

1 As of December 31, 2015, the Annuitant Health Insurance Contingency Fund held a balance of \$8,985,134 after
2 transferring \$467,618 to the Annuitant Health Insurance Account to avoid a negative balance in that account at year-
3 end. In 2015 approximately \$3,055,204 came into the Contingency Fund (representing the 2% clergy and staff salary
4 contributions toward the cost of health insurance) plus the Centenary Fund's annual contribution (in excess of
5 \$300,000, separate from their \$100,000 contribution directly to the Annuitant Health Insurance Account).

6 **The Board Itself**

7 The Conference Board of Pension and Health Benefits endeavors to serve the Conference and the needs of those in
8 ministry. There continues to be much to accomplish, especially in the challenging field of health insurance. Christ
9 strengthens us to meet these challenges and we pray for the Holy Spirit to guide and inspire our actions.

10 Current leadership is Rev. Paul Zorn, Chair; Donna Hough, Secretary.

11 Submitted by Paul Zorn, Chair

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15 **Report**

16 Property and Liability Insurance Program of the Board of Trustees

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18 **2016 Insurance Renewal:**

19 The 2016 insurance renewal process resulted in a \$129,721 premium increase or 3% versus the 2015 costs. This
20 includes a re-inspection of all conference properties which were completed by 12/31/15. In 2011, Hurricane
21 Irene damages, and a total fire loss, contributed to a 189% loss ratio for the property insurance. There were also
22 adverse claim developments for the workers' compensation coverage resulting in a 110% loss ratio for that line
23 of business. In 2012, Super Storm Sandy damages resulted in a Conference loss ratio of 129%. In addition, there
24 were several significant workers' compensation claims for the 2012 - 2013 policy term. The Conference has
25 been with Mercer Insurance Company for most of its coverage since 2004, and has an overall loss ratio of 80%.
26 The Board of Trustees believes the long term relationship with Mercer, and Sovereign's negotiations on our
27 behalf, allowed the Conference to avoid a steep premium increase or an outright non-renewal of insurance. In
28 2013, the wind damage deductible was increased from \$1,000 to \$5,000 for 98 churches that fall into the
29 insurers wind hazard zone. Most carriers are now imposing percentage deductibles for wind zones, such as 3%
30 of insured values, so the deductible increase is the better option for the Conference. In the event of a wind loss,
31 the Board of Trustees intends to cover the increased wind damage deductible for affected churches from its
32 surplus funds. The insurer continues to cover up to 25% more than the declared property value of any church,
33 providing a level of protection from unexpectedly high damage reconstruction costs. Mercer has re-inspected
34 and re-appraised all Conference owned properties.

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36 **Workers' Compensation:**

37 The Workers' Compensation coverage is with Church Mutual Insurance Company effective December 1, 2013.
38 Workers' Compensation premiums were increased from \$418,052 to \$629,426 due to a statewide rate increase
39 in New Jersey, adverse claims development, and an experience modification factor increase.

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41 **Automobile Insurance:**

42 The Board of Trustees continues to make available a voluntary automobile insurance program for church-owned
43 vehicles. The 2016 premium cost is just under 1% than in 2015. Each church has access to this insurance
44 program and pays the premium cost for any vehicle insured.

1 **Claims Experience:**

2 As previously noted, the Conference loss ratio was very unfavorable for the 2011, 2012 and 2013 policy years
3 due to several large loss events. The Board of Trustees believes Mercer Insurance understands well the nature
4 of the GNJAC loss exposures and reacted in good faith with the 2016 renewal after those three consecutive
5 unprofitable years. However, if losses continue in this fashion they could negatively impact the overall cost of
6 insurance; our current three year loss ratio with Mercer is 82%.

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8 **Large Losses:**

9 The unfavorable loss experience of those three years were driven by large losses each year. In 2011 the
10 Conference sustained nearly \$900,000 in Hurricane Irene claims from 66 churches and a fire loss totaling over \$2
11 million. Super storm Sandy losses in 2012 totaled \$1.8 million from damages to 134 churches. In 2013 \$4.2
12 million in losses from two workers' compensation claims were sustained.

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14 **Parity Implementation:**

15 The Parity Implementation Plan approved at the 2007 Annual Conference session continues to be implemented
16 according to the original plan. In 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and again for 2016, the Board
17 of Trustees has funded parity relief from Board of Trustee's fund balances.

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19 **Surplus:**

20 The Board of Trustees endeavors to complete each policy year with a positive fund balance. The accumulated
21 surplus is used to cover uncollectible premiums, fund cash flow in order to pay insurers timely, pay deductible
22 differentials, and fund parity relief. Surplus is also potentially needed to offset future rate increases and
23 uninsured/underinsured defense costs and losses as prescribed by the Cabinet.

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25 The Board of Trustees believes that it is crucial to maintain the surplus position given the adverse claim
26 experience of the past three years. The Board anticipates no addition to the surplus position in 2016.

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28 **Summary:**

29 The Board of Trustees encourages each church to take advantage of the assistance available through Sovereign
30 Insurance (800-222-4478), the Conference insurance program's broker. The Conference insurance program
31 does not include flood insurance. We remind churches, particularly those located in a flood zone, of the need to
32 purchase flood insurance; Sovereign Insurance is prepared to help with that process.

33 Rev. Clifford Still, President

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35 **Report**

36 **Commission on Religion and Race**

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38 *"To do righteousness and justice is more acceptable to the LORD than sacrifice." Proverbs 21:3*

39 At outset, I would like to thank the members of the Greater New Jersey Commission of Religion and Race (GNJ
40 CORR) and the members of the GNJ CORR Monitoring /Advisory Team for their work and valuable contributions
41 to this ministry. GNJ CORR is called to engage in activities consistent with role of the General Commission on
42 Religion and Race (G CORR). "G CORR is the core agency within the United Methodist Church tasked with
43 empowering the Church to pursue racial equity and cultural competency to build a stronger, more vibrant
44 UMC." Similarly, GNJ CORR is charged with this same task in the Greater New Jersey Conference (GNJ). By
45 promoting full and equal participation of the racial and ethnic constituency in the total life and mission of the
46 church, GNJ CORR seeks to empower clergy and laity to develop transformational leaders and vital
47 congregations.