

RISK MANAGEMENT

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Waiver:

The information and suggestions contained in this presentation are provided on the basis that the recipients waive all liability against the presenter.

Concept of Risk Management

- Traditionally included insurance offloading only
- Today concept is more scientific
- Definitions:
 - Risk – Uncertainty about outcomes that can be either positive or negative
 - Risk Management - The process of making and implementing decisions that will minimize the adverse effects of accidental loss on an organization

RISK MANGEMENT AND YOUR INTERNAL ENVIRONMENT

- Establishes a philosophy regarding risk management. It recognizes that unexpected as well as expected events may occur.
- Establishes the entity's risk culture.
- Considers all other aspects of how the organization's actions may affect its risk culture.

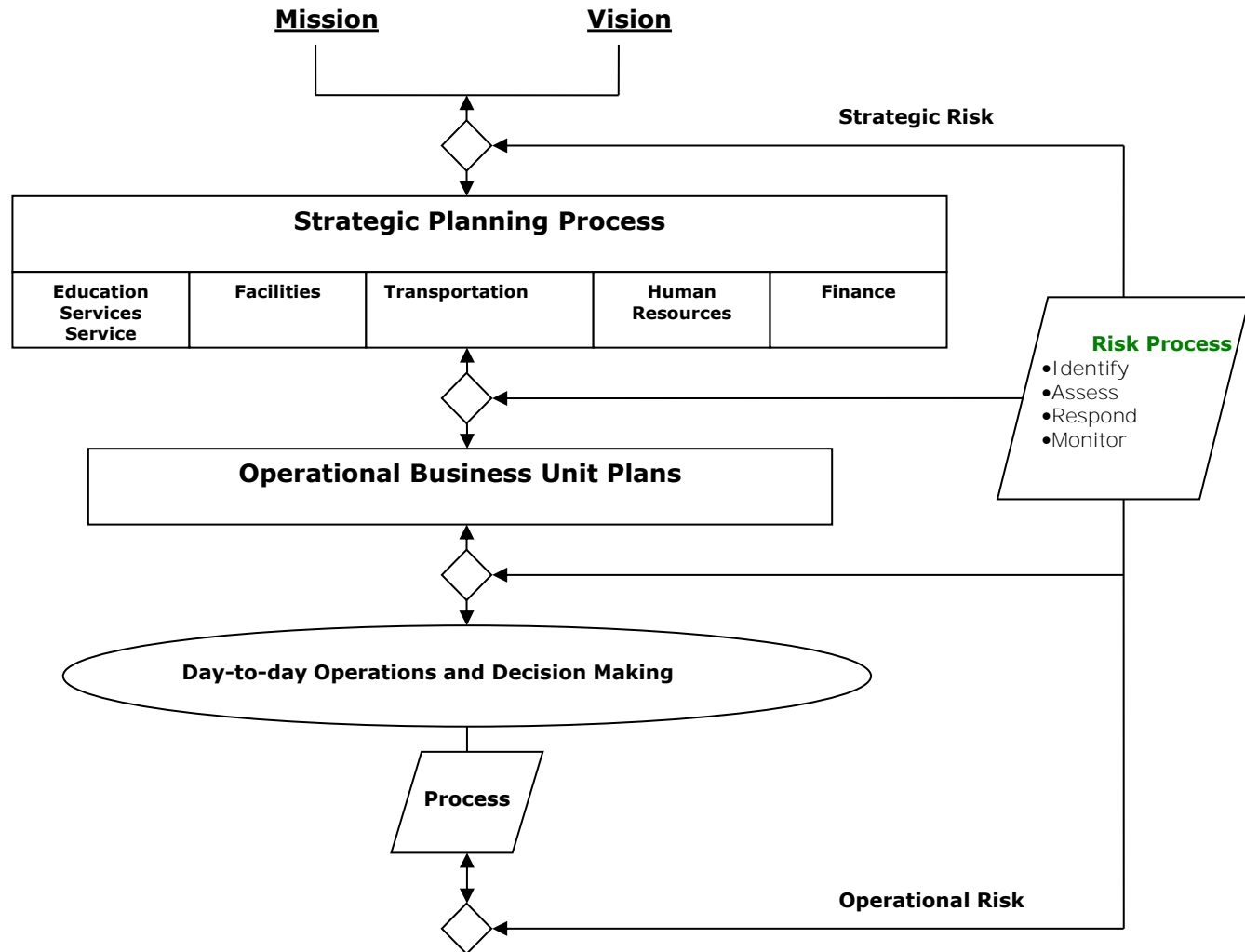
TYPES OF RISK MANAGEMENT

Financial Risk Management
Operational Risk Management
Project Risk Management
Human Resource Risk Management
Reputational Risk Management
Credit Risk Management
Quantitative Risk Management
I.T. Technology Risk Management
Integrated Risk Management
Commodity Risk Management
Reputation Risk Management
Competition Risk Management
Enterprise Risk Management
Strategic Risk Management

3 types to discuss today:

- Strategic Risk Management
- Enterprise Risk Management
- Operational Risk Management

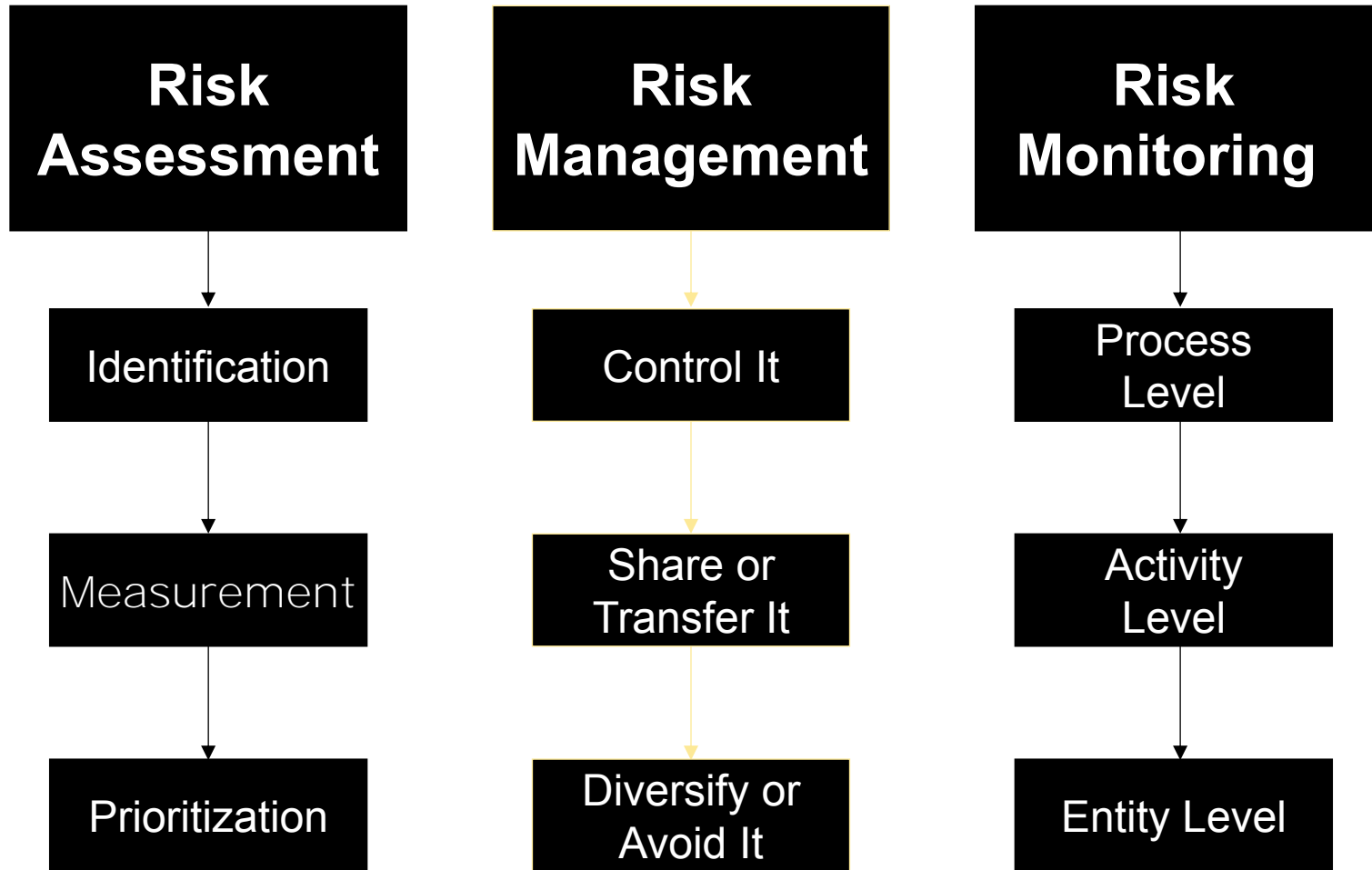
STRATEGIC RISK MANAGEMENT



ENTERPRISE RISK MANAGEMENT



OPERATIONAL RISK MANAGEMENT



RISK MANAGEMENT INTEGRATING WITH STRATEGIC PLANNING

- **Risk Management ‘informs’ strategic planning and provides input and context to assist in decision-making and resource allocation**
- **Strategic plans and objectives are key considerations in determining top risks**
- **Proposals are required to identify effects on top risks**
- **Emphasis on building risk management capability and capacity to use to our advantage, i.e. intelligent risk taking**

DETERMINING RISK APPETITE

Risk appetite is the amount of risk — at a broad level — a school board is willing to accept.

