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2004 SEMINAR PROGRAM

Planning for a series of seminars for 2004 is currently underway. It is proposed that a seminar on Financial Fraud will be held in March 2004.

Is there a particular topic you would like to see covered during the year? Your suggestions would be welcomed.

Contributions to *riskmatters* on any subject relating to insurance or risk management can be forwarded via email to trmf@treasury.tas.gov.au.

Welcome

Welcome to the December edition of the Tasmanian Risk Management Fund (TRMF) newsletter, *riskmatters*, published by the Department of Treasury and Finance. This is the last edition of *riskmatters* for 2003.

Facilitating and promoting a proactive approach to risk management will be a major focus for the TRMF Unit in the months ahead. As we are all aware, the adoption of sound risk management strategies that identify, assess, prioritise and treat risks will help reduce the number and cost of claims. Often incidents occur because we are not prepared and do not have systems in place to prevent or reduce the risk.

Over the coming months the Unit will be working with agencies to identify areas where there is a requirement for more information or advice. For example, the number of fraud cases depicted recently in the media and a claim by an agency suggests that tools to assist in preventing future occurrences of this type may be beneficial. (See below for details of a proposed seminar on financial fraud and page 3 for information on a new Australian Standard).

Reporting staff changes within the TRMF Unit has, it seems, become a regular feature of my Welcome. Di Hope and Penny MacIntyre have joined the Unit. Di will be filling in for Bindi Knoop until she returns in November next year following the birth of her daughter and Penny has begun work on a new user friendly Fund Web site. Welcome Penny and Di.

I would like to take this opportunity to wish everyone a safe and enjoyable Christmas and New Year and I look forward to a productive and positive year for the Fund in 2004.

Philip Mussared
Chairman
Tasmanian Risk Management Fund Steering Committee

Countering the liability challenge - A report from the Fund Administration Agent

The turbulent state of the general insurance market continues to present a range of liability challenges. However, a well-designed risk management program can help to counter this challenge.

The role of risk audits, claims management and business continuity planning cannot be understated.

The role of risk audits

Insurance traditionally plays a leading role in an agency's approach to managing risks and ensuring that corporate responsibilities are met. As the Tasmanian Government self-insures, the need to demonstrate a sound risk management philosophy across all operations is heightened.

A comprehensive review of an agency's business risks provides an insight into sources of risk, prioritises business risks by applying meaningful assessment criteria and considers mitigation strategies to better manage the exposure.

Marsh has found that organisations that regularly conduct such reviews better understand their risk position.

The role of claims management

Experience shows that up to 20% of liability incidents will develop into claims and that early resolution of claims will deliver reduced costs.

These two factors highlight the importance of being able to respond quickly and effectively to incidents. Responsiveness enables you to pre-empt a claim or, if a claim is made, resolve it quickly on a cost effective basis.

Risk management can no longer be narrowly defined as those initiatives that have a pre-incident focus. Agencies also need to adopt claims management focused post-incident processes and strategies. Containing the cost of claims can only be achieved where initiatives such as the following are put in place:

- pre-emptive investigation of incidents;
- first call contact with prospective claimants;

- comprehensive communication flow between stakeholders;
- effective use of service providers such as investigators;
- involvement at senior management level; and,
- litigation avoidance techniques.

Without ownership of post-incident processes and strategies, aimed at claim cost containment, the risk management loop is left incomplete and liability related overheads can balloon out of control.

The role of business continuity planning

Losing critical functions such as management information systems, suppliers or key utilities, even if only for a few days, would be crippling for most agencies.

Business continuity planning is a simple way of formalising your planning for unexpected events. A Business Continuity Plan identifies your critical business needs and sets out strategies to keep them operating should you suffer an interruption to your normal operations. The aim is to develop a single resource that management and staff can refer to during a business interruption for guidance on getting 'back on your feet' quickly.

Business continuity planning is a key element of countering the liability challenge. An up-to-date Business Continuity Plan shows that you understand your critical business processes and can resume them quickly after an incident. Furthermore, it helps your organisation to better manage the recovery and reduce the impact during the critical period.

Annual Report

The 2002-03 Tasmanian Risk Management Fund Annual Report is due out in January 2004 and will be available online from the TRMF section of Treasury's Web site at <http://www.treasury.tas.gov.au>. Printed copies of the Annual Report will be sent to Heads of participating agencies and to each of the Steering Committee and Sub-Committee members. Hard copies are available on request.

Lessons Learned

Fraud/Fidelity

A recent claim relating to financial fraud that occurred over a number of years highlights the need for robust approval and auditing processes. A seminar on financial fraud will be conducted by the TRMF in the first quarter of 2004.

Driver Fatigue

Following a recent incident report relating to a near miss arising from fatigue, agencies are reminded of the importance of promoting regular rest breaks for drivers.

Marine Hull

The TRMF reminds agencies of the requirement to declare all of their assets for their full value. This is particularly important in relation to Marine Hull Insurance as the Fund insures this conventionally in the insurance market.

Australian Standards

AS 4360 Risk Management

At its most basic AS 4360 is a guideline for establishing and implementing a risk management process. It is aimed at identifying, communicating, analysing, evaluating, treating and continually reviewing the risks of any activity, function or project, for virtually any public, private or community enterprise.

