



ASBA 

*Association of School
Business Administrators
Strategic Partner

Aon's 2016
Independent Schools' Risk Report

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Introduction

It is with great pleasure that we present the findings of our 2016 benchmarking report into the key risk concerns and risk management practices of independent schools.

Now in its third year of publication, the report is built around a comprehensive survey of independent schools. This year, 310 schools participated (an increase of 35% on 2015), providing compelling insights into the sector's key risk concerns and risk management practices, as well as an overview of typical insurance claims and insurance costs*.

Almost 90% of respondents are members of the Association of School Business Administrators (ASBA), for whom Aon is the Strategic Insurance and Risk Partner.

In analysing the survey results and developing this report, we have drawn on our work with independent schools, and our deep experience in developing risk mitigation and risk transfer strategies that effectively address the many complex risks inherent to the sector.

We also sought further input and commentary from a number of independent schools and key industry bodies.

We would like to thank all those who participated in the survey, or contributed to the report, and hope the findings and commentary are beneficial to schools' future risk management planning.

In particular, Aon would like to thank the following for their valuable contribution to this report:

- Pip Jones, Executive Officer, Association of School Business Administrators
- Brad Campbell, Bursar, Sydney Grammar School
- Dr Leoni Degenhardt, Dean of the Leadership Centre, Association of Independent Schools of NSW
- Chris Duncan, Assistant Director, Governance and School Reviews, Association of Independent Schools of NSW

*The statistics in this report are based on the results of a survey conducted by Aon between 17 March and 8 April 2016, of Directors of Business, Business Managers and Bursars from 310 independent schools across Australia and New Zealand.

General disclaimer

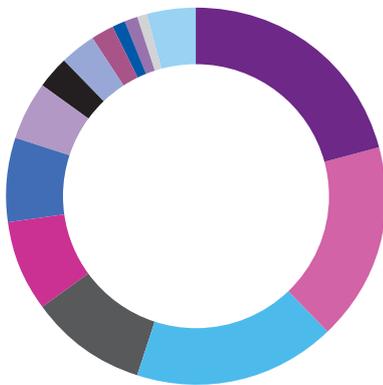
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Background

In March 2016, independent schools were invited to provide their insights on insurance and risk, by completing the Aon Independent Schools' Risk Survey.

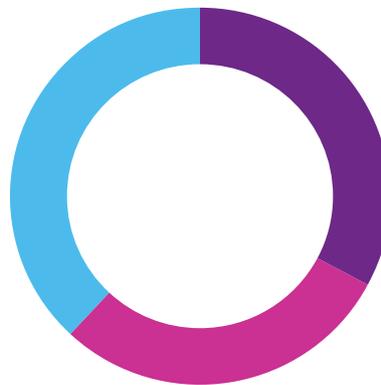
In total, 310 schools participated.

Respondents by school type



- 21% Anglican
- 17% Catholic
- 17% Non-denominational / Independent
- 10% Christian - other
- 8% Lutheran
- 7% Uniting Church
- 5% Montessori
- 3% Rudolf Steiner
- 3% Presbyterian
- 2% Baptist
- 1% Jewish
- 1% Islamic
- 1% Seventh Day Adventist
- 4% Other

Respondents by school size



- 33% 500 or less students
- 29% 501 – 1,000 students
- 38% Greater than 1,000 students

Risk Environment

Perception of a heightened risk environment continues with more than 25% of schools expecting their risk exposure to rise.

The percentage of schools expecting their risk exposure to increase over the next 12 months is largely consistent with the findings of last year's report. Across enrolment bands, schools with larger populations anticipate a greater increase in their risk exposure than those with smaller student numbers.

Over the past twelve months, independent schools have faced a wide variety of potential threats across all aspects of their operations, from reputational risks around providing an adequate duty of care, through to an ever increasing compliance burden with regard to governance. Many of these threats will continue to bear influence, and may cause concern, over the coming year.

Expected changes to risk exposure

Total responses 2016



Total responses 2015



Total responses 2014



Fewer than 500 student enrolments 2016



501 - 1,000 student enrolments 2016



More than 1,000 student enrolments 2016



■ Increase ■ Decrease ■ Remain Flat

The Royal Commission

The Royal Commission into Institutional Responses to Child Sexual Abuse has had repercussions across the sector, including reputational implications. The Commission has so far heard that schools need to reconsider policies and procedures to ensure that people who may pose a risk to children are identified and assessed, and that responses to any future incidents are swift and robust. As well as the reputational implications for schools appearing before the Royal Commission, recent reports of separate civil actions for compensation, being launched by victims alleging a failure in their former school's duty of care, add even further complexity and concern to this issue.

Property damage

With many schools looking to expand or upgrade with new buildings and developments, their asset values are constantly increasing. This activity requires close monitoring to ensure correct replacement values are declared.

Cyber

From network security and privacy breaches through to cyber bullying and access to inappropriate content, schools are exposed to an ever growing number of cyber-related risks. With mandatory data breach reporting back on the table for inclusion in the Privacy Act, cyber is unlikely to remain just an IT issue. It will also be a critical concern for board or council members.

Deeds of Indemnity

Principals are increasingly looking for schools to provide them with a Deed of Indemnity. If such deeds are made retrospective, boards need to consider if that is in the best interest of the institution. Likewise, if they are providing such indemnity to one director (the Principal), should this be something they are providing all directors? School boards should seek independent legal advice in considering a Deed of Indemnity in consultation with their insurance broker.

To Consider...

