

RISK MANAGEMENT DISCUSSION





**Board of
Supervisors
November 8,
2011**

RISK MANAGEMENT DEFINED

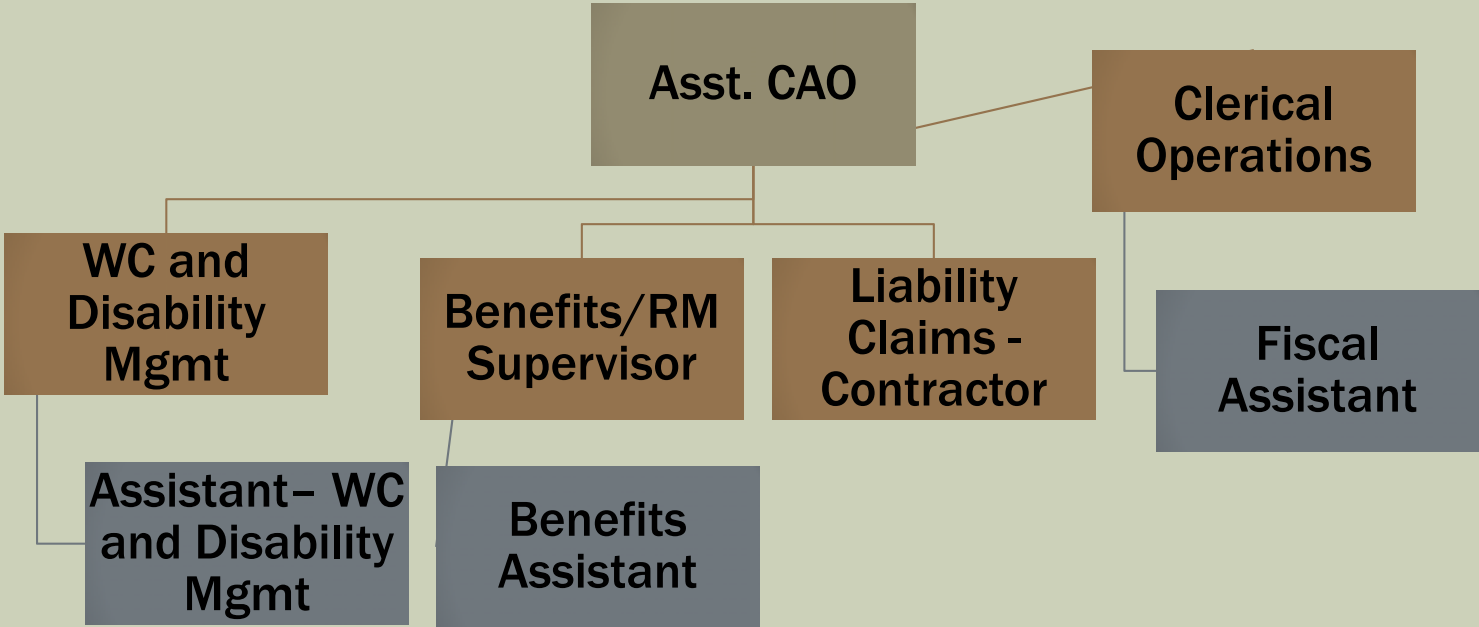
Risk Management is the systematic process of identifying, analyzing, and responding to risks. It includes maximizing the probability and consequences of positive events and minimizing the probability and consequences of adverse events to objectives. A risk management plan defines how an entity will handle risks to achieve that goal.



