



Aon's 2014 Independent
Schools Risk Report

Our knowledge is your advantage.







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We want to help you make more informed decisions when reviewing your insurance and risk program.

We believe having robust conversations with our clients about risk, ensures you get the very best from your insurance broker.

Background

In November 2013, **150 independent schools**, educating over **100,000 students**, provided us with insights on how they manage risk.

Respondents by school type



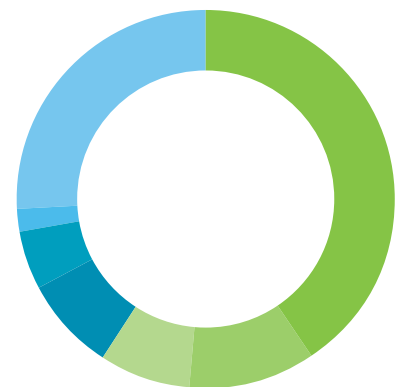
- 19% Anglican
- 18% Christian
- 16% Catholic
- 15% Non-denominational
- 5% Montessori
- 4% Rudolf Steiner
- 4% Baptist
- 4% Lutheran
- 16% Other

Respondents by school size



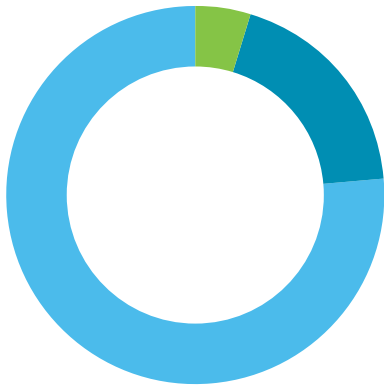
- 43% Less than 500 students
- 25% 501–1,000 students
- 31% Greater than 1,000 students

Respondents by location



- 41% NSW & ACT
- 11% QLD
- 8% SA
- 8% VIC
- 5% TAS
- 2% WA
- 26% Not Identified

Risk Exposure



Expected changes to risk exposure

- 5% Decrease
- 19% Increase
- 76% Remain Flat

76% of schools expect their risk exposure to remain flat over the next 12 months.

Respondents to our survey indicated that their school's risk exposure was relatively stable.

Expected changes to risk exposure by school size



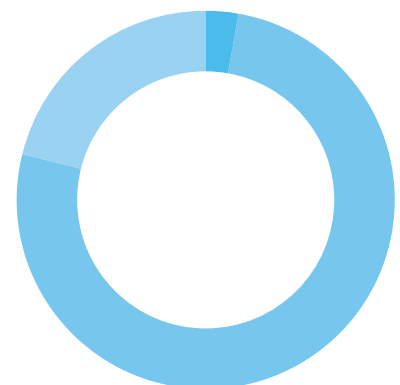
Less than 500 students

- 10% Decrease
- 68% Remain Flat
- 22% Increase



501–1,000 students

- 0% Decrease
- 88% Remain Flat
- 12% Increase



Greater than 1,000 students

- 3% Decrease
- 76% Remain Flat
- 21% Increase

“With the introduction of new privacy legislation in March 2014, schools need to consider their additional risk exposure in the next 12 months.”

Bob Valk – Client Manager, Aon Risk Solutions

Example Scenario

In March 2014, a series of amendments to the Privacy Act 1988 will take effect. As part of the Act, schools are required to comply with privacy principles outlined in the legislation.

Consider this scenario

The Privacy Commissioner has received a complaint about your school, and has conducted an assessment of your compliance with the new Australian privacy principles.

The assessment found that earlier that month an individual had made an anonymous complaint about a teacher to the office receptionist.

The identity of the caller was not known, however their phone number was provided. Following the call, the receptionist looked up the number in their database and identified the caller as a parent of a student in year 9. The receptionist informed the teacher, who subsequently contacted the caller directly.

The assessment found that your school had breached ‘Privacy Principle 2 – Anonymity and Pseudonymity’ and is now with the Commissioner to determine the outcome.

It’s important that you understand how changes to the Privacy Act 1988 will affect you and what steps need to be taken to minimise your risk.

To Consider...

- Have you run scenarios with key people in your school to identify and analyse key risks under controlled and uncontrolled circumstances?
- When was the last time your broker discussed changes or trends happening in the insurance marketplace and how this could affect your school?
- Is your school assuming the risks of others? Who has authority to sign off on contracts involving third party suppliers where waivers and indemnities are being sought?

Top Risk Concerns

Q. Please provide your school's top five risk concerns.

Rank	Risk	% Responses
1	Access to funding	51%
2	Brand and reputation	50%
3	Student safety	49%
4	School governance	43%
5	Ability to attract and retain top teachers	39%
6	Increasing competition	38%
7	Changes to legislation	35%
8	Personal and professional liability	31%
9	Systems failure	28%
10	Social media	26%

"The top three risk concerns show the diversity of the issues that Business Managers and Bursars are required to wrestle with.

The importance of getting a clear unambiguous funding model assists in future planning and certainty; the reputation of the School underpins its ongoing ability to attract students and be sustainable; the always present issue of student safety, especially given the diversity of activities schools offer must be considered."

David Barker, President – The Bursars' Association of New South Wales

Insurable Risks

2

Brand and Reputation

Brand and Reputation has been an increasing concern for a number of schools, and encompasses a number of areas, including social media, cyber bullying and data confidentiality.

This was particularly evident in December 2012 when it was reported that hackers held Byron Community Primary School student records for ransom.¹

Interestingly, schools ranked 'allegations of child abuse' as a relatively low risk concern, however with the establishment of the Royal Commission this has become an increasing concern to schools, and the implications to a schools brand and reputation could be extremely detrimental.

3

Student Safety

The increasing frequency of claims related to student safety (13% of 2013 claims), highlights the importance of documented policies and procedures to provide a safe and supportive environment within which students can learn.

This includes minimising the risk of harm both from the physical environment, but also from acts of violence, physical threats, verbal abuse and sexual harassment.

4

School Governance

There is no universal model of good governance for schools. As every school is different, what suits one, may not suit another. Good governance requires a review of the particular school's unique context and culture.

5

Ability to attract and retain staff

Whilst an increasing percentage of teachers over 50 are reportedly unlikely to leave before retirement, a high level of career uncertainty has been reported amongst many young teachers.

Finding ways to attract and retain younger teachers will be important to long-term workforce planning and to avoid increasing shortages of teachers in the future.

8

Personal and Professional Liability Risk

Personal and professional liability risk ranked as the eighth risk concern in this year's survey, consequently this also ranked in the top ten claims made by schools in 2013.

Schools must understand how far their 'duty of care' extends, and ensure they have the necessary tools in place to respond in the event of a claim/allegation.

1. Harris, C 2012, 'Cyber-criminals hit primary school', The Northern Star, 20 November

Managing Risks

Over **70%** of schools believe they need to do more to mitigate their future risk, and are looking to increase their investment in risk management.

Q. Our school needs to do more, to mitigate future risks.



Q. Our school is increasing its investment in risk management.



But where should your school invest?

When reviewing your school's risk management program, business continuity management is an area that all schools should be looking at.

Business Continuity Management is the process that:

- Identifies potential events which could impact your school and the threats this might cause; and
- Provides a response plan to safeguard the interests of your school's students, staff, parents, and brand & reputation.

Managing Risks

“Recent findings from Aon’s Risk Maturity Index show the Education sector averaging second lowest across 28 industries with regards to levels of Risk Maturity. We are finding in Australia however, an ever increasing focus from school board’s to enhancing risk management practices”

**Paul Johnson – Managing Director, Aon Global Risk Consulting,
Board member, Australian independent school**

Q. Our school board is engaged around risk management.



Over 30% of school boards are not engaged around risk management.

A school board, unlike traditional businesses, will typically consist of members from a wide range of backgrounds, with varying specialities, skills and backgrounds.

Members may not have experience in the corporate boardroom and may not be financially or commercially focussed.

It’s important to understand the members of your school board and communicate the benefits of a mature risk management approach in a language they understand.

Having a well structured risk management framework is critical to promote active engagement around risk management across all areas of the school.

Example Scenario

Your school has organised an overseas excursion to a third world country involving multiple students, teachers and other adult volunteers (includes some parents).

Midway through the trip you're advised that there has been a bus accident; many individuals on the excursion have been injured and have had to be hospitalised.

Various travel insurance policies have been arranged by each individual direct with different insurers, some insurers offer to repatriate injured persons to first-world country for medical attention but some insurers do not.

As your school did not arrange a group policy for the trip, there is no one point of contact to manage the claim.

To Consider...

- When was the last time you discussed new and emerging risk issues with your insurance broker/ risk advisor?
- How often do you meet with your school board to discuss your school's insurance and risk program?
- What risk mitigation strategies do you have in place?
- How often does your school review and update its risk register?
- Do you know how your school's specific risks around curriculum activities such as work experience, excursions and other off-campus activities (including overseas excursions) are dealt with?
- Does your school have a process in place to handle the hire of school facilities to third parties?

Brand and Reputation

Q. Our school has an established social media policy.

Less than 500 students



501–1,000 students



Greater than 1,000 students



Total responses



■ Strongly Agree
 ■ Agree
 ■ Neutral
 ■ Disagree
 ■ Strongly Disagree

24% of schools do not have a documented social media policy in place.

As students have greater access to social media platforms, a large proportion of your school community are sharing their lives via photos, videos and status updates for friends and the broader public to see.

Regardless of whether your school actively embraces and uses social media or simply wants to protect itself and its employees from liability, it's sensible – if not essential – to have a social media policy in place. This should include clear guidelines for the use of social media within the school environment, and also document how the school should respond in the event of a social media incident.

The need for a robust social media policy is further supported by the increase in cases of cyber-bullying via social networking sites.

“Our school has a documented cyber bullying policy in place to mitigate the risk of harm to our students and to address how to manage such incidents as they arise. This includes an ‘acceptable use’ policy which is signed by all students and staff when using any computer on school property.”

Peter Hunt – Business Manager, Ballarat Grammar, Victoria

Q. Our school has an established cyber bullying policy.

Less than 500 students



501–1,000 students



Greater than 1,000 students



Total responses



Strongly Agree Agree Neutral Disagree Strongly Disagree

Federal government report that **1 in 10 children** will experience cyber-bullying, with bullying peaking between the ages of 11 and 15.

It’s therefore critical that a school’s social media policy include the steps/tools to respond to cyber bullying.

This may include:

- Creating a reporting system to receive notifications of cyber bullying
- Implementing a method to document and track all incidents of cyber bullying
- Implementing and circulating a social media policy to students, staff and parents, outlining the schools position on cyber bullying and the steps which will be taken if a child is involved
- Steps to effectively respond when notified of an incident

Brand and Reputation

“Many schools place an emphasis on their IT controls whilst not dedicating sufficient planning and resources to post incident response. Whilst preventative measures will assist in reducing the likelihood of such events, the magnitude of damage/losses can be significant when a network breach occurs.”

Bob Valk – Client Manager, Aon Risk Solutions

Q. Our school has appropriate controls to ensure confidential data is secure.

Less than 500 students



501–1,000 students



Greater than 1,000 students



Total responses



Strongly Agree Agree Neutral Disagree Strongly Disagree

“Our school has a number of IT systems in place to manage student data; however we need to keep vigilant to ensure we have the current tools in place to monitor and respond in the event of a breach of student data.”

Peter Hunt – Business Manager, Ballarat Grammar, Victoria

Brand and Reputation

Q. In the event of a PR crisis, our school knows what steps have to be taken.

Less than 500 students



501–1,000 students



Greater than 1,000 students



Total responses



■ Strongly Agree
 ■ Agree
 ■ Neutral
 ■ Disagree
 ■ Strongly Disagree

Example Scenario

Increasing cyber-bullying amongst school children has raised new questions in the industry about your school's 'duty of care'.

Federal Government statistics indicate at least one in ten children will experience cyber-bullying, yet many parents and teachers do not know where their responsibility lies, or have the knowledge or understanding to prevent or manage incidents as they occur.

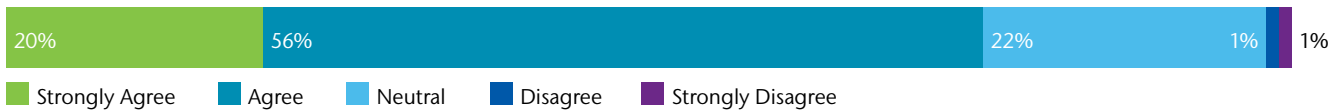
1. Does your school actively discuss cyber bullying?
2. Do your teachers understand where their duty of care extends to?
3. Does your school have a social media policy?
4. Do you actively engage parents, to communicate your school's cyber bullying policy?
5. Does your school communicate the safety concerns of technology with your students?

To Consider...

- Have you invested the time sharing your social media plan with your peers and understanding what they are doing?
- Does your school's existing risk and insurance program include the cost of PR consultants to manage a potential crisis?
- Does your school have a written crisis management procedure in place? And if so is this communicated to all relevant employees?
- Are your teaching and counselling staff aware of the steps they must take when an incident of cyber bullying is reported?

Student Safety

Q. Our school has rigorous WHS policies to ensure student and staff safety.



24% of schools don't have rigorous Workers Health and Safety (WHS) policies to ensure student and staff safety.