- If a school is refurbishing, upgrading or expanding, how will this change the valuation of its property? Committing to regular insurance valuations could minimise the risk of triggering underinsurance clauses, should a future property damage event lead to a claim.
- Many schools are harnessing technology to provide a competitive edge. For example, offering a dedicated app that allows students to download notes, or access the school calendar. However the more entry points a school has to its IT systems, the more attack vectors are available for hackers. It is important to segregate the systems and to understand what will happen if one of them is compromised.
- If a school is providing Deeds of Indemnity to directors, it's important to get independent legal advice, as well as specialist insurance advice, about cover provided for the provisions of the deed, as some provisions may be uninsurable.

Top Risk Concerns

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

Rank	2016	Change	2015	Change	2014
1	Student safety	▲ 2	Brand and reputation	▲ 1	Access to funding
2	Brand and reputation	▼ 1	Access to funding	▼ 1	Brand and reputation
3	Access to funding	▼ 1	Student safety	▶	Student safety
4	Increasing competition	▲ 1	School governance	▶	School governance
5	School governance	▼ 1	Increasing competition	▲ 1	Ability to attract and retain top teachers
6	Ability to attract and retain top teachers	▲ 2	Changes to legislation	▲ 1	Increasing competition
7	Changes to legislation	▼ 1	Property damage	▲ 5	Changes to legislation
8	Social media	▲ 2	Ability to attract and retain top teachers	▼ 3	Personal and professional liability
9	Property damage	▼ 2	Systems failure	▶	Systems failure
10	Systems failure	▼ 1	Social media	▶	Social media

The top three risk concerns identified by independent schools, have remained constant since 2014, however their priority has changed. Student safety has jumped from 3rd in 2014 and 2015, to now surpass Brand and reputation and Access to funding as the primary risk concern. In part, this heightened concern may reflect the hearings of the Royal Commission to date, which may have brought student safety to the forefront.

Outside of the top five (which are discussed further, overleaf), attracting and retaining top teachers continues to be a real issue, and the past year has seen a number of institutions report a quite substantial turnover of personnel. Some schools are unable to effectively manage underperforming staff, which can mean missing out on opportunities to attract new talent.

Social media is also becoming a hot issue, having risen two places in the rankings to 8th. In addition to issues such as cyber bullying, social media has the potential to amplify any negative attitudes or opinions towards schools, leading to reputational damage concerns.

The Top Five

1. Student safety

While schools are good at managing student safety risk, it remains a key concern due to the multiple risks that students face every day. Safety is also an integral part of brand and reputation; when a student suffers a severe injury (or worse), there is a risk of scrutiny from the media.

In the past few years, issues that might once have been simply hypothetical are now being included in the overall risk environment assessment as real concerns, with a much higher probability of occurring. Examples include the possibility of a terrorist attack during a school excursion to a country previously assumed to be fairly safe (such as France), cyberbullying through use of a school-issued laptop or via the school network, or schools entering lockdown due to third party threats, either physically or electronically.

2 Brand and reputation

Brand and reputation is always high on the risk matrix for independent schools. An example of increased scrutiny is the Royal Commission and its accompanying media coverage. Likewise, social media has made it increasingly difficult to contain the impacts of even the smallest negative incident, which can quickly be shared with a vast audience.

3 Access to funding

While funding is always an exposure, in some ways it can be easier to handle than other risks. Budgeting and forward planning needs to incorporate a financial strategy that is capable of adapting to, and dealing with, changes in funding.

This risk concern is also interwoven with legislative change risk that could lead to a reduction in government funding. Access to funding also relates to competitive positioning and an ability to attract enough fee-paying students.



The looming Federal Government election brings with it the risk of legislative and regulatory change, especially with regard to education funding. While the important role of independent schools in Australia's education system may spare the sector from a significant loss of funding, any decision to do so – or even to cap funding – would put further upward pressure on fees, and lead to affordability concerns for some parents.



Peter Salmon, Structured Portfolio Manager, Aon Risk Solutions

4 Increasing competition

This risk exposure has risen from 6th in 2014, to 4th in this year's survey. Mid-level schools in particular are under pressure to attract students.

In addition to the competition that independent schools face from one another (as well as the public school sector), it is quite possible they could soon face challenges from US-style charter schools, or independent public schools. Technology advances may also mean that in the future parents could buy their children's education from online schools, which is also a growth area in the US¹.

Where schools compete with each other in the same catchment area, and appeal to a similar socio-economic group, there is an increasing need to look for differentiators that will take some of the focus away from fees.

Similarly, many smaller schools with limited resources are conscious that from an asset perspective, there comes a time when things need to be remodelled or refreshed. Although the broader educational outcomes should play a major role in choosing a school, if prospective students and their parents are comparing a school that looks a bit tired with one where things look newer and more modern, it may influence their decision making.

5 School governance

In tandem with a shift by many schools to adopt corporate structures and practices, compliance and risk management is becoming a far greater board concern. However, two patterns have emerged. On the one hand, there are some schools where parents or alumni with significant professional expertise are becoming involved at board level, which is leading to greater interrogation and scrutiny of risk management practices and policy frameworks. In contrast, while lay members of other school boards undoubtedly have good intent, their lack of relevant knowledge means they are more likely to agree with what is being put to them, rather than question why things such as risk management frameworks are not in place.

Legislated mandatory professional learning and governance training should continue to raise school governance capabilities.

¹ Virtual schools are booming. Who's paying attention? Darren Samuelsohn, Politico, 23 September 2015. Politico available at: <http://www.politico.com/agenda/story/2015/09/virtual-schools-education-000227>

Managing Risks

78% of all schools have a formal risk management plan in place, an increase from 69% last year.

