

Chapter 13

Risk Management and Self-Insurance Premiums

13.1 AGENCY SELF-INSURANCE PREMIUM DECISION PACKAGES

Risk management is a key strategy for reducing costs and improving outcomes

Risk is defined as anything that poses a potential barrier to an agency achieving its mandated and strategic objectives/goals on time. Risk management refers to the practices an agency uses to manage its risks.

Enterprise Risk Management (ERM) is a coordinated method of performing risk management that considers all risks that affect an agency's goals across all parts of the agency. ERM allows an agency to identify, measure, prioritize, and respond to its risks. This approach can create cost savings and enhance efficiency by identifying resources and linking them to agency goals and action plans. Governor Gregoire has declared ERM to be an agency best practice that should be integrated with all planning, strategic, and decision-making processes. This section of the budget submittal offers a means for agencies to describe their ERM strategies, programs, activities, and needs.

Use maintenance level decision package (9X) for self-insurance premiums

When available, preliminary estimates for self-insurance premium cost changes for 2013-15 will be posted at <http://www.ofm.wa.gov/rmd/budget/default.asp>. Agencies should prepare a maintenance level decision package (9X) requesting this amount.

OFM will update the agency-submitted amounts in the budget in the fall when the self-insurance premium costs are finalized.

An Enterprise Risk Management Update form must be attached to the self-insurance premium decision package

Agencies must complete the Enterprise Risk Management Update form in its entirety and attach it to the 9X – Self Insurance Premium decision package – using the new attachment feature in BDS. The Enterprise Risk Management Update form is available on the OFM forms page at <http://www.ofm.wa.gov/budget/forms.asp>. Some agencies have already completed a similar form, the 2011 Enterprise Risk Management and Safety Update. If available, that update form can be attached instead of the Enterprise Risk Management Update form referenced here.

When completing the Enterprise Risk Management Update form, do not include confidential information related to specific closed/pending claims or lawsuits. Seek advice from agency legal staff if there are questions about confidentiality issues.

In addition to the Enterprise Risk Management Update form, also address the following topics in your decision package narrative (as noted above, do not include confidential information):

- **Past Agency Loss Trends** – Summarize your agency's loss trends over the previous five years. (See "Resources" below.) Include information to address whether the loss trends match the risks your agency has identified.
- **Future Agency Loss Trends** – Summarize your agency's potential future loss trends and explain strategies your agency will use to mitigate/preclude these losses from occurring.

Request other risk management funding separately

Request other extraordinary ERM-related costs (e.g., unexpected costs related to implementing ERM programs, or unexpected costs related to specific risks and their associated treatment plans) in a separate policy-level decision package. Do not include such requests in the Self Insurance Premium decision package (9X).

Resources

- Department of Enterprise Services (DES), Risk Management Division (RMD) can provide a loss history profile of agency losses, including pending claims.
- For additional risk management information and resources, including the Risk Management Division Guidelines for Chapter 13.1 Risk Management and Self-Insurance Premium 2011-13 Budget, visit the RMD website at <http://www.ofm.wa.gov/rmd/budget/default.asp>.
- RMD staff members are available to assist you with interpreting loss trends and developing risk management goals.