
SECTION 13

**CONTRACT SERVICES,
CONDITIONAL GRANTS
AND FUNDING AGREEMENTS**

13.06 RISK MANAGEMENT

AUTHORITY: DEPARTMENT OF FINANCE
TREASURY BOARD SECRETARIAT

ADMINISTRATION: DEPARTMENT OF FINANCE
TREASURY BOARD SECRETARIAT

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13.06 RISK MANAGEMENT

(1) PURPOSE

Contracts pose a major source of exposure to loss, as almost every contract has risk implications. Contracts should be designed to avoid unnecessary risk and to protect the Government from potential liability and the resulting financial loss, without impairing the contract purpose.

(2) APPLICATION

The application of this policy is referenced to the schedules of the *Financial Administration Act* (FAA) and applies as follows:

- Schedule “A” - Departments except the Legislative Assembly
- Schedule “B” - Crown corporations
- Schedule “C” - Education Authorities
- Schedule “D” - Commissions

except to the extent that their enabling legislation may incorporate alternate requirements such as Ministerial or Board Authority.

While this policy **does not apply** to the Legislative Assembly or to Reporting Entities subject to alternate legislation, the **spirit and intent** of the policy should serve as a **guideline** for these entities in developing their own policies. Reporting Entities that develop policies differing from Treasury Board policy require approval of Treasury Board.

(3) RISK LIMITATIONS

Most contracts into which Government enters should incorporate a hold harmless clause to protect against claims which might arise as a result of the Contractor’s work. It is recognized that such an indemnification agreement should not necessarily relieve the Government from its obligations from its own negligence, but it should provide some protection when Government has no responsibility for the occurrence.

If the other party to a contract is required to hold harmless and indemnify the Government from losses, claims, demands, actions, etc. which arise as a result of the completed work or the carrying out of the work, they should be required to give evidence of having adequate financial substance to back their save-harmless covenants.

In order to ensure that the Contractor has the financial strength to support the hold harmless clause, the contract should require the Contractor to maintain certain types of insurance. Depending on the situation, the types of insurance required could be some or all of the following:

- (i) All Risk Property Insurance;
- (ii) Commercial General Liability Insurance;
- (iii) Automobile Liability Insurance;

- (iv) Professional Liability Insurance;
- (v) Cyber Liability insurance; and
- (vi) other types of insurance as required.

The specific coverage and limits required will vary from contract to contract. Therefore, the department should contact Risk Management and Insurance (RMI) to ensure the insurance requirements included in contracts are appropriate. Exceptions to minimum insurance coverage requirements may occur with prior discussion with RMI and with the approval of the Deputy Head of the contracting department or reporting entity.

(4) INTERPRETATION

In cases where an interpretation is required, such should be referred to the Secretary to Treasury Board, or their delegated officer, who will make the interpretation or refer the matter to Treasury Board, if a Board decision is deemed necessary.