

UMIP

Plan. Protect. Restore.

Navigating A Challenging Insurance Market


SOVEREIGN
INSURANCE GROUP

Market Knowledge Matters

July 18, 2024

Agenda

- Market Update – Sovereign Insurance Group
- Finding the Right Solution - UMIP
- Preparing for Renewals - UMIP
- GCFA Standards & Market Challenges - UMIP
- Questions



Section 1

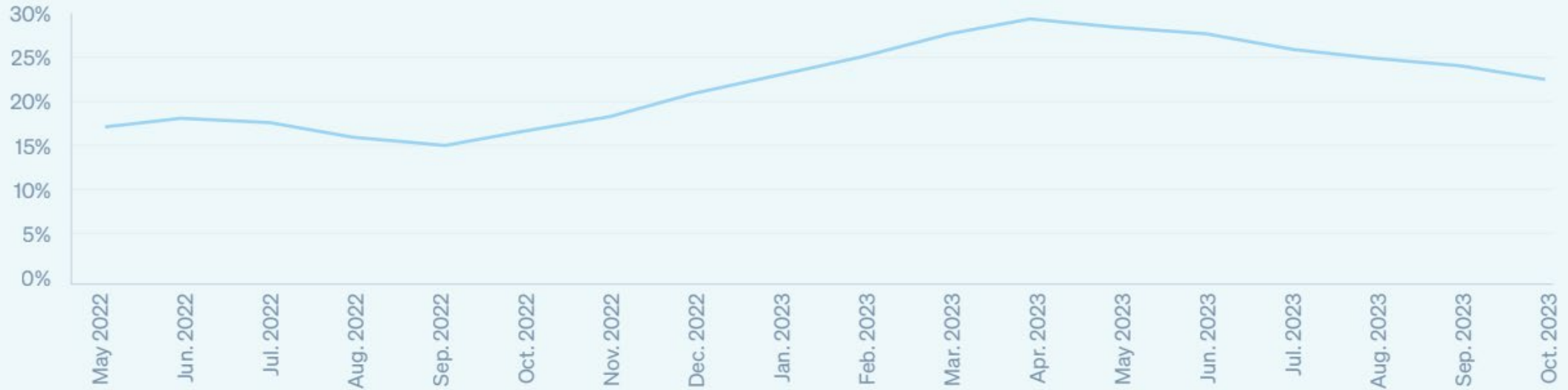
Market Update



Today's Insurance Market



Renewal Pricing Trends – Property Renewals, Rolling Quarterly



Main Causes

- Continued lack of carrier profitability
- Catastrophic property losses
- Convective storms & freeze claims
- Social inflation



2023 U.S. Insured Natural Disasters

- 67% of global insured losses recorded in United States (75% of Global in '22)
- Insured Losses - \$80 Billion (40% above 21st century average)
- Billion Dollar Loss Events – 28 (highest year on record)
- Severe Convective Storm Outbreaks - \$58 Billion (costliest in U.S. history)



2023 US Insured Natural Disasters

Severe Convective Storm Outbreaks

Record-setting year with
21 billion-dollar insured loss events
\$73B economic loss,
\$58B insured loss

Lahaina Wildfire

Deadliest U.S. wildfire
in over a century
\$5.5B economic loss,
\$3.5B insured loss,
100 fatalities

Intense Drought

Prolonged drought conditions
throughout 2023
\$14B economic loss,
\$6.5B insured loss



Hurricane Idalia

Strongest hurricane on record
for Florida Big Bend region
\$3.5B economic loss,
\$1.5B insured loss,
4 fatalities

