



KEEP YOUR CHURCH OUT OF COURT



SEMINAR

Section 5

Insurance Coverage Disputes



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Section 5 Outline

Insurance Coverage Disputes

Insurance Issues

- Price Increases – Commercial businesses, nonprofits and churches face rising insurance costs and diminished coverage in some geographic regions and across a range of policy lines. Insurance companies that have suffered significant losses in some markets have chosen either to cease writing new policies or to exit those markets (and states) altogether. Most states require a 30-day notice for insurance policy cancellations, but this requirement offers a narrow window to find a new carrier and underwrite a new comprehensive insurance policy.
- Limited Insurance Options – While other insurance options do exist, churches have traditionally received insurance coverage from three primary companies: Church Mutual Insurance, GuideOne Insurance and Brotherhood Mutual Insurance. The benefit of these three companies is familiarity with the unique needs and requirements that exist for ministry activities in a local church. With the departure of some of these traditional carriers from some local markets churches are looking carefully at other insurance options, including commercial divisions at mainline companies like State Farm. Recognize that when a non-renewal occurs (a cancellation of an existing policy at the end of its term), a church must quickly find a new carrier, underwrite that policy and execute the agreement in a short period of time.
- Reduced Coverage – One area where insurance coverage has been reduced in many coastal areas (but expanding further inland) is wind/hail coverage. Almost all new policies and renewals feature a wind/hail exclusion effectively reducing coverage for roof damage to almost zero for these events. Inland areas may feature a 2% exclusion based on the full assessed value of church property. For example, a policy that values its buildings at \$20 million would correlate to an annual wind/hail exclusion of \$400,000. That means the church is responsible for roof repairs up to \$400,000. Coastal areas are likely to face an even higher 5% wind/hail exclusion. This reduced coverage usually comes at higher cost and places churches and businesses in the unenviable position of almost no coverage in the event of a major weather-related roof claim.
- 2023 Insurance Issues Report* 119



Insurance Disputes

- Denied Claims – The insurance environment is already difficult in light of rising premiums, limited insurance options and reduced coverage, but the most challenging development is the rise of denied claims (either in part or in full). It is important to fully understand the policy provisions, limits, deductibles and exclusions for your church's property insurance coverage. Recognize that an insurance policy is an agreement between the church and its carrier to provide certain levels of coverage for an annual premium. Both parties have responsibilities in this arrangement and both parties have an interest in the amicable resolution of any disputed claim. Steady negotiation between the church and the insurance carrier can yield a positive result in many situations. In the event a suitable resolution cannot be completed, the church can seek relief for a denied claim in the courts.
- Denied Hail Damage Claim Report* 121
This report illustrates steps taken after a denied wind/hail claim. As noted above, steady negotiation with an eye on the time limit for filing a claim is important. The best practice is to file claims as soon as possible after an injury or weather event. In Louisiana claims must be filed within two years of the event in question.
- Policyholders Release* 123
When a negotiated resolution to a claim dispute has been reached, the church's insurance company will require a Policyholders Release to indemnify the insurance company and detail the remediation. This sample release is the final disposition for the disputed wind/hail claim above.

* Document Attached

2023 Insurance Issues Report

Louisiana Climate and Church Insurance Issues

- **Primary Issues** — Churches across Louisiana are dealing with insurance cancellations and premium increases.
- **Non Renewals** [REDACTED] non renewals are prevalent in the entire state, especially so in almost all coastal areas of the state.
- **Town Hall** — Church insurance issues are substantial enough to warrant a Town Hall with Louisiana Insurance Commissioner Jim Donelon and State Senator Katrina Jackson on Friday, 3/10. This Town Hall as organized under the auspices of the Louisiana Baptist Convention.
- **Denied Claims** — We are aware of several Louisiana churches that have had wind/hail damage claims denied by [REDACTED]. Some of these cases are in litigation.

Church Mutual Non-Renewal

- **Non Renewal Notification** We were notified by phone of [REDACTED]'s non renewal of our property, liability and umbrella insurance coverage on Tuesday, 2/7. The snail mail letter notification arrived on Wednesday, 2/15.
- **Rationale** — The complete rationale for non-renewal was never officially given, but various issues were mentioned:
 - Louisiana Claims and Litigiousness
 - [REDACTED]'s Desire to Reduce Louisiana Exposure
 - First West's Claim History
 - First West's Insurance Policy Size
- **Other Churches** — We are aware that other churches across the state were not renewed by [REDACTED]. We don't know how large this group may be, but we know that churches within 50 miles of the coast form the highest percentage of non-renewals.

