

Economia[©]

A periodic publication of the Diocese of the South, Orthodox Church in America-Summer2024

SECOND QUARTER FINANCIALS

After many years as a faithful client, the collapse of a single tree in Dallas, Texas, which happened to land on the Chancery office, precipitated the cancellation of our insurance by Church Mutual. Not just the Property Damage insurance... all of it, with no offer or willingness to reconsider on different terms, like a higher deductible or renewal of Liability alone, leaving us to find another carrier for Property & Casualty.

Guide One appeared to be the first and most obvious alternative because of its association with the OCA. However, after their declination and that of 10 other carriers over a 95-day search, it became clear that we needed a different path forward. Dodging insurance industry moratoriums whenever another storm threatened just made matters worse. The way forward was naming an Agent of Record with sufficient muscle and experience to effectively represent our needs. Having had personal experience in other lines of business with Brown & Brown we took that step without hesitation and have now realized more effective representation.

Employing an agent that is obligated to represent us has already brought to light the unspoken reason for previous declinations. We knew that weather and climate fears were the spoken reasons that repelled carriers from Texas and coastal city risks. We did not know that underwriters are especially skittish over the potential for parish liability issues escalating to the dioc-

esan level with hierarchical denominations. This was a distinct possibility due to the hierarchical nature of our church, already in evidence in the case of Sts. Peter and Paul in Miami.

The properties for which the diocese has been assuming responsibility for

employment Practices Liability and Commercial Property coverages have been bound. The Property insurance covers St. Jonah, St. Paul and the Chancery properties. St. Nektarios' Property and General Liability coverages are in underwriting. ☩



**Host parish of the 2024 Diocesan Assembly
October 28-31, 2024**

<https://dosoca.org/events/2024-diocesan-assembly/>

insurance coverage are those which are Diocesan-owned, but which have not, heretofore, carried their own policies. The parishes in that category are: St. Nektarios, Waxahachie, TX; St. Paul, Denison, TX; and St. Jonah, Alpine, TX.

We are now pursuing a resolution of that dilemma that will require the assumption of individual responsibility by those parishes. The Diocese, of course, is also responsible for the Dallas Chancery Office. Barring any new revelations, we are getting close to solutions on all fronts, albeit considerably more expensive ones than was our past experience.

At this writing, the Workers Compensation, Directors & Officers Liability, Em-

ployment Practices Liability and Commercial Property coverages have been bound.

Whether a satisfactory resolution can be expected near term, will be left for others to conjecture. There are, however, some relevant observations to be offered from a purely financial standpoint. The principal reason for building Equity is to serve as a bulwark in the face of adversity, like household savings are a bulwark against lost income or extraordinary healthcare costs. The diocese has been building Equity since the 2019 charge-off of the Moundville, Alabama, property totaling \$277,148. Since then, over \$600,000 has been added to Equity. That is one of the reasons that we track financial benchmarks and seek to con-

THE FIRST HALF FOCUS

The Confucian curse, "That you should live in interesting times," might aptly typify the First Half of this year. Non-renewal of all insurance coverage at the onset of hurricane season would have been sufficiently alarming in itself if it were not also on the heels of mounting legal expense. The First Half saw Legal Expense reach \$456,443.00. That is after \$63,971.95 last year and before currently paid invoices in the amount of \$68,927.89 resulting in a cumulative total expenditure of \$589,342.84 of which \$525,370.89 has been incurred in

continued below

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serve resources. But there is no conserving if there are insufficient resources in the first place. That is where Tithing is vital to our financial well-being. It is the only source of diocesan revenue, so it is always gratifying to report that year after year, our parishes and missions regularly tithe in amounts that exceed the previous year. Finally, conserving those resources by managing operating expense and other outlays preserves Liquidity, so the DOS has sufficient Cash On Hand to absorb both ordinary and extraordinary expenditures such as these Legal Fees ☩

FINANCIALS AND DASHBOARD NOTES

At June 30, Tithe Income exceeded last year at the same date by 8.45% totaling \$739,023.55, virtually assuring that Total Income will exceed the Budget and Forecast target by more than \$100,000. Total Expense stood at \$1,178,327.17, exceeding the Budget and Forecast by \$490,942.49, the bulk of which is the consequence of hefty Legal Expense. For the sake of comparison, without the Legal Expense, the DOS financial operations would be in the black and well ahead of Budget rather than logging a negative Return on Assets of 45.6%, i.e. a loss of \$439,303.62.

