50th Anniversary

PARMA Annual Conference
February 20-23, 2024
Indian Wells, CA

APPLIED RISK MANAGEMENT 101
TIPS, TRICKS, AND LESSONS LEARNED

or

“Where are the alligators?”
A primer on not getting bit

Presented by
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Alliant insurance services
February 21, 2024

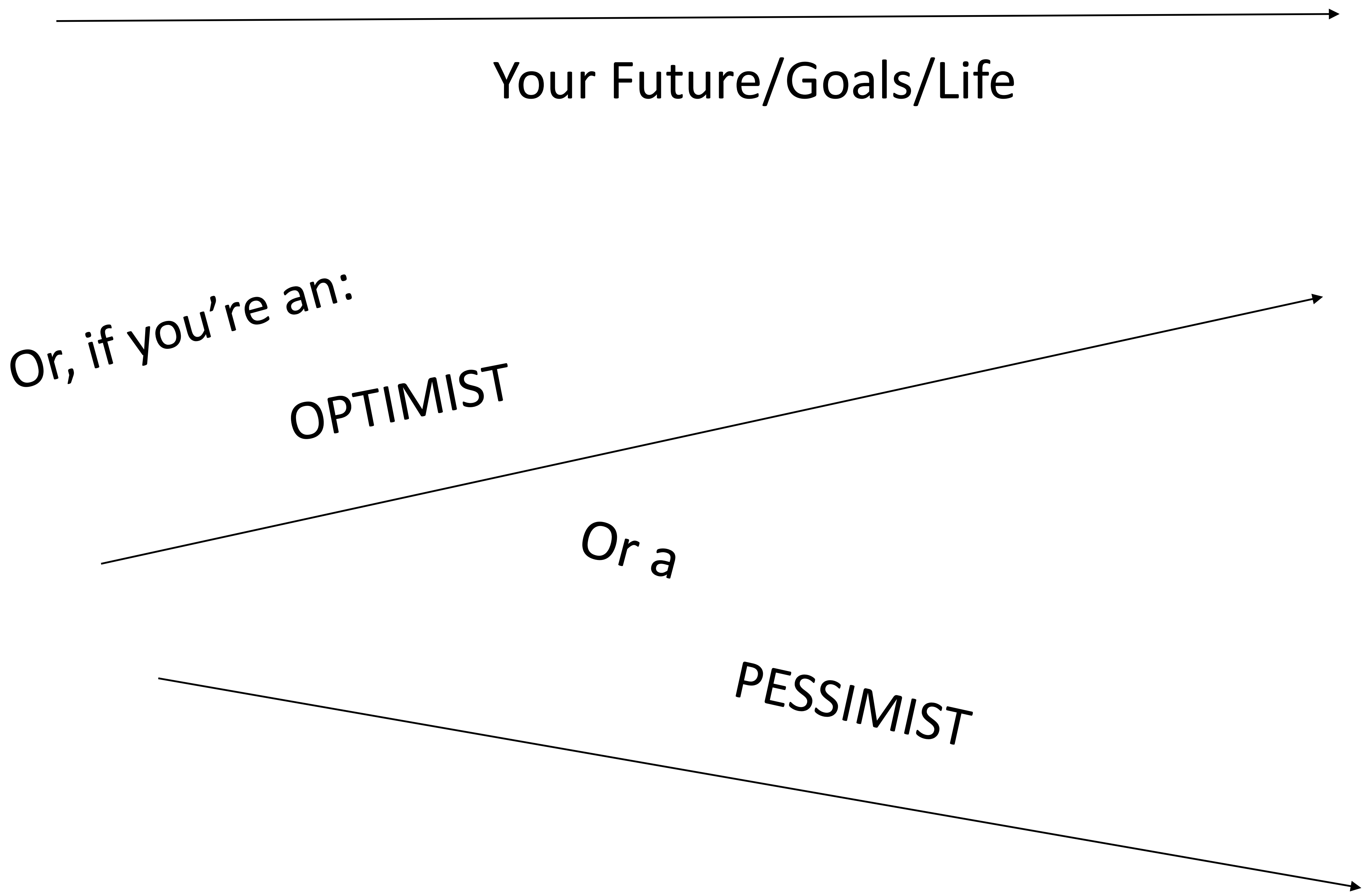
parma
public agency risk management association

Risk Management 101

We can make this real short and take the rest of the day off

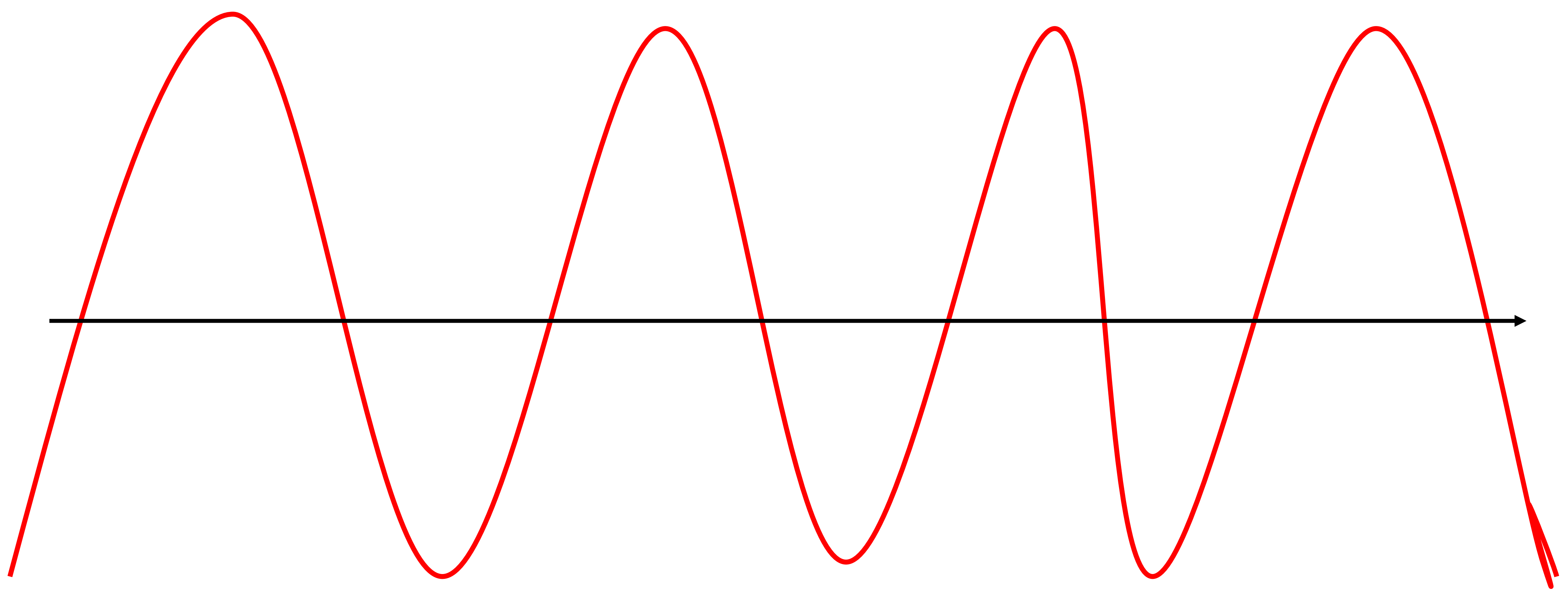
This Line is Your Future

Hopes, Dreams, Fears, Budget, **Goals**, etc.



