

Do JUSTICE · *Love* KINDNESS · *Walk* HUMBLLY

INSURANCE BOARD

| **2010** |

ANNUAL REPORT



*“What does the Lord require of you but to do justice, and to love kindness,
and to walk humbly with your God?” **Micah 6:8***

† *To support and protect churches
and church ministries by offering
superior property and casualty risk
and insurance management services.*

TABLE *of* CONTENTS

3	Letter from our Chairperson
5	Letter from our President & CEO
7	The Year in Review
9	Letter from our CFO
12	Financials
13	Board of Directors
14	IB Staff Members



*Rev. Dr. Davida
Foy Crabtree*

CHAIRPERSON

It has been an honor and a joy to serve as the Chairperson for the Insurance Board these three years.

There are two primary elements that make it both an honor and a joy. The first is the stellar leadership of our President and CEO, Cathy Green, who works with the management team and the entire staff and affiliates to ensure that we are always performing at our very best.

During these years, we have grown the program significantly both in numbers of insureds and diversification of denominational affiliation. We have brought the program to solid financial footing, with new forms of reporting developed by board and staff working together. And we have expanded the outreach programs in risk management and loss control to address safety issues in every setting where we carry the insurance, and even those we do not cover – because

we truly care as much about every church as our members do.

The second element is the **uniquely composed Board of Directors for the Insurance Board**. We have brought together a mix of individuals – all of them members of local churches of our denominations -- with substantial experience in the insurance industry, the Church, law and finance. Each contributes their skills and wisdom in a manner that builds a strong organization. During my tenure we re-organized the board to put a renewed emphasis on governance, worked hard at finding new board members from our partner denominations, and preserved the independence of the board of the United Church Insurance Company while integrating its deliberations helpfully with its parent board of the Insurance Board.

The work of the Insurance Board is a ministry of the Church. We seek to integrate the best of Christian practice with the best of business practices. Both are essential to our mission. We are executing that mission with excellence. At the Insurance Board, our unique structure and mission enable us to be nimble and responsive, to find new ways of adding value to the protection of our shared ministries, and to contribute to building up the life of the Church of Jesus Christ.

We do indeed seek to be an instrument of God to live out the call to do justice, to love kindness and to walk humbly with our God. What a gift that calling is, and what a gift the Insurance Board is!

Rev. Dr. Davida Foy Crabtree

Chairperson, Insurance Board





Catherine M. Green

PRESIDENT & CEO

“What does the Lord require of you but to do justice, and to love kindness, and to walk humbly with your God?” ~Micah 6:8

This scripture citation was part of the Old Testament reading for January 30, 2011 (the fourth Sunday after the Epiphany), so it was no surprise that Rev. Phil White chose this as his inspiration as he led worship for our Board meeting in January. Still, I was struck by how

appropriate these words are for us at the Insurance Board. And I have come to embrace this passage and look to it to guide our daily operations in service to the ministries we serve.

“Do justice, love kindness, walk humbly with your God.” What a concise vision of how the Insurance Board should fulfill its ministry! We are committed to treating all churches and ministries fairly, and with compassion. This influences

our choice of business partners as well as the coverages we select. We strive to understand and anticipate participant needs, to offer guidance to avoid losses wherever possible, and to ensure timely, fair handling of claims. We are passionate about serving as an advocate and providing solutions for the risks churches face because we truly care as much about your church as you do!

It is this compassion for our churches that drives program improvement. Over the past year, we updated our website, expanding the risk management resources available to church leadership and making it easier to locate relevant information. We introduced regular webinars on a variety of topics including Financial Controls, Building Valuation, and Social Media. And we also began making on-site visits to churches in order to be more proactive and

specific in the recommendations we make to assist in preventing losses.

Over the past few years we have introduced numerous tools to assist churches with preventing abuse. These include online education modules and discounted background checking services. This year we are launching an online self-assessment tool that churches can use to help evaluate and update their policies. And we are making all of these resources available to every church within the three denominations we serve – whether they participate in the Insurance Board program, or not!

The most notable way we “do justice” happens to involve the most important service we provide – responding when a church experiences a loss and files a claim. In 2010 we responded to more than 800 claims. To ensure we are doing this justly,

we regularly survey our participants when claims close. And I am pleased to report that nearly 9 out of 10 (86%) of the churches with claims are satisfied with the process! Nonetheless, we seek to continue to improve the process. So, we read every response introspectively, take all critiques seriously, follow up when appropriate, and make improvements accordingly.

