

## RISK MANAGEMENT MODULES

### MODULE 1: THE RISK MANAGEMENT PROCESS

The Process of Risk Management (RM) is defined as minimizing the detrimental effects of accidental loss through the process of:

- Identifying Risks
- Measuring the impact
- Applying Control and Finance techniques

#### RISK IDENTIFICATION

Risk identification is the first and the most important step of the RM process. It involves determining what the inherent risks are for your function/event. There are several areas in which these risks can lie, including:

**Property Risks:** fire or other damages to real property, accidents, theft, etc.

**Liability Risks:** an organization or individual can be held liable for an act, or failure to act in a given situation

**Personal Risks:** death or injury to participants or spectators

**Financial Risks:** failure to make a profit or incurring a significant loss

#### MEASURING THE IMPACT OF THE RISK

Once you have determined what the possible risks are you must evaluate them and determine the significance they might have on your function. This is nothing more than weighing the potential cost (both in money and liability) of the project being planned against the potential benefit that may come from the event.

It is here that you determine the **frequency and severity** that each risk poses. Frequency is the number of times the loss can occur in a given time period, and severity is the magnitude of the loss.

#### RISK CONTROL AND FINANCE TECHNIQUES

These techniques are used to minimize the impact of the risk for the individual or the Club. Risk Control and Finance Techniques are typically used in conjunction with each other.

Risk Control measures involve either preventing losses from happening or reducing the adverse affects. There are three classifications of Risk Control.

**Risk Avoidance:** Avoid doing anything that might cause the risk to happen

**Risk Reduction:** take steps to decrease the chance of the risk happening

**Risk Transfer:** contractually transferring legal and financial responsibility to another party

**Risk Finance:** involves finding ways to deal with paying for losses that do occur. You can either *retain* by generating your own funds to cover any loss, or *transfer*, typically by obtaining insurance.

**RISK MANAGEMENT MODULES**  
**MODULE 2: LIABILITY EXPOSURES**  
**And THE LIABILITY CHECKLIST**

As a Club that provides services to the public, you are faced with different types of liability exposures. The Risk Management Manual has available checklists for some of KIN's more popular events that pose liability exposure. Each Checklist provides you with potential exposures within each of the Risk Management Process steps.

This following is an overview of how to put these checklists to use for your Club when going through the RM Process.

The Checklists are laid out following the RM Process Steps, within each step there are descriptions of the possible exposures you are faced with, and the possible solutions to decreasing the chance of them happening. For this purpose we will go through the Liquor Functions Checklist (Number 1).

**Risk Identification: What can possibly happen?**

There are many areas in which you need to look for possible risks these include, however are not limited to,

- Property damage
- Personal Injury
- Liability for sponsoring Club
- Financial exposure
- Criminal Charges
- Civil suits involving negligence or vicarious liability

The following is an example of what could happen at a liquor-related function, and the possible risks that might occur under each area.

*A local Club was hosting a beer garden at a Baseball tournament. After one of the late afternoon games two of the teams went to the gardens to have some beverages. The game had been a close one and there were some heated exchanges between some of the players. After a couple hours, and a few too many drinks, two of the players from opposing teams started arguing over the game. One thing lead to another and one of the players threw a punch at the other giving him a black eye. Soon other players of each of team started getting into it. Security soon came in to break up the fight and separate the teams, however not before a table was broken and chairs thrown. Everything soon came under control and the local police were called in. The two instigators were charged with creating a disturbance, as*

*neither wanted to lay assault charges against the other. Eventually everything was back to normal and all the patrons involved were escorted from the Beer Gardens and told that they could no longer be in the tournament.*

In this example most of the areas of possible risks are hit on, can you name them and give the exposure?

**Property Damage:** Chairs and table broken during fight.

**Personal injury or death:** Some patrons suffered bruises and scrapes as a result of the fight.

**Liability for sponsoring Club:** The Club could be liable for over serving some of the patrons.

**Financial Exposure:** The broken tables and chairs will cost money to fix, if any of the players decide to file any suits the Club could have to pay out a claim.

