Lower the Risk | Lower the Cost

INSURANCE BOARD 2020 ANNUAL REPORT
We’re all in this together

That’s what countless window signs and TV commercials declared as we all responded to COVID-19. Insurance Board has always believed this. Our expanding number of Loss Control resources and services are intended to preserve safety and prevent liability. By reducing claims, we can keep premiums affordable for all of our clients.

If churches proactively use the resources and tools provided by Insurance Board, the overall cost for great coverage will remain affordable for all.

How we helped

To empower member churches to be proactive, in 2020 we launched our Water Sensor Program (see page 9) that reduces the risk of water damage to church property. Hundreds of churches are already participating and multiple water catastrophes in churches have been avoided since the launch of the program.

Insurance Board produced many carefully curated pandemic resources that helped churches zero in on pandemic-related best practices and legal compliance that is relevant to their community.

These new programs illustrate our own proactive approach to staying ahead of the pandemic – and other threats – to the continuity of your church operations.

We will continue our emphasis on helping ministries be proactive to prevent risk. This will reduce claims, keep our services affordable and, most importantly, keep congregations together in 2021 and beyond.
## Mission, Vision & Values

### MISSION
To support and protect churches and church ministries by offering superior Property and Casualty Risk and Insurance Management Services.

### VISION
Become the program of choice for the denominations we serve.

### VALUES
Choosing to be bound together in mutual care and concern we will maintain: Integrity, Excellence, Exceptional Customer Service, Open Communication and Inclusiveness.
Message from the CEO

2020 was a year weighed with challenges. The most obvious difficulty facing Insurance Board and our participants was the COVID-19 pandemic. As a result of the uncertainty surrounding the pandemic, we suspended cancellation notices through mid-year to facilitate the ability of our participants to make their premium payments. Yet, while the COVID-19 pandemic dominated the headlines, the claim picture was just as sinister. According to the National Oceanic and Atmospheric Administration (NOAA), 2020 yielded the most active Atlantic U.S. hurricane season on record. Additionally, according to CAL Fire, 6 of the top 20 largest wildfires in California history occurred in 2020. In August, a severe derecho impacted the Midwest causing substantial damage. All of these events preceded a tightening of the insurance marketplace which led to some of the highest property-liability cost increases in a decade.

According to Marsh & McLennan Companies’ Insights (November 2020), global commercial insurance prices in the third quarter of 2020 represented the largest year-over-year increase in the Marsh Global Insurance Market Index since its inception in 2012. The spike also followed twelve consecutive quarters of commercial insurance price increases. This pricing pressure resulted in an increase in our cost of risk by 30% in 2020. In perspective, the 2020 year-over-year increase in costs was more than 3 times higher than our cost increases to both fund insurance losses and to buy commercial excess insurance over the prior 6 years combined. Yet, this was not the end of the story. In spite of the COVID-19 pandemic and virtual worship by many of our insured churches and ministries, Insurance Board experienced a 29% increase in property claims in 2020. Overall, 2020 claims incurred by insured participants were 84.4% higher than 2015 levels. Adverse claim and cost factors resulted in Insurance Board posting a disappointing 2020 consolidated net loss of $5.3M on $56M in gross premium revenues. This loss erased all program gains made since 2013.

The persistent trends and hardening market conditions will continue to exert considerable pressure on insurance prices. To offset the impact of these costs on our business and our insurance participants, we have embarked upon several initiatives. We have adjusted deductibles across the board to better reflect claim cost inflation. We are selectively requiring the implementation of water sensor technology to mitigate the incidence and severity of water damage claims. We have invested in additional analytical resources to assist us in qualifying the risks that we assume within our portfolio. We also worked extensively in 2020 to restructure certain aspects of our insurance operations to better manage future market uncertainty. Despite adverse industry dynamics, Insurance Board remains committed to offering a top-tier property-liability insurance and risk management product to program participants. We will be engaging our agents and participating ministry partners at greater levels in the upcoming years to enhance our service delivery and improve financial results. As a financial ministry of the United Church of Christ, our greatest stewardship is providing long-term sustainability for our member insureds. Our actions will remain focused on that objective.