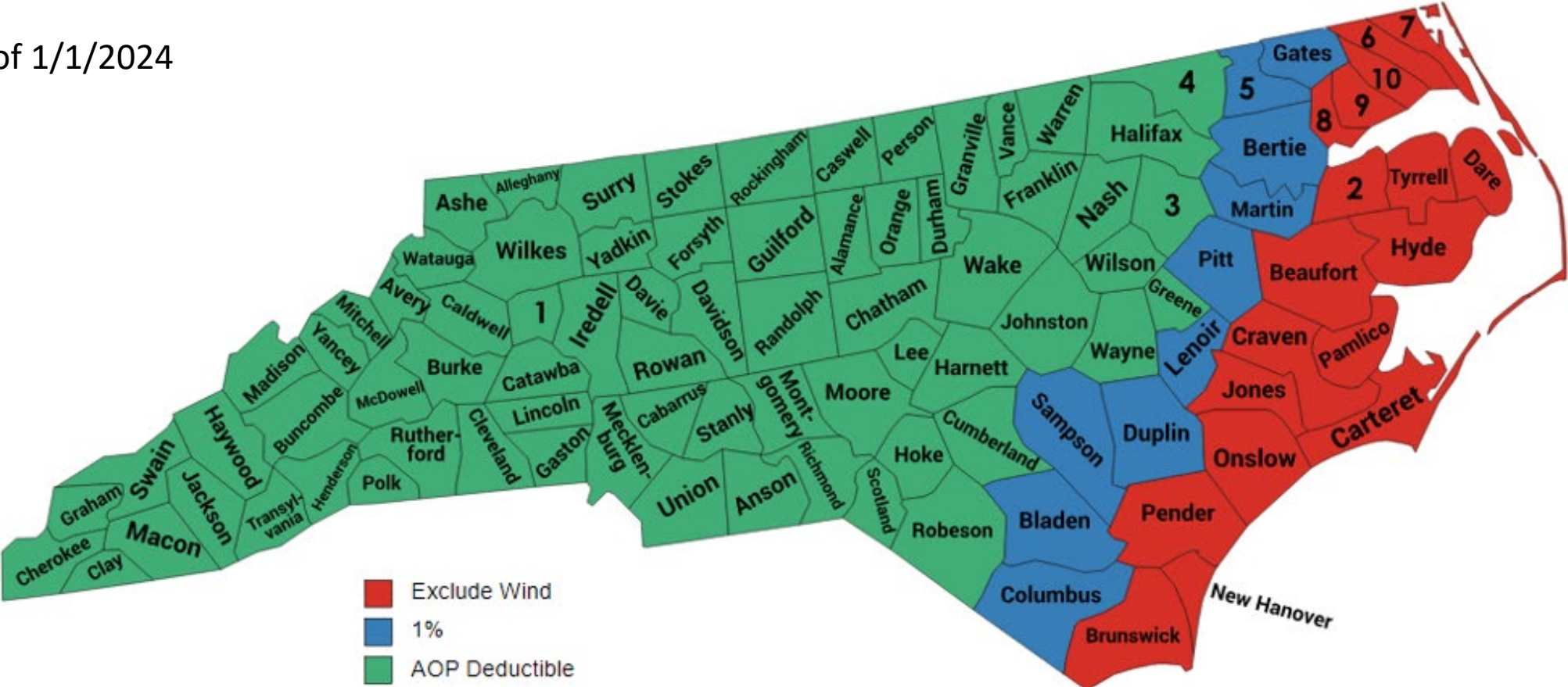
Impact on Church Insurance Market

- Carriers lack **capacity** to take on risk
 - What do you mean by **capacity**?
- Terms and conditions changing – example?
- Profitability is valued over premium
- Result – Spending more for less coverage
- **Your representation matters more than ever!**



Sampling of Carrier Appetite in NC

* As of 1/1/2024



Section 2

Finding The Right Solution



The Right Agent

- Proverbs 15:22 – *“Plans fail for the lack of counsel, but with many advisers they succeed.”*
- *“Well begun is half done”* – selecting the right agent is important



What makes the “Right Agent?”

- **Experience with Church Insurance**
 - Do they specialize in insuring churches?
- **Tailored Ministry Solutions**
 - Can they customize insurance solutions to fit your ministry’s unique needs?
- **The Right Agent Will Find the Right Carrier**



What makes the “Right Agent”?

- **Wide Range of Carrier Options**
 - How many different carrier solutions do they offer?
- **Positive Client Testimonials**
 - What do other churches say about their experience with them?



