



Catholic Mutual  
Connection



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# Catholic Mutual CONNECTION



An informational newsletter provided to the members of the Catholic Mutual Relief Society + Spring/Summer 2006

## There is Life after the storm

by Cheryl Harper, Operations Manager CMG's New Orleans Service Office

On Monday, August 29, 2005, Hurricane Katrina hit New Orleans. Reported as a category 5 hurricane that reduced to a category 3. We've always recognized the threat of extensive flooding if a major hurricane hit our city, known for being below sea level. The city is shaped like a bowl surrounded by Lake Pontchartrain and the Mississippi River. We are protected by a 350 mile levee system.

As a child, I remember surviving major hurricanes like Camille and Betsy. But no one ever took this threat too seriously. People talked about it for years, only recently did the city seriously consider evacuation as a means of dealing with a major storm.

We had the protection of the pumping stations installed in 1903 at a cost of \$27 million along 70 miles of canals, thus creating the world's most advanced drainage system. The large electric screw pumps, developed by local engineer Baldwin Wood, set the standard for innovative design. The current system now contains 1258 miles of drainage pipes, 170 miles of canals, and more than 20 pumping stations. Ultimately, the city flooded not because water topped the canal levees, but because the levees suffered catastrophic failure at more than seven locations.

I went to the office the Saturday before the hurricane and picked up all of the computer hard drives. I set them on top of the desks and made sure everything was off the floor. This was just a precautionary measure. I didn't think we would flood. I packed 3 days worth of clothing for my children and drove to Lafayette Sunday morning at 3:00 a.m. in the interstate contra flow to stay with a relative. There were no hotel

rooms available across several states. I slept on the living room floor with my 3 children on blow up mattresses.

If it weren't for my children, I probably would have stayed and rode out the storm like so many others. Little did I know it would be 3 weeks before we could return to the city. I watched television in horror as the levees failed and the city filled up with water. I watched as people were rescued by helicopter from rooftops while others died trapped in their attics. My neighborhood flooded, not due to a levee break, but because the city evacuated the pump operators and pumps were left off.

I checked websites and saw satellite photos of our Catholic Mutual service office, which showed water over the roofline. I lost sleep thinking about the overwhelming task of reconstructing an office that took over 16 years to build and adjusting the millions of dollars in property damage claims, not to mention all of the automobiles that flooded.

Communication was an issue from the start. Cell phones didn't work since we all had New Orleans cell phones. Loss of electricity and cell towers rendered them inoperable. We eventually learned that we could communicate on Nextel walkie talkies or by text messaging.

I was able to contact Mr. John Eckholt C.F.O. at the Archdiocese, and scheduled a meeting with him and a team assembled by Most Reverend Alfred Hughes, D.D., the Archbishop, within 2 days of the hurricane. Within a week of the hurricane, the Archbishop held daily meetings with all available department heads at the Diocese of Baton Rouge Catholic Life Cen-



Catholic Mutual's New Orleans Service Office

ter. I commuted into work daily from Lafayette driving about 140 miles daily and not getting home until after 10:00 p.m. at night. It was a challenge to track down employees that evacuated to different parts of Louisiana, Mississippi, Texas, Georgia and as far away as Kansas. I had to obtain temporary housing for all but two, as most of us sustained extensive damage to our homes. The Diocese of Baton Rouge was instrumental in helping us set up temporary offices and housing. Housing was impossible to find after the storm since so many people evacuated to Baton Rouge. We worked there for 4 months.

The Archdiocese contracted with a private company to get us into the city and through the military check points. We initially inspected every parish that flooded, measured water depth and completed damage assessments.

Neighborhoods were deserted and no longer flourishing or bustling with traffic. Flat tires were a concern due to debris. We had to bring in our own food and water.

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## Life after of the storm

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Everything was brown and covered with mud. There were no normal neighborhood sounds of birds, animals, children or cars. There was an eerie quiet.

