

Risk Management and the Insurance Program

Module 17

Participate in this seminar to learn more about the board of education's role in managing school division safety risks, and ensuring that schools are safe places to learn and work. Module 17 workshop and resource materials include these important topics:

- Risk management and its framework;
- The risk management process;
- Potential risks for school boards;
- Transfer of risk through insurance; and,
- Saskatchewan School Boards Association insurance programs.

STEWARDSHIP

RELATIONSHIP

LEADERSHIP

Contents

- Introduction..... 2**
- Risk Management Framework..... 3**
- Risk Management Process 4**
 - Risk Identification4
 - Quantifying Risk5
 - Handling Risk.....6
- Potential Risks for School Boards..... 7**
- Risk Management and School^{PLUS} 8**
- SSBA Insurance Program..... 9**
 - Types of Insurance and Implications.....9
- Risk Management Template 11**
- Reflection 14**

Introduction

This resource is a companion to the Module 17 board member workshop on ‘Risk Management.’ The information offered in this handbook is very basic. Full value of information is provided through attendance and participation in the Saskatchewan School Boards Association seminars on risk management and school safety. Also, check the website (<http://www.saskschoolboards.ca>) and the list of seminars that appears in the Saskatchewan School Boards Association’s newsletter, The School Trustee.

Participants in this module will strengthen board member understanding of the board’s role in managing school and school division safety risks and in ensuring that schools are safe places in which to learn and to work. It offers board members and directors of education the opportunity:

- To gain insight into board responsibility for ensuring a safe and supportive environment for teaching and learning;
- To understand the board’s responsibility for developing a long-term facilities plan; and,
- To learn more about the comprehensive programs of insurance and employee programs offered by the Saskatchewan School Boards Association.

Boards of education are given the responsibility for providing programs, facilities and environments that are safe for children and employees and they are held accountable for all aspects of them. Inevitably, issues arise out of these that the boards must address. Boards of education need to establish clear policies, guidelines and programs that minimize the associated risks of damage, injury and liability.

Risk

Risk is defined as the cumulative effect of the chances of uncertain occurrences which adversely affect goals and objectives. Risk is an abstract concept expressing the possibilities of unwanted outcomes.

Risk Management

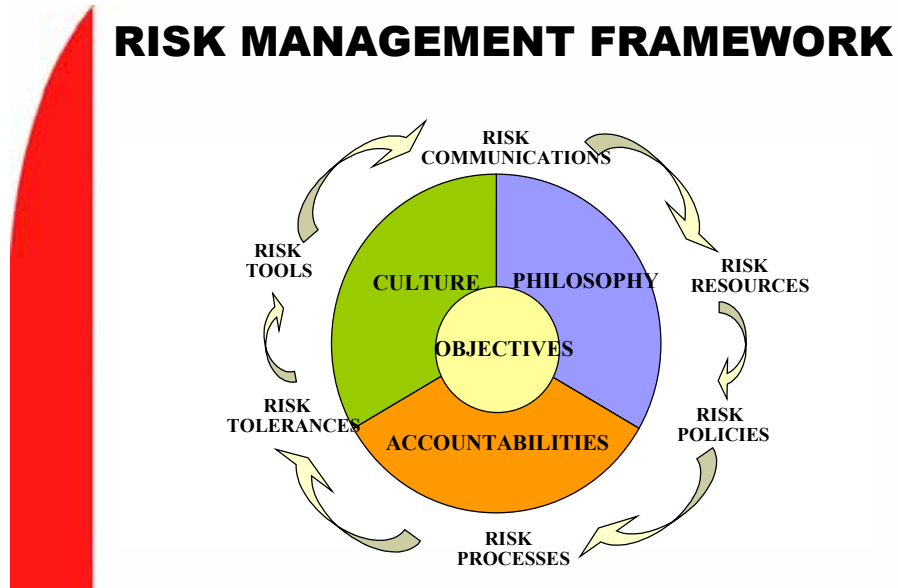
The art and science of identifying, analyzing and responding to risk factors on a daily basis.

Risk management is any activity that identifies risks, and takes action to remove, reduce or control ‘negative results’ (deviations from the requirements). It is a systematic approach to preventing or reducing exposure to losses. School boards, administrators, employees and volunteers are all responsible for risk management.

