

The Church Insurance Company of Vermont



CHURCH INSURANCE COMPANY OF VERMONT

A Report to Participants

Members of the Board of Directors



(seated) The Rt. Rev. Robert H. Johnson, D.D., Cecil Wray, Esq.,
the Rt. Rev. Claude E. Payne, D.D.

(standing) Michael J. Kerr, Vincent C. Currie, Jr., T. Dennis Sullivan,
Canon Karen Hanson, James Forsyth, Sheridan C. Biggs

Directors not pictured: The Very Rev. M.L. Agnew, Jr., David L. Brigham
(Chair), the Rev. Canon Carl Gerdau, Canon Joon D. Matsumura, Diane B.
Pollard, the Rev. Canon Joseph Y. Seville

The Church Insurance Company of Vermont

Board of Directors

David L. Brigham, Chair
The Rt. Rev. Robert H. Johnson, D.D., Vice Chair
Cecil Wray, Esq., Vice Chair
The Very Rev. M.L. Agnew, Jr.
Sheridan C. Biggs
Vincent C. Currie, Jr.
James Forsyth
The Rev. Canon Carl Gerdau
Canon Karen Hanson
Michael J. Kerr
Canon Joon D. Matsumura
The Rt. Rev. Claude E. Payne, D.D.
Diane B. Pollard
The Rev. Canon Joseph Y. Seville
T. Dennis Sullivan

**CPG Officers &
Executive Staff**

T. Dennis Sullivan
President

Jim Morrison
Executive Vice President

D. Roderick Webster
Senior Vice President and General Manager

Daniel A. Kasle
Treasurer

Barton T. Jones, Esq.
General Counsel and Secretary

Financial Security

CIC-VT is a well capitalized company with \$29.7M of surplus and a strong leverage ratio of 1.1:1 net premium writings to surplus at December 31, 2006. This strong financial position is an indication of the company's claims-paying ability and commitment to serve our clients, and we are committed to maintaining it.

Key Financial Measures

(000's)

	2006 Actual	2005 Actual
Gross Written Premium	46,052	42,695
Net Written Premium	31,502	33,470
Total Assets	108,773	103,078
Surplus	29,670	28,137
Premium to Surplus Ratio	1.06:1	1.19:1

Summary of Operations

(000's)

	2006 Actual	2005 Actual
Gross Premiums Earned	44,933	39,571
Net Premiums Earned	30,714	30,680
Net Income	1,663	(4,992)



A Message from the President

Dear Friends,

Unlike profit-driven insurance companies, the Church Insurance Company of Vermont (CIC-VT) exists solely to serve the churches and institutions of the Episcopal Church.

There is no more dramatic example of this ongoing commitment to those we serve than our response to churches damaged by hurricanes Katrina, Rita, and Wilma. That is why this report includes a feature story about the quality and rapidity of the services we provided to our policyholders — services that were widely recognized, including a letter of gratitude from the former Presiding Bishop — and the vital importance of the blanket flood insurance protection that we automatically include in our policies but other insurers do not.

This practice of offering direct support and superior products is not limited to occasions of damage and disaster. During fiscal 2006, over 2,300 clients were visited in their locations. Our operational effectiveness has been increased through the restructuring of the field office operation, improving responsiveness and efficiency. CIC-VT package policies now include Directors & Officers coverage, so clients no longer need to purchase this coverage separately. And the Episcopal Safety Program, our innovative risk management effort, has been expanded.

The growth and commitment of CIC-VT since its formation in 1999 continues to be impressive, evidence of the appropriateness of the company's mission and the institutional value of its program and services in support of the Episcopal Church.

Faithfully,

A handwritten signature in black ink that reads "T. Dennis Sullivan". The signature is written in a cursive, flowing style.

T. Dennis Sullivan
President

Our Mission

The mission of the Church Insurance Company of Vermont (CIC-VT) is to serve Episcopal churches and institutions in a financially responsible way, providing a property and casualty insurance program that is both higher in value and similar or lower in cost than the coverage available through for-profit insurance companies.

Because we are part of the Episcopal Church, we respect and understand the needs of our clients. We are keenly aware that the church is not a business but a unique insurance risk requiring custom-designed coverage. We make ourselves available 24-7 so that clients can get immediate answers to their concerns from individuals who have served them for years.

