permission *except*:
  - The owner or anyone else from whom the auto is rented or borrowed;
  - The organization's employee when driving a personal car or one owned by someone in the employee's household;
  - Anyone using the vehicle while working in the business of selling, servicing, repairing or parking autos;
  - Anyone other than the Insured's employee, partner, lessee, or borrower or any of their employees while moving property to or from a covered auto;
  - A partner of the Insured for a personal auto.

## Covered Autos

One of the coverage conditions is that an accident involve a "covered auto," that is, a class of vehicle or specific operating unit designated in the policy Declarations. The types of vehicles that may be insured include:

- *Owned Autos* including those on long-term lease;
- *Specifically-described ("Scheduled") Autos* that are listed on policy by make, year, model, and serial number;
- *Hired ("Rented") Autos* other than ones sourced from the Insured's employees, partners, or members of their households;
- *Non-Owned Autos* means ones not owned, leased or borrowed—including those of the Insured's employees, partners, or members of their households being used on behalf of the Insured organization.

### Hint:

Arrange **Hired & Non-Owned Automobile Liability** coverage to protect your entity against liability arising from employee or volunteer use of rented or personal cars.

In addition to these key classifications, the policy also covers:

- *Trailers* with a load capacity of 2,000 pounds or less designed primarily for public road use;
- *Mobile equipment* being carried or towed by a covered auto;
- *Any temporary substitute auto* that the Insured does not own but is using while a covered auto is out of service because of breakdown, repair, servicing, loss or destruction.

## The Coverage Grant

A Business Auto policy covers several risk exposures within a single contract. Since policy construction varies in accordance with state motor vehicle and insurance laws, the following information is a general overview. Policy provisions will vary by state.

- *Liability* is the most basic form of protection furnished in all Auto policies. This insures against civil liability for property damage and bodily injury;
- *Personal Injury (“No-Fault”)* *Protection* covers medical expenses, wage loss, and necessary replacement services (e.g., housekeeping), for the Insured driver and/or passengers when injured in an auto accident, without regard to fault;
- *Uninsured and Underinsured Motorists’ Insurance* covers civil liability of another driver who has no insurance or whose limits are inadequate to cover bodily injury or property damage to the Insureds;
- *Physical Damage* is protection against damage to the policyholder’s vehicle through collision with another vehicle or object (Collision coverage) or by other causes, such as falling objects, vandalism, etc. (Comprehensive coverage).

**Hint:**  
“Basic” state-mandated Liability, Personal Injury Protection, and Uninsured/Underinsured Motorists’ limits are seldom adequate to cover serious claims. Consider optional upgrades whenever available.

Although Liability coverage is mandatory for all vehicles, the remaining coverages are otherwise elective—subject to state motor vehicle requirements. Basic coverage amounts can vary by insurer and by state, with supplemental limits normally available as an option.

## Significant Exclusions

Although the various coverages available within an Auto policy contain their own unique conditions and exclusions, the following apply to the Liability coverage grant:

- *Liability for work-related injury* should be addressed by a Workers' Compensation policy;
- *Damage to property owned or transported by the policyholder, or property in an Insured's care, custody or control* should be addressed within a property insurance policy;
- *Claims arising from the handling of property before or after being placed into or onto the covered auto;*
- *Liability arising from the use of mobile equipment* is normally addressed within a General Liability policy;
- *Liability for pollution*, as created, for example, when a vehicle containing toxic or hazardous materials overturns and discharges its contents. Pollution Liability exposure is invariably excluded from conventional liability policies and insurable only through specialty markets.

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# Workers' Compensation & Employer's Liability Insurance

## Purpose

To provide state-mandated benefits for injured workers and to protect an organization against common law liability for workplace injuries.

## The Coverage Grants

This policy contains two separate and distinct coverage grants:

- *Workers' Compensation* is a form of insurance that states require of employers in order to compensate workers injured on the job. Coverage applies on a “no-fault” basis and typically includes *medical*, *wage loss*, *rehabilitation* and *death* benefits—all as prescribed by state labor law.
- *Employer's Liability* is a protection against civil liability for work-related injuries. This insurance responds for settlements, judgments, and costs of defending claims brought under common law by workers who are either exempted from Workers' Compensation or for whom benefits are otherwise not payable. As with other types of liability insurance, Employer's Liability coverage is triggered by a claim of negligence (in this case, against the employer), and the claimant must prove civil liability.

## Limits of Liability

Unlike most insurance coverage, Workers' Compensation has no limits except those on benefits prescribed by state law where the claim is made.