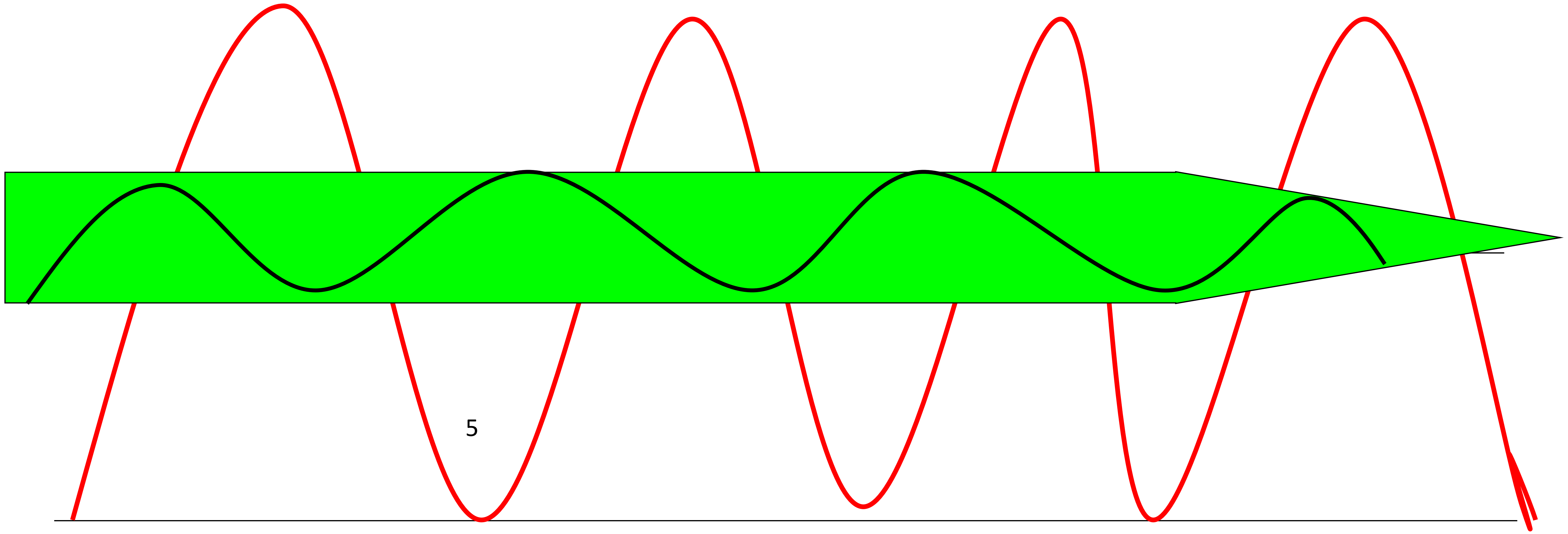
This Is Risk – <u>**Variance**</u>

Potential Actual Results for Goal, Budget, Life, etc.



“Life is what happens when you’re busy making other plans” - John Lennon

This Is Risk Management



Maintaining *Actual Results* Within a

Tolerable Level of Uncertainty

ANY QUESTIONS?

Outline

- Risk management and its value
- An overview of risk and risk management tools, techniques and practices
- Making risk management work for you, your organization, or your clients

Risk Management & Its Value

All organizations *exist* to manage risks

- Business risks - *sales, expenses*
- **Public Safety & Services**
- **Regulatory** - government requirements
- Product safety
- **Service E&O**
- Traditional risks of *general and auto liability*

"The first duty of government is to protect its citizens"

Risk Management & Its Value

Many organizations can’t afford a full-time risk manager

If organizations are fundamentally in the business of risk management, but not large enough to have a risk manager, **who is the risk manager in fact, if not in name?**

Risk Management & Its Value

Answer: Officers, Directors, and managers, *whether they like it or not*, are the chief risk managers for their organization

When something goes wrong, they are held accountable

Goal is to make ***everyone* a risk manager**, accountable for managing their own risks, but **still need coordinator** of info and responsibility

If the risk hits the fan,

will you be covered with it?

If yes, congratulations, *it's your risk*.

Risk Management & Its Value

Is risk really that big an issue?

- Studies suggest that **5% to 20% of the typical budget** is consumed by the cost of risk.
  - What are you paying for Work Comp?
  - For admin costs related to preventing and processing claims?
- Research shows when losses occur there are as much as ***$10-25 in indirect losses*** that occur for every $1 of direct losses.
  - How much are you paying in overtime while others are out?
  - Are you capturing your "soft" costs of risk?


THE REAL COST OF WORKERS COMPENSATION CLAIMS
For every $1 in direct costs, there are an additional $3 to $10 in indirect costs.
Tip of the Iceberg
DIRECT COSTS
• Medical costs
• Indemnity (wage replacement) payments
• Legal services
• Increased insurance premiums or loss of insurability
INDIRECT COSTS BENEATH THE SURFACE
These costs are generally not covered by insurance.
• OSHA fines
• Accident investigation
• Implementation of corrective measures
• Property and product damages
• Recruiting, hiring, training replacement workers
• Temporary labor and overtime
• Extra supervisory and administrative time
• Loss of productivity or service standards
• Lower employee morale and increased absenteeism
• Down time and lost business
• Negative public image

Risk Management & Its Value
Key Concept

Cost of Risk

= Retained Losses + Transfer Costs + Admin Costs + Loss Control

Expressed as % of revenue, **$ per $100 payroll**, employees, work hours, population, *miles driven*, etc.

Example - Work Comp Rate = $4.03 for every $100 of payroll.

+ admin, deductible, loss control and indirect costs!

Best Practice - **Allocate** equally among all departments or **weight the allocation based on losses or exposure**.

Example – WCIRB "Pure Premium"* *Average* Rate = $1.45 per $100 payroll; Muni Manual Labor Rate = $8.22

* Losses & Loss Adjustment Expense (LAE) *Only*

Evolution of Risk Management

Began With ***Insurable Risks*** - *accidental* loss.

Limited to **Pure Risk**: *loss or no loss*.

v. **Speculative Risk** – add possibility of *gain*.

Over time has grown, with *definition of risk expanding* and ***organizations taking on more risk themselves***

- Expanded Scope of Risk Control
- Further Expansion & Recognition of R.M.
- Greater assumption of insurer functions, especially financing – **Alternative Risk Transfer**: captives, pools, RRGs, etc.

Evolution of Risk Management

Enterprise Risk Management

Goal is to balance risk/reward tradeoffs

across the entire organization

To do so, must aggregate information

“Build risk thinking and accountability into the organization, ***closer to the transaction***, and to ***prioritize responses*** *to risk*, making **wiser decisions regarding allocation of scarce resources**”

Evolution of Risk Management

Traditional RM

- Risk as individual hazards
- Risk ID & Assessment
- Focus on all risks
- Risk mitigation
- Risk limits
- Risks with no owners
- Haphazard risk quantification
- Risk is not my responsibility
- Top-down siloed communication

Enterprise RM

- Risk in the context of business strategy
- Risk "portfolio" development
- **Focus on critical risks**
- Risk *optimization*
- Risk strategy
- ***Defined* risk responsibilities**
- Monitoring & measuring
- Risk is everyone's responsibility
- **Communication across functional lines**

"Enterprise" Definition of Risk = "the effect of uncertainty on objectives"

Case Study

9/11

Lessons learned

- Insurance Industry
- Government

Traditional "silo" approach to risk–pre 9/11

- *Agencies didn't or couldn't share information*
- **CIA, FBI, FAA, INS, DOD, etc.**

Enterprise Risk Mgmt. Model – post 9/11

- Combined Agencies Under *New* **Homeland Security Department**

Is it working?

