Risk Management 101
"Where Are the Alligators?"

Applied Risk Management
Tools, Techniques, and Case Studies

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PARMA Conference & Expo

February 2018

Session Purposes

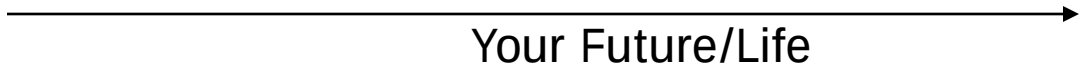
- Introduce attendees to risk management
- Demonstrate the value of risk management
- Provide simple and practical recommendations for implementing risk management practices

Outline

- Risk Management and Its Value
- Evolution of Risk Management
- The Risk Management Process
- Risk Management Communication
- Making risk management work for you, your organization, or your clients

This is Your Future

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



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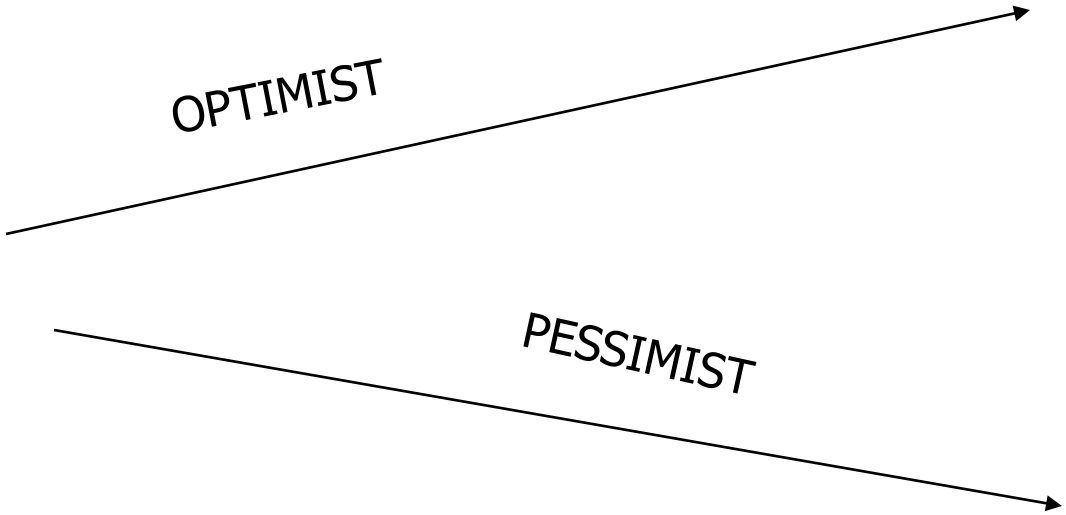
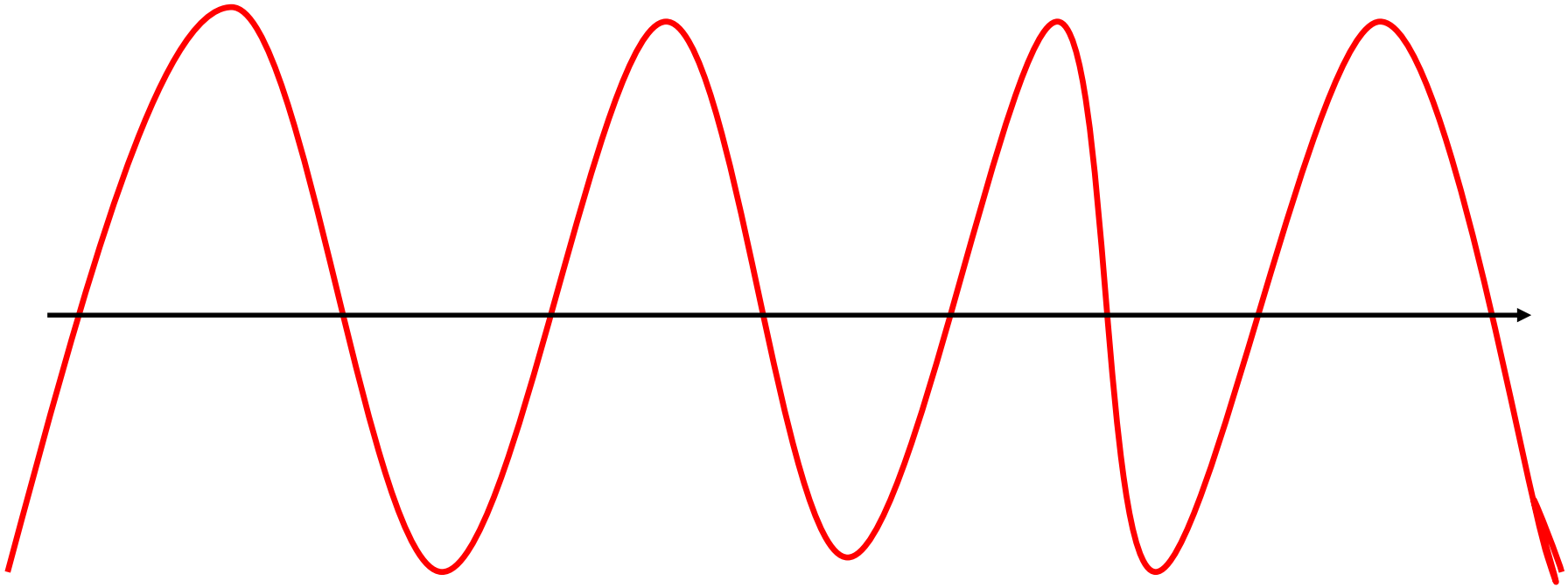


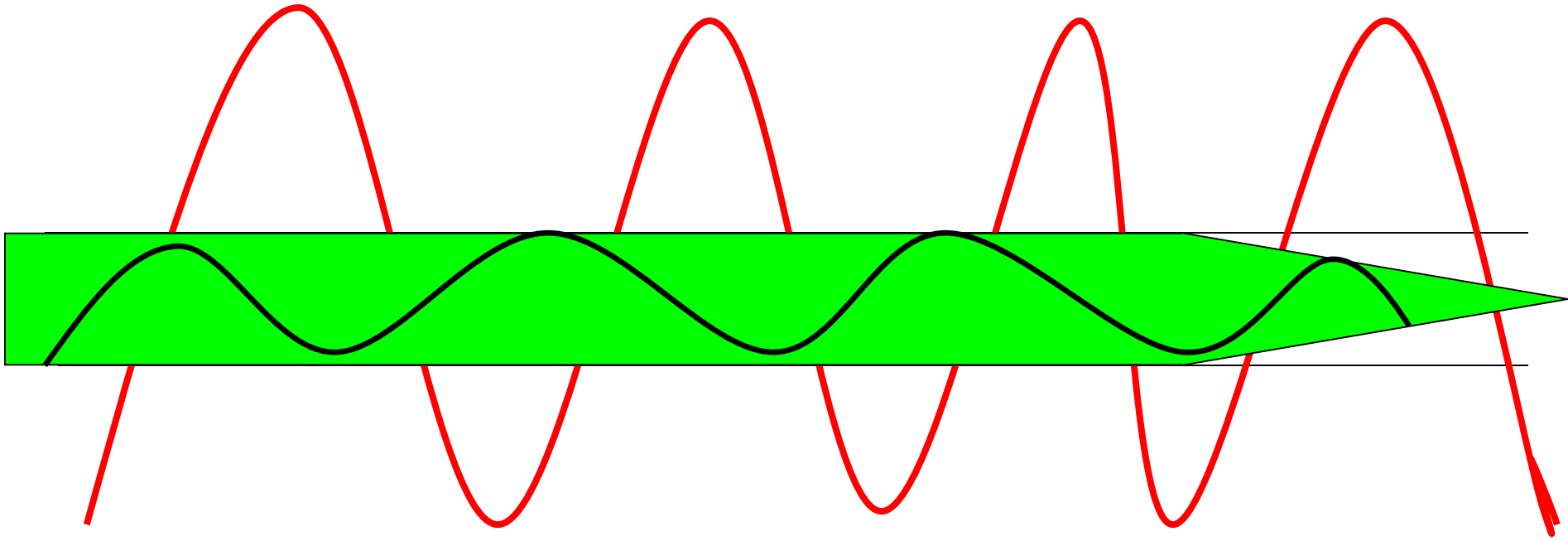
This Is Risk – Variance

Potential ***Actual*** Goal, Budget, etc. ***Results***



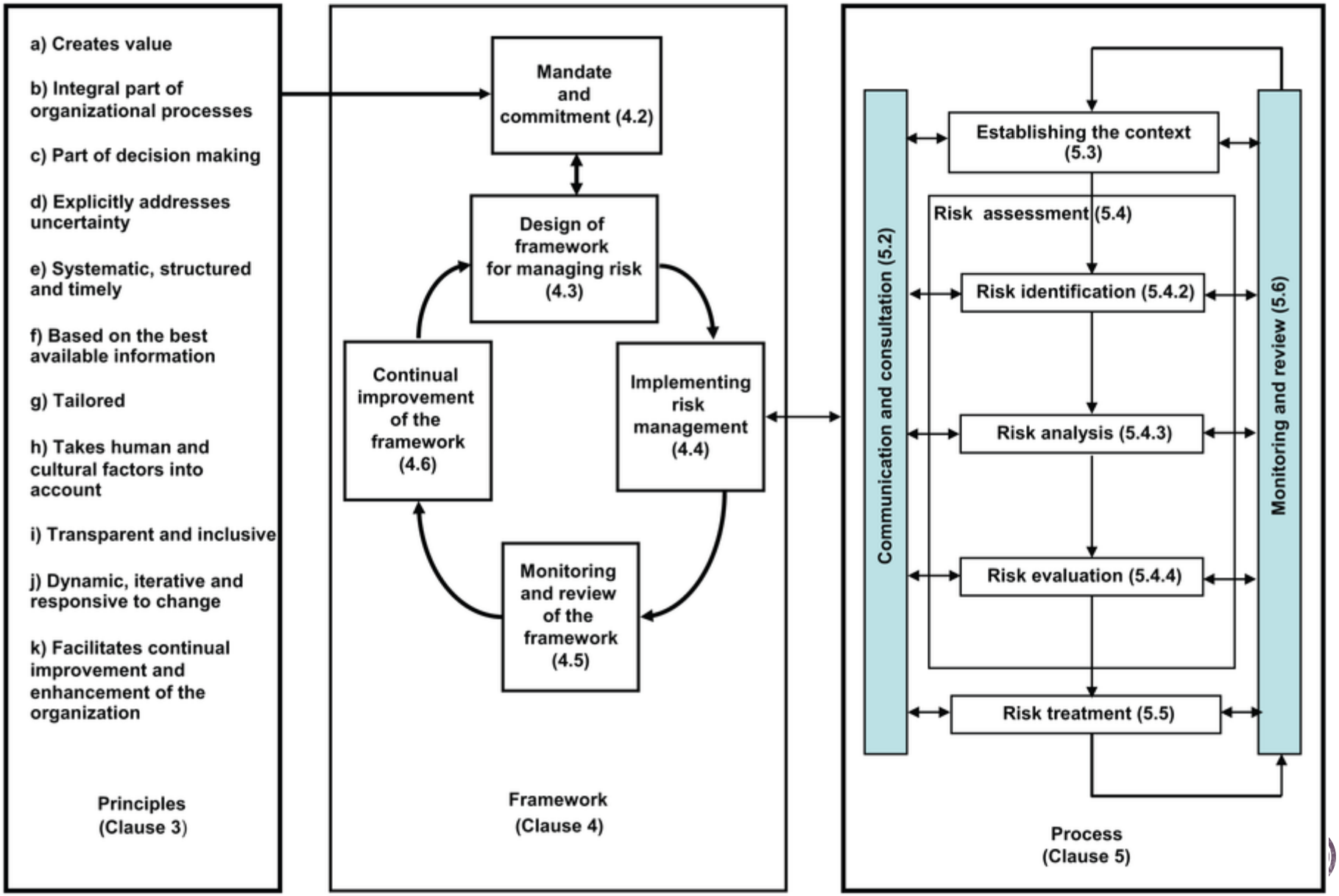
"Life is what happens when you're busy making other plans" - John Lennon

