



ONE-MINUTE Insurance Manager

CO-INSURANCE

All commercial and institutional insurance policies contain a Co-Insurance Clause. For a church or charitable organization, it means you need to insure your building(s) and contents to at least a percentage, usually 90%, of the total replacement value.

If your insurance coverage is in an amount of at least the percentage of value required at the time a claim occurs, there is no Co-Insurance Penalty.

However, if the amount of insurance in your policy is less than the required percentage, a penalty will apply in a claim. In effect, your organization becomes a “co-insurer” to the extent your buildings and contents are underinsured, including in a partial claim.

The calculation of how Co-Insurance works in an insurance claim is best illustrated by the following example:

VALUE OF BUILDING	\$1,000,000
CO-INSURANCE PERCENTAGE	90%
REQUIRED MINIMUM INSURANCE	\$900,000
AMOUNT OF INSURANCE CARRIED	\$600,000
DAMAGE CAUSE BY FIRE, WINDSTORM OR WATER	\$450,000
AMOUNT PAID BY INSURANCE	$\$450,000 \times \frac{\$600,000}{\$900,000} = \$300,000$
CO-INSURANCE PENALTY	\$150,000 (\$450,000 - \$300,000)

So what’s the solution? If your board, trustees or administrator can provide a replacement value opinion (i.e. the cost to rebuild/replace today) from a qualified appraiser or building contractor, your insurer will agree to remove the Co-Insurance Clause from your policy and replace it with an Agreed Value Clause. With Agreed Value, it means never having to worry about a co-insurance penalty or being underinsured in a claim.

Did you know?

As a client of Robertson Hall Insurance, one of the many benefits of your Protection Plus Membership is a “no-cost” replacement valuation through a third party professional appraisal firm who specializes in churches, camps, schools and other charitable property. Just complete a Statement of Values form, check off the “We want a no-cost valuation” box and send it to our office by email, fax or mail.

Contact our office today for more details and we’d be pleased to help you get your free valuation!

Insuring to replacement value doesn’t cost, it pays.