

DEVELOPING AN EFFECTIVE RISK MANAGEMENT COMMITTEE STRUCTURE

What is a Risk Management Committee?

For many nonprofits, budget constraints limit the ability to hire a Risk Manager. However, a Risk Management Committee is a highly effective method for addressing an organization's risk management needs. The Risk Management Committee can function as an organization's risk management department, or be a valuable and supportive partner to an agency's Risk Manager (if applicable).

A Risk Management Committee is responsible for the development and oversight of an organization's risk management program. The committee's primary functions are to identify, control, and finance risks. In a nonprofit organization, a Risk Management Committee typically includes both employees and volunteers. A multidisciplinary group enables an organization to get a broad and diverse view of its exposures while fostering creative problem solving.

Developing a Risk Management Committee

The structure and composition of a Risk Management Committee will vary depending on the organization's unique risks and available resources. A typical Risk Management Committee may include medical personnel, an attorney, safety professional, an insurance professional, and a member of the administrative staff. One key factor in selecting the committee's members is to identify individuals with a range of expertise and first hand knowledge of the organization's risks.

Nonprofit risks typically fall into the following categories:

- **Traditional business risks**

example: Loss of equipment due to fire or the filing of a wrongful termination claim

- **Exposures unique to the nonprofit sector**

example: Tax assessments from unrelated business income or liability from an auto accident involving a volunteer using his car to transport clients

- **Service delivery-related risks**

example: Exposures associated with the specific services that the organization delivers, such as abuse of vulnerable clients



The most effective committee will consist of people who possess knowledge and experience of the nonprofit's operating policies and procedures, the strategic plan, and legal structure.

Responsibilities of the Risk Management Committee

The committee's responsibilities are similar to the duties of a Risk Manager. If an agency decides to undertake the risk management process without outside help, the committee's work begins with a brainstorming session. The committee will identify and discuss "what could go wrong" and the likelihood of each identified failure mode occurring. This process can be achieved by conducting a proactive risk assessment.

Once the brainstorming process is complete, the committee moves to the identification of practical and cost effective loss control strategies to mitigate the chance of loss if a risk materializes. A multidisciplinary team is important. The committee should draw in additional employees and key volunteers to ensure that the recommendations are practical and acceptable.

Next, the committee develops a plan outlining strategies for addressing major exposure areas. The plan identifies who is responsible for carrying out each facet of the plan and the steps required. Include information on risk financing programs such as insurance policies, coverage, deductibles, renewal dates, and claims reporting procedures.

In some respects, the committee's work is never finished. Managing a nonprofit's risks requires an ongoing commitment to monitoring activities, looking for changing exposures, and staying on top of developments that effect the likelihood of harm or damage. The activities and programs of most nonprofits vary each year. The Risk Management Committee should examine how each change affects risk. Another responsibility is to submit reports to the nonprofit's board highlighting the committee's activities. The committee must keep the board informed of developments that significantly affect the organization.

While each organization will determine the reporting structure to Executives and the Board of Directors according to regulations and legal requirements, the diagram on the front page of this flyer displays how the operations of a nonprofit and the risk management information are interconnected.

Need Help?

*For additional assistance in developing a Risk Management Committee, contact Irwin Siegel Agency's Risk Management Department at **1.800.622.8272** or **solutions@siegelagency.com***



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