**Criminal Charges:** Patrons charged by police for causing a disturbance at the beer gardens.

**Civil suits in negligence or vicarious liability:** The Club might be faced with a suit if one of the patrons was seriously hurt and states that the fight was a result of the over serving of alcohol to the instigator of the fight. As well as a failure for security to break up the fight before it got out of hand (i.e. when they were just arguing they should have been separated)

Next you will need to look at the impact these exposures might have on your club.

### **Risk Impact**

Damages can be caused in many areas, but the most prominent ones are:

The high cost of Legal proceedings

The potential financial ruin for Club's and/or individual members

The possibility that the insurance company will not underwrite loss

The high cost of premiums for future endeavours

You must also consider other side effects to such happenings. For example your Club's public image can change from a positive one to a negative one, depending on how you deal with a given situation. This might cause you troubles with you next fundraising project, especially if the town no longer wants to support you, regardless of the cause for the fundraising.

There are things that you can do to help control these risks and eliminate, or at least, decrease the chances of them happening. The following are some Risk Control techniques that you can put to use, not only for liquor-related functions, but for any function.

## **Risk Control Techniques**

As previously discussed in Module 1, risk control techniques can be carried out in three ways:

Avoidance

Reduction and

Transfer

Techniques in avoidance are pretty straightforward; do not do anything that could cause a potential risk to happen. Therefore, if you think that the risks are too high you should probably not do the event.

**Reduction** is taking steps to reduce the chance of something happening. In our example of the fight, one of the mitigating factors was that the patrons had too many drinks. In order to reduce the chance of a fight, as a result of too much alcohol, you need to make sure that your bar staff is properly trained, and have a strict policy in place to cut people off when they seem to be intoxicated. You can also limit the number of drinks served to a person at one time, as well as the number of beer tickets sold at one time to a person. This may not stop a fight from happening, but it does show that your Club took the necessary steps to ensure that people would not get intoxicated while at your event.

Having security is another form of reduction. You are decreasing the chance of things getting too out of hand; you have hired professionals to over see and stop any fights or disturbances at your event decreasing the chance of any serious injury, or damages.

**Transfer** is putting the liability on another party. If you do not want the liability of serving alcohol to people, out source that aspect of your event. Rent a hall that supplies you with a bar and bartenders. When you do this though make sure that they have the proper insurance in place, as well as your Club.

Finally you can use some **Risk Finance Techniques** to cover any risks that are going to be there, regardless of all the preparing in the world. In the end there is always a chance of it happening, like someone slipping and falling. You can do your best to make sure that any spills are cleaned up right away, and that you have nothing on the floor that might cause someone to trip, but it could still happen. For cases like these you can obtain insurance. Check with National's brokers to see if your event is covered under the policy, or contact a local insurer to cover your event.

**RISK MANAGEMENT MODULES**  
**MODULE 3: YOUR CLUB INSURANCE FORM**

The Annual Insurance Questionnaire is an important part of Risk Management for your Club. Not only by filling it out are you making sure that your Club maintains insurance coverage under the National Policy, you are also helping to make sure that we can maintain a policy that covers events held by your Club.

Over the past three years the Association has made some changes to the form to make it easier to fill out.

The insurance form asks basic questions of your club in terms of contracts, events for both members and the public, assets, whether donated, owned or sponsored, as well as any vehicles your Club might rent.

In order to fill the form out correctly you must be prepared to know the following information, as well as to send any required documentation.

**What You Need to Bring:**

- **Certificate of Insurance or Proof of Insurance**  
If your Club owns any Property, you must have a minimum \$2,000,000 Liability Insurance Coverage on any Property. The Association must also be named on your Insurance Policy.  
Preferably you will send a copy of your Policy to National.
- **Certificate of Insurance from Third Parties**  
If your Club runs/operates any Property for a Third Party, request a Certificate of Insurance from them, making sure that both your Club and the Association are named as Additional Insureds for that Property.
- **Asset Transfer Waivers**  
If your Club has donated any Property this year to a Third Party, meaning your Club bought the asset and gave it to the Third Party; you need to have an Asset Transfer Waiver signed by that Third Party. If your Club just gave money to the Third Party you do not need an Asset Transfer Waiver.