“we truly care as much about your church as you do!”

Overall, the fiscal year ended 9/30/10 was very good. We achieved net growth within all three denominations, and interest in the program continues to build. Early indications from the current year are very positive.

There were a few large losses during 2010, the most notable being three fires in the spring, but overall claims

trends are positive. Our liability experience was particularly good which suggests that our collective efforts at risk management are making an impact. We added \$1.3 million to Unrestricted Net Assets which positions us well for when the insurance market hardens at some future point.

Thank you for selecting the Insurance Board to serve as your risk management partner. You have my promise that we will remember Micah’s words and serve with justice, kindness, and humility.

Faithfully,

Cathy Green

President & CEO





Do JUSTICE · *Love* KINDNESS · *Walk* HUMBLY

2010 was a year of modest rejoicing for the Insurance Board and its participating churches as we celebrated our 25th anniversary. Depending upon one's perspective, 25 years may be seen as a rather long journey or a relative blink of the eye. But as we have learned over this past quarter century, it is not so much about the length of the journey as it is the purpose.

As we look back at the past year, we find an importance in asking ourselves about the journey; to

evaluate how well we did justice, loved kindness and walked humbly with God. How did we spend each day? How well did we serve, support and protect the churches and ministries we serve with superior property and casualty risk and insurance management services? We are fortunate that we have some means of assessing this.

In 2010 we saw the number of churches participating in our Program increase to nearly 3,500. We believe this growth – not only of the number

of participants, but also the number of denominations we are now serving – is a reflection of our commitment to do justice by providing access to the full benefits of our faith-based insurance program to more churches. We are humbled and grateful for this achievement.

Also, in 2010 more churches than ever participated in our ever-expanding portfolio of safety solutions initiatives – seminars, webinars, newsletters, articles, checklists and links – dedicated

to helping provide a safe place for worship. The unique ability we have to work directly with our participating churches to prevent losses and to have it benefit all participants is a true act of kindness and mutual generosity.

“...it is not so much about the length of the journey as it is the purpose.”

Despite our best efforts, however, claims are inevitable. During 2010, we responded to more than 800 claims and – we are proud to report – achieved an extraordinarily high approval rating, with 86% of the churches with claims reporting they are satisfied with the process. Likewise, we are satisfied with our ability to meet the needs and expectations of IB participants.

Of the 800+ claims filed, 569 were property claims. The largest classifi-

cations of property claims continue to be fire, water, lightning and theft. Perhaps the most notable property loss of 2010 was the fire that devastated Euclid Avenue Congregational Church in Cleveland, Ohio. The church was a beloved landmark of the City. It had been struck by lightning during a storm, and was a total loss.

Casualty claims, which include professional liability claims, consist mainly of slip/trip/fall claims at the Insurance Board. In 2010 the IB experienced more than 200 casualty claims, of which nearly 75% were in that category. And of those, nearly one-third occurred on sidewalks and in parking lots.

We are very grateful as an organization that we have this data. It tells a story, one that enables us to do justice by communicating that story and the measures churches can take that will help them prevent losses.

New loss prevention initiatives are always under consideration at the IB. We continually explore ways we can support all churches within the denominations we serve, not just IB participants. We are both humbled and honored that we can support the ministries of churches in this manner, and we look forward to offering more programs to even more churches in the future. †



*Euclid Avenue
Congregational Church*
CLEVELAND, OHIO

LETTER *from our* CHIEF FINANCIAL OFFICER



Dale A. Cable, CPA

VP-CFO/TREASURER

I am pleased to report on behalf of the Insurance Board, the completion of another year of solid financial performance for the twelve months ended September 30, 2010. The year was one of both consolidation and growth. We fully integrated our recently added participants from the Presbyterian Church (USA)

into our business systems, and we experienced growth in participants across all three of the denominations we serve. Our participant count at year end was 3,486 and continues to grow as we near almost three decades of serving churches with insurance and risk management services.