See Looming Tower Reference at end

RM101

Key Concept

KEEP IT LOW

Always ***treat risk at the lowest possible level***, where the decisions are made that can prevent or cause a loss.

Risk Management means getting people to recognize and take ownership of the risks they face in performing their daily tasks.

From a manager's perspective – **helping people know when to pay attention**
by "thinking slow" rather than fast or by intuition.

Shift from auto pilot to alert

What is Risk?

Risk =

anything that could prevent you from achieving your goal

What is Risk?

RISK = VARIANCE

Risk refers to how events vary from our expectations

- We expect sunshine but it rains
- We expect office to be open, but it burns down
- We expect employees to drive safely but they get in accidents
- We expect tourism tax revenues, but COVID lockdowns demolished our budget

Risk is the *obstacle that stands between us and a predictable future.*

What is Risk Management?

Risk Management refers to all efforts to:

1. Identify and assess risks
2. Analyze & weigh options to control those risks
3. Implement measures to control those risks
4. Monitor results & adjust as needed to meet objectives

What is Risk Management?

- *System* For Making Decisions
- Process v. Product
- Never Finished
- Last step is to monitor results and make changes as needed to improve
- No “cure” or vaccine to prevent risk

“**Risk Management** should be called **Good Management**”

Risk Management Means Asking

What can go wrong?

- **Risk ID**

How do I keep it from going wrong?

- **Loss Prevention**

If it does go wrong, how can I fix it?

- **Loss Reduction**

OR …

Where Are The Alligators?

How close, big, mean, hungry, hidden, etc.?

How do I keep them from biting me?

If I do get bit, how do I stop the bleeding?

The Risk Management Process

1. Identify, Analyze & ***Prioritize* Risks**
2. Examine *Alternative* Techniques
3. *Select Apparent Best Techniques*
4. Implement Chosen Techniques
5. Monitor and Improve Program

1. Identify, Analyze & Prioritize Risks

This is the most important step!

The main challenge for most organizations is to establish a basis for understanding its risks.

How can this be done in a simple & low-cost way?

Requires imagination & insight

- Easily squashed by management oversight!

"Risk comes from not knowing what you're doing." - Warren Buffett

Identify, Analyze & Prioritize Risks
Components of All Loss Exposures

Value exposed to loss

- People, Assets, Reputation

Peril causing/threatening loss

- Natural: Fire, flood, earthquake, molds, subsidence, wind, etc.
- Human: Arson, assault, negligence, fraud, riot, theft, etc.
- Economic: strikes, stock market, budget impasses, interest rates

Identify, Analyze & Prioritize Risks Components of All Loss Exposures

Consequences of the loss:

Financial, **operational** & **political**, *not necessarily proportionate to physical loss*

- Cost of repair
- Loss of sales or rental income
- Hard drive or network crash; cyber attack
- Resignation of key manager, or
- Negative media attention

Identifying Risks – Internal & External Categories

EXTERNAL RISKS

- Competitor
- Natural Hazard/Catastrophe
- Customer Needs
- Financial Markets
- Capital Availability
- Regulatory
- Industry
- Terrorism
- Legal
- Technological Innovation
- Community Relations
- Economic
- Sovereign/Political

INTERNAL RISKS

Strategic

- Marketplace
- Business Model
- Business Portfolio
- Organization Structure
- Resource Allocation
- Planning
- Product Life Cycle
- Trademark
- Brand Erosion/Image

Operational

Process

- Constituent Satisfaction
- Health & Safety
- Cost of services
- Knowledge Management
- New Project Development
- Efficiency
- Capacity
- Performance Gap
- Cycle Time
- Sourcing
- Relationship Management
- Supply Chain
- Business Interruption
- Service Failure
- Environmental
- Contract Commitment
- Measurement
- Alignment
- Delivery Channels
- Physical Security
- Strategy Implementation
- Compliance
- Change Response
- Transaction Processing
- Registrations
- License and Fee Mgt.

Management Information

- Budgeting & Forecasting
- Regulatory Reporting
- Accounting Information
- Investment Evaluation
- Taxation
- Financial Reporting
- Pension Fund
- Completeness/Accuracy

Human Capital

- Leadership
- Outsourcing
- Hiring/Retention
- Performance Incentives
- Communications
- Training/Development
- Competencies/Skills
- Accountability
- Change Readiness
- Empowerment
- Succession Planning

Integrity

- Management Fraud
- Employee Fraud
- Third-Party Fraud
- Illegal Acts
- Unauthorized Acts
- Reputation
- Ethical Decision Making
- Conflict of Interest

Technology

- Relevance
- Data Integrity
- Access
- Availability
- Infrastructure
- Capacity
- Reliability
- E-Commerce

Financial

- Interest Rate
- Currency
- Financial Instruments
- Cash Flow
- Opportunity Cost
- Concentration
- Default
- Collateral
- Credit
- Debt Rating
- Liquidity
- Modeling

Identify, Analyze & Prioritize Risks - Methods

- ✓ Face-to-face (internal experts)
- ✓ On-site inspections and audits
- ✓ Historical Information
- ✓ Claim history/loss runs
- ✓ Financial Statements
- ✓ Questionnaires & Surveys
- ✓ Charting/Graphing - Risk Maps/Matrix
- ✓ Outside Experts

Identify Risks - Be Curious!

Ask Common-sense questions, like:

- What could go wrong?
- What must go right for us to succeed?
- What resources do we need to protect (physical, information, human)?
- How do we know we are achieving our objective?
- What decisions are most important?
- On what information do we most rely?

Risk Management = Applied Common Sense

Identify Risks - Be Curious!

How could someone steal from us or disrupt our operations?

On what do we spend the most money?

What decisions require the most judgement?

What activities are regulated?

What activities are most complex?

What is our greatest legal exposure?

Identify Risks - Be Curious!

What are the major challenges you face?

How have you changed in the recent past?

What are your goals for the next five years?

What are your major financial risks?

What events have affected your stability in the past?

What could cause you a major headache?

What changes could you make to improve?