This Is Risk Management



Maintaining Actual Results Within a
<u>Tolerable Level of Uncertainty</u>

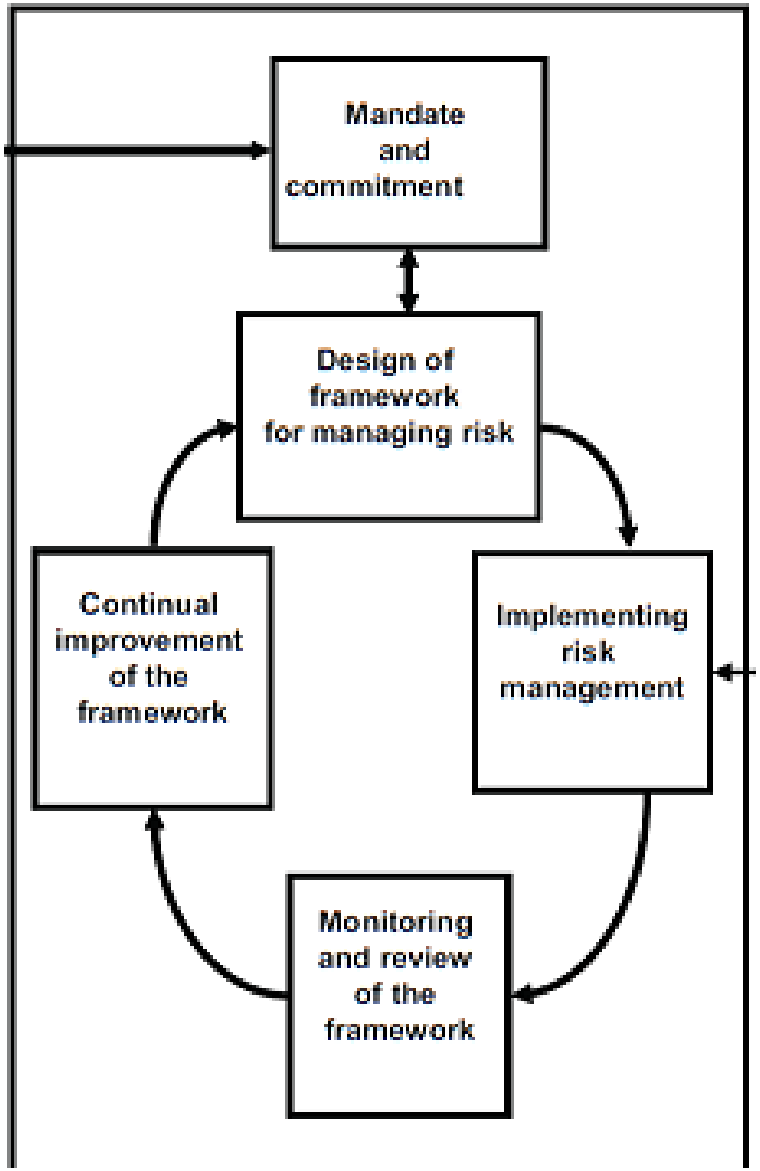
This Is ISO 3001 Risk Management



ISO RM Principles

a) **Creates value**
b) **Integral** part of organizational processes
c) Explicitly **addresses uncertainty**
d) Systematic, structured and timely
e) Based on the **best available information**
f) Tailored
g) Takes **human and cultural factors** into account
h) Transparent and inclusive
i) Dynamic, iterative, and responsive to change
j) Facilitates **continual improvement** and enhancement of the organization

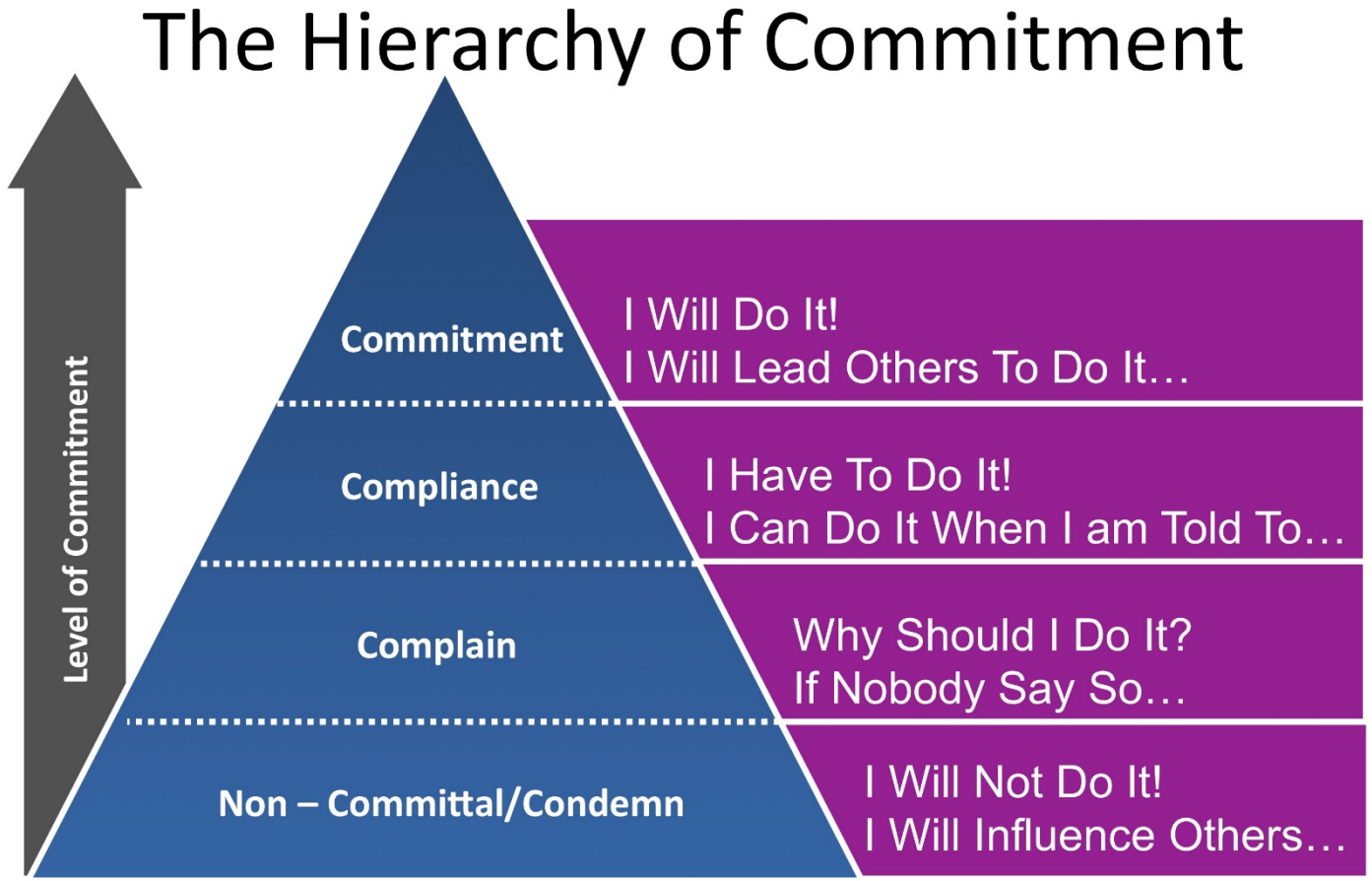
ISO RM Framework



Mandate & Commitment

- Design
- Implement
- Monitor
- Improve

Don't Start Without Commitment!