Sincerely,
Timothy Harris, CPCU
President & CEO
Message from the Board

I have completed another year as Chair of the Board of Directors of the Insurance Board. We are a volunteer Board using our expertise as leaders in our respective denominations and our insurance acumen to partner with and assist the staff in maintaining integrity, excellence, exceptional customer service, open communication, and inclusiveness. The membership of the Board reflects the participating denominations’ contributions to the Corporation. At the end of 2020, the denominational contributions were: United Church of Christ 52.5%; Presbyterian Church (USA) 31.1%; Disciples of Christ 14.4%; Evangelical Lutheran Church in America 1.7%; Reformed Church in America 0.1%; Alliance of Baptist 0.2%.

The by-laws state: “No less than a majority of Directors shall at all times be members of a United Church of Christ congregation in good standing. The remaining Directors shall be members of a congregation in good standing within one of the other participating denominations and their relative numbers (as determined, from time to time, by the policy of the Board of Directors) shall, as much as possible, reflect each participating denomination’s contributions to the Corporation.” At the end of our year, 14 out of 21 board members were United Church of Christ and 3 board members were Presbyterian Church (U.S.A.). Recognizing the need to increase Presbyterian Church (U.S.A.) representation this year’s 4 vacancies were filled by 3 additional Presbyterian Church (U.S.A.) members (bringing that their total to 7) and 1 United Church of Christ member.

I continue to believe our ministry serves as a vital function that supports and enables the ministries of our participating denominations and their congregations. 2020 continued the trend of significant challenges in the insurance industry which were greatly compounded by COVID-19 pandemic challenges creating a chaotic and uncertain year for the Insurance Board and all of those we serve. The staff worked from home most of the year and the Board met via Zoom for all of our meetings. Our first face-to-face meeting will be in February 2022. The President’s report outlines the initiatives that will help us weather this unique time as we continue to support and protect the properties and ministries of the participating denominations with what we believe are superior property and casualty risk and insurance management services. I am convinced our unique perspective as a non-profit church-owned and managed insurance provider will get us through these challenging times.

Last but by no means least the Board of Directors is extremely thankful for every one of the staff. We cannot put into words how amazing and very responsive they continue to be no matter what has been asked of them. They continue to find answers to each challenge in an ever-changing landscape.

Rev. David Crittenden
Chair of the Board
Retired Synod Executive
Presbyterian Church (U.S.A.)
Programs that Prevent and Protect

Our church leaders recognize that mitigating risk in their own ministries also protects their brother and sister ministries.
In 2020, we elevated this message: Ministries should proactively join us in our mission to reduce and prevent overall claims so programs can remain affordable for all.

Insurance Board continued providing property, liability, auto, and workers’ compensation insurance along with a wide array of loss control resources such as The Steward newsletter, timely and relevant webcasts, and abuse prevention resources to help protect ministries.

In addition, we created these new programs to prevent risk to people and property.

Preventing Risk to People

Preserving Your Ministry During COVID-19 & Other Emergencies

Insurance Board created a new section of our website dedicated to COVID-19 Resources. This curation of relevant new legislation, insurance coverage and overall best practices helped to guide churches. Video resources were produced and added to the website to help church leadership and staff prevent the spread of COVID-19 in their ministries.

We also created a worksheet template to assist ministries in developing the COVID-19 written policies and procedures that are required in many states. This resource section was an addition to our longtime website feature Safety Central – a unique source of safety, liability and insurance articles and reports relevant to the church community.
We also conducted an online CARES Act webcast to empower church leaders with advice on which CARES Act provisions would most likely impact their church personnel and operations. Other webcasts – still available on our website – addressed mental health, virtual worship, youth ministry and updates from the CDC on how churches can best respond to COVID-19.

COVID-19 Tool Kit

Another part of our campaign to make churches proactive in preventing risk, Insurance Board also created a free 9-page, step-by-step plan for making ministries and communities safe as churches everywhere resumed in-person worship services.

Improved Abuse Prevention Resources

Our exclusive SafeConduct™ Workbench provides tools to cultivate responsible leadership and prevent sexual abuse. In 2020, we added a new abuse prevention resource, C.A.S.E. (Creating a Safe Environment), that is free to all participants.

