

Risk management is an integrated approach to dealing with the uncertainty of loss related to people, reputation, image, property and assets. It is a technical term that includes safety procedures, internal control systems, insurance and emergency plans.

A Camp Fire board is responsible for the overall risk management plan of the council. It must see that specific written plans are developed for every program and every aspect of council operation. This fact sheet will briefly familiarize you with the overall concept of risk management. The national office has a workbook for program administrators to use in developing their plans.

## RISK IDENTIFICATION

To design risk management plans, you must understand what the risks are and possible losses and liabilities associated with those risks. There are several areas of exposure to risks.

**Property risks** are the exposures of building, equipment and other property either to loss through such things as fire, theft, vandalism, negligence, flooding, explosion and utility shutdown, or to attachment from legal action.

**Asset risks** are exposures due to misuse, theft, destruction of money or other assets, and improper performance or nonperformance of accounting duties. The decentralized nature of most council's product sales is a unique asset risk for Camp Fire.

**Contract and tort liabilities** relate to wrongs or injuries of a noncriminal nature to another person or group. Contracts are written or oral agreements. When the terms are not met or are violated, the council may be held liable. Torts are risks to participants and agents, including illness, injury, death, loss of personal property, loss of security, loss of reputation, child abuse and harassment. All may result in legal action against the council.

It is wise to obtain advice from an attorney when determining what should be included in a risk management plan to provide safe experiences, protect assets and avoid legal entanglements. The law and government regulations can be highly complicated. A lawyer familiar with the council's programs and operations can be an invaluable asset in risk management planning.

A plan for managing risks includes all of the following strategies:

- Avoid the risk.
- Transfer the risk.
- Retain the risk.
- Reduce the risk.

## RISK AVOIDANCE

Risk avoidance is the strongest method of dealing with risk, since it completely eliminates the risk. Of course, all activity cannot be stopped just to avoid risk. Other techniques can be employed to handle risk if the risk is justified. Some valuable questions to ask are as follows:

- Is the risk justified? If the activity has little or no value, it can be readily terminated. If the risk is greater than the value of the activity, the activity may not be justified.

- Can the risk be properly handled by some method other than avoidance? If the risk cannot be transferred, except at great cost or loss of quality, perhaps it should be avoided.
- Can the risk be assumed by the council, or can it be partially assumed or partially transferred? If the loss potential is too great to be self-assumed or absorbed by the council or others, perhaps the activity is not justified.
- Can the risk be reduced? If it cannot be reduced to the point where it can be transferred or self-assumed, it probably is not justified and should be avoided.

## **RISK TRANSFER**

Risk transfer is a common means of handling risk. Having insurance is the most frequently used way to transfer risk. Risks with low frequency and high severity, such as loss of limb, other permanent injury, death or extensive property loss, are most often partially transferred in the form of insurance. Contracts or leases are also means of transferring risk.

A complete insurance plan would include at least the following coverage:

- Comprehensive general liability including coverage for products, personal injury, contracts and malpractice.
- Directors' and officers' liability.
- Umbrella liability in addition to the basic comprehensive policy.
- Fire, burglary, theft and extended coverage for all buildings and contents for which the council is responsible, including office and camps.
- Automobile liability insurance on vehicles owned, leased or used by volunteers and employees for council business.
- Accident medical reimbursement insurance for all program participants and guests.
- Fidelity bonding for all employees and officer.
- Worker's Compensation and disability benefit insurance.

Camp Fire National Headquarters has arranged for certain insurance programs to be available to councils. Other insurance must be obtained locally.

## **RISK RETENTION**

Risk retention means the council keeps the risk and accepts the responsibility for any consequences that should occur. Self-insurance is one means of risk retention. Risks that occur frequently but are not severe may be retained. These might include property damage, such as broken windows. Retention may be partial, as in the use of deductibles in insurance.

## **RISK REDUCTION**

Risk reduction is perhaps the most important risk management method, because it should always be used along with transfer or retention strategies. Through risk reduction, losses can be prevented or better controlled. Risks can be reduced through a variety of measures, including preventive maintenance plans, care of equipment, financial control systems, training, and selection of qualified persons and informing participants of potential risks.

## **IMPORTANCE OF PLANNING**

Proactive planning and exercising prudent care are becoming even more crucial to not-for-profit agencies in today's volatile legal and insurance climate. Here is a checklist of items to consider and monitor in your council.

- Have the ongoing services of a qualified attorney, and develop contacts with attorneys who have specialized knowledge related to risk management.
- Have the ongoing services of a professional, qualified insurance agent.
- Have an active risk management task group or committee that regularly examines your operations, follows up on incidents and analyzes loss trends in the council.
- Have an insurance audit on an annual base.
- Have board members and staff indemnified.
- Carefully screen, select, train and supervise volunteers and paid staff, particularly persons in direct or indirect contact with children.
- Have health and safety standards enforced for all programs and operations, including offices.
- Have volunteers and paid staff fully aware of and trained to implement the council's risk management plans and policies pertinent to their roles.
- Have the council comply with national standards and those recognized as standards within a given field, such as camping, water safety or child care.
- Monitor the maintenance and repair of all facilities and equipment used for program and operations.
- Monitor compliance with laws on vehicle safety, licensing, etc.
- Have precautions in place to prevent child abuse of any kind and to report abuse in accordance with state and local laws.