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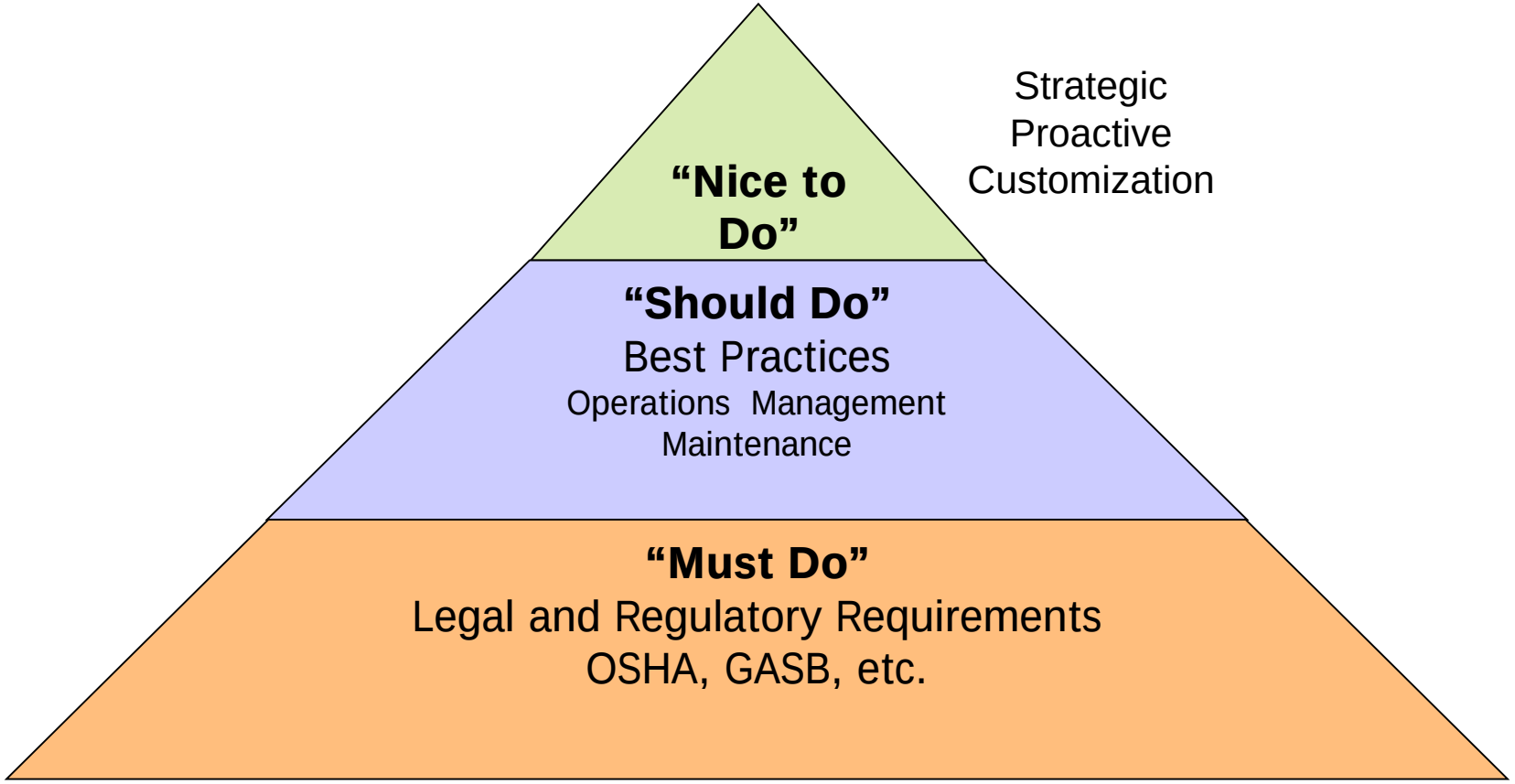
If You're Boss Doesn't Care About it – Will You?

Risk Management "Motivator" Pyramid



Gaining Commitment to Risk Management

Demonstrate the value of risk management to the various groups within your organization

Risk Management & Its Value

All organizations *exist* to manage risks

- Business risks - sales, expenses
- **Operational risks** – production, logistics
- **Regulatory** - government requirements
- Product safety
- Service E&O

"The primary purpose of government is to protect its citizens" – from what?

Harm to persons or property

Management is Risk Management

Can use tools in any number of applications

"Risk Management should be called GOOD Management"

Do it every day without thinking about it

Hiring Someone

Dealing with an angry customer

Buying a car

Crossing the street!

Risk Management Goals

- *Tolerable uncertainty*
- **Legal & regulatory compliance**
- Earnings *Stability*
- **Business Continuity**
- Profitability & growth
- **Social responsibility**
- Survival
- **Economy of operations**

Who is the Risk Manager?

Most 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?*

You Are!

Officers, Directors, and managers,

whether they like it or not, are the Chief Risk Managers for their organizations

When something goes wrong they are held accountable

If the risk hits the fan,

will <u>you</u> be covered with it?

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

RM101 - Key Concept

Treat 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.

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

PARMA recently changed its name from the Public Risk **Managers** Association to the Public Risk **Management** Association

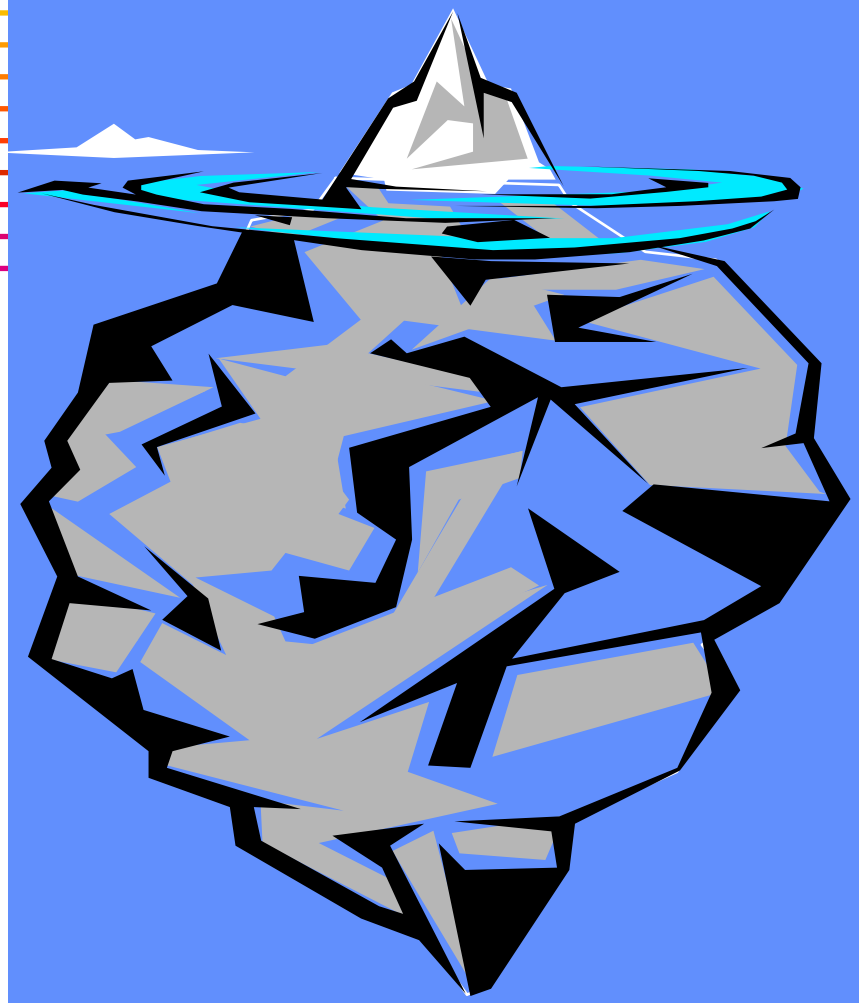
parma
public agency risk management association

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 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?

Indirect versus Direct Costs



Direct Costs
Compensation
Wages
Medical

Indirect Costs
Investigation by supervision

Internal claim management

Cost of breaking in new Worker

Loss of a particular skill set or knowledge base

Lower Productivity

Lower morale amongst others

RM101 Key Concept

Cost of Risk

Retained Losses + Transfer Costs + Admin Costs + Loss Control

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

Transfer Cost Examples:

- Workers' Comp Insurance - $ per $100 payroll
- Property Insurance - $ per $100 of Values at Risk
- Transit Liability Insurance - $ per Revenue Mile

+ admin, deductible, loss control and indirect costs!

Risk Management Value at *Different Levels of Organization*

Talk their language!

Improved **Strategic** Management (CEO)

- Better choices of what is to be accomplished
- **Greater ability to achieve** *realistic* **goals**

Improved **Financial** Management (CFO)

- Better financial control
- Lower cost of risk - premiums and losses
- **Better allocation of scarce resources**
- Better informed decision making

Risk Management Value at *Different Levels of Organization*

Improved **Operational** Management (COO)

- Better delivery of services
- **Less time spent dealing with loss consequences**
- **More systematic approach to addressing competing demands**
- Improved health & safety and condition of property & equipment
- Improved **control of risks of contracted work**

Risk Management & Its Value

Bottom Line Reason to Implement Risk Management:

TO SAVE MONEY!

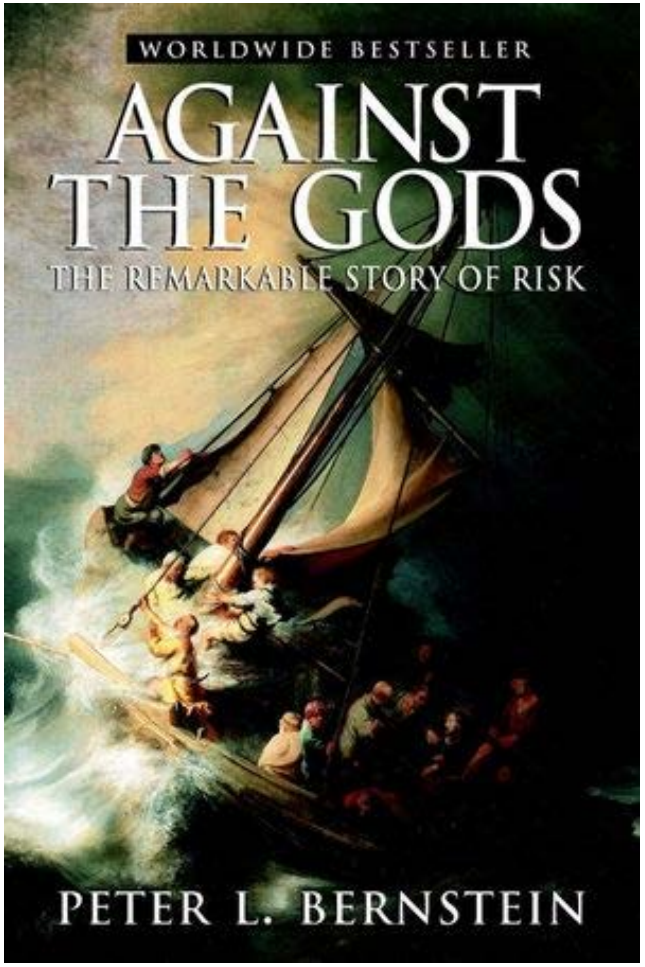
Need to be able to frame it that way, even if imprecise, to "sell it". Don't make it the only reason or oversell. Prefer to say:

A Primary Goal of Risk Management is

budget stability through control of the cost of risk.

History of Risk Management

Resource



Evolution of Risk Management

- Began With <u>Insurable Risks</u>
  - *Accidental* loss.
- Limited to **<u>Pure Risk</u>**
  - Loss or no loss.
- v. **<u>Speculative Risk</u>**
  - Add possibility of *gain*.

Evolution of Risk Management

- Over time RM 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, Risk Retention Groups, etc.

