


**ERM: Adding Value to Your  
Public Agency**

Presented By:  
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PARMA 2018 Conference Session E6, Thursday February 15, 10:45 am - 12:15 pm



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**ERM: Overview**

- Risk Management Approaches
  - Traditional & ERM
- ERM's Value
  - Risk Informed Decision Making Process
- Practical Application of ISO 31000
  - Case Study Exercise
- Wrap-Up



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**ISO Definition of Risk**

- *Risk is the effect of uncertainty on objectives*





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### Informal Poll



Q: Do you know your public agency's Mission Statement?

Answer:

- A. Yes
- B. No
- C. Somewhat
- D. What's a Mission Statement




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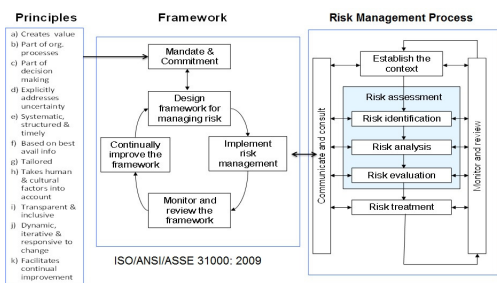
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### ERM Basics and ISO 31000




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### How ISO 31000 Changed the Focus

- Without risk, there is no reward or progress.
- Unless risk is managed effectively, organizations cannot maximize opportunities and minimize threats.
- Risk is all about uncertainty, or more importantly, the effect of uncertainty on the achievement of objectives.
- This is where ISO 31000 is clearly different from existing guidelines in that the emphasis is shifted from something happening - the event - to the effect on objectives.

*Kevin W. Knight, AM Chair of the ISO 31000 Working Group "ISO Focus" - June, 2009*




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Risk Management Approaches

## TRADITIONAL & ERM



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### ERM 101

**ERM Definitions:**

- COSO
- RIMS
- CAS (Casualty Actuarial Society)
- Others
- ISO 31000

**BSA – ERM Motto** *"We are the people who say "know" not "no."*



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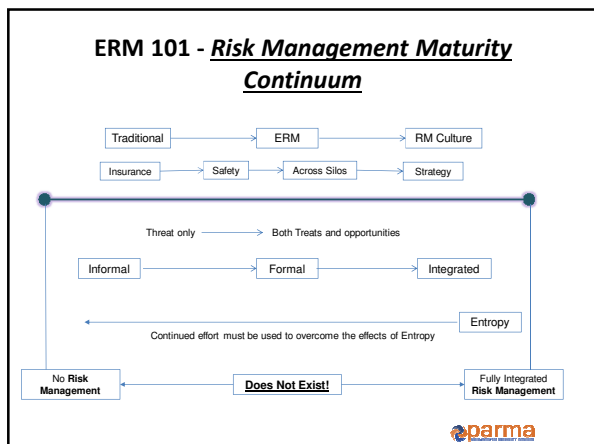
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**Apply ERM In**


- Decision making
- Resource allocation
- Process change
- Strategy setting & execution

RISK – Effect of uncertainty on objectives



- 1. Positive view  
Potential gain
- 2. Neutral view  
Probability of events
- 3. Negative view  
Harmful event





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ERM's Value

**RISK INFORMED DECISION MAKING  
PROCESS**



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**ERM: Preserving and Creating Value**

Preserving Value – Traditional Focus

- Identifying risks and preventing, mitigating or transferring exposures and consequence of losses

Creating Value – ERM Focus

- Continue Preserving Value, plus
  - Considering positive outcomes from taking/managing risk
  - Incorporating risk information into decision making and other processes
  - Linking risk management to mission, strategic goals and objectives



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## PARMA's Mission Statement

- *PARMA is dedicated to the professional development of all California public agency personnel with responsibility for risk management, and to the promotion of risk management as a critical component for public agency fiscal health*




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### PARMA Vision and Strategic Goals

#### Vision Statement

PARMA is recognized as the essential connection public agencies need to manage a broad spectrum of risk in an ever-changing environment.

#### Strategic Goals

##### Value for Members

1. Provide members with 24/7/365 access to education, resources, practice information and a network of service providers to support their success.
2. Become a dynamic professional community that fosters the exchange of experience, expertise and ideas between members to address issues and solve problems.

##### Influence and Outreach

3. Raise awareness and interest in risk management as a dynamic career, and demonstrate the value of the risk management function to the long-term fiscal health of public agencies.
4. Engage current and future risk management professionals in PARMA to further their professional development and to build and enrich the PARMA member network.

##### Chapter Effectiveness

5. Work with and support chapters as partners in delivering strong, consistent value to members and in raising the profile of the risk management profession at the grassroots level.

