



Adventist Risk
Management[®] Inc.

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INTRODUCTION TO RISK MANAGEMENT

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What is Risk Management (RM) anyway?

- RM is the process of reducing the possibility of adverse consequences either by reducing the likelihood of an event or its impact, or taking advantage of the upside risk.



Why manage risks?

- To identify new risks that may affect a ministry so an appropriate strategy can be determined.
- To identify changes to existing or known risks so amendments to the risk strategy can be made.
- To ensure best use is made of the opportunities.

How Does ARM fit in?

- ARM aims to provide our clients (the church) with practical and efficient solutions by which to help manage risks. This is done in the following ways:
 - Providing the client with a dedicated AE & CSR
 - Interactive website
 - Training and teaching opportunities
 - A port of call for advice and support
 - Materials and literature
 - And many more.....

We risk manage everyday!

- Crossing the road
- Stopping at a red light when driving
- Getting qualifications to improve our standard of work.
- When travelling to “dangerous” countries we would try to reduce dangers e.g. take vaccinations, follow government travel warnings
- Similar considerations need to be made when dealing with our church and its assets.

What is the aim of risk management?

- To reduce perceived risks down to an “acceptable” level in times of uncertainty.



Our Aim

How Does ARM fit in?

- ARM's primary purpose is **NOT** to sell insurance but rather to provide a viable means of training and support so that clients obtain the knowledge of how to manage risks of the Lord's assets and provide solutions to safeguard the destruction of them.



What are the assets of the church?

- Offices
- Churches
- Furniture
- Vehicles
- Computers
- And the **MOST** important one.....
 - Membership....**YOU**



God provides examples of RM

- **7** The LORD then said to Noah, “Go into the ark, you and your whole family, because I have found you righteous in this generation. ²Take with you seven pairs of every kind of clean animal, a male and its mate, and one pair of every kind of unclean animal, a male and its mate, ³and also seven pairs of every kind of bird, male and female, to keep their various kinds alive throughout the earth. ⁴Seven days from now I will send rain on the earth for forty days and forty nights, and I will wipe from the face of the earth every living creature I have made.” **Genesis 7:1-4 (NIV)**



God provides examples of RM

- ²⁴ “Therefore everyone who hears these words of mine and puts them into practice is like a wise man who built his house on the rock. ²⁵ The rain came down, the streams rose, and the winds blew and beat against that house; yet it did not fall, because it had its foundation on the rock. **Mathew 7:24-25 (NIV)**



God provides examples of RM

- ²⁶ But everyone who hears these words of mine and does not put them into practice is like a foolish man who built his house on sand. ²⁷ The rain came down, the streams rose, and the winds blew and beat against that house, and it fell with a great crash.”
Mathew 7:26-27 (NIV)



Creating a risk committee

- It is advised that a risk committee is setup for each institution.
- The risk committee would carry out the following roles:
 - Raise risk awareness
 - Establish policies for risk management in their specific context
 - Implement processes to monitor and report risk

