

# WHAT'S THE DEAL WITH RISING INSURANCE DEDUCTIBLES?

Without insurance, ministries take on the full financial risk of a property loss or lawsuit. One event could prove to be so financially devastating that it would cause a ministry to cease operating. That's why insurance is vital to the long-term operations of ministries.

## Insurance Premiums and Deductibles


In simple terms, insurance transfers most of the risk associated with an unpredictable accident, event, or injury from a ministry to an insurance company.

When you (the insured ministry) purchase an insurance policy from any insurance provider, the insurer agrees to accept the risk and cover claims associated with it in exchange for a monetary premium, which is the cost of obtaining coverage.

Your insurance policy will also have a deductible. This is the portion of a loss that must be paid by you before the insurance company pays the amount covered by the insurance policy.

  
**SUBMIT  
A CLAIM**



  
**DEDUCTIBLE**  
Amount you pay



  
**AMOUNT  
INSURANCE PAYS**

## When Deductibles Rise

There are several factors that can affect the cost of purchasing property insurance, no matter which insurance provider you choose. External pressures such as inflation and an increase in catastrophic storm damage claims play a role in driving up deductibles.

The insurance industry goes through cycles, which are driven by a variety of factors that cause premiums and deductibles to fluctuate. This is necessary to maintain financial security and to ensure that insurance companies remain stable and are able to pay claims for their customers. Let's explore some of the factors that contribute to these fluctuations.

## Causes of Rising Premiums

A main cause that drives increasing premiums and deductibles is increased loss. Hurricanes, hail, high winds, and wildfires all play a role in increased losses. Over the past few years, the entire insurance industry has experienced record-breaking property losses related to increased frequency and severity of storms and wildfires.

For example, damage caused by hail resulted in insured losses of more than \$20 billion across the United States in 2022.<sup>1</sup> And Winter Storm Elliott in December of 2022 resulted in \$5.4 billion in insured losses in 42 states.<sup>2</sup> The cumulative effect is that as losses increase, so does the cost of insurance. That's why ministries in especially hard-hit areas have experienced increases in their deductibles for wind and hail damage.

Other causes that can drive increased premiums include rising interest rates, increased construction costs due to inflation, declining financial markets, tightening regulations, and others.

Even with these added factors, there are still some things a ministry can do to help steward ministry finances when it comes to your deductible.

## Choosing an Optimal Deductible to Steward Ministry Resources

A periodic review of your insurance policy is a good way to make sure your ministry is protected for its most current needs, but it also may offer the opportunity to find some savings. It's helpful to speak with your agent to select a deductible solution that works best for your ministry. For example, a wind/hail deductible buyback pays part of the deductible on your behalf when hail or wind strike, and it can help to reduce your out-of-pocket costs.

In some cases, an increased deductible can actually save money by decreasing your premiums. An agent who specializes in ministry insurance will be able to help you assess your options, including buyback programs.

1. A Rising Storm: Severe Convective Storms and The Impact of Growing Hail Claims. CAPE Analytics. <https://capeanalytics.com/resources/growing-hail-claims/#:~:text=Hailstorms%20inflict%20a%20staggering%2050,the%20first%20half%20of%202023>. Accessed 30 November 2023.

2. KCC pegs Winter Storm Elliott insured losses at \$5.4B. PropertyCasualty360. <https://www.propertycasualty360.com/2023/01/02/kcc-pegs-winter-storm-elliott-insured-losses-at-5-4b/> Accessed 30 November 2023.