- Use quantitative or qualitative terms (e.g. risk vs. reputation, operational, financial), and consider risk tolerance (range of acceptable variation).

DETERMINING RISK APPETITE

Key questions:

- What risks will the organization not accept?

What risks will the organization take on new initiatives?

- What risks will the organization accept for competing objectives?

SSBA Insurance Plan

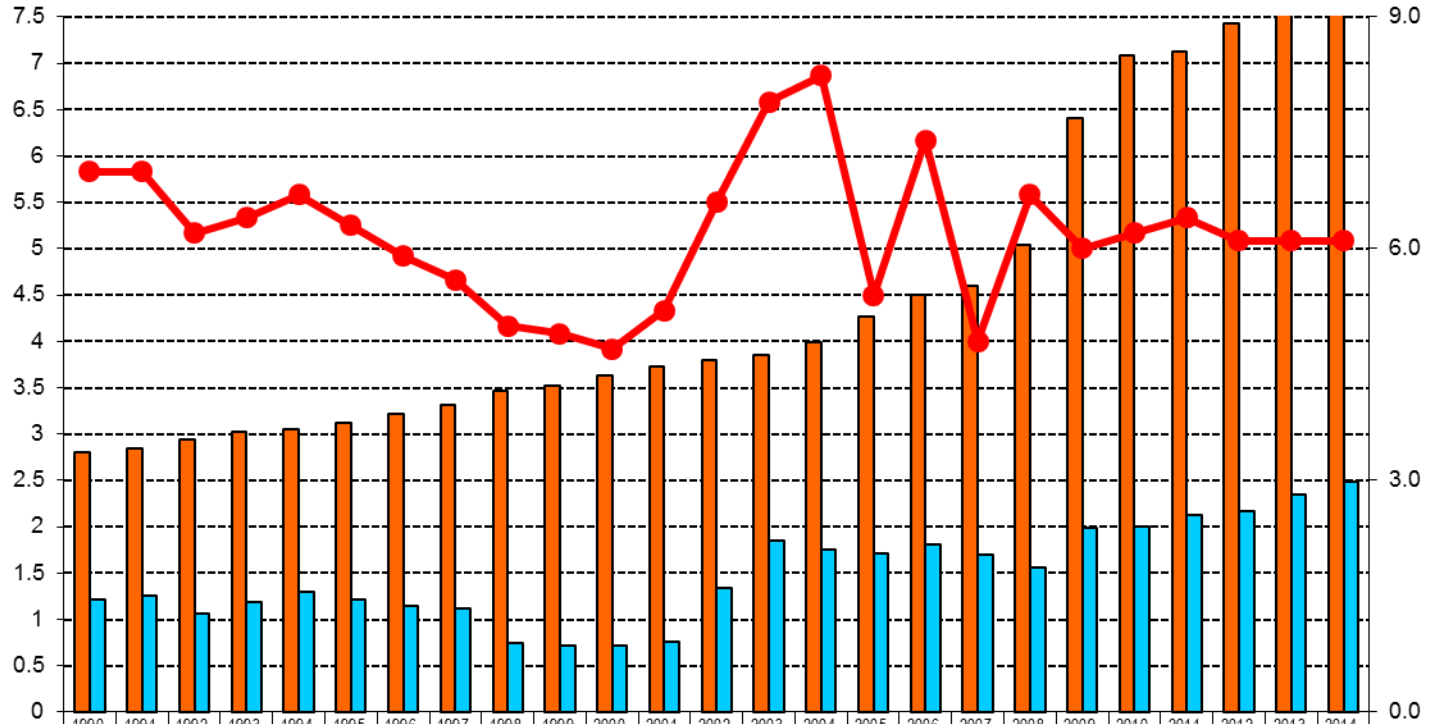
- All incidents have a direct impact on the financial position of the division
- The less incidents that occur, the more money is available to the division for other operational uses

