

## How Much Property Insurance Do I Need?

The amount of property insurance you carry on ministry buildings and their contents will determine the maximum amount of money you could receive if a disaster were to wipe out everything.

That's why it's important to calculate your ministry building's replacement cost. This figure differs from original price and market value. It reflects how much it will cost—in today's dollars—to repair or rebuild your structure.

Keep in mind that replacing an existing building is nearly always more expensive than building on fresh ground. Crews must demolish the damaged building, remove the debris, and rebuild on a lot that may be hemmed in by other structures. In addition, the cost of materials and labor can spike drastically when natural disasters cause widespread damage. Therefore, it is important to factor these considerations when choosing the amount to insure your ministry buildings.

You could work with your insurance agent and perhaps a local building contractor (preferably one that builds the type of structure you occupy) to obtain an estimate of your building's replacement cost. Better yet, consider obtaining a professional industrial appraisal, which takes into account current market factors in your area.

There are several things you can do to avoid being underinsured.

1. Have an appraiser or your insurance agent survey your ministry property and calculate the estimated replacement cost of each building.
2. Insure your buildings to 100 percent of their replacement cost.
3. Consider adding inflation protection, a provision that increases your ministry property's replacement coverage by a small percentage over time.
4. Weigh the benefits of broadened valuation, which can pay up to 125 percent of a building's scheduled coverage limit after a loss.

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## Protecting What's Inside – Contents Insurance

When you buy property insurance, your agent will ask how much coverage you need to cover personal property—the items inside your buildings.

Most people don't realize the value of everything they own. If you're unsure of how much building contents are worth, your insurance company may suggest that you estimate the value as a percentage of each building's replacement cost.

For example, if your main building is worth \$1 million, you might estimate its contents to be worth 20 percent of \$1 million, or \$200,000. But the items inside could be worth far more than that. You won't know unless you have a thorough inventory.

Here are some ways to avoid underinsuring the contents of your buildings.

1. Create an inventory of your ministry's possessions, and update it annually. Remember to keep a copy in a safe place off premises, such as on a thumb drive in a safe deposit box.
2. Ask about personal property endorsements that cover special items such as computers, fine art, antiques, statues, stained glass, and pipe organs.
3. Be sure to tell your agent when you make improvements or additions to your building or purchase additional valuable items, such as computers or audiovisual equipment.

## Picking Your Perils

Insurance companies typically offer two options for protecting your buildings and personal property from damage.

**Specified cause of loss.** You're covered for damage caused by a peril listed specifically in the policy. A basic policy might cover such perils as fire, hail, lightning, and windstorms. A broader policy might include all basic perils, plus collapse, falling objects, water damage, and weight of ice, sleet, or snow.

**Special perils.** This is the most comprehensive policy. It covers damage from all perils unless the cause is specifically excluded. Some common exclusions include war, floods, and earthquakes.

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## Choosing Your Options

Even if you choose a comprehensive policy, your coverage may not address situations involving floods, earthquakes, equipment breakdowns, building ordinances, or theft. Many companies offer optional property coverage extensions that supplement a basic policy. Here are some common examples.

**Floods and earthquakes.** These two perils are typically excluded from standard property insurance policies. Your agent can help you obtain coverage if you're located in an area prone to them.

**Equipment breakdowns.** If your ministry's computers, printers, sound and lighting systems, or heating and air conditioning systems were to suddenly break down, could your ministry afford to replace them immediately? This coverage helps prevent ministry interruption caused by accidental mechanical or electrical failure.

**Building ordinances.** Many communities have ordinances or laws that apply to buildings that have been significantly damaged. For example, an owner might be required to bulldoze undamaged portions of a building or rebuild to a higher standard than the original structure. This option helps pay the added expense of complying with government regulations.

**Theft of money and securities.** Standard property insurance forms typically exclude monetary theft. This coverage endorsement can help reimburse your ministry for stolen money and the theft, forgery, or alteration of your ministry's securities.

**Employee dishonesty ("bond") coverage.** If an employee or someone appointed to a position of responsibility within your ministry were to embezzle money, securities, or other property, having this optional employee dishonesty coverage can help to cover that loss. To determine coverage limits, calculate the amount a person could conceivably take over time without getting caught.

## Be an Educated Consumer

As much as possible, educate yourself about how much insurance your ministry needs and what protection your policy will provide. Choose an agent and a company that understand your ministry's needs, help you manage risks, and give you the best coverage for your premium dollar.



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