Prioritize Risks

Establish a means to estimate the **likely** significance of those *possible losses*

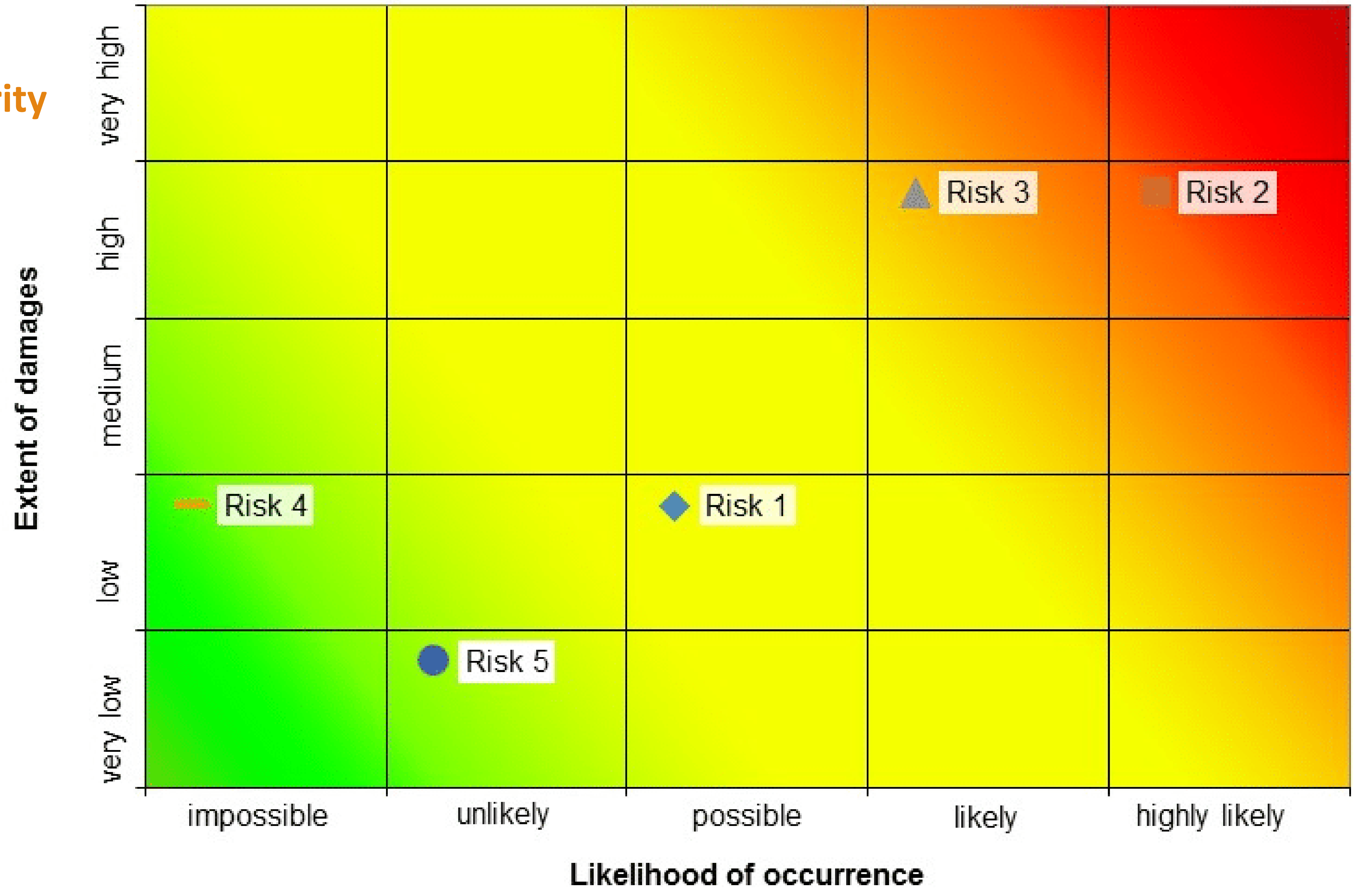
Increased significance means *actual losses become*:

- **More frequent** **(how many?)**
- **More severe** **(how much?)**
- **Less predictable,** **(how certain?)** ***or***
- **Interfere more with objectives** **(how strategic?)**

Map your Results with a Prouty Approach Diagram or Risk Matrix

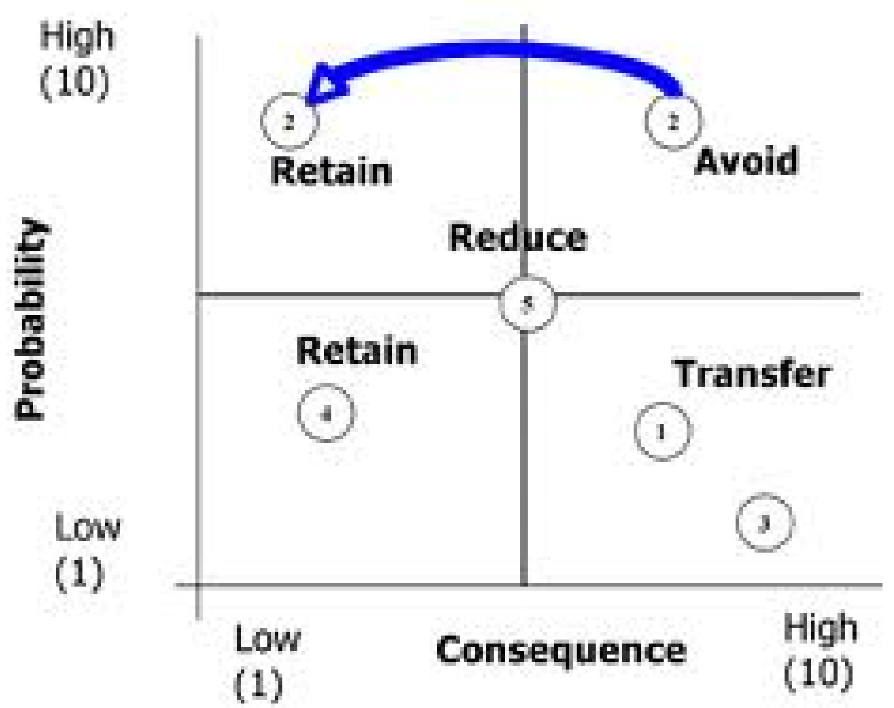
RISK MATRIX SAMPLE

Severity



Frequency

Prioritizing Risks
Matrix Results & Treatment



High Frequency & High Severity

- Rarely turn up in audit - should already be known and dealt with or you'd be out of business!

High frequency & Low Severity

- Also should be known & often considered operational risks that should still be addressed with risk control

