

United Church of Christ Insurance Board
2008 Annual Report



Partnership ♦ Prevention ♦ Protection ♦ Preservation



Chair's Letter

The year 2008 was an important one for the United Church of Christ Insurance Board. We made major progress in building a dynamic and solid insurance program with carriers that are open to innovative enhancements for the protection of our churches, camps, regions, and conferences.

We all owe a great debt of gratitude to Cathy Green and the staff she has assembled to further our mission. Their emphasis on professionalism, teamwork, and innovation has yielded benefits beyond our expectations.

Within this Annual Report, you will find the details of our solid financial footing. Our vision and commitment is to foster a program that emphasizes our partnership together in preventing injury and loss, protecting our ministries and properties, and preserving the mission of our churches and the gifts our predecessors have given.

Working together as a Board of Directors, we focused in 2008 on governance issues as well as the regular business of the board. We committed ourselves to faithful, effective, and transparent governance that emphasizes both partnership and accountability. During 2008, we began to integrate the functions of the United Church Insurance Company Board with those of the UCCIB Board of Directors

in order to ensure that both entities are fully engaged with each other. In addition, we began to explore new partnerships in the ecumenical world, as well as within our two denominations: the Christian Church (Disciples of Christ) and the United Church of Christ.

In an era when both the financial markets and the world of the church are struggling, the Insurance Board is there. We provide an important means by which churches and related entities can maximize their security while minimizing their expenditure, ultimately freeing more capital to be used toward mission and ministry. Our collaboration together is important to the whole Church!

We look forward to 2009 as a year of great promise for our work. We hope that you will join us in the anticipation of another successful year of new partnerships.



A handwritten signature in black ink that reads "Davida Foy Crabtree".

Rev. Dr. Davida Foy Crabtree
Chairperson
Board of Directors, UCCIB



President's Letter

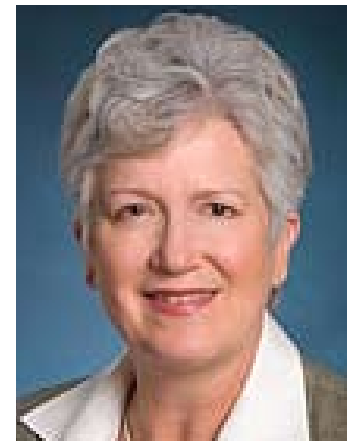
I am happy to report to you on another strong year for our organization. In my letter last year, I said that the Insurance Board was committed to expanding our risk management resources so that our churches become even safer places for ministry. In addition to 2008 being another strong year financially, it was also a year of building solid partnerships. We formed professional relationships with numerous organizations that will help us to further our mission.

Within this year's Annual Report you will read about the many partnerships we formed in 2008. For example, the IB chose Lexington Insurance Company as our primary liability carrier. Moving the liability lines to Lexington, who was already our property coverage carrier, deepened the relationship and enhanced the program in many ways for our participants. The details are listed inside.

We are so pleased that our expert team of agents was able to provide input that enabled the IB to produce its first ever loss prevention calendar. It was truly a collaborative effort, and the hallmark of a great partnership. Within the calendar, risk management suggestions are included for each of the 52 weeks in 2009. Each participant in the program received one.

Our commitment to expanding risk solutions for churches is also visible in our organizational structure. During 2008, we added three new employees, all of whom have assisted with the introduction of the partnerships described in this report. We've now created a department whose focus is on risk management and loss prevention for our churches. Our commitment to this part of our business is unyielding.

The most important partnership of all is that which we have with our participating churches. We work continuously to fulfill our mission and are honored each time a church chooses us to be its Partner in Prevention. We are blessed to have started 2009 with more than 2,600 church partners, including 300+ that joined the program in late 2008. We were also delighted to welcome four UCC conferences back into the program – forming vital partnerships that will enable us to better serve more ministries.



A handwritten signature in black ink that reads "Cathy Green". The signature is fluid and cursive.

Cathy Green
President & CEO



Your Partner

*M*erriam-Webster defines partner as: one associated with another especially in an action or endeavor.* It's such a simple concept, but one with huge implications! Who a person chooses as his/her partner in life and in business can have a fundamental impact on...well, everything!

The idea of partnership was the driving force behind the majority of the initiatives the IB implemented in 2008. We recognize the importance of choice. Churches have a choice. They want more from their insurance program than limits, deductibles, and coverage. They want to partner with a company who understands the value of what they do each and every day. They want a company who understands how disruptive any loss would be to that mission. At the IB, we take this role seriously. The partnerships we formed in 2008 focused on three main principles: preventing a loss, protecting the church, and preserving its mission.

While our relationship with Marshall & Swift (M&S) provides our participants with the opportunity to receive a customized estimate of the cost to rebuild, our partnership with Industrial Appraisal Company (IAC) provides our participants with the opportunity to have a professional appraiser do an extensive on-site appraisal at a discounted fee.

TEGG, a Hartford Steam Boiler subsidiary, is the company we chose to work with to develop an electrical inspection service for all of our churches for a flat fee of \$225. In addition to paying the balance of the inspection fee, the IB is contributing \$500 per church to repair any critical or severe conditions identified.

This past August, with the help of William Ellis and the creative professionals at BuildAChurchWebsite.com, we launched our new website. Visitors will now find navigation and information much more accessible. Among the services that are in place (or planned for the near future) are various loss prevention materials and checklists, procedural templates, and on-line educational modules. The modules are an exclusive benefit for IB participants. Module topics will cover everything from preventing theft to creating a safe church and avoiding sexual misconduct claims. All site visitors can also subscribe to our new e-newsletter.



*partner. (2009). In Merriam-Webster Online Dictionary. Retrieved January 14, 2009, from <http://www.merriam-webster.com/dictionary/partner>



Preventing a Loss

*I*t's quite simple, prevention first. The IB's main objective when it comes to prevention is clear: to make churches safer places for ministry. To understand why this is our main objective, let's look at the history of the IB.

The IB was established in 1985 by the Conferences of the United Church of Christ. Our members are the participating conferences of the United Church of Christ, each of whom is represented by their respective conference minister. There are currently 15 directors who are all members of either the United Church of Christ or the Christian Church (Disciples of Christ). These members are either conference or regional ministers, or laypeople with backgrounds appropriate for governing a non-profit insurance organization.

Our foundation was built by church people for church people. We understand how a church functions and what it needs from an insurance provider. The IB currently enables more than 2,600 church leaders to focus on their ministries by providing resources and programs aimed at alleviating their concerns about protecting their churches.

One such program that was introduced in 2008 is our electrical inspection program with TEGG. This value-added service helps participants to reduce fires and equipment damage due to lightning, electrical surges and other electrical equipment failures. The goal is to help churches identify opportunities to reduce the risk of these events. Such damage can be very disruptive and negatively affect a church's ability to conduct services and ministries.

The IB believes so much in the value of this voluntary program that we are willing to pay the difference between what the company charges and what the church pays. The inspection company's discounted rate to the IB ranges from \$350-\$850, depending on the size of the facility. However, in the interest of helping members control their costs, the IB is paying the difference so that every church only pays **\$225** each. The IB is also prepared to pay up to \$500 for certain repairs.

Another new IB initiative aimed at helping our churches prevent a loss was the production of a loss prevention calendar that was distributed to all participants. Unlike most loss control manuals that are hundreds of pages long and often difficult to navigate, the calendar provides bite-sized tips that are easy for readers to absorb. If the reader wants more information, our website contains dozens of checklists and handouts that leaders can print out for free!





Protecting The Church

- ❖ Protecting the church means that in the event of a loss, the church has the coverage it needs. Determining a church's value is key to that end. The consequence of undervaluing a property is basic: a church may find itself without enough insurance money to rebuild after a loss. On the other hand, overvaluing the church will result in paying too much for excessive coverage that it doesn't need.

We recognize that the impact of an underinsured loss would be an unnecessary interruption to a ministry. One way that the IB helps churches regarding property value is with favorable language in our property policy, including an allowance for unintentional underinsurance. Commonly found in most insurance policies is a clause that penalizes a church for being underinsured. The amount an insurance company would pay for a claim would be reduced in direct relation to how underinsured the policyholder might be. The IB does not have such a clause. Instead, within the IB program, there is an additional 25% of coverage to protect a church in the event that it is unintentionally underinsured.

To further aid in the proper valuation of churches, we launched programs with Marshall & Swift Valuation Service and Industrial Appraisal Company in 2008. Our relationship with Marshall & Swift (M&S) provides our participants with the opportunity to receive a customized estimate of the cost to rebuild. The IB has a trained M&S Appraiser as part of our team. Therefore, this service is free to all of our participants.

Our relationship with the Industrial Appraisal Company (IAC) provides our participants with the opportunity to have a professional appraiser do an extensive on-site appraisal at a discounted fee. This is the most accurate way to determine replacement cost, particularly for larger churches or those with unique construction. IAC specializes in church buildings and has been in operation since 1931. Years of experience affords IAC great precision and specialization as well as the ability to certify each appraisal and back the values in the event of a loss.

Program design is yet another means the IB has to protect its churches. The IB has the ability to negotiate with carriers to obtain favorable coverage and options for its participants. In 2008, some of the enhancements to the already robust IB program included:

- Coverage provided for losses resulting from acts of terrorism.
- Property coverage that includes Business Income Insurance up to a \$500,000 limit per loss, unless a higher-optional limit is elected.
 - New this year: no sub-limits (restrictions) on Extra Expense or Tuition & Fees.
- Upgrade to Green – This new feature provides a \$50,000 limit per loss for the increased costs to repair or rebuild using environmentally friendly materials and appliances.
- Liability Coverage – Prior coverage had deductibles of \$1,000 for Abusive Acts; \$1,000 for Pastoral Counseling; \$2,500 for Employment Practices; and \$1,000 for Employee Benefits Liability.
 - New this year: all deductibles have been eliminated.
- Hired Automobile Physical Damage – This new feature provides a \$35,000 limit for physical damage to automobiles under short-term rental, subject to a \$1,000 deductible.
- Nurses Professional Liability – Coverage is provided for incidental nursing exposures, such as Parish Nurse Programs and Camp Nurses. Coverage applies to both the entity and the nurse.
- Sexual Misconduct Liability – Limits for this coverage have been expanded. Each participant purchasing this coverage now has limits of up to \$3 million for each victim; \$7 million annual limit.