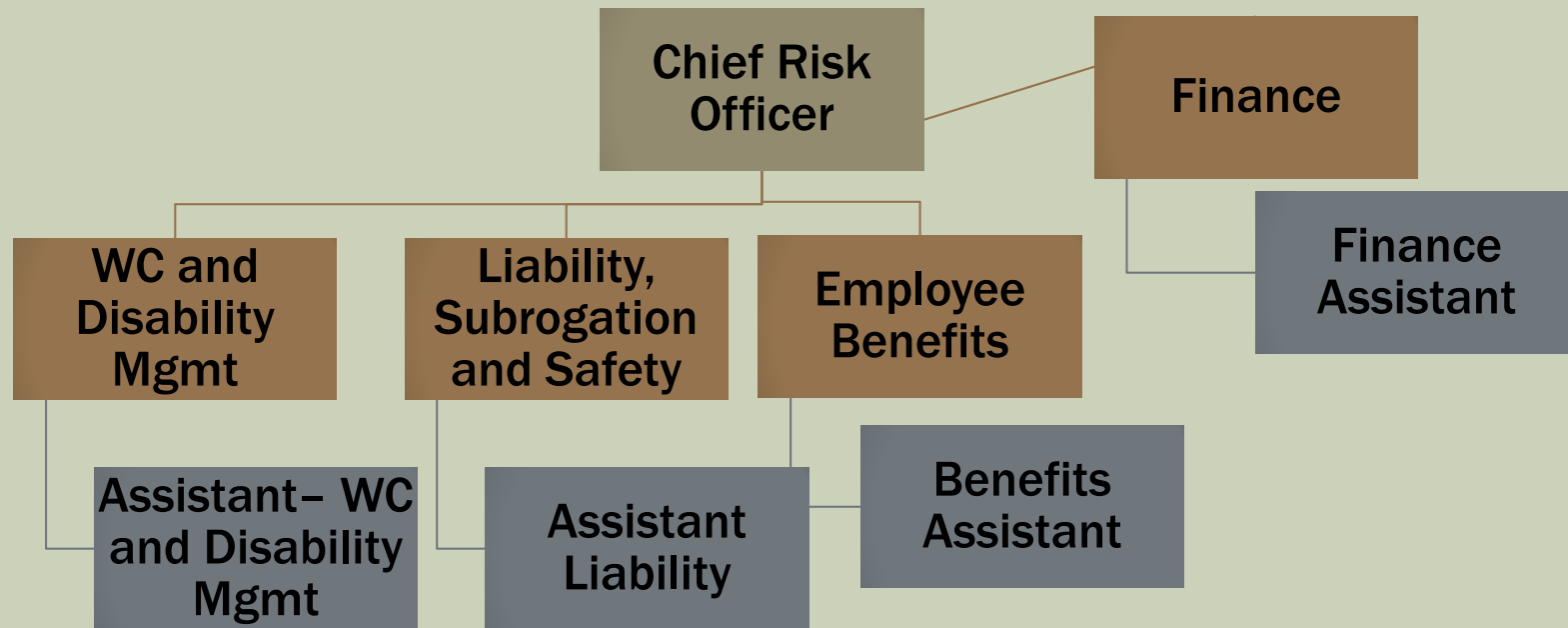
WHAT IS RISK MANAGEMENT'S ROLE?

- Support departments by providing assistance with safely performing their mission and a way of financing the costs of injury and damage that may occur from their activities. 
- Risk Management's ultimate goal is to minimize the costs to the County and promote a positive image to the public and the employees. 
- Risk Management requires on-going monitoring and ability to be flexible in addressing changes in the law and adapt overall.

COUNTY OF EL DORADO RISK MANAGEMENT DIVISION - CURRENT STRUCTURE



COUNTY OF EL DORADO RISK MANAGEMENT DIVISION – FUTURE STRUCTURE



RISK MANAGEMENT RESPONSIBILITY

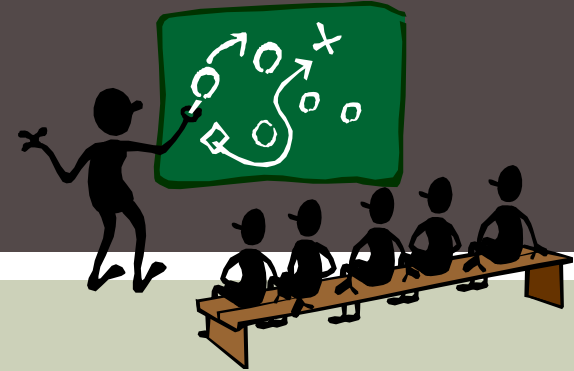
Current Areas

- Liability Claims and Litigation
- Workers Compensation
- Disability Management (Medical Leave, etc.)
- Safety Policies/Training
- Health Information
- Property Claims
- Insurance Policies
- Benefits (Health, Dental, etc.)

