GCE07 IMPLEMENTATION OF A CAPTIVE INSURANCE MODEL TO POTENTIALLY BENEFIT ALL UNITED CHURCH MINISTRIES

Origin: General Council Executive

1. What is the issue?

Over the last 3-4 years, insurance costs for congregations have increased by 50-100% with further increases likely. Insurance costs for other church ministries, regional councils and the denomination have also increased significantly, but not by the same magnitude. Insurance costs are an increasing cost pressure for all parts of the church and increasingly cited as a factor in church closure deliberations.

Insurance procurement decisions have always been the responsibility of local ministries. Insurance is typically purchased through an insurance broker and overseen by local trustees. The denomination has offered an affinity insurance program – currently labelled UCC Protect – for almost 30 years. Currently approximately half of all congregations participate in this program for property and comprehensive general liability insurance. This arrangement is supported by a national broker with provision for a local broker to be involved with commissions shared. Congregations also benefit from umbrella coverages for cyber risk and for Directors and Officers liability insurance which are both paid for through the General Council Office budget.

The vision and call statements approved by General Council 43 in October 2021 identified a strategic focus on nurturing Common Good defined as: Equity and Sustainability in Resources. The articulated goal is to "significantly increase denominational capacity and will to make decisions on properties and resources focused on the ministry of the whole church, enhancing equity, sustainability, right relations, and administrative efficiency and effectiveness."

The single most substantive opportunity identified to date is in the area of better controlling insurance costs and related risk management. Implementation of a self insurance program would save congregations well over $1 million per year with the potential to better control insurance costs in the future. This would require an investment of $3 million in seed capital from the Property and Building Fund to implement a captive model for self insuring. It would also entail taking on more risk in that significant adverse claims results would necessitate further investment. Feasibility studies confirm the viability of this approach.

Self-insurance is a well-established concept. In its simplest form, you are self insuring if you don't have insurance and simply choose to pay any claims within defined parameters that arise from your operations. In more sophisticated approaches, you in effect establish your own insurance company or pay into a pool-based on claims experience. This is a very common risk management approach. It does however mean you are taking on more risk and in our case the national corporation would be taking the risk, while much of the benefit flows to our participating congregations and ministries.

The United Church first commissioned a self insurance study in 2007 and at the time took no action. It was deemed – correctly – that the national church was too disconnected from local churches for there to be sufficient uptake. For several years now we have been communicating the potential savings from an "all in" program and congregational interest in same has intensified with the rapid escalation of premiums experienced in recent years. The existing block of UCC Protect participants is more than enough to make a self-insurance program viable. It is expected that the rate reductions will be appealing to those currently insured elsewhere. A further feasibility study was commissioned in Q4 2021 and the report affirms not only the feasibility but a compelling business case to proceed. The report has already been reviewed by subject matter experts and selected church treasurers who have provided comments and advice which have helped refine a proposed implementation plan.

From an implementation perspective, existing policyholders would receive their renewal documentation as usual – but potentially on a different insurance company's paper. Coverage provisions would be identical, except for the possibility of greater flexibility in dealing with situations where the existing scale of church would never be replaced. A key financial element is the substantial reduction of broker commissions, simplification and streamlining of administrative processes and the elimination of local brokerage commission. In this instance, policyholders and non-policyholders have been calling for relief, so we would not expect significant concern or turnover. Indeed, there is a greater likelihood of program growth.

Proposed is the establishment of a captive insurance company with initial funding of $3 million to support UCC denominational insurance needs around property and comprehensive general liability, added to the existing funding for umbrella pricing for cyber risk and Directors and Officers insurance programs. The goal would be to offer lower premiums and coverage flexibility for the property/liability coverage increasingly unavailable or highly priced by commercial insurers. Self-insurance is as well-established risk management strategy across many sectors and there is a 30 - year history of success in the US within the United Church of Christ, and many examples in Canada as well. Financial modeling by our consultant suggests that with future claims following historical patterns, we could offer rate reductions to all our ministries and build up reserves that would serve as protection from adverse results or even be flowed back to the church as dividends or donations. Given the potential volatility of claims, worst case or catastrophic claim events have been modeled and indeed the risk in this regard is the single biggest factor in a decision to proceed or not. One of the reasons for commercial insurers jacking up premiums is anticipation of worsening claim experience due to climate change, aging buildings and other factors.

