While there are a number of principles that are universal regardless of whether the organization is a private enterprise or provides governmental services, there is no question that public entities provide the insurance and risk management professional substantial unique concerns. As a number of individuals making the move from the private sector to public have said, public entities are just, well, … “different.”

From the obvious political challenges and constant scrutiny by the voting public, to the unique exposures provided by law enforcement, correctional facilities, right-of-way hazards, recreation leagues, planning and zoning restrictions and other primarily governmental functions, public entities demand a diligence with regard to understanding their unique position within the insurance marketplace. Further, the dramatic growth of the public risk management discipline over the past 25 years suggests that most public entities will expect, if not demand, effective risk identification and risk analysis services from the public sector risk manager as opposed to simply being a “compliance officer” or “insurance manager.”

POLITICAL ENVIRONMENT

With the vast majority of public entity decision-makers subject to the ballot box, this represents the most easily identifiable concern that must be dealt with from a risk perspective. The possibility of routine turnover of elected officials and therefore the need for almost continuous “re-education” of elected officials and appointed staff means that the risk manager must structure his or her service effort in a simple format that can be easily duplicated from one decision-maker to the next. Additionally, there are other local political considerations and connections that must be evaluated, such as long-term relationships with consultants, financial advisors and even other insurance professionals. These political challenges and concerns require a diligence in the way the risk manager stays connected to the public entity leadership and discerns the local political environment.

RISK IDENTIFICATION

Identification of exposures is a primary area where an effective risk professional can really be of significant initial (and on-going) benefit to a public entity and prove his or her worth with the decision-makers. All too frequently, public entity staff is so familiar with the nuances of the risks arising from the services they are providing, these risks are not adequately evaluated nor managed… and many times not even noticed. Having a fresh set of eyes to examine the operation and assist the entity with development of tools needed to keep up with all they have and all they do, is invaluable to the governmental unit. From time to time, one will hear a staff member of a public entity say, “Well, what we do is what we do,” and the familiarity of the routine will lead to risk exposures that go unaddressed. Many public entities fall into the trap that because the essential elements of the public services they provide (for example, police services, parks, sewer utilities, etc.) have not changed significantly in decades, they do not remain diligent in evaluating the risks that may arise from changing technology, a more litigious society or simply differing cultural values. A surface examination of items such as the agenda and previous meeting minutes of the governing board, the entity’s annual budget, financial statements, capital asset lists, loss history reports and any number of other official statements can indicate exposure areas where funds are being allocated and operations are being funded.
Another vital area where a risk manager can prove invaluable is in being a catalyst for constructive change. Many public organizations fall into a mindset of “that’s the way we’ve always done things,” which can lead to unidentified risk exposures or worse, a failure to realize that what was done in the past is not working. The entity may need to change the way it views and addresses problem areas and other risk exposures.

**RISK LEADERSHIP**

Even though this may be too elementary to even warrant mentioning, it should be noted that the person who appears to have the decision-making position regarding the implementation of sound risk management methods for the public entity may not always be the person who exhibits and holds the “risk leadership” position within the organization. Or certainly many entities have more than one person that are intricately involved in the success (or lack thereof) of the entity’s risk management efforts.

In a small town, for example, it may appear that the mayor would be the most influential person as it relates to sound professional management efforts when in fact, it could be the city clerk, recorder, finance director, fire chief or other staff member that “gets things done” with regard to best risk practices. In other larger entities, the risk manager likely needs to be the facilitator and internal resource, but in fact it could be the human resources director, the councilperson who serves as chair of the insurance committee or other local official that may have the most influence and impact when programs and practices need to be changed.

In many cases, it could take a significant investment of time to determine the true decision-makers, the staff members who want to make a difference in the safety of co-workers and the general public or those who exhibit passionate risk leadership. But this investment of time can be worth it in helping establish the long-term effectiveness of the risk management efforts of that entity.

**RETENTION OPTIONS**

Once a public entity has a reasonable “handle” on its exposures and has the tools in place to continually identify and analyze their evolving risk issues, the next critical area for an effective risk professional to step in and provide essential expertise is risk retention. Assisting a governmental entity with analyzing its financial strengths and weaknesses and then developing a long-term plan through aggressive risk control measures for retaining more and more of the financial risk through larger deductibles and higher self-funded retentions is an essential element of the public entity’s strategy for a successful risk management effort.

Even in the short term, the entity should be provided with deductible options showing how much they can save in premiums if their risk control efforts effectively prevent and reduce their claims and financial losses. Word of warning, however...increasing retention in the absence of aggressive risk control practices may lead to financial disaster. If the entity is not going to implement and follow risk control best practices in its operations, then increasing the financial retention just to enjoy a temporary savings in premium is simply not a good idea.

**SPECIAL EVENTS, SPECIAL CONCERNS**

Special events tend to provide public entities with unique challenges, whether the events are being coordinated or sponsored by the entity or whether they are simply allowing the event to be held on the entity’s property or right-of-way by third parties.

Far too often, these events contain activities that may be excluded from coverage under the entity’s policies or the third-party organizer of an event has not provided proof of adequate coverage for the special event to protect the interests of the public entity. This is another area where “that’s the way we’ve always done it” can lead to significant uninsured losses for the entity. A well-positioned risk professional will assist with the identification of these special risks and will address their entity’s process for managing the requests by third-parties to conduct events in public facilities and on public property and right-of-way.

**RELATIONSHIP**

The key to constructing a successful partnership within almost any public entity is establishing a mutually beneficial and valued relationship with the decision-makers, the policymakers, functional department heads and the risk leaders of that entity. The risk management professional that seeks to build partnerships within the public entity will successfully accomplish a number of things. These elements include identifying the risk services that a particular entity needs, ensuring these services are provided efficiently and effectively, leading the entity toward more aggressive risk control practices and helping the entity assume greater financial risk retention. Effectively implementing these items will help the public entity control its losses and deliver its services in a manner that is financially responsible and safe for its staff and the general public.

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