Employer's Liability, on the other hand, provides standard policy limits of \$100,000 per employee for Bodily Injury by Accident; \$100,000 per employee for Bodily Injury by Disease; and \$500,000 policy aggregate for Bodily Injury by Disease.

## Compensability

Since Workers' Compensation insurance responds to financial obligations imposed by labor law, a claim is covered by the policy only when it is deemed compensable, that is, when it meets certain eligibility tests under state law. The key considerations are:

- Whether the occurrence took place within the *course and scope* of the injured person's employment; and
- Whether an injury and associated disability are attributable to the work-related injury.

## Eligibility and Rating Considerations

Workers' Compensation insurance applies to employees injured in the course and scope of their work. For purposes of determining eligibility, "employee" may be defined broadly as including full- and part-time workers whose annual earnings are reported by IRS W-2 form; casual or contracted workers whose remuneration is reported by IRS 1099 form; and, at the employer's election, uncompensated volunteers.

Workers' Compensation premium is largely the product of rates developed for a variety of occupational classes and the policyholder's total annual remuneration to those occupational groups. Note that the term "remuneration" is broader than "payroll" and should include the value of housing and car allowances, employer-paid utilities, and Social Security offsets payable to clergy and other personnel considered by the Internal Revenue Service to be self-employed.

Rates are expressed as a cost per \$100 of remuneration and, in general, reflect the relative riskiness of the occupation. Thus, for example, the Workers' Compensation rate for a clerical or office employee might be 50 cents per \$100 of remuneration, while the rate for a sexton or landscaper could be as much as \$6 per \$100 of remuneration.

Although the exact classifications and their names vary from state to state, the broad categories most commonly applicable among religious institutions include *Clerical/Office* employees (e.g., secretaries, administrators); *Church Professional* employees (e.g., clergy, program directors, etc.); *Church Other* employees (e.g., sexton and other maintenance employees). Some organizations may also have *Cemetery* or *School* classifications.

Projecting remunerations involves judgment at several levels:

- Developing reliable projections of employee remunerations for the policy period;
- Declaring remunerations for all individuals you intend to treat as "employees" eligible for Workers' Compensation; and
- Allocating projected remunerations across the correct classifications.

Workers' Compensation premiums are auditable, meaning that the insurer may adjust them at year-end to conform to the above-listed considerations, among others.

### Hint:

**"Employee" may be defined broadly, especially in church circles. Consider all individuals for whom you would intend to provide benefits in the event of on-the-job injury...and report their remunerations accordingly.**

## How Claims Experience Affects Premiums

Claims experience directly affects premiums through application of an *experience modification factor*. The “mod” is a numerical expression of the policyholder’s three-year loss record compared to statistics from other organizations in its peer group.

- ***A unity modification***—equal to 1.0—signifies that the policyholder’s experience is on a par with others in the same general class of business.
- ***A credit modification***—less than 1.0—reflects better-than-average claims experience. For example, an experience modification factor of .850 indicates that the policyholder’s history is 15 percent better than the peer group norm.
- ***A debit modification***—greater than 1.0—indicates poorer-than-average claims experience and suggests correction through safety programs and other preventive initiatives. For example, an experience modification factor of 1.20 indicates that the policyholder’s history is 20 percent worse than the peer group norm.

In each instance, the experience modification factor is applied to the standard premium (the product of rates times remunerations), causing the policyholder’s cost to decrease, remain level, or increase commensurate with claims experience.

## Significant Exclusions (Employer’s Liability)

As indicated before, the scope and amount of Workers’ Compensation protection follows strictly the provisions of state law. Employer’s Liability insurance, the companion coverage found in a Workers’ Compensation policy, resembles other types of liability protection in containing certain policy exclusions.

Some of the most noteworthy Employer’s Liability exclusions are those for:

- ***Liability assumed under contract;***
- ***Punitive or exemplary damages*** because of bodily injury to an individual employed in violation of law, with or without the employer’s actual knowledge or the actual knowledge of any of its executive officers;
- ***Obligations imposed by a Workers’ Compensation, occupational disease, unemployment, or disability benefits law or equivalent.*** This exclusion shifts coverage to the Workers’ Compensation section of the policy, or to other types of insurance policies designed to address work-related benefit obligations;

- *Bodily injury intentionally caused or aggravated by the employer;*
- *Bodily injury occurring outside the United States, its territories and possessions, or Canada;*
- *Damages arising from employment practices, policies, acts or omissions, including evaluation, demotion, reassignment, discipline, defamation, harassment, discrimination, termination. This exclusion shifts coverage to a separate Employment Practices Liability or Directors' & Officers' Liability policy;*
- *Bodily injury to employees subject to Federal statutes, including the Longshore & Harbor Workers' Compensation Act, the Nonappropriated Fund Instrumentalities Act, the Outer Continental Shelf Lands Act, the Defense Base Act, the Federal Coal Mine Health & Safety Act, and the Federal Employer's Liability Act.*

# Excess or Umbrella Liability Insurance

## Purpose

To protect an organization and its people against catastrophic civil liability.