RM process

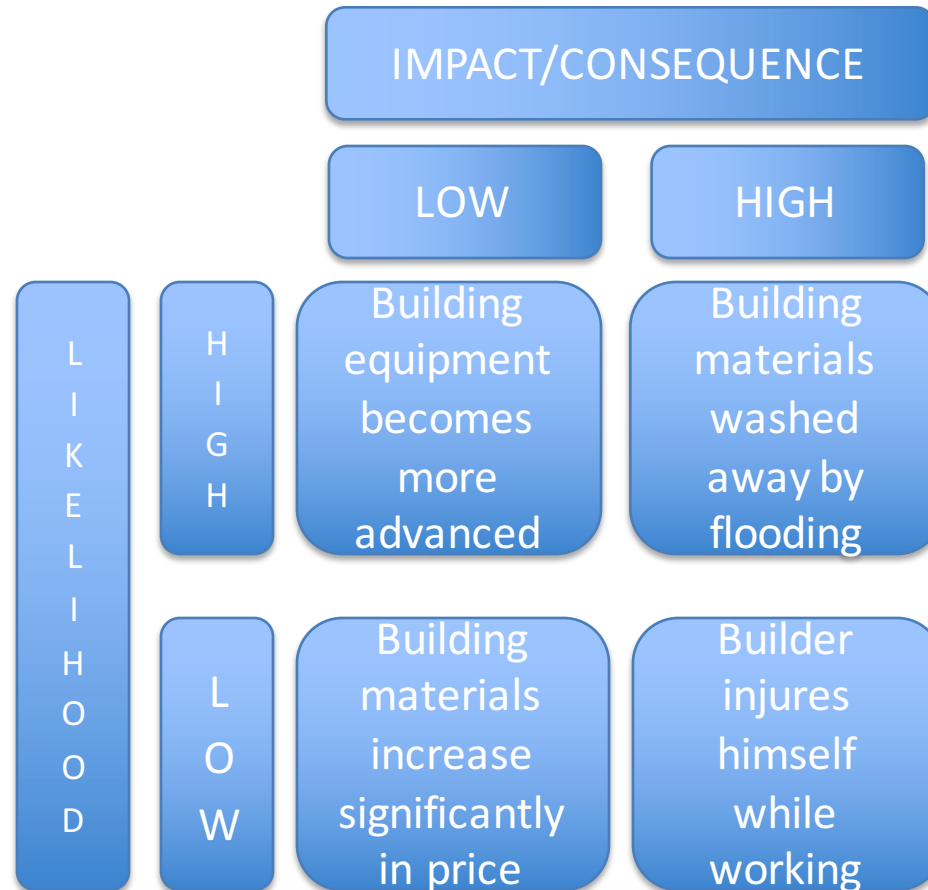


RM Process (Risk Assessment) – Risk Maps

- Map identifies if risk will have significant impact and links into likelihood of risk occurring.
- Risks with significant impact/high likelihood of occurrence need more urgent attention than low impact/low likelihood occurrence.
- The higher the impact of the risk, the more severe it is!