**You Need to Know the Details of:**

- **Club Mailing Address** - does it go to a member or directly to the Club

- **Events** - For Members and their families, for the Public (do you operate or sponsor the event), and the number of Liquor Functions, excluding regular Club meetings
- **Property** - own/rent/lease, rent out to third parties, name of third parties, Club Liability insurance, insurance through a Third Party, building inspections.
- **Assets** - Assets your Club has donated (bought the asset) or sponsored (gave money towards).
- **Rental Vehicles** - who rents them, good driving record/valid license, number of vehicles rented and why
- **Contracts** - who signed the contract, reviewed by a lawyer, save harmless, Certificates of Insurance Sub contractor or Co Manager, amount of insurance

You also need to know information about your respective K-40 and K-ette Club.

### **K-40 and K-ette Insurance Forms**

- Please note that if the Club is only social, and/or assists your Club for certain Functions this information needs to be noted in the proper places on the Insurance Questionnaire.
- For Example, under "Member Events", you would put down where and when the Club meets, and if they assist your Club this should be noted under "Public Events".

It is very important that you have the correct Contact Information for this Club; including the address that they provide us (you may use your own Club address).

**RISK MANAGEMENT MODULES**  
**MODULE 4: LEGISLATION AFFECTING LIABILITY**

Laws and legislation applicable to clubs and the types of events and activities they are involved in are identified, and a brief explanation of how these may impact their decisions is provided in this module.

**Tort Law**

- ◆ *Negligence*: a civil wrong that occurs through the commission or omission of an act that leads to the breach of a duty of care to a person or persons
  
- ◆ A person who has suffered harm must show that
  - He/she was owed a duty of care
  - The duty of care was breached
  - Harm or injury occurred as a result of that breach
  - The potential harm involved must have been foreseeable (the duty ought to have been known)
  
- ◆ *Defences against negligence*:
  - Contributory negligence: the person that is making the claim contributed to the injury
  - Voluntary assumption of risk: the person making the claim knew the risks involved but went ahead with the actions anyway
  - The incident was unintentional and a freak accident (chance that it would have happened was slim to none)
  
- ◆ *Vicarious liability*: principals should be held liable for all of their agents
  - For a club this means that the club may be held liable if a member of the club commits a tort of some kind while acting on behalf of the club

**Contract Law**

- ◆ A legal agreement to perform a service for another party
- ◆ Essential Components
  - An offer*: a tentative promise on the part of one party to another to do something at their request
  - Acceptance*: party accepts the offer unconditionally, this can include a handshake
  - Consideration*: the price one promises to pay for the service (does not need to be monetary)
  - Capacity*: must have the legal capacity to enter into a contract, must not be minors, insane or impaired in any way
  - Legality*: the services performed must not be against the law

*Intention:* the parties must agree to be bound by the terms and conditions of the contract

### **Occupier's Liability Act**

- ◆ Legislation sets out certain duties on occupiers of a property to take reasonable care of all visitors coming onto the premises. The Act will define a visitor as someone lawfully on the premises, someone permitted to be there, or someone whose presence has become unlawful but who is taking reasonable steps to leave.
- ◆ Occupiers are responsible for the condition of the premises, for the activities on those premises and the actions of third parties on the premises
- ◆ The liability of the Occupier to the visitor extends to loss or damage of the visitor's property brought on the premises, although the occupier would not be responsible for loss or damage to the visitor's property caused by third parties

### **Liquor Act**

- ◆ Every Territory and Province in Canada has a different Liquor Act, these set out who can sell alcohol, powers of the controlling body, conditions alcohol can be sold under and the seller's responsibilities.
- ◆ Be aware that municipality's also have liquor by-laws that your club should take note of.



## RISK MANAGEMENT MODULES

### MODULE 5: POLICIES

A policy establishes a set of rules and regulations concerning the management and operations of your Club. You already have the Constitution and By-laws and House Rules that help guide your Club, but you can also put in place your own policies to deal with things not covered. For example, if your Club holds liquor functions for the public, you might want to establish a set of rules and common procedures to follow. You can do this in the form of a Policy. You can do this for any action your Club might take. For example, we will review aspects of an Alcohol Policy.

