

# *Unraveling the Mysteries of Insurance and Risk Management*

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# Risk Management

- **Definition: The process by which organizations evaluate and assess uncertain but potential future loss events. Managing uncertainty!**
  - Protects reputation and mission
  - Protects people
  - Protects property
  - Protects public
  - In some cases protects environment



# What Makes Sense for the Non-Profit World?

- We evaluate “risk” every day
- With larger projects we often don’t take the time to adequately evaluate and identify the risk or hazards associated with the project
- OWEB has many forms associated with small grant funding and larger projects
- No form for identifying risk or mitigation of risk
- Where to start?

# Key Components of Risk Management

- Identify Risk
- Qualify Risk: Probability of Risk
- Manage Risk:
  - Avoidance: Do we have resources/expertise to take on risk?
  - Transfer Risk (contractual relationship, insurance)
  - Risk Mitigation (safety policies and procedures)
  - Acceptance (contingency plans)
- Regularly Monitor



# Managing Risk: Avoidance

- Can you eliminate the risk entirely?
- Examples of Avoidance of Risk:
  - City/School elects not to hold a particular event due to associated risk
  - Watershed elects not to have an outdoor school due to inherent risk associated with dealing with minor children
  - Manufacturer elects NOT to make a part integral to the operation of an aircraft
  - Non Profit Board makes the decision not to have bouncy house at family fund raising event due to inherent risk

# Transfer of Risk (Contracts)

- *One of the most important functions*
- ALWAYS have a contract between parties
- ALWAYS require specific insurance limits
- ALWAYS require an Additional Insured endorsement
- ALWAYS require Workers' Compensation before the start of the project
- ALWAYS require a waiver of subrogation
- ALWAYS require the other party's insurance be primary
- Indemnification/Hold harmless clause-ALWAYS



# Transfer of Risk (Contracts)

- If the other party is providing a professional service, ALWAYS require professional liability coverage
- An additional insured certificate is typically NOT required for professional liability coverage
- Have attorney and/or agent review contracts
- Insurance another form of risk transfer
  - Sufficient limits
  - Property coverage
  - Specialty coverage

# Transfer of Risk (Insurance)

- Insurance will not cover everything
  - Staff time not covered
  - Momentum of program/mission compromised
  - Reputational loss



# Managing Risk: Risk Mitigation

- Does your organization have appropriate policy and procedure in place to mitigate risk?
  - Safety policy dealing with work place injury
  - Employment policy dealing with managing employees hire/fire/discipline
  - Abuse policy dealing with reporting of incidents to Board and State regarding activities with minor children
  - Procedures in place to make sure contracts and risk transfer measures are always followed within established protocol by your organization
  - Process of continual annual review to capture new and emerging risk, i.e. Cyber Liability, drones

# Managing Risk: Risk Mitigation

- Engage Insurance agent in annual review of insurance program
- Ask about available risk management resources:
  - Online tools offered by insurance carriers
  - Site visits by insurance carrier
  - Tools available for contract review
- Insurance agent is best resource regarding new and emerging risk



# Managing Risk: Acceptance

- Has your organization made any contingency plans?
- Continuity planning in event of disaster:
  - Who will notify employees, board, public, insurance agent?
  - Simple phone tree
  - Designated person to interface with media and public
  - Alternate locations for operation
  - What tools/resources will you need?

# Tools to Assess Risk

- What is the scope of the contracted activity/program
- What functions are necessary to deliver or accomplish this activity or service?
- When and where will the service or activity take place(s)?
- Who will be performing the service or activity?
- Will the contractor have interactions with others, i.e., public, staff, etc.? What about the new program?
- Will there be any hazardous materials involved?



# Tools to Assess Risk

- **What are the potential loss exposures or risks associated with the contracted activity/program or service?**
  - What could go wrong?
  - Who could be harmed?
  - Identify each thing that could go wrong and enter each potential loss exposure into the table below.

# Is the Risk Likely?

- **Extreme Risk:** First, consider not doing the activity (avoidance). If you must, you will need to decide how much a potential loss could cost (bodily injury and property damage to a third party). In general, extreme risks may warrant consideration of additional insurance coverage. Discuss with insurance agent.
- **High Risk:** Could a potential loss cost \$500,000 to \$1,000,000? Again, consideration of additional insurance (umbrella) may be necessary.
- **Moderate Risk:** Will property damage and bodily injury to a third party be under current limits of insurance?
- **Low Risk:** Minimal risk for property damage and bodily injury (or auto liability claims).