This is a marked increase on last year's figure of 69% and is perhaps indicative of the increased risks faced in a number of areas, such as network security and student safety.

Q. Does your school have a formal risk management plan in place?

Total responses



Fewer than 500 student enrolments



501–1,000 student enrolments



More than 1,000 student enrolments



■ Yes ■ No



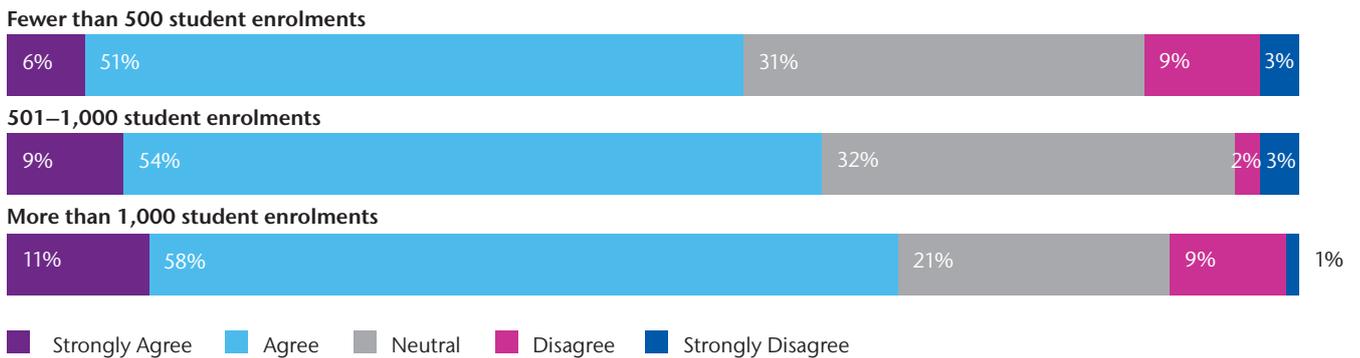
Risk maturity has increased greatly over the past five years. It has grown from being centred on concerns about student travel and general workplace health and safety issues, to a point where most things are now risk assessed. In some larger, better resourced schools, we are starting to see the employment of a dedicated risk manager who reports through to the bursar or business manager.



Pip Jones, Executive Officer, Association of School Business Administrators

Large and medium-sized schools perceive a greater need to strengthen risk mitigation than smaller schools.

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



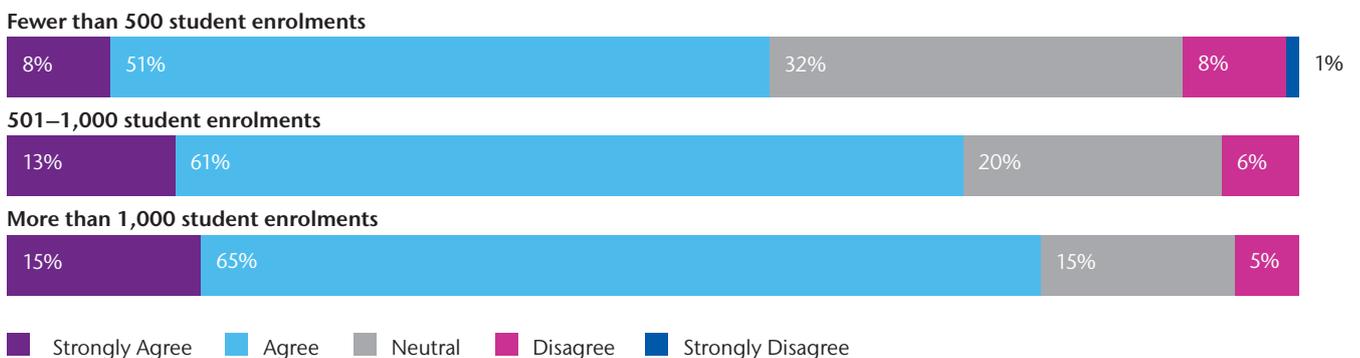
Schools operate in an increasingly complex risk environment that continues to grow and evolve due to constant changes in society, technology and global events, together with factors such as increased expectations of parents, growing competition, greater regulation and a rise in litigation.

Risk is a part of business. It cannot be avoided, but it can be managed. Risk preparedness is fundamental to managing any business. With the complex set of risks facing schools, effective day-to-day management is dependent on leadership teams and boards understanding their institution’s risk environment.

Risk identification should enable schools to better prevent or manage those risks, and to develop a risk transfer strategy that will protect a school’s financial future – and hence, a capacity to continue providing the best care and educational outcomes for students.

80% of large schools are increasing their investment in risk management, compared to just 59% of small schools.

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



Governance

71% of school boards are engaged around risk management, compared to 66% when this survey commenced in 2014.

Q. Our school board is engaged around risk management.



Over the past few years, boards have become much more aware of their governance and risk management responsibilities. At the same time, there has been an increase in management expectations about the level of board engagement around this vital issue.

In the independent school sector (as well as across most other not-for-profit organisations), the fact that directors are predominantly volunteers, has led to a common perception of such boards being a little less ‘real’. However, whether the directors have experience in high-level corporate positions or not, school boards need to be run to much the same standard as those in the corporate world.

The trend toward greater engagement around risk management is evidenced across schools in all states and territories. However in some jurisdictions, it has been reinforced through new regulatory processes. For example, in 2014, the New South Wales Board of Studies included governance standards for boards as a condition of an independent school’s registration. These standards include annual professional learning for directors, and obligate boards to develop a suite of policies, procedures and registers dealing with issues such as conflicts of interest and related party transactions.

