



Risk Management MO

Many ministries provide intentional outreach activities to the community beyond weekly worship and church school, such as:

- Daycare centers and preschools
- Respite care centers
- Scouting organizations
- Vacation church schools
- Day camp programs
- Community food and clothing banks
- Homeless shelters
- Congregate meals sites
- Recreation programs
- Alcohol and other drug abuse groups

While being engaged in these programs is important, it also can create liability exposures.

The church today interacts with secular society. Church leaders have become very attuned to the business of the church. Current business principles and methodologies are evermore utilized. In the offices of the denomination's financial and administrative agency, a visitor is likely to see copies of the *Wall Street Journal*, the *Harvard Business Review* or *Business Week*.

One of the business disciplines increasingly used by annual conferences and local churches is risk management. These materials are provided to assist church leadership to be good and effective stewards of church resources. But what is risk management and why should church leaders be concerned about it?

Risk management can be understood as a decision making process. In the church, that process begins with identifying the property owned or controlled by a local congregation, conference, agency or institution, along with the activities it is engaged in, which create the possibility of a loss or accident.

Churches seeking to effectively manage their risks not only identify exposure to potential losses to their real property, income,

investments, and personnel, but also determine steps that can be taken to reduce the possibility of a loss or minimize the impact of an occurrence. Some of the approaches widely used to control losses include:

- Identify possible risk exposures
- Avoid exposure when feasible
- Prevent losses when possible
- Implement loss-reduction procedures

Insurance is a risk financing mechanism to help pay for those losses that cannot be prevented. Insurance transfers the loss to a commercial insurance company, which indemnifies the church for financial loss created by specified perils or exposures.

Other risk financing mechanisms include self-insurance with either a funded or unfunded reserve, current expensing of any losses which occur, borrowing of funds and/or appealing to a congregations members for special financial gifts.

The use of risk management tools by churches is important to the process of preserving and even strengthening the assets that are needed to carry out the mission and purpose of the church.

An argument could be made that the best way to manage exposure to risk in our churches would be to cease doing anything which might potentially result in a loss. But to avoid all exposure is to avoid the church's mission. For example:

- If the daycare center isn't open, then the exposures it provides to potential physical or psychological harm no longer exists.
- Senior citizens will no longer slip and fall at the church if programs which attract them to the facility are discontinued.
- Prohibiting a pastor from talking to church members or constituents outside the confines of a worship service or organized class could protect him or her from the temptation of sexual misconduct with a member.

Ministry Protection Memo

"MPM" is a series on various topics relative to Church and safety. Send your comments and interests to AME Zion's Director of Ministry Protection.

CONTACT INFORMATION

Neil Davidson

Arthur J. Gallagher & Co.
2850 Golf Road
Rolling Meadows, IL 60008-4050
630.285.3585
neil_davidson@ajg.com

or

David A. Aiken, Sr.

Executive Director
3225 W. Sugar Creek Road
Charlotte, NC 28269
704.714.1505
David.AikenSr_ZBS@amezhqtr.org

“Risk management can be understood as a decision making process.”



Of course, the viability of the church would soon come into question if these approaches to “managing risks” were implemented. A congregation should never allow risk management considerations to define its ministry, and ultimately its identity. But it should use risk management techniques to assist in determining how to safely and responsibly be about its ministry as the congregation understands it.



The Risk Management Process

FIRST

Identify potential activities and situations which could result in a loss and take steps to prevent those losses. For example, questions which may be asked include:

- Are the church facilities reasonably safe?
- What have we done to minimize potential fire, lightning or storm damage?
- Are appropriate and adequate safeguards for handling church funds in place?
- Are employees and volunteers screened, trained and supervised?
- Have adequate precautions been taken to provide security for individuals and property?

SECOND

Plan what needs to be done to correct the problem areas and decrease exposures. It is unusual for a local church to have adequate financial resources on hand to respond immediately to every concern, so congregational leadership must prioritize projects. Some situations may require a fundraising initiative prior to implementation of necessary loss prevention measures.

THIRD

Obtain adequate insurance. Keep in mind that insurance is a financial arrangement, not a prevention tool. Among the insurance coverages a local church should obtain are property and liability, boiler, fidelity (crime), automobile, directors & officers, employment practices and workers compensation.

When properly used, risk management can be extremely helpful in enhancing ministry protection. Do not let risk management define your ministry, but be aware that your ministry defines your risk management needs.

The Ministry Protection Memo (MPM) series is offered as an educational tool in support of AME Zion property and casualty insurance program to help you develop loss control procedures to suit your specific needs. With these publications, AME Zion does not seek to establish a particular standard of care or to promote legal advice. We encourage church leaders to consult with competent attorneys with regard to their specific loss control need. AME Zion encourages reproduction and distribution of this MPM within the AME Zion denomination.