

## THE TOP FIVE RISK MANAGEMENT CHALLENGES FOR NONPROFITS



Agencies, foundations, social service organizations, charities, and other nonprofits are faced with financial pressure to ensure their continued operation. Meeting regulatory requirements, keeping pace with technology, maintaining productivity, as well as protecting their assets and employees add to their challenges. Strategic planning to address these and other issues should include a risk management strategy as well.

### 1. FINANCIAL PRESSURE TO REDUCE OPERATING COSTS

Nonprofit organizations from service providers to foundations are challenged with post-pandemic exposures and managing costs. Controlling insurance costs goes beyond negotiating premiums. Insurance costs can be lowered by proactive efforts for managing claims, ensuring safety measures are in place, and training employees to mitigate potential risks.

In addition to reducing claims and preventing lost employee time, a better claims history and risk management efforts are leverage for better rates. Defensive driving training can help offset auto carrier premiums. Employee training to avoid potential incidents can help reduce rising Abuse and Molestation premiums.

The insurance industry has experienced a “hard” market the last several years. During a hard market, premiums are higher, underwriting criteria is tougher, and fewer carriers offer coverage. The coverages that are being affected are Auto, Employment Liability Insurance (EPLI), Sexual Harassment/Abuse, and Umbrella. Auto in particular is seeing significant increases if there is poor loss experience. Instituting safety training and other risk management measures can help control premium costs.

### 2. EMPLOYEE, VOLUNTEER, AND BOARD LIABILITY

With the advent of the “#MeToo” movement, the insurance industry is experiencing a significant rise in sexual harassment and abuse claims, which will also affect the cost and availability of coverage, a trend known as social inflation.

Depending on their role in a nonprofit, coverage for volunteers may require a combination of volunteer accident, general liability, and non-owned auto coverage.

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### 3. MAXIMIZING STAFF RESOURCES

Many nonprofits are understaffed and overworked. The person responsible for insurance is not a risk manager but has to wear many hats from financial management to compliance. Insurance decisions impact the bottom line whether it is the cost of premiums or ensuring your organization is not underinsured in the event of a claim or lawsuit.

An insurance broker who specializes in nonprofits can provide guidance based on industry knowledge and past experience. Nonprofits have different financial issues and cultures than for profit businesses. A proactive broker does more than issue certificates of insurance upon request.

Nonprofits benefit from working with a broker that takes an active role in risk management such as being on the organization's safety committee, providing training, and conducting a trend analysis on claims. Acting as an extension of your senior staff, a proactive broker can help guide risk management decisions and ensure the organization protects its assets as well as its bottom line.



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### 4. PROTECTION AGAINST CYBER ATTACKS AND FRAUD

Many nonprofits are seeking to upgrade their technology to streamline operations and better manage costs. With more technology comes the added potential for a cyberattack or financial fraud that can shut down your organization as well as damage your reputation.

Nonprofits have unique cyber liability issues ranging from confidential employee or donor records to credit card fraud. If a criminal hacks your financial account to transfer funds into their account or tricks an employee to do so with a scam email, it requires a separate insurance policy.

Is your organization adequately covered in the event of employee dishonesty, credit card forgery, computer fraud and theft, and disappearance and destruction of property? Cyber liability coverage not only provides for the financial impact of a claim but offers significant value-added services such as forensic I.T. and legal advice.

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### 5. RISK MANAGEMENT AND STRATEGIC PLANNING

From protecting employees to protecting assets, risk management is a vital component of strategic planning. If you are adding new programs, are they covered by past insurance programs? Has your organization changed its location or number of employees? Have you had a bad insurance claims experience that resulted in financial damage due to inadequate coverage or mishandling? When reducing overall operating costs, are insurance costs in the mix?

A review of insurance costs for similar nonprofits provides a guideline for making insurance purchasing decisions. As regulations and laws change, new insurance requirements may be necessary or additional protection may be advised.

To develop a risk management policy requires proactive support from an insurance broker with nonprofit experience. A trend analysis of claims combined with a root cause analysis can mitigate claims and help reduce premium costs. Conversely inadequate coverage can be financially devastating to your organization and potentially to your board.



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