

PROPERTY PROTECTION



6 PROPERTY INSURANCE

Our buildings - are they adequately insured?

Chances are they are not, which can lead to major problems for your church. Building costs continually rise and in some years rise faster than the rate of inflation.

Building insurance - how can I be sure the church has full cover?

Insurance policies cover churches for the cost of re-building their property. The aim is to see that the church is placed back in exactly the same situation that it would have been in, had the loss never occurred.

The cost of re-building can lead to some major surprises. Invariably re-building is likely to cost a lot more than market value less the land value. Churches are often specialist buildings with peculiar designs and features. To establish the amount your buildings **should** be insured for, you will need help from a professional valuer, commercial builder or quantity surveyor.



Organisations that may be able to assist are EIG Ansvar, the Rushton Group and Aon Risk Services. When you have established the cost of re-building your church, see that you contact your insurer or **Australian Christian Services Insurance Department** and have them adjust your policy accordingly.

Skimping on insurance is false economy. People sometimes think, "It won't happen to me", or "We will never lose the lot so why insure for the full replacement cost?" The cost of insuring your property (the premium) is calculated by your insurer in the belief that all property is being insured for its full value. This ensures the insured churches bear their equitable proportion of the cost of insuring similar properties.

Failure to insure for the FULL value of your property may result in the payment due from any claim being greatly reduced.

***NB
If you do not fully insure your property, you are in essence saying to the insurance company that YOU are prepared to cover some of the loss yourself .***

'Average Clauses' in insurance policies - what are they?

Many insurance policies contain what is known as an 'Average Clause'. The effect of this clause is to reduce the claim settlement under the policy in proportion to the amount by which the property is under insured. This clause often attracts criticism of Insurers who are accused of trying to get out of paying what the insured believes is a fair amount in settlement of their claim. The table below shows the devastating effect that under-insuring property can have in the event of a loss.

Under insuring your property may result in severe hardship to the church in the event of an even moderately severe loss. Paying losses in full to churches that under insure would be unfair on those churches that have paid higher premiums based on an accurate assessment of the value of their property. These churches should not be penalised for the failure of other churches to do the right thing. By ensuring your church property is adequately covered you can

Property Value	Sum Insured	Loss	Policy pays
\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
\$1,000,000	\$500,000	\$1,000,000	\$250,000
\$1,000,000	\$500,000	\$500,000	\$250,000
\$1,000,000	\$500,000	\$100,000	\$50,000
\$1,000,000	\$500,000	\$20,000	\$10,000

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guarantee it will not be financially disadvantaged in the event of a major loss.

Major claim settlements - does the building have to be replaced precisely as it was before?

Strictly speaking the answer is yes. However, Insurers are usually extremely flexible. The needs of your church may have changed substantially since the original building was erected and you may, in the event of a major loss, decide substantial changes to the original design are required to meet your current needs. Provided the changes do not increase the cost to your Insurer you are unlikely to encounter any difficulties in having those changes incorporated in the new building.



Following a major loss you may decide you need a substantially different building, likely to cost considerably more than a like for like replacement. In these circumstances you will need to negotiate with your Insurer as to how you should proceed. Provided your church is prepared to pay any additional cost involved your Insurer may be prepared to co-operate and grant your request.

Contents - are they adequately insured?

Possibly not. Contents should be insured on a "new for old" replacement basis. As an example consider an 8 year old television that is destroyed in a fire. To replace it with another 8 year old set may cost \$150, to replace it with a new one may cost \$750. When you nominate a sum insured on your contents you should insure for the 'new for old' replacement value, \$750 in the case of our example.

Adequate contents cover - how is it achieved?

You will need to maintain a register of your contents showing the likely replacement cost for items of a similar nature. See **Contents Inventory, (Attachment 3)** The list should be updated as additional items are purchased and your estimate of the replacement costs should be revised annually. The sum insured for your contents insurance should be changed to reflect the increased values.

When items of significant value are purchased, be sure to notify Australian Christian Services immediately so your insurance cover can be adjusted appropriately.

In the event of a loss resulting in an insurance claim, being able to provide a register of your contents can make the settlement of your claim simpler and faster. Provided your sum insured is based on the **replacement value** of the listed items you are likely to receive your maximum entitlement under your policy.

Member's property insurance - can it be arranged?

Most policies include coverage for member's property left on the premises for which the church could be seen to have a responsibility. In a church these items are usually musical instruments and computers.

It is important to include an amount for the replacement cost of members' property in your 'Contents Inventory' and have an item for members' property shown on your insurance policy schedule. Failure to do so could mean that your overall cover is inadequate and in the event of a substantial claim average may apply.

Applying the information in this module

Persons responsible for Risk Management at each site should establish whether this **Property Insurance** module is relevant to their site and take appropriate action to address the module by utilising the user friendly web based **Risk Management Action Plan Blank**.

The detailed document is available at the ACS website at : <http://www.acservices.com.au/> and can be accessed by authorised persons. The basic version of the **Action Plan Blank** appears as **Attachment 1** in this book.

7 FIRE PREVENTION

Fire hazards - what are the most common ones on church properties?

The most common fire hazards found on church properties are:

- Combustible material stored in or around the building.
- Poor security.
- Flammable liquids stored inappropriately.
- Easy access to the building.
- Inappropriate fire protection.
- Poor lighting.