

In This Issue

TNCRRG's
Sexual
Misconduct
Coverage
Reinstatement
Process

TNCRRG
Announces
Coverage
Enhancements

TNCRRG 2007
Winter
Meeting in San
Diego

**TNCRRG's Sexual Misconduct
Coverage Reinstatement Process**

The topic of this article will be "news" to some of our readers; a "refresher course" to others; and hopefully, clarification for everyone else. Note that I selected it specifically because of some recent excellent questions raised about the process, by a brokerage firm that represents many TNCRRG shareholders.

Let me begin my analysis with the recommendation that you direct your attention to the TNCRRG coverage form, and particularly, the Sexual Misconduct Limited Coverage Endorsement therein, to utilize as a reference while you read this article.

The need for a reinstatement process becomes evident when you read and review clause B., Knowledge of Sexual Misconduct, contained in section III. Exclusions, of our Sexual Misconduct Limited Coverage Endorsement (which hereafter will be referred to simply as "the endorsement").

The first paragraph of clause B. essentially stipulates that whenever the Bishop (or his canonical equivalent), Chancellor, Vicar General or Diocesan (or Trust in the situation of religious institutes) Insurance Manager (let's call these four the "knowledge recipients" for purposes of this analysis) becomes aware of actual, attempted or alleged sexual misconduct by an individual for whom the diocese/religious institute is responsible, from that point of knowledge coverage ceases for any future act of that same individual. Note that all prior acts by that individual that occurred after the retroactive date for coverage and before the date of knowledge by any of the four knowledge recipients will remain fully covered by TNCRRG, up to the aggregate limit per policy period.

While TNCRRG's reluctance and refusal to provide future coverage in such circumstances should be self-evident—why would we risk **every** shareholder's equity where a "smoking gun" has already been identified by an official and/or board of a diocese or religious institute—some related issues are not always so clear to our shareholder insureds.

One of these sometimes unclear matters is how one determines when the Bishop (or his canonical equivalent), Chancellor, Vicar General or Diocesan (or Trust) Insurance Manager has "knowledge?" A quick reading of the six enumerated items in clause B. of the endorsement will specifically and precisely answer this question. Another way to look at the question would be to stipulate that if the knowledge recipients don't have any of the information referenced and described in items 1 through 6, then they do not have knowledge.

Yet another matter of common misinterpretation is that TNCRRG is

focused on any and all knowledge, when in fact TNCRRG is **only** concerned about the knowledge that the so-called “knowledge recipients” have. So, for example, if a pastor and 3,000 members of his parish congregation all have knowledge of alleged or actual sexual misconduct by the parish school principal, but no one has told the Bishop (or his canonical equivalent), Chancellor, Vicar General or Diocesan (or Trust) Insurance Manager, then from the perspective of TNCRRG, no one at the diocese or religious institute has knowledge of anything.

The final area of common (almost consistent) confusion regards the determination of just what constitutes sexual misconduct. Here I must ask you to turn to your policy and find the definition of sexual misconduct, which is contained within section IV. Definitions of your policy (note that the definitions are listed in alphabetical order). It is critical that you understand that simply because a complainant (or anyone else) calls an act “sexual misconduct,” this does not mean that TNCRRG will interpret that same act to be sexual misconduct. For example, you will immediately note that TNCRRG **does not** consider sexual activity between consenting adults to be sexual misconduct (we would interpret this to be a personal injury or perhaps E & O claim, dependent upon the fact circumstances submitted to us). Similarly, we **would not** consider sexual harassment to be sexual misconduct (rather, we would consider it to be an employment practices related claim). Further, you will note in the beginning of the definition that we divide the definition to include sexual molestation and sexual abuse, both of which require “activity of a sexual nature.” Such activity would be that recognized by any reasonable adult as being truly sexual in nature. Consequently, we would not consider an allegation that a “priest patted me on the back in a sexual fashion” or “shook my hand in a sexual fashion” as being sexual misconduct, because we don’t think there is a “sexual” back pat or handshake. If you are ever unsure about such “judgment calls,” just submit your question to our Director of Claims Management—Steve Henne—and he will “go on the record” with a written opinion that your counsel or review board can rely upon.

Nevertheless, we recognize that circumstances exist wherein our shareholder insured understands all the coverage elements just reviewed; has followed the knowledge and reporting “paths” perfectly; has investigated the circumstances related to the accused individual; and has come to the conclusion that the individual is innocent, and therefore, deserves reinstatement of sexual misconduct coverage for his or her ministry. Specifically for these situations, TNCRRG has had a reinstatement protocol and process in place and active since January 1993. You can contact our underwriting or claims department to obtain the required reinstatement application.

Finally, you should know that the TNCRRG Board has directed the TNCRRG Stakeholder Relations and Strategic Initiatives Committee

to research the existent TNCRRG reinstatement process and report back in June with recommendations for altering or “streamlining” the process to make it most efficient and effective for our shareholders, without compromising its necessarily prudent protective nature.

~By Michael J. Bemi, President & CEO—TNCRRG

TNCRRG Announces Coverage Enhancements

TNCRRG is pleased to announce two new and valuable coverage enhancements—Volunteer Attorney Errors and Omissions Liability Coverage and Computer-Related Liability Coverage.