Additional Areas Needed

- Safety Training
- Risk Management (review all claims and identify risk reduction)
- Department support regarding risks
- Reduce claim frequency and severity
- Contract Management
- Investigations
- Training – Employment issues, Internal Controls, etc.
- Financial management of risk programs and funds

PRIORITIES



- Safety Training
- Review insurance policies for proper retention levels, coverage, County activities not covered, etc. – Know the Insurance Coverage
- Training – Employment Issues, Internal Controls (financial issues), County policies, Customer Service, Supervisor and Department Heads, etc.
- Cost Allocation Plan Revisions – Separate Property from Liability, Health Operations and Airport Operations from Liability, etc.
- Restructure Risk Management functions and centralize information and functions
- Provide training to Risk Management staff to enhance their skills and ability to assist departments with solving problems
- Streamline liability claim processes and capture all costs for the program plus ensure claims are assigned to the appropriate policies. Other insurance coverage is involved in liability (medical malpractice, airports, watercraft, aircraft, etc.)

RISK CHART

LIKELIHOOD	High	yellow	red	red
	Med	green	yellow	red
	Low	green	green	yellow
		Low	Med	High
		C O N S E Q U E N C E		

RISK CHART PRIORITIES

The County needs to focus on the red and yellow areas, which involves high frequency and high severity to medium frequency and medium severity.

Risk Management working with the departments needs to identify the County's high risk areas, such as employment issues, and address the risks through avoidance, transference, mitigation, and acceptance. The County needs to address risk across the enterprise (County operations) and develop the appropriate plan.



RISK MANAGEMENT OPTIONS

- **Avoidance** – Risk avoidance entails changing the department plan to eliminate the risk or condition or to protect the department’s objectives from its impact.
- **Transference** – Risk transference is seeking to shift the consequence of a risk to a third party together with ownership of the response. Transferring the risk simply gives another party responsibility for its management; it does not eliminate it.



RISK MANAGEMENT OPTIONS (CON'T.)

- Mitigation – Risk mitigation seeks to reduce the probability and/or consequences of an adverse risk event to an acceptable threshold. Taking early action to reduce the probability of a risk’s occurring or its impact on the project is more effective than trying to repair the consequences after it occurs.
- Acceptance – This technique indicates that the County/department has decided not to change the operation plan to deal with a risk or is unable to identify any other suitable response strategy.



RISK MANAGEMENT PROCESS

- Identify the problem
- Develop solutions to resolve the problem
- Select the best solution
- Implement the solution
- Measure and evaluate solution effectiveness (adjust if necessary)



RISK MANAGEMENT NOW

- Hardworking employees
- Reactive not proactive
- Not evaluating claims to implement a frequency/severity reduction to lower costs
- Decentralized
- Segregated operations (silos)
- Employees lack necessary skill sets, understanding role and support
- Lacks flexibility, understanding of department needs or operations



FUTURE RISK MANAGEMENT

- Proactive and responsive
- Review claims, identify trends, and implement program to reduce losses
- Resource for departments (problem solving)
- Lower costs through managing contracts and programs instead of contracts managing us



NEXT STEPS



- Establish Risk Management Policy
- Update Injury and Illness Prevention Program (Safety programs)
- Establish Risk Management Team to review County operations and develop risk management plan
- Improve communication with departments and employees
- Review each Risk Management function and make improvements
- Revise Cost Allocation Plan to reflect current operations and loss trends ensuring departments are aware of exposures (payroll) and experience (claims) impacts

RECOMMENDATION

Request Board of Supervisors direct staff to return with an update in 3 months.