#### **Alcohol Policies**

An Alcohol Policy will establish rules and regulations for events where alcohol is served as a private, closed, or open event. In accordance with provincial law and local consideration, it specifies indoor and outdoor locations where alcohol can be consumed for these events and other locations where alcohol can never be consumed.

This is an important area for Kin to be aware of. As many events that clubs hold include alcohol. Each club should have in place House Rules that govern the consumption of alcohol whether by members or the public. This is especially important for clubs that own club houses.

Most Municipalities and Cities in Canada have in place Alcohol Policies that patrons and occupiers (renters/lessees) must follow if they wish to serve/consume alcohol while on their premises. These policies have an effect on how clubs can serve and to whom they can serve alcohol.

Although, most of Kin have good alcohol practices, it might be a good idea to write out a few rules or regulations that need to be followed when you hold an event that involves alcohol.

It is important that you contact your local municipality to ensure that you are also following the Municipal Alcohol Policy, and know what the policy entails. By doing this, your club may also form a policy around what your town stipulates.

**RISK MANAGEMENT MODULES**  
**MODULE 6: NATIONAL INSURANCE POLICY COVERAGE**

What exactly does our National Insurance Policy cover when it comes to Kin? We have two types of coverage for our Clubs. One is Directors and Officers (D & O) Liability Insurance, as well as Third Party Comprehensive Liability Coverage for all regular Club Events.

**D & O Insurance**

Our D & O insurance covers all past, present and future directors, officers, trustees, employees, volunteers, committee members of your Club and the Association. Please note that to have this coverage for your Club Executive, you need to be incorporated with your Provincial Registry.

Covering the legal liability for claims made during the policy period for any wrongful act. Wrongful acts are considered any actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty by the assured in the discharge of duties, individually or collectively.

The loss that is covered are any damages, settlements and costs, charges, and expenses provided, however that loss shall not include punitive or exemplary damages, criminal or civil fines or penalties imposed by law or matters that are uninsurable under the law.

**National Comprehensive Liability Insurance**

The basic insurance is designed to protect you and your Club in case of lawsuits resulting from Bodily Injury and Property Damage to **third parties**. This policy covers all regular Club operations and functions, as well as such things as unlicensed automobiles that are held for prizes, liquor liability, auxiliary Clubs, non owned swimming pools and non-owned watercraft (26 feet in length or less).

What does "Third Party" mean?

The intention of the National Insurance Policy is to protect our Members and Clubs from being faced with having to pay for a defence or settlement in a suit. Meaning that when you have a function and a patron at that function gets injured our National Policy will cover the legal defence for your club if you are faced with a suit. However, if a Member is injured at a Kin event our National Policy does not

cover any payment for their injuries; it is the responsibility of the member to have in place their own accidental insurance. Also as many Clubs have volunteers (not a member of Kin) that help them with their functions or events, the National Policy has coverage extended to cover volunteers as if they were members. Thus, as members, if a volunteer were to be injured while helping you with your function, they would not receive compensation for their injuries, as well as no basis for a suit. An insured can not sue their insurer.

You should be aware that this coverage does NOT cover the following activities.

- All racing events or vehicle contests that involve automobiles, co-carts, motorcycles, snowmobiles, etc
- Rodeos
- Circuses
- Aircraft or balloons
- Watercraft in excess of 26 feet in length
- Bungee Jumping
- Detonation of Fireworks (you may sell them as long as you do not alter the packaging on them)
- Bodily injury to athletic or sports participants
- Operation of Mechanical Amusement Devices

Please note, that if you would like to hold any of the above listed events you may contact our Broker to see if you can get special events coverage for it, or contact a local broker for coverage. You must have a minimum of \$2,000,000 coverage with Kinsmen and Kinette Clubs of Canada named as additional insureds.

As well, for every item your Club OWNS or leases (land, swimming pool, building, playground, etc.), you are required to take out a separate property and liability insurance policy for your Club. This policy must name both Kinsmen & Kinette Clubs of Canada and your local Club as the insured parties and, must have a minimum of \$2,000,000 per incident coverage.

