The Importance of **Risk Management**

A School Administrator’s View

Today's business environment is constantly changing, creating a dynamic set of business and financial risks that are difficult to identify or quantify. At the same time, these risks are changing. Organizations are often losing the internal resources required to manage them. As a result, school administrators must increasingly seek innovative ways to manage the challenges posed by ever-changing risks.

School administrators and risk managers have discussed universal approaches to assessing risk. Their concerns center on how to manage the entire spectrum of risk.

- Emphasis on a desire to ensure continuity of service within budgetary constraints.
- Concern about risks that could harm a district’s personnel, property or environment.
- Need to ensure districts have analyzed and managed risks with serious financial consequences.
- Desire to confirm available risk management measures are being considered from a cost-benefit standpoint and that the total cost of risk would be reduced as a result.
- Need to make sure unexpected events receiving public attention don’t create unfavorable outcomes.
The primary objective of an effective risk management program is to eliminate or adequately control risks and ultimately reduce accidents. It outlines techniques and procedures that are imperative for the protection of any district’s greatest asset — its people.

At the same time, there needs to be awareness of the direct costs of accidents — those reflected in insurance premiums. We must be fully aware of the adverse effect that indirect or hidden costs of accidents can have on efforts to provide education. Such costs, unrecognized and uncontrolled, can mean the difference between success and failure. Working together we can positively influence the employee safety and health process.

**What is Risk?**

Risk is a measure of the probability and severity of adverse effects. In other words, can it happen? How often can it happen? What are the consequences if it does happen?

**Risk Assessment**

A successful risk assessment allows a district to make short- and long-range plans to reduce or eliminate any risk it chooses to assume, thereby enabling them to better develop contingency plans and improve hazard control programs.

**Benefits:**

- Identifying risks and estimating the total risk to which an organization is exposed.
- Evaluating risk control and risk financing strategies, and using cost-benefit analysis to help select the most effective strategies.
- Protecting a district from losses that would have serious impact on its well-being.
- Applying resources more effectively to various risk avoidance, transfer, control or financing options.
- Evaluating residual risks to be retained, in terms of type and magnitude.
- Improving communication within the district on vital risk and hazard control issues.

**Risk Management Methodology**

- **Risk Categorization** — develops a broad, organized review of potential risk categories.
- **Risk Identification** — defines specific risks and quantifies their probability and consequences.
- **Risk Analysis** — identifies risks whose consequences would be unacceptable and those requiring further study.
- **Risk Resolution** — determines resources to reduce risks and appropriate risk transfer points.

**Insurance Risk Categories**

- Automobile Liability
- General Liability
- Professional Liability
- Product Liability
- Directors’ and Officers’ Liability
- Environmental Impairment
- Workers’ Compensation
- Crime
- Fire
- Business Interruption
- Inland Marine