Risk Management Assessment Pack

LEADERS & STAFF

TABLE OF CONTENTS

Risk Management Assessment Pack

Assessments **page**

COVERING ALL THE BASES 2–3

RATE YOUR RISKS 4

PLAN FOR THE WORST 5–6

MANAGE RISK YOUR WAY 7

PEOPLE, PROPERTY, LIABILITY 8–9

ENLISTING A TEAM 10–11

ASSESSING YOUR STRATEGY 12–13

This Assessment Pack from BuildingChurchLeaders.com is a collection of tools to use with your leadership team. Each tool has been designed to help you and your team measure some dimension of ministry or church administration. This specific tool is adapted from Church Law & Tax Report and is authored by trained pastor and risk management expert James F. Cobble, Jr.

Here's how to use your Building Church Leaders assessments with your board, committees, or staff:

- Print and photocopy the assessment tool you'd like to use (you have permission to photocopy for church or educational use).
- Hand it to your team to complete.
- Lead a discussion based on the team's answers.
- Develop a plan for successfully implementing risk management in your church.

Please note: This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

For more assessment packs, complete training themes, or other training tools for church leadership, see our website at www.BuildingChurchLeaders.com.

Covering All the Bases

Can your church afford to overlook areas of risk?

Every church should have a process in place that takes into account specific risks associated with people, property, and liability. Experts recommend the following process for risk management: 1) Identify the specific risk and what it would look like in your church; 2) Analyze the impact and scope of that risk (small, medium, large); 3) Select the best techniques for prevention; 4) Implement the appropriate techniques and training.

Place a checkmark in the chart below for each step that has been completed.

	Risks Identified	Impact Assessed	Prevention in Place
Risks to People			
Nurseries and equipment	❑	❑	❑
Playgrounds	❑	❑	❑
Recreational programs	❑	❑	❑
Fellowship activities	❑	❑	❑
Transportation	❑	❑	❑
Slips and falls	❑	❑	❑
Construction projects	❑	❑	❑
Ergonomic concerns	❑	❑	❑
Acts of violence	❑	❑	❑
Risks to Property			
Fire	❑	❑	❑
Cold weather	❑	❑	❑
Natural disasters and severe weather	❑	❑	❑
Burglary and vandalism	❑	❑	❑
Embezzlement	❑	❑	❑

RISK MANAGEMENT

	Risks Identified	Impact Assessed	Prevention in Place
Liability Risks			
Defamation	❑	❑	❑
Undue influence	❑	❑	❑
Invasion of privacy	❑	❑	❑
Counseling	❑	❑	❑
Contracts	❑	❑	❑
Failure to report child abuse	❑	❑	❑
Sexual misconduct	❑	❑	❑
Clergy malpractice	❑	❑	❑
Immunity statutes	❑	❑	❑
Copyright law violations	❑	❑	❑
Securities law violations	❑	❑	❑
Premises liability	❑	❑	❑
Employment discrimination	❑	❑	❑
Negligent selection of volunteers and employees	❑	❑	❑
Negligent supervision of volunteers, employees, and activities	❑	❑	❑

—JAMES F. COBBLE, JR.

Discuss

1. What are the five highest risk categories that we need to address? What are the five lowest risk categories?
2. How often should our church evaluate each risk management strategy? Who should be in charge of recommending changes?
3. What steps will we take to reduce the risk in our highest risk categories?

Rate Your Risks

What are the events for which your church is least prepared?

One approach to risk assessment involves considering two separate risk factors: frequency and severity.

While most church leaders do not conduct a formal analysis of each risk that faces the church, leaders must have a clear understanding of any risk with the potential to be of high severity. The chart below can help identify which risks your church needs to address first.