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 communication within silos**

Enterprise RM

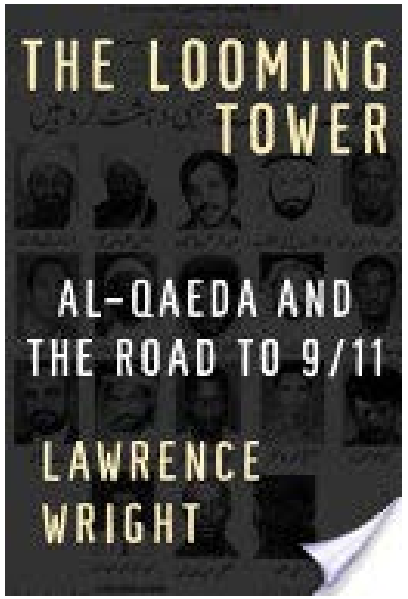
- Risk as part of business strategy
- Risk "portfolio" development
- **Focus on critical risks**
- Risk optimization
- Risk strategy
- Defined risk responsibilities
- Monitoring & measuring
- **Risk is everyone's responsibility**
- **Communication across functional lines**

Evolution of Risk Management
Enterprise Risk Management

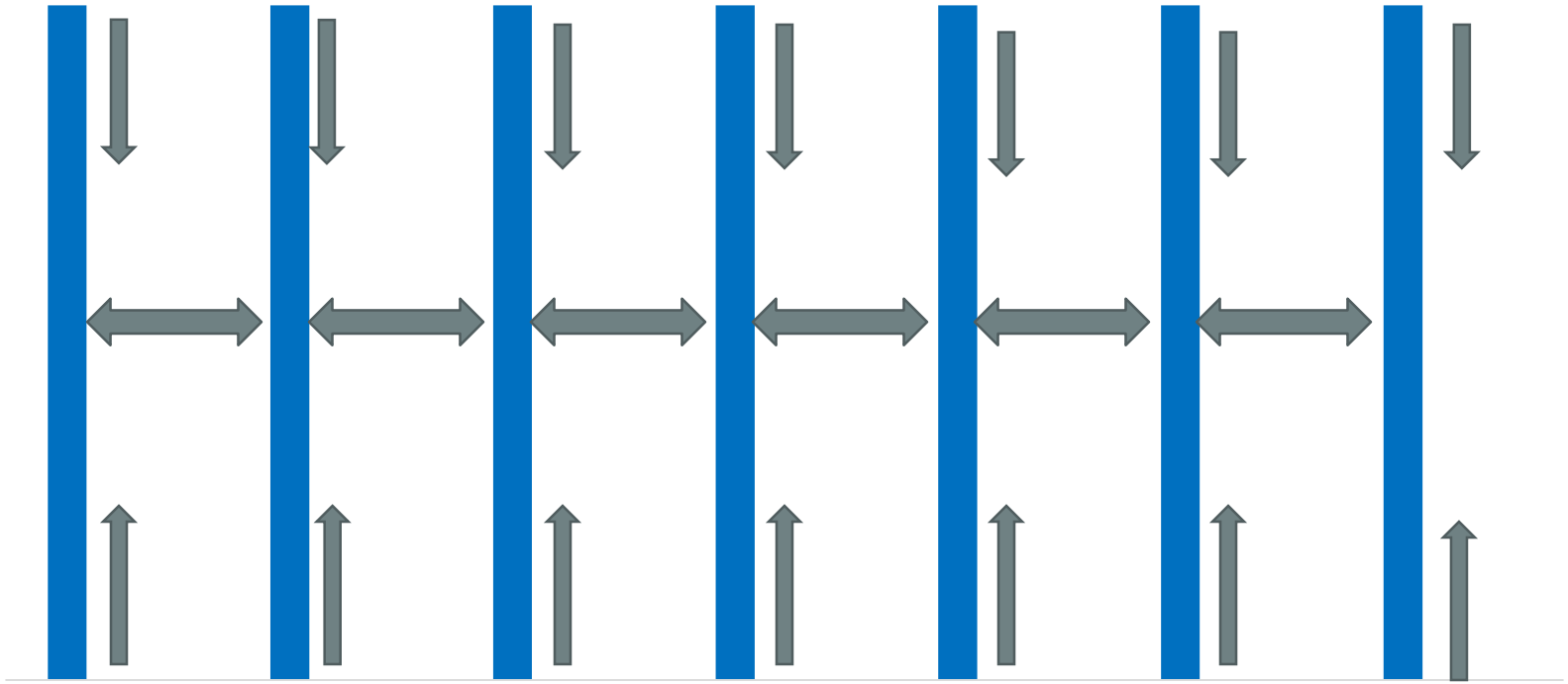
- **Goal is to balance risk/reward tradeoffs *across the entire organization***
  - **To do so, must aggregate information**
- Build risk thinking and accountability into the organization, *closer to the transaction*, and to *prioritize responses to risk*, making **wiser decisions regarding allocation of scarce resources**

Enterprise RM Case Study – 9/11

- **Traditional "silo" approach** to risk –pre 9/11
- Enterprise Risk Management Model – post 9/11
  - Break Down the Silos!
  - Communicate across, up & down
  - Aggregate & act on information
- Lessons learned
  - Insurance Industry
  - Government
- Is it working?



Department of Homeland Security



Why Implement Enterprise RM?

CFO Research Services Study

- 38%- Respond Better to Full Range of Risks
  - **Avoid being too myopic/narrow** & miss something in planning or execution that could prove catastrophic
- 28%- Improve Capital Allocation
  - Risk based capital
  - **Focus scarce resources on best alternatives**
  - Lower overall cost of risk

Sooner or later all organizations are faced with a crisis or galvanizing event that forces them to think across the broader organization.
Start preparing for that event *before* it happens, not after.

Impediments to Enterprise RM

- Can't do a Return on Investment (ROI) on ERM.
  - How do you measure the loss that never happens?
- Value proposition hard to quantify in $.
  - Use people, services, health, safety, etc. instead
- You haven't had that crisis - *yet*

"Bold and comprehensive changes are sometimes only possible in the wake of catastrophic events - events which create a new consensus that allows us to transcend old ways of thinking and acting."

- Condoleeza Rice, 9/11 Commission Testimony

What is Risk?

Risk is anything that could prevent you from achieving your goal.

ISO 3001 Definition

The effect of *uncertainty* on objectives

- Risk is the obstacle that stands between us and a predictable future.
- Thus, risk management means taking steps to improve the chances that our plans, hopes, and actions lead to the intended results!

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 Means Asking

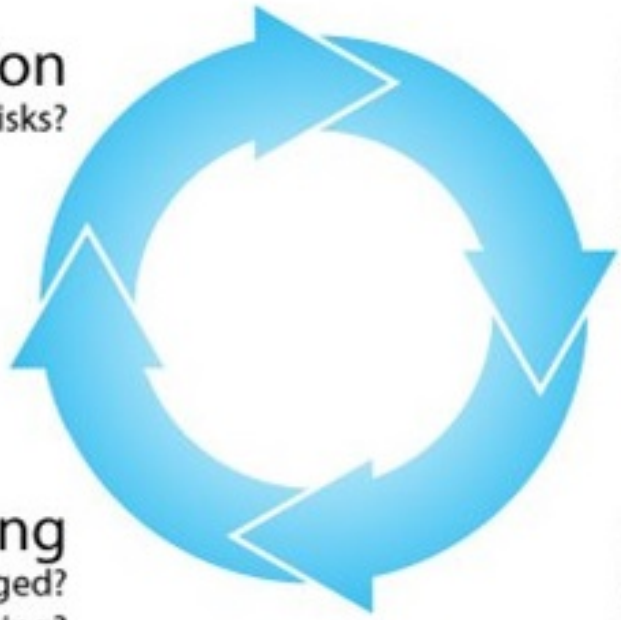
- **What can go wrong?**
  - Risk ID & Assessment
- **How do I keep it from going wrong?**
  - Loss Prevention
- **If it does go wrong, how can I fix it?**
  - Loss Reduction

  OR

Where Are The Alligators?

- How do I keep them from biting me?
- If I do get bit, how do I stop the bleeding?

The Risk Management Process
Traditional ARM Steps



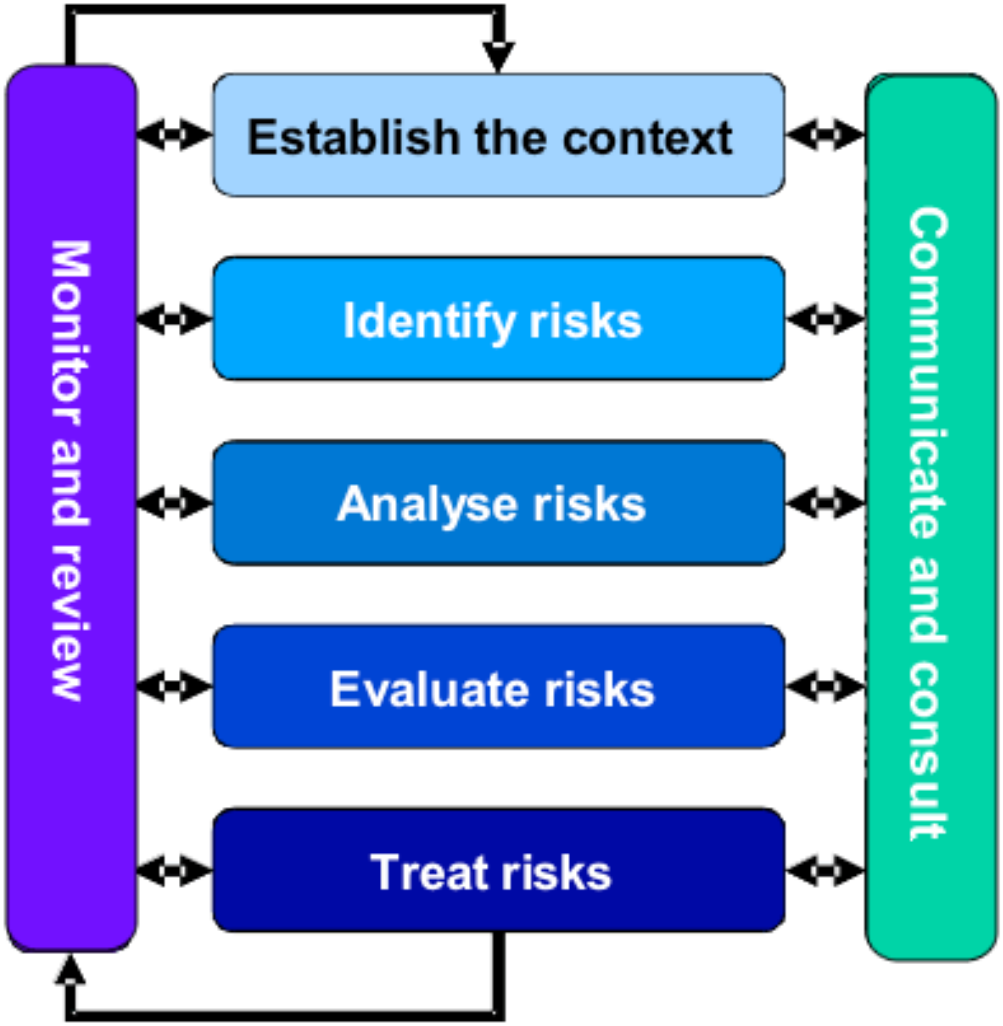
1. Identification
What are the risks?

