



*Serving the United Church of Christ &
the Christian Church (Disciples of Christ)*

United Church of Christ
INSURANCE BOARD

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Greetings,

I am just completing my second week at the helm of the UCC Insurance Board, and I want to reach out to you in the first of a regular series of communications regarding the program, current issues, and plans for the future. These past nine months have been very difficult and stressful for all of us, and I want to thank you for your support and patience as we work toward a more positive future.

Over the past two weeks, I have been evaluating the overall situation here in Gaithersburg, getting acquainted with staff, and meeting with various partners to ensure that I understand key issues and am able to set appropriate priorities. While I'm not in a position to provide a complete plan at this time, I can say that work is well underway. Through this, there are two things on which you can rely. First, my highest priority will continue to be protecting the interests of our churches and other participants. Second, I will keep you regularly informed regarding our plans and progress. Over the past months, communication from the UCCIB has been inconsistent, and that has made it more difficult for you to sustain confidence in our program and provide support. It's my intent to provide updates to you at least on a biweekly basis through the coming months. I will continue that frequency at least until we complete our next renewal and achieve a degree of stability. I am also available to any of you by calling me at our Gaithersburg office.

The most critical issue to address at this time is our financial condition, particularly in light of the recent action at the board meeting of UCC Local Church Ministries (LCM). As you may have heard, the UCCIB made a formal request to LCM asking for collateral to secure an increase to our line of credit. This request was turned down, which has caused many of you to question whether the IB can continue without this financial assistance. The situation has been exacerbated further by competitors who are e-mailing to our churches an article from UCC.org that describes the request and the denial.

Our financial pressure is created by the loss of so many churches over the past six months, triggered by a combination of higher prices, the difficult, uncertain renewal last year, confusion about the liability portion of our program, and the emergence of aggressive competition. While we still have sufficient churches, even with some further attrition, to maintain an effective program, our cost structure for the current year was based on the assumption we would retain more participants than we have. As you can imagine, the lower number of churches has created an imbalance between revenue and expense that requires us to reassess the structure of the program to make the best use of program dollars.

Concerns about our financial position cause some to worry whether our ability to pay claims has been affected, and I want to strongly assure you that the request to LCM is entirely unrelated to loss funding. These dollars are entirely separate from operational funds, and more than \$27 million has been set-aside in reserves to pay claims, both those that have already been reported and others that have not. Furthermore, our

loss estimate for the current year was done in a more conservative manner so that we would be able to pay claims that arise in this period.

The decision by LCM will certainly give us less flexibility and does eliminate some options for the future, but others still remain, and each is being thoroughly assessed with the assistance of external experts. I expect to reach decisions regarding future direction within the next few weeks and will keep you updated throughout the process, sharing information as soon as it is appropriate to do so.

The UCCIB is also current on all financial obligations, and the request to LCM was based on cash flow forecasts for the future. The size of the request was based on a cash shortfall that would peak in the fall when we would owe renewal premiums to carriers before we receive payments from our participants. The request also assumed no restructuring of expenses, given that no final plan was yet in place. While I am disappointed at the decision by LCM, and that reality shortens the timeline I have to restructure for the future, I would have approached the situation with the same urgency in order to avoid taking on unacceptable levels of debt.

I realize that the news of the request has created additional uncertainty and may cause some participants who have been steadfast thus far to waver in that resolve. You certainly have my commitment to work tirelessly toward a workable solution for all involved, and to keep you informed along the way. I will also be scheduling meetings with our agents, first by conference call and then in several locations across the country, so that they have the information they need to properly advise and assist our churches.

I would also encourage Regional and Conference Ministers to share this communication with their churches, if you believe that will be helpful. We will plan to communicate directly with churches as our plans take shape, but do not have e-mail distribution lists to facilitate more frequent updates like this.

Once again, I thank all of you for your commitment to the financial mission of the UCCIB, and the encouragement so many of you have provided to me personally. I ask for that you continue to pray for the UCCIB, for all of our committed staff here in Gaithersburg, and for me personally.

Blessings and Peace,

Cathy

Cathy Green
President & CEO