Best Practices
For ELCA Campus Ministry

Risk Management:
Because It's More Than Just Insurance

INTRODUCTION

Risk management is a discipline for dealing with the possibility that some future event will cause harm to an organization. It includes making and carrying out decisions that will minimize the adverse effects of these accidental losses. Done correctly, it will aid in eliminating, preventing, or reducing the impact of losses and help shield the organization from catastrophic loss. Risk management provides strategies techniques and approaches for recognizing and confronting threats faced by an organization as it endeavors to fulfill its mission.

When most individuals think of risk management, they usually think "insurance." They ask, "Do I have adequate insurance? Do I need the coverage I have currently?" While these questions need to be answered, we first need to define "risk" and then need to ask how to manage it.

SECTION 1. What is Risk?

A "risk" is any uncertainty about a future event that produces adverse outcomes or that threatens the organization's ability to accomplish its mission. Because Campus Ministry Agencies (CMAs) and even Area Campus Ministry Agencies (ACMAs) may be modest in size and budget, we may not think we have much exposure to risk. Our bank balance may be minimal, our property may be small, and our equipment may be inadequate or outdated. But CMAs often overlook many vital assets when computing exposure to risk and these assets can be put in jeopardy if they are not included in our risk assessment. Assets for non-profits include, but are not limited to, the following four areas:

- **People.** People are our most important asset and the core of our mission. When we think of people, we normally include paid staff, board members, volunteers, and the students, faculty and staff we serve. However, people can also include donors (i.e. alumni, parents, and friends), constituent groups (conferences and synods) and the general public.

- **Property.** Property assets include real and personal property (buildings, autos, office and worship materials) as well as intellectual property (i.e., copyrights and trademarks).

- **Income.** Income assets include all sources of inflow, including grants and non-monetary donations.

- **Goodwill or Reputation.** Just as important as all of the above, but often overlooked, goodwill or reputation is a vital asset of the CMA. Goodwill includes, but is not limited to, the ministry's reputation and status in the communities (university, alumni, local and synodical communities) that we serve, which allows us to interpret our ministry and raise funds in those communities.

SECTION 2. Risk Management for Nonprofits [1]

While it is not expected that CMA or ACMA staff and boards will be risk management experts, someone in the ministry must be given the responsibility for managing risk (e.g., the treasurer, a risk management taskforce, a property committee, staff, etc.). The person or committee responsible for risk management must, however, have the full support of board and staff members, because **managing risks is ultimately everyone's responsibility**.

Fortunately for CMAs, there are a number of free or low-cost risk management resources available, such as the Nonprofit Risk Management Center[2], which has extensive Web-based resources. Insurance companies often provide risk management assessment tools on their Web sites as well.

Nonprofits such as CMAs and ACMAs may find that asking and answering the three following basic questions of risk will define their risk management issues:

1. What can possibly go wrong? That is, what is our exposure to loss? What would hinder or destroy our mission?

2. What will we do? What will we do to both prevent this risk from occurring and, if we cannot prevent it, mitigate its harm to our mission?

3. How will we pay for it? How much will each risk cost us? Do we have the assets to pay for the risk?

SECTION 3. Managing Risk: Best Practices for CMAs and ACMAs

When these questions of risk are asked, five[3] risk management issues arise for CMAs and ACMA's:

1. **Insurance: Property, Casualty, Liability and other Insurance.**
   Appendix A notes five ways to manage risk: Avoidance, Behavior Modification, Conservation, Distribution and Education. Insurance conserves (or "retains") some risk

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[1] Much of the information in this section is derived from the Risk Management Resource Center (http://www.eriskcenter.org/knowledge/normac/basics.html), a collaborative effort of the Public Risk Management Association (PRIMA), the Nonprofit Risk Management Center (NRMC) and the Public Entity Risk Institute (PERI). The Risk Management Resource Center provides information to local governments, nonprofit organizations, and small businesses so that they can manage risks effectively. In addition to tools like Nonprofit CARES™ (found in footnote #3), the center offers extensive information on its Web site, books to purchase and direct advice (for a fee).
[2] Nonprofit Risk Management Center (NRMC), 1130 Seventeenth Street, NW, Suite 210, Washington, DC 20036 Phone: (202) 785-3891 Fax: (202) 296-0349) http://www.nonprofitrisk.org/default.htm
[3] In addition to these five common issues, CMA's and ACMA's may discover other risks that are specific to their site. It is up to each CMA to check to see if there are other issues. These five issues, however, are issues that will affect every campus ministry.

