# *Risk management*

GPCME South

August 2012

# *Types of non-clinical business risks your practice faces*

- Strategic
- Compliance
- Financial
- Operational
- Environmental
- Employment
- Health and Safety
- Commercial

- Disaster recovery
- Earthquake strengthening
- Space and equipment shortages
- Skill shortages
- IT backup and remote access

***From this > > > to this***

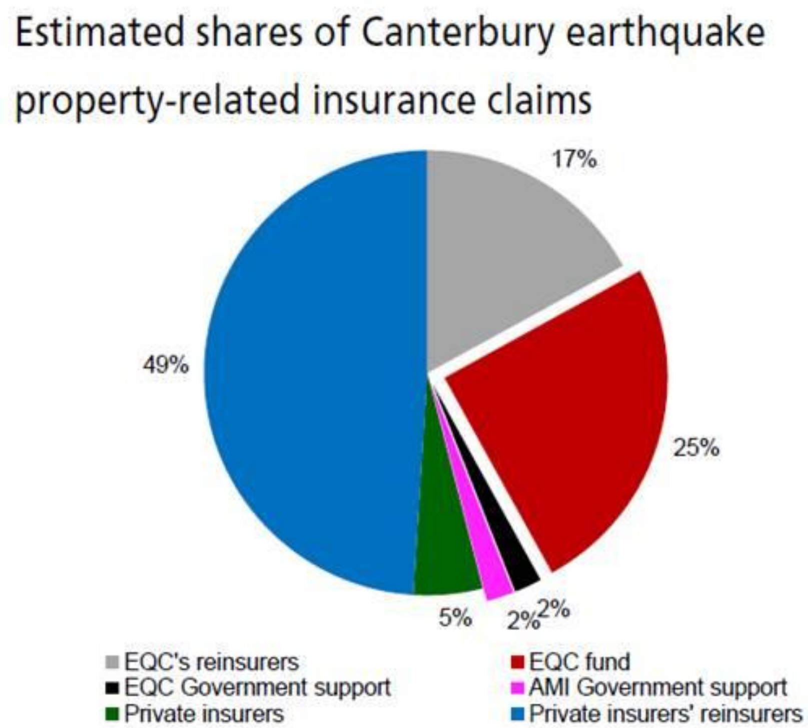
# *Insurance industry impact*

<u>Reinsurance</u>

The reinsurers funding the majority of the $30 billion of earthquake claims are large global reinsurers (in blue).

Private insurers like MAS (in green) manage counterparty risks by arranging our reinsurance through a panel of several reinsurers who each take a modest share of our reinsurance risks.

Reinsurance cost has increased significantly as a result of the Christchurch earthquakes, which has in turn resulted in higher premiums for Members.