High frequency	3	6	9
Moderate frequency	2	5	8
Low frequency	1	4	7
	Low severity	**Moderate severity**	**High severity**

Frequency indicates how often a particular risk is likely to occur. Severity describes the degree of loss—especially based on the church's ability to pay for losses. Since property loss is quantifiable, it will be easier to assess those risks. Since personal injury losses are unpredictable, it is best to plan for the worst and insure the church just in case. Using the above table, assign a risk rating from 1 to 9 based on the relationship between frequency and severity for each of the following types of risk:

Tripping hazards outside of church _____

Falling trees _____

Lightning strike _____

Flooding _____

Tornado _____

Leak in roof _____

Church-owned vehicle breakdown _____

Church-owned vehicle accident _____

Tripping hazards inside of church _____

Storage of flammable/poisonous chemicals _____

Condition of church electrical system _____

Kitchen accidents/fire _____

Child injured on nursery equipment _____

Burglary _____

Theft of church resources _____

—JAMES F. COBBLE, JR.

Discuss

1. What risks ranked higher than we expected they would? How can we protect ourselves from them?
2. What risks demand the least attention? Why?
3. What are some risks that other churches in our area have suffered from by being unprepared?

Plan for the Worst

Don't let your church be caught off guard if disaster strikes.

Respond to each of the situations below according to the following instructions:

1. Evaluate the worst-case scenario for each risk.

2. Assign each scenario a frequency based on how often accidents of that type occur at your church or during church events. (If your church doesn't have a long history to draw from, use the experience of other local churches as a guide.)

3. Know your church's current insurance coverage in each situation.

4. Propose methods of reducing the risks you face.

Example:

- ***Car accident:*** Church van involved in major accident during youth retreat. Several youths die and several more are injured.

  Frequency: Approximately one time every two years a minor car accident occurs during a church-sponsored outing.

  Insurance protection: Our church has a $1,000 deductible and $200,000 insurance coverage for damages associated with church-owned vehicles.

  Reduce the risk: Screen all van drivers, require and enforce safety procedures, take out adequate insurance, consider charter buses for long trips.

- ***Sexual misconduct***

  Frequency: _____

  Insurance protection: _____

  Reduce the risk: _____

- ***Natural disaster***

  Frequency: _____

  Insurance protection: _____

  Reduce the risk: _____

- ***Fire***

  Frequency: _____

Risk Management

Insurance protection: _____

_____

Reduce the risk: _____

_____

- ***Vandalism***

  Frequency: _____

  _____

  Insurance protection: _____

  _____

  Reduce the risk: _____

  _____

- ***Slips and falls***

  Frequency: _____

  _____

  Insurance protection: _____

  _____

  Reduce the risk: _____

  _____

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Discuss

1. Based on the answers above, what do we need to do to be prepared for a worst-case scenario?
2. What are some other serious situations that could arise that are not mentioned above?
3. What are some situations that we would like clarified by our insurance agent? What are some situations where we would like increased coverage?

Managing Risk Your Way

Leaders have options when it comes to protecting the church.

After risks have been identified and assessed, the next step is to select the best available technique to manage them. Consider the following five approaches:

1. **Avoid the risk.** Church leaders can decide that a certain risk is not worth the potential loss.
2. **Retain the risk**. Churches intentionally retain risk when it is wiser to carry a high insurance deductible than pay high premiums. Retaining risk unintentionally sets a church up for complaints of gross negligence (e.g. leaving something in disrepair).
3. **Share the risk.** Churches employ outside groups to underwrite the administration of claims, such as when churches require outside groups using facilities to obtain insurance for their special event.
4. **Transfer the risk.** Taking out insurance is the most popular way to transfer risk. Other options include hold harmless agreements and indemnity agreements. Always enlist the help of an attorney.
5. **Reduce the risk.** Two main strategies are: 1) loss prevention, which attempts to reduce the frequency of loss; 2) Loss control, which attempts to reduce the severity of loss after the fact.

Check the strategy that would best serve your church in the following situations.