Risk Management Framework

Risk management works within a framework that reflects the culture, philosophy and accountabilities of an organization. The key elements of the framework involves six elements working in a cyclical relationship. These are:

- **Risk communications** – Identify risks and take action to prevent or minimize them.
- **Risk resources** – Information and contacts that will help deal with risks.
- **Risk policies** – Provide leadership and direction regarding prevention, management and responses to risk.
- **Risk processes** – Outline action to be taken to prevent or handle risk if an unanticipated situation should occur.
- **Risk tolerance** – Identify the level of risk that is acceptable in given situations.
- **Risk tools** – Instruments to be used in the event of risk.



Using Risk Management

- All the time and in everything that you do;
- When the stakes are high and there is a substantial level of uncertainty;
- When situations have unique characteristics that lead to uncertainty; and,
- When uncertainty hinders your decision-making.

Risk Management Process

The risk management process involves three steps to be followed:

- Identify
- Quantify
- Handle

Risk Identification

Risk identification is the process of systematically identifying all the possible risk events which may impact the operation of the school board.

Risk Definitions

There are two kinds of risk:

- **Business Risk** – The inherent chance of a profit or loss with a business endeavour.
- **Insurable Risk** – Involves only a chance for loss, no chance for profit (e.g., property, liability, or personal loss)

The risk factors to be considered are:

- **Risk Event** – What might happen?
- **Risk Probability** – Likelihood of occurrence?
- **Amount at Stake** – Extent of consequence?

Classifications of Risk

Risks can be classified into the following categories:

- External Unpredictable
- External Predictable
- Internal Unpredictable
- Internal Predictable
- Technical
- Legal

Risk Identification Process

- Use an organized approach.
- Develop baseline definitions:
 - High risk;
 - Medium risk; or,
 - Low Risk.
- Involve subject matter experts.

Quantifying Risk

- Severity of impact;
- Probability; and,
- Sensitivity to change.

Impact Analysis

- Gather statistics;
- Identify potential risk areas;
- Examine nature of each individual risk;
- Determine solution, if any; and,
- Consider cost of doing nothing.

Tolerances to Risk

- Understand your organization and who you are accountable for;
- Know your stakeholder groups and the environment from which they operate; and,
- Determine the appropriate level of risk that you are prepared to incur.

Handling Risk

There are four options to handling risk:

- Avoidance;
- Reduction;
- Transfer; or,
- Retention.

Risk Avoidance

- Eliminate risk totally;
- Adopt new technology;
- Screen out high risk situations; or,
- Reschedule of redesign tasks.

Risk Reduction

- Monitor potential risk situations closely;
- Develop contingency plans;
- Revise plans to minimize risk; or,
- Develop more detailed plans.

Risk Transfer

- Deflection is the act of transferring all or part of the risk to another party, usually by some form of contract. Examples include warranties, guarantees, insurance, bonding and contracts.

Risk Retention

I know that the risk exists and am aware of the consequences if they should occur:

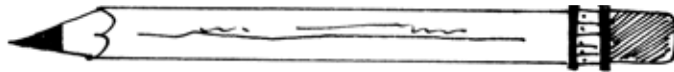
- Contingency Planning; and,
- Contingency Funding.

Potential Risks for School Boards

Potential risks for school boards:

- Property loss
- Personal liability
- Boiler and equipment failure
- Air quality issues
- Sexual abuse
- Playground equipment
- Student accident
- School bus operations
- Facility rentals
- WHMIS – Hazardous Chemicals

Notes




Risk Management and School^{PLUS}

School^{PLUS} is about the success of children in school and in life and working with the community to achieve it.

School^{PLUS} is about relationships – in schools, within the school division, and in the community. It means people getting along with each other and learning how to work together in meeting the objectives of the school division. It means assuring that what is happening in schools and how all children are supported in the community is safe and healthy.

School^{PLUS} is about the well-being of children and youth in schools and communities that are particularly challenged with new societal and interrelationship issues that impact the school. Proactive steps, such as crisis management plans and tragic events response plans, are essential for the safety and security of children and employees. Schools and related learning centres should be safe places in which to live, work and learn – and they generally are – but preparation for crisis must also be accompanied by board action to manage the risks involved in the event of such crisis or accidents.

