
Insuring the Church: The Unknown Giant At The General Conference

by Geri Ann Fuller

Occupying nearly four stories of the General Conference 10-story high-rise office building in Takoma Park is the largest mutual insurance company based in the state of Maryland: the International Insurance Company of Takoma Park, Maryland. The company is operated by what continues to be widely referred to as Gencon, although as of January 1985 its official title is Risk Management Services. Following a protracted debate as to whether it would become more independent (along the lines of the Adventist Health Systems/U.S.), it has instead become in 1985 officially integrated into the General Conference as one of its departments.

One of the Adventist organizations least known to church members, Gencon employs more people than any other department, service, or institute of the General Conference (90 employees as opposed to 70 in the treasury department, the next largest department). If you count the staff at the Riverside and European-based offices, there are more than 140 employees.

Writing as much as 75 percent of the church's property and casualty insurance, Gencon insures 50,000 church properties worldwide with a total estimated value of

\$4.5 billion. The investment portfolio of the International Insurance Company is \$86.9 million, roughly one-third the size of the General Conference's separate investment portfolio. To protect itself against possible claims arising from the Davenport fiasco, Gencon hired its own set of lawyers in addition to those on payroll at the General Conference. (Gencon refuses to say what it paid for these legal services.) At the 1984 Annual Council, it was announced that the total amount in damages paid by Gencon to that date was approximately \$4 million.

Almost unnoticed by Seventh-day Adventists, Gencon, during the last decade, has become so well-known in the insurance industry that in 1983 its executive vice president, Gene Marsh, was named by *Business Insurance* magazine to its Risk Management Honor Roll. Between 1975 and 1982, it is estimated that Gencon saved Adventist hospitals as much as \$24 million at a time when skyrocketing malpractice costs might have forced some Adventist hospitals out of business.

What is this giant at General Conference headquarters and where is it heading? Actually, the three legal entities under Gencon and its parent, the General Conference, have asked those same questions. A new president, Stanton H. Parker, appointed in the fall of 1983, is attempting to stabilize a large operation that has suddenly felt some

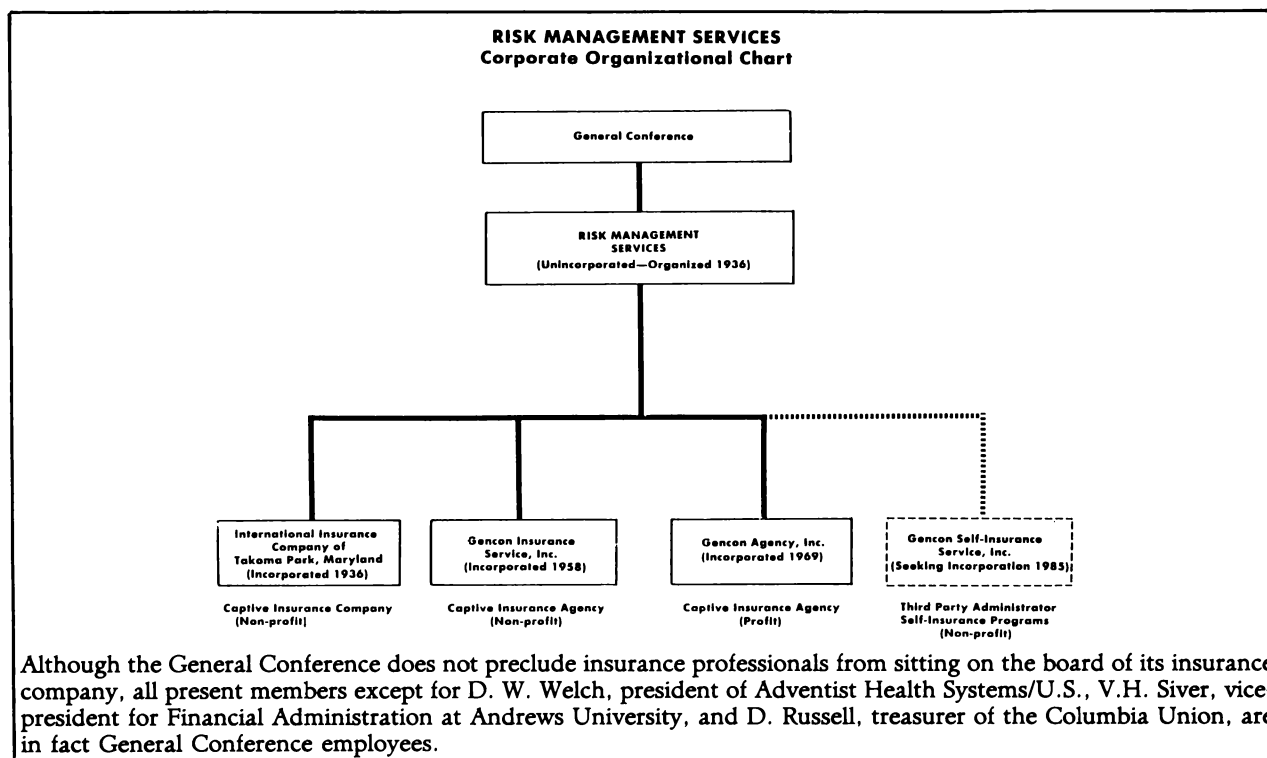
Geri Ann Fuller, having received on M.A. in journalism from American University, is a public relations and development director in Washington, D.C.

