

# AT RISK

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

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Please feel free to print and distribute this edition of *At Risk*.

To receive future electronic editions of *At Risk* please e-mail [RMB@gov.bc.ca](mailto:RMB@gov.bc.ca) with "At Risk" in the subject line and include your e-mail address.

## Executive Director's Message

As you will read throughout this issue, the Risk Management Branch has recently bid farewell to its founder and Executive Director, Phil Grewar. Perhaps the most significant of successions is the transition from the individual who conceived its operations to those who will carry it into the future.

I am pleased to temporarily step into the role of Acting Executive Director until December, 2014. I was most recently the Director, Client Services – Health Programs here at Risk Management Branch. I've been with the branch since 2003, having started my career in the insurance industry in 1985.

One of the advantages I bring to the role is an awareness and strong appreciation of the scope of knowledge and skills of the people I work alongside. The insights, understanding and experience of my colleagues is genuinely enriching. Two heads are better than one and that will be my guiding principle as I step up to the rather daunting task of following in the footsteps left by a risk management legend.

We hope you enjoy this edition. Thank you for reading *At Risk* and we welcome your comments, questions or feedback at [RMB@gov.bc.ca](mailto:RMB@gov.bc.ca) ↵

Linda Irvine, Acting Executive Director

## Retirement of our Accomplished Leader

Phil Grewar, founder and Executive Director of the Risk Management Branch and Government Security Office, has retired after nearly thirty years as a BC public servant. Phil's innovating approach, expertise and experience in the field of risk management set the bar for public sector risk management in Canada.

Under his watch, the Risk Management Branch and Government Security Office developed and implemented a series of comprehensive risk management programs for the provincial public sector (including ministries, Crown corporations, government agencies and contracted service providers). Currently there are 26 different programs and risk pools running out of the branch.

Over his lengthy career, Phil received numerous honours. To name a few:

- In 1998 Phil was named "Risk Manager of the Year" by Chicago-based *Business Insurance* magazine. He was

the first public sector recipient and second Canadian to receive this award during the magazine's first 21 years.

- In 2002 he received the Queen's Golden Jubilee award in recognition of his contributions to the province.
- In 2010, Phil was recognized with a Ministry of Finance "Apex Award" for Leadership for promoting risk management in government and realizing a conservative net saving to government of over \$1 billion through the innovative self-insured programs.
- In June 2012 Phil was once again recognized for his achievements and outstanding contribution to the province at the Premier's Awards by taking home the Legacy prize.

To quote his usual sign off as he departed at the end of the day: "Someone's in charge!" Phil leaves very big shoes to fill and he will truly be missed. ↵

## ASK RISK

### **Why does government put such a strong emphasis on compliance?**

The short answer is that compliance is good risk management. The long answer is:

Risk is defined as “the effect of uncertainty on objectives” (CSA/ISO 31000). A risk assessment seeks to identify those uncertainties –things that might go wrong and stand in the way of achieving your objectives - then helps you plan what extra steps you can take to make sure those things don’t happen. It’s a great tool for helping to reduce uncertainty and uncover pitfalls that stand between you and successful achievement of your project, program, vision, or mission by foretelling and avoiding the unexpected.

In reality, a risk assessment is only part of a much broader attempt to make sure things go according to plan. Seldom do we attempt something that has never been done before, or perform a task that doesn’t consist of steps or components similar to others. So it makes sense that we consider lessons learned from previous mistakes, events, and experiences. In truth, we have done just that; those collective lessons from past experience have resulted in our current laws, regulations, policies and practices.

There’s a reason why travel expense claims require receipts and independent approval: without those controls the chances of fraud increase to an unacceptable level. There’s a reason why the speed limit in residential neighbourhoods is usually 50 kph: if you hit a

pedestrian while going faster, the risk of killing them or inflicting injuries that can’t be recovered from increases to an unacceptable level. Currently existing controls, rules, mitigations etc. are everywhere, governing and guiding the conduct of human activity based on history, customs, and practices determined over time to reduce risk to an acceptable level.