Notes



A large rectangular box with a thin black border. In the top-left corner, the word "Notes" is written in a bold, black, sans-serif font. In the top-right corner, there is a simple line drawing of a pencil, oriented horizontally with the tip pointing to the left. The pencil has a pointed lead tip, a body with some texture, and a dark, cylindrical eraser at the right end.

SSBA Insurance Program

School divisions cannot be risk free in that they cannot be everywhere at all times nor can they expect that everyone will always do what they are supposed to do. Things will inevitably go wrong. However, school divisions can protect themselves by purchasing insurance. This will transfer the risk to the insurer and reduce the possibility of catastrophic damages to be paid.

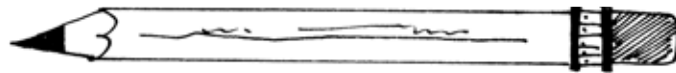
There is no activity in any enterprise or activity that doesn't have some sort of risk associated with it. Most people readily acknowledge that they willingly participate in risk-taking activities, not just to prevent losses, but to achieve gains. The challenge for boards of education is to educate those associated with the school division about risk and the nature of risk and to decide how it should regulate or control risk-taking activity.

One way to reduce risk for school divisions is through the purchase of various types of insurance policies that would minimize loss in the event of some catastrophe.

Cost Effectiveness

Purchasing anything tends to be cheaper when the quantity is greater. So, too, is it with the purchase of school division insurance. The insurance needs of school divisions tends to be the same and cooperative insurance purchases can not only determine tailor made policies for these specific needs but also will provide cost effectiveness for participating school divisions. It is with this product and fiscal advantage in mind that the Saskatchewan School Boards Association has taken the initiative to provide insurance services to participating school divisions and to facilitate advantaged access to a variety of specialized insurance needs.

