

AT RISK

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*A Risk Management Newsletter for the British Columbia
Provincial Government, its Ministries and Organizations*

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Executive Director's Message

I'm proud to present this issue of *At Risk*. You'll read a summary of construction-related insurance, news about our involvement with risk assessments for the upcoming 2010 Olympic and Paralympic Games, and a recap of all the programs and services offered by our branch.

In our last issue we advertised our plans to host a second Risk Management Conference. Dates were scheduled, the meeting space was booked, hotel rooms were reserved, speakers were arranged and our program was looking very solid. We are disappointed to announce that given these times of restraint, we had to make the hard decision to postpone the conference.

But your need and demand for risk management education and information doesn't go away because of economic downturn. If anything, these times demand greater emphasis on managing our risks and taking advantage of opportunities as they arise.

To that end, the Core Government and Crowns (CGC) Team are going to be working hard in the upcoming months to take advantage of the new technologies enabled with our Vista/Office 2007 upgrade and other tools to provide as much low- or no-cost, provincially accessible information and educational opportunities as possible.

They will continue to offer workshops and forums, with the aim of recording these sessions and posting them on the RMB intranet site for out of town clients.

Watch the Forum intranet site for updates: <http://gwww.fin.gov.bc.ca/PT/rmb/forum/index.stm>

Over time, the CGC team intends to expand this online library of presentations and interactive tools. If you have any special requests, send them an email at RMB@gov.bc.ca <

Phil Grewar, Executive Director

Rental Vehicles: The Least You Need to Know

Risk Management Branch's Claims and Litigation Management Team handles the daily vehicle rental claims for ministry employees for short term rentals where there are exceptions to the coverage provided automatically by using the BMO Travel Card. These exceptions include:

- ❖ rentals of any vans that seat more than 8 passengers,
- ❖ any vehicle larger than ¾ ton,
- ❖ pick up trucks, motorcycles, mopeds, RV's, campers or trailers, and
- ❖ any vehicle valued over \$65,000.00.

The rest you need to know can be found on the Purchasing Services Website: http://pss.gov.bc.ca/csa/categories/vehicle_rentals/vehicle_rentals_daily/vehicle_rentals_daily.html

You will also find information about fleet vehicles and employee vehicles linked there. <

What is it we do here anyway?

Risk Management Branch and Government Security Office is accountable for the effective management of the risks of loss to which the government is exposed by virtue of its assets, policies, programs and operations. In delivering its mandate the branch has assumed four different roles: central risk management agency within government; risk management advisor/consultant; risk management program development and delivery; and claims and litigation management.

Corporate Risk Agency

The branch, in its role as the central risk management agency within government, advises government on risk management issues, reviews and approves indemnities given by government and Crown corporations. Risk management consultants review procurement documents to identify and ensure allocation of risk, including for Alternative Service Delivery projects, Public-Private Partnerships, and all non-standard agreements. Branch staff also assist ministries establish their own comprehensive risk management programs.

Security

The Government Security Office is resident in the branch. The Office is responsible for the management and coordination of the BC Government's Security Program. It advises and assists ministries in developing security strategies, security awareness, asset protection and technical assistance with investigations related to breaches of security. The Office chairs the Government Security Advisory Committee. It also consults with central agencies and those involved in the education and health sectors.

Risk Management Advice

In its role as a risk management advisor/consultant, the branch provides a wide range of risk management services to its client group, assisting them in areas such as loss control, risk financing, risk identification and transfer, and in the development of coordinated enterprise risk management programs. Combined, the branch has over 450 years of in-house insurance and risk management experience among 22 risk management consultants.

Risk Financing

Risk Financing is another role of the Risk Management Branch. With clients such as the Health Authorities, service providers to the social program ministries and the public education system, the Branch has developed self-insured risk financing programs. These programs have proven to be an effective method of funding losses, saving the province approximately \$80 million per year. In special circumstances, where self-insurance is not practical, the branch purchases insurance on behalf of its clients.

Risk Management Programs

The branch has developed specific programs to provide risk management services, including claims management, risk financing and loss control, to schools, colleges, hospitals and health care agencies, and to service providers to the social program ministries. The branch also manages risk control inspections for government buildings, schools, hospitals, universities and colleges covered by our programs throughout BC.