Insurance Quotes and New Policy

- **Brokers and RFPs** — We have worked with two insurance brokers to prepare request for proposals (RFPs) with various companies. Those brokers are [REDACTED] (Thomas & Farr Agency) and [REDACTED] (Sovereign Insurance Group).
- **Solicitations** In total, our brokers solicited proposals from 15-18 insurance companies:
 - Of this number we confirmed 2 companies willing to make proposals for First West's insurance coverage.
 - [REDACTED] Insurance was able to submit a full proposal by the 3/1 deadline for bound coverage.
 - [REDACTED] Insurance could not complete their proposal by the 3/1 deadline.
- **Large Policy Issue** — One issue faced is that some companies are unwilling to write insurance for large churches (with large policies).
- **Wind/Hail Exclusion** — Another significant issue was a 2% wind/hail exclusion, effectively reducing coverage for roof damage to almost zero for these events:
 - The 2% exclusion is based on the full value of the building. For example, our policy values buildings at 500 Pine Street at \$41,483,000, which correlates to an annual wind/hail exclusion of \$829,660.
 - The 2% exclusion is standard for any new [REDACTED] policies in Louisiana. There are no exceptions.
 - We understand that churches in south Louisiana have even higher 5% wind/hail exclusions.

- We evaluated 3rd party buy-downs for the wind/hail exclusion, but found those options cost-prohibitive:
 - 2% per building down to 1% per building \$56,124.00 premium + fees/taxes \$59,196.01
 - 2% per building down to \$100,000 per building = \$109,526.00 premium + fees/taxes = \$115,188.01
- **Bound Policy** — We executed our binding insurance coverage at 9:00pm on Tuesday, 2/28, beating the 12:00 Midnight deadline by three hours. Coverage remains essentially the same as our prior policy, with the exception of the significant wind/hail damage exclusion detailed above. Here's the summary of the church's new [REDACTED] premiums:
 - Commercial Property, Crime, Inland Marine and General Liability Premium — \$216,247.97
 - Commercial Liability Umbrella Premium \$6,006
 - Commercial Auto Premium — \$13,138
- **Coverage** — Here's the summary of the church's Guide One coverage:
 - Commercial Property Coverage Deductible — \$10,000
 - Commercial Liability Insurance Occurrence Limit \$5,000,000
 - Commercial General Liability
 - General Aggregate Limit — \$4,000,000
 - Each Occurrence Limit — \$2,000,000
 - Personal and Advertising Injury Limit \$2,000,000
 - Counselors Liability
 - Each Claim Limit — \$2,000,000
 - Aggregate Limit — \$4,000,000
 - Commercial Automobile Liability Bodily Injury and Property Damage Each Accident Limit \$2,000,000

Ongoing Work

- **Continued Efforts** — We continue to solicit additional insurance quotes from insurance companies willing to consider us:
 - [REDACTED] — While [REDACTED] could not complete their proposal by the 3/1 deadline, they are working on a proposal.
 - Brotherhood Mutual — Brotherhood Mutual declined to submit a proposal after conversations with our brokers. We have opened another dialogue with them through GuideStone Financial Resources which may or may not lead to a proposal.
 - State Farm — Further conversation with State Farm indicates the possibility of a proposal. We are exploring this possibility.
- **Plan of Action** — We propose to evaluate any new proposals for price and coverage. We would consider a mid-year change of insurance company if we gain significant coverage (primarily on wind/hail damage) or reap significant premium savings.

Denied Hail Damage Claim Report

Initial Claim

- **Initial Claim Estimate** — A hail damage claim was filed with [REDACTED] on 7/22/22. [REDACTED]'s first report by its own adjuster [REDACTED] provided a damage assessment and contractor estimate of \$1.6 million.
- **Claim Denied** The claim was denied on 1/5/23 via certified mail. This occurred after an engineering analysis and on-site observations from [REDACTED], Inc.

