

### C. The Uninsured Perils Fund

Although by 1990 the Diocese had only paid a miniscule amount in legal claims to sexual abuse victims, the priests familiar with the actual number of sexually abusive clergy had been aware for some time that the potential liability of the Diocese was enormous. To guard against this, in 1985 a special fund was established for the payment of claims relating to criminal activity by Diocesan priests. Designated as the Uninsured Perils Fund, its ostensible purpose was to cover three areas of potential liability for which there was either zero, or limited amounts, of insurance available; sexual abuse claims, asbestos exposure and trampoline accidents. Not surprisingly, there have never been any payments made from the fund for either asbestos or trampoline accident claims.

The Uninsured Perils Fund was originally funded from the excess amounts of other Diocesan insurance funds. When this method became problematic it was funded by an assessment on parishes; larger parishes were assessed \$10,000 per year and smaller ones \$5,000. The assessments were discontinued after approximately six years when the balance in the fund had grown to nearly \$6,000,000. Thereafter the fund has grown by virtue of investments. As of October 2002, the fund balance was \$11,000,000. Payments made from the fund were authorized by one of the members of the Intervention Team. Initially, little to no paperwork was required to substantiate payments from the fund, although about three years ago that was changed to mirror the other accounting procedures in the Diocese. (Grand Jury Exhibit 200) Checks were drawn on an attorney escrow account.<sup>79</sup> The fund was used to pay for psychiatric inpatient and outpatient treatment for priests, counseling expenses for victims and other miscellaneous expenses

<sup>79</sup> This was done to protect the privacy of priests and allegedly, victims.

associated with criminal sexual abuse committed by priests. Other authorized expenses included the occasional payment of a victim's rent, the assumption of a victim's mortgage payments on his house and retraining expenses for priests who could no longer function in their ministry.

The Grand Jury requested an accounting of the monies spent from the Uninsured Perils Fund for any individual treatment center, hospital, psychologist, psychiatrist, attorney or any other individual or institution based on a claim of sexual abuse in the Diocese. No single record or accounting information was available to determine this. A variety of records were reviewed and it was determined that since 1989, this figure was approximately \$2,000,000. Another \$350,000 was paid from other Diocesan insurance accounts although no one understood why. Included in this figure is \$1,700,000 for legal settlements. However, the Grand Jury learned that these numbers do not include miscellaneous expenses, that on their face appeared unrelated to sexual abuse by priests, but actually were. For instance, one priest who was removed from ministry and later defrocked because he had sexually abused children, left behind credit card bills of almost \$66,000 (probably as a result of gambling debts) that the Diocese paid. (Grand Jury Exhibit 225). This figure was not included in the calculations. Similarly, the Diocese purchased a home from the victim of sexual abuse suffered as a child at the hands of a priest, for approximately \$70,000.<sup>80</sup> (Grand Jury Exhibit 225). This number was also not included in the Diocesan calculations. The Diocesan representative responsible for handling insurance matters who, testified in the Grand Jury, agreed that the actual number could, in fact, be much higher.

<sup>80</sup> The Diocese allowed this victim to remain in the house rent free.