

What Does a Risk Manager Do?

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What is special about risk management in the public sector?

Well, this article will provide answers to that question. First, it is important to understand that the managing of risk in a county operation is very distinct, and that universal loss exposures exist in virtually all counties to some degree (depending on the size and scope of operations). The risk manager and county officials need to identify those inherent risks (Risk Identification), implement preventive measures to control/mitigate risks (Risk Control) and understand that losses will occur; then, determine the best way to finance those losses (Risk Financing). What follows is a review of how risk managers implement those activities.

Unique risks of county government

As mentioned earlier, there are unique and distinctive operational realities within county government. It is important the risk manager understands the organizational objectives, organizational structure, financial management system, managerial/employee accountability systems and the political environment of the county, which of course is ever changing! Public administration differs from general management of a typical business in that it must provide essential government functions while meeting special legal requirements and what's best for the constituency it represents. This means that, unlike the private sector, counties cannot just decide not to provide a service because it is risky. State or federal law may prevent that. In those cases, the task becomes to determine how to best provide the service, with the funding available, with the least amount of risk to the county, county staff, and the clients being served.

Identifying Risks

Given this background, let's explore what effective risk managers do. First and foremost, risk managers must engage all levels of employees on a daily basis. This ranges from elected and appointed officials to entry level employees. The more interactive worksite discussions the risk manager has, the better. Sitting behind their desk is not the best way to manage risk within counties. This transfer of knowledge is the best way for a risk manager to identify the risks being assumed by the county.

The effective risk manager is constantly identifying and analyzing those exposures that have a potential for loss within the county. All possible losses can be categorized through the experience and understanding of the operations. However, it is not a perfect system in that counties' interactions are with people and there can be that unknown, unexpected element which is sometimes difficult to gauge.

Working with CCAP's Risk Control staff, risk managers whose counties are members of PCoRP, PCoRP and PELICAN are able to identify risks through the use of surveys/questionnaires, reviewing of loss histories, understanding of financial statements, general records and documents, personal inspections of operations in consultation with outside experts. CCAP's Risk

Control staff are available to assist risk managers in their efforts and can provide advice about selection of outside experts.

Risk managers must consider a range of factors when assessing the risk and effects of loss for each type of property or county activity. All counties, regardless of their size, face potential losses from their operations and administrative functions. Key personnel, net income, and liability losses – workers' compensation or lawsuits resulting from employment practices (allegations of wrongful terminations, sexual harassment, workplace discrimination and more). In addition, risk managers must assist in the development and implementation of policies and procedures related to the operation of vehicles and equipment, and maintaining property, whether owned or leased. Risk managers also provide recommendations related to the collections of taxes, moneys, securities and fees.

Telling the county's story to insurers

One essential aspect of risk identification is the information necessary to complete insurance coverage applications. This is the development of a database of the county's exposures: property, vehicles, number of employees, payroll and much more. This includes property values and appraisals, contents, vehicle data and values and descriptions of county operations. The risk manager is the one who is responsible for making sure the county's story is told to potential insurers, and the better the facts are, and the details about the risk management program the county has in place, the better the coverage will be. This also impacts the price and the amount of coverage the county will be able to buy. It also ensures the worst case scenario might not happen: when the county is liable for a claim for which it has no insurance coverage. This can happen if the insurer was not told of, for example, a county operation or project, or also if the insurance the county purchased did not include coverage for a specific type of exposure. You don't want to find this out when the claim is filed!

Compliance

Working with the county human resources staff, the county solicitor or appointed legal counsel, the risk manager assists in the development of policies and procedures which ensure the daily performance of regulatory activities mandated by the state and federal government.

Counties have a distinctive legal status in that they are protected in state court actions by sovereign immunity. Laws commonly known as tort claim acts limit the degree of monetary liability for injuries and property damage. The activities of risk managers in the timely and accurate collection of incident reports and evidence related to same will aid in the defense of counties in both federal state courts.

