WHY IS IT IMPORTANT TO KEEP YOUR INSURANCE VALUES UP TO DATE?

BECAUSE IF YOUR CHURCH IS NOT ADEQUATELY INSURED, IT COULD COST YOU THOUSANDS OF DOLLARS

A QUICK REVIEW ON CHURCH INSURANCE:

Here are some basic facts about how insurance works. Insurance protects buildings, people and assets against major financial losses that occur because of damage or loss of property. Insurance companies determine premiums by taking under consideration the risks associated with the religious non-profit organization, the amount of coverage the church will need to be fully protected, their past claims history and statistics that predict what percentage of churches will suffer a loss or file a claim in a specific geographic location. The amount of property insurance coverage is based on the cost to rebuild and restore the church complex, not market value.

According to a recent report issued by Marshall & Swift/ Boeckh (MSB) 75% of commercial buildings are under insured by an average of 40% or more. In order to adequately protect your building(s) it is imperative you reevaluate your Commercial Package Policy (CPP) on an annual or two year evaluation cycle. Under insuring your property can greatly impair, or even bankrupt, a commercial entity trying to recover from a major loss due to inadequate insurance coverage. It could cost you thousands of dollars.

Evaluation of your church property is a combination of several contributing factors such as hard costs (building material, labor and equipment costs) plus mark ups, taxes, and fringes (soft costs) for construction work performed in your geographic area. The process of property evaluation includes monitoring demographics and econometric statistics, governmental indicators, local labor costs (by zip code), city and state building code ordinances, and regulations, market trends, as well as geographic weather trends.

If your commercial building is over 25,000 square feet there is a possibility your building has been inspected by Insurance Services Office (ISO). ISO provides insurance carriers with information, products, and services relative to a property casualty insurance risk and validates building construction, materials, actuarial and underwriting information. This information is vital to an insurance carrier providing an adequate insurance premium proposal.

FEATURED ON BACK: WHAT CHURCHES MUST BE AWARE OF

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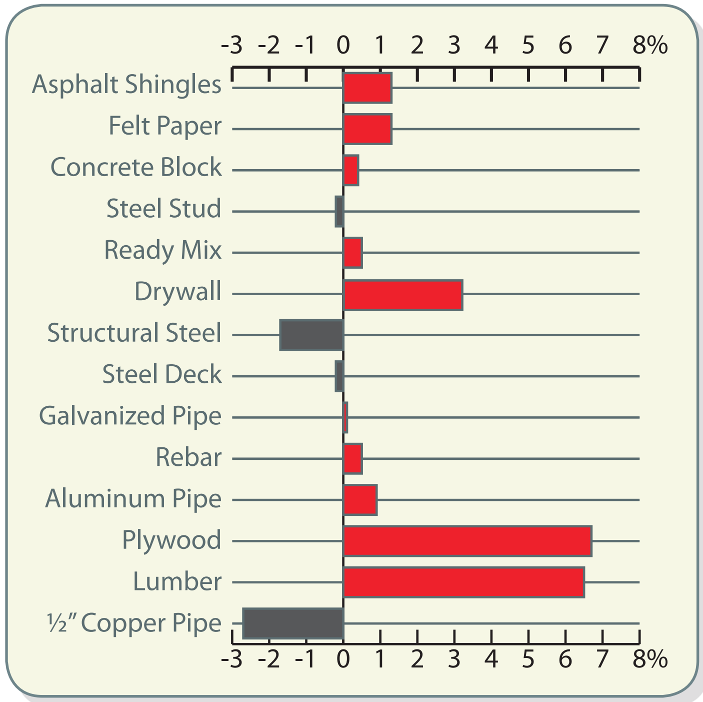
HERE IS A SNAPSHOT
OF THE CHANGES IN THE RECONSTRUCTION COSTS FOR COMMERCIAL BUILDINGS:

- **Plywood and lumber prices continue to rise during the last quarter of 2012. Plywood increased by 6.7% from the previous quarter and 19.5% over the previous year.**
- **Lumber costs increased during the last quarter of 2012 by 6.5%, and 9.7% for the year 2012.**
- **Plywood and lumber costs are forecasted to continue into 2013 with increased demand from a recovering building industry and producers at 80% of capacity.**
- **The average cost increase for the most common building materials was a 0.5% for last quarter 2012.**
- **For labor, the average wage rate increased 0.4% for the last quarter, based on the construction trade contracts that expired and were renewed during the last quarter 2012.**

THE MOST COMMON ELEMENTS
MSB MONITORED - 4TH QUARTER FROM THE PREVIOUS 3RD QUARTER 2012:



CHURCHES MUST BE AWARE OF THE METHODS USED TO EVALUATE INSURANCE COVERAGE ON THEIR COMMERCIAL PROPERTIES:

Replacement Cost Coverage (RC): A property insurance term that refers to one of the two valuation methods for establishing the value of most insured properties for purposes of determining the amount the insurer will pay in the event of loss. It is usually defined in the policy as the cost to replace the damaged property with materials of like kind and quality, without any deduction for depreciation.

Actual Cash Value (ACV): In property and auto physical damage insurance, one of several possible methods of establishing the value of insured property to determine the amount the insurer will pay in the event of loss. ACV is typically calculated one of three ways: (1) the cost to repair or replace the damaged property, minus depreciation; (2) the damaged property's "fair market value"; or (3) using the "broad evidence rule," which calls for considering all relevant evidence of the value of the damaged property. Some insurance policies state if the insured fails to insure the property to at least 80% of value the insurance policy will automatically resort to a depreciated value or ACV.

Depreciation: The decrease in the value of property over a period of time, usually as result of age, wear and tear from use, or economic obsolescence. Actual physical depreciation (wear and tear from use) is subtracted from the replacement cost of insured property in determining its actual cash value (ACV); courts in some jurisdictions have allowed insurers to deduct depreciation due to economic obsolescence as well.

Final Thoughts:
Buildings constructed two years ago cannot be rebuilt at anywhere near the same cost as the original construction cost. Consider 100% Replacement Cost with an annual review to keep pace with changing construction costs. Consult with your church insurance agent or carrier for best results.