##### PARMA Governance and Operations

6. Expand opportunities for active member engagement and leadership development, and continue to build the financial resources and technology infrastructure to fulfill the PARMA mission and respond to the changing needs.

PARMA creates value for California public agencies

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## PARMA Creating Value 2017-2018 Strategic Priorities

### Value to Members

- Initiate 'mini-chapter' networking/relationship-building activities as part of and outside of regular chapter programming

### Member Networking and Relationship Building

- Milestones: *By 2020 . . .*
- An infrastructure is in place helping members tap the knowledge and experience of other members to address issues and solve problems




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**PARMA Creating Value**

<p><b>PARMA Governance &amp; Operations</b></p> <ul style="list-style-type: none"> <li>Define the format and content of the PARMA resource clearinghouse (see Value to Members section above)</li> <li>Identify content contributors to the PARMA blog</li> <li>Begin to define new volunteer opportunities for next generation members</li> </ul>	<p><b>Leadership Development &amp; Member Engagement</b></p> <p>Milestones: <i>By 2020 . . .</i></p> <ul style="list-style-type: none"> <li>Volunteer/leadership opportunities have expanded, including those that will attract next generation members</li> <li>All chapters have an active Steering Committee</li> </ul> <p><b>Technology/Infrastructure Development</b></p> <ul style="list-style-type: none"> <li>A robust digital resource archive is in place, including “PARMA Talks”, accessible through a PARMA app</li> </ul>
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CASE STUDY: CITY OF STARLIGHT BAY, CA



**MISSION STATEMENT**

Preserve, protect, and provide innovative & cost effective services that enhance the quality of life for residents, visitors, businesses.



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**City of Starlight Bay’s:  
Internal Environment**

- Description
- Strategic Goals
- Issues
- Items to analyze with ERM Committee before reporting to the City Council





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**City of Starlight Bay**

**Background**

- The City of Starlight Bay has a self-insured workers' compensation program. Medical only claims are adjusted internally while indemnification claims are adjusted by a solo operation independent contractor.
- Payments related to a workers' compensation claim is handled between the City's risk manager and finance department.



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**City of Starlight Bay  
Workers' Compensation Program Review**

**Risk Informed Decision:**

- The City wishes to assess its self-insured workers' compensation program to decide whether to
  - a) Maintain status quo (solo contract administrator)
  - b) Move program to TPA
  - c) Move program to JPA



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**City of Starlight Bay  
Workers' Compensation Program Review**

**Risk Informed Decision:**

- The City must include an assessment of how the risks involved in each option could potentially impact, positively or negatively, its ability to effectively execute its mission statement, vision and operating principles as identified by the ERM Committee



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### City of Starlight Bay - RFQ

#### General Scope

- There are five phases to this program review
  - **Phase 1:** On-site program assessment/recommendations (Operational)
  - **Phase 2:** Financial feasibility report & impact study (Financial, Operational)
  - **Phase 3:** Risk assessment (Risk)
  - **Phase 4:** Communication and consultation of Phase 1, 2 and 3 findings with principal stakeholders (City Manager, Finance, Administration, Legal and HR)
  - **Phase 5:** Final recommendation and issuance of RFQ




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### ERM Solution: Risk Informed Decisions

Communicate & Consult	Establishing the Context	Risk Assessment			Risk Treatment	Monitoring & Review
		Identify	Analyze	Evaluate		
Open & Public Communication • City Council • Personnel Commission • Treasury Oversight • Finance • Community Newsletters • Website • Auditor's report	• Promote health & safety • Deliver prompt & fair benefits to injured workers • Maintain RTW and other cost efficiencies • Transparent • Accountable • Operational efficiency	• Non-compliant with DWC • Less than optimal RMIS • Useful help for injured employees	• Review the potential likelihood and impacts	• Effect on objectives	• Fine tune elements of Status Quo • Hire TPA • Join a JPA • Risk Assessment for treatments	• Continue reviewing and monitoring all steps

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### Risk Analysis: Using Likelihood and Impact Scales

Risks	Status Quo		TPA		JPA	
	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact
Threat A						
Threat B						
Opportunity A						

Scale	
1	Low
2	Medium
3	High




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### Assessment Results

Risks	Status Quo		TPA		JPA	
	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact
Threat 1 - Exceed Budget						
Threat 2 - Non compliant with DWC						
Opportunity - Provide innovative care to injured employees						

Note: The assessment can take hours, days, months or years – depending on the scope of the decision to be made.




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### Assessment Results

Risks	Status Quo		TPA		JPA	
	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact
Threat 1 - Exceed Budget	3	2	2	2	1	2
Threat 2 - Non compliant with DWC	2	3	1	2	1	1
Opportunity - Provide innovative care to injured employees	3	2	2	1	1	1

Note: The assessment can take hours, days, months or years – depending on the scope of the decision to be made.




