

## Outside Groups Using Church Space: How Insurance Should Be Configured

Hosting events in your church and allowing outside groups to use or rent your space can be an important part of your church's community outreach. But depending on the group, and the activity involved, there may be risks.

Outside groups often fall into two categories: legal entities that want to lease your space, and small groups of people, such as knitting or book clubs, that want to use your space periodically and free of charge.

Allowing small groups to use your space is ministry of the church, but any group that sounds more like a business should go through a formal process (see sidebar) before you permit them to meet on your premises.

A martial arts class or an archery club would be an exception. Because the activities of such groups have a high risk of injury, it is important to work through a formal process before allowing them to use your space.

### **Proof of insurance**

An important step in the formal process is asking the outside group to show proof of insurance in the form of an insurance certificate (which proves that the group has adequate insurance in place at that moment).

But rather than showing proof of insurance, outside groups have instead begun to ask churches if they could be added to the church's insurance policy. The answer according to Steve Follos, General Manager for the Church Insurance Agency Corporation, should usually be "No."

### **Why you should not add outside groups to your policy**

When an outside group is properly insured, its policy covers any claims resulting from negligence or lack of supervision. Your church's insurance policy should cover any claims resulting from problems with the premises. This limits the church's responsibility should something go wrong.

Naming outside groups as additional insureds on your church policy increases your risk. As Steve says, "If the outside group is negligent, and something happens on their watch, you've essentially given them millions of dollars' worth of insurance by having added them to your policy."

Here's an example of how it works when the outside group is insured separately from the church. Let's say a camp is using church property for a summer session and a child falls down the stairs and breaks his leg. Who would cover it?

It partially depends on the cause of the fall. If the child was rough-housing without supervision and fell, the camp's insurance should cover the claim. But, if a hand rail came loose causing the child to fall, then the church's insurance should cover the claim.

If your church had added the camp as an additional insured to your policy, the church's insurance would be on the hook to pay the claim in either situation. And, if each entity added the other as additional insureds, then that leaves "two insurance companies pointing at each other," as Steve puts it. That's why he says it's so important for each entity to "stay in its own lane" and handle its own insurance.

An exception to this rule is when an outside group has a long-term lease for using your church's property. "That's when you need a certificate of insurance that names the church as an additional insured," Steve says. Their policy should be primary, and the church should be an additional insured.

### **Adding risk could raise premiums**

When a church's insurance policy covers the dangerous or risky activities of outside groups, it raises the church's exposure.

Steve suggests, "If you are in a situation where you have to name an outside group as an additional insured, the group should expect a charge for that service." He says that makes sense because as risk increases, so does the potential for higher premiums. After all, "the church's insurance is covering activities that go beyond the expected risk of what would normally occur in a church setting."

### **Keeping your church premises safe**

The church is always responsible for the upkeep of the premises. That includes making sure that everything is clean, secure, and well-lit. Steve suggests that churches and outside groups craft a written agreement to determine things such as who will lock up, clean up, turn off the coffee pot, and so on.

"There should be a clear understanding. Without a written agreement, if something happens, you could wind up with finger-pointing and bad blood. Churches don't want to say no—so say yes," he says, "but get the agreement between the group and the church in writing."

Steve suggests that churches take the lead at the beginning of a relationship with an outside group. Have the sexton or the junior warden check things over and lock up at the end of the group's activity. As you build trust, transfer responsibility to the leader of the outside group. "You could even provide them with a checklist of items that need to be performed before they leave the church," he says.

Ultimately, configuring your insurance is no different from any step to mitigate risk. A little work in advance could save you a premium increase down the line.

### **Have a written agreement with outside parties**

Make sure the proper insurance is in place and, with the help of legal counsel, put in writing an agreement with outside parties and consider the following:

- A group holding an activity at your church should provide evidence of insurance by producing a certificate of liability
- Groups leasing space from the church should have the church named as an additional insured on their insurance policy
- Leases should also include an indemnification provision

- There should be an agreement as to who will be responsible for maintenance and housekeeping regarding the space being used
- Be sure the group using your property understands any restrictions or hazards that they need to be aware of
- Complete a safety checklist before turning over the care and control of the property
- Check with your governing body/your legal experts to determine if approval is needed for leases over one year in length
- Users should typically be nonprofit organizations