2014 IN THE REAR VIEW MIRROR
Adventist Risk Management, Inc. | Weekly Newsletter

Providing Risk Management Solutions for the Seventh-day Adventist® Church

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During 2014, Adventist Risk Management and its sister captive insurance companies, GENCON (Vermont and Gibraltar), have experienced a good operating year. Fortunately, catastrophic losses predicted in the form of hurricanes, tornadoes, and other events did not occur. While there were some storms and tornadoes, the paths of destruction have bypassed Adventist churches and schools during 2014.

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During the past year we have monitored the overall trends that have developed in property and casualty claims. The recovery of real estate market values has started to put pressure on the price of construction products, thereby pushing up the costs of property claims. The construction industry is experiencing price increases such as gypsum products (up 14 percent). Similar increases in lumber and plywood and architectural coatings, including paint, are also occurring. These double-digit increases drive higher construction costs.

Similarly, there have been increases in liability claim settlements. The high cost for medical care expense is one factor that impacts these claims. It is not unusual for demands and jury awards to be multiple the amounts awarded historically for similar cases.

Higher settlement costs and values also push premium rates higher as experience loss ratings are used, which affects the insurance pricing. This is not a phenomenon for ARM, but is rather something reported across the insurance industry. Through careful pricing practice and decreased operating expenses some of this impact has been addressed. ARM provides the administrative services (claims, underwriting, loss control, etc.) to operate the Gencon captive insurance companies. Administrative fees to these Gencon entities have reduced more than $2 million annually in an effort to help keep insurance costs in line for the church. Challenges still exist in the loss ratio to premiums in some areas, including property. To avoid passing on the upward-creeping costs to clients through premiums, ARM continually seeks be more efficient in its operations.

Another area of concern in the insurance industry during 2014 is the high cost impact of the cyber-liability losses. Headlines provide wide public exposure to incidents that have occurred at Target, Chase Bank, the US Postal Service, Home Depot, and many other businesses. It is clear that the adage “it is not if you will be hacked, but when” is becoming reality. ARM has been encouraging church organizations to take this matter seriously and utilized cyber liability coverage. When a breach occurs, legal mandates and fulfillment costs are staggering to most organizations. Many industry publications have noted that one of the targets for such attacks are nonprofits and charities. These organizations maintain donor lists with personal information, employee lists, retiree lists, members list and other types of information. This information is especially helpful to those who want to steal identity of individuals.

ARM is charged with administering the North America Division Health Care Assistance Plan (NADHCAP). With more changes implemented to the Affordable Care Act, 2015 will be a year of ongoing adjustment. Continued upward pricing pressure is predicted for medical costs. ARM seeks to keep the church’s cost of healthcare manageable, while affording excellent coverage and care for employees and their families. The combination of new programs new third
party providers (Aetna and HealthSCOPE) and the significant administrative cost reductions, are some of the methods that are being used to meet this goal.

So what does 2015 hold in the insurance market? ARM has experienced moderate pricing increases in areas of policies placed in the market. When the church’s loss record is acceptable, this is usually in the area of five percent. We believe the reinsurance market that covers higher amounts of loss for ARM clients is stable going into the January 1, 2015 property renewal. Gencon saw increases in casualty reinsurance on the annual July renewal for liability. This was tied to market pricing, as well as impact from a number of large losses experienced by the church. In the past year ARM settled its largest liability case, in excess of $10 million.

Taking pre-emptive prevention steps to avoid accidents or losses can result in savings to the overall pricing of your insurance products.

As your organization prepares budgets for 2015, how can you be proactive in keeping insurance costs manageable? First, be aware of what types of activities your organization is involved in. Taking pre-emptive prevention steps to avoid accidents or losses can result in savings to the overall pricing of your insurance products. We recognize there is nothing you can do to prevent a hail storm passing over your church or school property, but you can take steps to be sure these properties are as secured as possible. Good maintenance of properties goes a long way to minimizing losses. If a loss does occur, initiate steps to mitigate the loss. For example, if a roof has a leak, install tarps to prevent further loss.

For auto and other liability claims, education of employees and church members can prevent accidents and minimize losses and damages when claims do occur. Claims related to sexual misconduct, employment practices, injuries to people and other people’s property can often be prevented. Take steps to help individuals understand what they should and should not do. In some cases, you just have to say "no" to certain things. Examples of this include not allowing individuals with driving infractions behind the wheel of your organization’s vehicles, or allowing untrained managers or pastors to interview potential staff members and inadvertently asking "illegal" questions that raise liability.

ARM is committed to the ministry of protecting your ministry. We want to assist you in any way we can to help you prevent losses, limit damages when an incident occurs, and to help keep your insurance costs as affordable as possible.

Thank you for all you do to support ARM and its ministry. We look forward to serving you in 2015.

by: BOB KYTE
PRESIDENT
Adventist Risk Management, Inc.

Reference: