

# Insurance & Risk Management for Today's Public Sector

WGFOA Fall Conference 2012

*Presented By:*

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# Who is Horton?

- Property & Casualty Experts
- Independent Insurance Broker (Private Sector)
- Independent Consultant (Public Sector)
  - Not exclusively connected to any of the insurers you work with.
  - Have access to broad array of insurers.
  - Typically, we are hired by Public Sector to:
    - Identify risks and corresponding improvement strategy
    - Identify opportunities for cost savings
    - Analyze current coverage and potential coverage alternatives
    - Conduct RFPs for traditional insurance placement and risk management services

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# The Survey

- You were all sent a Risk Identification Survey in July 2012.
- Survey asked you to simply “Identify the 5 largest threats to your organization and rank their likelihood of occurring and their possible impact on your organization” using 1-5 scale.
- 23 of you participated by completing the survey
  - Total of 94 individual responses/data points
  - Wide variety of answers

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# The Survey

## Risk Identification Questionnaire

- 1 Describe **Threat #1** (as specifically as possible).

*General categories of risk to consider may include (but are not limited to): Property, Liability, Personnel, and Financial threats*

- 2 Estimate the **frequency** of the loss (how often it is likely to happen).

1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
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Frequency (How Often)

- 3 Estimate the **severity** of the loss (how impactful it would be).

1 Insignificant	2 Minor	3 Moderate	4 Major	5 Severe
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Severity (impact)



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# Why Important for WGFOA

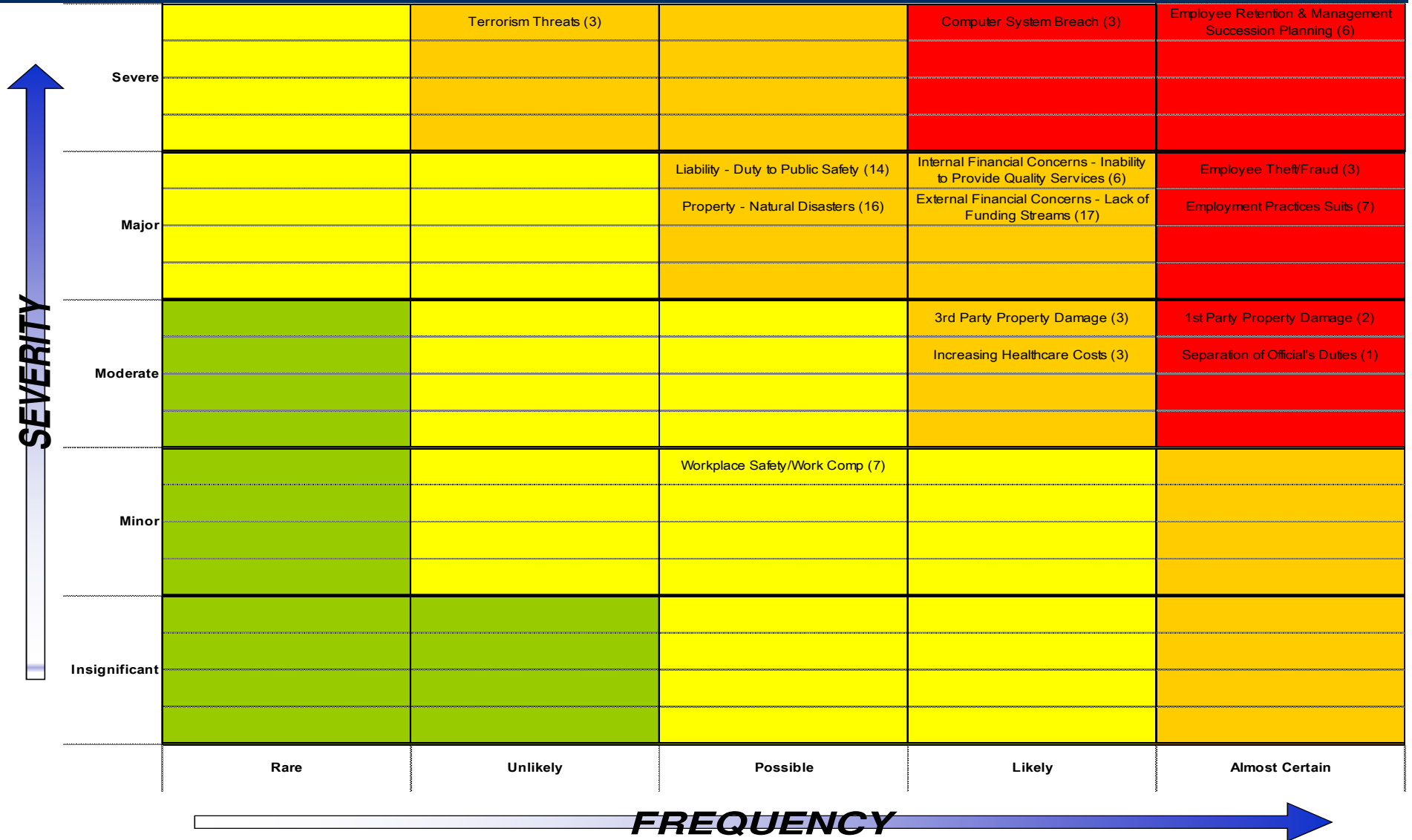
- You are all responsible for costs incurred by your entities.
- Awareness of these issues is critical to your job and ability to ultimately drive down costs.
- In addition to cost, these issues have significant impact on the ability of your entities to sustain high level service offerings and serve the public.