# Risk Assessment-Rating

| <b>SEVERITY:</b>      | <b>Insignificant</b> | <b>Minor</b> | <b>Moderate</b> | <b>Major</b> | <b>Critical</b> |
|-----------------------|----------------------|--------------|-----------------|--------------|-----------------|
| <b>LIKELIHOOD:</b>    |                      |              |                 |              |                 |
| <b>Almost Certain</b> | <b>M</b>             | <b>H</b>     | <b>E</b>        | <b>E</b>     | <b>E</b>        |
| <b>Likely</b>         | <b>M</b>             | <b>M</b>     | <b>H</b>        | <b>E</b>     | <b>E</b>        |
| <b>Possible</b>       | <b>L</b>             | <b>M</b>     | <b>H</b>        | <b>E</b>     | <b>E</b>        |
| <b>Unlikely</b>       | <b>L</b>             | <b>L</b>     | <b>M</b>        | <b>H</b>     | <b>E</b>        |
| <b>Rare</b>           | <b>L</b>             | <b>L</b>     | <b>M</b>        | <b>H</b>     | <b>H</b>        |





# Another Option of Risk Assessment

|   |  |
|---|--|
| <p><b>Low Risk Incident Will Occur/Low Cost if Incident Does Occur</b></p>  | <p><b>High Risk Incident Will Occur/Low Cost if Incident Does Occur</b></p>  |
| <p><b>Low Risk Incident Will Occur/High Cost if Incident Does Occur</b></p> | <p><b>High Risk Incident Will Occur/High Cost if Incident Does Occur</b></p> |

# Examples

- Low Risk/Low Cost: Its difficult to maintain a warm temperature in the office building during the winter.
- High Risk/Low Cost: Clerical assistant handles a great deal of paper and suffers a number of paper cuts
- High Risk/High Cost: Board has made the decision to terminate an employee. The employee has filed a claim for discrimination.
- Low Risk/High Cost: Riparian project contracted with ABC contractor failed causing downstream flooding and property damage to a new subdivision.



# What Makes Sense?

What about adding  
a box for Risk Management?  
Contracts signed?  
Special Risk Considerations?

## **ATTACHMENT CHECKLIST**

- Project location map (Required)
- Color photographs of site (Required)
- Site drawings/diagrams (if applicable)
- Juniper Checklist (if applicable)
- Cooperative agreement, if 2 or more landowners (Optional)

**May be submitted in lieu of ALL Landowner signatures on Application**

### **ALL Landowners must sign the Grant Agreement**

- Racial and Ethnic Impact Statement (Required)
- Restoration Metrics form (Required)
- Other materials (as required by team)

## **OPTIONAL FORMS AT APPLICATION STAGE**

**(Required at the time of payment request, see instructions)**

- Irrigation Efficiency
- Culvert/Stream Crossing
- Secured Match
- Land Use

# What Makes Sense?

- State of Oregon Risk Assessment Roadmap:
  - Straight forward tool/form that will walk you through a risk assessment of any project or program
  - When to use?
  - Who should be involved in the risk assessment process?
    - Key individuals/Executive Director
    - Board Members
    - Insurance Agent?
    - Attorney?



# Large Construction Projects/Grant Project

## Risk Management

- Engineering, permits and permissions land owners
- Contracts and additional insured certificates
- Risk assessment of site? Who has access? Any sign posted needed for public?
- Employee Safety-Safety Handbook-Safety Committee Meetings

## Insurance

- Performance Bonds
- Commercial General Liability-Limits sufficient?
- Loggers Broad form property damage liability?
- Pollution Liability-specialty policy?
- Workers' Comp-Who is managing the project?

# Small Grant Projects/Tree Planting

## Risk Management

- Permissions obtained landowners?
- Contracts and additional insured certificates with any subcontractors?
- Risk assessment of site
- Employee Safety-Safety Handbook
- Volunteer Safety/Waivers signed

## Insurance

- Commercial General Liability-Limits sufficient?
- Volunteer Handbook-Volunteer accident policy?
- Workers' Comp-Who is managing the project?



