

## **Insurance is forever**

### *Guidelines for keeping insurance records and why you should never throw out an insurance policy*

Most congregations would never consider going without appropriate insurance. Unfortunately, congregations too often literally throw out the insurance they paid good money for, putting old insurance policies in the trash. Because congregations can now be liable for acts (or failures to act) that took place many years in the past, it is vital that congregations maintain thorough records of their insurance policies, both current and historical.

#### **The problem of open-ended liability**

Until the last 40 years, it was widely understood that legal injury claims had to be brought within relatively narrow time frames (typically, two to six years) or they would be barred by the relevant statutes of limitations. Changes in the law and society have rendered that assumption obsolete, however. Injuries from pollutants, chemicals or other products (like asbestos) may take decades to come to light. Similarly, claims arising from pollution of the environment may arise many years after the actions that allegedly caused them (think of the long-forgotten underground storage tank that starts to leak). Claims of alleged child sexual abuse from decades ago may surface when the victims reach adulthood or when memories of the abuse return. In response, courts and state legislatures have relaxed or even eliminated statutes of limitations, allowing claims to be brought decades later when the injuries are discovered.

#### **The need to identify and prove insurance coverage**

When such claims arise, it is vital that a congregation quickly identify available insurance coverage to hire legal counsel, settle claims and pay any damages. Absent coverage, the legal bills alone can quickly outstrip a congregation's ability to pay. But congregations often struggle to identify the insurance they purchased many years ago, because they have not kept good records of their insurance policies and have thrown out old insurance policies and records in well-intentioned spring cleanings. The mere fact that the congregation has thrown out its old policies does not mean that it does not have coverage, but it is very hard to find that coverage when the congregation does not even know which insurance carrier provided coverage, let alone the policy number and other important information. As a practical matter, identifying coverage often requires hiring insurance archeologists, who comb through historical records looking for clues. While insurance archeologists are skilled at what they do, they are expensive, and there is no guarantee they will find what they are looking for.

#### **Never throw out insurance policies**

This problem can be avoided by keeping accurate records of both current and past insurance. At its simplest level, it means that congregations should never throw out insurance policies. Instead, the following records should be kept:

1. A copy of all insurance policies, organized by year. These should be stored in a fireproof cabinet, clearly labeled, e.g., Insurance Policies 2010-11, Insurance Policies 2011-12, etc.
2. A separate list, stored separately in a safe location (like a safety deposit box), of all current and historic insurance policies. The list should identify each policy, including, at a minimum,
  - a. the name of the insurance carrier;
  - b. the effective dates;
  - c. the policy number;
  - d. the types of coverage;
  - e. the policy limits; and
  - f. the name and address of the broker.

This list should be updated every year.

3. Electronic copies (in pdf or similar form) of 1 and 2, stored electronically, and appropriately backed up.
4. Finally, include all current insurance (including the items listed in number 2), in the congregation's annual report.

That way, if all else fails, someone can retrieve the past annual reports and gather the necessary information.

The wise congregation invests valuable stewardship dollars in insurance coverage. The wiser congregation protects that investment by keeping thorough records of that coverage.