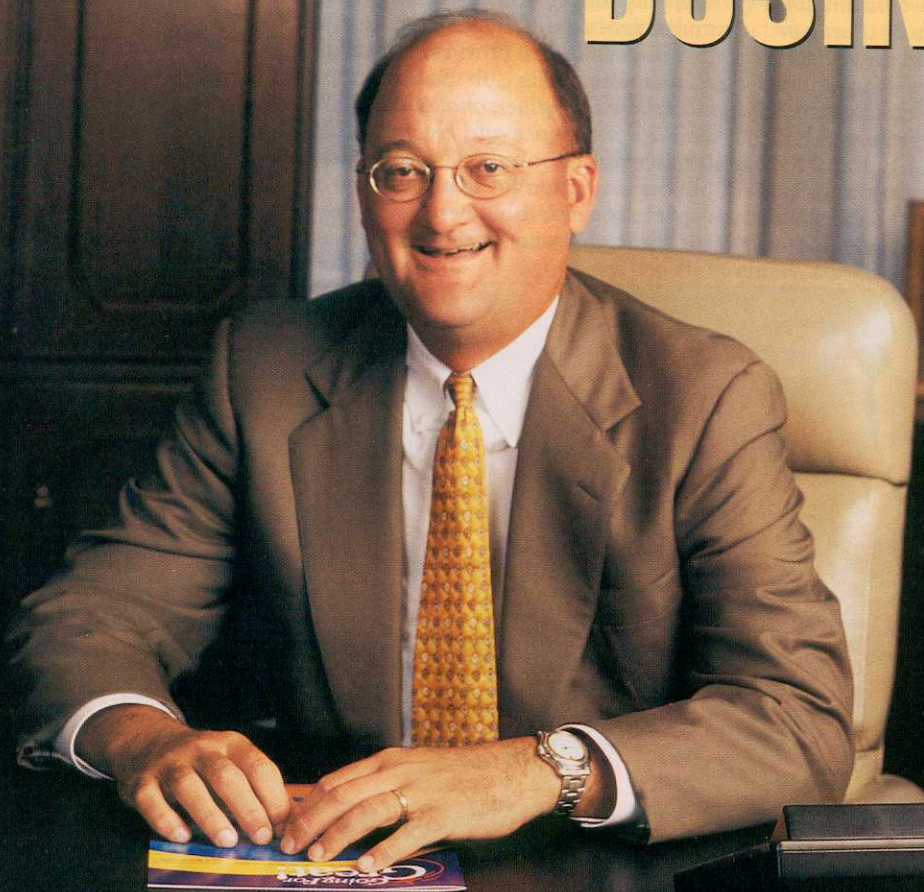


GUIDEONE FOCUSES ON CORE BUSINESS



James D. Wallace is president/CEO of GuideOne Insurance.

Company adds value by educating churches in risk management

By Phil Zinkewicz

In Florida, an unknown assailant raped a 13-year-old girl after she had entered a church for a Sunday evening choir practice. In Iowa, a church was burned to the ground by an arsonist. In Louisiana, a gunman killed his wife and child at their church. In Wisconsin, a pastor was arrested as he tried to arrange an encounter with a juvenile he had met over the Internet.

On the other hand, in Ohio, a man's life was saved by a church member who had been part of the church's CPR program. In California, a gunman admitted that he had passed by and did not bother three houses of worship that had security stickers on their windows. A church in the Midwest initiated audits and detected a case of embezzlement. Many churches across the country that have performed background checks on prospective employees have prevented convicted felons and pedophiles from being hired.

People used to regard houses of worship as being safe and sacrosanct, far removed from the vagaries of the world, the flesh and the devil. However, recent press coverage of alleged wrongdoing by priests and ministers reveals that religious institutions no longer are viewed as inviolate. Now, more than ever, houses of worship need sound risk management tools to mitigate losses from the exposures they face.

One insurance company that has recognized this need is GuideOne Insurance, a West Des Moines, Iowa-based underwriter that specializes in insuring and providing risk management services for churches, not-for-profit senior living communities, schools and colleges. GuideOne also provides personal lines insurance products, such as standard auto, homeowners and life insurance. But, in addition to these insurance products, the company has embarked upon a crusade of sorts to provide churches around the country—even those that are not insured by GuideOne—with a set of standards

intended to upgrade their risk management and loss control efforts.

Risk management for churches

Jeff Hanna is executive director for the church division of GuideOne's Center for Risk Management. He says that churches are more and more becoming targets of crime, misconduct, lawsuits and allegations. "Though we see a growing number of churches and church people being severely impacted by crimes, losses and lawsuits, there are some church leaders who continue denying that such things could happen in their church setting," says Hanna, whose history includes years of service as a church pastor and as a detective.

"People's lives and ministries are being shut down, sometimes by the negligence of church leaders," he says. "According to James Cobble of Christian Ministry Resources, a survey of more than 1,100 churches revealed that only one in five churches has a risk management program in place. And, in that same group, one in 50 reported being sued, and an unbelievable 40% had filed an insurance claim during that same period."

Hanna says that before 1980, very few lawsuits were brought against houses of worship. However, in the past 20 years, there has been a steady rise in the number of claims and lawsuits being brought against churches and religious leaders. "Moreover, the monetary judgments against churches and church leaders continue to rise substantially beyond most church budgets," he says.

Of course, what first leaps to mind is all the negative publicity that the Catholic Church has received because of the priest-child abuse problems. Hanna and Tom Farr, senior vice president and general counsel for GuideOne, say that, while these allegations have dominated the press in the last year, such incidents are not the leading cause of losses among churches. "I'm not minimizing the allegations," says Hanna. "Far from it. But the frequency of such incidents is

lower than might be assumed by reading the papers."

