

Australian Risk Policy Institute

Short Risk Policy Issues Paper

Date: 10 July 2008

Topic:	The establishment of a Group Insurance Scheme (GIS) in the ACT for Community Groups who are members of Volunteering ACT (VoI ACT) with individual risk management plans and practices.
Risk Policy Considerations:	<p>The 'risk policy' issue is to confirm the effectiveness of professionally organised group insurance for non-profit organisations over the current non-formal and individual approach. It is important that these groups understand that insurance is the "last resort" and not the "first port of call". A Risk Management Awareness Policy is vital to the successful running of all community organisations just as it is in today's business sector.</p> <p>Historically, GIS's have only been available where the insureds have shared common risks that can be addressed by a single risk plan. The Volunteering ACT GIS for community groups that are member organisations of VoI ACT breaks new ground in that an insurer has been prepared to offer a GIS to all members of VoI ACT despite the diverse organisational membership of VoI ACT facing a range of risks necessitating individually customised risk plans.</p> <p>This groundbreaking initiative has been possible because an insurance underwriter has accepted that organisational membership of VoI ACT implies that the individual organisations are aware of and responsive to risk management issues and pre-qualifies them for insurance cover. This degree of confidence has arisen from VoI ACT's engagement with ACT Government risk management initiatives coordinated by the Department of Treasury's Legal and Insurance Policy (LIP) Branch. These initiatives have involved LIP assisting community organisations to develop customised risk plans that comprehensively address:</p> <ol style="list-style-type: none">1. the activities of each organisation; and2. the concerns of insurance underwriters offering public liability insurance.

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<p>Description:</p>	<p>Non-profit groups in the ACT are generally run by community-minded individuals intent on providing voluntary services to their community. It is not reasonable to expect them to be risk management or insurance experts with the expertise and experience to enable them to obtain the most cost effective and appropriate insurance for their organisations. The VolACT GIS breaks new ground by bringing together an alliance comprising an administrator (VolACT), a risk manager (LIP) and an insurance broking expert (AON Insurance Brokers). For each participating VolACT organisational member this team will craft an individualised risk plan that AON will accept as an insurance application, advise them as to exactly what type of insurances they need and organise and manage their insurance policies. AON (and the insurance underwriter with which it has arranged placement of the GIS) has determined that organisational members of VolACT are pre-qualified for the GIS as community groups of good standing, since they are all incorporated and already have mission statements and acceptable fiscal and risk management practices. Within this framework, the breakthrough is that AON has agreed that a properly completed risk plan for a VolACT member organisation will be accepted in place of a standard insurance application form. LIP has undertaken to provide a full risk plan for each participating VolACT organisational member, along with risk awareness training to enable them to comply with the Australian Standard for risk management AS/NZS 4360:2004</p>
<p>Stakeholders:</p>	<p>ACTUAL The primary stakeholders are the non-profit community groups that are organisational members of VolACT: these need cost effective and appropriately tailored insurance to carry out their community activities and meet their legal obligations. The second stakeholder is VolACT which, as an umbrella organisation, aims to secure the best possible insurance deal for its members. The third stakeholder is the insurance underwriter, represented by AON, which will gain a competitive edge by offering a very cost effective group insurance product for “qualifying” non-profit groups. The final stakeholder is the ACT Government. If the ACT Government can assist in the reduction of insurance costs then a greater proportion of Government funding (grants) can be channelled into the provision of actual community services rather than having to cover insurance costs.</p> <p>PERCEIVED For both participating Community Groups and their members, the flow-on effects of this policy will be both the protection and confidence of all members of the community groups under the scheme. Following on from this will be the protection of all clients of these community groups.</p>

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<p>Desired Outcome(s):</p>	<p>As noted in the Description, insurance in today's litigious environment needs to be professionally managed.</p> <p>The group scheme relies on each community group being risk aware and risk managed. A risk plan submitted to the insurer confirms not only what the group's risks are but shows the competency of risk management in the group and how they approach all their activities and manage their risks. This gives the insurer the confidence to lower their premiums and pass the savings on to the groups.</p> <p>The outcome of this scheme therefore encourages all community groups to fully understand the Australian Standards for risk management and apply these standards across the board to all their activities and decisions.</p>
<p>Context:</p>	<p>Community groups exist in a very competitive environment where both volunteers and clients are more aware of their legal rights than ever before. Community groups must therefore be very aware of their responsibilities for public liability, professional indemnity and fraud. Community groups must act in a transparent and accountable manner and so the need for professional level risk management at both shop front and committee level is paramount. The group insurance scheme is designed to bring risk management skills to each group as well as an awareness of their rights and responsibilities in today's environment. Community Groups receiving ACT Government funding must be adequately insured by legislation to protect both the individuals in the group and the ACT Government from litigation.</p>
<p>Consequences of Ineffective Control:</p>	<p>Currently, non-profit groups must find and arrange their own individual insurance. In these circumstances their inexperience in communicating with insurers can mean that they are over or under insured with the possibility of an inappropriate insurance product.</p> <p>Furthermore, without the skills of risk management, they may also be making poor decisions with respect to the execution of their activities and exposing themselves and others to serious litigation.</p>
<p>Cause/s:</p>	<p>All stakeholders need to ensure that the participating groups have an up to date risk management plan and their insurance premiums are paid so that they maintain cover.</p> <p>The two main causes of risk that need to be monitored by the major stakeholders are:</p> <ol style="list-style-type: none"> 1. Complacency by community groups about their management and insurance needs is the main problem. Community groups are frequently unaware of the consequences of being poorly managed and under insured, including higher insurance costs and, in a worst case scenario, even being unable to secure insurance. 2. The group scheme needs 20 groups to be viable for the insurer. If the scheme cannot maintain 20 groups the insurer will not participate and the scheme will collapse. It is therefore imperative the group scheme has a minimum of 20 participating groups.

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Consequences of Time:	As long as at least 20 community group members belonging to VolACT are risk managed and premiums are paid, the scheme will be on-going. These groups will have full access to the administration, risk management and insurance decisions made initially on their behalf and over time be able to make themselves.
Consequences of Effective Control:	The mitigation outcomes of effective scheme control will be twofold: 1. to free member community groups from having to arrange their own insurance individually using only their own skills and/or experience; and 2. to reduce the costs of insurance obligations in terms of both money and other resources. LIP will create risk plans and do risk awareness training for each participating group. VolACT has undertaken to keep all scheme administration up to date.
Control Approach:	Initially, strategic control will be exercised by LIP on behalf of VolACT and organisational members. This is to guarantee quality assurance of all risk plans and monitoring of all member groups to ensure that the scheme has at least 20 active participants at all times. Once the scheme proves viable and is running effectively, strategic control will be assumed by VolACT on behalf of its members. It is envisaged that a mandated approach will eventually be adopted by member groups: they will then have the skills to manage and undertake their activities through a fully risk managed and transparent methodology.
Control Practice:	The strategy behind the group scheme approach is to demonstrate that <i>“an integrated risk management methodology applied to the operation and organisation of volunteer groups is by far the best method of management in today’s environment”</i> . Demonstrating to users a risk management policy is simple and understandable using the 4360 Australian Standards for Risk Management will encourage all member groups to embrace and utilise the standards to full effect. A successful VolACT group scheme is likely to be the forerunner of similar schemes for other community groups in both the ACT and other jurisdictions.

Clearance

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