A captive insurance company would pay a fronting fee to a Canadian licensed insurer for issuing policies on its "paper" supported by larger strong balance sheet. Based on modeling the most cost-effective approach, the proposed structure is for the captive insurance company to absorb 70% of the overall risk and have 30% reinsured. It would also purchase reinsurance for stop loss so that another insurer would pay any amount over $2 million per loss (property/liability) and pay all amounts over$8 million in total for a given year.

The captive insurance entity would need an independent board of directors to meet compliance obligations and operations would largely be outsourced at the outset to minimize execution risk. Captive insurance entities are most often domiciled in Barbados or Bermuda where tax treatment is favourable and considerable infrastructure exists for this business.

If General Council gives approval and the financial projections remain favourable, implementation would begin with policies renewing December 1, 2022 (with pro-rated transfer of March/June/September 2022 renewals) and new entrant underwriting proposal.

- UCC Protect participants renewing December 2022 would receive a 15% premium reduction based on full replacement value.
- UCC Protect participants renewing earlier in 2022 would receive a 30% premium reduction as they would have been levied with a further 15% increase in 2022. Provision has been made to transfer those policies on a pro-rata basis.
- New entrants insured at full replacement value would receive at least a 15% reduction in premium subject to underwriting validation.
- Greater flexibility in coverage amounts will be made available in early 2023.
- It is important to note that claims administration and underwriting would still adhere to industry standards and best practices. Otherwise the reduced premium for all goal would be eroded and not sustainable.
- Future insurance premiums would be more directly linked to actual claims experience and actual inflation.
- Participants would still need to meet standard risk management and risk mitigation requirements.

Over time, many entities choose to bring certain elements of insurance administration back in house to further improve the financial return and potentially to strengthen reserves.

2. Why is this issue important?

With all parts of the church confronting significant financial stress, this initiative has the potential to deliver tangible benefit to all our ministries as a demonstrable common good.

Implementing a captive insurance program would require an upfront investment of $3 million in seed capital to the new captive entity with the possibility of further investment should there be significant adverse claims experience. While the projected return on investment is significant and there is potential for the investment to be paid off, the initial focus needs to be on the financial strength of the captive insurance entity. Operating surplus needs to be built up in the captive entity in order to be able to readily absorb adverse claims experience down the road.

While this initiative could potentially have been implemented as a “regular course of business” decision, it is being brought to the General Council to amplify the common good theme and hopefully contribute to broad based buy in to common good initiatives which promote sharing and/or collective action.

3. How might the 44th General Council respond to the issue?

The General Council Executive recommends

That the 44th General Council approve the establishment of a captive self-insurance program as set out in sections 1 and 2, and the Appendix of proposal *GCE07 Implementation of a Captive Insurance Model to Potentially Benefit all United Church Ministries*; and authorize the General Secretary to implement the program.

4. For the body transmitting this proposal to the General Council Executive:

Transmitted with Finance Advisory Committee recommendation for approval. The Committee flags the potential need to invest further capital in the event of extreme adverse claims experience in the first year or two of operating the new model. This risk has been included in the feasibility study. There is also a risk of higher sustained inflation, which would create further upward pressure on insurance premiums. However this would be the case irrespective of how insurance is managed.

Appendix

United Church of Canada

Feasibility Analysis

Summary Table of Captive Results for Different Scenarios

Projected Financials - Corporate and Congregational premium reductions					
Scenario	Expected			Catastrophic	
Participation Rate	Core	Growth		Core	Growth
Net Premium to the Captive In Year 1	$3,104,624	$4,298,943		$3,104,624	$ 4,298,943
Annualized Before Tax Economic Benefit/ Cost of Captive	$1,041,321	$1,528,573		$(238,319)	$ 424,945
Retained Earnings at the End of the 5 Years	$3,260,604	$4,942,522		$(3,137,595)	$ (575,618)

Projected Financials - Congregational premium decreases only					
Scenario	Expected			Catastrophic	
Participation Rate	Core	Growth		Core	Growth
Net Premium to the Captive In Year 1	$3,233,178	$4,426,830		$3,233,178	$4,426,830
Annualized Before Tax Economic Benefit/ Cost of Captive	$1,185,422	$1,671,926		$ (94,218)	$568,298
Retained Earnings at the End of the 5 Years	$3,872,592	$5,551,332		$(2,525,607)	$ 33,193

In each scenario, there is an anticipated saving of over $1 million per year for congregations

Immediate savings to congregations targeted at 15-30% savings

Current inflation factor 3%

Self-Insurance - Business Case Considerations - Backgrounder

Self-insurance is a well-established concept. In its simplest form, you are self insuring if you don't have insurance and simply choose to pay any claims within defined parameters that arise from your operations. In more sophisticated approaches, you in effect establish your own insurance company or pay into a pool-based on claims experience. This is a very common risk management approach. It does however mean you are taking on more risk and in our case the national corporation would be taking the risk, while most if not all benefit flows to our congregations.