	Avoid	Retain	Share	Transfer	Reduce
An outside group rents the facilities and someone is injured.	❑	❑	❑	❑	❑
Several children in the church have food allergies.	❑	❑	❑	❑	❑
Crime rates in the church's neighborhood are rising.	❑	❑	❑	❑	❑
The church-owned basketball court is popular with local children.	❑	❑	❑	❑	❑
An adult missions trip is going to an unsafe place.	❑	❑	❑	❑	❑
The church van is old and has no airbags.	❑	❑	❑	❑	❑
The youth pastor wants to take his students rock climbing.	❑	❑	❑	❑	❑
The church has no systems to guard against sexual misconduct.	❑	❑	❑	❑	❑
The church kitchen has no fire-protection equipment.	❑	❑	❑	❑	❑
The church realizes that many toys it owns are unsafe for young children.	❑	❑	❑	❑	❑
Several church staff members are complaining of work-related injuries.	❑	❑	❑	❑	❑

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Discuss

1. Which risk management methods are we over-reliant on? Which methods do we not use?
2. What methods should we use to avoid claims of negligence? In what ministries should we implement them?
3. What methods do we rely on for children's ministry? Special events? Counseling? Property management?

People, Property, Liability

Excellence in these areas will make risk management more effective.

The implementation of risk management is not a job for one person but for the entire congregation. Success is dependent upon committed leaders who oversee an implementation strategy that is intentional, systematic, and sustained. Rate your risk management program in the following categories to ensure that your process is effective and sustainable.

For each statement, rate your church on the following scale: 1) This is true of my church; 2) this is somewhat true of my church; 3) this is not true of my church. Then list three action steps to improve your church's rating in each category.

Leaders

- Church leaders understand the need for risk management. 1 2 3
- Church staff and leaders are actively supportive of implementing risk management. 1 2 3
- We have a designated person who serves as the church safety officer. 1 2 3
- We have a risk-management or safety committee. 1 2 3
- Risk management is institutionalized into our church leadership team. 1 2 3
- The congregation is included in risk-management inspections and reporting. 1 2 3

Action steps:

1. _____
2. _____
3. _____

Systems

- Our risk-management process is regular and thorough. 1 2 3
- Our program addresses the needs of people, property, and liability. 1 2 3
- Under the leadership of the safety officer, a team is in place to maintain our process. 1 2 3
- We are involved in a process of recruiting and training the congregation in risk management. 1 2 3
- We have a calendar for when inspections need to occur. 1 2 3
- Our leaders and methods are open to adapting to new issues in risk management. 1 2 3

Action steps:

1. _____
2. _____
3. _____

Standards

- When a new leader takes a position, she is quickly brought up to date on the importance of risk management. 1 2 3
- Our risk management committee meets regularly. 1 2 3

RISK MANAGEMENT

- The risk management committee is held accountable to certain activity standards and tasks that must be accomplished. 1 2 3
- Ongoing training in risk management is occurring at all levels of the congregation. 1 2 3

Action steps:

1. _____
2. _____
3. _____

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Discuss

1. List several "opinion leaders" in our church. What are their feelings on our risk-management policies?
2. Of people, property, and liability, which is easiest to overlook? How can we strengthen that category?
3. What are some standards that a risk-management committee should be held to?

Enlisting a Team

Delegating responsibility makes risk management manageable.

Here are strategies for inspecting your church property. Under each heading, list one or more people who could take on each responsibility. Then write a date by which you would like to have the tasks completed. Also use this tool to evaluate how close your church is to having effective risk-management procedures in place.

1. Use a written checklist. Do not leave your inspection protocol to memory. Prepare written guidelines that conform to the order in which the property is inspected. That will assist those doing the inspection to be thorough, and will enable the protocol to be passed on to others who may be unfamiliar with the inspection process. This is a large task and may need to be assigned to several people.

- Assigned to:_____ Complete by:_____
- Assigned to:_____ Complete by:_____

2. Be thorough and systematic. Inspect church grounds. Examine every room within every building at all church-owned property. To catch everything, at least two people should conduct the walk-through inspection, and each inspection should be done twice. Solicit the input of professionals to inspect systems where technical knowledge is required.