Notes



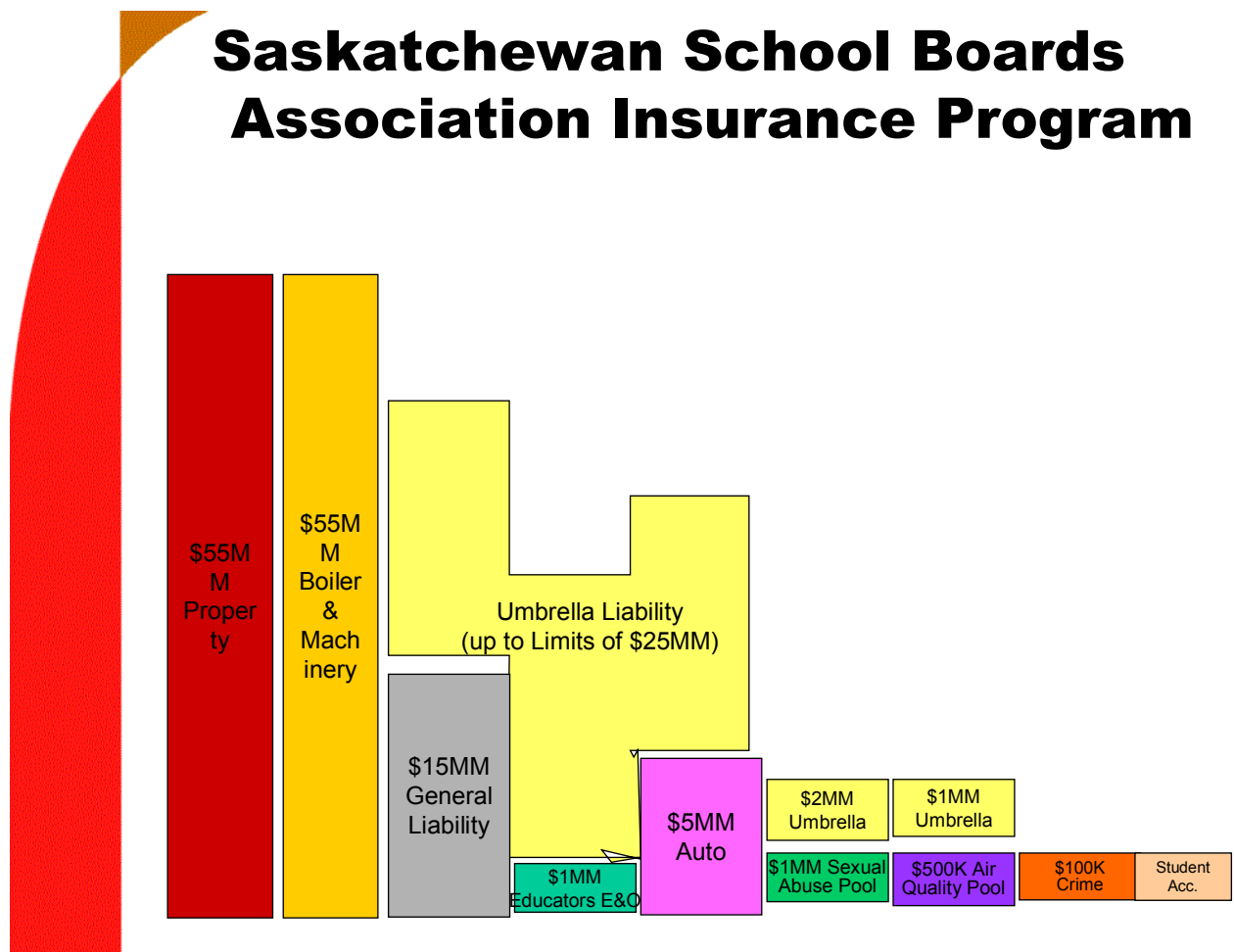
Types of Insurance and Implications

Insurance packages are available for almost every kind of injury. However, the Saskatchewan School Boards Association offers its members comprehensive insurance coverage which includes:

- Property insurance;
- Boiler and machinery insurance;
- General liability insurance;
- Sexual molestation and abuse liability insurance; and,
- Air quality insurance.

It also can provide access to insurance for a variety of other potential liabilities.

The Saskatchewan School Boards Association Insurance Program provides insurance in the following categories:



Property Insurance:

- \$55 million loss limit per loss per location;
- \$1.2 million Annual Aggregate Loss Pool;
- \$200,000 pool limit per occurrence; and,
- \$2,500 deductible per occurrence.

Boiler & Machinery Insurance:

- \$55 million limit per accident;
- \$1,000 deductible per loss per location;
- \$25,000 air conditioning units over 100hp; and,
- \$5,000 on all other air conditioning units.

Liability Insurance Program:

- \$15 million loss limit per occurrence;
- \$400,000 Annual Aggregate Pool;
- \$45,000 Loss Pool Retention; and,
- \$5,000 Deductible per claim.

Sexual Molestation and Abuse Liability Insurance:

- \$1 million each claim and aggregate pool;
- \$2 million excess insurance;
- Claims made basis; and,
- \$5,000 deductible per claim including defence and investigation costs.

Air Quality (Mould) Liability Insurance:

- \$1 million in aggregate;
- \$500,000 each claim and aggregate pool;
- Claims made basis; and,
- \$5,000 each claim including defence and investigation costs.

Additional Coverage Available:

- School Bus Fleet Insurance;
- Errors & Omissions Insurance;
- Crime Insurance;
- Trustee Insurance;
- Student Accident Insurance; and,
- Umbrella Liability.

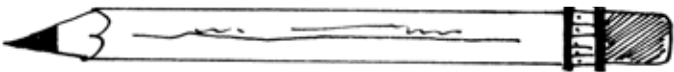
Risk Management Template

RISK MANAGEMENT TEMPLATE

| | <u>STEPS IN THE RISK MANAGEMENT PROCESS</u> | <u>TASKS</u> |
|----|---|--------------|
| 1. | Identify and Analyze Risk | |
| 2. | Review Alternative Risk Management Strategies: 1. Risk Avoidance 2. Risk Reduction 3. Risk Transfer 4. Combination of the above | |
| 3. | Select Risk Management Strategies | |
| 4. | Implement Risk Management Strategies | |
| 5. | Monitor Results and Make Improvements Where Necessary | |

\\ODMA\PC\DOCS\L_E_PS\155449\1

Notes



A large, empty rectangular box with a thin black border, intended for handwritten notes. The box is currently blank.