tremors. On the surface, dropping revenues have been the concerns, but there are underlying issues, such as the viability of the denomination's wage structure and the desire of trained professionals for autonomy to manage institutions within the church.

Originally called General Conference Insurance Service, Gencon was organized in 1936 out of a growing concern for the protection of the many properties the church was rapidly acquiring throughout the world. At that time, William A. Benjamin, an Adventist in the insurance business, was given \$25,000 by the General Conference to establish his plan for a General Conference insurance program. Starting with the leadership of Benjamin and continuing with his successors Virgil L. Sanders, Jewell Peeke, and Charles Frederick, the insurance and risk management program evolved from a relatively simple property insurance operation to three corporate entities presently concerned with virtually all risks experienced by church conferences and church operated institutions.

But it was the emergence of an expanding Adventist hospital system, combined with the medical malpractice crisis of 1975,

that catapulted Gencon into its present size and public prominence. At the time, hospitals nationwide were being strained financially by insurance companies which were either cancelling medical malpractice policies outright or raising premiums by millions of dollars. Marsh told church leaders that the risk management service at the General Conference had the potential to come to the aid of Adventist hospitals. Given the opportunity to prove his point, Marsh, within a few weeks, assembled a task force and worked out a plan to offer a medical malpractice program to all Adventist hospitals at discounted rates. As a result of this program, not only did Adventist hospitals save money, but some hospitals which might otherwise have been forced out of business were saved. Most Adventist hospitals in the United States still coordinate their malpractice and other liability program insurance through Gencon. Malpractice was just the beginning. Marsh guided Gencon's expansion into numerous other areas as well. Through the next few years major insurance programs were added, such as worker compensation, general liability, and auto liability.



During this time, Marsh, first under Peeke and then Frederick, assembled a staff of Adventists skilled in the technical knowledge necessary to handle sophisticated types of insurance coverage, willing to work within the church structure and able to work on the denominational wage scale. Gencon added to its staff loss control specialists, claims adjusters, data processors, safety experts and underwriters. As an agent or broker, Gencon arranged for insurance coverage for Adventist institutions, and eliminated most of the usual commission costs.

