

Directors and Officers Liability Insurance FAQs

The United Church of Canada will continue to provide coverage for Directors' & Officers' Liability Insurance ("D&O") to all United Church congregations and pastoral charges. This D&O group program has been extended to all congregations without cost since December 1, 2010. With this coverage every congregation has been saving at least \$200–\$800 per year. The saving is automatic for all congregations whether they are participants in UCC Protect or not. This coverage is renewed annually every December 1.

Every church should have D&O insurance. This coverage protects directors, officers, trustees, employees, and volunteers for their personal liability arising from actual or alleged errors, misstatements, or breach of duty in their oversight responsibilities. Examples include liability arising from wrongful dismissal, employment practices, contractual obligations, and the general safety and well-being of church employees and members. Even if a third-party claim is completely groundless, defence costs can be substantial.

This sounds too good to be true. Insurance isn't free. What's the catch?

Insurance is not free, but one of the fundamental principles of insurance is that risk is reduced if spread across a larger group. D&O insurance is a coverage that especially lends itself to this concept. If 3,000 congregations each buy the minimum recommended amount for charities of \$2 million, that is 3,000 policies and \$6 billion in coverage. "Umbrella" coverage for the whole group works better, and the insurance premium can potentially be a fraction of what you are paying now. **It is not free.** The annual premium is more than \$150,000, and the **UCC Protect** insurance pool has been paying for it since 2010.

The "free offer" is intended to raise awareness around the importance of this coverage, get more congregations covered, and get more congregations to join the broader UCC Protect plan.

Do we really need this coverage?

Regrettably, yes. The whole purpose of any insurance coverage is to mitigate against catastrophic financial loss. Might a church board member, staffer, or trustee potentially say or do something that could result in a lawsuit against local church leadership? The actual incidence of litigation is low, but it can and does happen, and without insurance the financial impact can be devastating.

What does my congregation have to do?

The congregation does not have to do anything. It is automatically covered.

How did this come about?

As with any church outcome, a variety of factors come into play, but we credit the persistence and insurance savvy of one congregational leader in Saskatchewan. In 2009, George Peters, Finance Chair at Sunset United Church in Regina, raised concern about the cost of D&O

insurance for pastoral charges and suggested that the United Church explore a central policy that would be available to all churches at reduced cost.

Happily, this issue was raised at a time when finance volunteers and staff were aggressively exploring new ideas to deliver tangible benefits to our congregations. George credits the diligence, expertise, and hard work of United Church staff in bringing this initiative to fruition.

Three separate issues are being targeted with this initiative:

1. Our risk management folks were increasingly concerned about the fact that some of our congregations do not know they should have this coverage or do not think they need it.
2. The premium for individual D&O coverage is higher than it would be on a group basis.
3. We need greater awareness of the benefits of a national insurance program. The more congregations that join, the greater the likelihood of premium stability and potential savings for all.

There's got to be a catch. What is it?

In the United Church it sometimes seems like we could complicate running a lemonade stand. We invite any comment or concern about potential downside. Overall, the goal is for every congregation to at least understand what their current status is with regard to D&O insurance coverage specifically, and overall property and liability insurance coverage generally. All the average member needs to know is that the congregation is covered. The details can be left to the trustees, treasurer, or finance committee.

We encourage congregations insured elsewhere to please consider joining UCC Protect, the only program approved and endorsed by The United Church of Canada.

As a practical matter, having every congregation registered with Hub International (our insurance broker) will make it easier to ensure that insurance updates get to the right people.

There's still got to be a catch. Can't I get cheaper insurance elsewhere? Or better service through my local broker?

For overall property and liability coverage, **UCC Protect** is competitive. Premium increases have been needed in recent years due to inflation and in particular due to a few very large losses. The more congregations we have in the plan, the greater the likelihood of premium stability. Our program instituted a self-funding structure for smaller property claims many years ago, building a surplus of funds to help smooth the cost of insurance over the long-term. It is this fund that is subsidizing the D&O premiums over the next two years.

In our experience, congregations that find a lower premium from another insurer may see increases in the second year and/or large increases in the event of a claim.

Having a local broker appeals to many congregations. That is why UCC Protect is available through all brokers. Your local broker will still earn a commission if they choose UCC Protect. **Please request a UCC Protect quote when your policy is up for renewal. You can download the UCC Protect Application Form from the bottom of united-church.ca/leadership/church-administration/local-administration/group-insurance/ucc-protect, complete it, and forward to Hub International.**

If the UCC Protect premium is competitive, we hope you will feel the choice is obvious. If the premium quoted happens to be slightly higher than another carrier, **we hope you will consider UCC Protect as a way to participate in the life of the church and contribute to longer-term price stability and the possibility of other savings** arising from being in a larger group.

There's still got to be a catch. Is this a marketing gimmick?

There is a marketing objective here. We hope to grow the United Church's overall insurance program for the benefit of all. We continue to provide umbrella coverage for all United Church congregations. For the D&O coverage, the law of large numbers applies. Umbrella coverage should always be cheaper than individual coverage.

There is a remote possibility that we could have an incredible, unprecedented number of claims, but such an occurrence would impact not only our plan but all insurance premiums for all denominations. For property and liability insurance, it is possible that United Churches might have more or larger claims than other denominations, but we would again hope that with prudent, local stewardship the same law of large numbers might apply.

Most people understand the concept of group discounts. That is what we are striving to achieve with this insurance program. We hope we can do the same with other ideas. Please send us your ideas!

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