



COVID-19 Business Interruption & Income Losses

How Religious Organizations Can Rebuild Post-Crisis

The COVID-19 pandemic has forced many organizations to shut their doors, and religious organizations have not been immune. The resulting business interruption has taken a serious toll, and for organizations already operating on limited budgets, the loss of income is an especially substantial hardship.



Stay-at-Home Orders and Religious Exemptions

When governors started issuing stay-at-home orders to stop the spread of COVID-19, many religious and nonprofit organizations were forced to close their doors. This led to challenges, with some arguing that ordering churches to close violated the rights to free speech and the free exercise of religion.

These challenges weren't always successful, however. For example, [Bloomberg](#) reports that a judge in California ruled that bans on in-person service were not religiously motivated and did not violate First Amendment rights.

The situation has been changing rapidly, with new and revised orders going into effect in many states. Some of these orders make exemptions for religious worship, although the size of indoor gatherings may be severely restricted. Other nonprofit organizations

may be excluded from orders because they provide essential services, such as healthcare or food delivery, unrelated to their religious status.

Nevertheless, the situation has been serious.

According to a [Washington Post](#) article published in April, church donations plummeted, and some churches likely wouldn't survive the pandemic.

In August, [Star Tribune](#) reported the donations had dropped by 70% in some congregations, and religious organizations were also dealing with decreased or nonexistent income from building rentals, summer camps, and other fundraisers

Business Interruption Insurance and Federal Aid

Faced with income loss, many organizations tried to find relief through the business interruption clauses in their property insurance policies. This has triggered



an ongoing legal dispute. Although policy language varies, property insurance policies often state that business interruption coverage is only available when the business interruption is related to physical damage, such as a storm or fire. Whether a viral infection counts has been hotly debated.

Federal aid has been another potential avenue.

[FEMA](#) says that certain private nonprofit organizations are eligible to apply for funding through the Public Assistance Program for the COVID-19 emergency.

In August, [NPR](#) reported that religious groups had received between \$6 billion and \$10 billion in COVID-19 relief funds, and more money could be on the way.

Post-COVID Takeaways

Prepare for an uncertain future. It's important to have emergency plans in place that cover a wide range of likely and less likely events. For example, if in-person fundraisers become impossible, what other fundraising opportunities are possible? If people can't meet in-person, how can events be moved to the digital space?

Strengthen your financials. According to the [National Congregations Study](#), approximately one-third of congregations have no reserve funds. Having reserve funds and diverse income streams can help organizations weather any storm.

Be flexible and creative. New challenges require new solutions. Although the pandemic has been difficult for many organizations, some have succeeded by being flexible. Fundraising events were tweaked for a virtual setting, for example, and events went online. We can't predict the next emergency, but we can say that addressing it will require flexibility and creative solutions.

Don't just assume you have insurance coverage.

Many people don't worry about the fine print in insurance policy documents until they have to file a claim. At that point, it may be too late. Note that pandemic-related exclusions will become more common in the future as a direct result of the current situation.

Read your policies carefully and consult with your broker to understand the exclusions and consider additional coverage as needed.

Prepare now for a hardening insurance market.

COVID is not the only factor affecting the current insurance market. Social justice, nuclear verdicts and several years of catastrophic disaster claims have created a hardening insurance market. As a result, most businesses and religious organizations will see rates increases at their next renewal. In some cases, coverage could be harder to secure than it has been in the past. To ensure your organization is a desirable insurance risk, shore up all safety and loss prevention policies and procedures now and ask your broker to help you assess the status of any open claims.

At Waldorf Risk Solutions, we provide critical services that help religious institutions take control of their risks. We understand it has been an extremely challenging year for everyone. Please reach out to us for guidance with risk management. After all, we're here to help!



Stephen Waldorf