

Risk Management Policy

Section 8

PURPOSE

It is the policy of the City to actively manage the City's human and capital assets in a way that eliminates or at least minimizes liability and loss and maximizes opportunities.

POLICY

The objectives of the City's Risk Management Program are as follows:

- Prevent and minimize injuries to employees and the public.
- Protect the City's capital assets to ensure availability to provide public services.
- Minimize the total cost of risk to the City, including subrogation of third parties.
- Protect the City against financial consequences of catastrophic accidental loss.

The Independent Cities Risk Management Association (ICRMA) assists the HR/RM Department with the oversight of risk management activities and provides advice to the HR/RM Director. Specific areas of responsibility include:

- Review of the City's *Risk Map*, the document which outlines the severity and frequency of losses (real and potential).
- Review the *Risk Management Work Plan* to reduce exposures and to mitigate risks as identified through the City's *Risk Map*.
- Review the *Risk Financing Plan* to address the financial impact of risks.
- Make recommendations to the City Manager and City Council regarding citywide risk management activities.

Pool Membership: Elected Representative as well as Primary Alternate (HR/RM Director) and Alternate (HR/Risk Manager).

Staff Representation: HR/RM Director and/or HR/Risk Manager.

Risk Management Responsibilities:

- Ensure the achievement of the City's risk management objectives.
- Develop *Risk Map*
- Develop and implement the annual *Risk Management Work Plan*
- Develop and implement the *Risk Financing Plan*
- Staff ICRMA meetings
- Assist departments, employees, and managers to implement loss control programs.
- Provide reports to ICRMA to assess the progress of meeting risk management objectives.
- Meet with departments to keep them informed of the cost of risk, trends and root causes of loss.

HR/RM Department's Responsibilities:

The most important factor in mitigating risks is to identify and work with risk owners to reduce risks and liabilities, and safeguard City's assets. There are generally three (3) levels of risk owners:

- First - Employees who may suffer injuries or cause liabilities while working;
- Second - Supervisors who ensure that their employees follow safety procedures; and
- Third - Department Directors who create a culture of safety and reduced liability, and instill accountability.

As risk owners, departments play an integral role in mitigating risks as illustrated by the following responsibilities:

- Implement Safety Committee
- Implement the *Injury Illness Prevention Plan*
- Implement specific loss control and liability reduction program as developed between Risk Management and departments.
- Reduce worker’s compensation claims as specified by the annual *Actuarial Study*.
- Provide insurance certification to Risk Management in a timely manner.

RISK MANAGEMENT PROGRAM MEASUREMENT

The measures of how successful Risk Management is in meeting its objectives are presented on both a citywide basis and by department, where applicable, as follows:

OBJECTIVE:

Prevent or minimize injuries to employees and the public

Protect City’s capital assets to ensure public service capabilities

Minimize the total cost of risk to the City

Protect the City against financial consequences of catastrophic accidental loss

PERFORMANCE MEASURES:

- Number of worker’s compensation claims per 100 FTE’s
- Number of liability claims per 1,000 population
- Total and average dollar loss per \$1,000 of total insured value
- Total cost of risk as a percentage of total City’s budget
- Total workers’ compensation cost
- Average incurred worker’s compensation cost per \$100 of payroll
- Total liability cost
- Average general liability cost per 1,000 population
- Total and average insurance premium per \$1,000 of total insured value
- Number of catastrophic accidental losses suffered by the City (losses that accost more than \$1M per loss)
- Total dollar amount of catastrophic losses

OPERATIONAL PROCEDURES – HR/RM RISK PROCEDURES

Risk Identification

This process involves estimating which future events might prevent the achievement of risk management objectives or enhance the prospects of success. This includes trying to determine where, when, why, and how such events might occur.

Risk Assessment Evaluation

Risk Assessment/Evaluation is the process by which the City determines which risks are more critical than others, and therefore, need to be addressed first. A review of historical loss data and projection of future losses should be included in this step. This work should result in a creation of a *Risk Map* for the City. The *Risk Map* identifies major risks, their frequency, and their severity (cumulative cost).

Risk Mitigation

Risk Mitigation is the development of a plan to reduce risks and uncertainties. A *Risk Mitigation Plan* needs to identify risk owners to establish accountability for reducing risks. Risk owners include the employees who perform the work, supervisors who ensure

employees followed safety procedures and safe practices, and directors who are responsible for losses and expenditures.

Basic strategies for mitigating risks include:

- Prevention: Modify the activities of the task to lower the probability of loss occurring.
- Reduction: Modify the task to lower the severity of losses when they occur.
- Contractual transfer: Turn the risk activity and/or responsibility for losses over to another party such as vendor/contractor.
- Avoidance: Cease to provide services or conduct an activity considered too risky.

Risk Financing

Risk financing should be a major part of the mitigation plan. These funding strategies could include:

- Retention: Fund losses internally through the City's resources. An appropriate risk retention level for each fund should be established to ensure cost-effective financing of risks.
- Insurance: Transfer the financial risk of losses to an insurer in exchange for a premium.
- Risk Sharing: Pool risks with other entities so that a large loss is shared by all of the pool members
- Other Capital Products: Explore capital products to finance risk such as catastrophic bond and insurance captive.

Risk Monitoring

Regular status and performance reports should be submitted to monitor the progress of the HR/RM Program and the achievement of risk management objectives. Regular meetings should also be held with departments (risk owners) to keep them informed of the progress of the risk management plan and to make changes as necessary.