The United Church first commissioned a self insurance study in 2007 and at the time took no action. It was deemed - correctly - that the national church was too disconnected from local churches for there to be sufficient uptake. For several years now we have been communicating the potential savings from an "all in" program and congregational interest in same has intensified with the rapid escalation of premiums experienced in recent years. The existing block of UCC Protect participants is more than enough to make a self-insurance program viable. A further study was commissioned in Q4 2021 and the report received, review and endorsed by the Finance Advisory Committee in Q1 2022. This work was commissioned from our existing broker – Hub International on a discounted fee basis. The report has also been reviewed by subject matter experts and selected church treasurers who have provided comments and advice included in this note.

From an implementation perspective, existing policyholders would receive their renewal documentation as usual – but potentially on a different insurance company's paper. Coverage provisions would be identical, except for the possibility of greater flexibility in dealing with situations where the existing scale of church would never be replaced. UCC Protect decisions are already made nationally and we have previously changed brokers and insurance companies as needed to help contain costs. For example, most recently:

- In 2010 we switched brokers
- In 2016 we switched insurance companies in order to avoid premium increases and notified policyholders of this on their renewal.
- In 2017, we increased the self-insurance component to $50,000 per loss

In this instance, policyholders and non-policyholders have been calling for relief, so we would not expect significant concern or turnover. Indeed, there is a greater likelihood of program growth.

Base Case or Proposal

Establishment of a captive insurance company with initial funding of $3 million could support UCC denominational insurance needs around property and comprehensive general liability. This includes congregations, regional councils and the denominational council, but could potentially be expanded to include other ministries. The denomination already provides umbrella coverage for cyber risk and Directors and Officers insurance programs. The goal would be to offer similarly structured lower premiums and coverage flexibility for the property/liability coverage increasingly unavailable or highly priced by commercial insurers.

Self-insurance is as well-established risk management strategy across sectors and there is a 30 - year history of success in the US where the United Church of Christ launched this initiative in the early 1990s and now has an entity that offers this coverage to other denominations as well. There are many examples in Canada as well. Financial modeling by our consultant suggests that with future claims following historical patterns, we could offer rate reductions to all our ministries and build up reserves that would serve as protection from adverse results or even be flowed back to the church as dividends or donations. Given the potential volatility of claims, worst case or catastrophic claim events have been modeled and indeed the risk in this regard is the single biggest factor in a decision to proceed or not. One of the reasons for insurance companies dramatically increasing premiums is anticipation of worsening claim experience due to climate change, aging buildings and other factors.

A captive insurance structure is typically based offshore and pays a fronting fee to a Canadian licensed insurer for issuing policies on its "paper" supported by larger strong balance sheet. Barbados and Bermuda are the two most established jurisdictions for this concept with well established infrastructure. Based on modelling the most cost-effective approach, the proposed structure is for the captive insurance company to absorb 70% of the overall risk and have 30% reinsured. It would also purchase reinsurance for stop loss (all claims within $2 million per loss, or overall retention totaling over $8 million in a year paid by another insurer). The company would need a board of directors but operations would largely be outsourced.

Risk Management and Evaluation Criteria

Reputational Risk

1. Is the offshore structure necessary?

The off-shore structure is very common in Canada for both the for-profit and non-profit sectors for organizations that are national in scope. Captive insurance entities are most often domiciled in Barbados or Bermuda where tax treatment is favourable and considerable infrastructure exists for this business. In Canada, Non-Profits with Captives include:

- Canadian Blood Services - Captive Location: Bermuda and BC
- The Catholic Church / The Catholic Religious Self-Insurance Retention Program (CRSIRP) - Barbados
- Ontario Nurses Association – Barbados