However, that same year, as the insurance industry nationwide experienced a \$4.5 billion underwriting loss from property-casualty insurance, non-Adventist companies more aggressively pursued Gencon's customers—Adventist institutions—with attractive insurance rates. When it began to lose business, Gencon became aware that it faced some serious problems. One was the aftermath of the Davenport affair. Several policies were written through Gencon, insur-

ing conferences and unions involved in Davenport investments. The wording of the policies was interpreted by some Adventist institutions as allowing them to sue Gencon—in effect, one part of the church suing another. Because Gencon in some cases reinsured with other insurance companies, Adventist institutions saw suing Gencon as a necessary route to gain money from non-Adventist insurance companies. In the judgment of some, almost equally damaging to Gencon was the way its top management carried on communications about the Davenport case with other Adventist institutions. In particular, a letter from Charles Frederick, then director, to Gencon clients explaining Gencon's position, "invited antagonism," according to one former executive.

Offices were opened in London and St. Albans, England. Gencon created a for-profit corporation in California to market tax-sheltered annuities, and accidental death, dismemberment, homeowner and auto insurance. As Adventist health care systems grew in the United States, so did Gen-

Adventism's First Insurance Debate

From the beginnings of Adventist history, questions have been raised as to whether the church should even be involved in insurance matters. The first debate took place as early as 1860, even before the Seventh-day Adventist Church had been organized. James White was the first to raise the issue for the record in 1860 in the *Review and Herald*. Since the church was not legally incorporated at the time, he was concerned as a signatory of official documents about being held personally responsible for repayment of church debts.

J. N. Loughborough soon came to his defense. "If the church were in a position to hold property by law we readily see that the property might then be insured, and business be transacted in the name of the church . . . what I understand is necessary to remedy . . . this matter, is to organize in such a manner that we can hold church property legally. Then . . . no individual would have to take a burden upon him, which he ought not to bear . . . There is quite a difference between our being in a position that we can protect our property by law, and using the law to enforce our religious views," he said (*Review and Herald*, March 8, 1860).

R. F. Cottrell, however, opposed involvement with insurance companies. He said, "I do not believe it is right for any believer in present truth to strike hands with insurance companies at all . . . Better pay our premiums to the Lord; He will protect us . . . The work in which we are engaged is the Lord's and He needs not the aid of insurance companies to take care of his property" (*Review and Herald*, March 22, 1860).

But James White had strong feelings on the matter and continued to speak out. His response to Cottrell in the next week's *Review* was pointed: "Leave the matter to the Lord, this is the plea. Well, if the Lord has not left the management of His goods to us that with them we may spread the truth, then we can leave it with Him. But we regard it as dangerous to leave with the Lord what He has left to us, and thus sit down upon the stool and do little or nothing . . . If God . . . calls on us to act the part of faithful stewards of His goods, we had better attend to these in a legal manner—the only way we can handle real estate in this world (*Review and Herald*, March 29, 1860).

con. In 1980, the board voted worldwide expansion and began studies about opening offices in Singapore, Brazil and Australia. Although Gencon was at that time technically a service department under the Treasury Department, its staff came to double that of Treasury. Unlike other General Conference departments, Gencon was given responsibility for its own payroll, inventory, accounts receivable and payable, and was permitted to handle its own investments. By 1982, income to the International Insurance Company in premiums alone (not counting income from its investment portfolio) had risen to \$21.5 million.

But dropping morale among the middle management team that had built up Gencon has proved to be perhaps the greatest problem. One reason for management's restlessness involved an issue confronting the church generally—the denominational wage scale. In an effort to obtain the cream of the crop of young Adventist business majors, recent graduates from Adventist colleges are brought into the internship program at annual salaries in the high teens. The program, which still trains these young people for risk management work within the church (although they are not guaranteed jobs with Gencon following the internships), tempts its prospects with yearly salaries which are actually several thousand dollars higher than recent college graduates would be able to command in similar positions outside the church.

