

Risk Management Service South Pacific Division

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The Risk Management Service of the South Pacific Division of Seventh-day Adventists is a dedicated service entity of the South Pacific Division. It is located within the South Pacific Division (SPD) administrative headquarters in Wahroonga, New South Wales, Australia. Its scope of operations covers the Church entities within the territory of the division.¹

Risk Management Service: Name, Territory and Purpose

The Risk Management Service of the South Pacific Division (RMS) was established in 1972 with the purpose of administering the Church's insurance program in the Australasian Division (now South Pacific Division). Over time that scope was expanded to include assisting Seventh-day Adventist organizations with workplace health and safety matters as well as risk prevention and self-protection activities. The RMS is funded by contributions from denominational organizations (for loss funding programs, risk transfer, and administration costs), investment income and other monies. The operations of RMS on behalf of the South Pacific Division are governed the Seventh-day Adventist Church (Division Services) Limited Board²

The role of the Risk Management Service is to:³



To see that all material assets such as buildings, ships and aircraft, are adequately protected against fire, mishap or disaster is the responsibility of Risk Management Service manager, C. J. Powell.

The first manager (1973 – 1985) of the Risk Management Service in the Australasian Division was C. J. Powell.

Photo courtesy of Linzi Aitken.

Keep abreast of and raise awareness about existing and emerging risk issues facing denominational organizations and provide consultation and support to address such issues.

Encourage and support denominational organizations to:

Manage work health and safety in accordance with applicable legislation and the provisions of South Pacific Division Working Policy.

Manage risk in harmony with the provisions of South Pacific Division Working Policy.

Protect and safeguard denominational property and assets.

Coordinate a risk transfer and financing program for denominational organizations in harmony with the requirements of South Pacific Division Working Policy by:

Purchasing and administering appropriate insurance policies.

Administering loss funding programs for selected risks.

The various insurances and loss funding programs are referred to as “covers.” The covers administered by RMS are only made available to official Adventist organizations in the SPD. Most of these entities are separate legal entities from RMS—some of which are incorporated and others unincorporated. Each cover administered by RMS can be categorized as internal loss pool, insured with a deductible funding program, or insured.

The History of the Risk Management Service in the South Pacific Division

In the early 1900s, life insurance enjoyed steady growth in the United States; however, Seventh-day Adventists were known to be strongly opposed to life insurance, which was described as a “worldly policy which leads our brethren who engage in it to depart from the simplicity and purity of the gospel.”⁴ Ellen G. White’s counsel on life insurance asserted that it was an investment of money which belonged to God, to be used for God’s work, and few would “realize any returns” from life insurance.⁵ She was, however, referring to the unethical practice of purchasing a life insurance policy on someone else’s life other than your own.⁶ In the 1908 *Union Conference Record*, J.N. Loughborough reported that Ellen White made no such claim about property insurance and the author further explained that it was the “general custom of our people” to insure property, including that of the church.⁷

Not long after the 1909 incorporation of the Australasian Conference Association, the association’s finance department began operating a self-insurance scheme which they termed the “insurance fund” to cover “smaller risks, including the majority of the churches and church schools, mission houses, mission boats, conference offices, tent stocks, etc.” It was reported by T. W. Hammond during the treasurer’s report at the 1930 quadrennial session of the Association that at December 31, 1921, the insurance fund totaled in all £2,239. He

noted that the first item of property insured by the Association was the mission boat *Melanesia*—a “ketch” or a type of sailing boat.⁸

Furthermore, Hammond reported that at the time of the establishment of the self-insurance scheme, it was considered a large risk; however, he was careful to note that the management of the fund included a stipulation that no individual risk was to exceed an amount greater than one-third of the total reserve. By the end of 1929, with £17,543 in reserves and a total amount of £1,219 paid out in claims at the time of reporting, the treasurer testified the self-insurance scheme as an “unqualified success” and that the risk [to self-insure] was “justified.”⁹

Aside from good fiscal management, the Australasian Conference Association exercised savvy business sense when granting loans to churches. One of the stipulations of advancing money to churches was that the insurance of the church was to be placed with the association’s self-insurance scheme. This meant that, year-on-year, all commissions and premiums could go directly into the fund instead of to private insurance companies. This gave the association the means to meet claims by use of the accumulated funds.¹⁰

