Risk Assessment - An Insurance Perspective

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November 9, 2017
Who We Are

A self-insured pool of 167 local governments

Liability coverage
  Bodily Injury
  Property Damage
  E&O

$40,000,000 coverage per claim

Property and ancillary coverage
What is Risk Management?
“…the process of making and carrying out decisions that will assist in the prevention of adverse events and minimize the effects of those events.”
<table>
<thead>
<tr>
<th><strong>“Old School”</strong></th>
<th><strong>“New School”</strong></th>
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</thead>
<tbody>
<tr>
<td>Insurance focus</td>
<td>Assurance focus</td>
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<tr>
<td>Risk Adverse</td>
<td>Informed risk taking</td>
</tr>
<tr>
<td>It is the risk manager’s job</td>
<td>It is everyone’s job</td>
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<tr>
<td>Narrow focus (silos)</td>
<td>Aligned with organization’s strategy</td>
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<tr>
<td>Considers impacts in isolation</td>
<td>Considers impacts across organization</td>
</tr>
<tr>
<td>Reactive</td>
<td>Proactive</td>
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<tr>
<td>Viewed as separate process</td>
<td>Integral to management process</td>
</tr>
<tr>
<td>Focus on internal controls</td>
<td>Focus on accountability</td>
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<tr>
<td>Undefined roles and responsibilities</td>
<td>Clear roles and responsibilities</td>
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<tr>
<td>No formal risk assessment process</td>
<td>Formal process and tools to assess risk</td>
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</tbody>
</table>
Evolution of Risk Management

Traditional Risk Management

Advanced Risk Management

Enterprise-wide Risk Management

Risk is bad – focus is on transferring risk

Risk is an expense – focus is on reducing cost of risk

Risk is uncertainty – focus is on optimizing risk to achieve goals
Risk = unpredictability
Establish the context
Identify risks
Analyze risks
Evaluate risks
Assess risks
Treat risks
Monitor and Report
Risk Register
Risk Dashboard
Communicate and Consult
Decision Making Process

• Identify
Risk Identification

- Sidewalks
- Sewers
- Roads
- Police
- Drainage
- Watermains
- Parks & Recreation
- Building Inspections
- Administration
- Bylaws
- Facilities
- Fire Services
- Building Development

Number of Records
Public Works Claims

- Roads
- Sidewalk
- Water Systems

Number of Records

- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
Number of Claims with Indemnity Paid

- **Roads**: 2,295 (2.29%)
- **Sidewalk**: 1975 (2.31%)
- **Water System**: 42,695 (4.72%)
Road Claims

Year of Date of Loss

Number of Records

Causes of Claims

- Road Conditions: 29,728
- Design: 17,003
- Pothole: 4,657
- Construction: 3,041
- Snow and Ice: 7,584
- Road Hazards: 2,856
- Equipment Failure: 3,743

Number of Records
Decision Making Process

• Identify
• Assess
How would you assess these risks?

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Control</th>
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<tbody>
<tr>
<td>DEFINITE</td>
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<tr>
<td>MODERATE</td>
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<tr>
<td>SLIGHT</td>
<td></td>
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<tr>
<td>ALMOST NIL</td>
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</table>

<table>
<thead>
<tr>
<th>SLIGHT</th>
<th>SIGNIFICANT</th>
<th>SEVERE</th>
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<tr>
<td>Likelihood Category</td>
<td>% Range</td>
<td>Description</td>
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<td>---------------------</td>
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</table>
| Almost Certain      | ≥ 90%   | - Is expected to occur in the next 3 years unless circumstances change  
|                     |         | - Could occur within days to months |
| Likely              | ≥ 70% - <90% | - Will probably occur within the next 3 years in most circumstances  
|                     |         | - Could occur within months to years |
| Possible            | ≥ 25% - <70% | - Might occur in next 3 years under current circumstances but a distinct possibility that it won’t occur  
|                     |         | - Could occur within the next 3-5 years |
| Unlikely            | >10% - <25% | - Could occur if circumstances change but not anticipated in the next 3 years  
|                     |         | - Could occur in 5-10 years |
| Rare                | ≤ 10%   | - May occur in the next 3 years only in exceptional circumstances  
<p>|                     |         | - Exceptionally unlikely even in the long-term future |</p>
<table>
<thead>
<tr>
<th>Category</th>
<th>Insignificant</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Catastrophic</th>
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<tbody>
<tr>
<td>Financial</td>
<td>The NET financial impact to the LG is likely to be less than 0.5% of the annual operating budget.</td>
<td>The NET financial impact to the LG is likely to be between 0.5% - 2% of the annual operating budget.</td>
<td>The NET financial impact to the LG is likely to be between 2% - 10% of the annual operating budget.</td>
<td>The NET financial impact to the LG is likely to be between 10% - 50% of the annual operating budget.</td>
<td>The NET financial impact to the LG is likely to be greater than 50% of the annual operating budget.</td>
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<tr>
<td>People</td>
<td>Single or multiple staff unable to perform work for one day. Injury requiring no medical treatment.</td>
<td>Single or multiple staff unable to perform work for a period of one week. Minor injury requiring first aid only.</td>
<td>One staff member with serious long-term injury / illness connected with to the LG endeavours. Limited low morale among staff. Injury requiring hospitalisation to one or more persons.</td>
<td>Multiple staff with serious long-term injury / illness connected with to the LG endeavours. Low morale among most staff. Serious injury to one or more persons resulting in a permanent disability.</td>
<td>Substantial permanent loss of to the LG staff resources. Deaths.</td>
</tr>
</tbody>
</table>
Decision Making Process

• Identify
• Assess
• Examine
• Select
Decision Making Process

• Identify
• Assess
• Examine
• Select
• Implement
• Monitor
Find the Right Balance