It's critical that schools have rigorous WHS policies in place to provide a safe and supportive environment for students to learn. This includes minimising the risk of harm both from the built environment, but also from acts of violence, physical threats, verbal abuse, and sexual harassment.

This risk was particularly evident in January 2013 when the 'Royal Commission into Institutional Responses to Child Sex Abuse' was appointed to investigate where institutions such as schools have failed to protect children.

Understanding the workplace health and safety legislations in your state and the principles which underpin these, will allow you to fully understand the legal implications to your school in the event of a breach.

Providing training to staff about the risks that are present in the school environment, and the measures that are being implemented to control them, is an essential part of a systematic approach to mitigating these risks.

Example Scenario

In 2010, a caretaker at an Australian independent school suffered significant injuries, including burns to in excess of 75% of his whole body, when he was caught in a gas explosion.

The claim, still unresolved, highlights the importance of using reputable contractors, and maintaining (and enforcing) adequate workers health and safety procedures to prevent incidents like this occurring.

A similar example, includes work carried out by a school's electrical contractors. When working on a flood light, a light pole was poorly earthed and resulted in multiple students being electrocuted and taken to hospital.

In both situations the school's claims history will lead to an increase in the premium each school pays on their insurance for the next three years.

To Consider...

- Are you aware of the legal and industry legislation that applies to your school?
- How do you keep up to date on changing legislation?
- Does your school provide WHS training to all employees?
- What contractors are in place at your school, and what risks do they pose?



Valuations

50% of schools have not sought a property valuation in the last 12 months.

Without a formal insurance valuation the likelihood is that your school will be underinsured. This can have serious consequences for your ability to operate following a major loss.

What is a formal valuation?

An insurance valuation differs from a financial valuation as it represents the cost to reinstate the existing assets. Buildings for example include key components such

as professional fees, removal of debris, lead times for development application approval, rebuild costs plus the policy period.

A financial valuation is predominantly market value (land and buildings) which has no relationship to the insured value (cost to reinstate the assets) as required under your insurance policy.

“Our experience shows that following a major loss, only 28% of organisations continue to operate. The majority of under insurance problems can be avoided by a properly arranged independent review of asset valuations and overall insurance coverage requirements.”*

Richard Slatterie – Client Manager, Aon Risk Solutions

* Major loss as a result of fire damage.

Valuations

“Valuation requirements for schools are often driven to comply with Australian Accounting Standards as part of financial year end compliance or to support a loan facility. Very few are sought for the purpose of determining the insured value for buildings and improvements or even contents, plant and equipment for that matter.”

Neil Hemmings – National Sales Manager, Aon Valuation Services

94% of schools believe they understand the difference between the ‘insured value’ of their school’s property and its ‘market value’, however, **50% of schools** think their ‘market value’ would be sufficient to cover all rebuild costs.

Using ‘financial/market values’ can place your school in an underinsured position, and potentially expose your school’s directors and officers to risk as they are legally liable in respect to the setting of insured values.

With more than 90% of schools found to be underinsured following an initial insurance valuation, it’s critical that declared values are correctly determined to remove the potential financial risk .

Ensuring your school is fully covered is much simpler than you think. The most important aspect is to make sure you have your school properly assessed by a qualified insurance valuer. A proper valuation process ensures that there will be no gap to cover in the event of a claim.

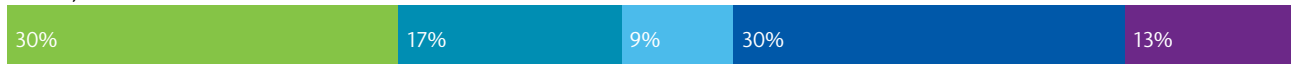
Valuations

Q. Our school sought a property valuation within the last 12 months.

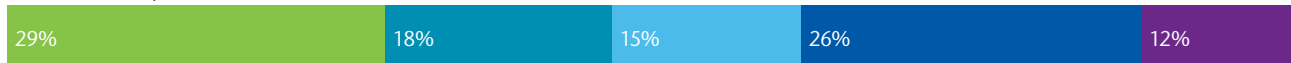
Less than 500 students



501–1,000 students



Greater than 1,000 students



■ Strongly Agree
 ■ Agree
 ■ Neutral
 ■ Disagree
 ■ Strongly Disagree

Example Scenario

Your school insures a heritage building based on the likely rebuilding costs of a modern building of a similar size.

In the following month you experience a fire, damaging 25% of the heritage building.