As referenced in previous reports, among the operating accounts, the DOS Administration Account with its multiple sub-accounts, is the most subject to management direction and control. To accurately depict underlying financial operations, it is helpful to view those results absent Legal Expense, revealing total Diocesan Administration Expense of \$240,274.52, which is less than the year-to-date Budget and Forecast of \$267,634.66 by \$18,360.14.

Liquidity remained healthy at 15.5% of Assets, or \$1,139,140.06 Cash on Hand, and Leverage remained moderate with invested Assets at 1.31 times investible funds. ☩

NOTEWORTHY TRANSACTIONS

In addition to the routine transactions conducted on a regular basis, several financ-

ing/funding events occurred during the Second Quarter:

Holy Cross Orthodox Church

Kernersville, NC
Initiated Participation in Managed Debt Program

Orthodox Christian Mission of Arlington, TX

Mission Planting Grant of \$1,000/mo for 36 months, effective July 1st

Rev. Fr. Silouan Cohen

St. Paul the Apostle, Denison, TX
Three-year compensation support plan effective August 1st

Rev. Fr. Philip Kontos

St. Herman of Alaska
Lake Worth, FL
Orthodox Christian Coaching Grant

Daniel Werner

St. Athanasius, Nicholasville, KY
Enrolled in Seminarian Debt Support Plan

Individual Loan Consolidation

Lender's three outstanding loans consolidated into single, new Note

DONATIONS PORTAL

Continuing at about the same pace as last year, eighteen parishes benefited in the First Half from \$91,123.96 received via 253 transactions. ☩

SOME CHURCHES LOSE COVERAGE AS

INSURERS HIT BY A WAVE

OF STORM CLAIMS

BOB SMIETANA - RELIGION NEWS SERVICE | AUGUST 12, 2024 05:00 AM

[Excerpts from an article that first appeared on ChristianityToday.com on August 12, 2024. Used by permission of Christianity Today, Wheaton, IL 60187]

For churches that lost their insurance, finding replacement coverage is difficult. That's in part because churches are a niche market that's difficult to insure and full of risk, say experts. They are open to the public, work with everyone from infants to senior citizens, sometimes house social service programs, are run by volunteers and often have large and expensive buildings.

"Churches also operate with little

oversight," said Charles Cutler, president of ChurchWest Insurance Services, which works with about 4,000 churches and other Christian ministries. "Because of the First Amendment and the separation of church and state, ministries are largely unregulated," said Cutler. "And unregulated businesses are difficult to underwrite."

The church insurance market, like the insurance industry overall, has been hit with a perfect storm in recent years. Supply chain shortages for construction materials that began during the pandemic have driven up the cost of rebuilding after a disaster. When the cost of rebuilding goes up, so does the size of claims, said Cutler. That led insurance companies to raise their rates in order to cover those claims.

Then a series of natural disasters hit the industry hard—including hurricanes, wildfires and what are known as "severe convective storms"—thunderstorms with extreme rain and wind that caused billions in damage last year, according to the Insurance Journal. Claims from those disasters have stressed the reserves that insurance companies use to pay claims.

Brad Hedberg, executive vice president of The Rockwood Co., a Chicago-based agency, said church insurers are facing pressure from the reinsurers—large companies such as Lloyd's of London that provide insurance to insurance companies so catastrophic claims don't overwhelm them. Those companies are looking to reduce their exposure to certain types of claims—meaning church insurers can't offer as much coverage as they did in the past.

Hedberg, who works with churches and other ministries, said he spends a lot of time helping clients keep the insurance they already have and reduce their risk of filing claims. That means making sure churches have policies in place for everything from abuse prevention to who gets to drive the church van, as well as being proactive with building maintenance and safety projects. It also means being strategic in when to file a claim—and when to pay for a loss out of pocket. Churches should only tap their insurance for large losses—not small claims, he added.

"If small claims get filed, your coverage could be nonrenewed or your premium could go through the roof," he said. "The market is just that bad." ☩