- Building inspection:_____ Complete by:_____
- Building inspection:_____ Complete by:_____
- Police inspection:_____ Complete by:_____
- Fire inspection:_____ Complete by:_____
- Electrical inspection:_____ Complete by:_____
- HVAC inspection:_____ Complete by:_____

3. Devote extra attention to hazard areas. Some areas, such as a furnace room or kitchen, normally reflect higher levels of risk. Do not rush through these areas. Generally it is a good idea to go over these areas twice. Problems can easily be missed the first time through. Give one person the responsibility of identifying high-risk areas.

- Assigned to:_____ Complete by:_____

4. Periodically appraise church property. Unless you know what your buildings, furnishings, and equipment are worth, you cannot make an informed decision regarding risk financing. Your insurance agent can assist you with this process. Also, some items may require special attention. For example, appraising a pipe organ or a piece of art may require professional input.

- Assigned to:_____ Complete by:_____

5. Financial records and other documents. Records can help determine the value of some church property. Financial statements help leaders assess how much money is available to fund risks that may be retained (such as theft or vandalism) or how much the church may be able to borrow if the need should arise. Select a person to maintain these documents.

- Assigned to:_____ Complete by:_____

6. Insurance audit. An annual insurance review should occur with the church's agent. Make sure the coverage is what you want and need based on your analysis of risk.

- Assigned to:_____ Complete by:_____

—JAMES F. COBBLE, JR.

Discuss

1. Which of the above procedures do we already have in place? Which do we need to implement?
2. List three high-risk places on our church property.
3. When was the last time the value of our church was appraised? How often should we conduct an appraisal?

Assessing Your Strategy

Have you chosen the best way to manage risk?

Reports on risk management should be provided to church leaders on a regular basis in order to ensure that the church is covering all its risk-management bases. The number and frequency of reports will vary from one church to another. Some small churches favor annual reports; other large churches build risk management into a monthly, or even weekly, business meeting.

Regardless of size, most churches employ one of two methods in their evaluation of risk management—activity standards or the evaluation of outcomes. Activity standards provide an objective, quantitative basis for evaluating a church (i.e. background checks protect children from abuse and the church from liability in the case of child abuse). The evaluation of outcomes focuses on the losses that the church experiences after an event has occurred (i.e. relying on insurance to minimize loss in the case of a flood). The first method is based on prevention, the second on minimizing loss.

For each of the following risks, circle the primary method your church uses to manage or prevent losses. Then, in the space provided, list the specific method you employ. Use the example as a guide.

Example:

Theft *Activity Standards/Evaluation of Outcomes* The church budgets $20 each month to replace lost or stolen office supplies.

Child abuse *Activity Standards/Evaluation of Outcomes* _____

Playground and nursery safety *Activity Standards/Evaluation of Outcomes* _____

Slips and falls *Activity Standards/Evaluation of Outcomes* _____

Storage of dangerous chemicals *Activity Standards/Evaluation of Outcomes* _____

Worker's compensation *Activity Standards/Evaluation of Outcomes* _____

Church vehicle safety *Activity Standards/Evaluation of Outcomes* _____

Tornado, hurricane, natural disaster *Activity Standards/Evaluation of Outcomes* _____

Fire *Activity Standards/Evaluation of Outcomes* _____

Vandalism *Activity Standards/Evaluation of Outcomes* _____

Risk Management

Burglary *Activity Standards/Evaluation of Outcomes* _____

_____

Defamation *Activity Standards/Evaluation of Outcomes* _____

_____

Embezzlement *Activity Standards/Evaluation of Outcomes* _____

_____

Invasion of privacy *Activity Standards/Evaluation of Outcomes* _____

_____

Sexual misconduct *Activity Standards/Evaluation of Outcomes* _____

_____

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Discuss

1. What is the primary risk management method we employ? Why is this good or bad?
2. What is one situation in which we currently use one method but would like to switch over to the other method? Why?
3. What is our frequency of reports on risk management? Why does this work, or not work, for our church?