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## **SECTION 11**

### **RISK MANAGEMENT AND INSURANCE**

#### **11.01 INTRODUCTION**

**AUTHORITY:** *FINANCIAL ADMINISTRATION ACT/  
TREASURY BOARD*

**ADMINISTRATION:** TREASURY BOARD SECRETARIAT  
(RISK MANAGEMENT AND INSURANCE SECTION)

**EFFECTIVE DATE:** DECEMBER 2023

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## 11.01 INTRODUCTION

### (1) PURPOSE

This policy is to be used for reference and information purposes. The objective of this policy is to assist Risk Management and Insurance Section (RM&I) clients, with managing risk, dealing with matters of insurance and reporting claims of injuries to persons or damage to property.

### (2) APPLICATION

This policy applies to the departments, Crown corporations and agencies set out in Schedules A, B, C and D of the *Financial Administration Act* (FAA), except to the extent that their enabling legislation may incorporate alternate requirements such as Ministerial or Board authority.

**Note:** This policy also applies to additional entities **covered by insurance** through **RM&I** and **which have received confirmation of coverage in writing**.

### (3) DEFINITIONS

In this policy, the following definitions apply:

- (a) **“Accident”** means a sudden and unexpected event which interrupts the normal progress of an activity and which causes injury to person(s) or damage to property.
- (b) **“Claim”** means a payment demand, estimated or actual, for a loss which comes under the terms of an insurance policy.
- (c) **“Commercial General Liability Insurance”** is a generic term for liability insurance designed to cover an insured's liability for bodily injury and/or property damage.
- (d) **“Deductible”** means the dollar amount specified in the insurance policy to be paid by the insured before the insurer is responsible for any payment.
- (e) **“Deputy Head”** means the Deputy Minister of a department or the Chief Executive Officer of reporting entity as defined in the FAA.
- (f) **“Designated Insurance Representative”** or **“DIR”** means the senior employee appointed by the Deputy Head to act as the primary contact on insurance and risk management issues.
- (g) **“Exclusions”** are those specific items (perils or property) which are defined as not being covered in a particular policy.
- (h) **“Exposure”** means possibility of loss.

- (i) **“Fund”** means the Prince Edward Island Self-Insurance and Risk Management Fund as defined under Part II of the FAA.
- (j) **“Hazard”** means those things that exacerbate a situation to create a peril - for example, the covering of an electric cable may deteriorate because of weather conditions [the hazard] and cause a short-circuit fire [the peril].
- (k) **“Incident”** is an event which may or may not give rise to a claim (that is, an injury not caused by the negligence of an insured).
- (l) **“Indemnify”** means to restore the injured party to the same position that was present just before the loss occurred.
- (m) **“Insurance”** means the undertaking by one person to indemnify another person against loss or liability for loss in respect of a certain risk or peril to which the object of the insurance may be exposed, or to pay a sum of money or other thing of value upon the happening of a certain event.
- (n) **“Insured”** means a party to a Government insurance policy to which the insurer agrees to indemnify losses, provide benefits or render services, and which party **must be named or referenced in the actual insurance document/policy**.
- (o) **“Insurer”** means a party to an Insurance Policy who promises to pay losses or render service.
- (p) **“Insurance Policy”** is a contract whereby the insurer agrees, in return for a premium on the happening of a designated event, to pay certain sums as provided.
- (q) **“Liability”** is an obligation to pay money for damages as a result of negligence that causes injury or property damage to a third party.
- (r) **“Loss Control”** means efforts expended toward the reduction or prevention of losses that might occur.
- (s) **“Negligence”** means the failure to do what a reasonable and prudent person would do in a given situation or the doing of something which such reasonable and prudent person would not do.
- (t) **“Occurrence”** means an accident or incident (or series of accidents/incidents) which results in injury to people or damage to property.
- (u) **“Peril”** means the cause of loss - for example, a short-circuit fire [the peril] caused by the deterioration of the covering of an electric cable because of weather conditions [the hazard].
- (v) **“Premium”** is the amount of money required to purchase an Insurance Policy.

- (w) **“Replacement Cost”** means the cost of replacing an asset, at the same site if applicable, with one that would be used in a similar way, using the materials of like quality and kind, without deductions for depreciation.
- (x) **“Retention”** means the use of one’s own funds to finance accidental losses.
- (y) **“Risk”** means the chance of a loss.
- (z) **“Risk Management”** means a process to identify the risks to which one is exposed, to measure the impact of such risks and to develop and administer programs to eliminate, minimize or assume such risks through programs of risk control and risk financing.
- (aa) **“RM&I”** means the Risk Management & Insurance Section of the Treasury Board Secretariat.
- (bb) **“Self-Insurance”** means an arrangement through which Government assumes all or a portion of its own losses.
- (cc) **“Third Party”** is explained as:
- the first party is the insurer;
  - the second party is the insured; and
  - **the third party** is one who may have a right to sue the second party and as a result the first party would have to respond.

#### (4) INTERPRETATION

In cases where an interpretation is required, such should be referred to the Risk Management and Insurance Section of the Treasury Board Secretariat, who will make the interpretation or refer the matter to the Secretary to Treasury Board to determine if a Board decision is deemed to be necessary.