



March 16, 2023

Dear Pastors, Pastoral Councils and parishioners:

**RE: Assessing Insurance Coverage for your Parish**

As a follow-up to our previous communications regarding property insurance, there is continued concern regarding the cost of insurance, coverage, and budgeting for these rising expenses. Property insurance increases over the last few years resulted from high incidents of major losses (fires and floods) and rates will not reduce for several years into the foreseeable future. We were not the only church to have significant increases, as other faith groups and community organizations have also experienced similar increases.

In response to the rising cost, Bishop David offered our parishes a property insurance subsidy in the 2021/22 and 2022/23 policy periods. However, parishes must now begin to budget into the future without exclusively relying on Eparchial subsidies. Our insurance company, ACERA Insurance (formerly CapriCMW), provided clarification of other coverage options that are available to our parishes and, provided guidelines to evaluate the savings, with other considerations and limitations for each option.

This document covers the following:

- A. What are the property insurance options?**
- B. How much property coverage does your parish need?**
- C. How to request a change in coverage?**

**A. [What are the property insurance options?](#)**

There are 3 types of property insurance coverage available to your parish:

Type of Coverage	Description	Consideration
<b>Full Replacement Cost (RC)</b>	Covers the full rebuild of the building to the same standards, materials, and architecture as the existing building.	<ul style="list-style-type: none"><li>• Insurance is expensive as premiums are based on market value.</li><li>• Value of the property is determined by periodic appraisals and, increased annually based on inflation and market factors.</li></ul>

<b>Partial Replacement Cost (PRC)</b>	Covers only a limited (partial) insurable loss which is valued below the market value of the full building (church)	<ul style="list-style-type: none"> <li>The parish will have to set the amount of coverage that they require according to their specific needs</li> <li>Proceeds from any insurable loss could be used to repair the building, demolish it or replace it with a smaller scale building</li> </ul>
<b>Debris Removal (DR)</b>	Covers only the cost and expenses to remove all materials remaining after a loss and clear the land.	Does not cover any partial loss due to damage or theft.

Each option has a specific purpose and must be evaluated according to the parishes current and future needs. Although cost is a major consideration, it is not the only one. The following example shows how these options may be applied to a loss situation.

**EXAMPLE:**

A church has a market value (MV) of \$1,000,000 which is used for replacement cost (RC); for illustration purposes, partial replacement cost (RPC) is shown at different levels (75% of MV, 50% of MV and 25% of MV)

The Rate of insurance is based on an estimate and is for discussion purposes only.

Type of Property Insurance Coverage	RC	PRC			DR
		at 75%	at 50%	at 25%	
Property coverage:	\$ 1,000,000	\$ 750,000	\$ 500,000	\$ 250,000	\$ 50,000
Rate of insurance (per \$100 coverage)	0.00360	0.00430	0.00430	0.00430	0.00360
Property Insurance Premium	<b>\$ 3,600</b>	<b>\$ 3,225</b>	<b>\$ 2,150</b>	<b>\$ 1,075</b>	<b>\$ 180</b>
Savings from RC to other options		\$ 375	\$ 1,450	\$ 2,525	\$ 3,420

Points to note from this example:

- The cost of PRC is higher than RC (rate per \$100 per coverage) and only provides for less overall coverage.
- Reduction to PRC must be considerable to make it worth the reduction in coverage (e.g.: a 50% reduction in coverage may only result in a 40% reduction in premium).
- Property coverage for PRC should consider the extent to which the parish would cover remaining losses (if any).
- The current deductible of \$5,000 applies to each type of coverage. The parish is responsible for the first \$1,000 and the remaining \$4,000 is covered by the Eparchy’s insurance reserve.
- Liability insurance and Fine Arts is NOT considered in this example.**

## **B. How much property coverage does your parish need?**

There are two important questions that will help parishes in their decision regarding insurance coverage:

1. ***“If the church building should suffer a major loss”.*** Would the parish rebuild the church building to the same size and architecture?  
If **YES**, the parish should have Replacement Cost (RC)  
If **NO**, the parish should consider either Partial Replacement Cost (PRC) or Debris Removal (DR) – refer to the next question
  
2. ***“If the church would NOT be rebuilt (to its size and architecture) what would the parish do”?***
  - a. **Rebuild, but a smaller building** - consider the cost of land preparation, construction and furnishing to determine the coverage needed (PRC)
  - b. **Repair only** - determine how much of a loss the parish would like covered, so that they can continue to operate in the existing building; consider the likely costs of repairs for losses related to roof damage, flood, fire, theft etc. (PRC)
  - c. **Demolish the church** – if any loss is incurred, the church would be demolished; consider the cost of removing all materials and clearing the property in an appropriate manner. Demolition cost in urban areas may be higher according to municipal bylaws (DR).

## **C. How to request a change to insurance coverage?**

The following steps provide the recommended approach for parishes to reassess their insurance coverage and request a change in coverage:

1. **PARISH APPROVES CHANGE TO COVERAGE** – the Pastoral Council, with the support of the Finance Committee, recommends changing property insurance coverage. This decision is approved at the Council meeting and is recorded in the minutes. This recommendation is then brought to the parish membership either at the Annual General Meeting or a Special Meeting for discussion and approval which is recorded in the minutes.
  
2. **CONTACT THE PASTORAL CENTRE** – Advise the Director of Finance with an email or letter ([accounting@edmontoneparchy.com](mailto:accounting@edmontoneparchy.com) AND [properties@edmontoneparchy.com](mailto:properties@edmontoneparchy.com)) that the parish requests to change their insurance coverage (i.e. to partial replacement cost or debris removal). Copies of minutes and other relevant information should also be included. This request is brought to the Bishop who, in consultation with advisors and the pastor, will provide his decision.
  
3. **PARISH IS NOTIFIED** – an email is sent to the parish with Bishop’s decision. Once approved, the parish then decides how much insurance would support the level of repairs for certain damage (i.e. water damage and theft is the most common) or for debris removal. To be cost effective, the parish should reduce the coverage by least 40 - 50% from replacement cost.

4. **SUBMIT THE CHANGE IN COVERAGE FORM** - Pastoral Council determines the coverage and completes the *Policy Property Change Form* to change the property insurance. The form is sent to the Pastoral Centre ([properties@edmontoneparchy.com](mailto:properties@edmontoneparchy.com)) for review and submission.
  
5. **SUBMIT to INSURANCE COMPANY** - The form is submitted to ACERA Insurance (formerly CapriMCW). The insurers will confirm the change in coverage and adjust the premium to the new terms. The difference in premium to the end of the policy terms will be refunded (as of the time of approval)

Parishes who decide to move to Partial Replacement Cost (PRC) do have an opportunity to change their coverage back to Full Replacement Cost (RC) in the future. However, in most cases a new property appraisal is required.

This decision requires much discussion and consideration. It is not merely about dollars and cents, rather planning for the future of the parish and doing what is best for parishioners. If you have any questions please send them to [properties@edmontoneparchy.com](mailto:properties@edmontoneparchy.com) or call our office.

Blessings.



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