2. Is there evidence of success in the faith sector?

In the US, this approach has been in place for the faith sector for decades. https://www.insuranceboard.org/. The United Church of Christ established its Insurance Board starting out when the conferences (regional judicatories) wanted to self-insure in an effort to control costs and secure coverage unique to churches (liability for ministers, D&O for trustees, old/historic buildings, etc.). It has since grown over the last few decades to become an independent insurer for UCC-USA, Disciples, Presbyterian, Reformed and Evangelical Lutheran churches—although it identifies very strongly with the UCC, is headquartered at the UCC national office, and most of its board members are UCC. This is how a senior United Church of

Christ leader described it: “The main takeaway is that, overall, going to self-insurance has been a very good experience for us. There were hiccups to be sure, but not unexpected in a complex field like insurance! “

3. **Is there potential adverse publicity arising from cutting out the local broker?**

Approximately 60% of existing UCC Protect policyholders have a local broker. There are undoubtedly strong local customer relationships, but church insurance is a specialty area and increasingly we hear complaints about broken telephone. A truly professional broker could and should recommend a program that delivers the same or better coverage at a lower price. While there may be concerned voices, we feel this approach can be easily defended and the number of people moving their account out or not transferring in for this reason will be modest.

4. **What is in it for the national broker? Why are they supporting this?**

Their job is to help identify the full range of risk management options. This arrangement changes the structure of their compensation and on aggregate reduces it substantially. The primary saving comes from elimination of the local broker fee (60% x 8% (1/2 of 16% total allocated to Hub/local broker) x full premium) and the national broker also sees reduce fees (7.5% x 70% x premium + 15% x 30% excess premium). Overall, based on the existing participation level, the brokerage remuneration is cut by 50% aligned with a streamlined more accountable service model.

5. **When claims adjudication disputes arise, is the national church at risk of being seen as the bad guy?**

Contentious claim and coverage disputes are not uncommon. It will be very important to communicate that claims adjudication **<u>will be and must be</u>** managed by professionals to industry standards and contract wordings.

6. **If there are multiple bad claim years necessitating re-capitalization can this be a story about having “bet the church”?**

Claims experience can be volatile and we should not enter into this without being prepared on a worst-case basis to recapitalize twice. However, adverse claims experience would cause any insurer within all structures to increase premiums, so the cost to congregations would increase in any case irrespective of insurer or insurance financing model.

7. **Does moving to self-insurance in any way change coverage for class action or potentially massive claims (e.g. sexual abuse claims re a predator minister, or further and different claims arising from indigenous history)?**

There would be no change to existing coverage maximums or limits. Any payable claim in excess of $8 million captive aggregate exposure would be covered by excess layers in any case.

8. **Captive versus reciprocal.**

Why captive for UCC?

Many Canadian institutions (professional societies, schools, hospitals etc.) do self-insurance on

a reciprocal basis. However, the captive structure is consistent with existing customer expectations and provides greater likelihood of financial stability.

Reciprocal - This is an alternative model to setup an owned insurer, where each participant would sign an agreement to participate for a minimum of 7 years with 2 years prior notice of exit. Conceptually this facilitates a lower up-front capitalization amount (this approach was taken with various publicly-funded groups: e.g. Hospital Insurance Reciprocal of Ontario (HIRO), Canadian University Reciprocal Insurance Exchange (CURIE), Ontario School Boards Insurance Exchange (OSBIE).

This has lower upfront costs, but assumes participants are going to be around for annual top-up levies. Given the extent of church closures and amalgamations expected over the next decade, after-the-fact-collection becomes impractical and does not provide the requisite financial stability

Captive - UCC capitalizes an insurance captive as new entity with $3 million to establish a financial foundation. Initial scenarios contemplated a 15% premium reduction for congregations and NONE for the corporate program. This was done to maximize insurance reserves available to withstand volatility. However, in order to deliver a tangible benefit to the denomination (as opposed to having all benefit flow to congregations with denomination taking all the risk), we have also modelled the numbers with the same premium savings for corporate programs. As expected, this weakens the numbers but does not change the fundamental economics.

Based on current UCC Protect insurance program participation and historical loss trends, along with cost savings referenced above, the captive premium in year-1 would be $3.2 million with estimated with projected 5-yr. annualized retained earnings $3.9 and lowest cash balance cash balance of $2.4 million. The financial picture improves further with broader congregation participation level. As a potential down-side scenario a selected worst-case example with $8 million losses in year-1 would necessitate a recapitalization of $3 million. (FYI - $8 million is the proposed stop-loss trigger point capping captive payout for claims within $ 2 million retention). The captive premium is slated to represent 70% of the total premium of $4 million.

