# **Insurance risk assessment tool**

The Insurance risk assessment tool assists in determining the level of risk for the three types of insurance:

* Public liability – cover selected per occurrence
* Product liability – cover selected per occurrence and in annual aggregate
* Professional Indemnity – cover selected per occurrence and in annual aggregate

| Insurance cover | Risk rating | | |
| --- | --- | --- | --- |
| Low | Medium | High |
| Credibility of the supplier in the conduct of the procurement activity  Relevant insurance cover:   * professional indemnity | The complexity of the procurement activity is assessed as transactional.  The supply arrangement involves common ‘off the shelf’ products or routine services that do not impact on organisational decision making.  The supplier has a track record in the market, is familiar with government procurement requirements and is fully compliant with relevant regulatory requirements. | The complexity of the procurement activity is assessed at the upper level of transactional but is more likely to have been assessed as leveraged.  The supply arrangement involves potential interface with clients of the department or community.  The supplier has a track record in the market and is predominantly compliant with all related regulatory obligations. | The complexity of the procurement activity is assessed as focused or strategic.  The supply arrangement has a direct impact on organisational service delivery.  Service failure would generate significant negative media coverage for government or pose a risk to the public. |
| Occupational health and safety issues (OHS)  Relevant insurance cover:   * public liability (impact on persons)   Product liability (impact on use and application) | Low possibility of harm or danger to persons.  The supplier’s interface with persons is overseen by an officer in the organisation with responsibility for, or knowledge of, the risks.  There are no special skills required to wear the special clothing or use the equipment. | There is some possibility of harm or danger to persons.  The supplier’s interface with persons has participation by an officer in the organisation.  The supplier has addressed all OHS requirements required by the regulation and the courts. There are no outstanding breaches of legislation or regulations.  The supply is of standard equipment however, there are particular requirements/processes in using the equipment.  The clothing supplied has specific limitations in the area for which it can be used. | There is a high possibility of harm or danger to persons.  The supplier’s interface with persons is not overseen by an officer in the organisation.  The supplier is to interface with clients that have physical and/ or behavioural problems.  Supplier has a high number of OHS breaches and numerous outstanding remedial action requirements imposed by the courts.  The protective clothing and specialist equipment is to be used in high danger situations. The clothing/equipment is non‑standard and requires extensive training to use/apply. |
| Product complexity  Relevant insurance cover:   * product liability (impact on performance) | Supply of standard ‘off‑the‑shelf’ items of clothing or equipment. Items are common in the market and have a track record of performance in relation to their application/use. Low, if any, reports of recall. Extensive warrantees/guarantees and after sales service available. | Supply of established, but not common, items of clothing or equipment. There may be some degree of difficulty in obtaining immediate replacement or repair if failure to perform. Failure will not have a significant impact on operation of the organisation. Product service is somewhat specialised. | New highly specialised product. Failure would have significant impact on the operation of the organisation.  There is limited supply of specialists in the field should system fail. |
| Stakeholder exposure  Relevant insurance cover:   * professional indemnity | Contract is managed at the business unit level and is not required to be reported or signed off at senior management level. There is no interface with clients of the organisation or general public. | The product, but more likely the service, has some impact on the decision making within the organisation. Any failure could have repercussions on performance of the department. | The product/service is critical to decision making by senior management. The advice is relied on for making high level/critical investment decisions by government. Failure at the government level has significant flow‑on effect to the business community and the general public. |
| Service complexity  Relevant insurance cover:   * professional indemnity | Routine common service available from multiple players in the market place. The service has little if any bearing on the decision making within the organisation. The level of complexity is assessed as transactional. | The level of complexity is assessed as leveraged. The service/information provided has impact on the operation of the organisation but is not related to strategic decision making or investment. The service is generally available from the market but the level of expertise is higher than required for routine common services. | New service with limited availability and support in the market. Failure or poor advice will have significant impact on the organisation and decision making. |
| Supplier resources and expertise  Relevant insurance cover:   * professional indemnity | Extensive experience in the area relevant to the procurement activity. Supplier can demonstrate excellent supply chain relationships. Minimal staff turnover and strong retention of core expertise. | Sufficient experience in the area relevant to the procurement activity. Some incidence of industrial relations issues but little reported evidence of cost overruns or service delivery delays. | Supplier has little experience at the level of complexity assessed for the procurement activity. The supply arrangement is a recently formed consortium comprising very different levels of expertise even though all areas of need are covered.  The principle supplier has a poor record in supply chain management evidenced by extensive legal claims for payment.  Evidence of poor record in managing industrial relations issues resulting in significant cost overruns and delays. |
| Insurable timeframes  Relevant insurance cover:   * public liability * product liability * professional indemnity | Exposure less than two years/or contract terms | Exposure greater than two years but associated with a fixed end date. | Long‑term exposure, the time frame could be open ended in time and obligation. |

## Using this tool

This tool accompanies the [Insurance provisions - Goods and services procurement guide](https://buyingfor.vic.gov.au/insurance-provisions-goods-and-services-procurement-guide).

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