Tom Farr added that GuideOne insures more than 50,000 churches and that the company has seen perhaps 120 such claims. "Moreover, even though there seems to be a lashing out at the Catholic Church, the limited number of claims we've seen cross every denomination."

Hanna says that the most frequent claims seen by GuideOne include the average slip and fall claim, fire losses and transportation losses due to unsafe vehicles. For example, in this last category, Hanna refers to an incident in which the driver of a church van fell asleep at the wheel while driving back from a church mission trip. The church van crashed, leaving several members dead and others severely injured. It was reported that none of the van's occupants was wearing a seat belt.

"Each year, we read about accidents involving church vehicles or groups involved in accidents in private vehicles while engaged in the ministry," says Hanna. "Tragically, people are killed and permanently injured in these accidents. Such accidents can severely impact or even shut down vital ministries of the church. The pain, guilt and trauma to a church can be immense. No amount of money can replace what is taken in such incidents," Hanna says.

A study of insurance claims indicates that many of these accidents are preventable, according to Hanna. They often involve inadequate and unsafe equipment, poor training, improper supervision or negligence, he points out. "A church transportation policy that is properly followed can significantly reduce the severity and frequency of many accidents. This policy should be in place in every church, regardless of whether the church owns its own vehicles," warns Hanna.

Rolling death traps

The company has embarked on a campaign against 15-passenger vans, which he calls "rolling death traps." He says that claims regarding

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15-passenger van rollovers have increased dramatically. He says also that statistics from the National Highway Traffic Safety Administration show that such vehicles have a rollover rate of more than three times the rate of those that accommodate fewer passengers. "The reason churches gravitate towards these types of vans is that they are a little less expensive than a bus to purchase. In addition, anyone can legally get behind the wheel, even volunteers with a basic driver's license."

To raise policyholders' awareness, Hanna says, GuideOne agents are speaking to church boards, consumer groups and school administrators,

spreading the word that a 15-passenger van is a poor transportation choice to buy, lease or rent. In fact, according to Jan Beckstrom, GuideOne chief operating officer, the company isn't accepting new business from congregations with 15-passenger vans and is directing them to an alternative market.

GuideOne also offers safety tips for churches that do have such vehicles. Those tips include removing the rear seat, frequently checking tire inflation and wear, requiring passengers and the driver to wear seat belts at all times, conducting driving record checks and driver training. In fact, a good deal of what the GuideOne Center for Risk Management does is

available to churches it does not insure. "About 15% of our research goes out the door to non-paying policyholders," says Hanna. We also conduct safety seminars that are open to all. We have a Web site that people can log onto—guideonecenter.com—to get safety and risk management information. We want to help all churches become aware of risk management issues," he says.

Back to basics

In order to provide services that help churches avert risk (clients and non-clients alike), GuideOne has been undergoing a metamorphosis of sorts, or perhaps reincarnation is a better word. According to Jim Wallace, who recently celebrated his first year as president and chief executive officer of the company, over the past few years GuideOne lost sight of its original focus. He says that the company had established an expansion strategy that included corporate acquisitions. The plan was, he says, to bring GuideOne public. But that plan has since changed, Wallace explains.

"When I was brought on, my mandate was to re-focus the company on its core business. We are remaining a mutual insurance company and plan to stay one forever," he says. "We began as a 'total abstainer' underwriter, providing auto and homeowners to people who did not drink alcohol. From there, GuideOne branched out into churches and then to affiliated lines, such as senior citizen facilities and schools and colleges. But in the past few years, there was a move to expand into other lines of business with which we were not familiar. That was a mistake and we're correcting that now."

In the years prior to Wallace's arrival at GuideOne, the company had purchased four insurance companies. Today, the company has divested itself of three, and the fourth one is in the process of being sold. "We have also clamped down on spending, increased our rates to meet our exposures, tightened underwriting and established a policy of being more vigilant in the handling of claims. Bringing the company to profitability is my number-one goal," he says. "We are on our way to that goal since now we're showing a profit."

Wallace says that it was not only GuideOne's expansion strategy that brought about losses for the company. Market conditions for the past couple of years, he says, have been abysmal. "The year 2001 was a terrible one for the property and casualty insurance industry overall," says Wallace. "I

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Jeff Hanna is executive director of GuideOne's Center for Risk Management church division.

believe it is the first year, since records have been kept, that the industry did not make a profit."

Of course, one of the reasons for that was September 11, which brought about huge losses for the industry. Worldwide catastrophe losses have also

exacerbated the situation. Wallace says that GuideOne didn't have any exposures that were directly affected by September 11, but that the overall market has hardened considerably. "After years of a soft market, rates had to go up, and I think they're probably

going to go up even further," he says. "Perhaps the next round of rate hikes will not be as dramatic, but the industry has got to return to profitability." He added that, despite GuideOne's rate hikes, policyholders are sticking with the company. "We have a retention rate of close to 95%," he says.

There's no reason to believe that today's crippled stock market is going to cause GuideOne any difficulties. Wallace says that the insurer sold off all its equity investments about six to 12 months ago, before yields started to "drop like a rock." Says Wallace: "It's not that we were smarter than everyone else. The company was just becoming nervous because of all the market fluctuations. Most of our investments are now in corporate bonds."

By getting back to the basics—focusing on its core exposures in churches and affiliated institutions—GuideOne can expand its services by helping keep peace in houses of worship so they can truly be houses of peace. ■

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