Your Partner in Protection

ONE MISSION. MORE OPTIONS.

INSURANCE BOARD
Annual Report 2013
A message from
OUR PRESIDENT

2013 represented a year of growth and notable changes, including the retirement of the former CEO, Cathy Green. Cathy played an integral role in leading the organization through a difficult period, laying a solid framework upon which the Insurance Board (IB) is poised to build. I am truly pleased to take over the leadership of the IB as her successor.

Churches provide invaluable resources to the congregations they serve, including nurturing the spiritual well-being of their members through ministry, coordinating missionary labor to rebuild communities devastated by tragedy, providing financial outreach to the needy, supporting educational activities and camps for youths, advocating for peace, providing shelter and care for the elderly, etc. Increasingly, churches are serving their communities despite ever shrinking budgets and collection plates, making them even more vulnerable to financial losses caused by storms, natural disasters, fires, injuries, and the like.

The Insurance Board is an extension of church ministries. Within the denominations we serve, we seek to bring as many churches into our program as possible; protecting their assets, paying their claims, defending their liabilities, and strengthening their congregations by providing a comprehensive insurance program, proactive risk management, claims response, and educational services.

Our financials demonstrate sound fundamentals and discipline. While our structure is designed to insulate our member churches from severe peaks and valleys in the cyclical insurance marketplace, we are not immune from adverse claim events such as those arising from the devastation caused by Superstorm Sandy, tornadoes in Joplin, MO, Midwest hail storms and flooding, or total loss fires escalating into millions of dollars. In spite of these and similar events, for 28 years we have been there to greet congregants, and to help them restore their churches as quickly as possible.

For the period ended December 31, 2013, we returned to more normalized claim activity for both frequency and severity. Our actual losses for the 15-month period were lower than expected, and we met, or exceeded, benchmarks in a number of areas including posting a consolidated net income of just under a million dollars, and an increase in unrestricted net assets by 5% to $20.8 million. Despite tough pricing actions taken during the prior year, participant renewal retention continued to be strong at 93% for 2013.

We are positioned for growth. We are undertaking significant Enterprise Resource Planning (ERP) projects to enhance our technological capabilities and improve efficiency. We intend to leverage this technology to build upon opportunities to add churches within the denominations we serve, and to bolster our exceptional loss control and risk management services to better assist our participants.

We are very excited about the days ahead.

Faithfully,

Timothy S. Harris, CPCU
During the period that ended December 31, 2013, the Insurance Board made notable changes in order to serve program participants better as we move forward. The most visible is that we modified our calendar so that the program and fiscal years now both have an inception date of January 1st. This was done to eliminate the need to have renewal negotiations in the midst of hurricane season, which should lead to more favorable terms in future years. As a result, the financial statements found here are for a 15-month period, which should be considered during any comparisons to prior periods.

The second change was to recalibrate the sharing of risk between our captive insurance company, United Church Insurance Company (UCIC), and excess carriers so that UCIC pays more of the program property claims. This structure, which was put in place beginning October 1, 2012, channels more program premiums to UCIC which will benefit when claims are less than the actuarial forecast. Our excess carriers will continue to be involved during widespread catastrophes or when there is a very large single event, but only after UCIC has fulfilled its responsibility. Among other benefits, this new design supports ongoing program stability.

In recent years, there has been growing demand for more program options, especially from churches that don’t want, or can’t afford, the full breadth of coverage built into the IB program. After a careful examination, the IB is pleased to introduce FLEX options in order to better meet the needs of additional churches. These options apply to the property and umbrella portions of the program. IB agents are ready to assist church leaders that wish to consider the FLEX options.

There is one more change that occurred at the very end of 2013 – my retirement and the selection of Timothy Harris as the new CEO. It has been a joy and privilege to serve the wider church in my role at the IB for the past eight years and I greatly appreciate your support during this time. I’m also very happy that my successor has extensive insurance experience, a love for the church, and a deep faith in Jesus Christ.

Yours in Christ,

Cathy Green
The Insurance Board is not just another insurance company — it’s a unique, collaborative ministry that provides insurance-related support for three denominations. By working together we are all strengthened!