## The Insureds

An Excess or Umbrella Liability policy protects the same parties insured by the primary, or “underlying,” insurance policies.

This generally includes:

- The corporate entity (the “Named Insured”);
- Its subsidiaries and affiliates;
- Their executive officers;
- Their employees; and
- Their volunteers

...for their actions furthering the organization’s business. In some cases, for example, church-related policies or Directors’ & Officers’ Liability risks, the policy language may be even more specific in designating clergy, wardens, vestry members, and other leaders as additional types of Insureds.

## The Coverage Grant

The best way to think of Excess or Umbrella Liability coverage is as a safety net of additional protection that starts where your basic, or primary, insurance ends. For example, if you have a \$1 million General Liability limit and a \$10 million Umbrella Liability policy, the Umbrella coverage is triggered when the General Liability policy is exhausted.

Exhaustion of the primary policy can occur (1) when payment of any individual claim exceeds the per-occurrence limit, or (2) when the collective value of a series of claim payments within the same policy period exceeds the aggregate limit.

Two types of policies provide protection beyond primary limits but their scope is quite different. An *Excess Liability* policy sits directly on top of primary coverage and simply provides additional capacity without changing the nature or scope of protection. An *Umbrella Liability* policy supplements primary coverage, but also extends protection beyond the edges of underlying policies after fulfillment of a modest self-insured retention. The term “Umbrella” is especially descriptive because, like its namesake, this policy hangs over what is beneath it, providing broader protection.

Either policy contains a *Schedule of Underlying Insurance* listing the specific primary liability policies that the Excess or Umbrella Liability

form is intended to augment. As a rule of thumb, coverage must be shown in the underlying Schedule in order for it to exist in the Excess or Umbrella layer. In some cases, the Schedule specifies the underlying insurance the policyholder must maintain, or equivalent self-insured retentions for certain kinds of liability.

Although an Umbrella Liability policy is intended primarily to deliver catastrophic liability protection, it contains a unique feature known as the *Drop-Down* provision. This clause provides that, if a claim falls outside the scope of scheduled or required primary liability policies, the Umbrella Liability policy will “drop down” to function like a primary policy, attaching excess of a modest self-insured retention (typically, \$10,000).

An organization’s primary liability protection—whether General Liability, Automobile Liability, Directors’ & Officers’ Liability, or Employer’s Liability—is frequently underwritten by a different insurer than the Excess or Umbrella Liability placement. To ensure that primary and excess policy terms and conditions match one another, we recommend that *Following Form* language be sought in the Excess or Umbrella Liability policy. Following Form language provides that the terms and conditions of the policy will mirror exactly those of all underlying policies, ensuring seamless protection.

## Limits of Liability

There is no “standard” limit of liability for an Excess or Umbrella Liability policy. The face amount of coverage can range from as little as \$1 million to over \$100 million—and should reflect the policyholder’s perceived vulnerability to catastrophic risk.

High-limit placements sometimes involve several companies, each underwriting a layer of risk. For example, one insurer may write the first \$20 million over primary; another company the next \$30 million (excess of primary plus \$20 million), and so on. Another approach involves *quota share* participation, in which a block of catastrophe coverage is placed among several insurers, each of which assumes a percentage of the total risk.

There is no single correct answer to the question, “How much catastrophe coverage do we need?” In selecting a limit, you should consider (1) the nature and scope of the your organization’s operations; (2) the strength of the organization’s risk management program; (3) the locale in which the

### Hint:

**Excess or Umbrella Liability coverage is directly tied to primary coverage, which underlies it. Check the “Schedule of Underlying Insurance” in your Umbrella policy to make sure that all primary liability policies are listed and find out whether, in the absence of primary coverage, your organization must absorb an equivalent Self-Insured Retention before the Excess or Umbrella Liability policy is activated.**

organization conducts business and the judicial climate of that jurisdiction; (4) the organization's large-claims history; (5) the trend toward large awards against similar organizations, both regionally and nationally; (6) the organization's ability to fund unlimited catastrophic loss from its own treasury; and (7) the cost and relative value of insurance.

## Significant Exclusions

### Hint:

Think of an Excess or Umbrella Liability policy as your only safety net in the event of catastrophic loss. Buy enough protection for the worst-case scenario, no matter how remote it seems. The lion's share of the premium is for the coverage immediately above your primary limits, and the cost for each additional \$1 million of protection decreases.