RM Process (Risk Assessment) – Risk Maps

Scenario: Plan to build new churches

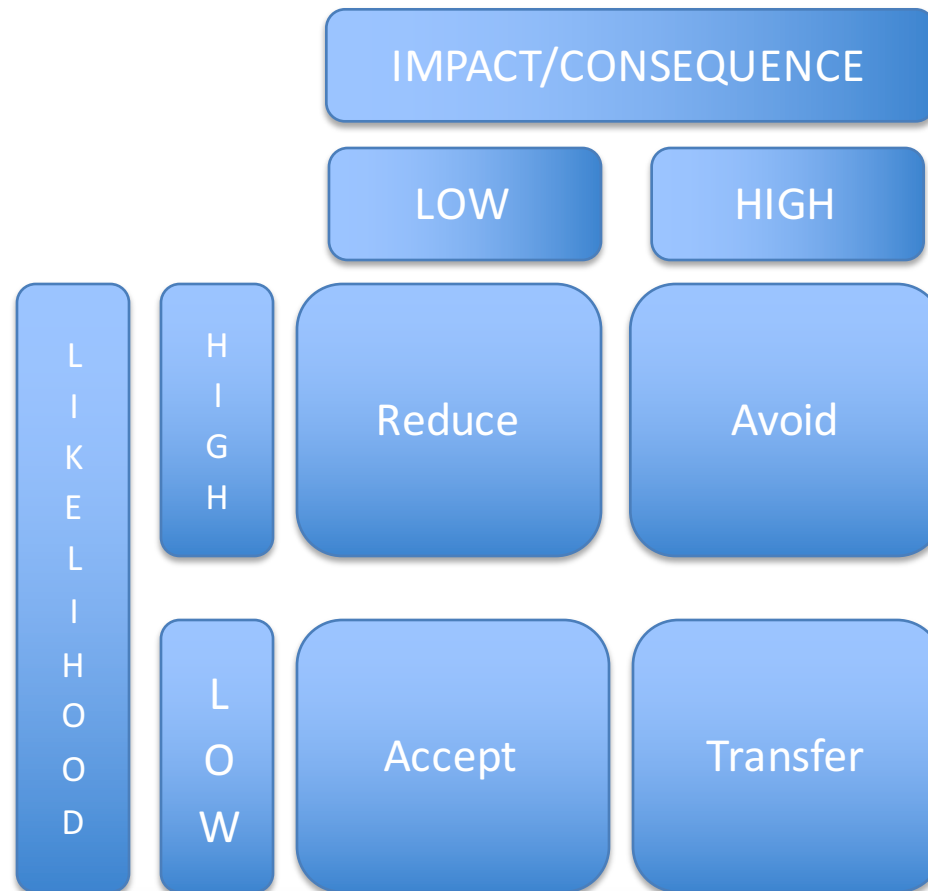


RM Process (Risk Planning) – TARA Model

- Transfer – Risk is transferred wholly or in part to third party. If an adverse event occurs, the third party suffers all or most of the loss.
- Avoidance – May choose to avoid risk altogether. Difficult as risk is unavoidable in business.
- Reduction – Limit exposure in area or attempt to decrease adverse affects if risk occurs.
- Acceptance – Acceptance of risk may occur & decide to deal with consequences in particular situation

RM Process (Risk Planning) – Risk Maps/TARA

Risk maps can provide useful framework to determine appropriate RM strategy:



RM process – Risk monitoring

- Evaluation of whether risk management control procedure has been effective is of great importance.
- Process for audit:
 - Identify risks
 - Assess risks
 - Review controls over risks
 - Report on inadequately controlled risks



