

Beyond the Bend in the Road

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The Nonprofit Risk Management Center Offers Predictions for the Year Ahead

Never content to live in the present, we humans are always either looking ahead or looking back. The excitement surrounding the dawn of a new century seems to have touched every generation. On January 1st the five-year-old son of a friend exclaimed, Now it's 2000, soon it will be 3000! Adults too are excited about the future and the only thing more fun than living in the future, is guessing about what it will bring. So now that the retrospectives and the "best of the century" lists are being wrapped up and shelved for another hundred years, it is time to pontificate, prognosticate and prophesize what the 21st century will bring for the world of nonprofit risk management.

Between December 25 and January 1, we tried to contact some of the brightest minds in the country, unfortunately, none of them were available. So instead of leaving lots of voice mail messages that wouldn't be returned until March, we decided to gaze into our crystal punch bowl and between the floating globs of lime-green sherbet, we foresaw the following earth shattering events nearly certain to materialize sometime in the 21st Century.

1. The Transformation of the Insurance Industry as We Know It.

We believe that three factors will lead to the radical transformation of the insurance industry.

Electronic commerce. The role of brokers and agents will change, as purchasing insurance becomes an increasingly self-service operation.

The deregulation of banks and financial institutions will mean that any S&L can become an insurance company. You will be able open an IRA, get a mortgage, and purchase a million dollars of D&O coverage, all from the corner ATM or over the Internet. In order to promote their new services, banks will begin giving away crystal punch bowls again.

The end of the soft market. As losses start to exceed premium payments and investment income, nonprofit insurance buyers may start to see an increase in insurance premiums. The days of ever decreasing insurance premiums may become a faint memory. While banks are giving away punch bowls, insurance company personnel and nonprofit managers will be crying in their coffee mugs.

There will continue to be fascination on the part of youth-serving organizations with the use of criminal history background checks as a primary means of screening employees and volunteers. The driving force behind this fascination is fear of lawsuits. As more organizations use criminal history record checks for screening, there will be a backlash on the part of volunteers who will refuse to offer their services as they value their privacy more than they are motivated to perform volunteer work.

Organizations will be forced to rethink the use of criminal history record checks and a program will emerge that

features: 1) A national public education program explaining how organizations use criminal history records for screening and why they are important. 2) Reduction or elimination of the fees charged by government agencies to conduct criminal history record checks. 3) Coordination between organizations so that parents who volunteer in programs with their children do not have to undergo multiple criminal history record checks.

— John C. Patterson, Senior Program Director, Nonprofit Risk Management Center, [e-mail](#).

2. The Devolution of the Public Sector

Most local governments will turn over more of their day to day operations to nonprofit and private sector organizations. Nonprofits will increasingly be called up to provide critical social services and to fill the gap between public need and public service. This represents both a challenge and an opportunity for nonprofit organizations.

3. Risks of the Electronic Age

Nonprofits will be subject to a number of risks arising out of the predominance of the Internet and computer technology. Risks that will make the Y2K computer bug look like a paper jam. From scam artists posing as charitable organizations on-line to the theft of intellectual property, the same tools that help us communicate more easily and efficiently will also expose our organizations to new risks.

A large-scale theft of donor credit card numbers from a well-known philanthropic organization will frighten donors back to paper checks. Another organization will fall victim to cyberpunks who will hack its web site and cause costly damage.

4. Dramatic Decrease in Employment-Related Lawsuits

As thousands of nonprofit managers purchase and read the Center's new publication, *Taking the High Road: A Guide to Effective and Legal Employment Practices for Nonprofits*, effective employment practices will be implemented throughout the sector, and nonprofit employees will be more content and less litigious. Okay, this was a cheap plug. Forgive us!

5. Thousands of Nonprofits Will Learn About the Risks of Partnerships and Collaborations the Hard Way

Economic pressure and an entrepreneurial spirit will breathe new life into Ben Franklin's adage, "We must all hang together, or most assuredly we shall all hang separately." Nonprofits will need to work closely with the private sector, public agencies, and with other nonprofits to achieve their goals. Although these partnerships will have the potential to yield many positive results, some organizations will find that their missions or reputations have been impaired by a poor choice of partners or the failure to account for the risks of collaboration. Word to the wise: Choose your friends carefully and read the fine print.

I am concerned about the growing lack of trust of individuals in profit-making corporations and their governmental servants. Some of this disillusionment is evident in the frequency and size of individual and class action lawsuits that invoke even frivolous allegations. We simply can't trust one another.

If mutual trust is rapidly disappearing, what can we do about it? Lance Odden, the Headmaster of Connecticut's Taft School, recently wrote: "None of us can entirely change the world, but we are morally challenged to try to make it a better place." This is as true of the organizational risk manager as it is of a teacher or preacher. Perhaps this new century will see a retreat from the "me" decade of the 1990s toward a new recognition of our interconnectedness with others, our communities, and our environment. Yes, we need to be efficient, and productive, and profitable, but not at the expense of all those values that create a livable community.

— H. Felix Kloman, Editor and Publisher, *Risk Management Reports*, Lyme, CT and board member, Nonprofit Risk Management Center, FKloman@aol.com

6. The Taxman Cometh

Esoteric and questionable fundraising schemes developed by a few nonprofits will invite very close scrutiny by the Internal Revenue Service, as will the various entrepreneurial and income-producing “ventures” virtually every nonprofit will attempt in 2000. In the new environment, only the best managed and most effective nonprofits will survive, but those that do will be able to compete head to head with the private sector.

Do we really expect any or all of these events to happen? Well, we give any one a fifty-fifty chance. If you take a look back at the predictions at the beginning of the last century, that is about the success rate on predictions. The point is: be prepared. Keep your eyes on the road. If you can see what is coming in the next mile or two, don't worry about what may be light years away. By the time you get to it, your perspective will be totally different anyway.

For all the hype and excitement, the Melissa virus caused far more disruption than the Y2K computer bug. And even then Floyd caused far more devastation than either “event.” In the words of a poet, “Yesterday is but a dream and tomorrow a vision.” What you are worried about often doesn't happen and what does happen is something that you never thought of.

Your best defense is take any predictions with a grain of salt—and be prepared for anything.

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