

12 tips on how to reduce your Church Insurance Premium



Parish Insurance is often one of the ‘Big 3’ financial outgoings for a Church of England parish and it is therefore important to consider whether you’re getting value for money for your insurance spend.

Following the entrance of Trinitas Church Insurance to this sector in early 2015 with their ParishCare Policy specifically designed for the Church of England there is now a real alternative and an opportunity for Parishes to obtain a ‘second opinion’ and comparison to their current insurance arrangements. **These Notes provide an outline of points we recommend that PCC’s should consider when arranging and renewing their insurance provision.**

REVIEW YOUR INSURANCES

Pricing of many products and/or services is based on the principle of supply, demand and competition.

Church Insurance, particularly for Church of England Parishes is not a widely available commodity so it should not come as a great surprise that pricing can be extremely variable. This is largely due to the historic lack of a competitive market place and a limited number of providers to this highly specialist sector.

Parish insurance needs may change over time and your previous decisions may no longer be the best or most prudent position to stay with. In addition the insurance market is constantly changing with new entrants and new insurance products or innovations. What was the most suitable policy and cover five years ago may no longer be the most suitable cover or best price now available.

➤ Tip 1

If you have not already done so the simple action of obtaining an alternative quotation could lead to a significant premium saving without a reduction in your insurance cover.

➤ Tip 2

Obtain professional advice on the cover that you actually need as the least cost-effective insurance you can buy is that which is surplus to requirement or for cover that you could not suffer a loss on.

➤ Tip 3

Examine what extent of insurance cover is sensible, prudent and affordable by considering the points on the following pages when deciding upon the cover you obtain quotations on and eventually take up.

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SELECTION OF PROPERTY DAMAGE EXCESS

The property damage excess is the amount the Insurer can deduct from any claim for loss or damage to buildings, contents or property that is insured away from your premises.

Typically a policy will have a minimum compulsory excess but you can select a higher amount that will result in a premium discount being applied. As the Insurer usually provides the discount in the form of a percentage reduction then the higher your base property damage premium the larger the premium reduction. In simple terms the larger the church the larger the saving could be for an increased excess.

Tip 4

Consider what amount you would probably not bother making a claim for or that you could afford within your maintenance budget or reserves. Then select a property damage excess which is at least this amount.

Tip 5

Be guided by an insurance adviser as to the most cost effective excess for your church. Alternatively obtain quotations with some alternative excesses, then compare the difference in the premiums with the difference in the excesses against the frequency you would expect to make a claim for property damage.

SELECTION OF AN APPROPRIATE LEVEL OF COVER

Church of England parish churches are fairly unique premises when it comes to property insurance as they have the opportunity to be insured for sums insured that do not represent the full 'Insurance Values' of their buildings and contents. This is due to the fact that fully repairing or restoring a parish church and its contents will not always be sanctioned by your diocese following major damage.

The sad truth is that, for some, major damage will be the catalyst for a decision to replace the church with a modern building or close it altogether. Consideration as to the appropriate level of cover insured for should be taken into account when this applies.

Typically the levels of cover that are available are 25%, 50%, 75% or 100% of the insurance values of both the buildings and contents (you cannot mix and match levels of cover on a single premises).

The Trinitas ParishCare policy does not have an Underinsurance Clause, sometimes known as an 'Average' Clause. This means that the amount offered in settlement of your claim will not be reduced by the level of cover. However any claim will be capped at the sums insured, which could be lower than the potential cost of fully repairing, restoring, replacing or reinstating the buildings and/or its contents.

It should be noted that as your claim is not proportionally reduced then neither is your premium on the Property Damage Section of your policy. A church with a £10m total insurance value insuring at 50% level of cover should be cost more to insure than a church with a £5m total insurance value insuring at 100% level of cover.

Tip 6

Read the guidance given on Selection of Level of Cover on ParishCare detailed below and liaise with your Archdeacon, where appropriate, when considering taking a lower level of cover. Remember that PCC members are ultimately responsible for the decisions made regarding insurance so take this into account along with what the premium savings are, when deciding this aspect. It could be prudent to insure for more cover than you want; rather than less cover than you may need.

GUIDE FOR THE SELECTION OF PROPERTY DAMAGE LEVEL OF COVER

The Building Sum Insured under item 1 represents 100% of the total cost of repair/restoration or reinstatement of the specified building as applicable. The Sum Insured should be reflective of the cost to rebuild or repair and restore, including all associated costs such as site clearance, architects and surveyors fees, planning fees, current local authority requirements and VAT (where applicable). Insuring on this basis would allow for full restoration or reconstruction following the most serious damage as a consequence of, for example, a major fire.

If a Building Sum Insured is selected that represents 75% of the total cost of repair/restoration or reinstatement of the specified building as applicable it may be inadequate in the event of significant damage. You may need to compromise by using cheaper modern materials and building methods.

If a Building Sum Insured is selected that represents 50% of the total cost of repair/restoration or reinstatement of the specified building as applicable it will be inadequate in the event of significant damage. It will meet minor damage claims but in the event of significant damage caused by fire, for example, it will only be sufficient to make safe the ruin or clear the site, and to provide funds for a much simpler and smaller building such as a multi-purpose hall.

If a Building Sum Insured is selected that represents 25% of the total cost of repair/restoration or reinstatement of the specified building as applicable and will be inadequate in the event of a significant damage. It will meet minor damage claims but in the event of significant damage caused by fire, for example, it will only be sufficient to make safe the ruin or clear the site.

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If you select a Contents Sum Insured that represents less than 100% of the total cost or repair or replacement with items of similar quality then in the event of a loss of all or a significant proportion of your contents you may need to compromise on the quality of replacement items and/or the number of items you replace or repair.