But while their colleagues in non-church-related jobs can look forward to the opportunity to multiply a low starting salary several times during the course of a career, Gencon interns soon discover they are already close to the top of what they will ever be able to earn within the system. Gencon salaries, like those of ministers and other General Conference and church employees, top out at 24 or 25 thousand dollars a year. Of course, the situation is dramatized for Gencon's middle management by having to work closely with the administrators of the hospitals in the Adventist health systems,

who are not restricted by denominational salary limitations.

Many professionals employed by the church accept financial sacrifice as the price for contributing to the church's mission. At Gencon, the money that was saved on salaries between the community rates and the church's wage scale was at least one factor in the cost savings in premiums available to Gencon's clients. But some insurance professionals at Gencon believed the salary structure contributed to other problems, such as how seriously professional expertise was valued by top General Conference administrators and how long talented young people would be willing to invest their careers at Gencon. Because they wanted policies to more adequately reflect the judgment of business professionals, some administrators of Gencon wanted the board of International Insurance Company, like that of the Adventist health care systems, to become increasingly professionalized and less dominated by the clergy. Not surprisingly, General Conference leaders, still conscious of losing control of the health care systems—and their wage scale—saw questions about salaries as self-serving and disloyal.

With attractive salaries outside the church, and no prospects of greater autonomy for Gencon within the church, Gencon managers, during the early 1980s, began to leave. Depending on whose tally is used, six to ten key executives resigned and accepted jobs outside the church. The most prominent was Gene Marsh himself: he left Gencon's executive vice-presidency to become president of the California Hospital Association Insurance Service. Replacing those who left with individuals who were both sufficiently skilled to handle sophisticated forms of insurance and also willing to work within church structure was not an easy task.

For all these reasons Gencon began to lose customers. Even the leadership of the Adventist health care systems, the founda-

tion of Gencon's success, grew increasingly concerned over the turnover at Gencon and began to question the ability of the changing faces of management to maintain the technical expertise necessary to operate the programs which had been started under Marsh's leadership. The large Central California and Michigan conferences withdrew their contracts from Gencon and placed them with non-Adventist insurers.

Finally, in the fall of 1983, Charles Frederick was asked to become project coordinator for relocating the General Conference headquarters, and Stanton H. Parker, since 1975 the head of risk management for Loma Linda University, was invited to succeed Frederick as president of Gencon. Interestingly, Parker had gone to Loma Linda University after leaving his post as manager of Gencon's branch office in Riverside.

Even before moving his home from California to Washington, D.C., Parker took action in several areas. Costs were cut. For example, services previously offered cost-free to clients were trimmed, such as the registration fees of representatives from client organizations (conferences, hospitals, colleges) attending Gencon's annual professional development conferences.

Parker moved aggressively to reinforce the confidence of major client groups, such as Adventist colleges, hospitals and conferences, in Gencon's capabilities. Whether these actions, or an improving economy, are the reasons, the Central California Conference has re-signed with Gencon, under an arrangement involving property coverage for

the entire Pacific Union. The Michigan Conference returned as well. In addition, for the first time, Loma Linda University and Medical Center, Parker's previous employers, contracted with Gencon to manage their risk management department. Gencon has also developed programs where it, instead of companies such as Blue Cross, administers health insurance plans for Adventist institutions such as the Southern California, Southeastern California, Oregon and Washington conferences.

Internally, some of the staff, still keenly aware of Gencon's recent operating losses and fearful of staff cutbacks, initially found it hard to accept Parker's creation of two new vice presidential positions.

However, Parker says, "Salaries are still an issue, but I think we can continue to perform and maintain a professional staff level remaining a part of the General Conference." Certainly administrators and employees of denominational organizations whose general liability and property insurance is written through Gencon will continue to watch its stability with keen interest.

The Adventist membership as a whole may well ponder what lessons Gencon's experience teaches about the viability of the denominational wage scale, the authority of the General Conference, and the importance of technically trained personnel in operating the church's multi-million dollar organizations. What happens in the high-rise on Carroll Avenue will no doubt illuminate the future relationship of the General Conference to its large institutions.