

INSURANCE REVIEW DIOCESE OF NIAGARA MAY 2013

Insurance Carrier

The insurance carrier for the Diocese is ECCLESIASTICAL INSURANCE OFFICE PLC.

The Ecclesiastical was established by Anglican churchmen in 1887 to provide protection for church properties. Today the Ecclesiastical is owned by Allchurches Trust, a registered charity in the UK with operations in the UK, Canada, Ireland and Australia. Current group assets are approximately £1.81 billion and GWP of approximately £460 million. Ecclesiastical is also active in the provision of Investment Management Services and Life Insurance.

The Canadian operations were established in 1972 with offices located in Vancouver, Calgary, Toronto, and Halifax. Representation is through the independent broker network. Ecclesiastical remains a market of choice for faith & related non-profit organizations.

Ecclesiastical is regularly audited by independent rating agencies and the group's financial strength and stability are reflected in A.M. Best's December 2012 rating of, A (Excellent). A. M. Best's March 2013 rating for the Canadian operations of Ecclesiastical is A (Stable) and Standard & Poor's April 2013 rating of A-.

Insurance Broker

PEARSON DUNN INSURANCE has provided insurance products and service for commercial, institutional and specialized entities in Ontario and across Canada for over 40 years. Areas of business include but are not limited to the insurance of public entities, not for profit entities, religious institutions, education/ private schools, athletics.

Ongoing Broker Services required by the Diocese

Services include but are not limited to:

- provide direct response in serving the insurance needs of the Diocese
- attendance at meetings with staff, the Diocese and the Insurance Risk Management Subcommittee as may be requested
- maintenance of exposure data
- appraisals of church owned properties
- insurance inspection of church owned properties
- provide support (as may be needed) in preparation of the annual insurance report
- provision of information on market and pricing trends
- conduct an annual market search
- confirmation of placement and binding of coverage
- issuance of certificates of insurance as may be required

- liaise and communicate with the Insurance Risk Management Sub Committee, Diocese staff and account managers at Ecclesiastical
- provide advice on matters related to self-insured retentions, deductibles, gaps in coverage, inadequate and/or alternative coverage
- provide advice on risk management issues
- provide assistance with claims, coverage or adjustment related matters as needed
- provide a summary of all coverage, limits and deductibles to keep parishes informed on the Diocesan Insurance Program

Risk Management

A manual on Church Insurance and Risk Management is available to each parish through the web under the password protected area accessible to Rectors, Wardens and Treasurers.

Factors affecting Cost

Insurance and Market Conditions

While international experience within the group at a primary level will have less cross-over effect, the impact to reinsurance costs can be significant. Ecclesiastical Canada operations reported a minor underwriting loss with good experience in the liability account, however this was offset by losses on the property account caused by catastrophic losses from floods in Montreal and increased costs following revisions to the Canadian Catastrophe Reinsurance program as rates hardened following events in the Asia Pacific region. Overall GWP increased by 8% due to excellent retention and new business.

It is important to remember that Ecclesiastical is a specialized market with a strong focus on faith based insurance risks and experience may not be similarly reflected by other Canadian based commercial lines insurance carriers. While overall performance for all classes saw a positive result of approximately \$587 Million on Net Premiums of \$45.5 Billion, commercial claims jumped by 32.6%. There are signs of a hardening US market which is generally followed in Canada with a lag-time of 12 months. Reinsurers in particular have been badly hit by natural disasters with the Slave Lake fires, the Goderich tornado and the storms /windstorms in Alberta.

Challenges regarding market availability remain in specialized classes of insurance and carriers are prone to cherry pick risks and classes of business they are comfortable in underwriting. While finding carriers prepared to underwrite, it is particularly important that the carrier for the Diocese insurance program be prepared to underwrite and service all required classes of coverage and not just the ones that represent a low level of risk.

Class specific causes related to cost

Presently church buildings are subject to a re-evaluation once every 5 years with an annual 3% inflationary adjustment in the interim years. Older churches having historical buildings will find church property prohibitively expensive to insure for full replacement value. Much of this is related to the requirement of the insurer to replace with materials of like kind and quality. There have been church properties within the Diocese that have seen massive increases in their recent re-evaluations.