A standard Excess or Umbrella Liability policy contains a variety of exclusions, most of which parallel those found in a Commercial General Liability policy. In addition, the Umbrella Liability policy typically excludes:

- *Any obligation imposed by the Employees' Retirement Income Security Act of 1974 (ERISA) or its amendments;* and
- *Any obligation of the Insured under a "No Fault," "Uninsured Motorist" or "Underinsured Motorist" law.*

Bear in mind that, in a Following Form Umbrella Liability placement, policy exclusions will be the same as any found in an underlying liability policy.

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# Commercial Crime Insurance

## Purpose

To insure an organization's assets against loss attributable to dishonest acts.

## The Coverage Grants

A Commercial Crime policy may provide several types of protection within a single contract.

- *Employee Dishonesty* (“*Fidelity*”) protects an organization against loss of money, securities, or other property arising through the dishonest acts of an employee. The term “employee” may be expanded to include directors, trustees, and volunteers. When Fidelity insurance is underwritten on a blanket basis, it applies to all individuals without specific designation by name or position.
- *Forgery or Alteration* protects an organization against loss arising from third-party forgery or alteration of checks, drafts, promissory notes, or similar instruments made or drawn by the policyholder or its agent.

### Hint:

Fidelity losses often involve more than just petty cash on hand. When choosing a coverage limit, consider the value of other assets such as bank and investment accounts and valuable property vulnerable to pilferage. A common rule of thumb suggests an amount of coverage equal to five percent of total assets.

Protection may also be available against *Theft, Disappearance, and Destruction* of money and securities (inside or outside the premises) and *Robbery and Safe Burglary* (inside or outside the premises). Some Commercial MultiPeril policies include protection against loss of money or securities, rendering that coverage unnecessary here. Finally, reliance on computers and electronic data transfer as a financial transaction medium has led to the introduction of *Computer and Wire Transfer Fraud* protection.

## Limits of Liability

There is no standard limit of liability for any of the coverage sections of a Commercial Crime policy. Instead, the policyholder is encouraged to select a limit commensurate with its exposure to risk.

For many institutions, the primary crime threat is Employee Dishonesty. In assessing one's vulnerability to loss, remember that: (1) a Commercial Crime policy insures not only money and securities, but also other property such as office equipment and supplies, computers, and Fine Arts; (2) the policy covers the acts of people other than “employees” in the strictest sense; and (3) your money and securities exposure extends beyond mere petty cash on hand and may include bank and investment accounts.

In applying policy limits and deductibles, all loss attributable to a single perpetrator or dishonesty pattern will be treated as a single occurrence—regardless of the number of individual dishonest acts or time span involved. Moreover, the amount of available coverage is the face amount of the policy when the loss is discovered. This underscores the importance of arranging enough protection for the once-in-a-lifetime dishonesty scheme that most churchgoers find unimaginable.

For example, assume that a church carries Employee Dishonesty limits of \$10,000 every year over a 10-year period. In the current year, it is discovered that a volunteer with access to church funds has been steadily taking an average of \$5,000 annually for the past decade—a cumulative loss of \$50,000. Since the dishonesty scheme will be treated as a single occurrence, however, recovery will be limited to the current policy limit of \$10,000, less the applicable per-loss deductible.

The policy limit you choose should reflect your vulnerability based on such considerations as money-counting procedures, check-signing protocols, access to financial accounts, and annual audit by an outside CPA. A common rule of thumb advocates an Employee Dishonesty limit equal to at least five percent of total assets. For churches, another yardstick is a limit equal to 25 percent of total annual revenue from all sources. Naturally, this amount will vary according to your security and cash management practices.

## Significant Exclusions

Although the various coverages available within a Commercial Crime policy contain their own unique conditions and exclusions, the following ones are common to the entire policy:

- *Acts committed by the Named Insured and/or partners.* The intent here is to bar claims attributable to a business owner's dishonesty. Institutional policyholders such as religious organizations are generally protected for dishonesty arising from executive officers, directors, and other leaders, whether or not compensated by the organization;
- *Loss resulting from seizure or destruction of property by order of governmental authority;*
- *Indirect loss* such as damages and costs of perfecting a claim under the policy;
- *Legal expenses;*
- *Loss resulting from war and similar actions.*

# Travel Accident & Sickness Insurance

## Purpose

To protect travelers and participants of day schools, camps, and off-site athletic or recreational activities against medical expenses associated with accidental injury or sickness they sustain while participating in such programs.