The power play between boards and management

In the past twelve months there have been a couple of well documented examples of very public conflicts between school boards and school management. In reality, board and management should not be a boundary — it should be an intersection.

One of the problems with some volunteer boards is that the directors will challenge what they know, and therefore will challenge on operational issues. However the board’s focus should be on strategic issues, such as the big risks facing the school, not the day-to-day running of the school, which should be the domain of the principal.

Delegation by exception (where the board delegates everything to the principal, except for certain key strategic issues), or the development of a clearly defined and documented delegation schedule, are both effective ways of managing the board and principal relationship better.



We're going through a bit of a transition phase around what is good governance for boards, which is a good conversation to be having. There's no such thing as best practice in governance. There's good governance and better governance. With all governance you have to consider the environment in which the board is operating. Governance is really just about people making decisions, but the types of decisions are constantly changing.



Jennifer Dean, Principal and Actuary, Aon

58% of school boards assess their governance activities less than once a year.

Q. Our school board carries out an assessment of its governance effectiveness.

Total responses



Fewer than 500 student enrolments



501–1,000 student enrolments



More than 1,000 student enrolments



■ Annually ■ Every 2-3 years ■ Every 4 years or more ■ Adhoc ■ Never

Assessing governance is not a tick-box exercise about having the right documents and procedures in place. Rather, it should be a conversation between the directors, in which they assess issues such as:

- What does good governance look like, and how do we compare?
- What are our individual responsibilities as directors, and those as a board?
- Are we actually addressing these responsibilities?

Done well, governance and board evaluation should be an engaging, performance-enhancing activity. A comprehensive evaluation can lead to:

- More effective decision making
- More efficient meetings
- Identification of areas for director capability development
- An improvement in relationships with management

Board evaluation is about refocussing the board’s responsibilities for strategic direction, their purpose, and why they exist. Inherent to this, is the need to understand the risks that may prevent the school from achieving those objectives and strategies.

Student and Staff Safety

80% of schools have rigorous Work Health and Safety policies.

There has been a slight decrease in the number of schools that consider they have a rigorous system of Work Health and Safety (WHS) policies and procedures in place. Such policies are vital in ensuring compliance with state or territory WHS legislation, however their effectiveness also depends on them being tailored to each school's individual needs, fully understood by all members of staff, and properly implemented.

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



Understanding duty of care for contractors and volunteers

With the harmonisation of WHS legislation across most states and territories (with the exception of Victoria and Western Australia), the duty of care has been extended to include contractors, volunteers and almost anyone else who is lawfully on school premises. This means that if someone is harmed as a direct result of an activity related to the school's business activities – be it a teacher, student, parent or visitor – there could be potential for prosecution under the relevant WHS Act.

Why written policies matter

WHS is often viewed as being one of those tedious box ticking exercises. The fire drill. The routine hazard inspection. And a myriad of forms for reporting. However a comprehensive policy framework is essential in reducing workplace accidents and minimising their impact. In addition, should a serious incident result in a prosecution by the regulator, having evidence of written policies and procedures for complying with the Act, may well be of assistance.

Ownership of school property

Schools should think about whether they have management control of the premises. There are additional specific duties under WHS legislation if a school is the owner of the property. These include ensuring there is a safe means of entry and exit, looking at structural stability and the upkeep of the building, and maintaining equipment that's built into the structure such as air-conditioning units or other electrical systems.

Mental health is a growing concern

Under WHS legislation, 'health' is defined as both physical and psychological. Schools can be stressful environments, and an examination of the reported causes for workers' compensation claims for anxiety and stress-type injuries (see page 26), shows a fairly equal split between work stress and harassment or bullying of teachers (by students, parents, peers or superiors).

Mental health issues can be challenging to deal with, yet can also escalate quickly without early intervention. There are training programs available to help organisations better recognise the symptoms of different mental health issues and enable them to guide an employee towards appropriate treatment and support.

Student Travel

27% of all schools don't purchase group travel insurance for overseas trips. For smaller schools, that figure increases to 55%.

Q. Our school purchases group travel insurance for students as an inclusion in any overseas excursion.

Total responses 2016



Strongly Agree Agree Neutral Disagree Strongly Disagree

When organising group travel, insurance is not simply a matter of worrying about lost luggage or a possible mishap to one or two group members. It's about ensuring that if something happens, everyone's insurance cover provides access to the same protections and emergency services. For this reason, the fact that 55% of schools with an enrolment of less than 500 students do not purchase group travel insurance for overseas excursions, should be of considerable concern.

Making sure that no child is left behind

Without a group travel insurance plan that covers all participants in the excursion, there is a risk that in the event of an emergency, there is no consistency of cover from one individual to the next. What happens if a child's travel policy doesn't include emergency evacuation? Do they stay behind, or does a teacher have to stay with them?

A suitable aggregate limit of liability is also important. The insurer's total liability for all claims arising under the policy during any one period of insurance is capped to a monetary limit. This is important to consider, particularly if all travellers are on the same flight or in the same location at any one given time, as the aggregate limit would be shared amongst all.

In addition, schools should look for a group insurance travel policy that offers worldwide help-desk access, to provide guidance and advice in one place.

71% of schools have a formal travel risk management plan in place – an increase from 60% in last year's survey.

Q. Our school has a formal travel risk management plan.

Total responses 2016



Strongly Agree Agree Neutral Disagree Strongly Disagree

While in many schools, teachers or department heads are responsible for organising overseas excursions, it's important that they do so within a travel risk management framework and inform their decisions with current research into the proposed destination, even if it's one that's on the school's travel program every year.

