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INSURANCE AGENCY
*Specialized Property &
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 Management for Ministries
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REED SPRAGUE INSURANCE AGENCY
 SPECIALIZED PROPERTY AND LIABILITY INSURANCE AND RISK
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TIPS FOR OBTAINING AND KEEPING THE LOWEST POSSIBLE INSURANCE PREMIUM

1. Regardless of what some insurance agents will tell you, premium matters & should be a major factor in any insurance policy purchasing decision.
2. Do not wait until your policy's three-year (or one-year) anniversary renewal date is approaching to obtain quotes.
3. Get multiple quotes.
4. Know the *basic* coverage you need before you meet with an agent.
5. Directly tell your agent that you will shop around for insurance coverage.
6. Consider a higher deductible.
7. Ask about, and take full advantage of, premium credits.
8. Do not operate your ministry without ongoing insurance coverage.
9. Be clear to your agent that you expect complete coverage from a reputable insurer *and* a premium that is as low as reasonably possible.
10. Pay close attention to renewal premium notices received periodically.
11. Insist on adequate coverage for your particular ministry needs.
12. Investigate and verify your insurance company's property replacement cost valuations.
13. Manage your ministry operations effectively and efficiently.
14. Conduct regular safety & risk inspections.
15. Communicate with your insurance company in writing and regularly.
16. Have policy & procedure manuals in place.
17. Do not feel trapped by your policy's expiration date.
18. Carefully consider construction type for any new buildings you build.
19. Carefully consider all available safety equipment for any vehicles you buy.
20. A long-term relationship with your agent is a double-edged sword.
21. Build a mutual *business relationship of trust* with your agent.
22. Maintain a good credit rating for your ministry.
23. Consider having all property & liability insurance with the same carrier.
24. If you file a claim: communicate clearly, and cooperate fully, with your insurance company.

DETAILS 

1. Premium matters.

When soliciting quotes, let your agent know that premium will be a major consideration in your insurance purchasing decision. “A major consideration” does not mean “the only consideration” or even “the primary consideration.” Coverage comes first, of course; however, do not allow your agent to focus only on coverage as if premium should not matter.

2. Do not wait until your policy’s three-year (or one-year) anniversary renewal date is approaching to obtain quotes.

There is nothing magical about anniversary or renewal dates (more below). The needs of the customer rule, not the anniversary date of the policy. If you are over paying for coverage in year one of your three-year policy, you will probably be over paying in year three. Stop the bleeding by soliciting quotes earlier on in the policy term. Even if you are not sure if you’re over paying, but you have another reason for a quote, go ahead and solicit quotes.

3. Get multiple quotes.

Before you buy your organization’s insurance, solicit multiple quotes and perhaps even quotes from multiple agents. Then take the time to compare the details of the quotes. Be open and direct with the agents and insurance companies. The clearer it is to them that you are shopping, the lower your premium is likely to be for the company you settle on for your coverage.

4. Know the *basic coverage you need before you meet with an agent.*

Review your current policy’s coverage before your meeting. Make notes and ask lots of questions. Remember: Asking questions is not a sign that you are uninformed; it is actually a sign that you are informed in that you know which questions to ask (and that you know to ask questions!).

5. Directly tell your agent that you will shop around for insurance coverage.

Make sure your agent knows that you will shop periodically for insurance coverage, and that you do not feel “married” to your insurance company. Agents and insurance companies need to know they are up against competition.

6. Consider a higher deductible.

Always ask your agent to issue his quote with multiple deductible choices. The premium savings can be significant for policies with a high deductible.

7. Ask about premium credits.

Ask for every premium credit available from the insurance company. Then *ask to see the quote with all due credits applied.*

8. Do not operate your ministry without ongoing insurance coverage.

And do not have even short lapses in coverage. Insurance companies consider lapses in coverage to be a sign of poor ministry management. Ministries that are considered to be poorly managed generally will pay a higher premium and are less likely to qualify for premium credits (more on ministry management and its effect on premium below).

9. Be clear to your agent that you expect complete coverage from a reputable insurer *and* a premium that is as low as reasonably possible.

Beware of attempts by your agent to convince you that “you can have *either* low

premium or solid coverage levels from a reputable insurance company, but not both.” There is some truth to this statement, of course, but a well-run insurance company will find ways to offer solid coverage while keeping premiums at reasonable levels and will offer credits to reduce premium even further. Voice your skepticism to your agent if he presents an “either/or” proposal to you.

10. Pay close attention to renewal premium notices received periodically.

Notices are sent usually annually, 60-90 days prior to annual policy renewal. Approximately four months before annual renewal each year (which is before the company will send out its renewal premium notices, of course), send an email message or letter to your insurance company customer service department (with a copy to your agent) updating the company on your management/risk improvements made during the year. Include in your correspondence statements about your coverage and premium statements such as: [your budget is tight, you do not believe a premium increase is warranted, ask if premiums are going to *decrease*, etc.]. If you receive the renewal notice and it includes a large or unreasonable premium increase, immediately register, in writing, your concerns about the increase.

11. Insist on adequate coverage for your particular ministry needs.

Tell your agent up front that:

- you refuse to under-insure your ministry’s assets or liability risks;
- you refuse to over-insure your ministry’s assets or liability risks.

12. Investigate and verify your insurance company’s property replacement cost valuations.

Ask to see the details of your insurance-company-generated building & contents replacement cost valuation. Run this information by your contractor, a builder who might be involved in your ministry, or an architect you know. Make sure the valuations are *reasonably accurate*. A professional can run a few simple “construction cost per square foot” calculations for your buildings and tell you if the insurance company’s replacement cost estimates are reasonably accurate. A building that is over-valued by the insurance company can cause your premium to be higher than it should be. An under-valued building might cost more per unit of coverage (say, per \$25,000 of coverage) than it should.