## RISK MANAGEMENT MODULES

### MODULE 7: PROPERTY INSURANCE

If a Club owns or leases (depending on the lease) property, they need to have their own Property and Liability Coverage for that Property, as it is not covered by the National Policy.

#### **Leasing a Building/Property**

If your Club leases a building you may have options on what you buy for insurance depending on what it stipulates in your lease. Clubs that have leases might have different types of leases. The first type might transfer the responsibility of insuring the building/premises, contents and liability onto Kinsmen.

The second type might make the Kinsmen Club responsible for insuring their own contents as well as the liability but not the building.

In both cases the Clubs would be required to purchase Property and General Liability insurance, with a minimum of \$2,000,000 per incident. Please note you also need to have the Association named as Additional Insured on your Policy.

The national program is not intended to cover leased premises but Clubs would have coverage for their events held on those premises.

#### **Owning a Building/Property**

If your Club owns a building you need to purchase the proper Property and Liability Insurance, including the building from either a local insurer or through National's Broker, Morris and Mackenzie (contact information provided below). As with a leased premises, you need to have at least \$2,000,000 coverage per incident and the Association named as Additional Insureds.

If your Club has a bar at your Location, make sure that you have the proper operations coverage for your building. You may also want to look into Crime Coverage as the National Policy does not cover this.

#### **Additional Information**

Please note that it is important to put on your Annual Insurance Questionnaire any property your club does own or lease, as well as specifying the type of insurance you are carrying on it. Also include with your form, **a copy of your Insurance Policy** for your Property. If you lease the premises and a third party has a policy on the

building premises, ask to be named as Additional Insured, as well as to be supplied with a Proof of Insurance, a copy of this should also be sent to National.

If you currently own Property, but do not have the proper coverage on it, it is vital to your Club that you obtain coverage. If you can not afford to insure your property one option you may have is to donate this property to your Municipality or another organization, and see if you can make an agreement with them still to use it. Make sure that you obtain an Asset Transfer waiver if you do this.

Please feel free to contact Richard Boutin at Morris & Mackenzie to obtain insurance on your property. He can be reached at:

(800) 387-2628  
or fax (416) 221-4905

[rboutin@morrismackenzie.ca](mailto:rboutin@morrismackenzie.ca)

Morris and Mackenzie Inc  
The Sheppard Centre  
2 Sheppard Ave. E. 20<sup>th</sup> Flr  
Toronto, ON M2N 5Y7

**RISK MANAGEMENT MODULES**  
**MODULE 8: DONATIONS AND SPONSORSHIPS**

It is not a new phenomenon for our Clubs to be asked by other organizations or individuals to help sponsor or to donate assets towards their cause. However, it is important to realize the difference between sponsorship and making a donation.

**Sponsorship**

Sponsorship is when your Club raises and gives money towards another organization so they can make a purchase of an asset. This type of activity is beneficial for your Club because you can get the recognition of helping another organization, but the risk associated with sponsorship is low, given that you sponsor an organization that holds a good cause. If it is one that your Club is not familiar with, you should make sure you do the proper background check to ensure that they are legitimate in their efforts, and do not support something that is contradictory of your mission, or general opinion. You should verify that the organization you are sponsoring is insured and ask that your club and Kin Canada be named as additional insureds on their policy.

**Donations**

Donations are when your Club actually purchases an asset and gives it to a third party. When your Club makes a donation it is important to get an Asset Transfer Waiver signed. This is to make sure that your Club is no longer held responsible for that asset, that it is now the responsibility of the third party that now owns it. Although having a waiver signed does not totally absolve you of potential liability, it does decrease the chance of your Club being held Liable for the Property. Thus a better option might be to sponsor rather than make a donation.

As well, many Clubs are given the incentive to Donate or Sponsor for a third Party, in return for the Club name to go on that Asset. Although this is great publicity, and you should not deny your Club of that, you should consider having the sign say, "Sponsored by the Kinsmen Club of ..." instead of "Kinsmen Club of ... Park". Your name still gets put up and you get the publicity, however you also put in place that the Park is not your Club's, which might lessen the chance of your Club being named in a suit should someone get injured at it.