Caution needs to be taken to understand that governmental immunity only protects the county from certain allegations, and is not absolute in terms of costs. In state court the limit of liability is \$500,000 but in federal court there are no immunities and no limits of liability.

Risk Control

After identifying potential losses, the risk manager develops and initiates risk control activities that are the most efficient and appropriate for their county. In most counties, the amount of money available to spend on losses is limited, so the implementation of effective risk control activities is the most effective way to prevent or minimize costs. Risk managers, working with all levels of staff, develop policies that help reduce costs, are efficient and meet the obligations and demands of the county's constituents. Risk control options include loss prevention and loss reduction, including exposure avoidance, segregation of loss exposures, and contractual transfer.

Risk Financing

Last, as noted earlier, no matter how great the risk management process in place, counties will suffer losses and will need to have in place risk financing options. Risk managers assist in the determination of what and how much money the county will need at various times to finance recovery from accidental losses. This is done in conjunction with county administrators, chief clerks, finance staff and the county's insurance producers. Risk managers provide essential information in forecasting risk financing needs, analyzing legal requirements that govern public risk financing arrangements, determine what risks should be retained or transferred, purchase of insurance policies and bonds that meet special coverage needs and choosing insurers that can best serve the county's risk financing needs.

Employing a risk manager assists counties in meeting both organizational and operational goals. Simply put, effective risk managers "help counties get stuff done safely." They focus on the big picture while assisting departments to meet their daily obligations. And, the positive financial impact risk managers create through their activities is easily quantified and should not be overlooked.

Sample responsibilities in a typical risk manager's job description

- Identify and analyze risks, exposures and hazards to which the county, its employees and/or the general public may be exposed.
- Analyze exposures to determine the potential extent of financial loss, resulting from loss of productive staff, loss of properties, facilities and equipment. Also analyze the potential of legal action against the county and the resulting costs.
- Advise and report to managers, directors and the county commissioners the appropriate methods of avoiding and/or controlling the risk.
- Determine the most effective method of handling each risk and establish or recommend procedures for implementing a comprehensive program mitigate or control the risk.

- Monitor and evaluate losses, provide proper reporting to the insurance companies and maintain communication with insurance company personnel and legal counsel. Communicate with regulatory authorities as may be needed, and maintain open communication with county administration and other staff regarding the loss.
- Maintain all necessary documentation, including insurance policies, documentation of loss, loss runs, etc.
- Oversee and participate in county loss control or safety programs and committees. (Does not need to be the chairperson of each committee).
- Oversee or administer the fleet safety program.
- Develop and/or administer loss control programs that may be necessary for specific hazards or exposures.
- Make recommendations to the commissioners regarding the purchase of insurance, the transfer of risk, the funding of self-insurance (if any).
- Review insurance policies and other legal contracts that may affect liability exposures of the county. Work with the county solicitors and other legal counsel on contracts.
- Administer the reporting of all insurance claims to the appropriate insurance pool, insurance companies, departments and individuals. Administer communication with regulatory authorities as may be necessary. Establish procedures for the submission of accident reports and handling of claims.
- Propose cost-effective risk retention and transfer techniques.
- Design insurance programs that eliminate both overlaps and gaps in coverage.
- Monitor safety inspection and loss control services by producers and insurance companies.
- Provide support as requested by county counsel and insurers to defend third party liability suits.
- Provide ongoing advisory and consulting support to department heads concerning risk exposures

Scope of Responsibilities:

- Property for all County buildings and contents
- Commercial General Liability for all County operations
- Boiler & Machinery (Equipment Breakdown) coverages

- Business Automobile Liability
- Fidelity and Surety Bonds
- Public Officials' liability
- Nursing Home Coverage including Professional
- Health Department Liability
- Public Defender, District Attorney and Solicitor's Professional Liability
- Law Enforcement Liability
- Safety for all county departments
- Loss Prevention programs
- Claims handling including lawsuit coordination