The ideals encapsulated in the standard are recognised as an integral part of sound management practice, which if applied logically and systematically, will enable organisations to minimise losses and maximise opportunities. This leads to better outcomes. (*Australian Government Risk Manager*, Issue No 15, Spring 2003)



NEW

AS 8001 Corporate Governance - Fraud and Corruption Control

AS 8001 provides an outline for an approach to controlling fraud and corruption and applies to all entities, including government sector agencies, engaged in business or business-like activities.

All Standards are available for purchase from the AS website – australianstandards.com.au.

Inter-jurisdictional meeting

An inter-jurisdictional managed insurance funds meeting was attended by a representative of the TRMF on 28 November 2003 in Brisbane.

Inter-jurisdictional meetings have been held since 1998 on a six monthly basis and provide an opportunity for participants to learn first hand from the experience of other jurisdictions operating managed funds. All jurisdictions except the Northern Territory are represented. Items discussed at the recent meeting included current issues for each jurisdiction, claims experience and the level of contributions, reinsurance, medical malpractice cover, terrorism cover, risk management initiatives and matters being progressed by the Heads of Treasury Insurance Issues Working Group. The TRMF intends to further investigate items raised at the meeting by its interstate counterparts that may benefit agencies.

Actuarial contract

Bendzulla Actuarial Services Pty Ltd has been successful in tendering to provide services to the Fund from 1 September 2003 to 31 August 2006.

Tasmania's newest agency is gearing up to manage its risks

The Department of Tourism Parks Heritage and the Arts held risk awareness seminars for Parks staff in Hobart and Launceston earlier this month. The sessions concentrated on risk management from a procurement and project management perspective.

Guest speakers included Kathy Kuryl from the Department of Premier and Cabinet who spoke on the **What, Why, When and How of Project Management**. Kathy and her team are a valuable resource for anyone involved in project management. They have a number of useful handouts including "Developing a Risk Management Plan". The Project Management team can be contacted by email at PMInfo@dpac.tas.gov.au.

Scott Marston provided a **practical perspective to project management**.

Nigel Oates' topic, **Law and Contracts** provoked lively discussion with the audience. His key points for managing risks related to the use of contracts included:

- looking carefully at contracts from 3rd parties where an agency is required to take on added liability;
- avoiding re-use of previous contracts;
- not accepting a contractor's word that they hold insurance indemnity - seek copies; and,
- seeking advice from Crown Law.

As part of the seminars, Tim Johns from Marsh Pty Ltd spoke on **risk management from an insurance perspective**. Tim's overall message stressed the importance of communication. Some points worth noting are as follows:

- incident reporting - regardless of size, someone must be advised;
- file notes are critical; and,
- it is important to be able to show (the Courts) that a structured process is in place that maximises available resources.



Mobile Phones / Refuelling

The Shell Oil Company recently issued a warning after three incidents in which mobile phones ignited fumes during fuelling operations.

In the first case, the phone was placed on the car's boot lid during fuelling. It rang and the ensuing fire destroyed the car and the pump.

The second incident resulted in an individual suffering severe burns to 15% of their body as fumes ignited when they answered a call while refuelling their car.

In the third incident an individual suffered burns as fumes ignited when the phone in their pocket rang while they were fuelling their car.

Users of mobile phones should be aware that they:

- can ignite fuel or fumes;
- may release enough energy to provide a spark for ignition;
- should not be used in service stations, or when fuelling lawn mowers, boats etc; and,
- should not be used, or should be turned off, around other materials that generate flammable or explosive fumes or dust, (i.e. solvents, chemicals, gases, grain dust, etc.).

Agencies are encouraged to pass this warning on to mobile phone users.

2003 ARIMA Conference

The Tasmanian Risk Management Fund was represented at the 2003 Association of Risk and Insurance Managers of Australasia (ARIMA) conference in December 2003.

Risk management practitioners from the private and public sectors around Australia and overseas met to learn about topical issues concerning risk management. A couple of the presentations are discussed below.

UK disaster management expert Rod Sylvester-Evans, Director of RSE Consultants, examined four catastrophic incidents – the Piper Alpha oil platform explosion in 1988 which killed 167 persons, the 1999 Ladbroke rail crash which killed 31 people, the P-36 oil rig which sank in 2001, and the Longford gas explosion in 1998 – and stressed the importance of learning from mistakes. In the case of the Ladbroke rail crash the official inquiry found a “*persistent failure to carry out risk assessment by whatever method available*”. Mr Sylvester-Evans stated that organisations need to know what systems are in place to prevent an unwanted event and why. He stressed the need to promote a positive risk management culture with a strong, visible management commitment and living policies, goals and objectives.

Mike Kelly, Manager Risk Control at Amcor, a major packaging company, shared Amcor’s process for the roll-out of business continuity planning (BCP). Amcor adopts a three stage process for BCP: a brainstorming workshop to consider business vulnerabilities; the development of a Plan; and testing and on-going review. Mr Kelly noted the key drivers for success as:

- securing senior management support;
- concise focus in plan development;
- application of the “keep it simple” principle;
- a commitment to continuous improvement;
- knowledge of the organisation’s risks; and
- proactive management of risk within the organisation.

He sees the key outcomes of BCP as being:

- an increased awareness of vulnerabilities to businesses;
- some risks being mitigated;
- implementation of certain contingency planning; and
- the ability to summarise key risks for divisional management.

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