In 1972, plans were developed to considerably expand the self-funded insurance program that had been managed by the treasury department of the then Australasian Division.¹¹ It was on September 21, 1972, that the first meeting of the Risk Management Service Board of Management took place. The key actions voted related to changes in the division working policy wording and to formalize the general management and operation of the Risk Management Service. Those present were L. L. Butler (chairman), K. S. Parmenter, F. C. Craig, R. E. Smith, S. H. Macfarlane, E. H. Stockton, C. J. Powell (secretary), N. B. Little (invitee), and J. Messenger (invitee).¹²

The first documented claim under the newly formed Risk Management Service was that of the Home Hill church fire in North Queensland, south-east of Townsville. The board voted

That authority be given for the payment of up to \$3,500 to the Home Hill Church for damage sustained in a fire which occurred on September 16, 1972 on the understanding that such payment is made “without prejudice” because of the large degree of under-insurance of the property at the time of the fire.¹³

Ex-gratia payments were noticeably common throughout the RMS records. The 1970s and early 1980s were a period of transition for the Church and under-insurance was widespread. The Risk Management Service’s generosity in regularly contributing payments “without prejudice” to underinsured Church-owned sites gives a clear indication that RMS understood their purpose was not to make money but to “provide a premium that will be sufficient to meet the usual run of claims, cover operating costs and provide some margin of profit in order to make provision to meet the catastrophic losses that will almost certainly occur at some time in the future.”¹⁴ It is remarkable to note that losses were reinstated, either wholly or in-part, despite under-insurance. In the twenty-first century, the insurance of church property is a requirement of the South Pacific Division Working Policy and is an expected cost of operating.¹⁵

By the beginning of 1974, the Risk Management Service had set up its own accounts and funds were transferred from the Australasian Conference Association-controlled self-insurance fund to the control of Risk Management Service.¹⁶ Under the fiscal leadership of the RMS manager C. J. Powell, supported by assistant managers J. Pate and L. E. Olsen as well as the accounting work of K. A. Carr, the service's net worth increased a remarkable 502% after just ten years of running its own accounts.¹⁷ As noted by C. J. Powell in his 1983 manager's report, the service's financial growth was "achieved in a period that has seen considerable difficulties in the insurance industry and is surely evidence that the Lord has blessed this department of His work."¹⁸ Powell was referring to catastrophic events such as the Brisbane Flood and Cyclone Tracey, both in 1974,¹⁹ and the 1979 Lewisham warehouse fire, which was a significant loss for the Church totaling \$560,807 (AUD).²⁰

Powell further explained the significance of this increase.

As the financial base of the Service has become more secure it has been possible to expand the program of the Service to meet the growing needs of the Division...the scope of coverage includes risks that were not previously insured and also reduces the rates.²¹

Considered a relatively recent corporate function, the theory of modern risk management emerged in the mid-1950s. As market insurance options became more costly and sometimes inadequate, various risk prevention or self-protection activities were becoming a part of business management.²² By the mid-1980s the Adventist Church began to recognize that insurance alone was not enough to protect the financial position of the organization, and so began the process to formalize risk management, workplace health and safety, and risk control as part of operations.²³ The Risk Management Service team within the South Pacific Division expanded and, by the end of 1988, there were three permanent full-time roles added: risk controller (Phil Hart), workers compensation coordinator (Lynelle Chester), and fire and safety officer (Ken Marsh), whose position title later changed to senior advisor-safety management²⁴). This increased the team to nine employees.²⁵

During the late 1980s and early 1990s, the temporary role of property appraiser was assigned to Ron Eager, whose task it was to determine the full extent of properties owned by the Church and establish their value for insurance purposes. Eager travelled throughout the division in this role before he retired in 1993.²⁶ This service was free to all sections of the church organization and gave assurance that in the event of a major loss, RMS would be ready to help reinstate a facility to its proper value.²⁷