2. Assessment
What is the likelihood of the risk occurring?
How severe will the risk impact be?

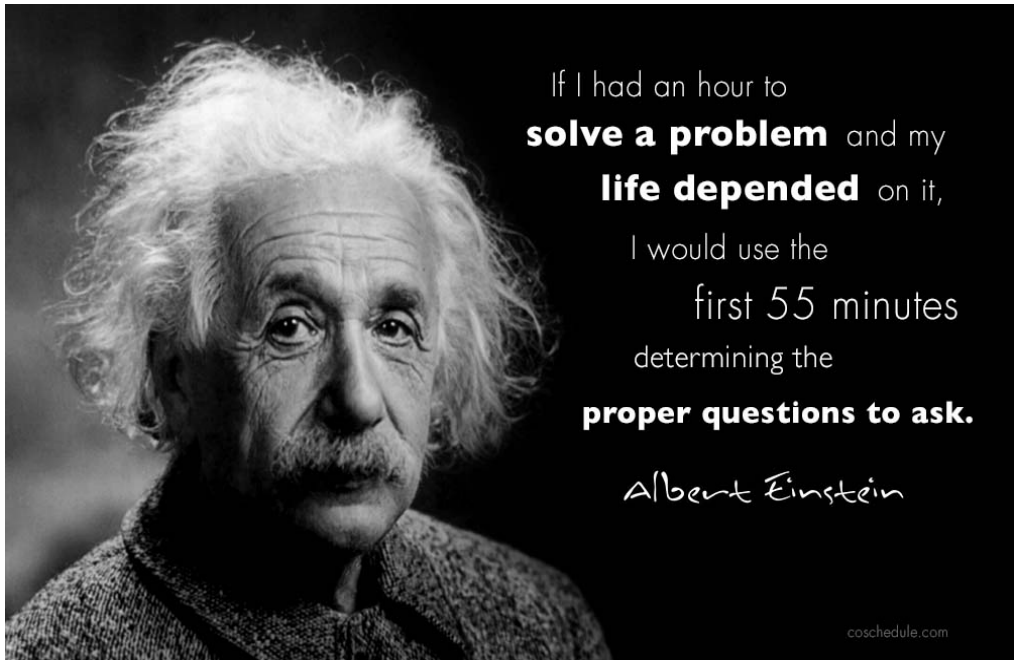
3. Control
What can we do to reduce the impact of the risk?

4. Monitoring
Has the situation changed?
Are there new risks emerging?

ISO 3001
Risk Management Process



Identify, Analyze & Prioritize Risks



- This is the most important step!
- Requires imagination & insight
- Easily quashed by management oversight

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

- Warren Buffett

Categories of Risks – "HOFS"

Categories of Risk

Identify, Analyze & Prioritize Risks - Methods

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

To 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 whether we are achieving our objective?***
- What decisions are most important?
- On what information do we most rely?
- What are your goals for the next five years?
- What events affected your stability in the past?

To 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?
- What changes could you make to improve?
- *What keeps you up at night?*

Top 10 Business Risks 2016

Source: Allianz Global Corporate & Specialty

			2015 Rank
1	**Business interruption** (incl. supply chain disruption)	58%	1 (55%)
2	**Cyber incidents (cyber crime, data breaches, IT failures)**	46%	4 (25%)
3	**Natural catastrophes (storm, flood, earthquake)**	37%	2 (35%)
4	Market developments (volatility, intensified competition, market stagnation)	35%	NEW
5	**Changes in legislation and regulation** (economic sanctions, protectionism)	28%	5 (17%)
6	Fire, explosion	25%	3 (27%)
6	**Loss of reputation or brand value**	25%	6 (16%)
8	Macroeconomic developments (austerity programs, commodity price increase, inflation/deflation)	20%	NEW
9	**Theft, fraud, corruption**	20%	NEW
10	Human error	14%	NEW

Prioritize Risks

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

#

How Many?

$

How Much?

?

How Certain?

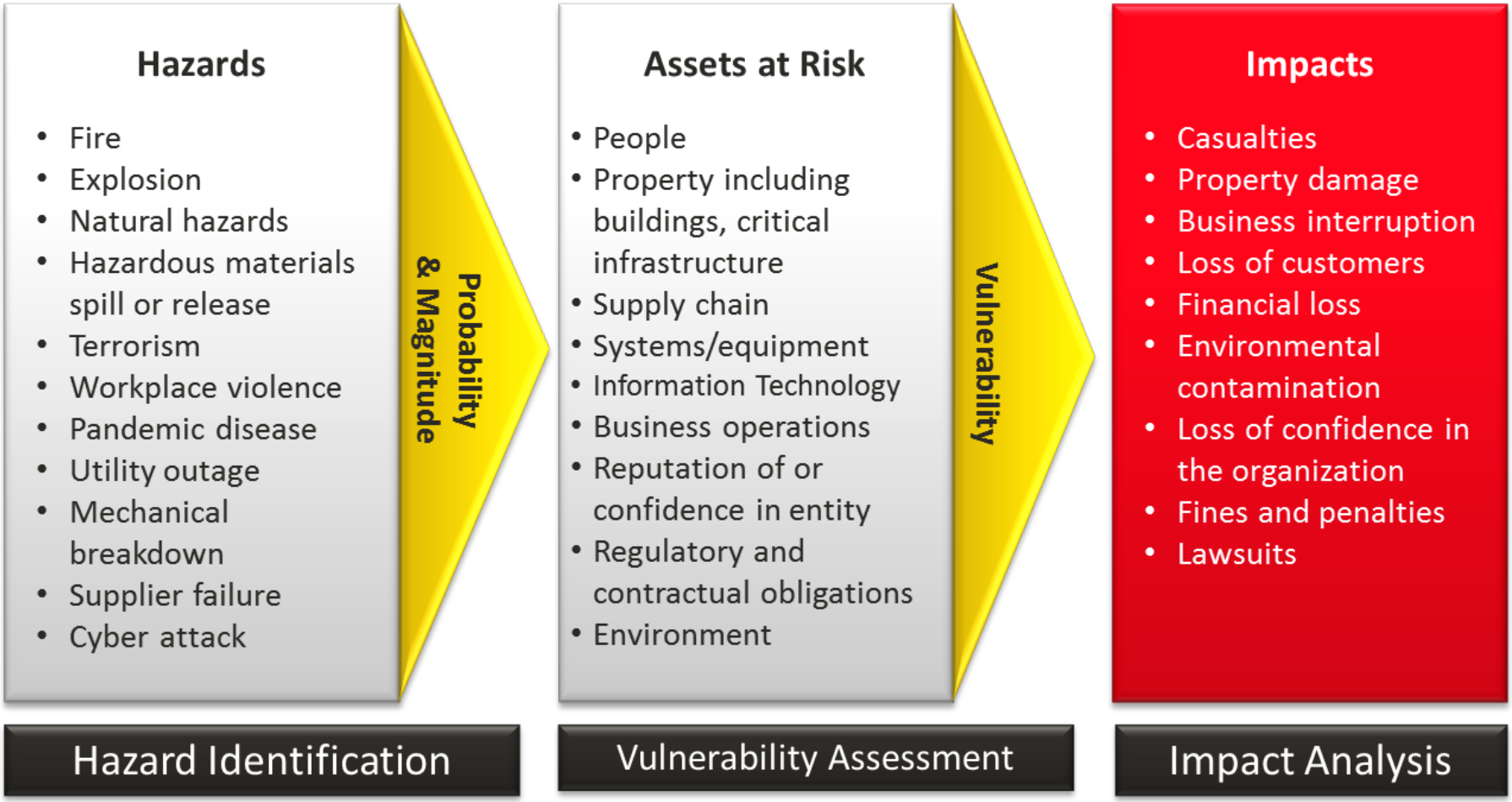
!

How Critical?

<u>Increased significance means actual losses become:</u>

- More **frequent** – "how often/many?"
- More **severe** – "how much?"
- Less predictable - **"how certain**?", or
- Interfere more with objectives - "**how critical**?"

Components of all Loss Exposures
Peril – Value - Consequences



Prioritizing Risks
Key Concept - Risk Mapping

What's it all about?

- **FREQUENCY**
  - "How Often?"

AND

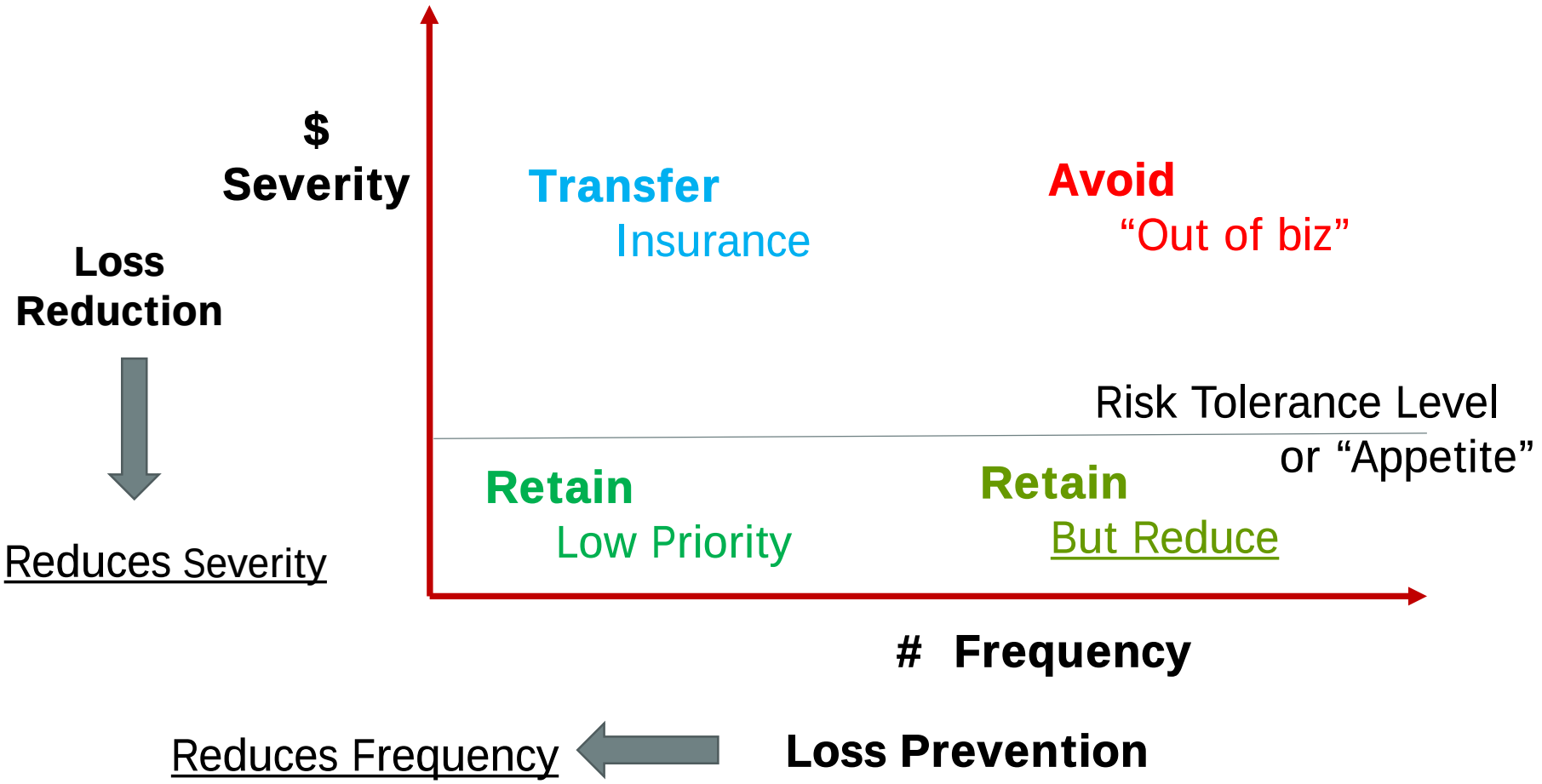
- **Severity**
  - "How Much?"