Numerous locations have not yet been gutted or cleaned. Some parishes have been closed, some temporarily suspended. FEMA has finally issued new flood maps 8 months post Katrina and we can now start the reconstruction process. We moved to another temporary office in January and we are still working diligently to adjust and manage hundreds of major hurricane claims. We have a good group of people here and I feel fortunate to have all but one of our team members. We've all shared in this experience and we are getting through it day by day after having suffered Katrina. We

are happy that many good restaurants have re-opened and many of the New Orleans die-hards are back. I'm proud



Cheryl Harper and daughter Shelby

that our local team and Catholic Mutual continue to help many people through this crisis. We are participating in the rebirth of our home town.



Shelby, Trey and Jordan

## Challenging times as we look at 2006 renewal pricing

Since the time of Catholic Mutual's founding, our goal has been to build and maintain an organization based on integrity and trust. The underlying premise of our formation was to be able to provide *reasonably priced, reliable protection*. We also have a history of providing "relief" to members that experience losses not covered by traditional insurance or in cases where losses exceed the amount available under the coverage certificate.

Although it is our goal to keep pricing as stable as possible, the last few years have been a challenge. Our experience gave us reason to pause and reflect. As the Catholic church, we have all faced unexpected challenges since 2001. The memory of September 11, 2001, taught us a big lesson in that we have *no idea where the next large loss is coming from; we can only try and prepare*. This became especially clear as we moved into 2002; little did we know we would be facing the sexual misconduct crisis that ensued after the Boston scandal broke. As a result, we also saw a large onslaught of media attention and a great amount of scrutiny from critics, as well as those companies that provide Catholic Mutual with reinsurance. We faced this crisis together with perseverance rooted in prayer and our faith.

Moving past the morality crisis and ending the 2004 year, we saw the worst property loss experience year in history; we had large property losses related to fires, torna-

does, and a church explosion. Going forward into 2005, believe it or not, we actually were very excited about the year ahead.



Despite the prior years, Catholic Mutual, largely due to solid relationships with our reinsurers, negotiated a very positive reinsurance renewal which would have translated into reasonable pricing, maybe even some decreases for our members. At the time the future looked bright, but then the worst hurricane season on record hit.

Insurance industry reports regarding the devastation of the catastrophic events of 2005 place estimates at somewhere around \$75 billion. The 2005 hurricane season was the busiest since record keeping began in 1851. It was also the most costly year on record in terms of natural disasters.

The 2005 year was also Catholic Mutual's most devastating year from a loss experience standpoint. This was based on a combination of the widespread devastation that resulted from

Hurricanes Katrina and Rita, as well as several large property losses we incurred. The good news is that Catholic Mutual does have good reinsurance; the reinsurers share of the payment of Catholic Mutual losses could easily reach \$100 million. Unfortunately, this has resulted in significant increases in our reinsurance costs.

In the insurance industry, some representatives have projected increases across the board for even the most minimal risks, and those with catastrophic exposures could see even more significant increases. Insured's should be wary of companies coming in with low quotes and bids to write new coverage; these same companies may pass along significant pricing increases if they experience another bad loss year. The National Hurricane Center in Miami has cautioned that preparations should be made for a 2006 repeat performance of 2004 and 2005. The Center's director has been cited as suggesting that due to the El Nino effect, there could be more hurricanes in 2006 than 2005.

Catholic Mutual sincerely values our relationship with our members. Renewal pricing and considerations are something we take very seriously. When the insurance industry was passing on increases upwards of 400% after the 2001 terrorist attacks, we were able to hold the line relatively stable by passing on increases on an average of 10%. When the sexual misconduct crisis hit in 2002, we stood steadfast by our members; just as we have in prior times of trial. Fortunately, with regard to the morality crisis, we were successful in negotiating the ability to continue to write sexual misconduct coverage for our members and offer it at a fair cost.