The early 1990s were marred by catastrophic weather events in Australia and the Pacific. Kelyvn A. G. Carr was afforded the opportunity to visit Samoa and Tonga in the wake of Cyclone Ofa. In his report to the board, Carr noted that "very little was known about the role and activities of the Risk Management Service in this part of the world." He further noted that some "felt the money which they were paying for insurance was leaving the country never to return again." Carr was able to clarify that money had been made available to them to repair their insured buildings. Upon seeing the full scale of the devastation, particularly on the Western Samoan Island of Savaii, which felt the "full brunt of the cyclone," and leaving the population, in Carr's words, "destitute", he felt

strongly impressed to request of the board that they ratify an ex-gratia payment toward the reinstatement of an uninsured fence at the mission compound in Siufaga.²⁸ The board agreed with Carr and voted “to approve of an ex-gratia payment to the Western Samoa Mission.”²⁹

In the 1994 annual report to the RMS Board of Management, Robert Smith noted that “...cyclones were the only causes of major property losses (greater than \$20,000) during 1993.” Cyclone Kina was the second highest property loss to have occurred in the history of the Church in this division—only eclipsed by the Sanitarium Health Food Company (SHF) Brisbane Retail Warehouse fire loss in 1988.³⁰ These events and the experience of the RMS team visiting sites throughout the Pacific resulted in a reorganization of coverage in the Pacific for cyclone damage.³¹ Steps included RMS self-funding property cover for the region, defining a selection of acceptable building risks, and basing cover on a deductible shared by the local organization.³²

The Present Scope of Risk Management Service Operations

New threats and emerging risks have added complexity to the insurance landscape and the service provided by Risk Management Service. The terrorist attacks on the World Trade Center and the Pentagon in the United States at the start of the twenty-first century severely affected the global insurance market, which impacted the cost of premiums and re-insurance, and resulted in insurers excluding acts of terrorism from cover.³³

Over the past twenty years, the South Pacific Division has experienced significant losses from multiple catastrophic events—more costly than the 1988 SHF fire—including the Christchurch earthquakes in New Zealand and tropical cyclones Yasi, Oswald, Marcia, Winston, Debbie, and Gita.³⁴ After the experience of Cyclones Ofa and Winston, leaders in the Pacific region came to recognize the value of insurance in enabling resilience and sustainability for the Adventist work and mission. After Tropical Cyclone Gita wreaked havoc across the island Kingdom of Tonga in February 2018, Risk Management Service, along with the local leaders, were able to reinstate insured property damaged by the cyclone and rebuild to better immunity. This could not have been achieved without the stewardship of the local mission leadership to property cover. It was reported that Adventist schools were the first schools in Tonga to be rebuilt and this was credited to RMS releasing funds promptly.³⁵

The severity and frequency of catastrophic weather events, as well as violent attacks, geo-political instability, cyber-attacks, and wildfires, are having a global impact on the insurance market³⁶ and the work of Risk Management Service. Risk mitigation is an integral component of the work of Risk Management Service.

In 2015, the Risk Management Service Board of Management agreed to budget annual funds toward supporting SDA entities in their efforts to improve their strategic risk management, risk mitigation and work health and safety efforts.³⁷ To date, Risk Management Service has allocated funds to over 120 risk and safety projects which have greatly benefited multiple Adventist schools, churches, campgrounds and offices.³⁸

The scope of work for the Risk Management Service in the South Pacific has greatly expanded to ensure that the Service has up-to-date knowledge of new and emerging risks such as cyber risk, climate uncertainty and psychological health and safety as well as financial risk transfer through insurance cover. The small professional team of nine employees remain dedicated to exclusively serving the Adventist Church with a passion for its mission³⁹ and with “the ethic of love which permeates the gospel message [that] makes it impossible for the committed Christian to take a casual attitude towards the lives and safety of others, or, in fact, himself.”⁴⁰

Risk Management Service Managers, South Pacific Division

Cecil. J. Powell (1973-1985); Robert. E. Smith (1985-1995); David. D. Woolley (1995-1998); Owen. S. Mason (1998-2005); Stephen. G. Andrews (2005-2011); Paul. A. Rubessa (2011-2017); Jonathan. M. Hale (2017-present).

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