It stands to reason, then, that the first guiding principle in risk management should be compliance with existing controls. The unexpected is more likely to happen when we do something unexpected, when we don’t follow procedure, when we ignore the rules or create untested “work-arounds”. Do what you’re supposed to do, the way you are supposed to do it, and chances are the unintended outcomes will be reduced.

That’s not to say we’ll never deviate from the norm, develop innovated solutions, or unquestioningly follow procedure. “I was only following orders” has been proven over time to be an unacceptable excuse when the situation clearly doesn’t make sense. It just means that we should know why we do things the way we do, know the reason behind the rules, and be guided by an intelligent assessment of the situation. Non-compliance should be the exception. Laws, regulations, policies and practices are there for a good reason, and usually because they were put in place to reduce risk to an acceptable level.

In other words, compliance is good risk management. <



## Last Words

By Phil Grewar

I am writing this on the eve of my retirement.

When I joined the BC provincial government, I never thought that I would retire from here. But the opportunities to create something new and change things along the way were enormous.

My entire working career has been in insurance and risk management – with an

insurance company, two mining companies, a Crown corporation, a forest products company and then into government.

I expect that I may have had a somewhat unique experience in government. In 1980 while working for the BC Buildings Corporation I was seconded to Treasury Board Staff to conduct a review of how government managed risk and insurance. I ended up, amongst other things,

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## Last Words (continued)

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recommending the establishment of a centralized risk management and insurance function. I was finishing my work on this project when, out of the blue, I was offered a job in the forest industry in Vancouver so off I went.

Almost five years later, my phone rang and I was asked if I would like to come back to Victoria and set up the office and function I had recommended. So in December 1985 I joined the BC government. By April 1986, I had taken all of the province's hospitals into a self insured program. The cost savings in the first year were almost \$7 million. The K-12 schools and post-secondaries were next.

I have many unique memories:

I was an "in kind contribution" to the '94 Commonwealth Games and acted as the risk manager for the games (off the side of my desk) for approximately 4 years. That experience led to my involvement in the province's Olympic bid and to a risk advisor role with VANOC. In early 2004, I was invited to meet the risk folk from the Sydney and Salt Lake City games for an "information transfer". During those meetings I gave a presentation

on Enterprise Risk Management to some IOC representatives - I was pushing VANOC to adopt ERM. VANOC was the first Organizing Committee to use ERM, which is now a requirement for all Olympic Games.

Does anyone remember Y2K? Three of us spent New Year's Eve and into the morning of January 1, 2000 in the then Provincial Emergency Program (PEP) "bunker" ready to run the province if all the potential computer chip issues actually occurred. I had the business continuity plan binders for all the ministries, while the other two represented PEP and the Chief Information Officer.

Canadian Blood Services (CBS) was having issues with its liability insurance program and I was asked to lend my expertise and look into alternatives. In the end, I led a group of provincial/territorial risk managers to establish a BC-based captive insurance company to insure CBS. It took some cajoling to convince some of the more risk averse jurisdictions that this was a good solution.

I am very proud of all of the initiatives that were developed in RMB. All the risk pools for hospitals, school districts, colleges and universities, Crown corporations, social program service providers and many other public sector entities. Business continuity management, enterprise risk management, the Government Security Office and K-12 building envelope remediation were all developed in RMB. We ran the seismic mitigation program. We developed protocols for drug trials in hospitals, safety requirements for school ski trips and programs for foster parents and midwives. We review and approve most of the non-standard contracts that government and the broader public sector enter into.

Over the years RMB staff have worked together, played together and at times partied together. We have seen marriages and births, some divorces and illnesses and sadly some are no longer with us. Collectively we are arguably the most talented and capable risk management group in Canada, and I will miss being part of the team. <



## Mental Stress claim arising at work is a WCB matter

*Successful BCCA decision finding that a mental stress claim arising at work is a non-compensable WCB matter*

By Leslie Slater

[Downs Construction Ltd. v. Workers Compensation Appeal Tribunal, 2012 BCCA 392](#)

[Leslie Slater](#) of Carfra Lawton LLP, acting for the Defendant employer, along with co-Defence Counsel Harold Turnham, acting for the Defendant employee, successfully appealed a WCB decision to the BC Court of Appeal.