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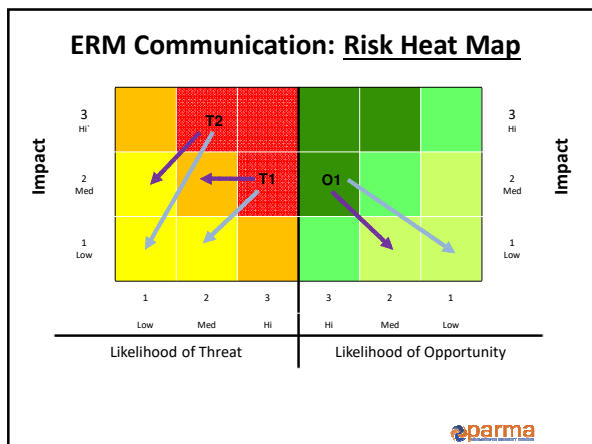
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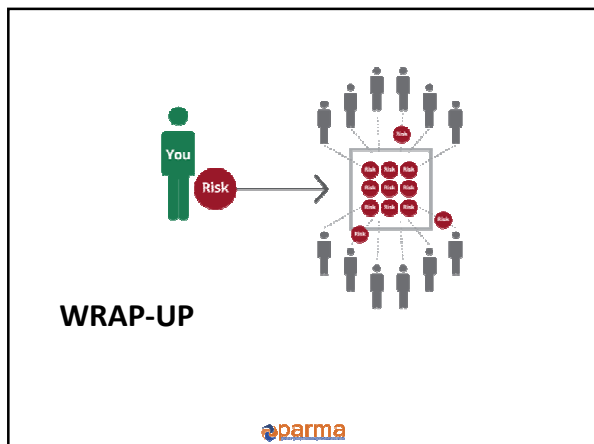
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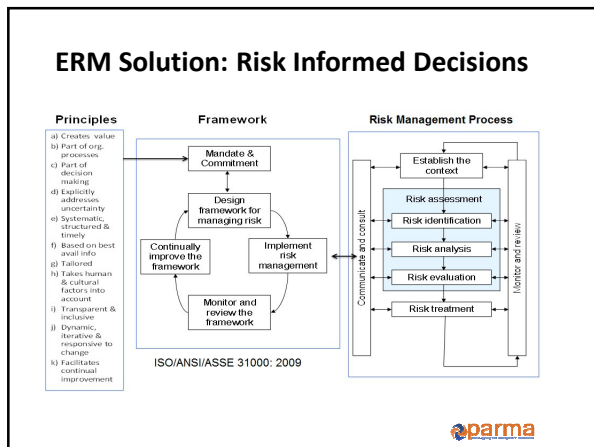
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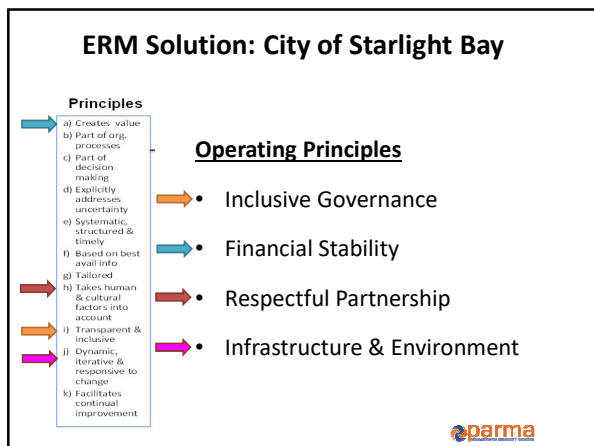
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### ERM Solution: Risk Informed Decisions

**Principles**

- a) Create value
- b) Part of org. processes
- c) Part of decision making
- d) Explicitly address uncertainty
- e) Systematic, structured & timely
- f) Based on best avail info
- g) Tailored
- h) Takes human & cultural factors into account
- i) Transparent & inclusive
- j) Dynamic, iterative & responsive to change
- k) Facilitates continual improvement

**Framework**

ISO/ANSI/ASSE 31000: 2009

Preserve, protect, and provide innovative & cost effective services that enhance the quality of life for residents, visitors, businesses

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### ERM Solution: Risk Informed Decisions

**Assessment Results**

Risks	Status Quo		TPA		JPA	
	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact
Threat 1 - Exceed Budget	3	2	2	2	1	2
Threat 2 - Non compliant with DWC	2	3	1	2	1	1
Opportunity - Provide innovative care to injured employees	3	2	2	1	1	1

**Risk Management Process**

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Thank you for attending  
our session!

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