



INTRODUCTION

Most organisations purchase insurance cover for loss or damage to their buildings and other property. This will generally provide sufficient funds to rebuild and replace contents and fixtures.

However one aspect that is often neglected is how an interruption to the activities of the organisation, caused for example by a severe flood or fire can cause a reduction in income. A major loss of this type has the capacity to affect congregational income too, plus the potential to bring a number of additional financial concerns.

Congregational income following insured damage to the church or halls can be affected in a number of ways. By a reduction in giving as attendances fall, or a loss of rent from hall lets, or a disruption to cafes and other fund-raising events. Additional funds may also be necessary to pay for alternative premises to hold services and also to continue to pay salaries of employees, and other expenses for example the leasing of office equipment.

The good news is that the Church of Scotland Insurance Scheme Policy has a Loss of Income section automatically included in every one of its church policies.

HOW LOSS OF REVENUE COVER WORKS

The cover provided by the Loss of Revenue section operates in two ways.

The first is to make good any loss of income that the congregation suffers following an interruption or interference with its normal activities, resulting from damage at the church premises arising from the insured contingencies, for example, fire, flood, malicious damage and so on.

Cover extends whilst income is affected during the period of restoration and repair of your buildings until the end of the indemnity period. The Church Scheme policy automatically provides for a two year indemnity period.



Fire can cause severe damage which can take many years to repair and rebuild. Getting your indemnity period right is therefore very important.

Longer periods are available and we encourage congregations to think carefully about the length of the indemnity period they require. For example if your church is a large listed building, located in a city centre, it may take longer than two years to fully repair and rebuild.

The second element of the cover provided relates to any Additional Expenditure incurred following an insured loss, such as to hire alternative premises. It is defined as the extra expenses necessarily and reasonably incurred during the indemnity period, for the purpose of avoiding or minimizing the interruption or interference to the church's activities and the consequent loss of revenue, but not exceeding the reduction in revenue thereby avoided.

GETTING THE NUMBERS RIGHT

We hope you can appreciate that it is really important therefore to select the correct level of income protection and the indemnity period to ensure that your congregation is adequately protected. We provide guidance overleaf on how this might be best achieved.



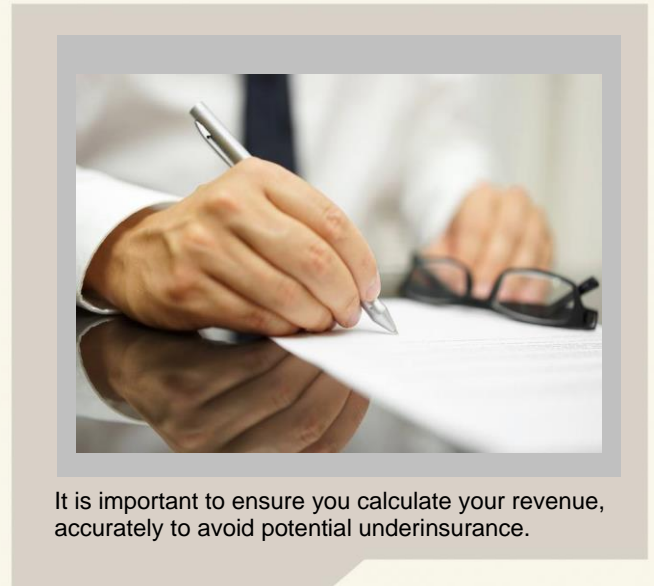
GETTING THE NUMBERS RIGHT (CONT.)

The **Loss of Revenue** sum insured you select should be sufficient to deal with all your continuing expenses following an interruption to the church's activities following an insured loss. This includes but is not limited to employee salaries and benefits, utility costs, and all other continuing expenses such as phones, postages, rents, insurance premiums, outreach costs and so on. Any variable costs that will cease in the event of major loss sometimes referred to as 'consumables' can be deducted from this figure.

However to avoid underestimating the Loss of Revenue sum insured we recommend that you simply look at your income from all sources; congregational giving, other donations, letting income, income from fundraising events and use that as the base figure (any one of very large, non-repeatable, legacies can be ignored). An adjustment will then need to be made to take account of the indemnity period selected, and inflationary trends as shown in the worked example opposite.

With regard to the **length of the indemnity period** that you select this is very much dependent upon how quickly the buildings can be rebuilt and the church restored to the same level of activity. As mentioned a number of things will need to be taken into account: the size, age, and complexity of the building; planning consents needed; listed status and so on. We therefore recommend you obtain advice from a suitably qualified architect regarding this.

FOR FURTHER INFORMATION REGARDING THESE GUIDELINES OR ANY OTHER MATTERS RELATING TO YOUR CHURCH INSURANCE SCHEME POLICY PLEASE CONTACT US.



WORKED EXAMPLE

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| Annual congregational income | £75,000 |
| Indemnity Period 2 years | 2 X £75,000 = £150,000 |
| Allowance for inflation over the indemnity period at say 3% | £150,000 x3% = £10,000 |
| Sub -total | £160,000 |
| Less any deductions for expenses that will cease e.g. maintenance costs | £10,000 |
| Final Total | £150,000 |

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If you prefer you can e-mail us at:

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Or visit our web site at: www.cosic.co.uk

The guidelines provided are based on our understanding of current law and practice. The Church of Scotland Insurance Services Ltd cannot accept any liability whatsoever for any errors or omissions which may result in injury, loss or damage, including consequential or financial loss. It is the responsibility of the congregation or any other person to ensure that they comply with their statutory obligations and any interpretation or implementation of the above is at the sole discretion of the congregation or other party who may read these guidelines.