# RMPE 352
# Risk Management for Public Entities

Presented by:
Erike Young, MPPA, CSP, ARM–E

1

# Chapter 9

## Establishing Public Entity Risk Management Programs
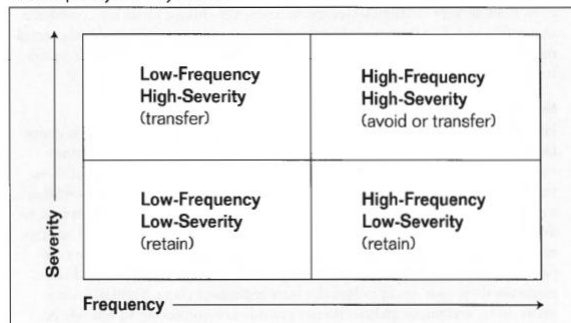
2

## Educational Objectives

1. Describe how public entities select risk management techniques by taking account of each of the following:
   a. Particular decision-making aids
   b. Objectives of each public entity
2. Distinguish between and give examples of the technical decisions and the managerial decisions involved in implementing a public entity's risk management program.
3. Describe and illustrate how risk managers for public entities should use each of the following types of skills in implementing risk management programs:
   a. Planning skills
   b. Communication skills
   c. Leadership skills
   d. Report-drafting skills

4. Describe how risk management professionals for public entities should perform each of the following steps in monitoring a risk management program:
   a. Setting standards
   b. Measuring performance
   c. Correcting substandard performance
5. Define or describe each of the Key Words and Phrases for this chapter.

3

# Selection of Risk Management Techniques

▸ Before selecting risk management technique, must identify potential losses entity faces, evaluate exposures, and identify methods for dealing with exposures
▸ Decision-Making Aids
  ◦ Frequency-Severity matrix

The Frequency-Severity Matrix

| | |
|---|---|
| Low-Frequency High-Severity (transfer) | High-Frequency High-Severity (avoid or transfer) |
| Low-Frequency Low-Severity (retain) | High-Frequency Low-Severity (retain) |

Severity ↑
Frequency →

4

# Selection of Risk Management Techniques

▸ Decision Making Aids
  ◦ Forecasting Techniques
    · Probability Analysis
    · Trend Analysis
  ◦ Claim History
  ◦ Industry Data
  ◦ Total Cost of Risk
    · Cost of accidental losses not reimbursed by insurance
    · Insurance premiums or payments to other outside source of funds
    · Loss control/prevention costs
    · Administrative costs for risk management

5

# Objectives of Each Public Entity

▸ Adapting to Political Environment
  ◦ Must understand how decisions my affect constituencies
  ◦ Be knowledgeable about senior management's philosophies and sensitivities regarding related issues
▸ Achieving Tolerable Uncertainty
  ◦ Can you or leadership sleep at night
▸ Meeting obligations to Provide Services
▸ Complying with Legal Limitations
▸ Responding to Budgetary Concerns
  ◦ Appropriate Funding
  ◦ Liquidity
  ◦ Solvency
  ◦ Stability of Earnings

6

# Implementation of Chosen Techniques

▸ Technical Decisions
  ◦ Primary focus of risk managers that deal with specific risk management actions that entity should take
  ◦ Focus on what it should do, rather than how to do it
▸ Managerial Decisions
  ◦ Planning
  ◦ Communication
    · Motivation
    · Delegation
    · Methods of Communication

7

# Implementation of Chosen Techniques

▸ Managerial Decisions
  ◦ Leadership
    · Building Self-Esteem
    · Enhancing Listening Skills
    · Earning Others' Enlistment
  ◦ Interacting with Superiors
    · Strong Relationships
    · Realistic Expectations
    · Relevant Information
    · Positive Proposals
    · Selected Problems

8

# Implementation of Chosen Techniques

▸ Managerial Decisions
  ◦ Risk Management Reports
    · Preparation
    · Format
    · Request for Action Reports
    · Plan of Action Memorandum
    · Annual Risk Management Reports

9

# Monitoring a Risk Management Program

▸ Standards
  ◦ Results standards
  ◦ Activity standards
  ◦ Combination of Results and Activity Standards
▸ Tools for Measuring Success
  ◦ Goals
  ◦ Objectives
  ◦ Performance Measures
    · Workload
    · Efficiency
    · Effectiveness
    · Selecting performance measures

10

# Monitoring a Risk Management Program

▸ Comparison of Actual Performance with Standards
  ◦ Data Collection
    · Complete Data
    · Consistent Data
    · Relevant Data
    · Organized Data
  ◦ Audits
    · Frequency
    · Scope
    · Staff
    · Staff Responsibilities
    · Reports
▸ Correction of Substandard Performance

11