Even so, as the earthquakes in Nepal or terror attacks in Paris and Brussels demonstrate, some things can't be predicted. This is not to discourage schools from travelling, as overseas journeys can be valuable for students, but to highlight how vital it is to have a contingency plan for dealing with the unexpected. Importantly, that plan must cover the risks associated with everyone taking part in the excursion, whether students, teachers, parents or volunteers.

What can go wrong?

1. Administrative: Lost passports, travel documents and other destination issues
2. Medical issues: Healthcare facilities for sickness or accidents
3. Security concerns: Crime, acts of terrorism
4. Natural disaster: Earthquake, flooding, tsunami (leading to need for evacuation)
5. Civil unrest: Political or religious dissent
6. Threat of violence: Assault, kidnap and ransom

What can make it worse?

1. Inexperienced travellers and unfamiliar environments
2. Faculty and staff uncertainty in reacting to student crisis situations
3. Underdeveloped travel risk management plans in a crisis situation
4. Liability and reputational damage to schools as perceived by parents and the wider community
5. Wide range of costs around partial crisis solutions in the travel marketplace

Understanding a destination

When planning an overseas group excursion, schools need to be thorough in conducting their own risk assessment. This should include visiting government websites such as DFAT or Smart Traveller, and researching the ins and outs of the proposed destination.

In addition to these resources, the interactive Aon Terrorism & Political Risk Map, is an online resource

that provides meaningful analysis of the evolving threat posed by terrorism and political violence across the globe. It can be freely accessed at Aon's dedicated Political Risk Portal, <https://www.riskmaps.aon.co.uk> and is just one of a suite of sophisticated analytical tools Aon has developed to assist organisations with their duty of care to provide safe travel.

Child Protection

74% of respondents have upgraded their Child Protection Policies and 63% have increased investment in Child Protection training.

Q. Our Child Protection Policies have undergone a review and been upgraded since the commencement of the Royal Commission into Institutional Responses to Child Sexual Abuse.

Total responses 2016



Strongly Agree Agree Neutral Disagree Strongly Disagree

Q. Our investment in Child Protection training has increased since the commencement of the Royal Commission into Institutional Responses to Child Sexual Abuse.

Total responses 2016



Strongly Agree Agree Neutral Disagree Strongly Disagree

The final recommendations of the Royal Commission will set the benchmark for standards in child protection and reporting, and will also ensure more consistency in legislative responses around the country. Currently, each state and territory has slightly different ways of doing things, but the Royal Commission may recommend consolidating the procedures, bringing greater clarity to schools as to what is expected of them, and what the obligations and requirements are, that they need to comply with. That may have a significant impact, but in the longer term it should be a beneficial one for schools and the wider community.

New child protection legislation has already been introduced in some states, as well as standards policies, processes and protocols. Most other states are in the process of conducting reviews to the existing laws.

Reporting alone is not enough

One of the key issues arising from the Royal Commission is that in addition to there being an obligation to report any incidents, reporting to a superior may not be enough if no action comes from that report. All teachers need to be empowered to make a report to the relevant authorities when they become aware of a child protection threat or violation. They cannot just rely on internal processes being carried out. All staff will need to be aware of what the obligations and expectations are with regard to child protection so that the institution can ensure that student safety is paramount.

Bullying

Bullying is another child protection issue. It is important to try and identify early on who might be an aggressor and who might be vulnerable, and then try to take control of the situation. It is incumbent on all schools to have a strong anti-bullying policy in place.

Business Continuity

54% of schools do not have a documented Business Continuity Plan.

Q. Our school has a documented business continuity plan.

Total responses 2016



Business continuity management is about making sure the business understands the scope of its critical functions, and has a robust plan in place that will adequately respond to a significant event that might disrupt the business in executing those functions.

Rather than focussing on the event itself, a Business Continuity Plan (BCP), focusses on the potential impact of that event. For example, should there be loss of access to the site, how does that affect the school from performing curriculum or assessment, or in administering pastoral care?

A BCP can also help identify if the Business Interruption cover held is sufficient, by providing a better understanding of the costs involved with executing any contingency strategies.

Q. Our school has invoked our Business Continuity Plan in the past 12 months.

Those who responded 'Yes' to the previous question 2016



Incidents such as the Christchurch earthquakes or the Brisbane floods have shown how organisations with a BCP in place are more able to respond quickly, effectively and robustly, leaving them better placed to minimise the impacts of an event. A BCP ensures that people know what to do ahead of time, rather than trying to figure it out on the day.

Given that almost one third of schools with a BCP invoked their plan during the year, it is reasonable to assume that a similar number of schools without a BCP also found themselves challenged by a business interruption event. The question remains, how well did this latter cohort respond? Clearly, business continuity planning is an issue that requires great attention across much of the independent school sector.

Only 13% of respondents have tested their plan in the past twelve months.

Q. Our school has tested its Business Continuity Management Plan in the past 12 months.

Total responses 2016



Across all business sectors, there is a correlation between organisations that have a higher level of risk management maturity and those that do annual testing of their BCP.

One of the benefits of testing a BCP, is that it helps ensure that the people charged with executing the plan know what the plan is, know how to execute it, and know their responsibilities in the event of a disruption.



When you subject a BCP to a scenario test, or a live test, you often find that some of the assumptions built into the plan are flushed out. Testing allows you to question the appropriateness and thoroughness of your contingency strategies and resource requirements, allowing the school to modify the BCP with those learnings ahead of a disruption.



Marcus Vaughan, Managing Principal, Growth Strategies, Aon Global Risk Consulting

Most schools have a Critical Incident Management Plan in place.

