



Community Underwriting

NOT FOR PROFIT WHAT ARE MY RISKS?

All Not for Profit or Community organisations are exposed to risks in the conduct of their activities. By taking and managing risks, the members of an organisation are able to deliver on their objectives, and to maintain and/or grow the value of the enterprise to its stakeholders. (Fundamentally this is true of privately owned or publicly listed companies, government or not for profit entities).

Your Board and/or executive team are responsible to identify the risks that the organisation face from its operations. You won't find the answers in a generic publication - every operation is different and faces it's own unique circumstances and stakeholders. A list of risks should be created and refined over time. They should also be considered and prioritised based on their likelihood and the severity of the impact that a risk could have on the organisation along with any actions which you may be able to take to reduce the likelihood of a risk or its impact.

CREATING A RISK REGISTER

Typically a register of your key risks can be developed through a range of activities including:

- Brainstorming sessions and scenario planning
- Interviews with staff and other key stakeholders
- SWOT analysis
- Review of historical data and experience
- Benchmarking against similar organisations
- Consulting a risk management professional

Apart from the obvious physical risks such as fire or burglary, injury to people etc, a detailed risk assessment will consider the risks associated with changes in funding, declining volunteers or clients. It may help to create categories of risk to group similar risks together for evaluation. The following is an illustrative grouping:

Operational	Risks associated with functions undertaken on a daily basis
Legal / Regulatory	Risks of litigation, fines, penalties and regulatory non compliance
Financial	Risks associated with transactions, financial systems, structures and reporting
Natural	Sources of risks associated with a natural hazard
Strategic	Risks associated with the goals and strategies of your organisation and the sector in which you operate
Political / Socioeconomic	Risks associated with changes in government, community expectations or economic frameworks

POTENTIAL RISKS / SOURCES OF RISK

For the purposes of this NFP Resource we have focused on the



core operational risks that a Not for Profit could consider and many that typically have a solution through the transfer of risk through insurance.

Asset Risks

- Fraud, embezzlement / misappropriation of funds, tangible or intellectual property;
- Loss or damage caused by fire, explosion, collapse or other man made cause (accidental means, process faults, acts of arson, sabotage, extortion or terrorism, impact, industrial accident, burglary, theft, malicious damage etc) including such risks to key customers or component businesses in the supply chain of the organisation;
- Loss / damage to raw materials, stock or other key assets whilst being transported.

Product / Service Risks

- Misrepresentation or misleading information, incorrect or inadequate labelling;
- Design / quality / reliability / efficacy of products, services or advice provided to customers.

Safety, Health and Environment / Sustainability Risks

- Failure of health and safety systems to prevent serious injury or death to employees, volunteers, contractors or other third parties including:
 - Physical or mechanical hazards, manual handling, confined spaces etc;
 - Biological or chemical (bacterial, virus, fungus);
 - Psychological / social (stress, bullying, harassment, intimidation, discrimination, burnout etc)
 - Assault or kidnap.
- Accidental or deliberate environmental emissions and/or contamination of air, land or water Including noise, temperature and radiation);
- Responsibility or sustainability, e.g.:
 - Use of water, land, energy, packaging etc;
 - Human rights, treatment of employees;
 - Ethics, community involvement;
 - Environment impact, sustainable development etc.

Natural Risks

- Weather events - storms, lightning, hurricane, cyclone, or other high winds, tidal wave or tsunami;
- Flood or inundation (riverine, coastal, overflow or escape of water storage and/or other flash flooding)
- Bush fire;
- Earthquake, volcanic activity;
- Avalanche, landslip, sinkhole or other subsidence;
- Drought, changes in temperature or climate;
- Diseases, vermin, epidemics, pandemics.

Technology Risks

- Unpredictable failure of IT / communication systems, safety devices, power or communication systems;
- Breach of security systems from internal and external sources (virus and system hackers, denial of service, phishing, identity theft, spam etc);
- Unauthorised, fraudulent or inadvertent access or release of customer or business information:
 - From within the organisation;
 - Stored outside the organisation (cloud computing / remote storage);
 - From mobile devices;
- Breach of copyright / piracy of software.

Human Capital Risks

- Inadequate training, supervision, monitoring, coaching and/or guidance of employees;
- Industrial action and disputes, absenteeism;
- Lack of diversity (gender, race, age, ability);
- Employee recruitment, training, retention and dismissal procedures;

- Loss / defection of key staff to competitors or catastrophe (e.g. multiple staff numbers impacted during travel, conference or act of terrorism);
- Lack of or inadequate succession planning.

Business Risks

- Disregard or non compliance with established procedures and controls / inability of controls to capture errors or illegal acts;
- Delays in or loss of supply of raw materials;
- Failure / ineffectiveness of a joint venture or alliance;
- Adequacy of business continuity / disaster recovery planning (including events which occur to customers or along the supply chain);
- Adequacy / efficacy of the organisation's insurance protection (and/or others who may take out insurance on the organisations behalf such as suppliers, principals or contractors);
- Maintenance and efficient operation of facilities and equipment (including motor vehicles);
- Loss of business to competitors;
- Ethics and probity, adequate levels of corporate governance;
- Potential for change in standards, codes of conduct, licensing or other regulatory frameworks

Regulatory / Legal Risks

- Contractual, assumed or implied obligations to / from customers, suppliers, service providers, subcontractors, lessees / lessors, competitors or government institutions;
- Legislative compliance (Corporations, Occupational Health and Safety, Trade Practices, Sale of Goods, Environmental, Hazard Control, Equal Opportunity, Provision of Credit, Privacy, Anti Money Laundering etc.);
- Moral and legal obligations for death, injury or sickness to directors, employees and volunteers;
- Moral and legal obligations for third party injury or damage to third party property;
- Ineffective compliance activities / regimes leading to loss of key operating licenses / approvals;
- Provision of advice to third parties and /or reliance on design work;
- Defamation, libel or slander;
- Conflicts of interest at operational, executive & board levels.

The information provided in this Not for Profit Resource is general in nature and needs to be considered against your organisations own risk profile and particular circumstances. For more specific advice you should contact your broker or Community Underwriting.

Community Underwriting are specialists in charity insurance, not for profit insurance and insurance for community organisations. We offer a range of insurance solutions customised to meet the needs of community organisations, including P&C Association insurances. Contact us today!

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