



What's Going on in the Insurance Market and What It Means for Your Church



We've all been affected by recent rising costs and the effects of inflation over the past several years. Trips to the grocery store have gotten more expensive and many of our basic essentials cost more.

The insurance market has also seen premiums increase for many policyholders. So, we wanted to talk about what's going on in the insurance market and what that means for you and your church.

The Ripple Effect of Risk

The insurance industry is affected by all sorts of factors that can drive up premiums. In many ways, all insurers, including Southern Mutual Church, are reacting to the world around us and doing our best to predict what could happen in the future.

Over the past several years, lingering high inflation has driven up the costs of goods. For property and casualty insurers like us, this means repairs and structure replacements are more expensive. As a result, premiums increase to

cover rising claims costs.

Natural disasters such as hurricanes, tornadoes, hailstorms, severe windstorms and wildfires have increased in frequency and severity. As losses increase from these events, insurance rates naturally increase as well resulting in higher premiums.

Insurance companies also buy insurance, called reinsurance. It's a way we can spread risk and keep our policyholders protected. Last year, according to Reuters, reinsurance rates rose by as much as 50% to compensate for increased losses.

Each of these challenges creates a ripple effect. When something happens, like a natural disaster, it causes a change. Rates go up because of increased risk. Reinsurance rates rise. Unfortunately, it creates a burden for everyone.

While we can't predict or control things like storms and inflation rates, we do want your insurance program to protect your ministry.

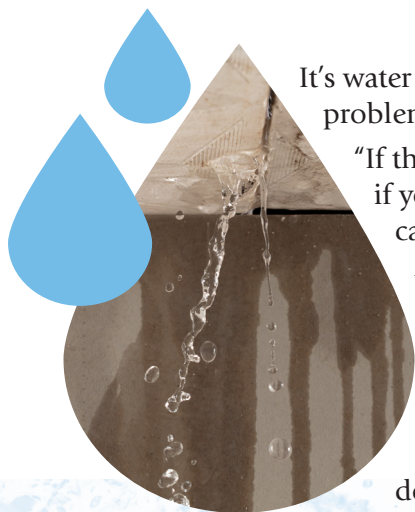
How You Can Manage and Mitigate Costs

There are tangible steps you can take to lower your premium and overall insurance costs to ensure that your church is well-maintained.

Install Water Leak Detection Technology

We'll dive into this later in The Gatekeeper, but installing a water leak detection device can help prevent major damage, saving your church money, lost time and facility space.

Prevention is the Best Way to Avoid a Problem: Using Water Leak Detection in Your Church



It's water damage you don't see that often causes the most problems.

"If the plumbing is over thirty years old, especially if you have copper lines, the minerals in the water cause pinholes and then you have a leak," says Mike Brittain, Loss Control Manager at Southern Mutual Church.

For many years, leaks can go unnoticed before they become a bigger issue. But water loss prevention technology has made it possible for churches to monitor their plumbing lines and detect issues.

At Southern Mutual Church's home office, we installed a Water Hero device and witnessed the benefits firsthand with quick detection of a leaking water fixture. Water Hero's shutoff technology also provides the peace of mind knowing that your facility is protected in the event there is a supply line burst when the building is not occupied.

How Water Loss Prevention Devices Can Help Your Church

William Thomas, VP of Commercial & Construction Division at Water Hero, says water damage is more than just a facility issue for churches and other commercial-grade buildings. It's beginning to affect their ability to buy insurance coverage.

"We've definitely seen an uptick throughout the country with existing buildings not able to buy coverage because of water damage claims," Thomas said.

If an older pipe bursts or starts leaking, water detection devices like Water Hero can send alerts to your computer or smartphone letting you know a leak has been detected in your church.

"It could not only save the church the inconvenience during an extensive repair, but also out-of-pocket money when they have to cover their deductible," Brittain explained.

Keep Your Water Infrastructure Well Maintained

Brittain said it's rarely significant water events that cause issues; it's plumbing that's used frequently and wears down over time. He recommends that churches inspect their water supply lines regularly.

"In addition to doing routine maintenance on water supply lines, we see issues with fire sprinkler systems," he said.

Brittain says churches should have sprinklers inspected by professionals at least once per year, which is a requirement for Southern Mutual Church Insurance policyholders.

How to Protect Your Church from Fraud and Scams



In 2023, approximately \$62 billion, or 6.6% of all funds given by Christians worldwide, was lost to fraud and embezzlement in churches. Financial fraud within Christian churches is projected to reach \$80 billion by 2025.

Studies indicate that roughly one in three churches will experience embezzlement, yet 27% of these cases go unreported. Let's cover how churches are susceptible and what you can do to protect your church.

Types of Financial Fraud

Embezzlement is a misappropriation of funds, often from someone who has access to your church's financial information, usually in the form of:

- Skimming from offerings before deposits
- Writing checks to fictitious vendors
- Transferring money to personal accounts
- Unauthorized use of church credit/debit cards

Payroll Fraud involves stealing the funds designated to pay staff and is typically in the form of:

- Ghost employees on payroll
- Inflated hours or salaries
- Unauthorized bonuses or reimbursements

Expense Reimbursement Fraud is committed by falsifying expenses. Money can be stolen through submitting fake, personal, or inflated receipts for reimbursement.

Donation Fraud includes falsifying donor records and diverting designated donations to general use or personal gain.