Claims experience can be volatile and we should not enter into this without being prepared on a worst-case basis to recapitalize twice. However, adverse claims experience would cause any insurer to increase premiums, so the cost to congregations would increase in any case irrespective of insurer or insurance financing model.

Value and Purpose

1. **Does this arrangement align with the recently approved vision and strategic plan of the UCC?**

A key element of the strategic plan is a focus on connection and common which on the business side of things we interpret as delivering demonstrable value and being in it together.

2. **Is this insurance arrangement onside with church polity?**

Insurance is NOT a responsibility of the General Council or Regional Council. Polity is silent on shared service arrangements and speaks only to the local trustee responsibility to ensure "adequate insurance". The church new funding model approved in 2019 did implement an unprecedented degree of sharing of resources (assessment and M&S) across the country. The 2022 strategic plan affirms "common" good as a key strategic focus.

3. **What is the reason we are pursuing this now? What is in it for the broker?**

Recent insurance cost escalation and COVID impacts generally have sensitized congregations to the potential of procurement savings. Congregations already get D&O and cyber coverage on an umbrella basis. National broker compensation will be converted to an admin fee structure with reduced total compensation. The benefit to the broker is streamlined administration and potential program growth.

4. **Has this approach been successful elsewhere?**

Yes. As described elsewhere.

5. **Do the necessary partners have an existing relationship with UCC? What has our experience been?**

There would be RFP process (led by Hub) for the fronting company and reinsurers to agree acceptable rates – or abort the idea. Insurers would need to demonstrate the requisite financial strength and commitment to the market. We have a longstanding relationship with Hub which is the largest in the country.

6. **What is the partner organization's reputation with the public and with our existing policyholders?**

Hub would score poorly on customer service over the last year as policy renewals have been delayed due to much tighter underwriting and the rapid escalation in insurance cost. Having said this, some of the delay has been caused by delays +/or incomplete information supplied by the church/local broker. UCC Protect, in regard to product and price, benchmarks favorably to competing programs.

7. **Is there any reason we may not want to partner with any of the requisite stakeholders?**

No. We do need to get our head around the offshore structure and elimination of local broker. Any fronting company we choose will be well known.

8. **Is there alignment of values with the broker partner and a commitment to long term?**

Yes. Hub –and in particular John Chippindale – have reduced commissions and helped identify, implement and communicate various cost mitigation efforts.

9. **Does this structure attract or detract from efforts to build ecumenical shared services?**

Attract. A number of denominations have already expressed interest. We would not – or at least not at first- seek to share actual claims experience. It would be possible though to shared the fixed costs of the structure.

10. **What is the sizing of the current and future opportunity? What is the implication of ongoing consolidation of church properties to project feasibility?**

Self-insurance becomes feasible with regular premium volume of at least $1-2 million per year. There is adequate scale to maintain this program for as long as needed.

Feasibility

1. **Can we assume insurance markets are relatively competitive in Canada?**

Yes - the macro insurer financial performance has improved by 15% over 2 years (combined ratio - claims + expenses as % of premium - reduced from 103% to 88% improving profits). In addition, reinsurers have been disintermediated by primary insurer consolidation leading to buying less reinsurance, so reinsurers want to deal directly with captives to win back market share. In addition, risk quality focus has restricted primary insurer involvement with churches.

2. **If not, why should UCC invest $3 Million in this venture?**

This approach aims to address achieving 2 key elements (stable increased participation, and reduced overhead/frictional costs – whie participating in potential underwriting profit and investment income.

3. **Why is there a business opportunity here? That is, have the congregations been lumped in (pooled) with more risky endeavours? Or is the claims experience (risk) similar to the broad spectrum in the insurance pool?**

Churches have a challenged reputation (funding, alignment/commitment, price focused without risk management). As per proposal, by participating in the risk and potential rewards, there will be a greater focus on risk management, which we expect will attract reinsurers to be involved.

4. **Or, is the only rationale a redistribution of money to subsidize the insurance premiums congregations have to pay? If yes, what would be the cost of simply funding the subsidy rather than setting up an insurance company?**

There is no upside and a redistribution of money does not deliver the two key elements noted above. The benefit would only accrue to about half the congregations (those participating in UCC Protect) and the amount needed to deliver a 15% saving to just this segment would be $1 million per year.