SSBA Group Insurance Plan

- Property Rate x Property Value equals Property Premium
- In 1990 the Property Values were \$2.8 billion, today \$8.4 billion
- In 1990 the pure insurance rate was \$0.043 cents per \$100.00 of value, today the pure insurance rate is \$0.029 cents per \$100.00 of value. The standard shelf rate for commercial property is \$0.130 cents per \$100.00 of value
- Combined insurance rate (red line) was \$0.07 per \$100.00 of value in 1990 and is \$0.06 per \$100.00 of value today

SSBA Group Insurance Plan

Property Premium/Pool/Value/Rate History



	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Value (\$B)	2.802	2.846	2.94	3.027	3.054	3.125	3.215	3.318	3.466	3.522	3.632	3.735	3.798	3.847	3.992	4.27	4.508	4.603	5.035	6.41	7.087	7.129	7.429	7.846	8.29
Premium (MM)	1.213	1.260	1.069	1.186	1.292	1.209	1.147	1.114	0.750	0.714	0.715	0.758	1.342	1.846	1.757	1.708	1.804	1.703	1.561	1.987	2.009	2.121	2.164	2.353	2.486
Combined Rate	7.0	7.0	6.2	6.4	6.7	6.3	5.9	5.6	5.0	4.9	4.7	5.2	6.6	7.9	8.2	5.4	7.4	4.8	6.7	6.0	6.2	6.4	6.1	6.1	6.1
Pure Ins. Rate (¢)	4.3	4.4	3.6	3.9	4.2	3.9	3.6	3.3	2.2	2.0	2.0	2.0	3.5	4.8	4.4	4	4	3.7	3.1	3.1	2.8	3	3	2.9	2.9
Loss Pool (\$000)	750	750	750	750	750	750	750	750	1,000	1,000	1,000	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,500	1,500	2,000	2,000	2,000	2,000	2,000
Tot. Prem. Incl. Pool & Fees (\$000)	1,963	2,010	1,819	1,936	2,042	1,939	1,897	1,864	1,750	1,714	1,715	1,958	2,542	3,046	3,291	2,306	3,332	2,232	3,389	3,830	4,363	4,571	4,606	4,823	5,086

