

New Year, New List Five Risk Management Resolutions for Your Nonprofit



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Five Risk Management Resolutions for Your Nonprofit

During a recent airline trip I opened the in-flight magazine and saw an ad for an expensive piece of exercise equipment that promised an effective cardiovascular workout with only four minutes of effort. The longer I stared at the photo of the machine, the more it began to look like an elaborate clothes-drying rack. My cynicism aside, I eventually concluded that the reason for the morphing effect of the image was my own experience with home-based exercise equipment. After 15+ years of buying and discarding such equipment, I have concluded that my motivation to exercise comes from the fear that others at the crowded gym may be looking in my direction. I can't find the motivation to work out at home, but I'm easily motivated in a room of sweaty strangers.

What might this mean to a nonprofit leader looking for risk management wisdom at the beginning of a new year? First, ramping up the risk management program in your nonprofit doesn't require the investment of millions, but it cannot be accomplished in four minutes. Over-simplifying the need to revise outdated policies, hold staff accountable for key safety rules and commit risk management goals to writing is a recipe for inaction.

Second, experience is a free tool at your disposal. Use it! For me, past experience draping clothes over the handlebars of my treadmill tells me that having a piece of equipment in my bedroom isn't sufficient motivation to get moving.

Resolution #1 — Be Strategic

The first resolution for 2008 is a much-needed reminder about the importance of a strategic, versus tactical approach to the myriad risk management challenges facing nonprofits. Risk management guru (and former NRMCM Board Member) H. Felix Kloman reminds nonprofit leaders to, "Consider all the dimensions of risk, without becoming tied up in its more common problems. Unexpected events or situations can be either or both favorable or unfavorable. Avoid looking only at the possible downsides (depth) and remember height. Consider the breadth of those affected: not only yourself and your organization but others and other sections of the world as well. Consider the dimension of time. The past tells us only a small piece of what we should expect in the

present and future. Don't be blinded by projections of the commonplace: consider those unusual outliers who effects may be monumental. Risk is more strategic than tactical!"

Resolution #2 — Establish a Risk Management To Do List

Rather than getting bogged down in an impossible list of risk management to dos for 2008, consider creating a short list of practical action items for the current calendar year. This short list of resolutions may be a starting point, or it may inspire the identification of other doable steps, such as scheduling regular safety briefings for volunteers prior to all upcoming special events. Remember to include on your list the commitment to take advantage of free and affordable resources that were designed to help you better understand and cope with risk in your nonprofit. NRMC's Web site, www.nonprofitrisk.org/, is a great place to start. Another item you might want to put on your list is the creation of a concise summary of your insurance program. At NRMC we call this invaluable summary a "Schedule of Insurance." The schedule, often created in a spreadsheet program such as Excel, ideally includes the following information: policy type, policy period, policy #, carrier, deductible/retention, annual premium and special policy conditions or exclusions. If creating the summary feels daunting, ask your agent or broker to prepare a schedule for you. Remind them to include a notation about any policies they have recommended but have not been purchased.

Resolution #3 — Re-Connect with Your Insurance Advisor

Throughout the year I receive calls from nonprofit leaders who are unhappy about the service they are receiving from their insurance agent or broker. Yet during a recent survey of NRMC clients the majority of respondents reported, ironically, that their agent or broker is the first person they turn to for help on risk management matters. Like the popular remedy from your IT consultant—"try rebooting your computer"—it may be time to reboot your relationship with your insurance advisor. If you're not receiving the prompt, professional and thorough advice your nonprofit needs and deserves, request a meeting with your advisor to discuss your expectations, wants, aspirations, plans for the immediate and long-term future, and request information on the help available to you as a customer.

Your insurance advisor should be an invaluable resource to your nonprofit, providing sage counsel to guide your risk financing decisions. As much as you rely on this advice, however, remember that the ultimate responsibility for wise decision making rests with the leaders of the organization. Working with an insurance advisor does not mean that you have transferred responsibility for risk financing decisions designed to protect your nonprofit.

Resolution #4 — Draft a Contingency Plan

Ask, "what would I do in a variety of extreme (both favorable and unfavorable) situations?" Consider how your nonprofit will maintain the confidence of key stakeholders. Developing a contingency plan may lead directly and inevitably to the creation of a comprehensive risk management plan. Whether you're starting with a simple contingency plan, developing a business continuity plan, or fully committed to drafting a true risk management plan, the Center offers many tools that can help. Our free online business continuity planning course is available at www.nonprofitrisk.org/ under the Online Tools tab. If you're looking for a step by step approach to creating a custom risk management plan, check out "My Risk Management Plan," an affordable tool that walks you through the process of creating a customized risk management plan for your nonprofit. One full-time nonprofit risk manager recently called the program a "lifesaver" for her youth-serving organization. Each plan fits the unique needs of that specific organization. To begin the process, go directly to www.myriskmanagementplan.org or visit www.nonprofitrisk.org/ and see the tab marked "Online Tools."

Resolution #5 — Ask and You Shall Receive

As I have the opportunity to meet one on one with the managers of specialty nonprofit insurance programs I am often impressed with the resources they have made available to their nonprofit insureds and their plans to do more of that in the future. Yet many remark that they are sometimes disappointed that the number of insureds who take advantage of these resources remains small. Take a few minutes to visit the web sites of your nonprofit's insurance carriers. Remember that you may be purchasing directors' and officers' liability, general

liability, professional liability, sexual misconduct, property coverage and workers compensation coverage from different carriers. If you're uncertain about the identities of your carriers, see Resolution #3. Visit the web sites of these carriers and look for the page or section of the site listing the company's loss prevention or risk management resources. Bookmark those pages that offer informative tools and materials and send an email to key staff in your organization alerting them to these available resources. Add the discussion of these resources to the agenda for an upcoming staff meeting. If you're unsuccessful in your efforts to identify your carriers' loss prevention resources, call your agent or broker and seek their help.

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