The Right Solution

- **Customized Coverage**

- Protection against allegations and legal expense related to sexual misconduct
- Coverage for liabilities arising from pastoral counseling services
- Protection for unique church properties, including stained glass windows, organs, and other specialized items



The Right Solution

- **Financial Stability**

- Look for carriers with an “A” rating or higher from AM Best
- Coverage options that meet the requirements often set by mortgage lenders



Section 3

Preparing for Renewals



The Application Process

- **Begin Early – 90 Days in Advance (Minimum)**
 - State of North Carolina Insurance Notification Requirements
 - 45 Day(s) notice of intent to non-renew
 - 45 Day(s) notice of significant coverage changes
 - 45 Day(s) notice of significant rate increases (+20%)



The Application Process

- **What data to prepare?**
 - Copies of your current policies and premiums
 - Confirmation of building updates, roof age and your building(s) construction type(s)
 - Three to five years of loss history – ask your current broker
 - Loss descriptions for any losses of \$10,000



Preparing Your Building

- **Assess Building Upkeep Costs**
 - Evaluate whether your church can sustain the maintenance expenses of your current building
- **Consider Financial Impact**
 - Understand that insurance and maintenance costs can significantly impact your ministry funds



Preparing Your Building

- **Explore Strategic Options Beyond Growth**
 - Look into various strategies to optimize resources and manage costs
 - Lease Excess Space
 - Merge Congregations
 - Shared Space with Other Denominations
 - Downsize Facilities



Preparing Your Building

- **Focus on Mission Over Location**
 - Remember, the identity of the church lies in its people, not in its physical location



Section 4

GCFA Standards & Market Challenges



The Book of Discipline

- ¶ 807.19 GCFA mandated to offer an insurance program
- ¶ 258.17 Treasurers must be bonded – A bond is an inexpensive way to protect your church!



The Book of Discipline

- ¶ 2533.2 Trustees must:
 - Compare the coverage to GCFA's recommended insurance standards
 - Report the coverage and any remedial action to the Charge Conference
 - Forms are available on the [GCFA website](#)



The Book of Discipline

- ¶ 2550 Trustees report:
 - Coverage on each parcel of real estate
 - Co-insurance restrictions or other limiting conditions and if coverage is adequate



GCFA Standards and the Market

- **Rising Insurance Costs**

- Churches are encountering higher expenses to adequately insure their ministries

- **Liability vs Property Costs**

- While liability costs are increasing, they are not escalating as rapidly as property insurance costs



GCFA Standards and the Market

- **Comprehensive Liability Coverage**

- It is crucial not to compromise on liability coverages to ensure adequate protection

- **Policy Variability**

- Understand that policy terms can differ significantly between carriers



GCFA Standards and the Market

- **Alternative Valuations**

- Consider Actual Cash Value options if rebuilding is not planned



GCFA Standards and the Market

- **Functional Replacement Considerations**

- If rebuilding a less expensive structure, explore functional replacement options
 - *Quality Expectations* – be aware that the replacement may not match the original quality
 - *Approval and Advice* – obtain approval from the Administrative Council and seek professional advice
 - *Difficult Option to Find and Achieve* – not all carriers offer it and often restricted to larger churches



Questions



Resources

- [Proper Insurance Coverage Standards \(gcfa.org\)](https://www.gcfa.org)
- [UMIP Buying Guide | UMIInsure](https://www.uminsure.org)
- [Discipleship Ministries | Moving Toward a Safer Church \(umcdiscipleship.org\)](https://www.umcdiscipleship.org)
- [Third Party Property Usage Webinar. \(gcfa.org\)](https://www.gcfa.org)
- [Insurance and Risk Management Section of Legal Handbook \(gcfa.org\)](https://www.gcfa.org)
- [Insurance Considerations for Leasing and Renting Church or Ministry Property \(uminsure.org\)](https://www.uminsure.org)
- [Annual Trustee Report \(gcfa.org\)](https://www.gcfa.org)
- [GCFA Insurance Worksheet \(gcfa.org\)](https://www.gcfa.org)
- [REQUEST A QUOTE FORM | United Methodist Insurance Program \(uminsure.org\)](https://www.uminsure.org)
- [Subscribe to the Church Protection Connection Newsletter \(uminsure.org\)](https://www.uminsure.org)