(in the form of an insurance "deductible") and distributes other risks (via an insurance carrier). While it is beyond the scope of this document to suggest to each CMA or ACMA what kind or level of coverage is appropriate, the following coverages should be considered when talking to an insurance professional regarding an insurance policy:

a. **Property Insurance**
Insurance normally would cover the replacement costs of any tangible property[4] (building(s), and contents owned by the agency) as well as indirect loss of that property. Insurance companies also offer policies to cover an agency's contents for those who rent, lease or use free space.

b. **Crime Insurance** Each CMA or ACMA must make sure that it is covered for crimes committed by staff or volunteers. Insurance packages should contain commercial crime and fidelity insurance (i.e. embezzlement and theft of finances) for all staff and volunteers who have access to funds, checkbooks, computer records, etc. (Some insurers call this "Employee Dishonesty, Depositors Forgery, Money Theft, Disappearance and Destruction" coverage.) **The ELCA does not bond Campus Ministry Agency treasurers, bookkeepers and other volunteers who work with money, nor does the ELCA cover computer fraud.**

c. **Liability Insurance[5]** There are many types of liability insurance. Among the most important for CMA's:
   i. **General Liability** (including sexual misconduct) pays for liability arising out of bodily injury, property damage and or personal injury of third-party individuals while at an agency site or doing agency work. With the recent extensive media coverage of sexual misconduct among clergy and youth workers, many insurance providers are now offering sexual misconduct insurance (but often at lower aggregate limits than other general liability).
   ii. **Professional Liability** pays for a professional worker's acts of commission or omission including ministerial counseling. Insurance providers often will offer sexual misconduct insurance under professional liability (in addition to general liability) but often at lower aggregate limits than other professional liability (i.e., counseling).
   iii. **Automobile Liability** pays for accident or injury of individuals and property damaged through the use of insured vehicles.
   iv. **Officers and Directors Insurance.** While many states protect the non-remunerated officers and directors of non-profit corporations (including CMA's) from lawsuits, it is well to inquire if "officers and directors" insurance is needed.

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[4] If NLCM, Inc. holds a mortgage on your property, you must carry fire and casualty insurance equal to the replacement value of the property.
[5] CMAs should speak to their insurance professional regarding state statutory minimums for liability insurance as well as for guidance regarding appropriate maximum liability levels.

      d. **Workers Compensation.** Most states require that non-profit agencies carry Workers Compensation insurance in order to assist injured or disabled workers. CMAs need to check whether they are required to carry this insurance.

      e. **Umbrella Insurance** covers insurable risks not covered elsewhere. This is also known as "excess liability" coverage.

2. **Assessment of Risks for Carrying Passengers to Events.** As highway traffic levels continue to increase each year, insurers are re-examining the exposure to risk caused by mission trips and other CM group events. Many insurers now require CMAs to practice risk avoidance behavior before they will offer insurance for automotive (and "hired" auto coverage). This behavior includes, but is not limited to:

      b. **The elimination of the use of 15-passenger or 18-passenger vans** (some insurers also eliminate 12 passenger vans) because of their potential instability when fully loaded and frequency of accidents.[6]

      c. **Clarification of the circumstances as to when insurance liability is limited by policy conditions.** Theses limitations can include:

          i. The times when background checks of drivers, including volunteers, may be required (i.e., when renting vehicles, including vans and busses) or;

          ii. Clarifying the liability if self-owned vehicles are used to transport individuals to CMA events. If self-owned vehicles are used to transport individuals to CMA events, liability should be clearly spelled out in the CMA's insurance coverage and in the CMA's risk management procedures, especially for volunteers under the age of 21.