Preventing Risk to Property

As the world went remote in 2020, Insurance Board expanded our webcast topics to include many timely webinars featuring industry experts exclusively for our ministries. Topics included helpful considerations for how to navigate the challenges associated with the pandemic, as well as emergency recovery grants and insights on current liability concerns churches face.
Water damage can contribute to more serious structural issues. Insurance Board understands the best indicator of a future water claim is a past water claim.

Because of this, Insurance Board partnered with HSB Connected Technologies to offer participant churches a valuable early warning system that uses the latest sensor technology.

Since ministries were unable to gather and most buildings remained empty during the pandemic, our sensors were critical in assisting facility managers with the threat of water damage.
Over 300 churches with prior water claims have signed up for Insurance Board’s Water Sensor Program to reduce the likelihood of a future water incident.

22% of claims in 2020 were caused by or related to water damage.

$4.9 million was sustained as a result of water damage.

$33,499 Average free-related water claim.

These sensors respond in a moment’s notice. Insurance Board empowers ministries through providing resources to protect their people and their property; this directly translates to lowering the cost for ALL.
## 2020 FINANCIAL STATEMENT

### Consolidated Statements of Financial Position

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash and Short-Term Investments</td>
<td>$32,197,334</td>
<td>$34,766,157</td>
<td>$29,417,400</td>
<td>$30,571,706</td>
<td>$21,235,410</td>
<td>$28,503,031</td>
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<td>Investments</td>
<td>30,048,225</td>
<td>28,295,596</td>
<td>27,051,858</td>
<td>20,654,591</td>
<td>31,434,079</td>
<td>24,912,919</td>
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<td>Accounts Receivable and Other Assets</td>
<td>717,917</td>
<td>726,167</td>
<td>776,006</td>
<td>766,435</td>
<td>670,230</td>
<td>700,029</td>
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<tr>
<td>Furniture and Equipment</td>
<td>753,352</td>
<td>597,276</td>
<td>668,798</td>
<td>981,560</td>
<td>584,208</td>
<td>818,574</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$63,716,828</strong></td>
<td><strong>$64,385,196</strong></td>
<td><strong>$59,914,062</strong></td>
<td><strong>$52,974,292</strong></td>
<td><strong>$53,923,927</strong></td>
<td><strong>$54,934,553</strong></td>
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<tr>
<td>Line of Credit</td>
<td>$4,804,787</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
<td>$919,540</td>
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<tr>
<td>Accrued Expenses</td>
<td>10,525,953</td>
<td>$8,611,170</td>
<td>$5,151,972</td>
<td>3,906,208</td>
<td>8,850,820</td>
<td>4,132,950</td>
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<tr>
<td>Deferred Revenue</td>
<td>1,213,035</td>
<td>8,985,152</td>
<td>7,842,219</td>
<td>6,361,359</td>
<td>5,051,192</td>
<td>6,395,473</td>
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<tr>
<td>Reserve for Losses</td>
<td>28,043,666</td>
<td>22,357,143</td>
<td>19,917,500</td>
<td>17,237,998</td>
<td>13,258,692</td>
<td>15,925,339</td>
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<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$63,716,828</strong></td>
<td><strong>$64,385,196</strong></td>
<td><strong>$59,914,062</strong></td>
<td><strong>$52,974,292</strong></td>
<td><strong>$53,923,927</strong></td>
<td><strong>$54,934,553</strong></td>
</tr>
</tbody>
</table>

### Consolidated Statements of Activities

| Program Revenue                  | $56,029,484 | $50,759,218 | $47,293,847 | $44,394,655 | $42,592,411 | $42,266,805 |
| Program Costs                    | 61,331,828 | 51,729,858 | 47,360,203 | 45,689,151 | 43,390,439 | 38,987,056 |
| **Change in Net Assets without Donor Restrictions** | **$(5,302,344)** | **$(970,640)** | **$(66,356)** | **$(1,294,496)** | **$(798,028)** | **$3,279,749** |
Company Snapshot

**PARTICIPANTS**

- **2016:** 4,000
- **2017:** 4,100
- **2018:** 4,300
- **2019:** 4,555
- **2020:** 4,577