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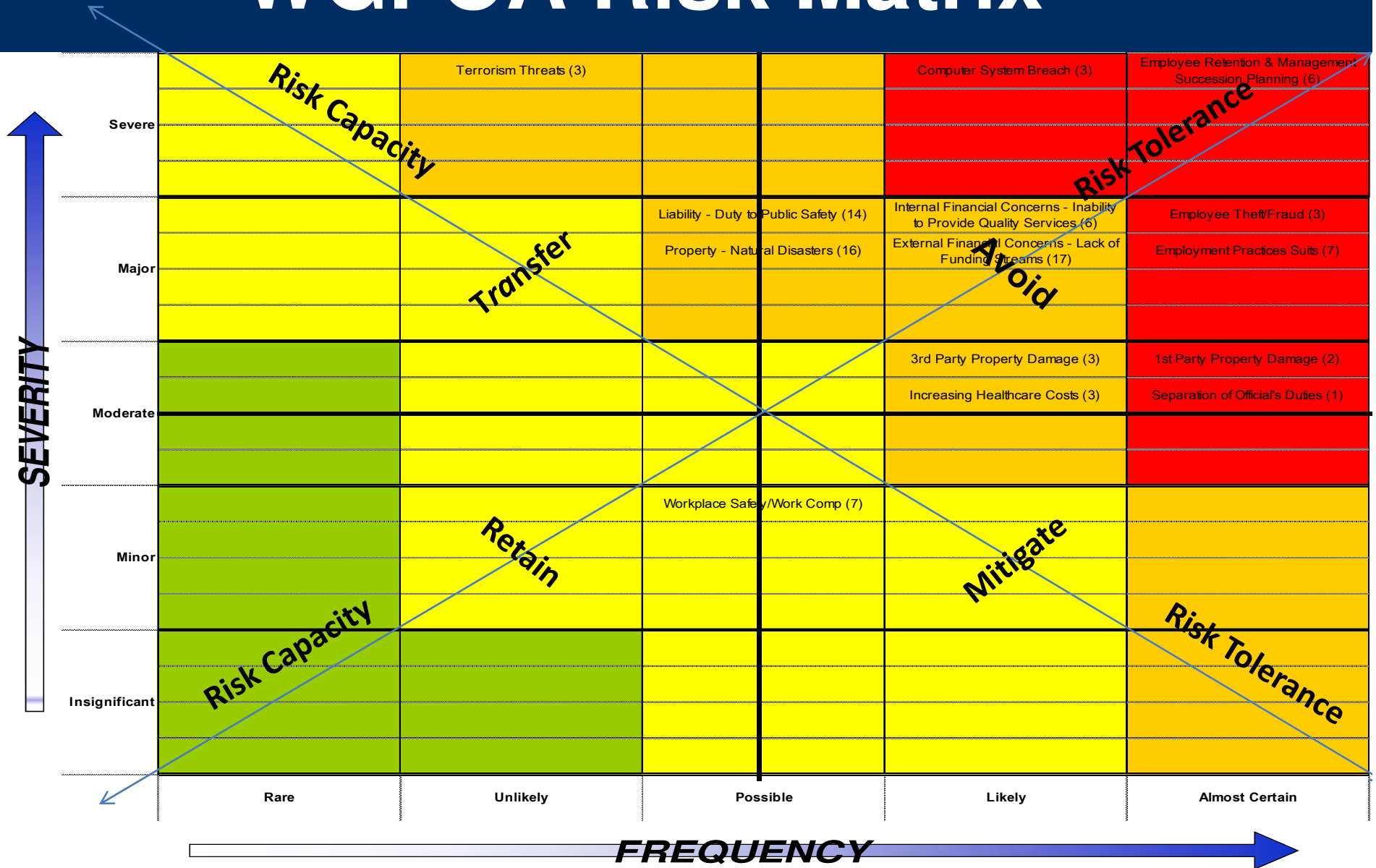
# WGFOA Risk Matrix



# What Do We Do With Data?

- Prioritize results based on potential frequency & severity.
- Use 1 of 4 Risk Management techniques to manage each threat.
  - Avoid
  - Transfer
  - Retain
  - Mitigate