We were able to absorb this growth through internally generated funds, and therefore have remained debt free during the year as well as at year end. The consolidated balance sheet, which includes our wholly owned captive insurance company United Church Insurance Company, remained strong and conservatively positioned in accordance with our strategy. We continued to be judicious stewards of our constituents' financial resources and were able to hold down operating costs well under budget during the year.

We benefited again this year from favorable prior years' loss development in addition to current claims coming in within our expectations. The addition of the third denomination proved to be a sound diversification move as favorable loss experience from the

Presbyterian participants was slightly offset by several larger losses within the other denominations.

It is important to reiterate that our sound financial profile is looked upon favorably by the insurance carriers we align with at renewal. We have been able to successfully leverage this diverse portfolio of risks with our strong financial position to negotiate the best rates possible for all the ministries we serve.

We also are pleased to report our consolidated audited financial statements were completed on schedule, and again include clean, unqualified opinions for both the Insurance Board, and our captive, United Church Insurance Company. The audits once again found no material weaknesses or internal control deficiencies.

As an overview, Unrestricted Net Assets grew to \$21.9 million in 2010 from \$20.6 in 2009 on total program revenues of \$46.8 million. Liquidity showed a healthy \$36.3 million in Cash and Investments, some of which is set aside in trusts to help fund our reserve for retained losses.

“The year was one of both consolidation and growth.”

To illustrate our conservative financial profile, our captive insurance subsidiary showed a Reserves to Surplus Ratio at year end of .46 to 1 and a Premiums to Surplus Ratio of .76 to 1, comparing very favorably below industry standards.

Actuarially determined Reserves for retained losses climbed from \$7.1 million in 2009 to \$8.9 million in

2010, reflecting the increase in program participation.

We continue to employ what we call a “belt and suspenders” approach by having Lexington, an AM Best rated A, class XV company serve as our fronting carrier, and only A or better rated carriers participating in our program.

We have the ability to fund our retained losses through the monies set aside in trusts as well as through our Unrestricted Net Assets of \$21.9 million. This program structure provides our participants with peace of mind knowing there are several safety nets in place to ensure losses are paid.

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Looking into 2011, we already are off to a good start on ambitious plans for high participant retention and growth. We have plans to improve internal processes and to continue to be responsive to participant needs. Our ministry's Vision is to become the program of choice for the ministries we serve, and we can

best accomplish this by providing a financially sound, well managed, and responsive, faith-based program.

Dale A. Cable

VP-CFO/Treasurer



FINANCIALS

Financials for years ended September 30*

<i>Balance Sheet</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
Cash & Short Term Cash Investments	25,087,213	24,415,257	16,194,735	8,709,193
Investments & Deposits for Future Losses	11,641,802	12,517,747	16,216,645	23,006,652
Accounts Recievables & Other Assests	202,451	1,822,388	475,964	1,671,109
Furniture & Equipment	27,917	128,227	512,691	978,069
TOTAL ASSETS	36,959,383	38,883,619	33,400,035	34,365,023
Lines of Credit Borrowings	0	0	4,000,000	5,000,000
Accrued Payables & Program Costs	2,203,738	7,558,097	4,005,821	4,377,558
Deferred Revenues	3,885,293	3,584,998	3,853,397	3,279,170
Reserve for Losses	8,928,470	7,141,671	5,032,843	9,959,321
Unrestricted Surplus	21,941,882	20,598,853	16,507,974	11,748,974
TOTAL LIABILITIES & UNRESTRICTED SURPLUS	36,959,383	38,883,619	33,400,035	34,365,023

Statement of Activities

Total Program Revenues	46,771,082	40,481,101	29,844,659	32,424,777
Less: Total Premium, Claims Paid & Administrative Costs	45,428,053	36,390,222	25,085,659	31,703,941
CHANGE IN NET ASSETS	1,343,029	4,090,879	4,759,000	720,836

*The above information is derived from our audited financial statements as of and for the years ended September 30, 2010, 2009, 2008 & 2007. Copies of those financial statements are available upon request.

the BOARD OF DIRECTORS

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Mr. Frank Thomas JD

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the INSURANCE BOARD STAFF

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Customer Service Representative

Sherry A. Denby

Accountant

Alison N. Hanna

Claims Analyst

Monica B. Kornblum

Administrative Assistant

Carmen Siegel

Member Services Director

Elizabeth Vance

Marketing Coordinator



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