



2019 CLM Midwest Conference
June 20 -21, 2019
Chicago, IL

Day in the Life of a Diocesan Risk Manager

I. The Universe of Risk Faced by a Catholic Diocese

Like other non-profit organizations, the need for a more disciplined and encompassing risk management plan has become more emergent over the past decades. These disciplines are similar to the issues and demands of for-profit entities, but at the same time, they are also unique to the risks imposed by a Catholic Diocese's multifaceted operations, and the role of "mission" and faith requirements.

This discussion will address the examinations of wide universe of risks that a Catholic Diocese needs to identify and classify, a discussion of the mission appropriate steps and considerations to addressing risk, and discussion of the challenges in implementing enterprise risk management in a faith nonprofit rather than mere compliance.

This universe of risk includes the tangible, the intangible, and the more than intangible: mission risk. This means not only reputational risk created by misconduct, but also the ability to protect the entity from attacks on its religious liberty, an approach exemplified by the pursuit of litigation of the ministerial exception, recognized by the United States Supreme Court in the *Hosanna Tabor* decision.

II. Special Risk Considerations of Religious Entities

Faith nonprofits, and other nonprofits dealing with vulnerable persons, have been learning difficult lessons over the last decades. This both provides an impetus to address risk, and to recognize the special risks associated with mission.

The revelations of historic, rather than current and ongoing, sexual abuse issues may impact the appetite for risk of interacting with vulnerable populations, which is usually one of the key mission elements for religious entities.

Areas for particular consideration are the mission of service to young people, the mission of service to populations in need, such as low income and physically or mentally challenged population. Many of these mission driven services involve a further layer or risk consideration, the reliance upon the service of volunteers. This creates a double layer of considerations as the volunteer creates risk in the service of that volunteerism, as well as risk to the population impacted by the volunteer. The volunteer can be injured, or cause injury. Wise stewardship has forced risk managers to improve and enforce process programs and practices.

III. Addressing Risk Management and Loss Control

The National Diocesan Risk Management Process Benchmark Study, published by Integrated Governance Solutions, Inc. in 2015, established a foundational framework for risk management of Catholic Dioceses. This work, which was the result of a comprehensive study of 83 participating diocese in the United States.

The Study identified three dimensions that a faith-based nonprofit should incorporate for a practical risk management program:

Ownership – with clear risk accountabilities and appropriate risk capabilities

Understanding – with proactive Risk identification and comprehensive risk assessment

Execution – effective risk management strategies and effective risk monitoring and reporting.

While many for profit entities have recognized this need to be proactive, some faith entities have continued to be more reactive than proactive. Following the path to developing more structured risk analysis has led to more successful and reliable risk analysis and control.

One of the most recognized needs for risk control in faith nonprofits is the need to train and equip staff and volunteers. Imparting and enforcing training and communications in geographically stretched entities presents special challenges to address.

IV. Evaluating and resolving claims as a religious entity.

Even the best risk management program will not preclude all claims. This is especially true for claims that may no longer be afforded a reasonable defense under the applicable statute of limitations and where the opportunity to present witnesses with strong and beneficial memories is precluded.

Addressing claims in a manner consistent with mission involves choosing appropriate counsel who share the values of the faith entity and will be guided by faith ideals: integrity, accountability and trustworthiness. Panel members have experience in approaching claims in empathetic but tough tactics.

V. Strategies for Putting It All Together

Faith based nonprofits should follow the guidelines of established best practices:

- Leadership that applies a global view of strategic risk management.

- Ongoing process that is inclusive of the various entities and structures, not simply the centralized source of authority.

- Ensuring that site-based individuals are equipped and executing agreed upon standards.

- A system to identify potential risks, and then assess and monitor.

- Reporting to the faith leadership about ongoing risk management.

- An overall and overlapping approach that allows for consistency among all the faith entities activities and interests.

See National Diocesan Risk Management Process Benchmark Study, Integrated Governance Solutions, Inc, 2015.