If at all possible churches should seek to insure their buildings for full replacement value. The option to reduce coverage on buildings is possible and any such requests will need to be submitted to the Diocese for a decision. While the Diocese insurance program provides coverage on a replacement cost basis there are a number of cases where coverage is provided for market value only or for demolition value. Each case would have to be considered individually. Buildings under heritage or historic protection would need to be considered individually taking into account limitations contained in their designation. Consideration is given in property rating for churches with early warning systems so it is important to make the Diocese aware of any such installations.

Beyond the preceding it is possible for a parish to decide whether it wishes to carry coverage on items such as organs, pews, art or silverware etc.; however saving will be somewhat limited. Request for the removal of such coverage may be submitted to the Diocese for processing. The Diocese has looked into self-insurance for higher deductibles; however the program is not large enough for this to be an economically viable consideration.

Annual Renewal Process – Synod Council Mandate

Oct 20, 2010 Actions of the Synod Council noted in the Diocesan Synod Council Report

Under FAC Report:

- directed the Financial Advisory Committee and Insurance Sub-Committee to review and compare our insurance policy to those of similar dioceses
- directed the Financial Advisory Committee and Insurance Sub-Committee to attempt to secure competitive quotes at least every three years
- reviewing our insurance needs to ensure we have proper and adequate insurance in light of ever increasing premiums
- publishing manuals for (1) Insurance and Risk Management and (2) Parish Treasurers on line on the Diocesan web site

Under Insurance & RM Report:

- The Insurance / Risk Management Sub Committee functions as a subcommittee of the Diocese of Niagara's Financial Advisory Committee and provides advice on those matters related to its oversight of the Synod's Insurance Program and Risk Management related matters.

- The subcommittee carried out its annual review of the Synod's policies, with our broker's assistance.
- A review of the Diocese Insurance Program and Risk Management related matters is presented at the Synod's Wardens and Treasurers Workshop by representatives from the Insurance Risk Management Subcommittee and our staff.

Insurance Risk Management Sub Committee process

Annual Review

On receipt of the carriers renewal proposal the Subcommittee requests a report on overall insurance industry performance and market conditions from the broker and completes an annual review of the Synod's claims experience, insurance coverage, proposed changes to the program and pricing. The Broker is expected to annually monitor pricing and report findings to the Subcommittee. On completion of its review the Subcommittee submits its report and recommendations to the Financial Advisory Committee.

Three Year Review

Every three years in compliance with the Synod Council mandate, the Insurance Sub-Committee attempts to secure competitive quotes from insurance providers capable of meeting the Diocese's stringent requirements as to insurer ratings from A.M. Best and Standard & Poor's, the insurers proven track record in insuring the needs of a faith based community, the insurers underwriting capacity to meet our specific insurance, risk management and program services needs both at the company and broker levels.

An RFP will be prepared and provided to brokers interested in securing quotations for the Diocese insurance program. All submissions from brokers will be considered by the Sub-Committee based on pricing and the already mentioned criteria before a recommendation is submitted for the consideration of the Diocese Financial Advisory Committee. The review of the Subcommittee will include considerations related to the additional work and cost associated with a transfer to a new carrier, such as extensions of coverage and discovery periods for abuse, directors and officers, errors and omissions coverage written on a Claims Made format.

Insurance Program

The Ecclesiastical policy is a standard policy when compared with other mainline church's policies, generally no more restricted or extended than others. The program covers a broad scope of property casualty exposures, which are highlighted in the summary of coverage made available to the parishes and more specifically in the detailed policy wordings maintained by staff at the Diocese. The User Group

Insurance program is a mandatory program throughout parishes in the Diocese. The program provides coverage for outside groups using church owned premises.

The following is an outline of the coverage and limits of insurance of the program as it applies to St Andrews Anglican Church in Grimsby, Ontario. For information only.

Ecclesiastical Insurance Office PLC - Faith Protect Plus Policy #0100600FX06

Territory Canada USA (worldwide for Personal Injury Liability)
30-day cancellation clause
Property of others – excluded
Property off site included as specified
Notice of Material Change required as soon as possible

Property Casualty Insurance limits as outlined under the Property Insurance Schedule dated
January 15, 2013.