Practical example – A child sent to go to the shop alone at night

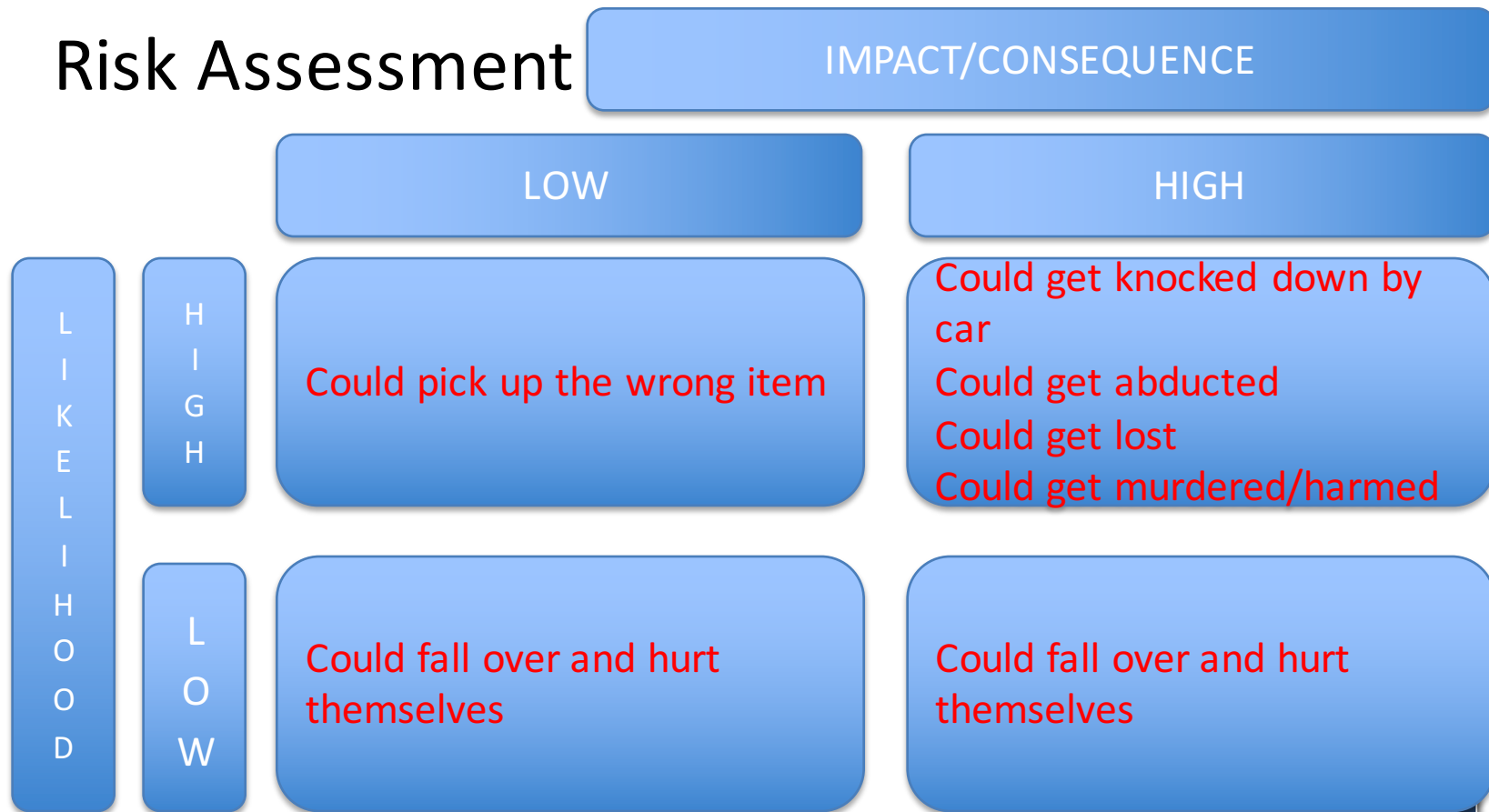
1. Risk Identification

- Could get knocked down by car
- Could get abducted
- Could get lost
- Could get murdered/harmed
- Could fall over and hurt themselves
- Could pick up the wrong item



Practical example – A child sent to go to the shop alone at night

2. Risk Assessment



Practical example – A child sent to go to the shop alone at night

3. Consider risk alternatives

- Transfer – We could get an older sibling/trusted friend/responsible adult to go with our child
- Accept - We can accept the risks as it is an absolute necessity that the item is purchased.
- Reduce - We can reduce the risk by giving our child appropriate education as to the dangers of the world and equip them with the knowledge of what to do in the various situations
- Avoid - We can decide the risk is too great and not allow our child to go

Practical example – A child sent to go to the shop alone at night

4. Risk Monitoring

– With each of the strategies we should look at:

- Was the strategy successful to manage the risk?
- Was the outcome desirable?
- What could we have done better?
- How can we eliminate/reduce the effects of the risk in the future?

Risk management process (ARM)

- Primary concern is to **REDUCE** risks to an acceptable level to ensure safety of church, members and church activities.
- To educate church as to which risks need to be **AVOIDED** so as not to bring danger to the church, members and its assets.
- In cases where risks must be **ACCEPTED** to provide a viable means of **TRANSFER** of risk through insurance.

Insurance offered by ARM

- Property
- General (Public) Liability
- Ocean Marine
- International Survivor Benefit (ISBF)
- Householders (HHI)
- Accidental Death and Dismemberment (AD&D)
- Miscellaneous activities (formerly campers)



Insurance offered by ARM

- Hospital Liability Insurance (HPL)
- Short Term Travel (STT)
- Master Policies
 - Miscellaneous Professional liability insurance
 - Trust officers Professional liability insurance
 - Directors and officers liability
 - Outside directors and officers liability
 - Fidelity (Crime)
 - Fiduciary



Question

- Patience is the Sabbath school coordinator for Huambo Central Church. She is arranging a day trip for the children to the park so they can observe the insects and relate these to the Garden of Eden. It is known that there is the “Zeba” virus going around which is particularly dangerous to children but the chances of it being caught are low (about 5%) and also there is a vaccine available which would reduce the likelihood to <math><0.01\%</math>.
- What are Patience’ options based on what we have just discussed?

Possible answer

- Transfer – Take out an insurance policy that includes provision for the “Zeba” virus and therefore can provide emergency assistance to a child if they are infected.
- Accept – Patience would be foolish to accept this impending danger
- Reduce – Patience could stipulate that the children can only come on the trip if they have had the vaccine...by a qualified medical practitioner with parent/guardian consent and if she has seen the evidence.
- Avoid – Patience could cancel the trip until the “Zeba” virus has passed and rearrange the trip for then.

QUESTIONS?

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