By offering the broadest portfolio of key insurance coverages available — including flood insurance, a vital coverage that is typically excluded by our competitors — we provide both protection and peace of mind. We also simplify insurance decision-making by providing core Episcopal Church buyers with a comprehensive, affordable “bundle” of all of the critical protections they need, in one value-priced package.

As the victims of Katrina who were insured by CIC-VT can attest, personal service and compassionate claim settlement are priorities for us, and our settlement process is both very fair and easy to use. In addition, we generally settle claims under \$10,000 within days of receiving an estimate of loss, and can replace destroyed prayer books and hymnals within days.

We also provide a set of risk assessment and management services that go beyond those provided by other insurers, including misconduct training materials, property valuations, and the Episcopal Safety Program.

Additional Risk Management Assistance

In addition to the opportunity to participate in the ESP program, CIC-VT participants receive an assessment of building values from **American Appraisal Associates**, one of the nation's most respected valuation firms. And **professional loss control assistance** is provided via the services of two outside engineering firms with special loss assessment capabilities, in order to provide recommendations and advice in complex situations.

Helping to safeguard church treasures and protect church people and property is important to us. So we provide a variety of **CPG website resources** on a wide range of risk management issues, including the care and preservation of stained glass windows, fine arts appraisals, working effectively with outside contractors, preparing a church and parish hall inventory, risk management and insurance basics for new vestry members, a self-inspection checklist, and more.

For more information, go to www.cpg.org/publications and click on "Property/Casualty Insurance".

Risk Management Programs and Services

Our Episcopal Safety Program (ESP)

The purpose of this valuable program is to help churches provide safer environments for worship and work. One of the program's guiding principles is that certain basic steps can reduce the amount of risk that congregations face.

CIC-VT supports the ESP program financially through payments to each participating diocese based on a percentage of the premium we collect. Together with the diocese, we identify someone to serve as Diocesan Safety Manager (DSM). The diocese uses the payments we make to compensate the DSM. Through our regional representatives, we provide training and ongoing support to the DSM. The DSM becomes the safety liaison with the congregation, ultimately completing a diocesan risk management survey highlighting any concerns and recommendations.

Working with the DSM, we identify areas of risk that need attention and make written recommendations for changes to improve or enhance safety; these often are as basic as relocating a fire extinguisher, securing a handrail, or removing loose carpet. CIC-VT works with the DSM, the congregation, and the diocese to implement recommendations, putting together a sensible timeframe for more extensive corrective safety measures. In the rare instance we have concerns about structural integrity, CIC-VT provides the loss control/engineering services of an independent professional.



Katrina, Rita, and Wilma: A story that epitomizes the Church Insurance difference



Our mission is to protect yours.

Talk to any church we insure in the states that were hardest hit by hurricanes Katrina, Rita and Wilma, and they'll tell you those are not just pretty words. They've experienced how our compassionate coverage protects Episcopal churches and institutions better than the competition.

Because those churches all had blanket flood insurance automatically included in their Church Insurance policies, they were protected when the unthinkable happened. It was a far different story for churches with other insurers.

Our hallmark: caring, responsive service

We immediately sent Church Insurance claims managers to the affected areas, sometimes with police escorts, to assess the damage of churches we insure and to offer assistance (see top photo).

We used our long-standing relationships with ServiceMaster and Church Restoration Group to bring direct and immediate assistance to churches we insure.

We immediately deferred collecting payments of property insurance premiums from parishes and dioceses most severely affected, assuring them that coverage would continue without regard to payment for the time being.

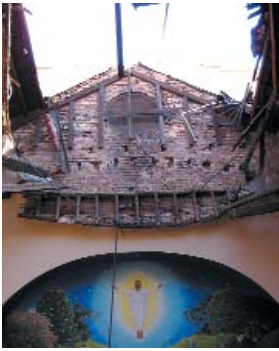
As the clean-up phase continued, CIC-VT participated in the *Weathering the Storms* conference, sponsored by CPG in collaboration with the Office of the Presiding Bishop, CREDO Institute, Inc., and other Episcopal entities, for bishops, clergy, and diocesan staff members and their families from dioceses ravaged by the Gulf Coast hurricanes. More than 220 participants received needed respite and counseling there in January 2006.