**CLAIMS DATA**

- **Total Claims Paid:**
  - **2016:** $10.0M
  - **2017:** $10.4M
  - **2018:** $14.2M
  - **2019:** $18.2M
  - **2020:** $18.2M

**TOTAL CLAIMS:**

- **2016:** 839
- **2017:** 819
- **2018:** 852
- **2019:** 887
- **2020:** 790

**NUMBER OF CLAIMS**

- **2016:** 176
- **2017:** 173
- **2018:** 234
- **2019:** 231
- **2020:** 152

**AMOUNT PAID**

- **2016:** $3.1M
- **2017:** $3.2M
- **2018:** $4.2M
- **2019:** $4.6M
- **2020:** $4.9M

**PARTICIPANT RETENTION**

- **2016:** 96.7%
- **2017:** 96.9%
- **2018:** 97.3%
- **2019:** 97.4%
- **2020:** 97.3%

**WATER RELATED CLAIMS DATA**

- **Average Claim Paid:**
  - **2016:** $17.7K
  - **2017:** $18.7K
  - **2018:** $18.1K
  - **2019:** $20.0K
  - **2020:** $23.1K

- **Number of Claims:**
  - **2016:** 176
  - **2017:** 173
  - **2018:** 234
  - **2019:** 231
  - **2020:** 152

- **Amount Paid:**
  - **2016:** $3.1M
  - **2017:** $3.2M
  - **2018:** $4.2M
  - **2019:** $4.6M
  - **2020:** $4.9M
People

BOARD OF DIRECTORS

Rev. David Crittenden
Board Chair
Presbyterian Church (USA)

Rev. June Boutwell
Penn West Conference

Keith H. Bowden, CPCU
Massachusetts Conference

Robert J. Brautigam
Illinois Conference

Andrew Bunn, JD
Secretary, Hawaii Conference

Rev. Dr. LaTaunya (Toni) Bynum
Northern CA/Nevada Region

Rev. Mike Castle
Alliance of Baptists

Duncan G. Draper
Indiana Region

Robert Gabon, CPA
South California/Nevada Conference

Dr. Edith A. Guffey
Vice Chairman of the Board
Kansas/Oklahoma Conference

Rev. Shana Johnson
Illinois South Conference

Rev. Joyce Lieberman
Synod of South Atlantic

Barnet (Mike) McKee, JD, MDiv
Missouri/Mid South Conference

Tom Mitchell, CPCU, AMIM, AIM
Southeast Conference

Rev. James Moos
UCC, Global Engagement

Rev. Terry Newland
Synod of Living Waters

Erick (Rick) D. Reisinger
Indiana Region

Alan Relyea, CIH, CSP
Connecticut Conference

Rev. John Vertigan
Florida Conference

Rev. Dr. Diane Weible
North California/Nevada Conference

William (Bill) G. Whitehead
Massachusetts Conference

Rev. Bill Worley
Pennsylvania Southeast Conference

STAFF

Timothy S. Harris, CPCU
President & CEO

Andrea Gauding, CPA
Senior Vice President & CFO

Farnaz Ansari Berna, ARM
Vice President, Marketing/Sales

Jennifer R. Perri, CIC, CISR
Assistant VP, UCIS

Dan Carrick
Director, Operations

Lisa Gonzalez
Director, Loss Control

Cy McFarlin
Director, Claims Administration

Monica B. Kornblum, SHRM-CP
Chief of Staff

Jamila Chambers
Manager, Marketing and Communications

Nick Schidowka
Manager, Underwriting

Rosalind Davis
Customer Service Representative

Sherry A. Denby
Senior Accountant

Blaine Geary
Underwriting Assistant

Amy Gibson
Team Lead, Customer Service Representative

Danielle Grasso
Social Media Coordinator

Cindy S. Howell, CIC
Account Executive

Macrina Hummel, CISR
Customer Service Representative

Amanda Kornblum
Office Assistant

Rob Linson, CPCU, AU
Senior Underwriter

Kiezhia McCullough, MBA
Underwriter

Monroe Moore, CCP
Senior Claims Analyst

Kail Simmons
Junior Underwriter

Elizabeth Vance
Senior Loss Control Representative

Mark A. Zimmerman, AINS
Senior Claims Analyst