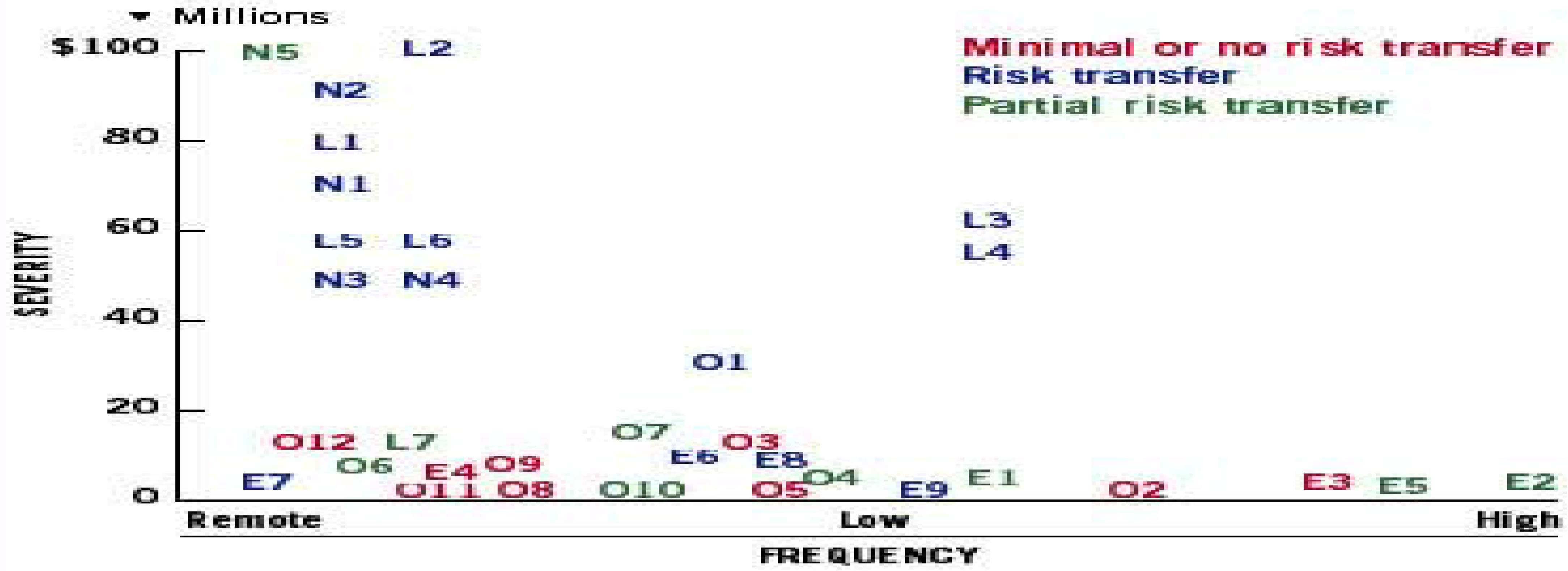
Low Frequency & High Severity

- "Catastrophic" risks often treated with emergency plans and insurance, *if available (EQ, wildfire, etc.)*

Low Frequency & Low Severity

- Who cares? Moral(e) Hazard? *Lead to More FQ or $?*

PEABODY'S RISK MATRIX



OPERATIONAL—EMPLOYMENT
- E1 Employers' liability
- E2 Workers' compensation (State)
- E3 Federal black lung
- E4 Employment-practices liability
- E5 Employee benefits
- E6 Fiduciary liability
- E7 Kidnap & ransom
- E8 Employee dishonesty (Crime)
- E9 Employee conduct

OPERATIONAL—LIABILITY
- L1 Directors' & officers' liability
- L2 Aviation
- L3 General liability
- L4 Auto liability
- L5 Products liability
- L6 Marine
- L7 Vendor & contractor liability

OPERATIONAL—NATURAL
- N1 Underground property
- N2 Surface property
- N3 Business income
- N4 Contingent business income
- N5 Business continuity

OPERATIONAL—OPERATIONS
- O1 Joint-venture operations
- O2 Inventory obsolescence
- O3 Key supplier
- O4 Contractor
- O5 Equipment availability
- O6 Explosive-material safety
- O7 Power interruption
- O8 Labor interruption
- O9 Geological conditions
- O10 Safety
- O11 Hazardous material & environmental issues
- O12 Technology

Case Study

Tylenol Poisonings - 1982

Implemented comprehensive response, *more than was expected at the time*

- Total recall
- Reintroduced with new design and safety features

What did they recognize as the key ingredient of their product?

What did that force everyone else to do?

Lesson learned – *safety first*.

Some cite this as the beginning of Enterprise Risk Management

https://en.wikipedia.org/wiki/Chicago_Tylenol_murders

Application

Poor Man's ERM

Gather 5-8 people you consider the best and brightest - senior managers, sales execs, technical experts, etc.

Give them definition of risk – anything that can prevent you from achieving your goals, and ask:

What are our top 3 risks?

- Emphasis on *critical risks* - things that could *severely impact or even end your business*.
- Analyze and prioritize using **Risk Matrix** or similar method
- Take action to prevent or reduce impact

Prioritizing Risks - Risk Assessment

Measure of Risk = Consequences x Likelihood

(How Much?) x (How Often?)

What are Consequences?

- Catastrophic: death or out of business
- Major: permanent disability or > 5 days out of business
- Minor: medical treatment or 1-5 days disruption
- Negligible: first aid, minor pd or no disruption

What is Likelihood?

- Very likely – is expected in the near future (> 90%)
- Likely – will probably occur (@ 75%)
- Occasionally – might occur at some time (@ 50%)
- Unlikely – could occur at some time (@ 25%)
- Highly Unlikely – may occur in exceptional circumstances (<10%)

Prioritizing Risks

Risk Assessment- Measure of Risk

Consequences x Likelihood

Start with the highest and work your way down

- Extreme Risk – immediate action
- High Risk – within one week
- Moderate Risk – within two weeks
- Low Risk – within one month

		Consequences			
		CAT	MAJ	MIN	NEG
Likelihood	**X**	**4**	**3**	**2**	**1**
Highly Unlikely	**1**	4	3	2	1
Unlikely	**2**	8	6	4	2
Occasionally	**3**	**12**	9	6	3
Likely	**4**	**16**	**12**	8	4
Highly Likely	**5**	**20**	**15**	**10**	5

Prioritizing Risks
What Are the Odds?

It's all about **probability**

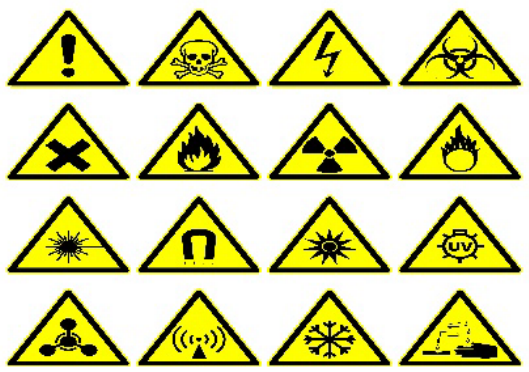
- Objective = known odds. Rolling dice, playing cards, roulette, lottery, etc.
- Subjective = unknown odds. Your guess is as good as mine? Do I know more than you?
  - Expertise
  - History
  - Inside information
  - **"Accident waiting to happen?"**

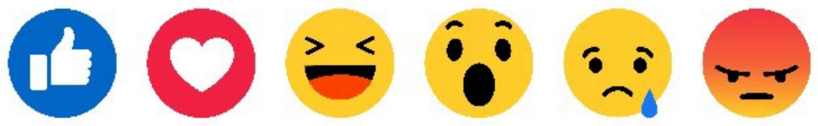
Which type do risk managers deal with?

NOTE - ALL Risk Analysis Has Objective and Subjective Components!

RISK=

Hazard + Outrage*





Risk =
Spider +/-
Your
Reaction to
it

Objective and Subjective Components

***Peter Sandman: www.psandman.com**

2. *Examine Alternatives*

Now that you've identified risks, what are you going to do about it?

2. Examine Alternatives

- Systematic consideration of ALL techniques
- Avoid jumping to conclusions
- Feasibility of costs & benefits
- Far beyond “insurance” and “safety”

“Be wary of the man who urges an action in which he himself incurs no risk.” - Joaquin Setanti

2. Examine Alternatives

Risk Control Techniques

- Seek to make loss less frequent, less severe and *more predictable*

Risk Financing Techniques

- Seek to provide payment to finance recovery from losses

2.A. Risk Control Techniques

Avoidance - any measures taken to avoid becoming exposed to a risk or to discontinue an exposure to risk.

This is widely considered the least expensive risk management tool.

(Or is it?)

Lost opportunities and
unintended consequences are a factor!

2.A. Risk Control Techniques

Loss Prevention - measures taken to

reduce the likelihood, or ***frequency***, of losses.

- Example - video cameras, maintenance inspections

Ideally, these measures would seek to *reduce losses to zero*, but this is often not possible.