THE RISK MANAGEMENT TEMPLATE

| STEPS IN THE RISK MANAGEMENT PROCESS | | MANAGERIAL TASKS | | | |
|---|---|---|--|---|--|
| | | PLAN | ORGANIZE | LEAD | CONTI |
| 1 | IDENTIFY AND ANALYZE LOSS EXPOSURES | <ul style="list-style-type: none"> -Determine Types and format of Information wanted -Identify sources of this information, both internal and external -Decide how often information should be updated. -Estimate, and budget for, cost of obtaining information | <ul style="list-style-type: none"> -Obtain authority to gather information -Develop procedures and instructions for gathering information | <ul style="list-style-type: none"> -Meet with managers of departments providing information -instruct and coach those who gather information -Follow up with those gathering information | <ul style="list-style-type: none"> -Establi quality informa -Compa informa with the -Correc poor inf gatherir informa |
| 2 | EXAMINE ALTERNATIVE RISK MANAGEMENT TECHNIQUES | <ul style="list-style-type: none"> -Determine whether any boundaries exist for range of alternatives management will consider -Define criteria to be examined for each alternative -Determine who should examine alternatives -Decide how often to examine alternatives | <ul style="list-style-type: none"> -Establish procedures for gathering and evaluating information or alternatives -Maintain communications with providers of alternatives | <ul style="list-style-type: none"> -Provide information and guidance to colleagues who examine alternatives -Call, perhaps conduct, meetings among those who examine alternatives | <ul style="list-style-type: none"> -Set acti for the J examini -Compa with the -Improv perform good pe |
| 3 | SELECT RISK MANAGEMENT TECHNIQUES | <ul style="list-style-type: none"> -Decide on criteria for selecting techniques -Conduct meetings with representatives of intermediaries -Schedule meetings with decision makers | <ul style="list-style-type: none"> -Assemble information needed by decision makers -Schedule meetings among decision makers -Inform senior management of choices made | <ul style="list-style-type: none"> -Chair (or participate in) meetings among decision makers -Prepare additional information decision makers may need | <ul style="list-style-type: none"> -Confer manage. for selec -Establi: selection -Confirr manage: understa selecting techniq |

| | | | | | |
|---|------------------------------------|---|--|--|--|
| 4 | <p>IMPLEMENT TECHNIQUES</p> | <ul style="list-style-type: none"> -Decide which managers should be involved in implementation -Schedule meetings with affected managers to explain decisions | <ul style="list-style-type: none"> -Schedule training sessions with personnel of affected departments -Determine resource needs and scheduling for implementation of chosen techniques | <ul style="list-style-type: none"> -Conduct training sessions as needed with affected departments -Coach affected managers -Confirm understanding and acceptance of chosen techniques by affected personnel | <ul style="list-style-type: none"> -Establish timely and implement -Establish implement -Confirm personnel as required -Inform managers in implement |
| 5 | <p>MONITOR RESULTS</p> | <ul style="list-style-type: none"> -Decide frequency of monitoring -Determine how to gather information needed for monitoring -Inform affected managers how they will be monitored | <ul style="list-style-type: none"> -Select and train personnel who will gather monitoring information -Inform senior management of how results will be reported | <ul style="list-style-type: none"> -Educate affected personnel -Conduct meetings among those managers who results are being monitored | <ul style="list-style-type: none"> -Establish for proper results -Compare monitor these status -Correct monitor reward & perform |

(Essentials of Risk Management, Head Horn, 3rd Edition)

Reflection

Three key ideas from this module are:

-
-
-

My questions:

-
-
-

| | Ideas I want to learn more about: | Ideas for my board to consider: |
|------------------------------------|--|--|
| To be an effective trustee: | | |
| To be an effective board: | | |

My Personal Plan of Action

In order to strengthen the governance of our board of education, I make a commitment to:

| State the Area You Want to Improve | I Commit Myself to the Following | When Will I Do This? | How Will I Know I Have Been Successful |
|---|---|-----------------------------|---|
| | | | |
| | | | |
| | | | |