

Risk management, insurance and liability

The greatest threat every community group or organisation faces is the potential fall-out in dealing with things that go wrong. Injuries, accidents, breakages, conflict and disagreements can all have disastrous effects on groups and individuals if adequate steps are not taken to minimise their likelihood and impact. Risks occur in many shapes and sizes and can impact on the group's reputation and ability to attract support and funding.

Risk management

Managing risk in your organisation is not just about making sure you have the right insurance to cover you if things go wrong. Nor is it about avoiding any possible activity that might have a negative outcome.

The first step in risk management is to identify the things that may have a negative financial, personal or reputational impact on your organisation and its management, board, staff and volunteers. Once risks are identified, you can then look at ways to eliminate them or reduce their impact. Common risk mitigation strategies include things like developing policies and procedures, informing staff and volunteers about how to manage potential risks through induction, training and regular communication and, of course, taking out appropriate insurance to protect your organisation.

What are the risks?

The range and type of risks faced by any community group can vary considerably. It's important to identify risks that are specific to your organisation and its work. There's no use copying another organisation's risk management plan (unless you are simply using it as a guide to developing your own) because risk assessment and mitigation will be unique to your organisation.

Typical risk areas faced by community groups may include:

- Loss or damage to buildings, property, furniture and equipment
- Loss or damage to motor vehicles
- Loss or damage to records, data or information
- Risks to the health and safety of the people in your organisation
- Risks to the reputation and standing of your organisation
- Interruption to the delivery of your business or services
- Fraud or theft
- Liability that results because of an issue with your products or services

- Liability that results from professional negligence
- Failure to comply with legislative requirements

Risk management plan

A risk management plan identifies and evaluates the risks specific to your organisation and its environment, and outlines the strategies for managing, eliminating or minimising those risks.

Typically a plan will be structured around the stages in the cycle of risk management:

1. Identifying the risks
2. Assessing their impact
3. Developing risk management strategies
4. Implementing and evaluating actions

Identifying the risks

The first step in risk management planning is to identify all possible liabilities and risks that can impact your organisation. The list will be quite comprehensive, however, it is important to cover every aspect of potential risk in your organisation. Once you have identified all the risks, you can document them in a risk register to assess the impact of each risk, how it will be managed and the actions taken to ensure mitigation.

Assessing the impact

Some of the risks you identify will have a significant impact on your organisation and others will have only very minor consequences. Assessing the impact of your risks will allow you to rank and prioritise issues based on how likely they are to happen and how heavily they will impact your organisation if they do occur.

You can use your risk register to rank each risk according to:

- Likelihood (e.g. rarely, likely, unlikely, definitely) and,
- Impact (e.g. minimal risk, moderate risk, high risk)

Use a risk register to record the results of your impact assessment. Your organisation should allocate its time and resources on risks with a high likelihood

and/or high risk. While it is important to include lower priority risks in your risk management plan, these can be addressed by developing simple procedures and ensuring they are communicated to everyone in your organisation.

Risk management strategies

Each of the risks you have identified and prioritised will need a strategy for managing its impact on your organisation. Determining the best strategy for each risk will depend on factors like your organisation's goals, the benefits of managing the risk and the cost and effort involved.

For some risks, raising people's awareness of them and developing a simple process to deal with them may be all that's needed. For others you may need to develop specific policies, make a financial investment (e.g. in equipment or services), take out insurance coverage or, in some cases, avoid the activity altogether. You can create a risk management schedule to document each strategy, who is responsible for its action and when and how it will be implemented.

Insurance

The kind of insurance that you need depends on what your organisation does, how it is set up and who is involved with it. Each organisation is different and it is important to ensure that you have adequate insurance to cover you and the people in your organisation for potential liability, injury or loss.

Volunteer personal accident insurance

Personal accident insurance covers your members, officials or volunteers for certain out-of-pocket expenses (such as medical bills or loss of income) if they suffer an accidental injury, disability or death as a result of carrying out duties on behalf of your organisation. Some volunteer insurance policies have restrictions on age or types of volunteers (students or work placements) so check each policy thoroughly.

Please note that your organisation's public liability insurance is not a substitute for volunteer personal accident insurance. Public liability insurance protects your organisation (and in some cases volunteers and members) from being sued in cases of negligence against third parties. It does not cover individual members or volunteers for any out-of-pocket expenses

they incur as a result of injuries when carrying out their duties.

Public liability insurance

Public liability insurance protects an organisation against claims of negligence made by third parties (such as members of the public or clients of your organisation) with respect to a personal injury or property damage

that results from the operation of an organisation's business.

You will also need to check that your public liability policy protects against liabilities for injuries that result from products that you sell or supply (for example, the sale or supply of food).

Some insurance brokers will include product liability as an extension to the standard public liability insurance policy.

Directors and officers liability insurance

If your organisation is incorporated, it is a separate legal entity and this gives your members, directors and officers a certain amount of protection against liability. However, in some circumstances directors or officers of incorporated bodies can still be liable where cases of negligence are proven. Alternatively, if your organisation is not incorporated then its members, committee or board can be sued as individuals.

Liability

Liability is the legal responsibility that a group or a person has to others. If you are found to be liable for damage, injury or harm then you are obligated to compensate the injured party. The best protection against liability is to ensure that effective risk management is in place and is supported by adequate insurance coverage.

Many community groups assume that being incorporated will cover them for individual liability. However, if the Committee has neglected its responsibility to oversee the proper operations of the group, then the members of the Committee may be seen to have failed in their duty and become potentially liable. You can be liable not for what you did, but for what you didn't do and should have done. This is why complacency and ignorance have no place on an effective Committee. If there are questions to be asked – then you should ask them. If there are policies required – then you should make sure they are in place. And whatever action is required to prevent or reduce risk should be pursued.