Limits of Insurance:	Church Bldg.	\$1,633,627
	Hall (new)	\$ 721,691
	Hall (old)	\$ 730,000
	Rectory	\$ 390,000
	152 Main	\$ 210,700
	5 St Andrews	\$ 126,000
	Sheds & Garage included as noted	
	TOTAL	\$3,945,839

Deductible \$2,500 (loss over \$10,000 deductible is NIL)
Coverage ALL RISKS incl. Replacement Cost coverage (ACV if not replaced)
Stated Amount No-Co Insurance

APPRAISALS REQUIRED EVERY 5 YEARS

Earthquake Deductible 3% or \$50,000 minimum
Flooding Deductible \$5,000
Sewer Backup Deductible \$5,000
30 Day Vacancy Notification extension

Limited Extensions Named Perils and specific limits of coverage:

Cemetery
Debris Removal
25% Automatic Increase
Plants Trees Shrubs
Damage by Theft
Course of Construction
Building Bylaw - Blanket
Pollution cleanup \$25,000

Locks & key coverage
Fire Department Charges
Accounts Receivable
Valuable Papers
Consequential Loss
Personal Property of Officers and Employees \$20,000
Portable Computers – church owned
Stain Glass as scheduled with Diocese
Church artifacts as scheduled with Diocese
Pipe Organ as scheduled with Diocese
EDP / Fine Arts / Miscellaneous Property – limited coverage included as specified

Business Interruption: \$50,000 per occurrence

Extra Expense
Professional Fees
Additional Living Expense for clergy
Loss of Religious Income incl. Rental Income
Expediting expense

Crime: \$50,000 basic / \$100,000 limit for the Treasurer - \$500 Deductible - Form A

50% increase for Religious Holidays
Broad Form Money \$20,000
Money Order \$20,000
Forgery \$20,000

Boiler & Machinery: \$14,000,000 subject to a Location Limit - Deductible \$1,000

Comprehensive Equipment Breakdown
Heating Cooling & Electrical Equipment

Commercial General Liability: \$2 Million (\$5Million Annual Aggregate)

Bodily Injury / Property Damage
Pastoral Counseling
Sunday school activities
Occurrence format
Cross Liability Clause / Separation of Insured's
Liberalization Clause
Defense Costs in addition to limits
Worldwide (suits Brought in North America)

Incl. Products & Completed Operations
Personal Injury Liability
Advertising Liability
Contingent Employers liability
Employers BI Liability
Employee Benefits Liability
Incidental medical malpractice
Contractual Liability (written only)

Non Owned Auto Liability (volunteers excl.)
Non Owned Watercraft (under 8 meters)
Voluntary Compensation Employees / Volunteers (minor limits)
Broad Form Tenants legal Liability \$1 Million
Medical Payments
Elevator Liability
Physical damage to Hired Vehicles \$50,000 / All Perils Deductible \$1,000
Volunteers are included as Additional Insured's while performing duties for the
Diocese / St. Andrews

Umbrella Liability: \$5 Million - Following Form

Directors & Officers Liability: \$1 Million (\$1 Million annual aggregate)

Wrongful Acts
Claims made Format
Indemnification Clause extension, included
Insured includes Directors, officers,
Employees, volunteers or members of any
duly constituted committee of the insured
(Diocese includes St. Andrews)

Abuse Coverage: \$1 Million (\$1 Million annual aggregate)

Physical and Sexual
Counseling
Claims Made
Insured is the Corporation
Defense Costs – Civil only
Includes Employees, Board committees or persons who manage

Risk Management considerations:

All the properties will need to be re-assessed as to values. The name of an architect that has experience with historic valuations will be sourced through our insurers/brokers.

Determine last filings of values for stain glass windows, organ and church artifacts.

Inventory and determine the value of church contents, furnishings, equipment incl. fine arts.

Review all written third party contractual agreements of the church with specific focus on those that may influence the church insurance program. These will include lease and rental agreements, service agreements etc.

Annual declarations prior to the January 1st renewal date will be required of all clergy and the Parish Council regarding any knowledge of potential incidents that may give rise to a claim under the Directors and Officers, Errors and Omissions, Abuse and Counseling insurance programs. These are "Claims Made" wordings with specific notification deadlines.

Determine whether members of the church are driving others to and from church related activities or functions in their personal vehicles. Determine whether members of the church drive their personal vehicles on the business of the church.

Determine whether the church has defined what constitutes the “performance of a duty to the church” and has communicated this to their volunteers.

Centralization of all “Original” documentation at the Church Office with the church secretary.

Development of a combined Property / Safety Risk Management Manual.

Ensure that the revised Safety / Risk Management Guidelines can in fact be fulfilled.

Develop a Disaster Mitigation Plan.