Q. Our school has a documented Critical Incident Management plan.

Total responses 2016



The existence of a Critical Incident Management Plan (CIMP) is a vital tool in helping a school cope more effectively with any incident or sequence of events which overwhelms the normal coping mechanisms of the school. While many schools are beginning to incorporate business continuity into their CIMP, it shouldn't be assumed that this is always the case. It is important to understand whether the school has identified what its critical functions are, what resources it requires to restore them, and what a maximum acceptable outage consists of for each function.

Planning for a business interruption event

Disruptions create very noisy and adrenaline fuelled environments, with a lot of stakeholders asking a lot of questions. It's a high pressure situation which requires a prioritised approach as to what needs to be addressed first, second and third. Here are some steps to consider:

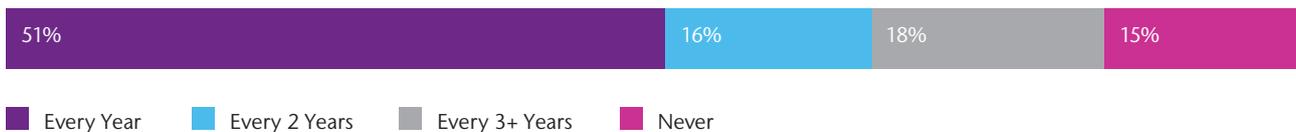
1. Develop a BCP that takes into account the impacts of all potential business interruption events, identifying recovery strategies and costs around each process.
2. Ensure those with responsibility for business continuity in the BCP understand their responsibilities in the event of plan activation.
3. Make sure the BCP is kept current and up-to-date.
4. Regularly check that the people listed in the plan are still at the school.
5. Revise the plan to incorporate any fundamental changes to the school's functions (such as construction, new sites, or changes in student numbers).
6. Scenario test and train staff at least annually to ensure they have an appropriate level of capability to respond during an event.

Talent and Engagement

There's been a 50% increase in the number of schools measuring employee engagement annually, yet 15% don't measure it at all.

Q. How regularly do you conduct a review of employee engagement?

Total responses 2016



The purpose of measuring employee engagement — the level of an employee's involvement in, and enthusiasm about their work and workplace — is to increase engagement. This is particularly important for schools, because there is a high correlation between level of engagement and intention to stay.

Annual measurement, which is the standard in the corporate sector, leads to stronger improvement in engagement. It enables critical concerns to be identified and addressed sooner than would be possible with less frequent measurement intervals.



If you are simply offering an annual staff engagement survey, and nothing happens as a result, it will lose value within two to three years. The response you'll receive is, 'it's just another survey, and nothing will change'. Your leadership has to ask 'what is the survey telling us', and then after attempting to deal with the issues raised, have a follow-up survey to see if there has been a shift in engagement.



Dr Leoni Degenhardt, Dean of the Leadership Centre at The Association of Independent Schools of NSW

The process of continuous listening

While engagement surveys can take months to put together, distribute, and analyse, many organisations are now moving to a more immediate process of 'continuous listening'.

This may start by understanding the onboarding process during a new employee's first days, and then continue with frequently documented performance conversations, which are augmented by quarterly or monthly pulse

surveys. At the end of employment, exit surveys are conducted to understand why someone is leaving and their willingness to be recruited by the organisation again in the future.

Although technology is an enabler, continuous listening will only work if it is a part of the culture that's reinforced by the organisation's senior leaders.

85% of schools are confident in their procedures to hire and retain great talent, yet as a risk concern, this issue has risen from #8 to #6.

Q. How confident are you, that your school has the right procedures in place to hire and retain great talent?

Total responses 2016



■ Very Confident ■ Confident ■ Not Confident

In Aon’s most recent Global Risk Management Survey², ‘Failure to attract or retain top talent’ was identified as the fifth most pressing risk concern. Similarly, attracting and retaining top teachers has moved up from eighth last year, to sixth this year as a ‘Top Risk Concern’ in Aon’s Independent Schools’ Risk Report. These two findings are consistent with the experience reported across all sectors that are heavily reliant on a skilled workforce, and seem somewhat at odds with the confidence expressed in response to the question above. There have also been media reports of critical shortages of good maths, physics and science teachers, which are set to worsen as fewer graduates choose these disciplines.

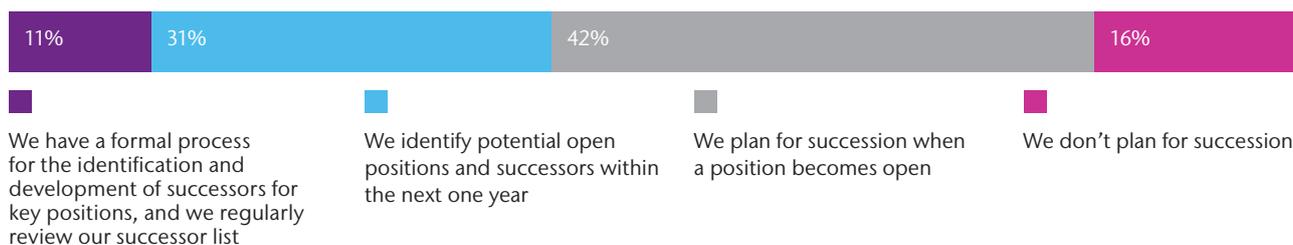
In terms of hiring and retaining talent, lesser resourced schools and those outside of major cities are being quite creative, with several marketing themselves in the past twelve months as a lifestyle choice not simply a workplace. While the cohort of older established schools have less difficulty in attracting good staff – and often retain the best ones with ‘golden handcuffs’ – it can sometimes be hard for them to get movement and benefit from an injection of fresh ideas from new recruits.

