# Understanding the Valuation of Your Church Property

The valuation of your church property has a significant impact on your reimbursement should you file a claim. Understanding the factors that impact your valuation will help you prepare.



Your commercial property insurance is an incredibly important tool in helping to ensure the safety and continuity of your church in the event of a loss. It is important that you understand how the valuation of your property is calculated, as your valuation will impact the reimbursement you receive if you should need to file a claim.

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There are many items that are taken into consideration when calculating property valuations, including square footage, date of construction and building materials, as well as unique details such as stained glass or in-built pipe organs. Current building codes are also taken into account, so it is important that your insurance carrier knows of any updates you have made to your roof, electrical and HVAC systems.

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Insurance carriers will take these items into account when determining your property valuations, and may offer one of two different scenarios—replacement cost value, or actual cash value. Replacement cost value covers the cost to repair or replace a building using the same or comparable materials with which it was built originally, replacing an old building with a brand new one. Actual cash value, on the other hand, still allows for you to complete repairs or rebuild damaged buildings, but it takes into account the depreciation in your building over time, meaning that while the policy may cost less, the payout you receive for your claim could be less, as well.

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Let’s consider, for example, a church valued at $500,000 that is destroyed by a fire. If that church was insured at replacement cost value, their insurance premiums would be higher, but their claim would be covered at the full $500,000. If that same church was insured at actual cash value, their insurance premiums would be lower, but they would only receive the actual cash value of the depreciated building, which could be substantially less.

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It is important to note that valuations are not based upon market value, which is the estimated amount for which a building would sell on the date it was valued. A church may sell for $500,000 on the market today, but the replacement cost value may be higher or lower than that when you take into account the cost of the labor and materials needed to complete the repairs.

Be sure to review your policy to determine how your church was valued, as it will have an impact on the amount of money you may receive for a claim should one arise in the future. Remember that insuring your property at actual cash value may result in lower premiums, but may also provide less relief when faced with a devastating loss. Your church buildings provide a sanctuary for your parishioners—make sure it is protected!

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If you have further questions about understanding the valuation of your church property, the United Methodist Insurance Program (powered by our agency partner, Suracy Faith) is happy to answer your inquiries. Contact UMIP powered by Suracy Faith at 866-203-0777 or UMIP@suracy.com.