Major Programs

Directors Indemnity Program

Provides financial protection to persons who are not public servants appointed to boards of government corporations for their personal liability as directors.

Health Care Protection Program

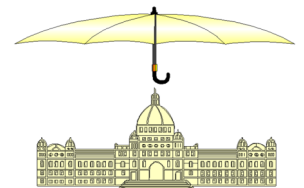
Provides liability, medical malpractice, director's and officer's liability, property, boiler and machinery, and crime coverage to the public health care system, including Health Authorities and acute care hospitals, as well as risk management services to all covered health care agencies.

Master Insurance Program

Provides liability coverage to 8000+ contractors delivering programs on behalf of the social program ministries.

Schools Protection Program

Provides property, boiler and machinery, liability and crime coverage as well as risk



(Continued on page 3)

What is it we do here anyway? (continued)

management services to all public schools K through 12.

University, College and Institute Protection Program

Provides property, boiler and machinery, liability and crime coverage as well risk management services to all public colleges and institutes in the province as well as several universities.

Appointees Indemnity Program

Provides financial protection to persons who are not government employees appointed to government agencies, boards and commissions for their roles in those organizations.

Claims & Litigation Management

Claims services are provided to all ministries, all program clients and certain public sector agencies. Examples include claims for all the Major Programs operated by the branch, claims against approved indemnities, property of employees, rental vehicles, losses stemming from fighting wildfires, and ARES building claims.

Program Teams

These programs are delivered by program teams comprised of expertise provided by the various disciplines represented within the branch. <

Ask Risk

What is the difference between traditional Risk Management (RM) and Enterprise Risk Management (ERM)?

The distinction between risk management and *enterprise* risk management is simple. Both are about realizing potential opportunities while managing adverse effects; however ERM considers risks and opportunities throughout an organization and applies this knowledge to strategic and operational business planning and performance decisions.

Where risk management at a project or program level is focussed on the management of uncertainties that could have some impact on immediate goals, ERM incorporates a wider scope and considers those things that could stand in the way of an organization fulfilling its mandate, meeting business plan objectives or remaining relevant and viable into the future.

Enterprise risk management has a significant cultural component. Where risk management can be piecemeal or specialized within an organization—perhaps the domain of IT or finance—ERM is a mindset and practice applied throughout the organization. An enterprise risk management culture, through the support of its leaders, seeks opportunity from its uncertainties and uses objective analysis and evaluation to manage its vulnerabilities.

This type of culture evolves only through the commitment of leaders and champions and the development of structure and processes through which the information is compiled, contextualized and communicated. These structural components can be quite simple. An ERM framework and reporting structure does not necessarily require a great deal of additional effort or resources. It is scalable and should reflect the capacity and sophistication of its organization. One size does not fit all.

ERM is a culture where **everyone** within an organization, from managers to front line staff participates in understanding and managing uncertainty. Organizations with a low threshold for risk taking can be mobilized by a robust ERM plan because it removes fear by analyzing and quantifying realistic risk factors. Enterprise risk management introduces a common definition of risk and universal measurements to gauge the effectiveness of risk management efforts and aid in its value.

For more information contact your organization's risk manager or chief risk officer, or Risk Management Branch's ERM specialists Todd Orchard and Chris MacLean. <



How do I Know? Professional Liability Insurance

Commercial General Liability generally excludes losses resulting from “the rendering of professional services or the omissions thereof.” An additional policy, known as Professional Liability insurance (Errors & Omissions, E&O, or Malpractice) is often required from individuals who provide professional services, expertise, advice, counselling, make educated recommendations, provide design solutions, or represent the needs of others (e.g. professionals acting as agents for others).

Professional Liability insurance covers costs incurred to rectify an error or omission by a professional, a type of loss excluded from CGL policies. “Professionals” from an insurance point of typically include engineers, architects, surveyors, foresters, or computer service professionals, among others who might be held to a higher standard of care due to their specialized skills and knowledge.