Plot the results using a Prouty Approach Diagram, also called a Risk Matrix or Risk Map

Application – Poor Man's ERM

- Gather 5-8 people you consider the best and brightest - senior managers, technical experts, etc.
- Give them one 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 a Risk Map (**Risk Matrix or Prouty Approach Diagram)
  - Take action to prevent or reduce impact

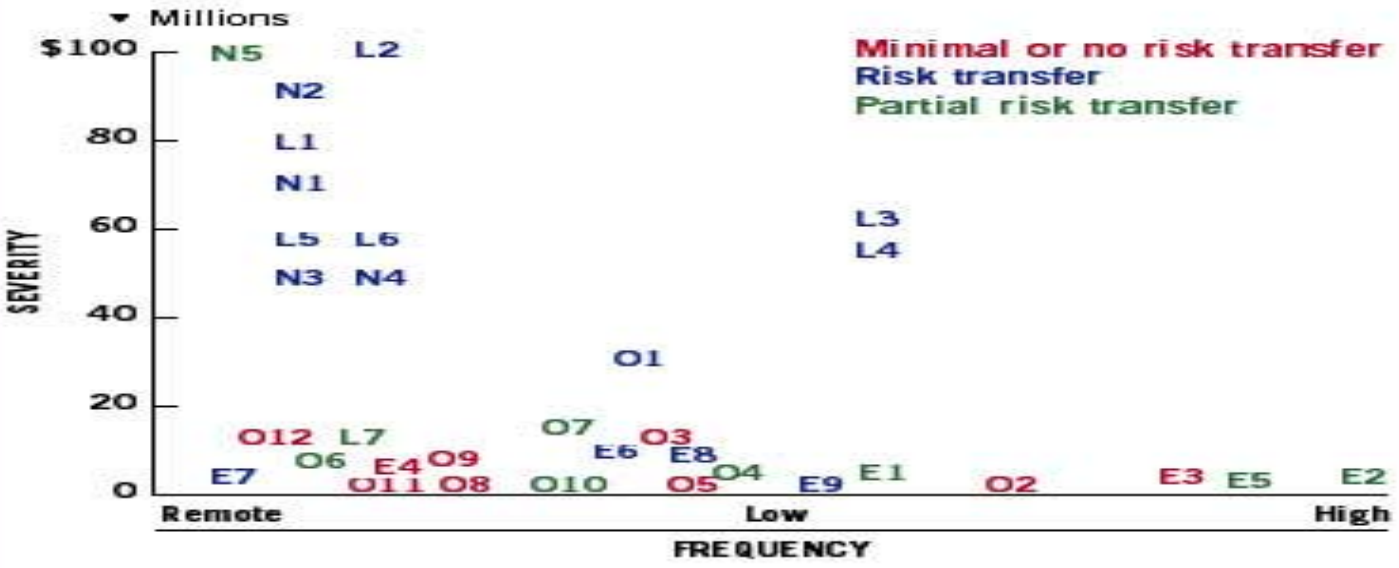
Risk Mapping and Risk Treatment



Risk Map Locations

- **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
- **Low Frequency & Low Severity**
  - Who cares? Morale Hazard? *Lead to More FQ or $?*

PEABODY'S RISK MATRIX



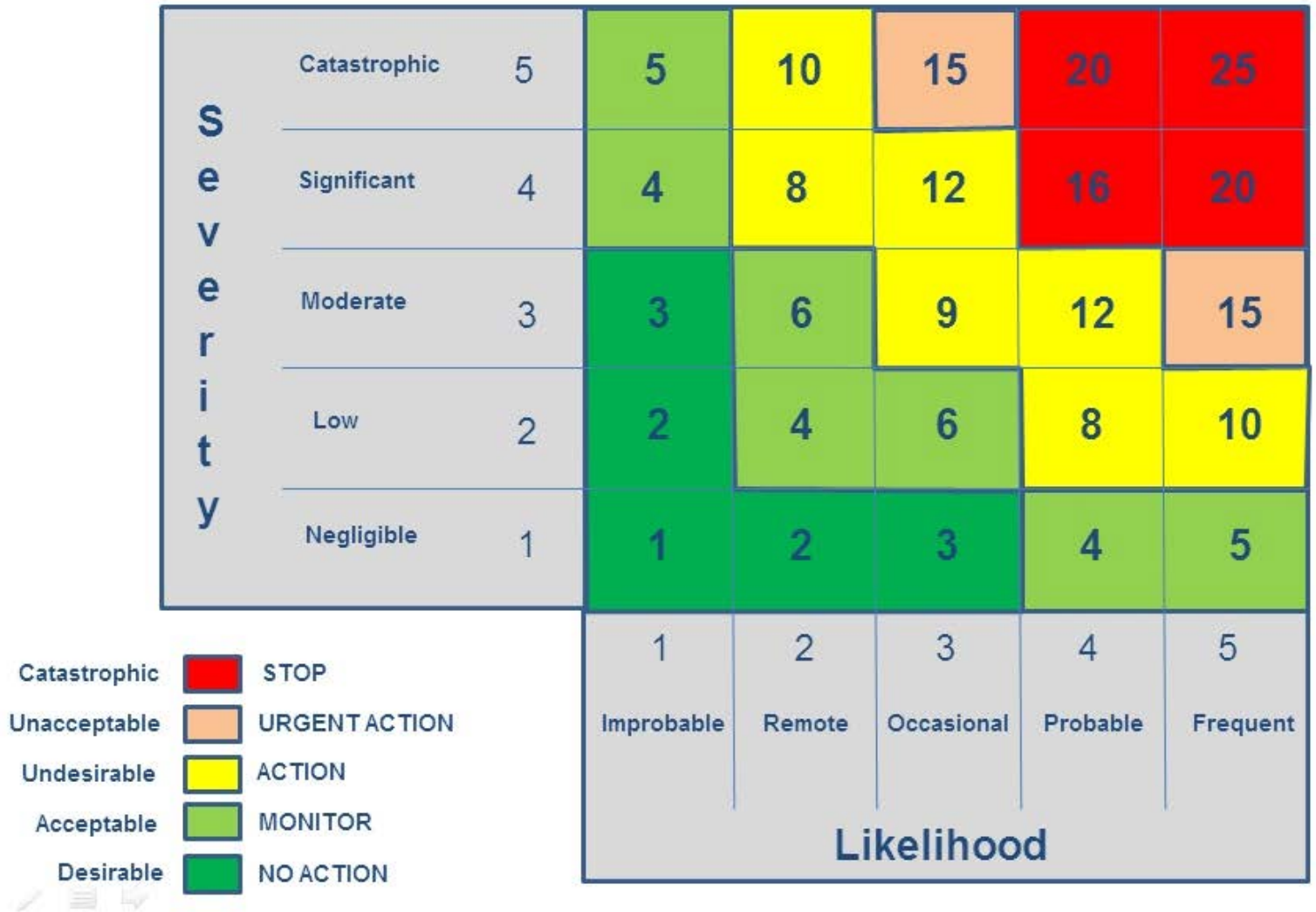
OPERATIONAL—EMPLOYMENT
- E1 Employers' liability
- E2 Workers' compensation (State)
- E3 Federal black lung
- E4 Employment-practices liability
- E5 Employee benefits
- E6 Fiduciary liability
- E7 Kidnap & ransom
- E8 Employee dishonesty (Crime)
- E9 Employee conduct

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

Risk Rating = Likelihood x Severity



What Is Your Risk Appetite?

Risk appetite is the level of **risk** an organization is prepared to accept. **Risk appetite** constraints are not easy to define; every organization can tolerate different levels of **risk**.

What is *Your* Appetite For Risk?

- 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?
- Are you risk averse, risk neutral, or a risk taker?
- What is the "Expected Value" of this transaction?

Risk Treatment

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

- 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

Risk Treatment

- **Avoid**
- Retain (Accept)
- Modify (Reduce)
  - Likelihood &/or
  - Impact
- Transfer
- **Exploit**

Risk Treatment

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?)

- Example: close teen center to avoid crimes

Risk Treatment – Modify Risk Control Techniques

Loss Prevention - measures taken to reduce the likelihood, or ***frequency***, of losses.

- Example - **video cameras**

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?*

Risk Treatment – Modify Risk Control Techniques

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

Loss has occurred, reduce its size or extent

Examples: alarms, sprinklers, seat belts, emergency plans

- **Pre-Loss** - Design Features, good hiring, training, controls, construction materials
  - **Segregation** – two warehouses miles apart v. one
  - **Duplication** – back up your data!
- **Post loss** - Mitigation response, claims management

BOTH require pre-loss commitment!

Risk Treatment
Risk Financing Techniques

Risk Retention: using your 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***

Risk Treatment
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

Risk Treatment
Risk Financing Techniques

Risk Transfer

using <u>others'</u> money

- <u>Commercial Insurance</u>
  - 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

Risk Treatment - Exploit

- **Hedging** – using futures options to limit or offset financial losses and possibly gain from fluctuations in the prices of commodities, currencies, or other factors driving your costs.
- *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
- Or "parametric insurance"

Risk Treatment

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.

