



Risk Management

What is Risk?
 What is Risk Management?
 Creating a Risk Awareness & Ethical Culture
 Liability
 Insurance

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Session Guidelines

- Disclaimer: not giving advice
- Wisdom of all is needed for the best results
- Unhinge from distractions as you are able
- Ask questions

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What is Risk?

Definition



“**Risk** is the possibility that something harmful or undesirable may happen.

This could include harm, injury, or abuse to your organization’s clients, volunteers, funders and supporters, board members, employees, property, or reputation.”

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(Six & Kowalski, 2005)

Types of Risk

Fact



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What is Risk Management?

Definition

Risk management is “the term used for the procedures that an organization follows to protect itself, its staff, its clients, and its volunteers”

(Six & Kowalski, 2005)

Risk management is not a task but a process. “It is not something the board does once; it is an ongoing activity.”

(Bourgeois, 2016)

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What is the Link Between Risk Management & Good Governance?

Concept

“Good governance practices by the board are essential to risk management because:

- They establish the tone
- They provide the context in which the board exercises oversight of the organization's activities.”

(Hugh Lindsay, 2009)

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Effective Risk Management Requires:

Concept

- An understanding of basic legal principles
- Careful attention to a risk management process
- Ongoing commitment of management, staff and volunteers to the process
- “Common sense”

(Kin Canada, 2017)

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What Steps Should we Take to Manage Risk?

Concept

1. Identify
2. Assess
3. Prevent
4. Risk Response
5. Create, communicate & implement a plan
6. Monitor
7. Evaluate

(Bourgeois, 2016)

Identifying Risks

Concept

Protect Your Assets:
Risk Management for Nonprofits

Organizational Risk Assessment

Presented by:

In partnership with:

<http://sectorsource.ca/programs-and-services/risk-management-products>

Risk Assessment Heat Map

Impact x Likelihood = Risk Level

Concept

Potential Impact	3-High	3	6	9
	2-Medium	2	4	6
	1-Low	1	2	3
		1-Remote	2-Possible	3-Probable
		Likelihood		

Activity: Scenario Part 1

In small groups, review the scenario:

1. Identify as many risks as possible.
2. Rank the level of severity and likelihood of the risks using the heat map.

How Can we Manage Risk?

Fact & Concept

There are 4 ways we can manage risk:

- Avoidance
- Share /Transfer
- Reduce/Mitigate
- Acceptance

(Bourgeois, 2016)



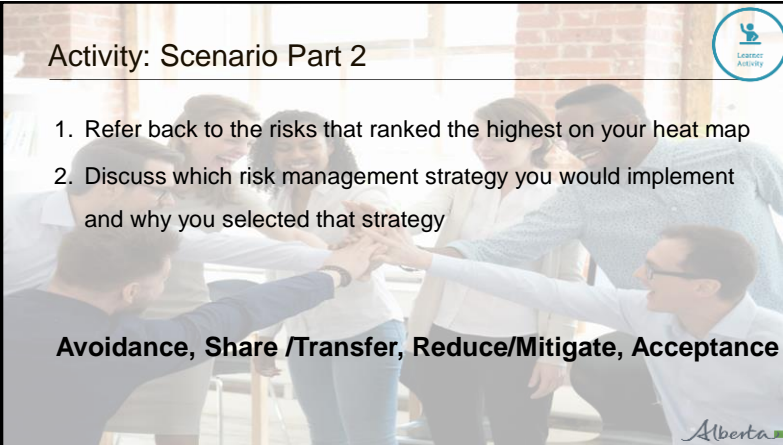


Activity: Scenario Part 2

Learner Activity

1. Refer back to the risks that ranked the highest on your heat map
2. Discuss which risk management strategy you would implement and why you selected that strategy

Avoidance, Share /Transfer, Reduce/Mitigate, Acceptance

(Bourgeois, 2016)

Did you Know...

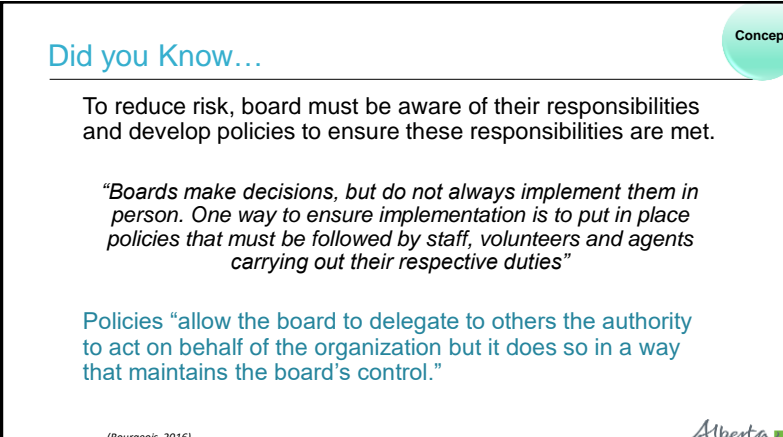

Concept

To reduce risk, board must be aware of their responsibilities and develop policies to ensure these responsibilities are met.

“Boards make decisions, but do not always implement them in person. One way to ensure implementation is to put in place policies that must be followed by staff, volunteers and agents carrying out their respective duties”

Policies “allow the board to delegate to others the authority to act on behalf of the organization but it does so in a way that maintains the board’s control.”