Covering what others won't, offering what others don't

CIC-VT is the only commercial carrier that has always provided flood insurance. This was an immensely important distinction during the hurricanes of 2005.

We offer flood insurance through our diocesan blanket flood policy, normally issued in the name of the diocese, with certificates provided





to all the parishes in that diocese that participate in that program. The policy limit is the combined limit of all the property in that diocesan policy, so there's no way an individual church will have too little coverage in the event of a claim.

In the Diocese of Louisiana, for example, the very high limits of the diocesan policy protected every participating church against the risk of having inadequate coverage for a big loss. As the Rt. Rev. D. Bruce MacPherson pointed out at the time, unlike the churches insured by CIC-VT, the approximately 20 Louisiana congregations not insured by us had to underwrite the loss of their buildings and property because their policies, written by other insurers, excluded water damage.

While flood insurance was the most significant of CIC-VT's special coverages at the time, it's important to note that, because CIC-VT is a captive insurance company providing coverage exclusively to the Episcopal Church, we are also able to "bundle" coverages in ways that are not allowed on the open market. In addition, our Directors & Officers policies include Employment Practices Liability — another coverage that other insurers omit. And recently, that D&O coverage was added to CIC-VT policies to avoid the need for separate purchase of this coverage.

Church Insurance: Protecting Episcopal people and property since 1929 — and counting.

The toll that those severe storms have taken on people and property cannot be overstated. Recent forecasts indicate that the likelihood of more such storms in the future is high. Whatever comes, you can take comfort in the fact that we will stand with you.

“Our customer service rep Eugenia Johnson, is excellent. On a scale of one to 10, she is an 11!!! We were amazed at how efficient our basement floor claim was taken care of, very smoothly and quickly.”

Angela Bader, Administrator
Emmanuel Episcopal Church
Webster Groves, MO

“[We] suffered a complete loss of... church building and parish hall due to a fire. The aftermath of this kind of loss was devastating... We have been very much in need of the support and guidance provided by John Webster, of your Claims Department, and the personal attention provided first by telephone, and this week in person, by your representative, the Rev. Charles Ramsden. Our thanks for making him available to us, and our compliments on his work.”

George Silides, Rector
Holy Trinity Episcopal Church
Juneau, AK

“Thank you for your final payment on the church’s claim... Your company, you, and Julie Collingwood have really gone the extra mile for us, and we thank you for all you have done!”

Bill Phillips, Junior Warden
St. John’s Episcopal Church
Silsbee, TX

“Thank you for Joan Hexamer. She was helpful in giving me information that I needed to know... She took a great load off my mind.”

Nancy Smith, Facilities Manager
St. Luke’s Episcopal Church
Kalamazoo, MI

“Everybody at Church Insurance has been a joy to work with. Michael Lindgren in your claims office... was able to get a small claim check out to us very quickly and it made the person suffering the loss feel like she was not forgotten.”

Bob Shackleton, Treasurer
St. John’s Episcopal Church
Quincy, Illinois

List of Diocesan Participants

Alabama
Alaska
Arizona
Arkansas
Atlanta
Bethlehem
California
Central Florida
Central Gulf Coast
Central Pennsylvania
Chicago
Colorado
Dallas
Delaware
East Carolina
East Tennessee
Eastern Michigan
Eastern Oregon
Easton
Eau Claire
Florida
Fond Du Lac
Georgia
Hawaii
Idaho
Indianapolis
Iowa
Kansas
Kentucky
Milwaukee
Lexington
Louisiana
Maryland
Massachusetts
Michigan
Milwaukee
Minnesota
Missouri
Montana
Navajoland
Nebraska
Nevada
Newark
New Jersey
North Carolina
North Dakota
Northern California
Northern Indiana
Northwestern Pennsylvania
Ohio
Oklahoma
Olympia
Pittsburgh
Quincy
Rio Grande
South Carolina
Southeast Florida
Southern Ohio
Southwest Florida
Southwestern Virginia
Spokane
Tennessee
Texas
Upper South Carolina
Utah
Vermont
Virgin Islands
Virginia
Washington
West Missouri
West Tennessee
West Texas
West Virginia
Western Kansas
Western Louisiana
Western North Carolina
Wyoming



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