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TECHNICAL BULLETIN

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THE UNIVERSITY OF TENNESSEE
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SURVEY SHOWS RISK MANAGEMENT STUDY VALUE

By M. Michael Tallent
MTAS Municipal Management Consultant

Edward A. Lehan describes "risk management" as a means of preventing and reducing a jurisdiction's exposure to the risks of accidental loss of its assets. For municipalities who continually strive to develop and utilize cost-saving techniques, risk management is a field that should be given consideration.

To implement a risk management program, a municipality must establish the objectives of the program, identify risks, evaluate those risks, and determine the appropriate techniques for managing each risk. To assist municipalities in Tennessee with implementation of a risk management program, the Municipal Technical Advisory Service has been conducting "risk management studies" (12 since Fall 1979).

These studies are part of MTAS' service to cities and are available upon request. They are conducted by the Municipal Management Consultant and include:

1. An evaluation of the organization's interest in risk management, and identification of personnel or positions that might serve as "risk manager."
2. An on-site survey of all municipal facilities and operations. Notations of exposures are grouped by function, with recommendations for appropriate corrective action.
3. A review of existing contracts, policies, etc., and notation of exposures, with recommendations for appropriate corrective action.
4. A review and evaluation of the scope and coverage limits of the municipality's current insurance program, with suggested modifications.

In addition to these four basic elements, each study also includes a suggested risk management policy, reporting forms, and other items helpful in establishing a risk management program.

MTAS recently surveyed the municipalities who have received an MTAS risk management study, and 10 of the 12 responded. Some of the findings of that survey are:

- Fifty per cent of the responding municipalities had adopted a risk management policy and had appointed either a full-time or part-time risk manager.
- Seventy per cent had improved existing policies and procedures or had adopted new policies and procedures as a result of the study. Examples of these included:
 1. Established Accident Review Committee.
 2. Instituted tighter purchasing procedures.
 3. Established written mutual aid agreements.
 4. Began using written agreements with municipalities and organizations that use the municipality's facilities.
 5. Began bidding insurance as per specifications established by the municipality.
 6. Improved the inventory control and purchasing systems.
- Ninety per cent either already had a safety program or implemented one as a result of the study.
- Eighty per cent indicated their insurance coverage was improved as a result of the study.
- Ninety per cent either were already securing their insurance through the competitive bid process or began securing their insurance in this manner as a result of the studies.
- Of those municipalities responding, 60 per cent indicated an overall savings on insurance costs as a result of bidding or coverage modifications as suggested in the study. First-year savings ranged from \$2,000 to \$175,000.

In addition to these findings, each of the responding municipalities agreed that the study was beneficial, that it was not detrimental or embarrassing to any municipal official, and each municipality recommended the study to other Tennessee municipalities. Any municipality interested in following the recommendation of these 10 respondents should contact their MTAS Municipal Management Consultant and request a risk management study.

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