



February 18, 2020

To: Wardens and Treasurers of the Churches of the Diocese of Ontario

Churchwardens “have management and administration of the temporal affairs of the church vestry” (Canon 14). As part of their responsibility for the care of the land, buildings, furnishings and effects of the church, the Wardens are required to maintain insurance as required under the Diocesan Insurance Program.

The Diocese of Ontario participates in an Insurance Program that has been developed by the Anglican Church of Canada working with a number of dioceses, including us. All parishes and churches are required to purchase the minimum levels in the program from the designated Broker (AON Reed Stenhouse) through the Diocesan Program.

The goal of the program is to provide broad coverage for the needs (property and liability) of churches at competitive pricing, supported by the advice and service required. Some of the key benefits include:

- Spreading losses over a large program levels out the peaks and valleys of the loss experience of individual participants.
- Peace of mind for the Dioceses that all churches have consistent coverage. This is particularly important on matters of liability which is somewhat unique to church organization and programs.
- Access to professional counsellors who will provide advice on managing difficult issues.
- Consistency of claims handling and Ecclesiastical’s sensitivity with regard to the confidentiality and privacy issues surrounding sensitive claims, particularly relating to churches.
- The program is particularly important for smaller, remote churches as it ensures the availability and affordability of coverage.

Historically, one of the objectives of the National Program is to maintain stable rates for the participating Dioceses coupled with superior coverage and limits. Rate stability is important as fluctuating premiums result in severe hardship for the churches. Additional benefits include

- Expert claims handling
- Loss Control expertise
- Educational seminars & bulletins

Over the last decade, insurance rates and premiums in general have been experiencing small increases, while at the same time claims costs have been rising every year. Catastrophic losses are occurring with more frequency around the world, and the cumulative effect has been the need to increase premiums to a level in line with claims payments.

In addition, this diocese and others have also experienced an upward trend in claims frequency. AON's analysis of the property performance indicates claims frequency is higher, with Water damage claims driving many of them. However, there was agreement with the renewal in 2018 (after the program obtained competitive quotes across the marketplace), to a commitment to not increase the rates on Property & Boiler in 2019 and 2020 (adjusting only for inflation in the replacement cost)

Per this agreement with AON and Ecclesiastical, our 2020 Property Insurance rates hold flat, with only an inflationary increase in Property Replacement Costs. On the other lines of insurance, there are increases due to market conditions. In the case of Liability, a combination of market conditions and the insurer's view that current pricing is inadequate based on risk profile and claims has resulted in some significant increase in premiums. The rate increases for the non-Property & Boiler are as follows:

- Commercial General Liability 9%
- Directors & Officers Liability 25%
- Crime 25%
- Abuse Liability 73%
- Umbrella Liability 10%

The premiums for these coverages is the same for every church in the diocese. The net effect of these changes in non-Property related insurance (ie Liability) is an increase of approximately \$228 for each church.

We continue to work with AON to provide the best value in insurance that meets the needs of the diocese, our Parishes and Churches.

Ecclesiastical has introduced a couple of new "One Time Credit" programs for new roofs and plumbing. Further information can be found in the Presentation Package attached or by contacting my office.

In the past, we have had several programs in place at the diocesan level to provide additional service and features for parishes. The cost of these programs is built into the insurance costs billed to Parishes/Churches.

In 2019, the Finance Committee and Synod Council spent a significant amount of time reviewing how Insurance Premiums are distributed in the diocese. The goal is to ensure that there is full transparency and a consistent, fair approach to allocating and reporting the full costs of Insurance to Wardens and Treasurers.

The method used in previous years allocated all insurance related costs (the Premium paid by the Diocese to AON, the Deductible Reduction program which reduces deductibles by 80% and financing) to churches based on the percentage that their building & contents represent of the total Diocese. This is accurate and fair for Property, but as mentioned above, the Liability coverage is the same premium for each church (appx \$965 in 2020), regardless of size. The effect was that churches with low replacement costs carried a disproportionately lower share of the total premium and churches with above average replacement costs carried a disproportionately higher share.

It was decided to continue with the Deductible Reduction Program for 2020. We believe there are sufficient funds in the reserve account for 2020, so we are not charging churches a “top up” to cover the payments in 2019.

There has been a program in place to offer churches an “interest free” 6-month period after the premiums are charged to each account. The diocese took advantage of an offer from AON to finance the total premium over a number of months. For 2020, the equivalent annual interest rate would have been just under 8%. This interest was added to the total premium across the diocese, along with the “top up” of the Deductible Reduction reserve. This total amount was then distributed to churches in proportion to that church’s share as described above.

The effect of this was that while it was considered “interest free” to churches at their individual account level, the full cost of interest had already been included in their billing, at a higher interest rate. This does not provide transparency for Wardens. Neither does it allow Wardens to make decisions on when to pay their account, thereby saving interest expense.

After several reviews and a lot of discussion, Synod Council voted to set the following policy for Insurance:

- Each church is fully responsible for its own Insurance Premium, as billed by AON
- Recognizing that some churches will see relatively significant changes (up or down), there will be a Transition Subsidy Program for 2020
 - o If a church’s increase in premium for 2020 above 2019 **due to the calculation method** is greater than \$500 OR 25% then it qualifies for subsidy.
 - o Subsidy = 50% of Increase due to the change in calculation method (up to a maximum of \$1000)
 - o Subsidization funds come from the 10 churches/parishes with the largest savings (minimum of \$1500 reduction in 2020 from 2019) 10 churches will contribute up to 25% of their reduction for 2020 to the subsidy pool
 - o The Subsidy Pool will net to zero (ie Subsidy Charges will equal Subsidy Payments)
 - o To qualify for the subsidy, a church must be regularly used for worship on at least a monthly basis or be used weekly through the summer months.
 - o The subsidy program will be reviewed again by Synod Council late in 2020
- The diocese will use its Line of Credit to finance the premium payment to AON (at a rate much lower than 8%). No interest will be added to invoices to churches for Insurance Premiums.
- The invoice for the Insurance Premium will be added to the Church accounts at the end of February 2020. Interest will begin to be charged the following month at the standard rate (4.2%), in the same way as other items (CMM, Payroll) are handled. Churches can pay the Insurance Billing immediately or over a number of months. This will reduce (or if paid immediately, eliminate) the net cost to churches for interest and simplify invoicing
- Churches are to be provided with detail on all insurance related costs.

Earlier in February, we held a Webinar to review the 2020 Insurance Program and the changes. A link to the recording and the presentation charts from that meeting are attached for your reference.

Invoices will be processed for your February Statements

Please find attached:

1. The 2020 Insurance Invoice from the Diocese
2. The AON produced Premium Breakdown
3. The 2020 Program Certificate of Insurance (which details coverage and deductibles)
4. The 2020 Declaration of Values
5. An Incident Report Form for use when a claim is made.
6. A link to the presentation charts and the recording of the Feb 5th Webinar

Please note that Incident Reports (which may initiate a claim) should normally flow through this office in order to ensure consistency with AON and to make it eligible for Deductible Reduction. If the Incident is urgent and requires immediate response outside of normal business hours (eg fire, flood, etc) please contact AON directly with a copy to this office.

The Finance Committee and Synod Council agree that these changes provide a more fair and equitable method of distributing the costs of Insurance to Parishes/Churches. It also provides transparency on the costs and coverage.

We plan to do more work with Wardens on Risk Management later in the year.

Please advise if you have any questions or concerns



Alex Pierson
Diocesan Executive Officer
Diocesan Financial Officer