When recruiting, many independent schools like to promote their values, mission and culture, however teachers tend to be fairly sceptical, especially of things they perceive as hype. Word of mouth among teachers is strong, with many of them belonging to professional associations, or networking through movements such as Teach Meet. As a result, there is a high awareness of schools who nurture a culture of valuing teachers, and are focused on providing quality teaching and care for their students.

² Global Risk Management Survey 2015, Aon Risk Solutions

Q. Which of the following statements describe your school's approach to succession planning for your Principal?

Total responses 2016



A majority of schools (58%) reactively manage their succession planning, rather than doing so proactively. While the search for a Principal's successor is usually focused on external candidates, research³ shows that great organisations promote internally, identifying and developing potential successors for senior positions, including the Principal or CEO. Much depends on the particular school's needs: some will need an influx of new ideas and approaches; others may need to remain on a steady strategic course.

However, whether conducting an external search, or promoting internally, a succession plan is vital to securing the best candidate as well as ensuring effective leadership during any transition period.

Nurturing and investing in talent

Developing and promoting internal candidates is seen by the corporate world as an important way to demonstrate an organisational commitment to further development and career growth. This strategy also increases engagement, as capable individuals see that there is a commitment to developing capability, and can assist the organisation attract a higher calibre of talent when recruiting.

Programs offered by organisations such as The Association of Independent Schools of NSW (AISNSW), indicate that schools are also moving toward greater investment in their talent, and recognising the need to develop pathways for

those that have leadership potential. The AISNSW's Flagship Program, for example, has been designed for people who are on their school's senior leadership team, perhaps one or two years away from principalship.

The challenge for some schools is that while they don't want to lose the really good people who are coming up the ranks, there's not much movement in their senior executive team. Providing appropriate training and professional development opportunities can be an effective way to keep them committed to the school, rather than have them look elsewhere for advancement.

³ Collins, J (2001). Good to great. New York: Harper Collins

People Risk

Although workers' compensation is a major cost for schools, only 51% review their workers' compensation program annually.

Q. How often did you conduct a review of your Workers' Compensation program?

Total responses



■ Every Year
 ■ Every 2 Years
 ■ Every 3+ Years
 ■ Never

Workers' compensation claims histories affect the calculation of premiums. However, while workers' compensation covers the direct costs of an injury, studies by Safe Work Australia⁴ suggest that indirect costs (such as administration of the claim, lost productivity, training a replacement employee, etc.), can be three or four times those of the direct costs. For this reason, taking steps to address common injury scenarios, and having programs in place to assist with the return-to-work rate, are two strategies that can assist in reducing workers' compensation costs.

Reducing workers' compensation costs

Aon recently conducted a quantitative review of more than 2,000 workers' compensation claims lodged in 2015, by almost 100 independent schools in New South Wales and Western Australia. The aim was to find out whether those claims reflect similarities in the injury experience across schools.

In terms of frequency and severity, the top three injury categories were:

	Injury	% of claims	% of all costs	% of days lost
1	Muscular skeletal	50	50	50
2	Stress and anxiety	3.2	30	29
3	Contusion, bruising, superficial crushing	29	10	11

⁴ The Cost of Work-related Injury and Illness for Australian Employers, Workers and the Community: 2008–09, Safe Work Australia, March 2012, available at: <http://www.safeworkaustralia.gov.au/sites/SWA/about/Publications/Documents/660/Cost%20of%20Work-related%20injury%20and%20disease.pdf>

People Risk

The first and third categories, together with superficial injuries (such as minor cuts), accounted for about 90% of all claims.

Interestingly, as the following examples of average cost per claim indicate, the majority of muscular skeletal injuries were of a less serious nature:

- Neck/shoulder injury – \$4,000
- Lower leg injury – \$3,700
- Back injuries – \$3,600
- Knee injury – \$2,300

For both leg and back injuries, the average days lost was six.

Most likely scenarios

Among the muscular skeletal claims, a disproportionate number represented female teachers aged 51–56 years, who are slipping, tripping or falling on uneven, unpaved surfaces. This was normally related to their teaching duties, such as supervising playground activities or students, getting involved in sports or physical education. At the same time, the cost of these claims was quite minimal, and mostly related to superficial strains and sprains not resulting in a very significant number of days lost.

Another common cause of muscular skeletal strains and sprains was through teachers helping or supporting students, or as the result of activities such as moving furniture around the classroom. The latter was most common at the primary school level, where a teacher might be rearranging the classroom for different activities. While the injuries themselves were quite superficial, they were very frequent.

Stress and anxiety

Over the last six years, stress and anxiety related injuries have become increasingly prominent. The concern is that while these only related to 3.2% of all claims, they represented 30% of all costs and 29% of all days lost.

Although compared to other sectors, 3.2% is quite low, given what is happening elsewhere in the community and the workplace, and taking into account the nature of the school environment, it is not inconceivable that this could become a much bigger issue for schools from a cost and productivity perspective.

When time was spent with a sample of the schools, one of the things identified was that where there was an obvious level of care, high trust and an empathetic culture — schools that clearly valued and looked after their team members — there was a much lower incidence of such claims. These schools demonstrated a really good awareness around stress, anxiety and mental health, and were attuned to picking up early warning signs. For example, if someone said “I don’t think I’m coping”, they addressed it very quickly. Likewise, it didn’t matter whether or not it was a work related event, the school was quick to offer support to the person and provide counselling or other appropriate interventions.