13. Manage your ministry operations effectively and efficiently.

The importance of this cannot be over stated. It is not very well known, but insurance companies place great value on superior management!

14. Conduct periodic safety & risk inspections.

Use an insurance company ministry checklist. Set an hour or so aside periodically and check things over. Invite your insurer to conduct risk inspections of your ministry as well. Act on each insurance company recommendation, and report back to the insurance company that you have complied with each recommendation (include pictures). If your insurer views its risk inspections as opportunities to “find violations” and subsequently increase your premium (“react and punish” risk policy) — rather than as a service to help you reduce risk (“be proactive and incentivize” risk policy) — find another insurance company (unless, of course, the recommendation(s) for improvement is to correct a very dangerous situation and/or you have ignored multiple requests for serious concerns).

15. Communicate with your insurance company in writing and regularly.

Including pictures. Tell them of your proactive work to reduce risks and claims. Ask that these communications become a part of your official insurance company record.

16. Have policy & procedure manuals in place.

Operate higher-risk ministry activities according to written policy & procedures manuals (child/youth programs, security teams, money handling/asset protection, employee management, use of ministry-owned autos, counseling, small groups, high-risk physical activities, missions, etc.). Many model policy & procedures manuals are available from insurance companies. I am developing a library of model policy manuals along with forms to use for many areas of ministry, and I will customize them for your particular ministry. Please check my website for further information: www.reedsprague.com/resources. As you adopt these manuals send a note to your insurance company and to your agent, informing them that you have adopted the formal policies & procedures.

17. Do not feel trapped by your policy's expiration date.

In nearly every case, the insured has the right to cancel his/her insurance policy without paying for any unused policy term and without any penalty whatsoever (a minor exception for workers' comp. coverage) and obtain coverage from a different company.

18. Carefully consider construction type for any new buildings you build.

When adding a building to your ministry facilities, consider all-steel buildings and, if at all possible, avoid wood construction in the structural support sections of the building (roof trusses or base, floors, exterior walls). Consider advanced fire protection features such as sprinklers. Then ask for full replacement cost coverage and the lowest possible premium (mostly due to the fact that a destructive fire is highly unlikely).

19. Carefully consider all available safety equipment for any vehicles you buy.

Standards for safety equipment expectations are changing rapidly. One example: Buses and large passenger bus-type vans are now expected to have safety belts. Try to stay ahead of the curve. Check with your vehicle purchasing agent, then call your insurance company and ask about available credits (or lower base premiums) for vehicles with additional safety equipment. Many times the credits or reduced base premium will more than offset the increased cost of safety equipment in just a few short years.

20. A long-term relationship with your agent is a double-edged sword.

Be careful. On balance, such a relationship will work to your advantage; however, your agent and his insurance company can get too comfortable and they can become less likely to do the very hard work of finding ways to keep your premium low while keeping or even improving your coverage. Keep it professional. No matter how comfortable your relationship with your agent becomes, always sprinkle in comments during your conversations with him about the insurance company's service, premium cost, the importance of adequate coverage levels, your organization's tight budget, new risks facing today's ministries and so on. Now, read number 21 for what seems like a complete contradiction to number 20, but is not!

21. Build a mutual *business relationship of trust* with your agent.

You want your agent to fight for you in order to get the best coverage at the lowest

possible premium. You are the customer, and there can be no doubt about that; however, for your own good let the agent know through your actions and your words that you value a trusted business relationship with him. If an agent works hard to get you a solid proposal and quote, do not hand his proposal over to another agent and say, “here, beat this and you’ve got the sale.” Whether agents will admit it or not, this action on the part of the prospect is unofficially considered to be unethical. (Agents who have this happen to them will be far less likely to put forth the huge effort needed to put together another reliable quote for you.) You will have traded an agent who will work tirelessly for you, to get you the best coverage for the lowest possible premium, for an agent who will not put forth the effort but will sit back and live off of the work of others. You want an agent who will work hard for you—now and in the future.

22. Maintain a good credit rating for your ministry.

Credit rating: Your ministry has one. Most ministry leaders don’t even think about it. Check your ministry’s credit rating. Is there anything you can do to improve it, if needed? Are there mistakes on your ministry’s record that adversely affected your rating? Do you have too much debt? Are you able to pay your ministry’s bills on time? Has your ministry defaulted on debt obligations?

23. Consider having all property & liability insurance coverage with the same insurance company.

This is mainly about two things: 1. Clout; 2. Lower premium (officially or unofficially) as a reward for having all your property & liability coverage with the same insurance company. Ask (and verify) if discounts are available (officially), and ask if unofficial consideration is given for discounts even if it is not the official company policy to do so. A third reason is to make certain that any umbrella or excess liability insurance coverage will go over the greatest amount of other liability coverage you have. (A particular insurance company may not allow its excess liability coverage to go over another particular insurance company’s auto coverage, for example.)

24. If you file a claim: communicate clearly, and cooperate fully, with your insurance company.

And take whatever action is needed to minimize the probability that another claim will occur. Also: Your insurance company will want to determine if the claim occurred in spite of excellent management or if it happened because of poor management. Be sure to communicate to your insurance company (in writing and with pictures) that you managed your ministry responsibly before the claim and that you will take all reasonable preventive actions to avoid future claims. Communicate, communicate, communicate. I know of a large claim for a lightning strike that blew out a church’s major electrical service panel. The claim exceeded \$60,000. The insurance company was kept informed of the details of the replacement of the panel, including all details about the new lightning protection device, grounding and surge protection features. The insurance company ultimately paid for the new electrical panel and for the extra safety features, AND they did not raise premiums when the policy renewed.

–Reed Sprague