Achieve “tolerable uncertainty,” to extent possible

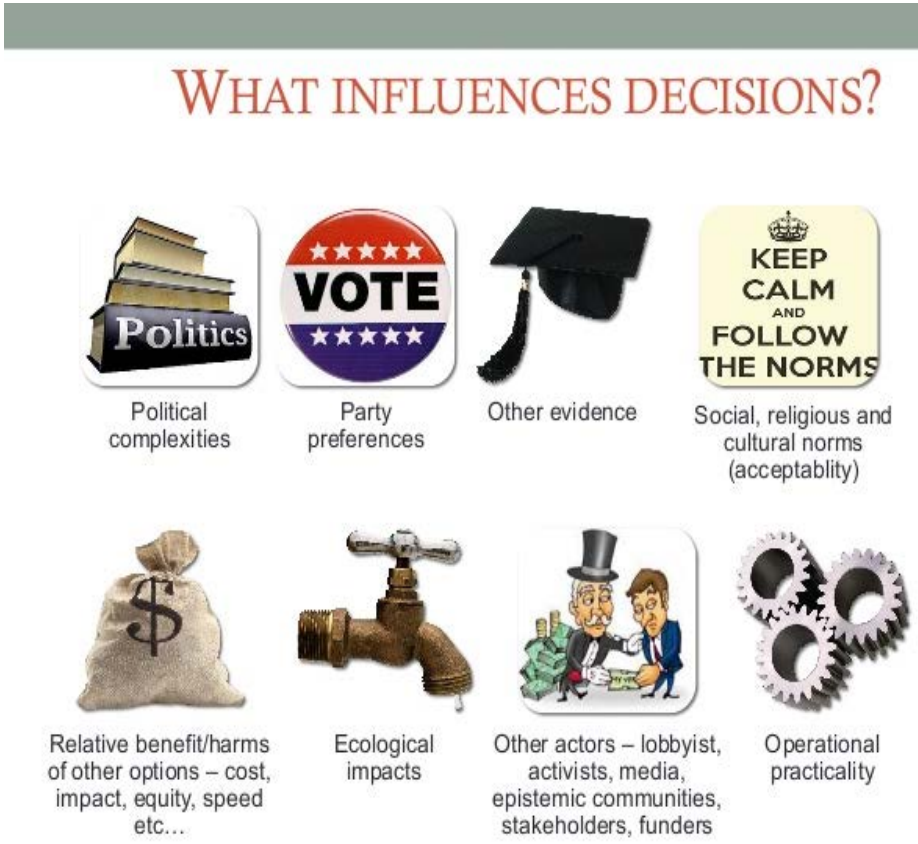
Select Best Treatment Techniques

- 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*

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

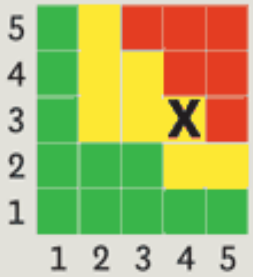
Select Best Techniques



- Managerial Considerations
  - Financial Criteria: time, money, people
  - Morale
  - How soon major retirement or reorganization
  - Support for risk management among Line Managers
- Political Considerations
  - "Turf" issues
  - "Votes" and high profile stakeholders
  - Acceptance of reality v. fantasy
  - Election cycles

Key Tool - Risk Registers

Document Risk, Priority & Control

STRATEGIC OBJECTIVE	RISK EVENT	OUTCOMES	RISK INDICATORS	LIKELIHOOD/ CONSEQUENCES	MANAGEMENT CONTROLS	ACCOUNTABLE MANAGER
Guarantee reliable and competitive supplier-to-manufacturer processes	Interruption of deliveries	Overtime Emergency freight Quality problems Production losses	Critical items report Late deliveries Incoming defects Incorrect component shipments		Hold daily supply chain meeting with logistics, purchasing, and QA Monitor suppliers' tooling to detect deterioration Risk mitigation initiative: Upgrade suppliers' tooling Risk mitigation initiative: Identify the key supply chain executive at each critical supplier	Mr. O. Manuel, director of manufacturing logistics

Risk Communication
Getting the Message Out

Gaining Trust is the First Step!

"People don't care about how much you know,

until they know how much you care … about them"

- Zig Zigler

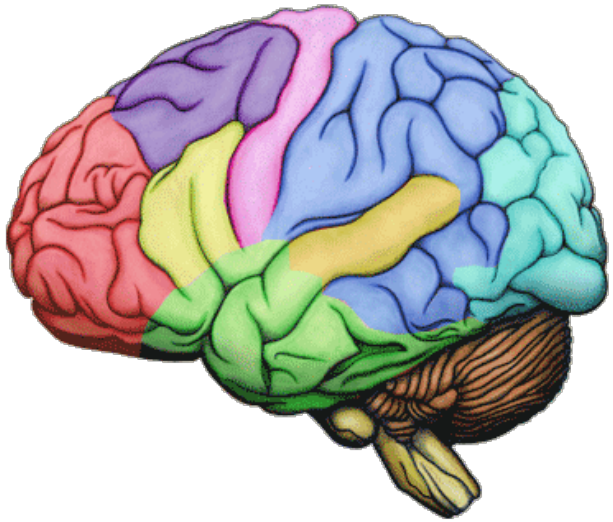
You have to sell yourself first

Must have trust & credibility

"Trust me, I'm a Risk Manager"

Risk Communication
Understand The Public's View

RISK



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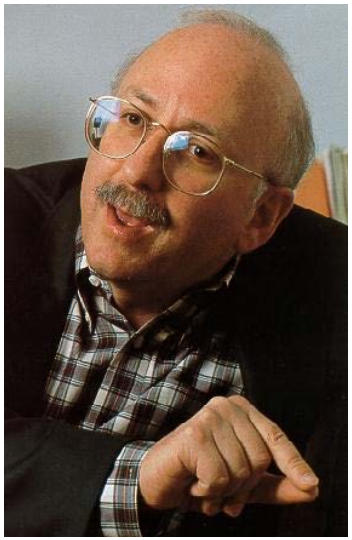
Hazard + Outrage

Risk Management Communication

Resource

www.petersandman.com

Peter Sandman



"Risk = Hazard + Outrage"

Risks Are Overestimated When

- **Coerced** rather than voluntary. (In home gardens, where the risk is voluntary, pesticides are typically overused.)
- **Industrial rather than natural.** (Natural deposits of heavy metals generate far less concern than the same materials in a Superfund site.)
- **Dreaded** rather than not dreaded. (Cancer, radiation, and waste are all powerful stigmata of dread.)
- **Unknowable** rather than knowable. (The experts endlessly debate the risk, and only the experts can detect where it is.)

Risks Are Overestimated When

- **Controlled by others** rather than controlled by those at risk. (Think about the difference between driving a car and riding in an airplane.)
- In the hands of **untrustworthy** rather than trustworthy **sources.** (Who believes what they are told by the nuclear, waste, and pesticide industries?)
- Managed in ways that are **unresponsive** rather than responsive. (Think about secrecy vs. openness, courtesy vs. discourtesy, compassion vs. contempt.)

Outrage Components

"Safe" - Underestimate

1. Voluntary
2. **Natural**
3. Familiar
4. Not memorable
5. **Not dreaded**
6. Chronic
7. Knowable
8. **Individually controlled**
9. Fair
10. Morally irrelevant
11. **Trustworthy sources**
12. Responsive process

"Risky" - Overestimate

1. Coerced
2. **Industrial**
3. Exotic
4. Memorable
5. **Dreaded**
6. Catastrophic
7. Unknowable
8. **Controlled by others**
9. Unfair
10. Morally relevant
11. **Untrustworthy sources**
12. Unresponsive process

Public's Risk Response to Risk

	 **Hazard** *Objective Risk*		
	High	**Low**	
High	*Crisis RM*	Overreact	 **Outrage** *Subjective Risk*
Low	Underreact	Who Cares?	

Risk Management Communication

Overreact?
Don't Worry

Underreact?
Watch Out!

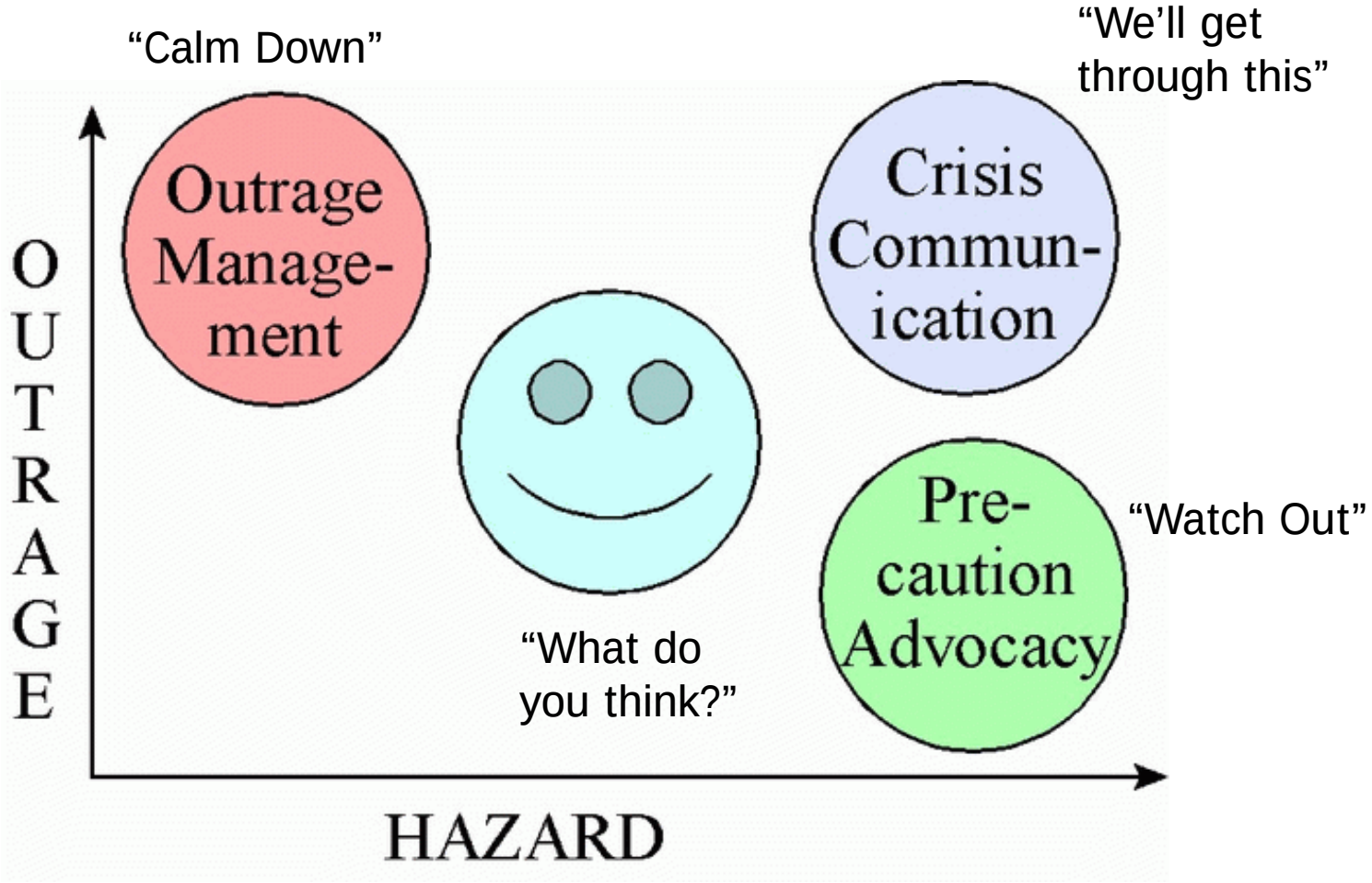
Apathy — Interest — Advocacy — Outrage

Watch Out! Don't Hit My Dad!