Check Tampering includes forging signatures, altering checks, and using church checks for personal expenses.

Unauthorized Use of Church Credit Cards for personal expenses can quickly lead to unapproved purchases.

Protecting Your Church Against Financial Fraud

Strong internal financial controls are key to protection. Limit access to financial records and ensure no single person handles receiving, recording, depositing, and disbursing funds. Include multiple people for accountability and be sure to document chain of custody when handling cash.

A church should have clear processes for financial recordkeeping and management. Document how offerings are collected, deposited, and recorded. And make sure that cash is reconciled monthly by an individual who did not disburse the funds.

It's also a sound practice to schedule periodic audits by a third-party CPA to identify any potential discrepancies with your financial record keeping and to appoint a finance committee to conduct financial reviews.

Additionally, churches can limit fraud opportunities by keeping the congregation in the loop on giving, the budget and church's financial health, and implementing a solid background check process.

To help our churches in this area, we partnered with Protect My Ministry, a company that specializes in background checks and screenings, to offer discounted pricing for our policyholders.

Don't Let Fraud Stop You from Serving

Fraud is becoming more prevalent, and churches are a prime target for scammers. By following best practices, you can be prepared to prevent fraud and keep your ministry's resources safe.

Other Forms of Fraud

Churches are often targets of online scams. Here are some examples for you and your church to be aware of:

Vendor or Billing Fraud - Scammers will often submit fake invoices in an attempt to get churches to pay, unknowingly thinking it's a legitimate service.

Cyber Fraud - The rise in online giving has allowed scammers to set up fake portals

to take advantage of tithing congregants. If your church offers online giving, make sure you use a verified online portal that uses security measures to prevent theft and protect congregant information.

To help keep your church protected, download our cybersecurity checklist by scanning the QR code:



Wildfires are Happening More Often. Here's How to Prepare Your Church.



While typically associated with arid climates, like the deserts of the American West, wildfires are now affecting larger swaths of the country with the Southeast recently experiencing several fires. According to data from the World Resources Institute, forest fire damage increased roughly 5.4% each year between 2001 and 2023.

Here's how to assess your church's fire risk, create a preparedness plan, and ensure you and your congregants are ready in the event of a wildfire.

Things You Can Do to Mitigate Damage

• **Create a Defensible Space:** Maintain a 30-foot radius around your building, clear of trees, shrubs, and debris, for firefighters to access your facility and to slow the spread of flames. Regularly mow the grass to prevent it from becoming fuel.

- **Community Preparedness:** Strong communication with local decision-makers, emergency services, and your congregation helps your church serve as an information hub during emergencies..
- **Clear Access Points:** Ensure first responders can easily access your buildings and exits are clear for all congregants, including those with mobility challenges.
- **Fire Drills and Equipment Checks:** Regular fire drills, along with testing smoke detectors, fire extinguishers, and first aid kits will prepare your church for emergencies.



Your church's insurance policy is one of the best forms of protection against wildfires. It's important to know your coverage, make sure it's updated, and what you need to file a claim if your church is damaged.



LETTER FROM THE PRESIDENT

Looking back over the past year and several months, one word comes to mind when we think of the churches and communities we serve: resilience.

Numerous natural disasters, from hurricanes and severe storms to wildfires, have impacted many people in areas our policyholders call home. Through it all, churches have continued to serve their congregation and support the community. It's that kind of love and unity that makes churches special places.

While major weather events can't be avoided, we can do things to ensure we're prepared. And that's what we're here to help you do. This year's edition of *The Gatekeeper* will help you prepare your church and congregation in the event of a wildfire.

Also, we spoke with experts on one of the most common and problematic issues we see in churches – water claims. We'll talk about how to prevent them.

Churches are frequent targets of scams and cyberattacks. We have details on how to protect your ministry. You'll get insight into what's going on with the insurance industry and how that impacts all of us.

Like you, we're resilient. When you step out to serve, we'll be right there alongside you. When your church needs support, we are here to help.

You can always call us at 800-922-5332 or visit us online at www.smcins.com.

A handwritten signature in black ink that reads "Robert Bates". The signature is fluid and cursive.

Robert Bates, CPCU, CRM, CIC, AIS

President & CEO, Southern Mutual Church Insurance Company

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Keep Up with Routine Maintenance

Sometimes the simplest actions can do the most good, and routine maintenance of your church property is one of the best things to help prevent losses.

Have your church's major infrastructure, like the electrical, HVAC system, and sprinklers inspected regularly. And keep the grounds clear and trees maintained to protect your congregants and facilities from issues like trip hazards and falling limbs.

Set Up a Payment Plan or Increase Your Deductible

Spreading your payments throughout the year is one way you can lower the one-time cost and budget for your premium over twelve months.

If your church has the funds to manage it, increasing your deductible will lower your premium costs. But it's important to have the funds to cover the higher out-of-pocket expenses.

Everything You Need is Online

You can get resources just like you found in this newsletter on our website. We routinely publish articles and content to help you protect your church and congregation. And we make it easy for you to manage your policy and pay your premium with our online portal. Visit www.smcins.com to access all the resources available to you.



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Serving Churches Since 1928

201 Greenlawn Drive
P.O. Box 9346
Columbia, SC 29290-0346

803-776-9365
800-922-5332
www.smcins.com

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