No school had more than three such claims, and the average cost of \$39,600 per claim across the cohort is lower than what would be expected in other sectors. The number of days lost averaged at 67.

The driver behind many of these claims (as reported), was fairly evenly split between harassment or bullying (from a mix of parents, students, peers and superiors), and work stress or work pressure. The positive outcome is that the average days lost indicates stress and anxiety issues are being resolved relatively quickly, and people are getting back to work.

Claims

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

Rank	2016	Change	2015	Change	2014
1	Damage to property	▶	Damage to property	▶	Damage to property
2	Motor vehicle related accident	▲ 2	Injury to staff/volunteers	▲ 3	Motor vehicle related accident
3	Injury to students	▶	Injury to students	▶	Injury to students
4	Injury to staff/volunteers	▼ 2	Motor vehicle related accident	▼ 2	Loss or theft
5	Accidental damage	▶	Accidental damage	▲ 1	Injury to staff/volunteers
6	Loss or theft	▶	Loss or theft	▼ 2	Accidental damage
7	Equipment breakdown	▶	Equipment breakdown	▲ 3	Legal support to respond to a complaint
8	Legal support to respond to a complaint	▶	Legal support to respond to a complaint	▼ 1	Burglary
9	Burglary	▶	Burglary	▼ 1	A student/employee sued you for financial compensation
10	Employment related (i.e. unfair dismissal)	▶	Employment related (i.e. unfair dismissal)	▲ 1	Equipment breakdown

Property damage is the leading cause of claims for the third year running. This once again underscores the importance for schools to be careful in ensuring they declare the correct replacement value for their property assets, so as not to inadvertently trigger any underinsurance clauses in their insurance contracts.

Injury to staff/volunteers is still high on the list, while injury to students is the third most common driver of claims. And in an increasingly litigious society, it's interesting to note that for the past two years, employment related claims (such as unfair dismissal), has made the top ten.

Claims

Helping to achieve the best claims outcome

For large Material Damage and Business Interruption loss claims, the Aon Risk Accounting (ARA) team can assist with the preparation of a claim, and advise on further risk mitigation strategies.

By acting as an advocate, the ARA team is able to persuasively challenge issues that may be raised by the insurer's loss adjustor, and help achieve the best claims outcome in a timely manner. Their services include:

- Identifying and quantifying the losses caused by an insured event
- Making sure the claim is prepared correctly
- Advocating for the school and making sure that the claim fully reflects the loss, and that such loss is covered
- Negotiating progress payments
- Providing advice on further loss mitigating strategies.

Property damage safety checklist

Safety is one of the first issues that needs to be addressed after a major property damage event.

Depending on the circumstances of the event, here are a number of suggested safety measures to consider:

- Inspect flooded buildings for structural damage and stability prior to entry
- Inspect and test all electrical distribution equipment and system components
- Attend to the removal of standing water and dehumidify areas impacted
- Ensure fire protection systems are in service. Return any impaired fire protection systems, including alarm notification systems, to service

- Review ability to make premises secure
- Inspect for spilled flammable liquid, contaminants etc. Clean up where required
- Remove debris
- Be wary of contamination to premises and water supply as a result of exposure to untreated waste.

This checklist is included in Aon's Business Interruption Insurance Claim Guidelines, which provide a valuable reference guide for the operational and insurance claims issues that need to be attended to after a business interruption event.

To obtain a full copy of these guidelines, speak to an Aon school insurance expert.

Cost of Insurance

Q. At your last renewal, approximately how much did you spend insuring your school?

Size	Average Insurance Premium*		
	2016 [†]	2015 [†]	2014 [†]
Fewer than 500 student enrolments	\$41,653	\$39,997	\$33,052
501–1,000 student enrolments	\$94,575	\$99,325	\$69,105
More than 1,000 student enrolments	\$182,353	\$211,748	\$147,441

* Represents the average total cost of general insurance premiums

Q. At your last renewal, approximately how much did you spend on Workers' Compensation?

Size	Average Workers' Comp. Premium		
	2016 [†]	2015 [†]	2014 [†]
Fewer than 500 student enrolments	\$25,087	\$20,183	\$16,703
501–1,000 student enrolments	\$59,008	\$61,061	\$63,372
More than 1,000 student enrolments	\$129,589	\$165,687	\$206,747

[†] Denotes the year the report was published

This year's Cost of Insurance data reveals that although there have been some increases in insurance premiums for smaller schools (less than 500 student enrolments), they have been much more moderate than they were in 2015. In contrast, medium and larger schools have on average enjoyed quite significant discounts to their premiums over the past two years.

Factors to consider when evaluating the data

Variations between premiums

No two schools are the same. Premiums will depend on a school's individual circumstances, so while one school may find their premium decreasing, another may find theirs going up. Many factors are taken into consideration including differing assets, locations, buildings and risk exposures, and the most important thing is to ensure that a school has a suitable level of cover in place for its needs.

Workers' Compensation premiums are impacted by an adverse claims history. It is possible that some schools may not have the resources to address common injury scenarios, or manage programs to improve return-to-work rates — two strategies that can assist in reducing workers' compensation costs.

Changes in sample size over the past three years

When comparing data from one year to the next, it's important to consider that the number of schools participating in the Aon Independent Schools' Risk Report has grown year on year, and that the pool of respondents may differ each year. Where significant trends across the three years are highlighted, it is with the purpose of encouraging thought and discussion around the topics.

Premiums from a number of different insurers

It should also be noted that the survey includes a broad cross-section of independent schools, not simply Aon clients, and therefore the data aggregates the premiums of multiple insurers.

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