The selection of your Sum Insured is a decision for the PCC and you should only consider insuring for less than 100% of the full insurance value after careful and informed consideration and having a clear understanding of what your plan would be following major damage to you building and the amount of funding you will need to achieve your future objectives for the repair, restoration or replacement of the building and replacement or repair of its contents.

SELECTION OF PROPERTY DAMAGE INSURED EVENTS AND OTHER INSURANCE COVERS

Church insurance is typically sold as a 'package policy', that is a policy that contains different sections of cover which provide for the common insurance requirements of most parishes and when combined are at a more competitive price than having specific, bespoke or stand-alone covers on different policies.

Unless there is a significant saving it can be a 'false economy' to maintain or select limited property damage insured events or other available insurance cover sections as any uninsured loss may need to be met from parish funds.

Tip 7

Some older policies do not include the full range of standard property damage insured events. This should be clearly shown on the insurance schedule so please make sure you are aware of what events you are not insured against and consider what the cost could be if you were to suffer an uninsured loss.

On some policy schedules some covers may not be shown as 'Uninsured' and these can include cover for Subsidence, Heave & Landslip, Terrorism, Money & Assault, Theft by Officials, Legal Expenses or Personal Accident.

Tip 8

Speak to an insurance adviser and check what covers you don't have but are available and at what cost.

Some church insurance policies do have options to take lower limits of cover on some sections. In the case of Trinitas' ParishCare policy this includes the Income Protection and the Trustees Indemnity sections.

For Income Protection you can select a sum insured of either £50,000, £100,000, £175,000, £250,000 or £500,000 and an Indemnity Period of 24 months, 36 months or 48 months. The higher the sum insured and/or longer the indemnity period the higher the premium is.

Tip 9

To calculate your appropriate Income Protection sum insured compile the annual income that would be lost or compromised if your premises were unavailable for use. This would typically be income derived from hiring, fees or church activities reliant on the availability of your premises and donations you would only receive at the premises. Then, in order to select the appropriate indemnity period, consider how long it would take for your premises to be fully repaired and back in normal use. Finally multiply the annual income at risk figure by the Indemnity Period you have selected in years plus, if needed, an inflation provision to arrive at an appropriate Income Protection sum insured.

TAKING A LONG TERM AGREEMENT OR LONG TERM UNDERTAKING

Long Term Agreements (LTA's) and Long Term Undertakings (LTU's) are supplementary contractual clauses where you agree to renew your policy for a set number of years in return for a premium discount and the Insurer agrees to maintain your premium and cover within the limits of the supplementary clause.

The wordings of LTA's and LTU's differ from one Insurer to another with some granting an option to pay an early Withdrawal Fee if you wish to leave before the end of the agreed period. Others do not grant such an option and you will not be able to seek alternative quotations before the end of the agreed period.

Typically a LTA or LTU has a duration of 3 or 5 years but for most the Insurer retains the right to break their agreement at any renewal with the only penalty on the Insurer being that you are granted the opportunity at that renewal only to take your insurance to another provider without penalty.

Tip 10

Whilst some LTA and LTU discounts are significant in percentage terms they only provide a discount on that Insurers Policy which still may not be as good value as that from another Insurer.

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COMBINING YOUR INSURANCES INTO A SINGLE POLICY

Trinitas have pioneered a combined policy for parish insurance with our ParishCare policy being able to insure any number of churches, church halls, parish owned houses and sometimes other parish properties on a single policy and offering significant saving over having separate policies.

It is important to note that it is only possible for us to offer a single policy where there is only a single PCC. If there are two separate PCC's, even if they are closely associated and within the same Benefice with the same Incumbent, a single policy cannot be offered. If two churches have the same PCC but separate District Church Councils (DCCs), Local Church Councils (LCCs) or similar they can still benefit from being insured on a single policy as DCCs and LCCs have no legal entity in their own right but are considered as just sub-committees of the PCC legal entity.

➤ Tip 11

When you contact your current or prospective new Insurer be sure to disclose details of all the insurances you have even if they are due at different times and ask if they offer a reduced premium for a combined policy. If you are in a multi-church parish try working together with representatives of the other churches to present a combined proposal to your Insurer.

JOINING WITH OTHER PARISHES TO SEEK A BETTER INSURANCE DEAL

Church Insurance Providers incur a number of different costs in order to trade successfully which need to be paid for by your premiums, one not insignificant cost is that of marketing to attract new clients. Trinitas Church Insurance are willing to offer preferential rates for groups of parishes who register for quotations.

'Group Arrangements' as we call them are typically organised for benefices or deanery groups with a local co-ordinator within those groups helping to compile the list of renewal dates, LTA/LTU expiry dates plus individual contacts for each parish. In most cases there will be a range of expiry dates of the current individual policies so the process of quoting may initially run over a number of years.

Group Arrangements will still be on the basis of separate policies for each PCC and policy expiry dates do not need to be made common. The application of preferential rates is only dependent on us being given the opportunity to quote; not the take up our quotation or remaining insured with us thereafter. As it is not a contractual clause it does not carry any conditions or guarantees on either party.

➤ Tip 12

Look to muster agreement and appoint a co-ordinator from within your benefice or deanery to be able to use the 'Buying Power of the Many' when negotiating your insurances and approach Trinitas with your proposition.

Find out more

If you wish to explore what Trinitas could offer for your Parish Insurances please contact us. Email us at enquiries@trinitaschurchinsurance.co.uk, call us on **01483 462870** or click on the 'Get a Quote' Tab on our website www.trinitaschurchinsurance.co.uk.