Dispute Presentation

- **Conference Call and Follow-Up Correspondence** — A Conference Call was convened on Wednesday, 2/8 with [REDACTED] and [REDACTED] from [REDACTED], along with Blake Wheelis, Bill Smith and Tim Spencer:
 - Our group presented evidence and additional information, expressing disappointment in the wholesale denial of the hail damage claim.
 - We firmly requested a reconsideration of new information and a reassessment and revised proposal from [REDACTED] on the hail damage claim.
 - [REDACTED] and [REDACTED] assured us that the reassessment would take place and that a revised proposal would be made.
 - Three follow-up e-mails have been transmitted to [REDACTED] requesting this revised proposal. The last e-mail was firmly worded and was sent at 4+ weeks from our initial conference call.
- **Final Communication Before Potential Litigation** — Since no proposal from [REDACTED] was forthcoming, our communication with them has gradually become more direct. Our most direct e-mail was sent on Wednesday, 3/8:
 - We communicated our intention to begin the process of fully documenting our own independent assessment of hail damage on every roof at First West.
 - We communicated our hope that we can arrive at a mutually beneficial proposal that recognizes our roof hail damage and fulfills the terms of our [REDACTED] property insurance policy.
 - The purpose of the communication was to turn up the intensity in the conversation and foreshadow the possibility of litigation to resolve our claim. No threats were made and we avoided any mention of attorneys or legal action to maintain open dialogue open and keep open the possibility of a settlement on our claim.

First Settlement Proposal

- **Initial [REDACTED] Proposal** — We received a response and settlement proposal on Friday, 3/10 at 4:25pm CST.
 - Here's the summary:
 - Main Building Roofs — \$438,722.81
 - Feazel Chapel — \$37,000.00
 - Thrift Store — \$131,828.82
 - Actual Cash Value — \$607,551.63
 - TOTAL -\$75,000 Wind/Hail Deductible = **\$532,551.63**
 - Our previous [REDACTED] policy insured roofs with Actual Cash Value coverage.
 - [REDACTED]'s analysis yields a total replacement cost of all roofs at \$2,152,149.76 with non-recoverable depreciation of \$1,544,598.13. The Actual Cash Value is \$607,551.63.

Revised Settlement Conversation

- **Revised [REDACTED] Proposal** — Tim connected with [REDACTED] on Wednesday, 3/15:
 - We pushed back on the 72% (average) roof depreciation in the initial proposal.
 - [REDACTED] will reconsider this issue and prepare a revised proposal in coming days.
 - Once we agree on the final terms, First West would sign a release and accept the check settling the claim.

POLICYHOLDERS RELEASE

This Full and Final Release of All Claims is made and entered into by First Baptist Church of West Monroe LA. and First West Counseling Center Inc. and First West Thrift Store Inc. and Broaden Horizons (THE). ("Policyholder") and given to [REDACTED]. Policyholder and [REDACTED] are collectively referred to as the "Parties".

WHEREAS, [REDACTED] issued to Policyholder, a multi-peril policy which includes first party property damage coverage, has a policy period of March 1, 2021 to March 1, 2022, and bears policy number [REDACTED] and March 1, 2022 to March 1, 2023, and bears policy number [REDACTED] ("Policy"); and

WHEREAS, on or about April 9, 2021, Policyholder sustained damage to its property located at 500 Pine St., West Monroe, LA and 1 Stella Mill St., West Monroe, LA as a result of hail which together with all subsequent events that in any way relates, directly or indirectly, arises out of, or results from the collapse event at issue shall hereinafter be referred to as the "Incident"; and

WHEREAS, Policyholder submitted to [REDACTED] a claim for insurance coverage as a result of the Incident, and [REDACTED] has assigned the matter claim number [REDACTED] and

WHEREAS, Policyholder and [REDACTED] disputed the scope and cost of such damage caused by the Incident; and

WHEREAS, [REDACTED] and Policyholder have reached an agreement to resolve the hail claim for insurance coverage under the Policy in connection with the Incident.

NOW THEREFORE, in consideration of the payment of \$900,000.00 by [REDACTED] to Policyholder, receipt of which is hereby acknowledged by Policyholder, the policyholder agrees as follows:

1. Payment by [REDACTED]. Policyholder hereby accepts and acknowledges receipt of the total sum of \$900,000.00 as good and full consideration of all damages it has incurred which it contends are covered under the Policy which arise out of or in any way relate to the Incident. Policyholder agrees and acknowledges that the receipt of this sum from [REDACTED] has made policyholder whole as to all amounts that it claims it is entitled to recover from [REDACTED] arising out of or in any way related to the Incident including but not limited to any consequential damages, claims for extra-contractual damages, statutory damages, interest and attorney fees. Payments totaling \$900,000.00 will be issued within five business days after receipt of the properly executed release.