Both coverages are provided by endorsement. Both are written on a claims-made basis with an applicable retroactive date and its own separate aggregated limit. Both are presently offered by TNCRRG in the underlying layer only; i.e., the \$750,000 excess \$250,000 “buffer” layer. Both will attach automatically for each shareholder at its respective renewal date in 2007. Both coverages are provided **free of any premium charge**. Finally, both are written with very, very few exclusions and very, very broad insuring agreements.

We are aware of no other church insurer—Catholic owned or otherwise—that currently provides these coverages.

This type of coverage provision leadership is not something new to TNCRRG. For example, from its first day of operation in June 1988, TNCRRG provided full limits sexual misconduct coverage—at a time when only two other Catholic Church insurance companies represented the remainder of the market for this coverage, in the entire U.S. property and casualty marketplace. TNCRRG provided full limits D&O coverage from day one, although less than a handful of U.S. carriers were writing non-profit D&O in 1988, and they were doing so with exorbitant premiums and low limits. TNCRRG provided EPLI coverage in 1988—several years before the industry began doing so. Since then, TNCRRG has regularly introduced coverage enhancements and expansions that led the overall U.S. insurance marketplace. These included: Agricultural Drift and Landscaping Chemical Drift Coverage; Teaching and Research Laboratory Pollution Exception Coverage; Lead Hazard Coverage; Limited Professional Health Care Services Coverage; Parish Nurse Program Coverage; Fungal Pathogen Coverage; Diocesan Review Board Coverage; and now, Volunteer Attorney E&O Liability and Computer-Related Liability coverages. Meanwhile, while our friends and colleagues at Catholic Mutual Group introduced Innocent Person Defense Costs Coverage, TNCRRG’s version is the broadest such form available to the Church.

Finally, and critically, **all** of these aforementioned enhancements and expansions are provided to TNCRRG shareholders **free of premium charge**, with the sole exception of Lead Hazard Coverage.

We simply see coverage leadership as part of TNCRRG's overall commitment to optimally serve the insurance and risk management needs of the Church.

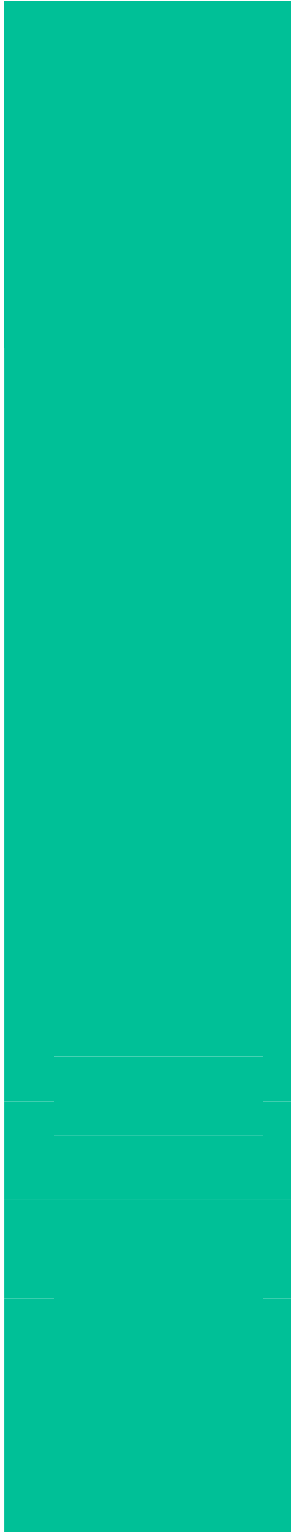
~ By Michael J. Bemis, President & CEO—TNCRRG

TNCRRG 2007 Winter Meeting in San Diego

The captioned meeting, based upon written evaluations submitted by our attendees, was a huge success. If you were unable to attend, here's what you missed:

- Reports—with a great deal of associated information, statistics, handouts, etc.—presented by the President & CEO, the Chair of the Audit Committee, the Chair of the Investment Committee, TNCRRG's outside investment consultant, the Chair of the Stakeholder Relations & Strategic Initiatives Committee and the National Director of VIRTUS® Programs and Services.
- Four 90 minute workshops—presented by recognized experts—on the following topics: Performing Appropriate Background Investigations and the Threat of Identity Theft; 15 Passenger Vans: The Problem and Options for Its Solution; Actuarial Concepts and TNCRRG Premium Development; and The Analysis, Settlement and Defense of Physical and Psychological Injury Claims.
- An afternoon claim/case clinic presented by Drs. Peter and Pamela Silvain, professors in the Georgetown University Department of Psychiatry and the Law, which allowed attendees to obtain advice regarding the resolution of difficult claims confronting their organizations, was provided free by these two acknowledged experts.
- Mass
- Two receptions, two breakfasts, two lunches and three breaks—all with ample, excellent food and drink provided.
- Exposure to exhibitors from fine organizations that offer products and services of great value to the Church.
- A golf outing for those so inclined.
- The opportunity to network with dozens of your peers.

With the exception of the golf outing, all of the listed programs and events are provided with no charge or registration fee for TNCRRG shareholders!



You may have missed this year's event, but there is no excuse for missing next year's! It will take place at the Sheraton Yankee Trader Hotel and Resort in Fort Lauderdale, between Sunday, January 27 and Tuesday, January 29, 2008. Be there. We are confident you will not regret it.

Please call us toll free at 877.486.2774 with any questions you may have.