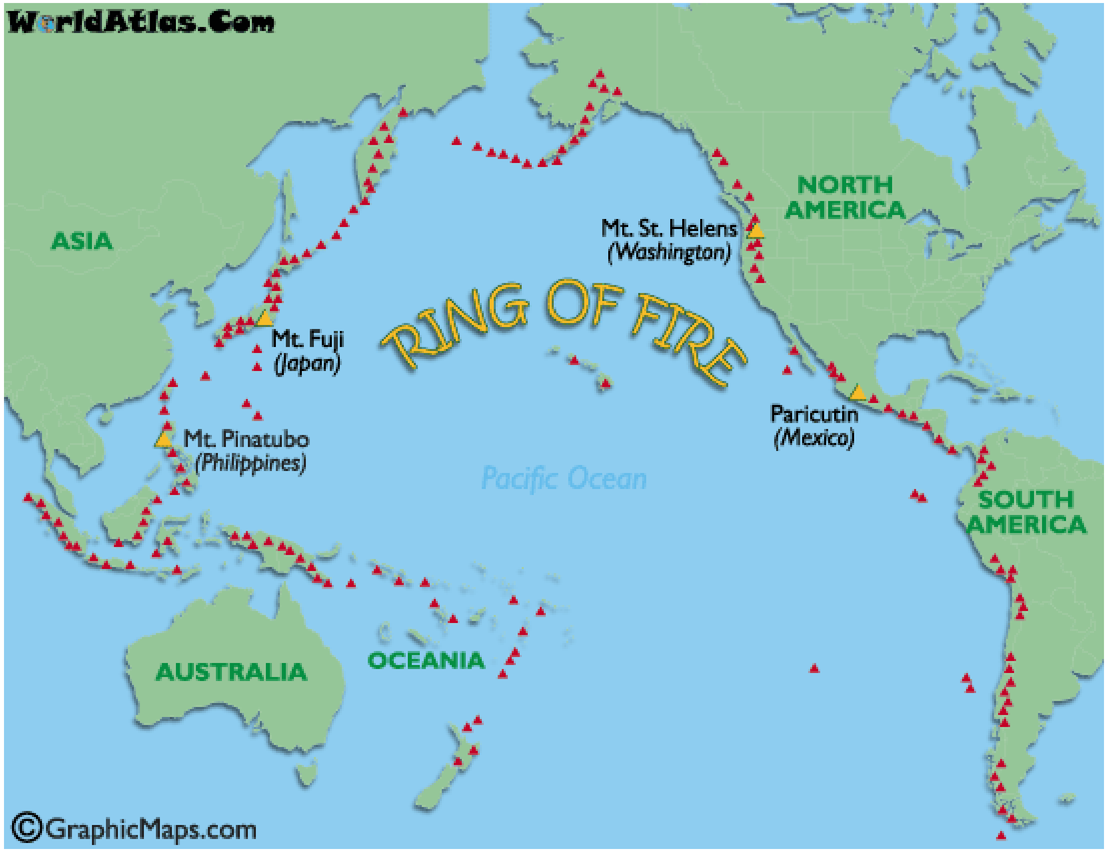



Source: EQC, RBNZ.

Note: Property-related claims cover all insured claims related to physical property, including damage to land (through EQC), buildings, contents and infrastructure, as well as business interruption and consequential loss.

**Prior to the earthquakes , New Zealand was a low-risk environment for insurers – this has changed as a result of the events – costs have been affected dramatically and will continue to rise**

# *Pacific Ring of Fire*



# *Protecting buildings and practice assets*

Most standard business insurance covers protect business assets against unforeseen events such as fire, flood or burglary.

Does yours include cover for natural disasters such as earthquakes, tsunami, volcanic eruption or landslip damage?

Are your business assets insured for replacement value?

What excess do you have to pay towards an insured loss?

Do you have automatic cover for money, stock and portable items?

# *Business continuity*

**Business interruption** – does your policy include disaster cover and prevention of access?

What if you need to relocate – do you have cover for increased costs of working? Would you be able to share facilities with another practice? What cost would be involved to do this?

**Communication** – how would you contact your staff? Their next of kin? Your patients?

**Asset register –** is it up to date? If you had to replace the contents of the entire surgery, do you know what was in it?

**Data and records** – do you have adequate back-ups? Do you have insurance cover for these items?

# *Liability covers*

**Public Liability**

- can cover your general liability risk i.e. accidental damage to the building in which you are a tenant caused by your practice.
- how much cover do you have?
- is this enough for your current situation?

# *Liability covers (cont)*

**Statutory Liability**

- can cover fines and defence costs for innocent breaches of a range of Acts of Parliament including the Privacy Act and Fair Trading Act.

**Employers Liability**

- can protect the practice against legal liability to pay for accidental bodily injury to any of your employees in connection with your practice, when not covered by ACC.

# *Employment risk*

Do you have

- a good knowledge of legislative requirements?
- written IEAs or services contracts for all staff
  - that have been agreed and signed **prior** to commencing work?
- a process for checking current qualifications, scope of practice and indemnity insurance?
- well written policies and procedures?
- effective performance management process?
- appropriate insurance covers in place?

# *Employment risk management*

**Employment Disputes insurance**

- can cover your liability for breaching an employment agreement, the Privacy Act or the Human Rights Act, and the costs of defending an allegation relating to any of the above.

**Employee Dishonesty insurance**

- can cover the practice for loss of money or other property caused by dishonest employees.

# *Key person covers*

To cover the loss of a practitioner from death or injury

- Life covers
- Lump sum trauma/recovery
- A combination of life and recovery insurance
- Business expense covers (weekly benefit)

# *Case study #1*


- Member was a tenant in a red stickered building
- Covers: Contents/Disaster around $250K and Business Interruption/Disaster around $150K
- 4 month indemnity period
- Claim settled in 12 weeks

# *Case study #2*


- Switchboard in building caught fire
- Moved to vacant premises close by
- Covers: Contents/Disaster around $300K and Business Interruption/Disaster around $800K with 6 month indemnity period
- Claim still being settled, current cost around $181k

# *Case Study #3 (not an actual event)*

- 4 GPs are equal shareholders in a GP company (WXYZ Medical Limited)
- They have key person cover of $120,000 each (the agreed value of their practices) owned by WXYZ Medical Limited
- Dr X is diagnosed with cancer
- The key person cover pays WXYZ Medical Limited $120,000
- WXYZ Limited now has funds available to purchase Dr X's shares (there needs to be a clear practice agreement in place with regard to how funds are used).

# *Questions?*

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