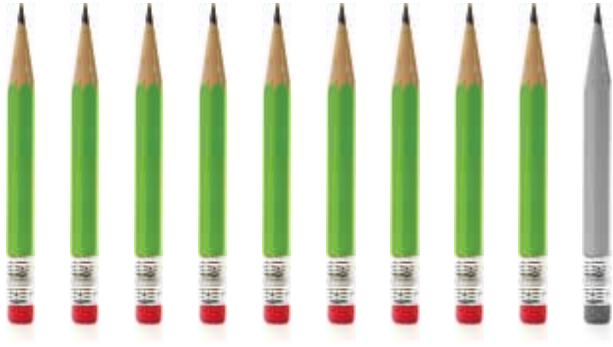
As the building was insured based on the cost to repair a modern building, it does not include the cost to faithfully reinstate the building back to its heritage pre-damaged condition.

In this situation you will be forced to fund the additional costs.

To Consider...

- When was the last time you discussed your school's insurance valuation with your broker?
- Do you know if your insured values represent the true cost of reinstatement of the existing assets with new?
- When asked by the insurer's loss adjustor post an insured loss, will you be able to validate the insured values and substantiate what was in the area of loss?
- Do you know if your school has an up to date asset register in place?

Business Continuity



9 out of 10
schools have a
documented emergency
response plan in place.

Whilst most schools are adequately equipped, prepared and ready to respond to emergencies, there is some uncertainty as to whether they could adequately respond following a major loss.

Only **42% of schools** have a documented business continuity plan in place.

More than 50% of schools do not have a plan to ensure their school's critical functions and services could continue to be delivered, following a major loss.

This is where a business continuity plan is required.

A business continuity plan will identify potential events which could impact your school and provide a response plan to safeguard the interests of your school's students, staff, parents, and brand & reputation.

“An effective business continuity plan reinforces a mature approach to risk management and enhances the marketing of the organisations risk to a variety of stakeholders including the government, insurers and the local community.”

Marcus Vaughan – National Sales & Marketing Manager, Aon Global Risk Consulting

Example Scenario

You are advised in the early hours of a Monday morning that a major fire has occurred at your school destroying several classrooms, the library and a boarding dormitory.

What next?

1. What capacity exists to relocate classes or boarders within the school or elsewhere?
2. Where will you source specialised equipment for classes such as Science, Music or Information Technology?

3. Will the recovery strategies be sustainable for the length of time required to reinstate the damaged property?
4. How will you manage negative ‘social media’?
5. Will your insurance cover the full cost for recovery strategies and the reinstatement of damaged property?

If you’re unsure as to your school’s response to any of the above, then it’s time to review your school’s risk management strategy and develop a business continuity plan.

To Consider...

- Has your risk advisor identified the inherent risks to your school’s critical functions?
- How will your school ensure the continuity of critical functions and operations after a significant disruption?
- When was the last time you asked your risk advisor how the insurers responded to your school’s business continuity risks?
- Have you spoken to your broker about developing a Business Continuity Plan?

Claims

Q. If you have submitted a claim in the last 12 months, please select the reason for the claim(s)

Rank	Claim Reason	% Responses
1	Damage to property	35%
2	Motor vehicle related accident	26%
3	Injury to students	19%
4	Loss or theft	13%
5	Injury to staff/volunteers	13%
6	Accidental damage	9%
7	Legal support to respond to a complaint	8%
8	Burglary	8%
9	A student/employee sued you for financial compensation	4%
10	Equipment breakdown	4%

1

Damage to property

The frequency of natural disasters across Australia in the last few years has seen an increase in property claims. This was particularly evident for schools in far north Queensland as a result of Cyclone Yasi and the subsequent flooding of the Brisbane River.

In 2011 a Queensland school claimed for property damage to their school's sports fields, sheds and machinery, as a result of flooding from a nearby river. Restoration and returfing costs of the fields alone amounted to almost \$500,000. This was in addition to securing alternative venues and arranging transport, to enable a continuation of many sporting activities at the school in question.

When assessing your school's property risk, it's important to consider implications beyond the repair and reinstatement of physical damage to your school's property.

Claims

2

Motor Vehicle related accident

In the past 12 months the independent schools sector has seen an increase in the frequency and severity of motor claims. 50% of claims were caused by 'driver at fault', with repair costs being significantly higher where driver is aged between 51–60 years old.