5. **Does the United Church have the capacity to establish and manage an insurance company?**

As outlined, consistent with other groups that have successfully taken this step, UCC would

outsource operations and focus on the 2 key elements to establish the captive, then grow into taking over more management/admin to further reduce overheads to gain maximum cost containment.

6. **Does UCC have the staff and resources or can it reasonably acquire and manage the staff and resources required to:**
    a. **Manage the processes to establish the company, board and vendor relationships?**
    b. **Manage insurance policy issuance, premium collection, claims administration, data management and analytics and related financial and compliance reporting?**
    c. **Manage all the agreements supporting operations**
    d. **Monitor industry developments to support underwriting and pricing updates.**

The key at the outset would be to out-source as much of this as possible. Mature programs typically replace out-sourced activities over time to save costs and/or strengthen customer connection, but this would be considered some years down the road.

The third-party administrator (Hub) would handle all of (b) and most of (c) and (d). United Church staff time would be involved in (a).

Finance

1. **What is the financial strength and viability of the key partners? Broker and participating insurers?**

Hub is the largest broker in Canada (5th on global basis including United States) and has the necessary strong specialty expertise and administrative services to handle UCC's needs coast-to-coast. The selected participating insurers will be A.M. Best A rated.

2. **How attractive and robust are the project's projected financials including expected return, profitability, growth and cashflow?**

We have commissioned two core scenarios. The first is on the basis of holding corporate costs level and targeting premium savings to congregations only. The second applied savings to corporate coverages as well.

A 15% annual premium saving on corporate premium of $1.5 million is $225,000 annually. The savings to congregations would exceed $1 million per year.

This implies a notional annual ROI in excess of 30% on the $3 million investment. It is important to note however that most of the benefit accrues to congregations and not the body putting up the money.

3. **Do the projections allow for surpluses to accrue and to be retained for UCC's benefit?**

The initial modeling was aimed at delivering savings to congregations while holding

denominational costs level. Including a denomination cost saving offers a direct benefit to GCO. The immediate focus is retaining reserves in the insurance company to avoid recapitalization scenarios, but there is provision to flow monies back to the denomination in the form of dividends or even grants through a charitable structure.

4. **How much claim volatility can UCC and participant ministries absorb?**

This is the million dollar question. Claims experience can be volatile and we should not enter into this without being prepared on a worst-case basis to recapitalize twice.

5. **Is success dependent on the number of congregations voluntarily participating and how might they be incented to do so?**

Initial premium savings and existing policyholder base should be sufficient to achieve the requisite participation. A detailed communication plan would describe the transition process and the opportunity for new participants to join.

6. **Will elimination of local broker involvement impact participation rate?**

We believe the premium savings will be compelling for both existing UCC Protect policyholders and new participants

7. **Is there potential to share fixed costs with other denominations or faith groups?**

Yes. There is considerable interest in this from other denominations due to the price surge in traditional insurance markets.

8. **What is the potential to expand the program within the United Church?**

Based on the premium increases incurred by united churches we know of outside the program, we believe the potential is quite positive. Specifically, Newfoundland/Labrador already has an “all-in” program which we know has seen large premium increases. Similarly, there is a block of approximately 200 churches with another broker which again have seen large premium increases.

9. **What is the risk of not meeting the core target participation rate?**

This is difficult to quantify, but we expect robust participation because the program would deliver lower initial rates and the ability to offer more custom coverage. All customer feedback suggests strong appetite for both.

Operations

The key initially would be to out-source as much of this as possible. Mature programs typically replace out-sourced activities over time to save costs and/or strengthen customer connection, but this would be considered some years down the road.

Exit Strategies or Possibilities

1. What would be the financial impact of terminating this approach to insurance?

In the event that the captive model was ultimately discontinued for any reason, the group insurance program would be allowed expire and then congregations would go back to individually obtaining coverage in the open market. Captive premium surplus and profits would be maintained until all work-in-progress claims are finalized awaiting claims reserves to get paid. Any remaining funds would be directed to the United Church.

2. What needs to be done to ensure long tail abuse-related insurance coverage for claims not reported yet is secured?

The liability coverage is placed on an "occurrence" basis meaning that claims that occurred within the policy period are covered. The abuse liability coverage is on a "claims-made" basis meaning that claims reported during policy period are covered. If terminated:

a) Insureds would be instructed to report any/all potential claim incidents to the captive prior to expiry date
b) Future insurance placed would confirm coverage applies for prior act claims not reported to captive