## The Insureds

In contrast to most other commercial insurance policies, which protect the organization first and foremost, an Accident & Sickness policy provides direct protection for people—specifically, the individual participants enrolled in sponsored travel, school, camp, or athletic and recreational programs.

## The Coverage Grant

An Accident & Sickness policy typically covers:

- *Emergency Medical Expense* up to a policy limit for this coverage part. Coverage may apply excess of a modest deductible or after exhaustion of other valid and collectible insurance (for example, group health insurance benefits);
- *Accidental Death & Dismemberment (AD&D)* up to a policy limit for this coverage part. The policy may include a schedule of AD&D benefits that vary according to severity of injury. For example, the policy limit (or “principal sum”) may be payable not only in the event of the participant’s death, but upon severe injury such as loss of multiple limbs or sight, paraplegia, and other equally dire circumstances. Partial benefits, such as one-half or one-quarter the principal sum, may be payable for other serious and permanent injuries.

### Hint:

Find out whether your Emergency Medical Expense coverage applies on a primary basis, or whether it is triggered only after exhaustion of other available insurance, such as individual health coverage.

For most buyers, the primary attraction of an Accident & Sickness policy is the Emergency Medical Expense benefit, which can deflect claims away from the organization’s General Liability policy. The AD&D benefit—especially if only a modest principal sum—is simply a token addition. If insuring the value of participants’ lives is a significant concern, consideration should be given to an increased AD&D benefit.

## Significant Exclusions

Some of the most noteworthy Accident & Sickness exclusions are those for:

- *Routine medical or dental treatment;*
- *Services provided by the sponsoring organization or its employees;*
- *Prescriptive hearing or vision aids;*
- *Suicide or intentionally self-inflicted injury;*
- *Injury due to participation in a riot;*
- *Elective cosmetic surgery;*
- *Loss arising from air travel.*

# International Risks

The insurance policies described in the preceding sections of this booklet primarily protect an organization and its people against risks associated with operations in the United States, its territories and possessions, and Canada. International travel and foreign operations create unique vulnerabilities to risk not conventionally addressed by domestic insurance programs.

## The International Package Policy

Depending upon the nature and extent of overseas activity, your organization should consider arranging an International Package policy. This type of policy combines several unrelated forms of protection within a single contract:

### Hint:

Find out what your policy covers. Many so-called “Travel” policies provide only basic Emergency Medical protection—failing to address liability and other risks that are normally excluded in domestic insurance placements.

- *Foreign General Liability* protects an organization and its people from civil liability for bodily injury or property damage caused or claimed abroad;
- *Foreign Automobile Liability* protects an organization and its people from civil liability for vehicular bodily injury or property damage caused or claimed abroad;
- *Foreign Workers’ Compensation* provides state-of-hire Workers’ Compensation benefits to U.S. workers injured in the course and scope of their employment while outside the United States; and insures the employer against Employer’s Liability incurred through an overseas workplace occurrence;
- *Travel Accident & Sickness* provides Emergency Medical and Accidental Death & Dismemberment benefits in the event of injury, sickness, or death abroad; and typically also includes emergency medical evacuation, repatriation of mortal remains, and travel assistance services;

- *Kidnap, Ransom & Extortion* insures the organization and its people against foreign abduction and ransom or extortion. This typically covers ransom monies; loss of ransom monies in transit or delivery; crisis management expenses; consultants' fees; liability settlements, judgments and defense costs; and death or dismemberment.

Although this policy will be purchased and issued within the United States, it will be expected to respond for occurrences on foreign soil. Therefore, consideration should be given to selecting an insurer with extensive global operations and in-country resources.



## **Uniquely Qualified to Serve Your Needs**

Founded in 1929 by church leaders, Church Insurance has a unique mission: to use our expertise and experience to protect and serve Episcopal churches and people.

### **Unlike other insurance carriers, Church Insurance:**

- Offers coverage to all Episcopal parishes, large or small, struggling or prosperous;
- Provides Flood insurance, regardless of church location;
- Offers among the highest limits and broadest coverage available in areas such as Medical Payments, Sexual Misconduct, Directors' & Officers', and Umbrella Liability.

Our unique mission and heritage give us specialized expertise in the risk management issues Episcopal parishes face. If you have a question or concern about property or liability risk, or if you are interested in an updated appraisal of your facilities or a review of your insurance coverage, please contact us. We are here to serve all Episcopal clergy and institutions, regardless of whether they are insured by us.



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**Church Insurance**  
Agency Corporation

445 Fifth Avenue  
New York, NY 10016  
800.223.6602  
[www.cpg.org](http://www.cpg.org)