RISK MANAGEMENT
BRIEF

MARYLAND ASSOCIATION OF BOARDS OF EDUCATION
INSURANCE PROGRAMS

INTRODUCTION

In 45 minutes we'll discuss what Enterprise Risk Management (ERM) should mean to a school system, how to guide staff in implementing a plan and who should be involved.

We'll discuss how to determine your Maturity Level, how to Assess Risks and develop a Risk Register among other topics.

BACKGROUND

- Risk Management = Decision Making – Goal is to Move Subjective data closer to Objective data.
- Traditional Insurance = Dealt with Pure Risk - Buying insurance, avoiding risks

DEFINITIONS

- **Risk** is "The effect of Uncertainty on Objectives" - ISO 31000 -
- **ERM** - "Enterprise risk management is a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio" - Risk Management Society –
- **Risk Appetite** – How much risk does the Board want to take in pursuit of objectives?
- **Risk Tolerance** – What is the Board willing to lose to reach a certain return on investment?

TYPES OF BOARDS - An organization needs to be able to embrace risk to grow.

- Explorer? – RM is about Insurance and Claims
- Visionary? – We're expanding our RM Program
- Innovator? – ERM implemented and embraced

- Risk Culture - Boards should establish Appetite and Tolerance levels

ERM – ENTERPRISE RISK MANAGEMENT –

- 2004 – COSO Integrated Framework
- 2009 and 2011 – ISO 31000 - Risk Management Principles and Guidelines -
- 2009 – ISO 31010 - Risk Assessment Techniques
- 2009 – ISO Guide 73 - Vocabulary for Risk Management
- 2013 – ISO 31004 - Guidance for the Implementation of ISO 31000

SUPPORTING ORGANIZATIONS

- Risk Management Society (RIMS) - https://www.rims.org/
- Public Risk Management Association (PRIMA) - http://www.primacentral.org/
- The Institute Internal Auditors (IIA) – https://na.theiia.org/
- The Institutes – https://www.theinstitutes.org/
- Committee of Sponsoring Organizations of the Treadway Commission (COSO) – www.coso.org
- International Standards Organization (ISO) - http://www.iso.org/iso/home/standards/iso31000.htm

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IMPORTANCE OF A FRAMEWORK

1. **PRINCIPLES – (Framework should be based on these)**
   - Creates Value
   - Integral Part of Organizational Processes
   - Part of Decision making
   - Explicitly Addresses Uncertainty
   - Systematic, Structured and Timely
   - Based on Best Available Information
   - Tailored
   - Takes Human and Cultural Factors into Account
   - Transparent and Inclusive
   - Dynamic, Iterative and Responsive to Change
   - Facilitates Continual Improvement and Enhancement of the Organization

2. **FRAMEWORK – Plan-Do-Check-Act Cycle**
   - Mandate and Commitment is Critical for a Board
   - Identifies Risk Owners and Establishes Accountability
   - Design the Framework for Managing Risk
     - Establishes Key Performance Indicators (KPI's) - Measures historically how well something is being done (trailing)
     - Establishes Key Risk Indicators (KRI's) – Measure of a risks increasing exposure (leading)
   - Implement Risk Management
   - Monitor and Review the Framework
   - Continually Improve the Framework

3. **PROCESS**

   Establish the Context:

   Risk Assessment Includes (Continually Monitor, Review, Communicate and Consult):
   - Risk Identification - Risk Analysis - Risk Evaluation - Risk Treatment

RISK REGISTER

- Rank Identified Risks by
  - Likelihood – on a scale of rare to almost certain
  - Consequence – Impact on People, Property, Reputation, Economic, Capability, Information
- Plot them on a Matrix

RISK MATURITY – Perform a Gap Analysis

- **RIMS** - http://rims.logicmanager.com/LogicERM/index.html?param=258ACDE257
- **Determines one of the 5 Levels of Maturity**: Ad-Hoc, Initial, Repeatable, Managed, Leadership
- **7 Attributes:** Key Elements that Comprise a Strong Risk Management Competency.
- **25 Competency Drivers**: Designed to identify characteristics of effective ERM.
- **68 Key Readiness Indicators**: