

INSURANCE TASK FORCE FINAL REPORT
TO MOUNTAIN SKY BOARD OF TRUSTEES
JUNE 30,2022

The Insurance Task Force (ITF) was created by Petition MSC30 at the Mountain Sky Annual Conference in October 2021. The Petition is attached as Exhibit 1. At the Annual Conference the Petition was referred to the Conference Board of Trustees (the Board) with the following language added and substituted for the language in the original Petition (as amended):

“The Trustees shall create an Insurance Task Force having as its members one representative from the Trustees and 1-2 members (lay or clergy) from each District in the Conference to ensure representation of urban and rural churches, with an emphasis on church trustees. The Task Force shall examine all aspects of the Conference insurance program, including but not limited to options for insurance carriers, risk assessment in each church context and other methods of coverage alternatives, ways of educating churches about insurance options (including but not limited to functional replacement value), obtaining quotes for insurance from a variety of carriers at the local level, and other questions as they are raised. The Task Force shall make its written report with recommendations to the Conference Trustees no later than March 15, 2022, for its recommendations to be addressed by the Trustees for 2023 insurance year. The Task Force shall conduct an examination each year following 2022, continually seeking revisions and improvements to the Conference insurance program.”

The ITF is composed of the following members:

Peggy Tobin, Montana East District

April Padget, Montana West District

Dr. Michelle Aldrich, Wyoming District

Sharon Langfeldt, Metro/Mile High District

Beverly Williams, Peaks/Pikes Peak District

Lynda Firme, Trinity District

(There was no representative from the Utah/Western Colorado District, despite numerous requests and invitations.)

JR Casner, Trustee Representative (Note: Our many thanks to JR for his excellent work. His term on trustees will end June 30, and the Board must appoint another Trustee representative in JR's place.)

Janeen Hill, Trustee Representative and ITF Chair

Richard Marsh, Conference Chancellor/Consultant

The Board graciously granted requests for extension of time to complete this final report, to June 30, 2022.

The ITF conferred with insurance carriers, with Conference staff, with consultants, and individuals from other Annual Conferences. After consultations, meetings and discussion, the ITF makes the following findings and recommendations to the Board of Trustees.

OPTIONS FOR INSURANCE CARRIERS

RECOMMENDATION: The ITF recommends that the Board put the insurance plan out for bid from two or more carriers on a regular and periodic basis. The ITF believes this is a matter of due diligence.

Discussion: It was not clear from information the ITF had access to when the last time was that the plan was put out for bid to competing companies. ITF believes this is a necessary action for the Board, must be done every 2-3 years, and scheduled regularly.

BOARD RESPONSE: Given the many changes the Conference is going through right now, the challenges of finding alternative insurance carriers in general and the difficulty in finding fire coverage from any insurance carrier in some of our rural areas, the Trustees voted not to make any substantial changes to our insurance plan this year.

We agree that obtaining bids from other providers periodically makes sense. This was last done some years ago. We anticipate doing that work in the next several years. The trustees believe that due to the expense and difficulty of seeking bids for such a large insurance program, this process should be done approximately every ten years.

RISK ASSESSMENT IN EACH CHURCH CONTEXT

RECOMMENDATION: The Board will explore methods for providing carriers better information on church buildings and improving the accuracy of risk assessment and replacement value.

Discussion: One example of a method is whether a carrier would be willing to use video tours of a church property (created by the local church) as a method for better risk assessment?

The carrier may have protocols for accepting such information.

BOARD RESPONSE: The Trustees have and will continue to explore with our current carrier, Church Mutual, and any alternative carriers, the idea of finding alternative valuation processes. Church Mutual does have many programs available to help churches learn what they can do to reduce their risks. This information is regularly distributed to various people throughout the conference, and I hope many of you are taking advantage of this information.

OTHER METHODS OF COVERAGE ALTERNATIVES

GENERAL

SELF-INSURANCE

The ITF met with a self-insurance plan administrator from another Annual Conference. After discussion and consideration by the ITF, the conclusion was that a self-insurance program administered by the Mountain Sky Conference would not be a good alternative. Given the geographical scope of the Mountain Sky Conference, the number of states in the Conference, and the need for additional Conference staff to administer the program, at this time such a program is not practical.

BOARD RESPONSE: The Trustees agree that a self-insurance program does not make sense for our Conference.

PROPERTY INSURANCE

RECOMMENDATION: Add one or two more tiers of property insurance coverage: replacement value under \$1 million and under \$500,000. Possibly create one or more “Rural Church” tiers.

BOARD RESPONSE: The Trustees will consider adding one or more additional Tiers for 2024, but many of the savings we enjoy by buying our insurance together shrink as we add differences in coverage. We need to make sure that we are not sacrificing the larger good for a narrow benefit.

LIABILITY INSURANCE

RECOMMENDATION: Include GCFA minimum insurance requirement schedule for Board review with any insurance plan under consideration. If any proposed minimum coverage is greater than the current GCFA schedule, an explanation shall be provided in the proposal explaining the recommendation for the higher limits.

BOARD RESPONSE: The Trustees agree that letting local churches know why we require certain coverages is a good idea. We will look at best ways to implement this recommendation.

RECOMMENDATION: Annually the Board shall formally approve by vote the proposed plan of insurance and its relation to the GCFA schedule (whether greater than, equal to, or less than) when a plan is presented to the Board.

BOARD RESPONSE: See below.

RECOMMENDATION: Prior to the annual implementation of the Conference insurance plan the Insurance Subcommittee of the Board (not the ITF – this is a separate

subcommittee of the Board) shall submit its proposed plan to the Board for its consideration and approval. The proposed plan shall include the details of property damage, liability, etc. insurance with required minimum coverage if applicable. As noted above, the current GCFA schedule shall be included with the proposed plan. The Board retains the authority to modify any portions of the recommended insurance plan as it sees fit.

BOARD RESPONSE: The Insurance Committee already submits the plan in detail to the Trustees who approve the plan. When we do put the plan out to bid, the process will be overseen by the Trustees, a representative from the Conference Treasurer's office and others, and all bids will be closely scrutinized, both in comparison to GCFA requirements and Conference needs.

WAYS OF EDUCATING CHURCHES ABOUT INSURANCE OPTIONS INCLUDING BUT NOT LIMITED TO FUNCTIONAL REPLACEMENT VALUE

RECOMMENDATION: The Board must take the lead educating local churches about insurance generally, and the Conference plan specifically.

Discussion: The Board must assist local churches to understand the nature, necessity and costs of property and liability insurance generally and about the Conference plan specifically. Options for reduced coverage, exemptions, opting out of certain coverages, including some "line-item" coverages. Suggestions are (these are not all, but are offered with an eye to stimulating discussion by the Board):

1. Authorize the Insurance Subcommittee of the Board (not the ITF) to prepare informational sheets of FAQs for distribution to all churches, as well as informative videos shared on the Conference website, on Facebook pages (Conference, Clergy, District), on Crossroads and other social media as available.
2. Communicate through District offices and Congregational Resource Ministers (CRMs). CRMs will make presentations about insurance resources at District Gatherings, explaining

coverage. Note: CRMs would not be required to know all about insurance, but instead inform churches where they can find information and educational tools for understanding insurance policies and why they are needed.

3. The Board will also send representatives (in person or via zoom) to all District Gatherings to explain coverage and other aspects in greater depth.

4. Insurance information (not just minimum requirements, tier information, functional replacement value, etc.) will be made easily accessible and understandable on the Conference website. In the alternative, links to GCFA insurance resources will be provided on the Conference website.

BORAD RESPONSE: Communication remains one of our chief challenges, in spite of our very diligent efforts to reach out to everyone with as much information as possible. We agree fully with all of the Task Force’s recommendations on communication, and will put as many of the ideas into place as we can over the next year. We will also continue to look for other ways to improve our communication with all of you about the Conference’s insurance requirements and the choices you have.

OBTAINING QUOTES FOR INSURANCE FROM A VARIETY OF CARRIERS AT THE LOCAL LEVEL

RECOMMENDATION: None.

Discussion: Based on information available to the ITF, insurance carriers at the local level are not able to underwrite policies that meet the Conference minimum requirements for property or liability coverage. It appears to the ITF that coverage for churches is available almost exclusively from three large carriers, Church Mutual, Brotherhood, and GuideOne. The Conference minimum requirements prohibited coverage even from some of those three large carriers.

BOARD RESPONSE: We agree that the insurance choices are limited. This is one reason we have remained with Church Mutual for so many years.

OTHER QUESTIONS AS THEY ARE RAISED

COMMUNICATION BETWEEN CARRIER/BOARD/CHURCHES

Would a carrier be willing to share how it arrives at replacement costs for rural churches where distance, availability of materials and labor force may add to replacement cost?

Would a carrier be willing to share comparison replacement estimate process for rural versus urban versus suburban churches?

Can replacement costs be scaled to what is likely to be rebuilt in the future instead of what was built in the past?

BOARD RESPONSE: Church Mutual is willing to share information relating to its methodology for determining replacement costs. Pamela Keeser, our company representative is available to answer questions any churches have, as is Deirdre McGee, the Conference Property & Liability Insurance Coordinator. We actively encourage questions and concern about these issues.

One problem with scaling replacement costs as to what might be built in the future vs replacing an existing building is that insurance is not just there for the complete destruction and replacement of your building, but for the much more common partial replacement. If a storm damages 20% of your building and you are fully insured, you will get 20% of the cost of replacing the entire building. But, if you have insured at a replacement value of only 30% of the real value of your existing building, and suffer the same damage, you will receive only 30% of the amount you need to fix the damage to the building you have.

CONCLUSION

For insurance year 2023, the ITF's recommendations for improved transparency and communication between the Mountain Sky Annual Conference and its local churches are the first priority. These must be implemented by the Board, and by the Conference.

For insurance year 2024, adding one or two additional tiers of property insurance coverage requirements, putting the insurance plan out for bids and scheduling regular intervals for obtaining bids, presenting GCFA minimum requirements to the Insurance Subcommittee of the Board, and to the Board, and obtaining replacement cost information and possible scaling of costs are the most important recommendations.

The ITF will present its findings to the Annual Conference in October 2022. It is the hope of the ITF that the Board will present a summary of its actions in response to the ITF recommendations at the same time, as a joint report.

In closing, I want to add that many of the Trustees serve or are members of smaller churches and we will continue to wrestle with finding the sweet spot between our need to protect churches and the conference from liability and loss, and the need to find the most affordable insurance options available. The difficult truth is that small churches sometimes simply cannot afford to remain in their buildings.

As trustees, we do not want insurance, or anything else we do or require, to prevent a church from succeeding. We have worked diligently over the past few years to expand the flexibility for churches to choose lower property coverages and to opt out and obtain insurance on their own. We will continue to look for new ways to protect and benefit our Conference, our individual congregations and our camps, whether they are in urban or rural areas, whether they have an expanding or declining memberships, and wherever in the conference they are located.