Questions to ask to assist in determining whether this type of insurance is required:

- Do the services require specialized expertise, education, or training?
- Does the individual providing the services require a specific designation, registration, license, certification, authority or other similar “approval” status to perform their duties?
- Has the Province set specific guidelines for insurance requirement for these types of services? (e.g. architects, engineers, information technology service providers, health care providers, management consultants, etc.)
- To what extent will the advice or services offered by the individual be relied upon? For example, will the

services be key and absolutely relied upon for further decision making? (e.g. the greater the impact of such reliance, the greater the need for dedicated mechanism to finance loss.)

- Does the individual providing the services have the ability to make financial commitments on your behalf? (e.g. bind agreements on your behalf, take deposits, make financial decisions, etc.)
- If the individual does not provide the level of service that can reasonably be expected, what might be the financial impact to the Province? Examples:
 - costs to fix faulty design issue
 - costs of financial loss because advice failed to incorporate the due diligence expected of an “expert”
 - additional costs for having work re-done
 - costs incurred to mitigate losses (e.g. costs to set up temporary “fix”)
 - indirect costs arising from the error or omission (e.g. loss of revenue)
 - costs to compensate individuals for injury suffered as a result of failure to deliver professional services
- If the impact is likely to be significant, how will the individual “make good” on the commitment to reimburse the Province for losses the individual has caused?
- Is an “Errors & Omissions” insurance product available for such service providers?

Please contact Risk Management Branch for additional information. <



CGL Spelled Out

Commercial General Liability (CGL) insurance is the most widely used form of liability insurance. A CGL policy protects its insured against losses that it may incur as a result of bodily injury, property damage, or personal injury (e.g., libel, slander, false arrest) it causes to third parties. CGL policies usually cover all operations of the insured on an annual basis up to a specified limit of liability. The insurer is obligated to defend claims and these costs are usually paid in addition to the limit of liability (\$2m is the standard minimum limit, but the amount you ask for will increase if the exposure to third party losses is greater). <

Provincial Construction Insurance Program

While the Province has chosen to self-insure most risks, major construction projects involving multiple consultants, contractors and subcontractors attain risk financing efficiency in a different way.

RMB manages a Province-wide Owner Controlled Construction Insurance Program encompassing public sector construction projects (most provincial government ministries, health care agencies, K-12 schools, and public post secondary institutions except UBC, UBC Okanagan, UVic and SFU). The program provides **Course of Construction** and **Wrap-Up Liability** coverages.

Depending on the nature of the contract, additional coverages such as Professional Liability (Errors and Omissions), Automobile Liability, Watercraft Liability and/or Aviation Liability may be purchased.

By pooling its construction risks, the Province expects this program will meet the following objectives:

- ❖ Substantial cost savings to government
- ❖ Control over types and limits of coverage
- ❖ Availability of coverage, consistent policy wording across all projects
- ❖ Insurers who are acceptable to lenders/ investors of public-private partnerships
- ❖ Certainty that the coverage will be in place in the event of a loss.

Course of Construction (also known as *Builders Risk*) insurance appears in construction-related contracts and is purchased to protect the against losses or damage to a building or structures during construction, erection, installation, reconstruction or repair. It covers multiple unrelated parties on the project (i.e. the owner, contractors, sub-contractors, consultants). The policy term generally follows the construction project term being construction start to substantial completion.

The policy provides “All Risk” coverage of direct and physical loss or damage due to the perils of fire, windstorm, earthquake, collapse, flood and water damage.

Construction specific perils such as testing and commissioning, theft of materials, transit and off site storage and vandalism at unoccupied sites are also included.

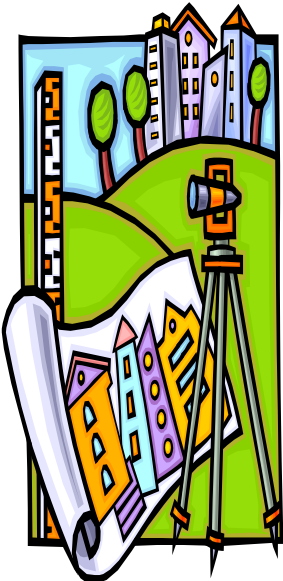
Wrap-Up Liability insurance is also designed for construction risks and is arranged to cover the general liability of all the various contractors working on the project, and includes the owner. The policy protects its insureds against losses that they are legally obligated to pay as a result of bodily injury or property damage they causes to third parties.

