

## FOUR COMPONENTS OF EFFECTIVE RISK MANAGEMENT

**Risk management** is the identification, assessment and prioritisation of risks and the subsequent coordinated and economical application of resources to minimise, monitor and control the probability and impact of losses. Effective risk management activities create value and should be an integral part of the decision-making process. How does risk management impact your bottom line?

- Opportunity for better pricing on insurance premiums
- Saves out-of-pocket costs like excess
- Ensures a safe and stable environment for employees, volunteers and customers
- Helps you understand and be prepared for risks before losses occur

**Strategies** for addressing an identified risk typically include two of the following:

### Risk Avoidance

*Can you eliminate a service or activity considered too risky?*

- Eliminate activities that involve risk
- Avoid creating activities that involve risk
- Relatively extreme approach

### Mitigation or Prevention

*What steps can be taken to reduce the likelihood of losses occurring or lessen the impact of losses should they occur?*

- Manage liability by structuring activities and programmes in ways that reduce or limit institutional risk

## Risk Management

### Risk Transfer

*Can we transfer either the risk or financial consequences of a loss to another party?*

- Insurance policies
- Indemnification agreements
- Releases and waivers

### Risk Retention

*Accept the risk as it is – some risk is inherent in the activities of operation.*

- Self-insurance
- Excess costs
- Deciding not to purchase an insurance policy for a specific exposure

The insurance professionals at **Crendon Insurance Brokers** have a variety of resources to help you build an effective risk management programme.