# WGFOA Risk Matrix





# Employee Retention & Management Succession Planning (6)

- Avoid – No employees (Impractical)
- Transfer – Difficult to relinquish / some consultant assistance possible
- Retain – Wellness program / Wage Evaluation / Length of Service incentives / Career Pathing / Succession Planning
- Mitigate – Recruiting and hiring practices

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# Employee Theft/Fraud (3)

- Avoid – No employees (Impractical)
- Transfer – Purchase insurance and/or bonds
- Retain – Through deductible / assume the risk
- Mitigate – Controls over cash, checks & accounts, including CPA review of controls / system of checks & balances / inventory access logs & audits



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# Employment Practices Suits (7)

- Avoid – Hire all Temps or join a PEO
- Transfer – purchase EPLI insurance
- Retain – through deductible/ assume the risk
- Mitigate – Provide or mandate training for supervisory level and all employees / set clear expectations in employee handbook on behavior and remedy protocol

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# Computer System Breach (3)

- Avoid – No computers or internet presence (Impractical)
- Transfer – Purchase insurance (cyber liability)/ contractual risk transfer w/outside contractor
- Retain – through deductible / assume the risk
- Mitigate – Strong IT dept or outside consulting/ evaluation & risk control

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# 1<sup>st</sup> Party Property Damage (2)

- Avoid – Don't own property/equipment (Impractical)
- Transfer – Purchase insurance / transfer ownership or responsibility
- Retain – Through deductible
- Mitigate – Loss Prevention / COPE Information



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# Separation of Official's Duties (1)

- Avoid – No one individual with too much control
- Transfer – Limited options?
- Retain – Status quo
- Mitigate – Increase support staff / delegation / multiple people doing job



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# Internal Financial Concerns – Inability to Provide Quality Services (6)

- Avoid – Not an option
- Transfer – Some subcontracting or consulting possible?
- Retain – Status quo
- Mitigate – Situation specific options

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# External Financial Concerns – Lack of Funding Streams (17)

- Avoid – Discontinue services / Increase revenue (limited available or practical options?)
- Transfer – Not an Option?
- Retain – Status quo
- Mitigate – Reduce expenses / explore joint ventures

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# 3<sup>rd</sup> Party Property Damage (3)

- Avoid – Difficult to avoid / could selectively discontinue activities or exposures
- Transfer – Purchase insurance / contractual risk transfer to outside services
- Retain – Partial through deductible or SIR / assume the risk (Not prudent for many entities since insurance cost is relatively inexpensive)
- Mitigate – Risk Control measures (self-help, broker or carrier, other services vendors)

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# Increasing Healthcare Costs (3)

- Avoid – Offer no employee benefits (Impractical for larger entities)
- Transfer – Purchase Insurance (as a single entity or collectively)
- Retain – Self Funding as an alternative to Fully Insured approach
- Mitigate – Wellness & Consumerism behaviors by employees / Expense reduction via plan structure

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# Liability – Duty to Public Safety (14)

- Avoid – Difficult to avoid / could selectively discontinue activities or exposures
- Transfer – Purchase insurance / contractual risk transfer to outside services
- Retain – Partial through deductible or SIR / assume the risk (Not prudent for many entities since insurance cost is relatively inexpensive)
- Mitigate – Risk Control measures (self-help, broker or carrier, other services and/or vendors)

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# Property – Natural Disasters (16)

- Avoid –do not locate property in areas prone to flooding/difficult to avoid all threats
- Transfer – Purchase Insurance for the relevant perils, including the less-common flood/quake offerings / transfer ownership or responsibility for real property
- Retain – Through deductible / Assume the risk (occurs now with some perils like flood/quake, although coverage for most natural perils readily and affordably available)
- Mitigate – Risk Control for loss reduction / good COPE characteristics

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# Terrorism Threats (3)

- Avoid – Not Possible
- Transfer – Purchase Insurance
- Retain – Not prudent as insurance cost is inexpensive
- Mitigate – Risk Control & Loss Prevention measures

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# Workplace Safety/Work Comp (7)

- Avoid – Difficult to avoid without eliminating employees or activities (Impractical for most)
- Transfer – Purchase Insurance
- Retain – Assume the risk / not prudent for many entities as transferring via insurance is cost effective (Even those who self-insure for Work Comp will typically purchase Excess coverage)
- Mitigate – Risk Control & Loss Prevention measures



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# Conclusion

- We hope you now look at managing risk as more than just the purchasing of insurance.
- If any of you would like an analysis done on your respective entity, please give us a call.
- We thank you for the opportunity to speak to the WGFOA group and wish you all a wonderful and profitable 2013.

Any Questions?

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# Questions?

For a more detailed discussion about your individual situation please call:

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