

Insurance

1. This note outlines some of the factors to be taken into account by churches when arranging insurance. Church insurance does not apply to organisations or individuals hiring or leasing rooms.

Why insure?

2. Trustees have a general duty to protect the property of their charity, and this means that it should be adequately insured against the consequences of misfortune, whether natural, accidental, or deliberate, including liabilities to third parties. Some insurance (eg employer's liability) is required by law.

3. In the URC context, it is the responsibility of the local church to arrange insurance of all buildings and other property to which it is entitled. Buildings must never be left uninsured.

Identifying "the Insured"

4. The elders meeting (or a committee formally delegated to deal with property matters) has day to day control of church property, but the trustees in which legal ownership is vested are also an interested party. If the policy does not define "the Insured" in terms which include the local church and the trustee company or other persons having legal ownership of the property, the insurer should be asked to note in the policy schedule that the trustees are interested in the policy. This is most likely to be necessary if the insurer is not regularly insuring church properties.

Choice of insurer

5. Insurance of churches is a specialist area of the insurance market. Two companies insure the property of many United Reformed churches: Congregational and General Insurance PLC and Ansvar Insurance Co Ltd. Both advertise in the URC Year Book and "Reform" magazine. It is open to churches to insure the church buildings with any insurer of repute. When comparing quotations it is important to consider the significance of differences in the cover provided.

6. There is usually nothing distinctive about a manse compared with other dwellings. While the specialist church insurance companies endeavour to offer competitive premiums, equivalent cover may be available elsewhere at lower cost. It is open to churches to insure residential property with any insurer of repute, with the trustees' interest being noted as explained in paragraph 4.

Physical risks to be insured

7. There is a broad similarity between insuring a church and insuring a house and their respective contents against physical loss or damage. However, damage by subsidence is not insurable for churches. On the other hand there are special features which can be included to reflect aspects of church buildings and church life, such as damage to stained glass and organs, loss of income from damage to the premises, theft of money and

accidents to voluntary workers. These special features may not be available from insurers not experienced in the insurance of churches.

8. For manse and other residential property, the church's responsibility is to insure the building and any church-provided contents such as carpets and kitchen appliances. Insurance against damage caused by subsidence is available in many locations. Insurance of contents not provided by the church is the responsibility of the minister or other occupier.

Sums insured

9. Normally cover should be obtained for full reinstatement of buildings as new in the event of total loss. In the case of very large or expensively constructed buildings, especially if disused, listed or in a conservation area, the cost of such cover may be particularly high. In these situations, special arrangements can usually be made with the insurer for cover on an "indemnity" basis, ie replacement taking account of the condition of the property. For a listed building this may leave the church unable to meet the standard of repair required, and thus create another problem.

10. Reinstatement as new may be subject to a "condition of average" which applies to both building and contents. The effect of this condition is that if property is insured for less than 75% of the reinstatement cost on total loss, or of such sum as the insurer's surveyor recommends, the amount paid in settlement of any claim will be reduced. Churches should therefore take care to keep sums insured up to date.

11. Index linking to building costs is common practice as a means of adjusting values regularly, but the starting figure has to be calculated carefully. Adjustment for alterations and additions may also be needed from time to time. The quinquennial survey is a convenient time to review sums insured, even if index-linked.

12. Similarly, tracking the reinstatement values for contents generally, and for organs, stained glass and other special items, will be difficult. Periodic reassessment is no less desirable, and should take account of changes in equipment and furniture.

13. For residential property the purchase price or current potential sale price is not a valid indicator of the sum to be insured as the reinstatement cost. Such prices include the land on which the property is built. In some market conditions for some properties rebuilding costs may be greater, rather than less, than the market price. The Association of British Insurers has a house rebuilding cost calculator at abi.bcis.co.uk.

14. The sum insured for residential properties should be kept up to date. Index-linking to house building costs is common, but again the starting figure has to be set with care, and the base line should be reconsidered every few years. The quinquennial survey is a convenient time to do this. Most insurers make proportionate reduction in payments for major claims if the sum insured is found to be inadequate.

Liability risks to be insured

15. It is usual for church and residential insurances to include cover against third party claims (public liability insurance) and employers liability, which is compulsory. Policies may also include some trustee liability insurance and legal expenses insurance.

16. Churches owning motor vehicles of any kind will also have at least third party insurance cover meeting legal requirements, and should consider whether comprehensive insurance is more appropriate.

17. Church insurance policies do not cover third parties using church premises against claims against the users. As a minimum, users should have their own public liability insurance.

Actual or potential claims

18. Insurers should be *notified* within one month of the occurrence of any event which does or might give rise to a claim. Full details of the claim can be provided later. Insurers also require theft to be reported to the police. Incidents involving motor vehicles should be reported immediately to the insurer.