

SPOTLIGHT

A publication focusing on loss prevention information from the Risk Management Division of Washington State's Office of Financial Management

RISK MANAGEMENT DIVISION
OFFICE OF FINANCIAL MANAGEMENT

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ENTERPRISE RISK MANAGEMENT: THE SAAM CONNECTION

Pick up a risk management periodical or attend a professional risk organization event, and you are sure to find the hot button topic—enterprise risk management (ERM)—among the offerings.

Risk Management Magazine, a publication of the Risk and Insurance Management Society (RIMS), recently gave ERM sole billing in a "Spotlight on ERM" edition. The dissertation themes in that issue ran the gambit from "Why ERM Matters—and How to Accelerate Progress" to "The Real Value of ERM", "ERM in Motion", and "Scaling the Heights of ERM", just to name a few. ERM even enters the Zen zone in "Zen and 5 Steps to ERM", which borrows an old Zen story theme to make the point that ERM helps us see that sometimes we overlook things because they are simply too obvious.



As chronicled in past *Spotlight* features, ERM traveled down the private sector track some time ago—with its initial focus in the world of finance. Now ERM is steadily gaining steam in the public sector—states, counties, cities, public schools, utility districts, etc. Evidence of that was apparent at the Public Risk Management Association (PRIMA) western conference recently held in Seattle, which devoted an entire afternoon to ERM presentations. One of the presenters—Dorothy Gjerdrum—also featured in a summer 2007 *Spotlight* ERM article, shared examples of public entities implementing ERM. Included on her PowerPoint list along with City of Plano, Texas and Bonneville Power (Portland, OR) was **State of Washington**. Her "emerging ERM list" included NM Association of Counties and a PRIMA ERM Task Force. So, the word is out and State of Washington appears to be on the "ERM map", albeit a continued growing and unfolding effort.

Another sign of ERM growth hovering on the enterprise risk management horizon is a plan to incorporate ERM in "SAAM"—or the *State Administrative and Accounting Manual, specifically chapter 20-Internal Control and Auditing*. The objective for making this change is in synch with basic ERM principles—to focus on identifying and managing risks in order to achieve agency objectives across the enterprise. This initiative will involve the following:

- Collaborative efforts between OFM's Accounting Division (Statewide Accounting Unit) and the Risk Management Division.
- Revisions that reflect general rather than specific policy language changes pertaining to risk assessment and ERM.
- Input from an agency work group consisting of agency fiscal officers, risk managers and internal auditors. Statewide Accounting plans to identify and convene this work group in January 2008.

Watch *Spotlight* for updates. For immediate questions about the proposed ERM changes to SAAM (Internal Control and Auditing), contact *Kim Thompson* at Kim.Thompson@ofm.wa.gov / (360) 664-7776 or *Pat Sanborn* at Patricia.Sanborn@ofm.wa.gov / (360) 664-7680.

Commercial Insurance – How to Report Claims

DURING BUSINESS HOURS (8:00 A.M. TO 5:00 P.M.)

Report to - OFM-Risk Management Division immediately by one of the following:

- Phone: (360) 902-7306
- FAX: (360) 586-1789
- E-Mail: claudia.schmitz@ofm.wa.gov

AFTER BUSINESS HOURS (AGENCY REQUESTS IMMEDIATE RESPONSE FROM THE INSURER)

Report to - Willis (the state's broker of record) as follows:

- Willis Phone Answering Service - (206) 386-7400
- **Notification Protocol** - Indicate that you are with the state of Washington and that you need to reach their claims department.
- **What to Report** - Minimally, include the following details for the initial report of a commercial insured loss, and follow up with additional known information:
 1. Policy number under which the claim would be covered
 2. Date of discovery
 3. Location of the incident
 4. Circumstances of the claim, i.e.: property theft, employee fidelity loss, fire, flood, etc.

OTHER COMMERCIAL INSURANCE REPORTING

- If participating in Accidental Death & Dismemberment policies such as the *Master Day Care, Sports Camp and Athletic policies* - Continue to use the **reporting procedures outlined in policy documents** provided at the time of renewal.



CLAIMS

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Managing Claims: When Haste is Not Waste

Haste makes waste as the saying goes, implies moving too quickly leaves us open to errors. However, haste—defined by *Encarta* as “great speed, especially in situations where time is limited”—may have a more positive spin when applied to claim management.

“Great speed in time-limited situations” aptly captures the expectation and objective of both adjudicators and claimants. This is important to understand because an unnecessary lapse in timely action by anyone involved in the claim process at any stage has the potential to cause negative impact on state resources, whether in staff time or budget cost.

RMD points to past experiences as evidence. An untimely response to a tort claim not only frustrates and angers some claimants, but potentially causes them to consider the need to increase their demand for being “inconvenienced” in cases where a payment for loss is due.

Not responding to an attorney within sixty days can potentially transform a simple claim into a more costly lawsuit for little reason other than the untimely response factor. Why does this occur?

Is your agency prepared for tort claims?



Put yourself in the shoes of any claimant. When you submit your claim/complaint to an entity for damages you feel should be compensated for, you *expect* to be responded to in a reasonable amount of time. You *expect* there is an efficient process in place that promptly receives your claim, reviews and considers its merit, and moves it on for timely action—even if that action is a denial. Especially, you *expect* quick response on a claim that is uncomplicated or is minimal in value for the alleged damage.

Now consider the situation when weeks or months go by with no response or resolution because agency reporting was delayed or fact finding and information gathering is still in progress behind the scenes. This scenario often plays out when agencies delay providing essential information required by RMD adjudicators to make decisions and take the appropriate action to resolve claims.