Wrap-Up provides coverage in situations where someone is suing because they are either injured or their property has been damaged. Legal expenses are incurred by the insurer to defend the claim. The policy term follows the construction period until substantial completion, plus an additional 24 months for completed operations.

Each project must be declared under the program by completing and returning the construction insurance application form (which is provided by RMB). The application is used by underwriters to identify hazards and risks specific to a project (e.g. asbestos, shoring, and blasting). It is also used to establish the appropriate premium to allocate to a specific project based on criteria such as construction type, fire protection and site security. Contractors listed on the application must be acceptable to underwriters.

In certain situations, consultants (e.g. architects, engineers, etc.) may be required to purchase and maintain **Professional Liability** insurance. This insurance insures a consultant against claims made by third parties alleging negligence in the rendering of, or the failure to render, professional services. Since this type of coverage is not provided by the program, consultants purchase and maintain this insurance themselves.

If you would like more information about the owner-controlled construction program or the additional insurance coverages mentioned in this article, please call RMB. <



Ongoing Risk Management Education

- ❖ **British Columbia Risk & Insurance Management Association (BCRIMA)**
BCRIMA provides education primarily through monthly luncheon speakers and a spring Professional Development Day session. Educational opportunities are posted on the BCRIMA website as they become available:
<http://britishcolumbia.rims.org/ChapterWebsite/CWPreview.cfm?CWID=5019in>
- ❖ **Canadian Risk Management (CRM) Program**
The three CRM courses offered by Simon Fraser University start again in September with CRM 105: Risk Assessment. Evening courses are scheduled at the downtown Vancouver campus, and in Victoria at Risk Management Branch.

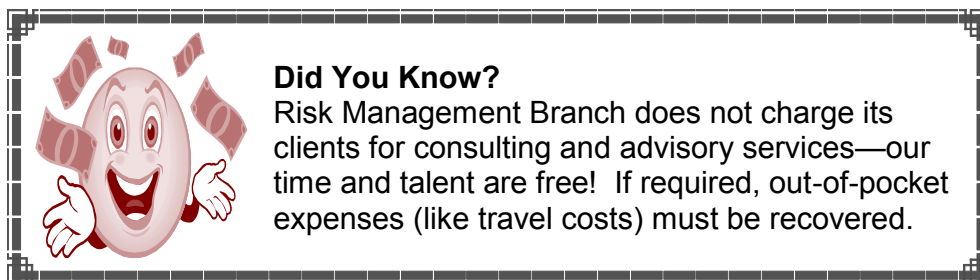
For more info: <http://www.sfu.ca/cstudies/pd/rf.html>

Management and Professional Programs, Continuing Studies
Simon Fraser University Vancouver 515 West Hastings Street Vancouver, BC
Tel: 604-291-5095 Fax: 604.291.5098 Email: mpp-info@sfu.ca

Conferences to Note

- ❖ **RIMS Canada Conference 2009** September 13-16, St. John's, Newfoundland
http://conference.rimscanada.ca/RIMS/RIMS_Canada_Conference/Home/
- ❖ **RIMS Western Regional Conference 2009** September 22-25, Seattle
<http://wrc.rims.org/Sites/wrc/2/WRC2009SeattleWA/Default.aspx>

About Our Organization...



Did You Know?

Risk Management Branch does not charge its clients for consulting and advisory services—our time and talent are free! If required, out-of-pocket expenses (like travel costs) must be recovered.

To learn more about the Risk Management Branch and Government Security Office please visit our internet site: <http://www.fin.gov.bc.ca/PT/rmb/index.shtml> or give us a call.

Government staff may access our Intranet: <http://gww.fin.gov.bc.ca/PT/rmb/index.stm>

It should be clearly understood that this document and the information contained within is not legal advice and is provided for guidance from a risk management perspective only. It is not intended as a comprehensive or exhaustive review of the law and readers are advised to seek independent legal advice where appropriate.

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CONTACT INFORMATION:

MAILING ADDRESS:

PO Box 3586
Victoria BC V8W 1N5

PHONE:

(250) 356-1794

FAX:

(250) 356-6222

CLAIMS FAX

(250) 356-0661

E-MAIL:

RMB@gov.bc.ca

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<http://www.fin.gov.bc.ca/PT/rmb/AtRisk.shtml>

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