In summary, the Plaintiff brought a tort claim for mental stress which allegedly rendered her permanently disabled as a result of being bullied at work by a co-worker. She sued both her employer and the co-worker. The employer brought an application to the Workers' Compensation Board, seeking certification that the matter arose out of and in the course of employment, and that the tort claim should be stayed.

The Workers' Compensation Appeal Tribunal ("WCAT") upheld the Board's decision and found that the Plaintiff, co-worker, and employer were workers and an employer under the *Workers Compensation Act*, that the incident occurred at work, and that the psychological injury was caused by the employment incident, but found that the Plaintiff had not met the criteria set out in the

Act to establish a mental stress claim – while it was an acute reaction to a sudden traumatic event, it was not "unexpected". The WCAT issued a s. 257 certificate stating that the injury "did not arise out of and in the course of employment".

On judicial review, the judge determined that if the Plaintiff was not entitled to receive WCB benefits, she could continue her tort claim against the employer and co-worker.

In a unanimous decision, the BC Court of Appeal ("BCCA") disagreed with the judge below and determined that while the Plaintiff was precluded from receiving benefits through WCB, the injury clearly arose out of and in the course of employment. The BCCA cited the "historic trade-off" – workers gave up their right to sue employers and co-workers, in exchange for a no-fault compensation system, and, conversely, employers pay into the system for the certainty that employees cannot sue them. The court found that in this case, the Plaintiff was entitled to claim WCB benefits, but that she was unsuccessful in receiving them because she did not fit the criteria for compensation. Because of the "historic trade-off", she was not entitled to bring a tort claim against her employer or the co-worker.

It is noteworthy that this decision brings the BC law in line with the laws in Alberta and Saskatchewan. <

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## Risk Perception: this time it's personal

In the last issue of *At Risk* we explored the pursuit of truth through numbers and quantitative assessment. We asked whether statistics and expert opinion can reliably calculate uncertainty.

As citizens and as public servants we try our best to make good decisions but we are often overwhelmed by information and complexity. Naturally we turn to experts, professionals and specialists for assurance and to guide our decision making. No one would dispute the value and immeasurable contribution of the

professional class but critics warn of over-reliance on purely quantitative assessment and elite opinion. Forecaster Nate Silver writes extensively about probabilistic predictions. He warns that predictions can fail for many reasons. He writes of the fragility of modelling.

Unanticipated change, however slight, can result in a cascading failure of prediction. Though, according to Silver, complexity is not the culprit; rather the weakness lies in the assumptions of forecasters. He points to the

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## Risk Perception (continued)

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subprime mortgage crisis which triggered worldwide credit scarcity, corporate failure, evaporated investments and negative impacts that continue to reverberate globally. Obviously there is much more to the story than poor math by a handful of actuarial types. Perhaps that's the lesson here, that numbers are like tools and the outcome relies on the skill of the craftsman.

Our individual worldview—our reality—is informed by our experiences, culture and values. Risk perception is an extension of our unique worldview and is equally personal and complex. And research has long shown that for the lay audience risk is a product of emotion not mathematics. The classic two-dimensional perspective of risk championed by science and engineering, where risk equals probability multiplied by harm pales against the multidimensional and context-sensitive perspective of individuals. This difference is sometimes described as the gap between actual risk and public outrage.

This gap might be explained by genetics. Our cerebral relationship with risk is often over-powered by primal brute forces. We know that our fear of plane crashes, terrorism or child abduction is far more disproportionate to the statistical likelihood of harm from any of those events, yet the mere thought of their possibility, however remote, can overwhelm us.

Researchers posit that this cognitive disconnect between so-called real risk and perceived risk is an evolutionary holdover from simpler if deadlier times.