Key question: How much prevention do we need to undertake?

What are the costs and benefits?

Case Study

Ford Pinto

Too myopic/narrow & missed something in planning and execution that proved catastrophic

- Looking through wrong end of binoculars
- What was their “filter”?

Very poor cost/benefit analysis

- What did they forget to include?
- Why didn’t anyone insist on corrections?

“Safety Doesn’t Sell” – Lee Iacocca

https://www.motherjones.com/politics/1977/09/pinto-madness/

2.A. Risk Control Techniques

Loss Reduction - measures taken to reduce the ***severity*** of losses

Loss has occurred, reduce its size or extent

Examples: alarms, sprinklers, seat belts, emergency response plan

- **Pre-Loss** - Design Features, good hiring, training, controls, construction materials
- **Post loss** - Mitigation response, claims handling

BOTH require pre-loss commitment!

2.A. Risk Control Techniques

Uncertainty Reduction - all efforts taken to improve knowledge or understanding of risk.

Sometimes the only option available is to reduce our uncertainty - as some risks cannot be managed.

2.A. Risk Control Techniques

Transference- measures taken to transfer a risk, or *responsibility for a risk, to another party*. Often a combination of risk control and risk financing.

- Risk Control: subcontract asbestos removal
- Risk Transfer: hold harmless clause in contract

Transfers are effective tools but be certain what is transferred. Often, organizations transfer a risk but retain responsibility for it.

2.B. *Risk Financing* Techniques

Risk Retention: using <u>your</u> money:

- Passive Risk Retention
- Retention by "oops"
- Deductibles
- **Self-Insured Retentions (SIRs)**
  - Current expense - good for predictable low impact losses *if have good cash flow*
  - **Funded Reserve** - set aside cash or semi-liquid funds to pay for expected losses and liabilities

YOU DON'T HAVE INSURANCE* IF YOU ARE IN A RISK POOL!

<u>Most claims come straight out of YOUR budget</u>

wouldn't you rather have a raise?

Check your and/or your pool's SIR.

2.B. Risk Financing Techniques

Risk Transfer: using others' money

- **Contractual Risk Transfer**
  - Only for specified types of losses, related to the services being performed
  - Reimburse via indemnity provision
  - Pay on behalf of via hold harmless agreement
  - Pay direct via additional insured endorsement
  - Only as good as the person making the promise
  - *Organization still ultimately responsible*

See Alliant IRIC Manual and Training

2.B. Risk Financing Techniques

Risk Transfer: using others' money

- Commercial Insurance
  - only for specified losses & only up to policy limits, in exchange for premium
  - insurer can become insolvent
  - coverage disputes
  - read the exclusions!

Combination: *sharing/pooling money*

- Intergovernmental Pools/JPAs, Mutuals

2.B. Risk Financing Techniques

Hedging – using *futures options* to buy or sell your key commodities or limit financial losses

Beyond pure risk to speculative risk, traditionally the province of *financial risk management*

If your income is dependent on interest or exchange rates, weather, or commodities prices (fuel, food, metals), you can manage your risk through hedging.

See www.guaranteedweather.com

3. *Select Best Techniques*

Choose "apparent" best techniques

- Don't wait for perfection
- Don't limit your options
- Risk control *and* risk financing can be used
- Another chance to be creative

"There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction." - John F. Kennedy

3. *Select Best Techniques*

Organizational Objectives

- *Appetite for risk*
- Legal constraints (Ordinances, Codes, etc.)

Technical Considerations/Approach

- Retentions v. transfers
- SIR program v. insurance
- Employees v. outsourcing

Application

What is *Your* Appetite For Risk?

Are you risk **averse**, risk **neutral**, or risk **taker**?

I am going to flip a coin. If it's heads, you will win $1,000. If tails, you get nothing.

Your friend says "I'll give you $300 right now to take your chance at $1,000.

Do you take $300?

- How about $500?
- How about $700?

What is the **"Expected Value"** of this transaction?

Hint –

($1,000 x 50%) + ($0 x 50%) = ???

3. *Select Best Techniques*

Operational (Practical) Considerations

- Where to put additional staff
- Training levels, turn-over, interest
- Computer and IT support
- Liability for errors and penalties

3. *Select Best Techniques*

Managerial Considerations

- Financial Criteria: time, money, people
- Morale
- How soon major retirement or reorganization?
- Support for risk management among Line Managers

3. *Select Best Techniques*

Political Considerations

- "Turf" issues
- "Votes" and high-profile stakeholders
- Acceptance of reality v. fantasy
- Election cycles

4. *Implement Chosen Techniques*

MUST overcome “analysis paralysis”!

Don’t Be a Deer in the Headlights

They often get run over by risks!

Impediments to Enterprise RM

HUMAN NATURE!

We don't want to think about the bad things that could happen

Implementing Risk Management

Risk Communication

Gaining Trust is the First Step!

You have to sell yourself first

People must have the following reactions to your message:

Believe: Credibility – perceived as honest

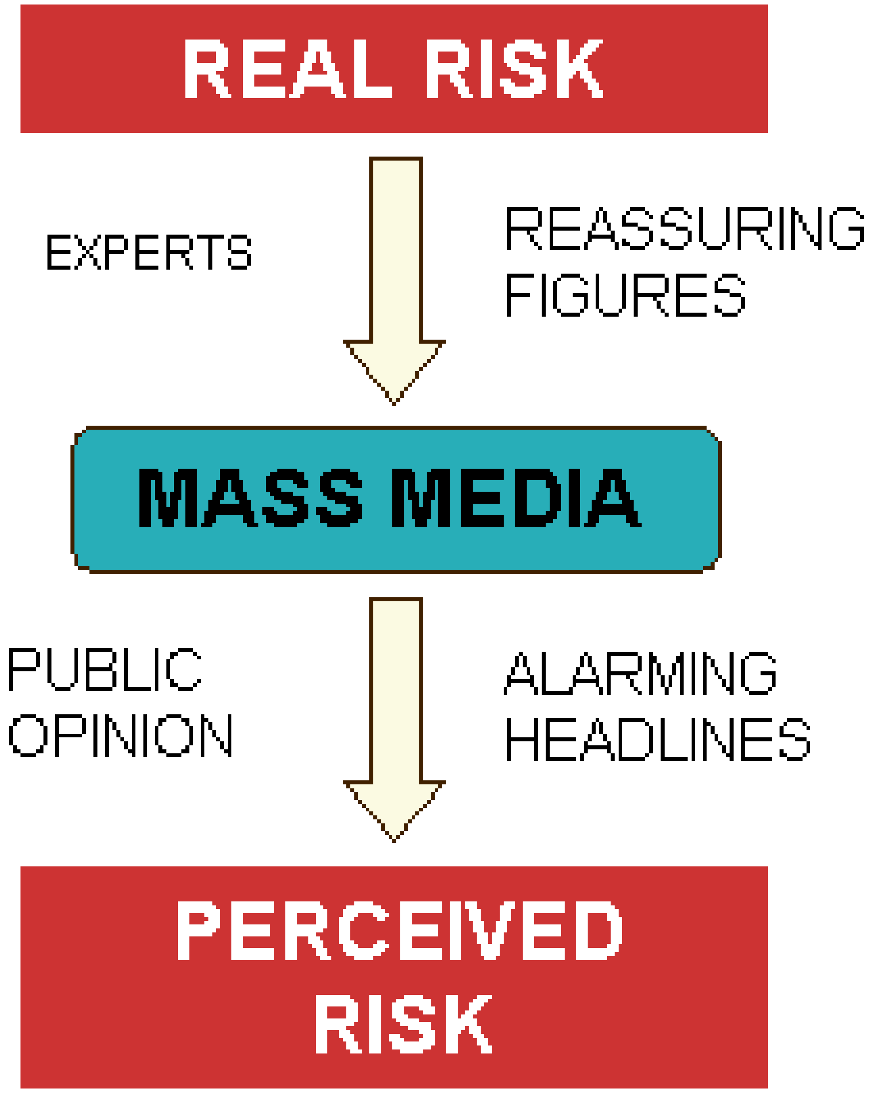
Trust: Clarity – explain clear & simple

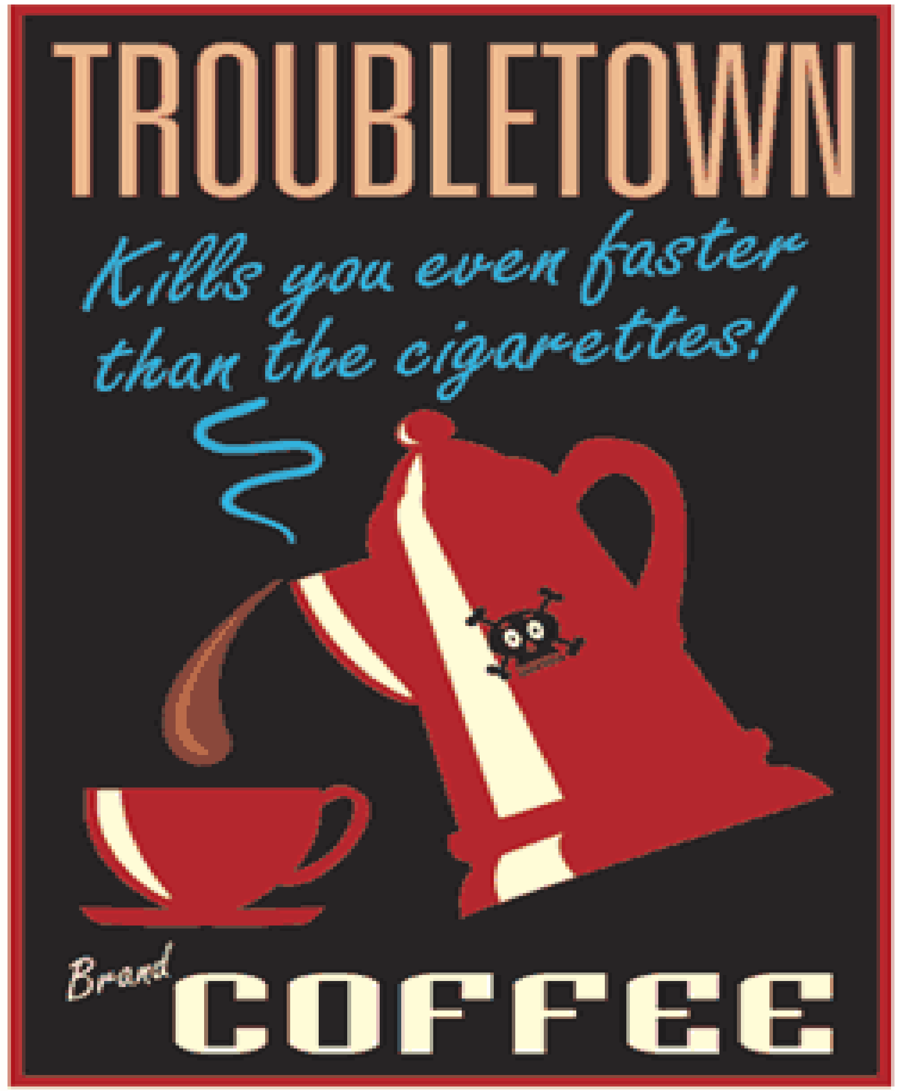
Like: Connection – with audience – *as a person*

"People don't care about how much you know,
until they know how much you care …
about them" - Zig Zigler

"Trust me, I'm a Risk Manager"

Risk Communication
Perception is Reality!





**Is coffee bad again?
I can't remember!**

4. Implementing RM – Risk Communication
What is Risk from Public's View?

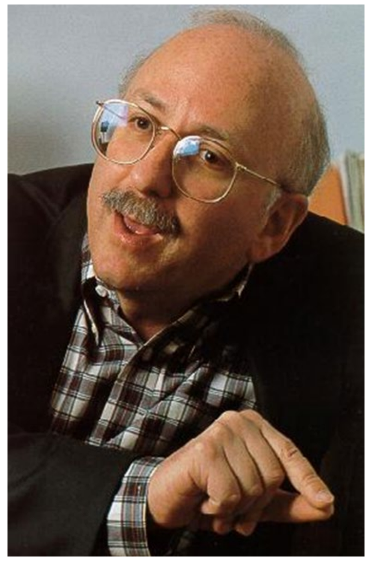
Risk = Hazard + Outrage *

- Hazard = true risk
- Outrage = reaction to the risk

"Risk Management" then =

- **Outrage Reduction**, for bad hamburger meat, or
- **Outrage Increase**, for the environmentalist, or

"Stop Worrying" v. "Watch Out"



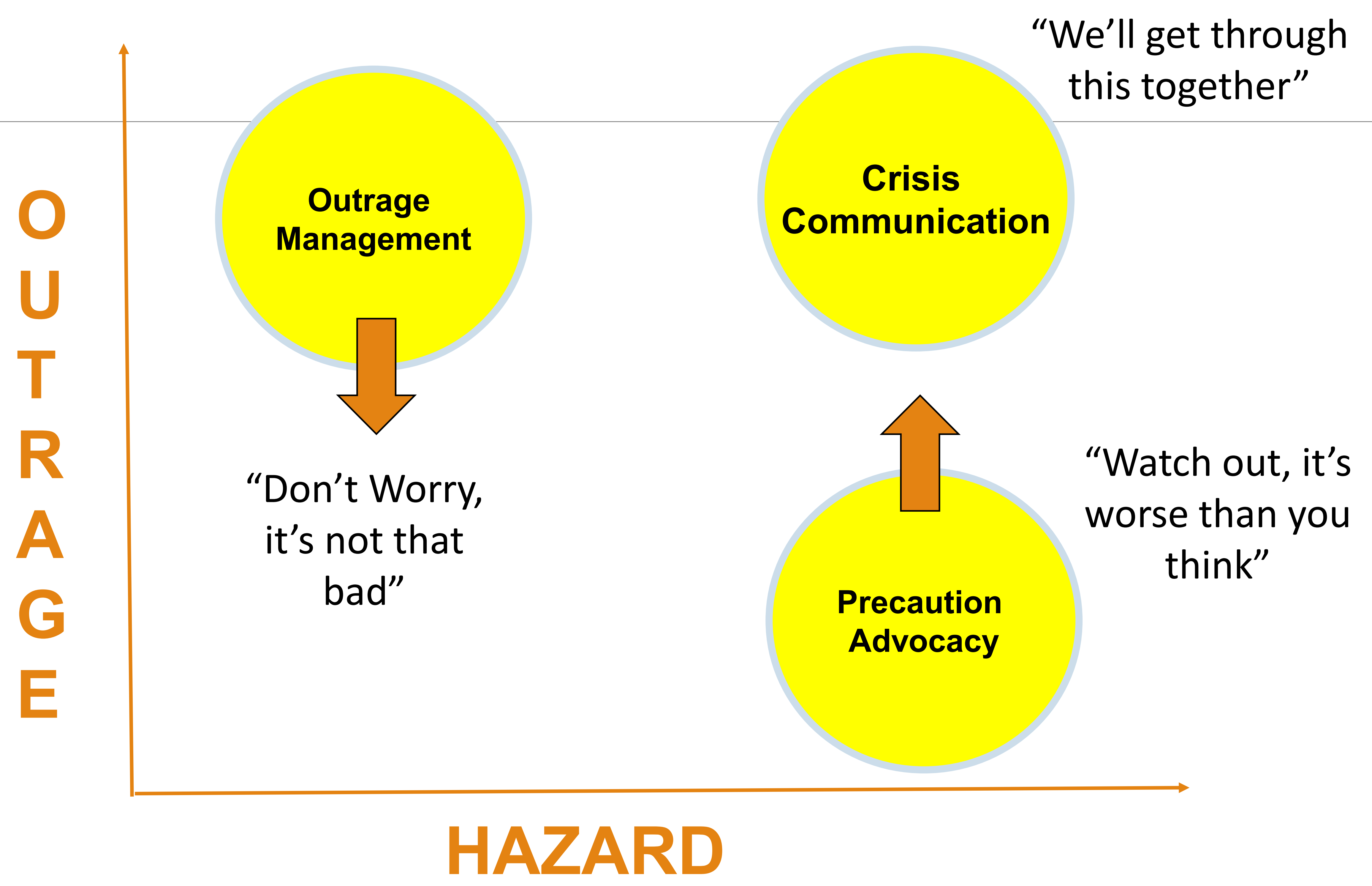
* Peter Sandman's Theory http://www.psandman.com