So, what steps can agencies take to minimize delays that will benefit all parties in the claims process? Here are some tips:

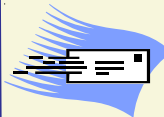
- ▶ Implement a claims management system *before an incident* occurs. Define agency roles and responsibilities and establish procedures for:
 - 1) Incident reporting (tort liability and Loss prevention Review Team purposes)
 - 2) Investigation and fact gathering
 - 3) Report preparation and distribution
 - 4) Coordination and communication with appropriate RMD staff
 - 5) Preserving documents, both electronic and paper.

A similar process should exist for workers' compensation claims and workplace safety.

- ▶ Train ALL applicable staff on what to report, when to report, to whom to report, and how to report (forms and agency policies).
- ▶ Make sure the training stresses the importance of prompt, thorough response and follow-up. Provide examples that help illustrate consequences to agency resources for delayed reporting and response.
- ▶ Monitor/test the system periodically to ensure it continues to work effectively.

RMD strives for excellent service to all those involved in the claims process—claimants, agencies, attorneys—continually monitoring, benchmarking and evaluating claims performance. Agencies are an important and essential partner to achieving continued excellence in the tort claim process.







For more detailed claims management tips, see the Spring 2007 *Spotlight* Claims Corner article, “Is Your Agency Prepared for Tort Claims”. <http://www.ofm.wa.gov/rmd/spotlight/default.asp>



Fast Fact

State of Washington Commercial Insurance Review

OFM - Risk Management Division manages commercial insurance policies for all state property, which totals over \$4,370,900,000* (excluding UW). The following is a breakdown of state property types, values and premiums paid by agencies for this coverage.

Coverage	Value	Premium
 Auto-Physical Damage Only	\$ 3.9 M	\$87,023
 Aviation	\$ 7.2 M	\$290,575
 Boiler and Machinery	\$4.5 M	\$138,455
 Fine Arts	\$24.8 M	\$38,300
 Vessels (Includes ferries)	\$1.25 B	\$4,694,926
 Property	\$3.86 B	\$2,724,019
Total	\$4,370,900,000	\$7,973,298



LOSS PREVENTION SPOTLIGHT

RMD STAFF FOCUS



Steve Smith joined the Risk Management Division (RMD) on August 1, 2007 as a member of the Torts Claims Liaison team. Steve also works half time with Ro Marcus, OFM's Director of Legal Affairs.

Prior to coming to OFM, Steve worked for over twenty five years as an Assistant Attorney General. In his tenure as an AAG, Steve represented a number of state agencies. For the past three years, he worked for the Assistant Director of the Department of Social and Health Services, Aging and Disability Services Administration.

Steve lives in Olympia where he enjoys spending time with his two sons Graeme 17, and Silas 15. Outside of work, Steve likes to travel, backpack, ski, and run.



Sydney Doré joined RMD on October 1, 2007 as a Risk Specialist. As the former Public Records and Loss Prevention Manager for the Economic Services Administration (ESA) of DSHS, Sydney is a familiar face to many in the risk management community. "I feel so lucky as I get to work on a subject that fascinates me, with people I already know and admire," said Ms. Doré

A veteran of over 20 years in DSHS, Sydney worked in many different roles in the agency. She is especially proud of her recent work in ESA, which automated the tracking and routing of public disclosure requests and incident reports. She has trained widely on clear writing, public records, and loss prevention. RMD will "loan" her services back to DSHS for a couple of days in December to assist with the upcoming DSHS Public Records Academy.

Sydney has one son, Blake, a public defender in Vancouver, Washington. Blake grew up in Olympia, where they have lived for many years. Ms. Doré's busy off- work hours include playing the piano, enjoying friends, and reading. She is a frequent volunteer at the Thurston County Dispute Resolution Center, and has also worked with greyhound rescue for many years. She is often seen walking with her longtime exercise buddy, retired greyhound GoScoopGo.



Got Risk Management Training Ideas?

The last quarterly Risk Management Division Forum Training session for 2007 was held in Tumwater on November 15, 2007, with a panel of agency risk managers sharing best practices on implementing enterprise risk management at their respective agencies.

Panel members included **Beth Vandehey**, Washington State Investment Board; **John Milton**, Washington State Department of Transportation; **Carole Mathews**, Department of Labor and Industries; **Paul Mueller**, Western Washington University; **John Nacht**, Employment Security Commission; **Don Sorenson**, Washington State Patrol; and **Dennis Anderson**, Department of Health. **Sydney Dore**, RMD's new risk specialist, donned her former DSHS-Economic Services hat to share ERM best practice experiences at her former agency.

Now the work begins to develop a robust training experience for risk managers in 2008. At a recent Loss Prevention Sub-Committee meeting, RMD asked members to suggest potential risk management training forum topics. Their ideas included:

- Workforce Changes Afoot (re-training, recruiting, replacing, etc.)
- Enterprise Risk Management (ERM)-Performing Risk Assessments
- Public Disclosure
- Records Management (e-discovery)
- Business Continuity
- Conducting Investigations

Are there more topics that should be added to this list? Enlighten RMD on training topics that will advance your risk manager skills in 2008. Contact Jolene Bellows with your ideas or comments at 360-902-7312 or e-mail her at jolene.bellows@ofm.wa.gov.

LEGAL LINKS



Employers are often sued because of poor management practices, not by doing anything unlawful. Here are some tips:

- Take internal complaints seriously
- Follow stated procedures
- Address unsatisfactory job performance early
- Apologize where appropriate and try to resolve the matter as soon as possible

Disclaimer: This is not legal advice and should not be used as legal advice. It is merely a general educational item that may be of use to risk management efforts within state agencies.