2. Release by Policyholder, for itself and its agents; attorneys; officers; directors; trustees; members; employees; parents, affiliated and subsidiary companies; predecessors; successors; assigns; contractors; all other representatives, either individually or in their representative capacities; and any other party that has or claims to have any interest in the property damaged, allegedly damaged, by, or in any way related or connected to, the Incident hereby RELEASES AND FOREVER DISCHARGES and covenants not to sue [REDACTED] and its agents, attorneys, officers, directors, trustees, members, employees, parent, affiliated and subsidiary companies, predecessors, successors, assigns, affiliates, reinsurers, and all other representatives for any and all damages, injuries, losses, liabilities or claims of every kind, nature and description whatsoever, known or unknown, suspected or unsuspected, whether based in equity or in law, based on, related to, in connection with, or arising out of the Incident and/or the adjustment of the claim. Policyholder also releases and waives any potential claim of damages in excess of the sum received from [REDACTED].

3. Indemnification. Policyholder agrees to indemnify, hold harmless, and defend [REDACTED] from any and all claims, demands, causes of action, judgments, and liability of whatever kind or character, including claims for insurance coverage whether known or unknown, including all claims by mortgage holders which may be brought by any third party or parties to the full extent of such claim that relates to, arises out of, or in any way involves the Incident.

4. Negotiated Agreement. The Parties agree that this Release constitutes a compromise and settlement of all claims related to the Incident, and that the payment of sums and promises contained herein are intended to be and are a commercial accommodation among the parties hereto. This Release and the actions taken pursuant hereto do not constitute an acknowledgment or admission on the part of any Party to this Release of liability for any matter or a precedent upon which liability may be asserted, and that this Release is without precedential value and is not intended to be nor shall it be construed as an interpretation of any insurance policy and shall not be used as evidence, or in any other manner, before any court or any proceeding to create, prove, or interpret the obligations or alleged obligations of [REDACTED] under any insurance policy which has been issued to Policyholder or to any other entity or person.

5. Representations and Warranties. The Parties warrant that no promises or inducements for this Release have been made except as herein set forth, that they are competent and duly authorized to execute this Agreement, and that they execute it knowingly and voluntarily and accept responsibility therefore. The Parties further acknowledge that they have had opportunity to receive independent legal advice from their attorney or attorneys with respect to the advisability of signing this Release and that execution hereof is made without reliance upon any advice, statement or representation made by any other party, except for representations contained in this Release.

6. Negotiated Release. This Release is the result of negotiations between the Parties, and no Party shall be deemed to be the drafter of this Release or any of the agreements or documents referred to herein. The language of all parts of this Release shall in all cases be construed as a whole, according to its fair meaning, and not for or against any Party.

7. No Third-Party Beneficiaries. This Release is intended for rights and benefit only of the Parties hereto and described herein and is not intended to confer any right or benefit upon any other person or entity. No person or entity other than the Parties hereto shall have any legally enforceable right under this Release. All rights of action for breach of this Release are hereby reserved to the Parties hereto.

8. Entire Agreement. This Release sets forth the entire agreement between the Parties with respect to the subject matter hereof and there are no agreements or understandings, whether oral or written, between the Parties except this Release. This Release shall not be modified or amended except by an agreement in writing executed by the Parties hereto. The terms hereof are contractual and not mere recitals.

9. Corporate Authority. The person[s] executing this Release represent and warrant that they have the necessary and proper authority to execute the Release and that the execution and delivery of this Release has been approved by all requisite corporation action.

10. Non-Disparagement. As a part of this agreement, Policyholder agrees to the following terms of non-disparagement. These provisions cover itself and its agents; attorneys; officers; directors; trustees; clergy; employees; parent companies as well as affiliated and subsidiary companies of policyholder. The Parties identified above expressly agree that they will not make any verbal or written comments that may disparage or otherwise damage the reputation of [REDACTED], its business interests, or any of its representatives, agents, employees, successors, predecessors or assigns.

Any breach of the provisions of this agreement shall allow [REDACTED] to prosecute that breach to the full extent allowed by the law.

11. Interpretation. This Release shall be governed by and construed in accordance with Louisiana law.

IN WITNESS WHEREOF, Policyholder through its duly authorized agent has executed this Release effective as of the date recorded below.

WE UNDERSTAND THAT THIS IS ALL THE MONEY THAT WILL BE RECEIVED FROM [REDACTED] AS A RESULT OF THIS OCCURRENCE. WE HAVE READ THIS RELEASE, UNDERSTAND IT AND ARE SIGNING IT VOLUNTARILY.

First Baptist West Monroe (Insured)

By: _____

Insured Representative

Subscribed and sworn to before me this

_____ day of _____, _____.
Day Month Year

Notary Public

[illegible]