

When Disaster Strikes, You've Got Replacement Insurance – Right?

Many churches have comprehensive insurance policies covering everything from theft to liability to loss of property and more. But do you really know what that insurance will cover in case of a natural disaster or fire?

Recently JH Batten has been involved with several churches that faced a total loss of their facilities. Initially, those churches thought everything was going to be okay because they had replacement insurance. Unfortunately, the replacement insurance had an exclusion called the “ordinance or law” exclusion. [To understand more about this exclusion, follow this link.]

Property insurance policies generally have an “Ordinance or Law” exclusion, which means that the policy covers the building as it exists, *but it does not cover the cost to upgrade the building to current building codes and ordinances after a loss.* Therefore, having “replacement cost” coverage for your building does not mean that you have “upgrade cost” coverage, unless you purchase an “Ordinance or Law endorsement” for your property. Even if a property policy offers some built-in Ordinance or Law protection, often the amount of coverage isn’t sufficient in a major loss.

Building codes and zoning laws affect every piece of property no matter how big or small. These laws are continually changing...requiring new or improved features such as better wiring, handicap access, sprinkler systems and more. If a loss situation triggers code upgrades, it could be financially devastating unless you have Ordinance or Law coverage.

While some regard this coverage to be important only for older buildings, laws are always changing, and newer buildings can be affected. This should be an area of concern for all churches.

Do you really know what your policy covers – or doesn't?

- If you have not conducted an insurance review in the past several years, it's time!
- Work with your insurance agent, attorney, CPA, and governing board to review your existing policies and discuss the options you have.
- Understand what code changes are in effect in your municipality and how they would affect replacing your facility
- Conduct an annual insurance review so there will be no surprises

If the unthinkable happens, you will be glad you did.