

CHURCH VALUATION

By

Church Insurance Partnership Agency, Inc.

Your church serves a greater purpose than merely a gathering place. Instead, it can serve as a symbol of the faith, pride, and well-being of the community. Strong emotions arising from those feelings cause the compensation process for a damaged church to be much more difficult than for other properties, such as a strip mall.

The correct value of your church can alleviate some of the problems that might arise if you experience a loss. The replacement cost estimates on your church should provide proper insurance-to-value. While they do not bring back the original property, insurance-to-value and correct coverages allow a congregation to restore the structure to as "whole" as is physically feasible.

Replacement cost & Market values have different meanings. Replacement cost is the cost of replacing damaged or destroyed property without taking a deduction for depreciation. Market value (not insurance related) is an appraised amount on real estate property including land for the primary purpose of resale.

The most important issue in considering how much insurance the church needs is to ask, "What am I really trying to insure? Am I insuring a building similar in physical attributes to a clothing store, or is the building something more – a symbol of that community's faith and pride?" The answers to these questions might cause the value of the church to increase. The church should consider if it will simply replace the building or whether it is to go to the extremes of true reproduction. A true reproduction would be matching the stone to the original quarry, the glass to the original batch hand-rolled one hundred years ago, and the craftsmanship of artisans long dead. Whether you choose to replace the church or go for a true reproduction, there must be a cost estimate of your church's value. It would be a wise investment to hire a professional appraiser to determine the replacement cost value of your church building.

Estimate cost can be done without knowing exactly how many bricks, board feet of lumber, and pounds of nails were used to build a church. By recognizing and adjusting for specific features and finishes, estimates can accurately reflect a particular church.

The main consideration on figuring the value of your church is the construction. Is it frame, brick on block or non-combustible? If the wall material is unusual, such as thick stone walls, and that is what is required to be rebuilt, this would reflect a higher expense than the average frame or brick walls. Solid native stone can represent costs as well as massive walls.

Other items in figuring the value are the floor area, number of stories and the quality of the construction. The quality of the construction is based on the workmanship, materials and the design itself.

Considering story height is especially important for churches that exceed typical heights. For example, a church that is 34 feet high contains twice as much wall material as a church, which is 17 feet high.

The presence of stained glass windows should be considered as well, since they increase the value of the church. The occurrences of stained glass windows as well as the types of glass vary widely. Some windows are works of art and should be valued as such. The stained glass can be the most difficult component of a church to value.

Pews attached to the floor are considered part of the building, which also increases the value.

It is important to maintain an amount of insurance equal to 90%-100% of the replacement cost value of the building. The above principals only apply to partial losses.

Many insureds believe that their building will not be totally destroyed. This is an incorrect assumption, as many buildings are completely destroyed by fire and windstorm each year. If the building is not properly insured to value, then the insured may suffer a great financial loss because the insured can never receive more than the face amount of the building policy limit.

Regardless of whether the building is a partial or total loss, the insurance-to-value question becomes the most important issue in the event of a claim or loss.

The coinsurance requirement applies to the value of the property on the date of loss. The fact that the amount of insurance might have been sufficient to comply when the policy was written will not protect the insured if the property has increased in value between the inception date of the policy and the date of loss. Insurance companies and agents do not provide any warranty; guarantee or representation that the amount of building insurance purchased is adequate.

IT IS THE INSURED'S OBLIGATION TO BE CERTAIN THAT THE AMOUNT OF INSURANCE PURCHASED IS SUFFICIENT.

**Authored by: Church Insurance Partnership Agency, Inc.
9200 Basil Court, Suite 303
Largo, Maryland 20774
(301) 925-9626 (800) 438-8010**