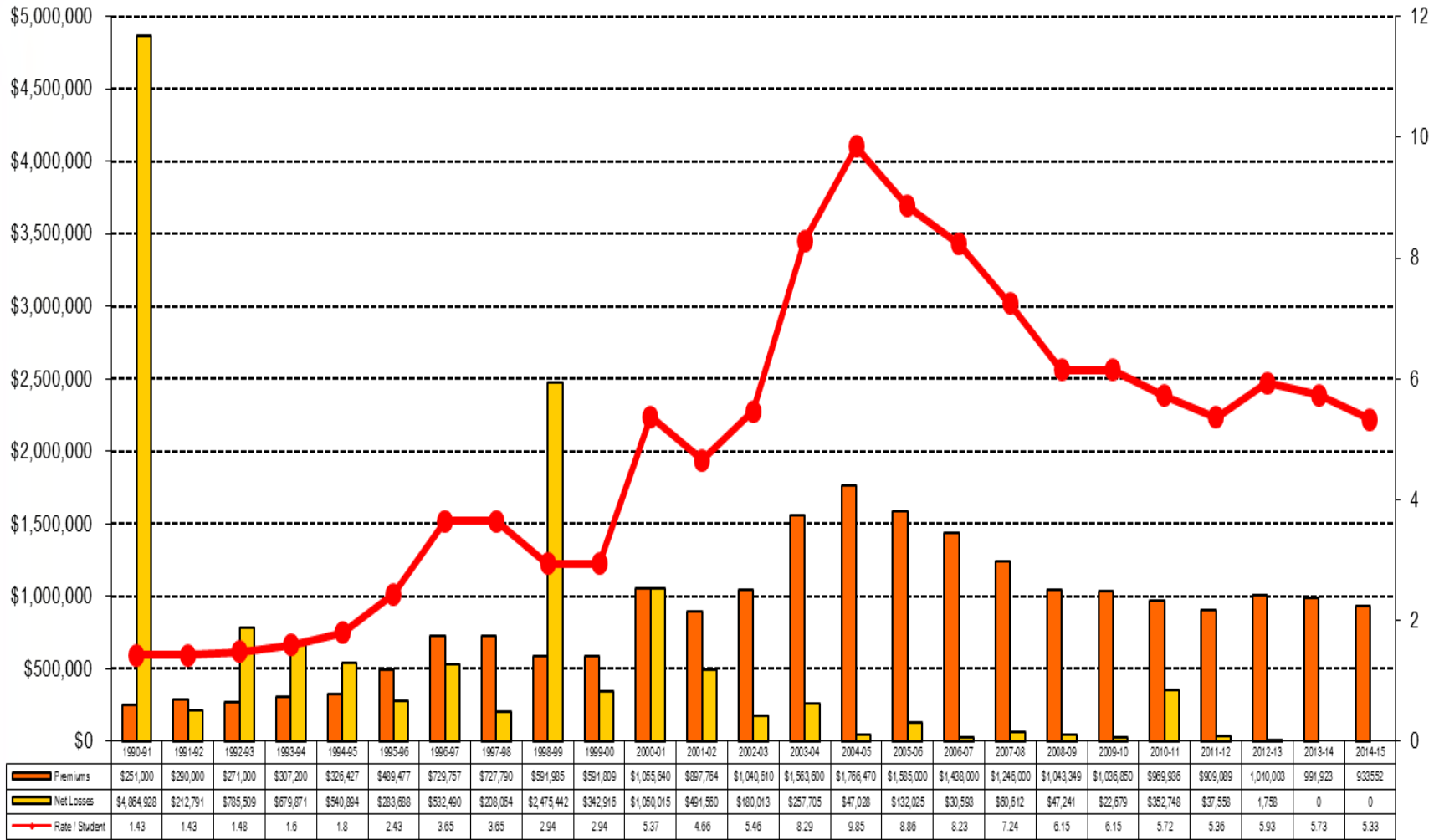
SSBA Group Insurance Plan

Commercial General Liability

- Number of students x rate/student equals premiums paid
- In 1990 the rate/student was \$1.43, as a result of non managed claims the student rate escalated to \$9.85/student in 2004.
- In 2014 the rate was \$5.33 per
- Today school boards are paying less than they paid in 2000.

SSBA Group Insurance Plan

General Liability Premium/Loss/Rate History



WHEN SHOULD RISK MANAGEMENT BE USED?

- 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
- When uncertainty hinders your decision making

CONCLUSION

“Never forget- decision-making is all about taking risks.

You cannot eliminate risks. It is futile. The bigger your job, the greater the risks you should be taking. The idea is not to try to eliminate risks, but to take right risks.”

Peter F. Drucker

Be determined in achieving your goals...





**And most of
all...**

SM**I**L**E**!!!

**Have a nice
day!!!**