How often have you heard auditors volunteer: “... the Insurance Board is in an excellent financial position and is poised for growth?”

Yes, that is precisely the report on the Insurance Board’s finances that we received! Great news for our efforts in support of Presbyterian, Disciples and United Church of Christ congregations.

This has also been a year of transitions. Cathy Green ended 14 years with the Insurance Board, half as a board member, and half as our energetic and exceedingly competent president/CEO. After an extensive search process, we are pleased that Tim Harris accepted our offer to join the Insurance Board as our new CEO.

We have also said farewell to two long-tenured members of our Board: William McKay Heckles and Rick Reisinger. Bill provided us with his seasoned expertise as a senior insurance executive, while Rick brought financial skills from his many years of leadership with the Disciples Church’s Extension program.

Take a look at the balance of our report — it is a good one!

Blessings,

John Deckenback
Chair
Board of Directors

Board and staff
Our people

BOARD
Rev. Dr. John R. Deckenback
Conference Minister
Central Atlantic Conference, UCC
Chair of the Board
Rev. Douglas Anders
Conference Minister
South Central Conference UCC
Mr. Keith H. Bowden, CPCU
Agency Principal
Massachusetts Conference, UCC
Rev. Marja Coons-Torn
Penn Central Conference, UCC
Mr. John M. Derby, Sr.
Northern California-Nevada
Conference, UCC
Secretary
Duncan G. Draper
Indiana Region, Disciples of Christ
Rev. Roddy Dunkerson
Conference Minister
Nebraska Conference, UCC
Rev. Dr. William (Bill) Edwards
Christian Church in Ohio
Regional Pastor and President,
Disciples of Christ
Rev. Judy R. Fletcher
Executive
Synod of the Sun,
Presbyterian Church (USA)
Ms. Joan C. Fong
Agency Principal
Presbytery of San Francisco,
Presbyterian Church (USA)
Mr. Robert Gabon, CPA
Southern California/Nevada
Conference, UCC
Rev. Edith Guffey
Designated Conference Minister
Kansas- Oklahoma Conference, UCC
Ms. Kathryn B. Harrison
Michigan Conference, UCC
Ms. Kathy Houston
Chief Financial Officer
United Church of Christ
Ms. Mary Isbell CPCU, ARM
Georgia Region, Disciples of Christ
Mr. Barnet (Mike) McKee, JD
Missouri Mid-South Conference, UCC
Thomas Mitchell, CPCU,
AMIM, AIM
Florida Conference, UCC
Ms. Heidrun Toben
Connecticut Conference, UCC
Mr. Frank Thomas, JD
Iowa Conference, UCC

STAFF
Timothy S. Harris, CPCU
President & CEO
Andrea Gauding, CPA
Chief Financial Officer
David B. Nelson, CPCU, ARM
Vice President, Insurance Operations
Joe K. Boyd, CPCU, ARM
Director, Underwriting
John Johnson, CISSP
Director, Information Technology
Carl J. Kotheimer, CPCU, ARM
Director, Loss Control and Claims
Christine L. Shoop, CIC
Director, Business Development
Cy McFarlin
Manager, Claims Administration
Jennifer R. Perri, CIC, CISR
Manager, Member Services
Elizabeth Vance
Manager, Marketing & Communications
Daniel J. Carrick
Underwriter
Rosalind Davis
Underwriting Assistant
Sherry A. Denby
Senior Accountant
Alison N. Hanna
Senior Claims Analyst
Cindy S. Howell, CIC
Regional Client Advocate
Macrina Hummel
Agency Service & Sales Representative
Monica B. Kornblum
Office Administrator
Kiezhia McCullough, MBA
Underwriter
Nick Schidowka
Underwriter, Team Leader
Mark A. Zimmerman, AINS
Claims Analyst
Laraine Schuster
Customer Service Representative

If you know of potential Board members with insurance and/or financial skills, please let us know. Our 21-member Board is a great group to work with.
MISSION
The Insurance Board is dedicated to supporting and protecting churches and their ministries with superior property and casualty risk and insurance management services.

VISION
To become the program of choice for all church ministries within the denominations we serve.

VALUES
Choosing to be bound together in mutual care and concern, we maintain integrity, excellence, exceptional customer service, open communication and inclusiveness.

A YEAR OF CHANGE
From floods to fires, during 2013, the Insurance Board has stood beside each and every church within our program to change trying experiences into strengthening times and to help them start anew after disaster.

During 2013, the Insurance Board implemented changes as well with new leadership, new policy options and a new fiscal year that aligns with the calendar year.

Meanwhile, our dedicated staff of insurance professionals and agents helped to protect the most valued assets of our more than 3,600 participants. Our churches filed 1,125 claims during 2013 (a 15-month period), providing us with a more normalized period of claim activity than in the previous year.

Our goal — to become the program of choice for all church ministries within the denominations we serve — is reflected in the addition of new policy options including IBpropertyClassic and IBpropertyFlex, which we created to better meet the needs of a broad range of churches. As we look to the year ahead, we remain committed to providing quality assistance and to continue growing as a company.
In 2013, our financial year-end changed from September 30 to December 31. Accordingly, the 2013 information is derived from financial statements beginning on October 1, 2012 and ending on December 31, 2013 — a 15-month period. Copies of those financial statements are available upon request.

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<tr>
<td><strong>STATEMENT OF FINANCIAL CONDITION</strong></td>
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<td>Cash + Short Term Cash Investments:</td>
<td>23,359,788</td>
<td>17,987,102</td>
<td>23,429,463</td>
<td>25,087,213</td>
<td>24,415,257</td>
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<td>Investments + Deposits for Future Losses:</td>
<td>20,472,526</td>
<td>15,820,322</td>
<td>13,350,288</td>
<td>11,641,802</td>
<td>12,517,747</td>
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<td>Accounts Receivable + Other Assets:</td>
<td>1,249,104</td>
<td>1,354,488</td>
<td>342,081</td>
<td>202,451</td>
<td>1,822,388</td>
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<td><strong>TOTAL ASSETS:</strong></td>
<td>45,954,078</td>
<td>35,267,344</td>
<td>37,156,838</td>
<td>36,959,383</td>
<td>38,883,619</td>
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<td>Lines of Credit Borrowings:</td>
<td>1,997,256</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Accrued Payables + Program Costs:</td>
<td>2,294,570</td>
<td>2,393,542</td>
<td>2,965,566</td>
<td>2,203,738</td>
<td>7,558,097</td>
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<td>Deferred Revenues:</td>
<td>6,016,010</td>
<td>1,621,115</td>
<td>3,692,753</td>
<td>3,885,293</td>
<td>3,584,998</td>
</tr>
<tr>
<td>Reserve for Losses:</td>
<td>14,872,570</td>
<td>11,476,520</td>
<td>10,259,731</td>
<td>8,928,470</td>
<td>7,141,67</td>
</tr>
<tr>
<td>Unrestricted Net Assets:</td>
<td>20,773,672</td>
<td>19,766,167</td>
<td>20,238,788</td>
<td>21,941,882</td>
<td>20,598,853</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES + NET ASSETS:</strong></td>
<td>45,954,078</td>
<td>35,267,344</td>
<td>37,156,838</td>
<td>36,959,383</td>
<td>38,883,619</td>
</tr>
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| **STATEMENT OF ACTIVITIES** |            |            |            |            |            |
| Total Program Revenues: | 79,387,811 | 55,750,453 | 49,437,882 | 46,771,082 | 40,481,101 |
| Less: Total Premiums, Claims Paid + Administrative Costs: | 78,390,303 | 56,213,074 | 51,140,976 | 45,428,053 | 36,390,222 |
| **CHANGE IN NET ASSETS:** | 997,508    | -462,621   | -1,703,094 | 1,343,029  | 4,090,879  |

On behalf of the Insurance Board, I am pleased to present the financial result for the 15-month period ended December 31, 2013. It was a time of change and continued growth.

Andrea Gauding, CPA
Chief Financial Officer