# Driving Exposure

## Risk Management

- Who is driving company vehicles? Authorized list
- Who is using personal vehicles for business purposes? List
- Were motor vehicle records checked at time of hire and found to be acceptable?
- Have motor vehicle records been checked regularly since?
- Automated Reporting System, Oregon DMV

## Insurance

- Commercial auto liability policy in place?
- Sufficient limit corresponding with exposure?
- Umbrella policy needed?
- Discussion with insurance agent needed?

# Volunteers

## Risk Management

- Activities clearly defined?
- Volunteer Handbook in place?
- Volunteer Coordinator?
- Risk assessment of activities, personal protective equipment, etc.
- Waiver ALWAYS signed?

## Insurance

- Commercial General Liability-extends to volunteer activities
- Volunteer accident policy-optional
- Workers' Compensation-Who is managing volunteers? Are volunteers covered by your Workers' Comp policy?



# Outdoor School-Minor Children

## Risk Management

- Activities clearly defined and signed permission from parent /guardian?
- Waiver ALWAYS signed?
- Formal abuse policy in place with annual training and full background checks all employees and any volunteers?

## Insurance

- Commercial General Liability-limits identified for abuse coverage?
- Review limits annually are they sufficient for exposure?

# Premises/Property

## Risk Management

- Inventory and valuation of business property
- Trip hazards corrected
- Smoke/fire alarms, fire extinguishers in working order
- Ergonomic Workstations
- Safety drills: fire, EQ

## Insurance

- Sufficient property limits reviewed annually
- Property that is regularly offsite-is it properly insured?
- Have you purchased coverage for earthquake?
- What about business interruption and extra expense?



# Special Events

## Risk Management

- Details of special event: activities; estimate of attendees; will alcohol be served?
- Food and alcohol service contracted out? Additional insured certificates?
- Will venue require insurance certificate? If so what limits?
- Safety of attendees
- Crowd control

## Insurance

- Is there automatic coverage under current liability policy? Liquor Liability?
- Will current liability limits satisfy venue?
- Is a special event policy needed?
- Will the venue require participants in sports activities to be covered?

# Those Working with Fiscal Agents or Serve as Fiscal Agents

## Risk Management

- Memorandum of Understanding (MOU)
- Does MOU clearly spell out insurance requirements for both parties/indemnification
- What about professional liability?
- Watershed Councils Serving as fiscal agents

## Insurance

- Does current policy allow this type of activity or do changes need to be made?
- Professional liability coverage/Errors & Omissions
- Additional crime coverage needed?



# Professional Liability Exposures

## Risk Management

- Professional liability exposures: Engineer, architect, etc.
- Professional liability service to others? Fiscal agent?
- Entering into contracts where you or other party is providing a service for a fee, specialized area of education and knowledge

## Insurance

- Does current policy allow professional liability exposure?
- Professional liability coverage/Errors & Omissions
- All commercial general liability policies contain an exclusion for professional liability claims

# Employee Safety

## Risk Management

- On the job exposures driving; out in remote areas; lifting, etc.
- Safety Committees-OSHA requires employers who have 10 or fewer employees to hold safety meetings
- Starts at hiring: interviews; references; background checks, clearly defined job descriptions
- Safety policy/procedure

## Insurance

- Workers' Compensation
- OR-OSHA requirements
  - Safety Meetings/Committee
  - OSHA 300 log/summary
  - PPE
  - Globally Harmonized System/Hazard Communication Program
- Safety policy template available



# Protecting Board and Mission

## Risk Management

- By-Laws
- Regular Board meetings, minutes posted, etc
- Public Meeting Laws
- Roles and responsibilities of board members defined

## Insurance

- Directors' & Officers Liability coverage
- Employment Practices Liability coverage
- Crime Coverage
- Cyber Liability Coverage: data breach of personal information (name, address, email address and other personal information)

# Resources:

- SAIF: <http://www.saif.com/>
  - Safety Culture Spectrum
  - Online tools, resources
- SDAO: <http://ref.sdao.com/bestpractices/bp.pdf>
  - On line library of resources to include manuals, etc.
  - On line Risk Management section
- OR-OSHA: <http://orosha.org/>
- Insurance Agent





# Thank you!

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