The frequency of claims were greatest during the month of November, with average repair costs likely to increase 10% in 2014, from \$3,000 in 2013. Hidden expenses can add as much as 300% to the cost of repairs, so effective risk management of your fleet can significantly reduce the costs and impact on your school.

84% of vehicle claims in 2013 were made on sedan vehicles; the most common claims being 'hit roadside objects' (15%), 'rear end' (14%) and broken glass (13%).

It's important that you work with your insurance broker to effectively manage your fleet to avoid future claims.

3

Injury to students

There are a number of claims which fall into this category, including claims with respect to trips and falls, bullying and sexual molestation and/or harassment.

It's important for schools to understand which policy they will be covered under.

Student Accident Insurance

Student accident insurance provides cash benefits for a range of injuries from broken bones to burns to permanent disabilities, as well as various out-of-pocket expenses related to an accident.

A major benefit of Student Accident Insurance is that it can greatly assist in the reduction of the claims for personal injury (Public Liability) that may otherwise be directed at the school.

Public Liability Insurance

If a student is injured at school and holds the school responsible for causing the injury, a school's public liability cover may protect the school from the financial consequences of the accident including compensation for pain and suffering.

Sexual molestation will also be covered under a schools public liability insurance, however schools are required to report any allegation to the insurer as soon as they become aware of the incident as opposed to if or when a claim arises.

As the formation of the Royal Commission has seen a significant rise in the reporting of claims in regards to sexual molestation, it's important for schools to understand what their policy response is to sexual molestation claims, to avoid issues and challenges that may be faced for claims that fall outside of their current policy period.

Professional Indemnity

Professional Indemnity (PI) insurance protects a school from claims relating to the services and advice they provide. This can include claims by students that a school failed to protect them from bullying, racial vilification and discrimination.

4

Loss or Theft

Loss or Theft claims will often include the theft of electronic equipment such as laptops, TV's projectors and sound equipment, but they can also include items such as the theft of master keys, placing the security of the entire school at risk.

Whilst computers and other equipment can be replaced, rekeying a school's entire security system can be an expensive exercise and may include the cost of extra security during this period. It would not be unusual for claims such as this to exceed \$20,000 – \$30,000 or even \$50,000.

Claims

“Damage to property is the number one cause of claims seen amongst schools – in both volume and cost. Weather and natural disasters make up the vast majority of losses, with weekly claims submitted for wind damage to shade sails, to major cyclone, flood and storm claims, this will always rank highly.”

Joseph Marsh – Senior Claims Consultant, Aon Risk Solutions

Example Scenario

In 2012 an Australian school received notice that a former student had filed a complaint with the Australian Human rights Commission (AHRC) on the basis that they were discriminated against because of their disability, and that the school failed to provide educational and preventative bullying support.

The student alleged that as a result of the school’s treatment they failed to gain a place at a tertiary institution to complete their chosen degree claiming \$200,000 in loss of future earnings.

Considering the scenario above, what steps would your school have taken?

What next?

1. Do you decide to appoint your own lawyer to assist with the complaint response?
2. Is this cost covered by your school’s insurance?
3. Will the insurer agree to use the school’s lawyer?
4. Will the lawyer engage the insurer directly or via your insurance broker?

If you’re unsure as to your school’s response to any of the above, then it’s time to have a conversation around the claims process in place on your insurance policy.

To Consider...

- When have you last reviewed your claims process?
- When managing a complex claim, does your broker automatically implement a strategy to keep things on track?
- Do you know if your insurance policy covers sexual molestation outside of the current policy period?

Cost of Insurance

Size	2013 Average Insurance Premium*	2013 Average Workers Comp. Premium
Less than 500 student enrolments	\$33,052	\$16,703
501–1,000 student enrolments	\$69,105	\$63,372
Greater than 1,000 student enrolments	\$147,441	\$206,747

* Represents the average total cost of general insurance premiums

1 in 3 schools agree that tough economic conditions, mean driving down the cost of insurance has become a priority for their school.

Is your spending in line with your peers?

The figures above provide an overview of the annual cost of insurance across a range of schools; however when comparing your insurance you need to consider:

- Your school's physical location
- Your school's construction
- Your school's claims history
- Whether your school has a formal risk process in place
- Whether your school has had an accurate valuation
- Whether your school has a business continuity plan
- Your school's limit of indemnity – you may have set higher limits than your peers
- The number of staff you employ
- Certain business activities you undertake which may be unique and require a specialist insurance solution
- Your school's excess/deductible

All of these factors may positively or negatively influence your schools risk profile and may affect your overall insurance costs.

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Our knowledge is your advantage.