According to Harvard psychology professor Daniel Gilbert we are likely to respond inappropriately to risks when they feature any of four key characteristics. Gilbert writes that we are prone to under- or over-react to risks that we perceive as intentional, morally offensive, immediate and sudden. Gilbert argues that these characteristics can explain why we reacted swiftly and ruthlessly to terrorism yet are slow to respond to climate change. The former is intentional, immediate and offends our values while the latter is accidental (or unintended), slow (relatively), and its impacts are distant (so far).

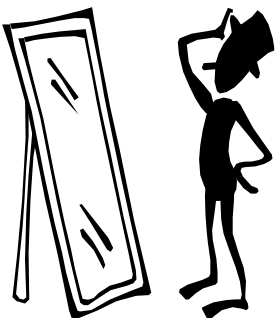
Heuristics are another evolutionary holdover that continue to play a significant role in how we interpret and respond to the world around us. Heuristics are simple rules we use for problem-solving, decision-making or assessing situations. They are mental shortcuts to aid our judgements in the absence of comprehensive information. We apply these cognitive leaps as common sense, trial and error, rules of thumb and educated guesses.

Heuristics are thought to be a primitive process which served well when daily decisions meant life or death and the world appeared much less complex. Dan Gardner, who writes on risk, sees this process as a primal mechanism of the gut, a threat assessment tool which works best where speed of decision-making is more important than accuracy. While efficient in getting us to a conclusion sooner, these are weak rules that are typically untested and expose us to cognitive bias – poor judgements based on inferences made from faulty logic.

Anchoring is a commonplace heuristic, which describes our tendency to rely heavily on the first piece of information offered. Familiarity is another practice where we assume that how we behaved or reacted in the past applies equally to the present situation. Availability occurs when people make judgements about probability based on examples that easily spring to mind. Stereotyping allows us to make conclusions about things we don't really know.

The simple rules that governed primitive man may not be appropriate in the contemporary age. We have to be cautious about applying these unreliable shortcuts to complex problems. The bias which can arise through this mental fast-tracking can undermine our problem solving effectiveness by masking root causes, restricting our scope of possible solutions or by leading us to apply the wrong expertise.

So far the search for truth has revealed that the quantitative approach is like a house of cards. We've seen that people are driven by emotion and not fact. And that our problem solving skills are better suited for the savannah than the city. Despair not because the truth lies with the masses. In an upcoming issue of *At Risk* we will explore the wisdom of the crowd, the simple idea that large groups of lay people are smarter than the elite few. <



## 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>
- ❖ **Canadian Risk Management (CRM) Program**  
**Simon Fraser University** offers evening courses toward the CRM designation in downtown Vancouver and downtown Victoria. For more information call them at 778-782-8000, see <http://www.sfu.ca/continuing-studies.html> or send an email to [csreg@sfu.ca](mailto:csreg@sfu.ca)
- ❖ **University of Northern British Columbia** offers weekend courses toward the CRM designation in Prince George. For more information call them at 1-866-843-8061, see <http://www.unbc.ca/continuingstudies/certificates/riskmanagement.html> or send an email to [cstudies@unbc.ca](mailto:cstudies@unbc.ca)

## Risk Management Conferences

- ❖ **2014 Western Regional RIMS Conference** September 8-11, 2014 San Diego, CA  
<http://sandiegorims.org/WRC-2014-SaveTheDate.pdf>
- ❖ **2014 RIMS Canada Annual Conference** September 14-17, 2014 Winnipeg, MB  
<http://rimscanadaconference.ca/2014-rims-canada-conference.html>

## Risk Management Resources

- ❖ Risk Management Magazine <http://www.rmmagazine.com>

## About Our Organization ...



With the retirement of our branch's Executive Director, you might be wondering who now steers the ship. We are pleased to have our Health Team Director, Linda Irvine, step into the role of A/ Executive Director until the fall of 2014 when the position will be competed.

Linda has proven herself a capable leader within the branch, and comes to us from the insurance industry with many years of experience. While she is less familiar with the ministry and government corporation side of our branch she is a quick study.

- ❖ Visit our public Internet site: <http://www.fin.gov.bc.ca/PT/rmb/index.shtml>
- ❖ Government staff: be sure to bookmark our Intranet site!  
<http://gww.fin.gov.bc.ca/gws/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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