Risk Management 101
A Practical Approach for the New Risk Manager
Objectives

- Key principles, concepts, resources
- Traditional risk management – a simple get-started approach
- Enterprise risk management – a peek beyond Traditional Risk Management
- Provide some case scenarios to practice
- What you can do when you go back to your office
Why Do We Need to Manage Risk?

The only alternative to risk management is crisis management – and crisis management is much more expensive, time-consuming and embarrassing.

James Lam, Enterprise Risk Management, Wiley Finance 2003

Without good risk management practices, government cannot manage its resources effectively. Risk management means more than preparing for the worst; it also means taking advantage of opportunities to improve services or lower costs.

Sheila Fraser, Auditor General of Canada
Why Bother with Risk Management?

- Increases risk awareness and risk intelligence
- Increase understanding of risk – sensitivities
- Promote a “healthy” risk culture – open and transparent
- Develop a common and consistent approach to risk across the organization
- Allows for “informed” risk-taking
- It is proactive not reactive and increases accountability, transparency and responsibility
- Improves outcomes
Pop Quiz

Interactive Session No. 1
## Principles, Concepts & Definitions

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Oh, no, you’ve just been handed the responsibility of managing risk!

*Now what?*
Some first steps – think narrowly and then \textit{broadly}

- What are the organization’s mission, vision and goals? What is the governance structure? What are the politics?

- What are the departments and divisions and what do they do? Services, programs, aid, medical, bus service, airports, police, fire, water/sewer, etc.

- How many employees are there? Do you have student interns or volunteers?

- How much territory, waterway, airspace, does it cover?

- What are the financial resources (budget, grants,)? What is the financial condition of the organization?
Some first steps – think narrowly and then *broadly*

- What are the union relationships?
- What are the insurance programs, JPA, self-insurance programs?
- What are the programs currently under Risk Management? Who do you report to?
- How many buildings are owned, leased, or rented?
- What is the vehicle inventory?
- Do you have hold-harmless, indemnification language for contracts? Insurance requirements?
Take Time to Review…

- Review Deductibles and SIRs
- Review Actuarial and Financial reports
- Make sure that the insurable risks have been considered completely
- Make sure you know the programs and understand the coverages
- Who are your TPA’s? How are they performing and are they satisfactorily aggressive in the claims management process?
Get Tactical

- What risks is the organization taking and by whom?
- How prepared is it to manage the risks?
- How would those risks affect the goals and objectives of the organization if things went terribly wrong?
- Introduce yourself and meet with department heads and elected officials

- **Visit the sites and meet your customers**

- Find out how you can work with other departments, such as Finance, or Internal Auditors
“The Meeting of the Minds”
The Power of Collaboration

1. Pick one risk and discuss it as both a threat and an opportunity – how can you increase the probability of success and decrease the probability of failure?

2. Pick a spokesperson and report out to the larger group
   - What is the risk identified?
   - What is the threat?
   - What is the opportunity?
   - What needs to be done?
   - Who will you involve in the analysis and problem solving?
Now, Develop an Action Plan

- If possible (and if there’s time), work collaboratively with stakeholders.

- Research and/or evaluate the situation (hire a consultant, use in-house experts), and develop options

- Review the options and help the organization make an informed decision based upon whatever facts that can be found. Not everything is black and white, nor is it certain.
Some risks aren’t insurable, so be proactive – anticipate what can go wrong
“Listen, listen, I can explain!”
Proactive Management Means…

- Anticipation of threats to strategy and opportunity, e.g.,
  - Know how you would respond to a social media campaign
  - A sensitive internal email is sent to a journalist, or indelicate emails are made available through a Public Records Act request
  - An offensive video is made by one of your employees

- Analysis – Trends of threats or opportunities (yes, it can happen to you)

- Action – On behaviors or activities to assure successful strategic execution, but beforehand not after-the-fact.
The Great Recession hasn’t fully recovered…

Greater demand on services, more people, more need – but with diminished resources

**Techniques:**

- Eliminate redundancies created by government – or provide better coordination
- Leverage lobbying opportunities to put caps on the demand without the funding
- Re-evaluate priorities and adjust accordingly
- What are the “best practices” in the industry?
- Partner and collaborate with others
Collateral Damage

Make sure that the unintended consequences of an action, whether positive or negative, are fully disclosed, vetted and evaluated.

- If we reduce the Public Works Department budget, what happens to the roadways?
- If we reduce the Police Department budget, what happens to crime?
- If we reduce our services in an area, does another public entity have to pick up the slack, but without adequate funding to do so?
Your Plan

What will be your next steps as you return to the office?
“The world is not changed by people who sort of care.”

Sally Hogshead, “How the World Sees You.”
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