Risk Management Communication

OVERREACT?	UNDERREACT?
DON'T WORRY	WATCH OUT!

Apathy — Interest — Advocacy — Outrage

Risk Management Communication Strategies



Risk Communication Guidelines

Don’t keep secrets. Be honest, forthright, and prompt in providing risk information to affected publics.

Listen to people’s concerns. Don’t assume you know what they are, and don’t assume it doesn’t matter what they are.

Share power. Set up community advisory boards and other vehicles for giving affected communities increased control over the risk.

Risk Communication Guidelines

Don't expect to be trusted. Instead of trust, aim at accountability; prepare to be challenged, and be able to prove your claims.

Acknowledge errors, whether technical or nontechnical. Apologize. Promise to do better. Keep the promise. *(see the Asoh Defense)*

Treat adversaries with respect (even when they are disrespectful). If they force an improvement, give them the credit rather than claiming it yourself.

Selling Risk Management

No one wants to "buy"!

People want to assume everything will be OK

Ask questions to ID the risk

Often the answer presents itself

The best solution is the one you helped them to create, not one you imposed or "sold"

Your job is to get others to start asking the questions on their own

Implementing RM
Resource v. Roadblock

How do others see your role?

Are you a resource?

Or a "roadblock?"

Do you listen, ask questions, and make suggestions, or tell them why they can't do that?

"Find a way to say yes"

5. *Monitor Results & Improve*

Make everyone responsible for *their* results and improvement

If you keep getting poor results **change your approach!**

5. *Monitor Results & Improve*

- Include in up-front planning
- Activity measures – “4 trainings this year”
- Results measures – “reduce claims by 10%”
- Comparison with standards, benchmarking
- Bottom-line, dollar measures
- Even if subjective or imprecise - measure it!
- Reassess risks and start all over

Making Risk Management Work For Your Organization

Coordinating risk management efforts

How can organizations introduce risk management measures without making it just “one more thing to do?”

Introducing risk management into your organization involves a collection of activities that can be categorized as:

- **Necessary-to-do activities**
- **Nice-to-do activities**

Making Risk Management Work For Your Organization

Necessary-to-do activities

Create a **Risk Management Framework**

- Establish a **Risk Management Policy** Statement
- This is the authorizing document and blueprint for risk management activities.

MUST have support from the top!

Also have regulations on your side for some things

Making Risk Management Work For Your Organization

Necessary-to-do activities

- **Start with your Illness and Injury Prevention Program (IIPP)***
- Assign responsibility for risk management activities to one person, an existing committee, or, if possible, **create a risk management committee.** This person or group translates the policy statement into action.
- The person or committee responsible for risk management activities must:
  - Take responsibility for procuring *insurance or pooling services*
  - Confirm the organization follows **safety requirements** and other **legal standards**
  - Take responsibility for **emergency preparedness** planning

<u>**The committee is the aggregator of information for your enterprise risk management efforts!**</u>

It's the first thing Cal-OSHA will ask you for when they visit you!

Making Risk Management Work For Your Organization

Nice-to-do activities

- The responsible person or group would be advised to establish **Operational Best Practices**
  - Review all contracts, purchases and proposals for risks
  - Develop safety training programs
  - Establish claims and accident reporting procedures
  - *Establish regular inspection and maintenance programs*
  - Enact ordinances for sidewalks, trees, sewers
  - *Provide rewards and incentives for employees*

Making Risk Management Work For Your Organization

Nice-to-do activities

- Additional activities could include:
  - Creation of a risk management manual
  - Production of **annual performance reports**
  - Public forums and community safety programs
  - Periodic risk audits

<u>**Set goals & tell them how you're doing!**</u>

Making Risk Management Work For Your Organization

It is important to know that:

- The introduction of any or all of these measures need not be overly intrusive
- Risk management is really nothing more than **thinking about** the impact of **risk** on the **everyday actions** of an organization and then *acting on those conclusions*.

Risk Management = Applied Common Sense!

Train/learn when and how to

shift from auto pilot to alert

For More Information

Professional Risk Management Organizations

- PARMA, PRIMA, CAJPA, AGRiP, CalPELRA, RIMS

Governmental Entities and Trade Groups

- FEMA, OSHA, COSO

Insurance Education Organizations

- The Institutes - CPCU, ARM, AIC, etc. https://web.theinstitutes.org/
- Insurance Educational Association https://ieatraining.org/

RM Framework & Best Practices – shareable on NCC and SCORE sites.

Lots of resources on the PRISM site as well.

My email = marcus.beverly@alliant.com

Credits and More Information

Against the Gods - The Remarkable Story of Risk, Peter L. Bernstein, Wiley & Sons, 1996

The Looming Tower – Al-Quaeda and the Road to 9/11, Lawrence Wright, Vintage Books, 2006, 2011

Chance: A Guide to Gambling, Love, the Stock Market and Just about Everything Else, Amir Aczel, 2005, Google Books

Traffic – Why We Drive the Way We Do (and what it says about us), http://tomvanderbilt.com/traffic/

Thinking Fast and Slow – Daniel Kahnenam – 2011, Macmillan Press

Credits and More Information

The Black Swan – The Impact of the Highly Improbable - 2008 Nassim Nicjolas Taleb (2nd edition)

The Gray Rhino – How to Recognize and Act on the Obvious Dangers We Ignore – 2016, Michele Wucker

Enterprise Risk Management for Dummies – 2007, Wiley Publishing, Beaumont Vance & Joanna Makomaski

Questions or Comments?

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