The unfortunate reality is the loss experience of 2005 was such that we are left with no choice but to pass on increases to our membership and implement several changes to coverage terms, limits and conditions. These will impact your 2006/2007 renewals. We remain ever committed to serving the temporal needs of the Catholic Church, and ask for your prayers and support during this trying time.



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Manager Editor: Paul Peterson  
Working Editor: Coleen Triplett

## Summer festivals

Summer is here, which means parishes are gearing up for their annual festivals, carnivals, fairs and picnics. While each event is unique, they share common problems that should be avoided.

**Vendors** – If outside vendors are to be used (i.e. ride and game vendors; tent companies; security companies; caterers; medical service vendors, etc.), a certificate of insurance must be obtained from them documenting general liability coverage in the amount of \$1,000,000 per occurrence. It is very important to ensure this certificate names your parish/school and your (Arch)Diocese as an "additional insured". All vendor contracts should be thoroughly reviewed prior to signing as most "hold harmless" or "indemnification"



clauses in these contracts are unfavorable to the parish/diocese and contract modifications may be needed. Catholic Mutual can assist in reviewing your contracts

prior to signing; however, please allow at least 10 business days for review. **Parking** - Adequate lighting is very important to help provide a safe parking lot. Temporary lighting may need to be installed, especially in a field or paved area that is not normally used during evening hours. Signs should be placed at parking entrances indicating "The parish will not be responsible for damaged or stolen vehicles". It is also a good idea to provide volunteers to patrol the parking areas as vandals are often deterred by the presence of other individuals

in the area.

**Alcohol** – If beer or other alcoholic beverages are sold, it is recommended that you limit consumption of these beverages to a specific area, such as a "beer garden" atmosphere. Security should be placed at all entrances and exits to the beer garden. Security should be responsible for checking ID's to ensure all patrons are 21 years of age or older. Experienced bartenders should be used to serve the drinks and they should not be allowed to consume alcohol while working behind the bar. A pre-existing plan should be in place for those who have had too much to drink. Alternate transportation should be available for these individuals. The bar should be closed at least one hour before the event concludes.

**Money** – The use of tickets or tokens rather than cash is recommended. Cash should be collected from festival

stands at regular intervals throughout the event. Groups of three or more individuals should be in charge of transferring cash from the stands to a centralized location. Cash stored at the centralized location should be kept in a locked safe guarded by security. Always have cash counted and recorded by more than one person. If a large amount of cash is deposited at the bank, we recommend asking the local police to assist you, especially with a late night deposit.

**Have fun!** – With good planning, we hope your festival is a safe, enjoyable and profitable event. If you would like further information, please contact the Risk Management Department.

*Limit consumption of alcoholic beverages to a "beer garden", and be sure to have security checking ID's to ensure all patrons are 21 years*



## A CLAIM STORY

Ed, the director of insurance for the Archdiocese, had just hung up the phone in disbelief. Mildred, the festival chairperson from St. Patrick's Parish, reported that over \$20,000 was missing from the rectory.

Mildred had told Ed that St. Patrick's festival had been a success; in particular, the annual chicken dinner that raised over \$20,000. Mildred described that most of the people had paid for their chicken din-

ner in cash. Mildred went on to say that cash had been counted at the chicken dinner, placed in three large canvas bags, and left inside the rectory on Sunday evening. When Father Tom went into the rectory on Monday morning, he discovered broken glass from an outside window. The three bags were missing. Father Tom immediately called the police.

Ed asked Mildred why the canvas bags were not placed in

a locked safe. Mildred said that they were in a hurry the night before and no one knew the combination to the safe. Ed asked why arrangements had not been made to make a late night deposit at the parish's bank. Mildred indicated that no one had thought of that.

In the weeks following the theft, the police department aggressively investigated the crime.

Unfortunately, the stolen cash was not recovered. This incident could have been prevented. The parish safe could have been utilized. Arrangements should have been made to open the safe to hold the cash until it could be deposited into the bank. Arrangements also could have been made to make a late night deposit at the parish's bank.