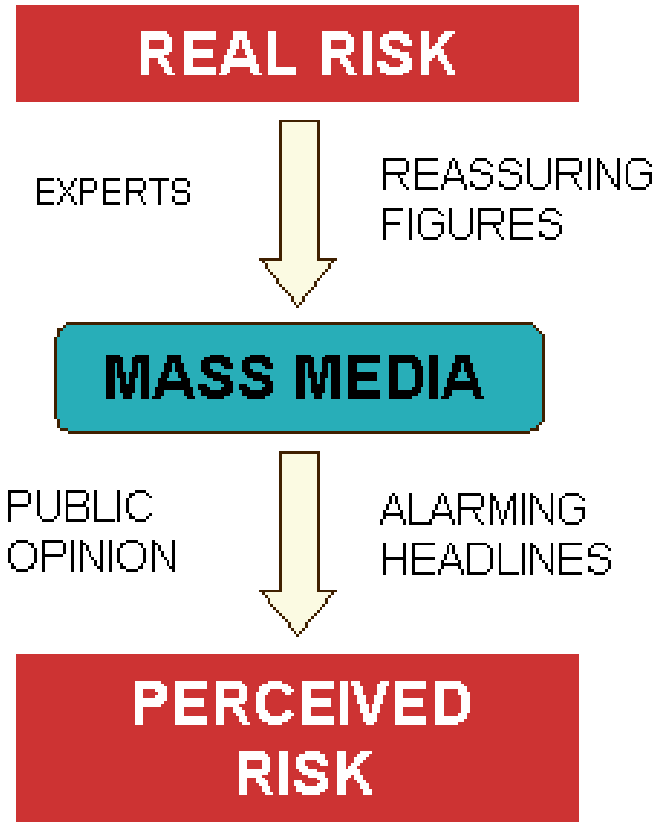
Why Be Safe?


YOUR FAMILY NEEDS YOU
Work safe for yourself and for your family, because that's who is most important in your life.

Risk Management Communication Matrix



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

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?

"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**

Monitor Results & Improve

- Include in up-front planning
- Make everyone responsible for results and improvement
- 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!**
- If you keep getting poor results change your approach!
- Reassess risks and start all over

Monitor Results & Improve

Key Risk Indicators (KRIs)

KRIs provide an **early signal of increasing risk** exposures in various areas of the enterprise.

- **Deferred maintenance**
- High volume of complaints
- **Poor technical experience in key areas**
- No regular communication with customers
- **Lack of training**
- No process for root-cause analysis
- **Poor record keeping**
- Lack of defined service standards
- **Lack of contracted services oversight**

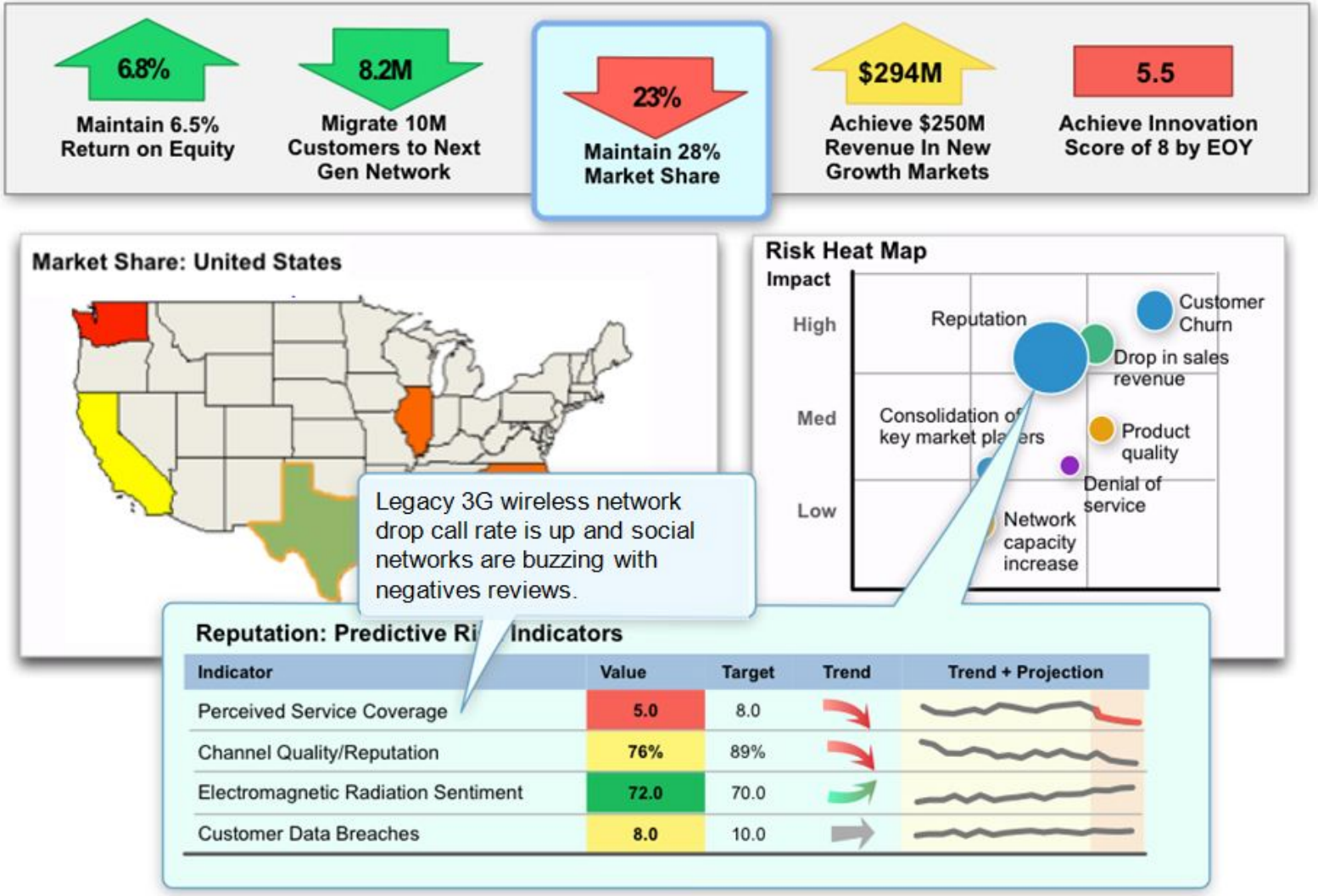
Monitor Results & Improve

Key Performance Indicators (KPIs)

KPI - A quantifiable **measure used to evaluate the success in meeting objectives** for performance.

- Employee turnover rate
- Frequency and/or severity of claims
- Loss Ratio
- Customer Satisfaction Surveys
- Cost of Risk
- Audit Results
- Actual to Budget Percentage
- Trainings Completed

Monitoring Results Management Dashboards



Making Risk Management Work For Your Organization

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

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

It's important to *emphasize that in many ways you are already practicing risk management*, you're just **putting some structure and thought into managing the risks you face every day.**

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!

Making Risk Management Work For Your Organization

Necessary-to-do activities

- 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.
- *You have OSHA on your side* – all organizations must have an **Injury and Illness Prevention Program (IIPP)**.

It's the first thing OSHA will ask for if you are ever audited or investigated.

Making Risk Management Work For Your Organization

Necessary-to-do activities

- The person or committee responsible for risk management activities must:
  - Take responsibility for procuring insurance or pooling services
  - Confirm that the organization is in compliance with safety requirements and other legal standards
  - **Take responsibility for emergency preparedness planning**

Making Risk Management Work For Your Organization

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
- 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

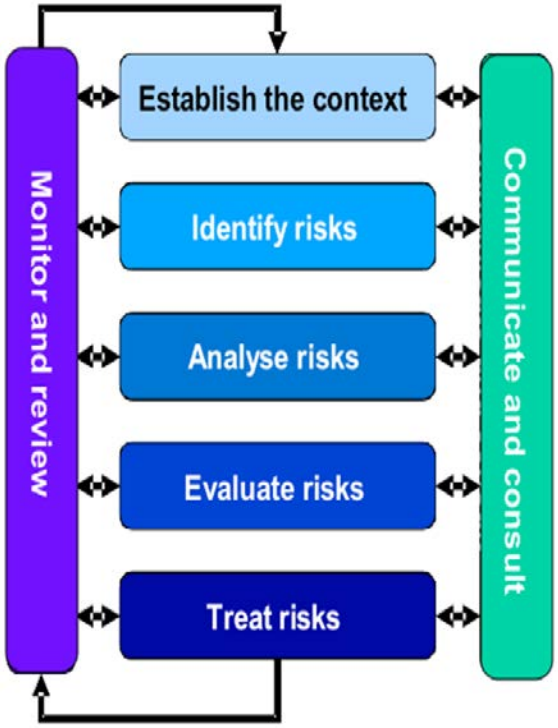
Set goals & tell them how you're doing!

For More Information

- Professional Public Entity RM organizations
  - PARMA, PRIMA, CAJPA, AGRiP
- Governmental Entities: FEMA, OSHA, DIR
  - https://erm.ncsu.edu/library/article/US-Government-RM
- Insurance Educational Association: www.ieatraining.com
- The Institutes: https://www.theinstitutes.org/
- ISO 3001 Risk Management
  - http://www.iso.org/iso/home/standards/iso31000.htm
- International Risk Management Institute (IRMI)
  https://www.irmi.com/
- RIMS – Risk and Insurance Management Society: www.rims.org
  - Managing Risks in Government:
    www.rims.org/resources/ERM/Documents/Risk%20in%20Government.pdf

Email me - Marcus.Beverly@Alliant.com

Summary



- Risk Management is GOOD Management
- Demonstrate value
- Get support from the top
- Integrate the process into current procedures
- ID, Assess & Prioritize Risks
- Take action to treat risks
- Monitor & improve
- Understand your audience's view of risk
- Be a trusted resource!

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Questions or Comments?

THANK YOU!

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