



The United Church of Canada L'Eglise Unie du Canada



First Dawn Eastern Edge Regional Council
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MEMO

TO: All Ministry Personnel, Lay Members and Board Chairs

FROM: Rev. Faith March-MacCuish, Executive Minister
Dr. Roy West, Chair, Division of Finance and Administrative Resources

DATE: March 8, 2021

RE: Insurance on Properties

Greetings to you from the Office of the Executive Minister. We are writing to inform you of changes in options for 2021 to the Regional Council Blanket Insurance Policy.

Currently, all properties in our Region are insured on a Replacement Cost value, which is the traditional approach on insuring church buildings under the Region's blanket insurance. There has been interest in recent years that some Pastoral Charges would like to explore the possibility of allowing congregations to have other insurance options based on their current reality.

At the January 21, 2021 meeting of Regional Council Executive, a motion was carried to allow Pastoral Charges to have greater options in insurance coverage based on their current and future reality. Pastoral Charges can decide on continuing with Replacement Cost coverage or change to one of the options noted below.

The attached form will need to be signed by your Board Chair for ***each*** of your properties, stating if you wish to change to one of the options provided. If we do not hear back from your Pastoral Charge by **May 1, 2021**, coverage will continue in 2021 at Replacement Cost. We need to include this strict deadline in order that Steers Insurance can have time to activate any new coverage in 2021. Your invoice will be adjusted as necessary.

For an explanation of the four options of settlement please see the information below.

Replacement Cost:

Most common form of coverage. At the time of a loss it puts the insured building back to where it was before the loss, with materials of like kind and like quality.

Co-Insurance applies at 90%. If the building is not insured for at least 90% of the replacement value, there is a penalty on partial losses.

The building is insured for the amount it would take to replace or rebuild your building or repair damages with material of similar kind and quality, without deducting for depreciation. (Note: *Depreciation is the decrease in building or property value since the time it was built or purchased because of age or wear and tear.*)

Actual Cash Value

(Replacement Cost less depreciation) **ACV** or Actual Cash value is the replacement cost minus depreciation. Very difficult to determine ACV limits or value. Many factors go into determining ACV such as age of building, construction type (materials used and the quality/complexity of construction), etc. Co-insurance still applies to ACV insurance, so accuracy of limits is crucial.

Functional Replacement Cost

Very uncommon coverage however, due to trending faith buildings, it is starting to become more popular in this sector. FRC is used when it is known that a particular building will be replaced but at a reduced capacity. The insurance company needs to know details of the new replacement building and a reasonable way to determine value (ie: Contractor estimate, online assessment, appraisal, etc.). Co-Insurance is not used. Approximately 30% higher rate because of the removal of co-insurance and the value of insurance is much lower than the existing structure (It is now insured for the value of the anticipated new structure with less capacity).

Wreckage or Salvage Insurance:

Should only be used when it is determined that the property has no value and is only being insured for the removal of the debris in a total loss. Liability still applies under the policy. Maximum coverage is \$50,000 unless otherwise justified. Typically, we don't see a building insured with market salvage/wreckage value if they are still using it, but they could still occupy the building if insured on market salvage value. This would be contingent upon condition of building/if it is safe to do so. The maximum limit that could be offered on market salvage value is \$50,000, so ACV is better than market salvage value in most cases (more so if the church is still being used).

If you have any questions about any of this, please do not hesitate to contact us. Our insurance company and insurance broker have committed to discuss this issue with Pastoral Charges who need further information so that there will be a thorough understanding of these methods of insurance.

Please return this signed decision by: **May 1, 2021**. Your congregation must be sure (with congregational motions) of the insurance coverage that you wish to have.

Sincerely,

Rev. Faith March-MacCuish, Executive Minister
Dr. Roy West, Chair, Division of Finance and Administrative Resources

**Insurance Change Form
Request to Change Insurance Coverage**

Please complete one form for each property requesting this change.

Pastoral Charge: _____

Community of Faith: _____

We have read the information regarding insurance coverage on our church properties and have decided to:

- _____ Continue with **Replacement Cost**
- _____ change to **Actual Cash Value (ACV)**
- _____ Change to **Functional Replacement Cost**
- _____ Change to **Wreckage or Salvage Insurance**

(List property name and location)

Date of congregational meeting where motion was made:

Mover: _____
Name Signature

Seconder: _____
Name Signature

Motion:

Be sure to keep a copy of this once it has been signed and **return original** to:

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