3. **Assessment of the very serious liability risk concerning sexual misconduct relative to the suitability of staff that work with youth, whether paid or volunteer.** Prudence[7] requires the screening of all staff and volunteers who work with youth and young adults. Further, insurance companies are beginning to *demand* background checks for those who work with youth and young adults**.** Assessment of staff is a risk avoidance behavior, to eliminate potential problems before they begin and local agencies will need to have a background assessment policy in place. To check a person's background, agencies will need a signed authorization form.[8]

      a. Campus Ministry's "Best Practices" Campus Ministry Personnel document[9] has extensive material that should be reviewed by the CMA board and staff regarding sexual misconduct and harassment.

      b. It is expected that all rostered leaders have completed training regarding sexual misconduct. If misconduct is suspected, consult with your local synod.[10].

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[6] For details regarding passenger van safety, see the National Transportation Safety Board (NTSB) press release: http://www.ntsb.gov/Pressrel/2003/030715.htm. Also check out the safety forum article on vans at: http://www.safetyforum.com/passengervans/.

[7] The test here, as it is in much of the risk management literature, is the "prudent person" rule – what would a prudent (or reasonable) person do (or not do) in this situation.

[8] For an example of an authorization form, see: http://www.dioceseofkalamazoo.org/abuse_policy/authorizationform.pdf.

[9] http://www.elca.org/campusministry/policies/bestpractices.html

     c. The CMA Board is also responsible for seeing that non-rostered employees and volunteers receive training regarding sexual misconduct.[11]

4. **Coordinating the Development and Consistent use of Employment Practices: Personnel Policies for Board and Staff.** On a regular basis, CMAs and ACMAs need to review their practices in relation to the ELCA's approved policies and procedures, including the process of calling and hiring professional staff.[12] Contact the ELCA Vocation and Education program unit for assistance in locating appropriate documents.

5. **Board Orientation, Training and Development.** The more orientation, training and evaluation a board receives, the less risk is likely from incompetent board action, lost goodwill, or unclear mission. Boards are encouraged to utilize **Appendix A** attached to this document to develop a risk management program.

SUMMARY

While these five issues are common risk management issues facing all campus ministries, there may be other issues of risk management that are specific to a particular CMA. It is up to each CMA/ACMA to assess and manage its own risk. While this document is designed to help local CMA/ACMAs obtain "best practice" information regarding risk management, the ELCA Churchwide Organization and the CCMT are not warranted to, and do not, assume liability regarding a CMA/ACMAs risks. **The ELCA does not insure Campus Ministry Agencies or Area Campus Ministry Agencies.** Nothing in this document supercedes, suspends, or invalidates the CMA/ACMAs responsibility to assess and manage its own risk. The CMA/ACMA should always consult with their own risk management, insurance, and legal counsel on how best to manage their organization. Even if your building is equipped with sprinklers, important documents, such as insurance policies, financial records, legal documents, etc. should be kept in a safe place such as a fireproof file, a local safe, or a safe-deposit box at a local bank for access in the event of a catastrophe.[13]

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[10] For general information regarding misconduct by rostered leaders see:
http://www.elca.org/jle/articles/contemporary_issues/article.maahs_charles_print-friendly.html
[11] Resources regarding non-rostered or volunteer staff can be found at the following ELCA Web sites:
http://www.elca.org/legal/resources/riskManagement.html and
http://www.elca.org/dcm/Ministry_Planning/images/Sexual%20Misconduct.pdf
[12] The most current Policies and Procedures for Campus Ministry can be found at
http://www.elca.org/campusministry/policies/index.html:. In addition, "Best Practices: Campus Ministry Personnel"
for agencies can be found at http://www.elca.org/campusministry/policies/bestpractices.html
[13] Remember to never destroy insurance documents, even if the policy has lapsed. Back up computer files regularly.