THE RISK MANAGEMENT PROCESS

STEP 1
EXPOSURE IDENTIFICATION
THROUGH USE OF:
CHECKLISTS AND QUESTIONNAIRES
INTERVIEWS WITH PERSONNEL
INSPECTIONS
FLOWCHARTS
FINANCIAL STATEMENTS
LOSS HISTORY
CONTRACT ANALYSIS

STEP 2
EXAMINATION OF ALTERNATIVE RISK MANAGEMENT TECHNIQUES
RISK CONTROL TECHNIQUES
AVOIDANCE
LOSS PREVENTION
LOSS REDUCTION
SEGREGATION OF EXPOSURE
CONTRACTUAL TRANSFER CAPTIVES
(e.g., leases)
RISK FINANCING TECHNIQUES
RETENTION
DEDUCTIBLES
SPECIAL RATING PLANS
SELF-INSURANCE PLANS
TRANSFER
CONTRACTUAL TRANSFER
(e.g. hold harmless)
COMMERCIAL INSURANCE

STEP 3
SELECTION OF RISK MANAGEMENT TECHNIQUES BASED UPON:
POTENTIAL LOSS SEVERITY
PERIODIC LOSS FREQUENCY
EFFECTIVENESS OF RISK MANAGEMENT TECHNIQUES
COST OF RISK MANAGEMENT TECHNIQUES

STEP 4
IMPLEMENTATION OF THE CHOSEN RISK MANAGEMENT TECHNIQUES INCLUDING:
ESTABLISHMENT OF INTERNAL SYSTEMS
NEGOTIATIONS WITH AGENTS, INSURERS AND SERVICE PROVIDERS
DEVELOPMENT OF ADMINISTRATIVE SYSTEMS

STEP 5
MONITORING THE RISK MANAGEMENT PROGRAM FOR CHANGE
ONGOING MANAGEMENT
DAY-TO-DAY ADMINISTRATION
PERIODIC EVALUATION OF THE SERVICE PROVIDER
PERIODIC EVALUATION OF RISK MANAGEMENT TECHNIQUES
THE RISK MANAGEMENT PROCESS

WHAT IS INVOLVED IN ACCOMPLISHING THE MISSION

WHAT ARE THE HAZARDS ASSOCIATED WITH THE ELEMENTS REQUIRED FOR MISSION ACCOMPLISHMENT

MISHAP SEVERITY
HOW SEVERE ARE THE HAZARDS

MISHAP PROBABILITY
WHAT IS THE PROBABILITY OF A MISHAP OCCURRING

MISSION EXPOSURE
WHAT IS THE UNIT'S EXPOSURE TO A MISHAP

WHAT IS THE LEVEL OF RISK

IS THIS LEVEL OF RISK ACCEPTABLE

YES
REQUEST WAIVER OR DEVIATION IF REQUIRED

NO

FEEDBACK

ELIMINATE OR REDUCE RISK

MODIFY SYSTEM

USE ALTERNATE SYSTEM

CANCEL OPERATION