Preserving Its Mission

We recognize that accidents happen. And we know that any disruption to a church can cause an interruption to the fundamental need it satisfies on a daily basis. Our goal is to preserve that mission as best we can. To that end, we have highly qualified claims professionals whose sole focus is to work with churches to ensure that they can focus on what they do: take care of their people. Bringing the entire IB staff together by relocating the claims department to Cleveland (which will be completed by March 1, 2009) affords us the ability to better coordinate services for our clients.

In 2008, we expanded our loss control and claims division to elevate the already exceptional service our clients receive. Recent initiatives in the claims area include a fresh analysis of claims information and improved information collection to help us gain a thorough understanding of the sources of injury and damage.

We began better use of our claims management, data, business partner and technology resources to provide loss control information, inspection and training services to our churches. We began using inspection services such as Hartford Steam Boiler, ISO, and TEGG to help us better understand the conditions in our churches. We will use

this information, in 2009, to create a clear direction for our churches so that they can reduce losses. The various tools and resources we develop will focus on empowering our churches and their members.

Our Loss Control & Claims staff shares a keen understanding of a single mission: Service to our churches.

As we move into 2009, we continue forming partnerships that help shape the future of the Insurance Board as well as the future of the churches we serve. We are both grateful and privileged that so many churches have chosen us to be their Partner in Prevention. We vow that we will continue to develop the resources necessary to ensure safer places for ministry.





Chief Financial Officer's Letter

I am pleased to report a strong financial performance for your Insurance Board in 2008. Building on last year's positive results, 2008 showed a significant strengthening in our balance sheet with increased liquidity and reduced debt, all driven by sound cost controls, stabilization of our participant church base, and favorable loss experience. Our consolidated audited financial statements were completed on schedule and included clean, unqualified opinions for both the Insurance Board and its wholly owned captive, United Church Insurance Company. The audits also noted significant improvements in internal controls, with no material weaknesses or deficiencies.

The Insurance Board further strengthened its base of financial partnerships in 2008 by welcoming SIGMA as our actuarial advisory firm as well as National City Bank/PNC as a relationship bank, providing lock box, cash management, and credit services. We will continue to choose "Best of Class" partners who can advance the Insurance Board as we deliver comprehensive and cost-effective solutions.

On a consolidated financial basis, unrestricted net assets ended the year at \$16.5 million, an improvement of \$4.8 million from 2007, which is a dramatic 41% increase.

Cash & Cash Equivalents are strong, with \$16.2 million on hand at year end. Debt Outstanding was reduced from \$5 million to \$4 million, and unused lines of credit with lending institutions were more than adequate to meet our anticipated growth.

Reserves for losses declined from almost \$10 million in 2007 to \$5 million at year end 2008. The reduction in reserves was due primarily to the continued run-off of maturing claims and programs, combined with favorable loss experience against expectations. While it is not likely we will see this magnitude of reserve reduction going forward, our increased emphasis on providing proactive, value-added loss control services should result in continued improvements in both the frequency and severity of losses.

As we look ahead to 2009, we expect a solid year of growth in churches. Plans are to retain around 95% of our participant base, as well as target 400 additional churches to join our program. Cash flow has been strong and should remain positive, which will help to support our aggressive growth plans.



Dale A. Cable

Dale A. Cable
Chief Financial Officer



Our Financials

Financials for years ended September 30, 2008 & 2007*

Balance Sheet

	2008	2007
CASH	16,194,735	8,709,193
Investments	8,018,497	16,456,961
Deposits for Losses	8,198,148	6,549,691
Accounts Receivable & Other Assets	475,964	1,671,109
Furniture & Equipment	512,691	978,069
TOTAL ASSETS	33,400,005	34,365,023
Outstanding Lines of Credit	4,000,000	5,000,000
Payables & Program Costs	4,005,821	4,377,558
Deferred Revenues	3,853,397	3,279,170
Reserve for Losses	5,032,843	9,959,321
Unrestricted Assets	16,507,974	11,748,974
TOTAL LIABILITIES & UNRESTRICTED ASSETS	33,400,035	34,365,023

Statement of Activities

Total Program Revenues	29,844,659	32,424,777
Less: Total Program Costs	22,938,505	29,336,949
Less: Total Net Other Expenses	2,147,154	2,366,992
CHANGE IN NET ASSETS	4,759,000	720,836



*The above information is derived from our audited financial statements as of and for the 2 years ended September 30, 2008 & 2007. Copies of those financial statements are available upon request.



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We Care As Much About Your Church As You Do



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