(Bourgeois, 2016)

Key Things to Remember

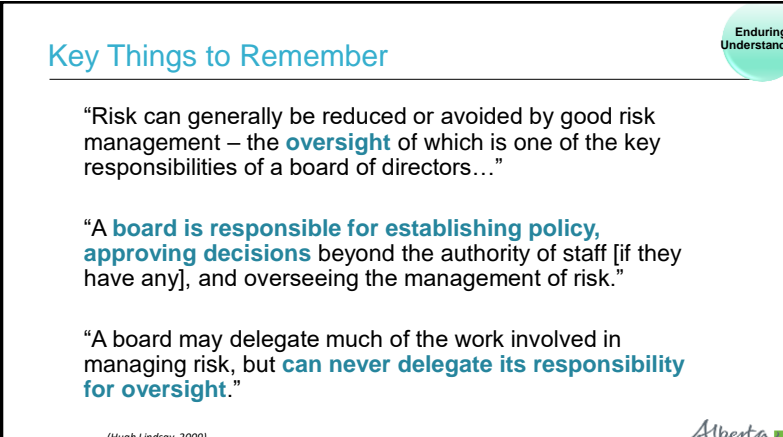

Enduring Understanding

“Risk can generally be reduced or avoided by good risk management – the **oversight** of which is one of the key responsibilities of a board of directors...”

“A **board is responsible for establishing policy, approving decisions** beyond the authority of staff [if they have any], and overseeing the management of risk.”

“A board may delegate much of the work involved in managing risk, but **can never delegate its responsibility for oversight.**”

(Hugh Lindsay, 2009)

Why Focus so Much on Risk Management?

An effective risk management plan in place can:

- Save resources
- Protect an organization's reputation & public image
- Protect people from harm
- Protect the environment
- Be prepared for the unseen
- Help define insurance needs
- Prevent or reduce legal liabilities

(Insurance Bureau of Canada, 2017)



Liability

Legal Terms & Concepts

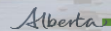
- ~Liability~
- ~Negligence~
- ~Fiduciary~
- ~Standard of Care~
- ~Indemnification~

Context

Is your organization incorporated?

If so, under which Legislative Act?

Concept



Implications of Incorporation

Incorporation as a non-profit corporation (society) provides a way to limit the individual board member's liability – it does not eliminate liability entirely.

Concept



What is "Liability"?

Liability is being responsible for the losses we cause and for compensating those who suffer as a result of our conduct failing to meet an acceptable standard in the eyes of the law.

Legal Concept

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Areas of Individual Liability

- Non-Management & Lack of Corporate Authority
- Negligence or Willful Mismanagement Liability Risk in Contract – (When a contract is breached)
- Breach of Trust
- When a law is broken (Statutory duties & liabilities)
- Breach of Fiduciary Duties (includes Duty of Care & Loyalty)

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As fiduciaries, can directors delegate their authority and/or responsibility?

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What if a director disagrees with a decision of the board?

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Other Ideas to Help Reduce Liability

Helpful Tips

Board orientation Peer mentorship Board development training Board retreats Meeting minutes Policies and procedures Financial information Professional advice Risk management	Board Manual <ul style="list-style-type: none"> • Incorporation documents • Current bylaws • Code of conduct for directors • Policies • Registered Charity information
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Personal Liability

Legal Concept

Personal liability is minimized when board members are acting prudently, within their authority, and are not negligent.

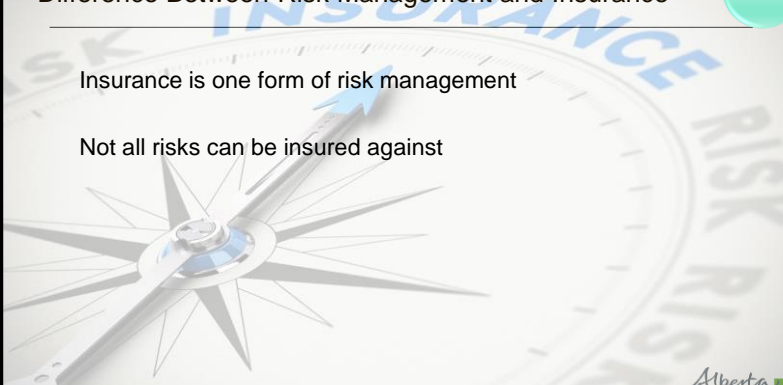
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Difference Between Risk Management and Insurance

Concept

Insurance is one form of risk management

Not all risks can be insured against



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Role of Insurance in Risk Management

Concept

- Insurance is important but the last step needed in risk management.
- Too often insurance represents a large portion of a nonprofit's total risk management effort. Due diligence should be undertaken in a pro-active manner in order to manage risks and avoid legal problems before they occur.

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Types Of Insurance

Fact

- Commercial General Liability (CGL)
- Directors and Officers Liability (D&O)
- Errors and Omissions (E&O, professional liability, malpractice)
- Employment Practices Liability
- Automobile
- Property
- Tenant / Leasing
- Crime
- Business Interruption
- Liquor Liability
- Machinery Breakdown
- Special Event Liability

(Imagine Canada, 2008)

Insurance Buying Tips

Helpful
Tips

- Understand the difference between brokers and agents
- Find advisors with non-profit organization expertise
- Meet to discuss needs and coverage options
- Be prepared to provide complete and accurate information
- Ensure you understand coverage and exclusions
- Disclose all prior losses and claims
- Negotiate coverage and cost / request bids

Remember...

Risk is everywhere.

Organizations can't eliminate all risk.

Risk management is all about good business practices.

The greatest risk of all? If you do nothing.

Presented by: Alberta Culture,
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