

Church Insurance Considering Changing its Coverage for Sexual Misconduct

What would happen if a church employee or member of your congregation claimed sexual misconduct ten years after the incident occurred? How would your insurance handle that? What would you need to know?

Church Insurance is considering changing the way its sexual misconduct coverage is structured in order to make the reporting of such claims easier.

Occurrence vs. Claims-made Coverage

Currently, sexual misconduct claims are covered on what is called an “occurrence” basis. That means claims are covered by the policy in force at the time the event occurred. So, if someone at your church makes an allegation that sexual misconduct took place in 2005, for instance, the insurance policy your church held in 2005 would be the one to cover it.

If Church Insurance changes its policies to cover sexual misconduct on a claims-made basis, the policy held at the time the event is reported would cover the claim. In other words, if someone makes a claim in 2029 regarding an instance of sexual misconduct that occurred in 2019, your church’s 2029 insurance policy would cover the event.

This change might be in the insured’s best interest. Bill Murray, General Manager of Church Insurance, explains that “the current policy terms, conditions, and limits will apply.” Usually, that means better coverage for the insured. “Million dollar claims for sexual misconduct were a rarity 30 years ago, but they’re fairly commonplace today,” Bill says.

“It’s about looking forward instead of looking backward. We have a number of coverages in our policies written on a claims-made basis now because they may be more appropriate when you have long-tail exposures, [or claims] that can come out years later.”

If the conversion to claims-made coverage takes place, sexual misconduct claims that occurred prior to the date the change gets made would still be covered on an occurrence basis under the old Church Insurance policies.

Exception and Exclusion

Claims-made coverage typically has what is termed a retroactive date. It is usually the same as the inception date of the first policy that is written on a claims-made basis.

The retroactive date is important because it acts as a cut-off. If a claim were to be made for an act that occurred prior to the retroactive date, it would not be covered by the policy. If the act happens on or after the retroactive date, it would be.

The reason for the retroactive date is that losses from prior years would still be covered under the previous occurrence-based policy.

Lapsed or Cancelled Policies

If you allow your policy to lapse or you cancel it, there is a period during which a claim may be made after the policy period terminates, which is called an Extended Reporting Period.

Another reason that Church Insurance is considering moving to claims-made coverage is that this issue does not come into play for insureds that remain with the same carrier. A majority of churches in the Church Insurance program have been covered by us without interruption for decades.

Keeping it Simple

“This is all a bit technical,” Bill admits. “We’re not trying to drag people through the weeds.” A new structure for sexual misconduct policies would hopefully make things easier.

“If we make this change, insureds will no longer have to find a policy from years ago to see if they are covered for an abuse loss,” he says. “We recently received a claim for an event from 1960. No one had a copy of the policy, nor do we even know if we wrote the insurance. Had we written abuse molestation on a claims-made basis, we’d be looking at coverage under the current policy instead of trying to find one from over 50 years ago.”

Church Insurance will be presenting this proposal at upcoming diocesan and church events in order to fully discuss this matter with church leaders and answer any questions.