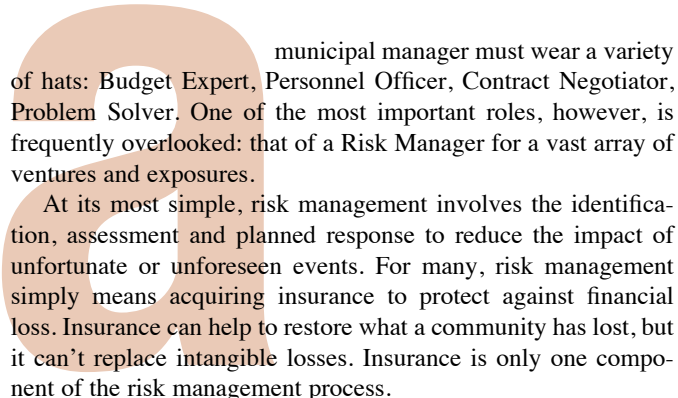


# Anticipating Risk and Planning Response

*By MICHAEL CUSACK*

REAL-LIFE SCENARIOS ILLUSTRATE  
OPPORTUNITIES TO PREVENT LOSS,  
PRESERVE PROPERTY AND  
CONTROL EXPENSES





municipal manager must wear a variety of hats: Budget Expert, Personnel Officer, Contract Negotiator, Problem Solver. One of the most important roles, however, is frequently overlooked: that of a Risk Manager for a vast array of ventures and exposures.

At its most simple, risk management involves the identification, assessment and planned response to reduce the impact of unfortunate or unforeseen events. For many, risk management simply means acquiring insurance to protect against financial loss. Insurance can help to restore what a community has lost, but it can't replace intangible losses. Insurance is only one component of the risk management process.

Delayed or inadequate response to an unexpected event can lead to the distraction of staff from core functions, an inability to service the public, acrimony within the city or town, and a loss of confidence in management. The effective risk manager doesn't just secure insurance; the effective risk manager plans to prevent the event and plans the necessary response to the challenge. Issues can arise from a variety of sources: schools, law enforcement, community relations, etc. An experienced manager anticipates possible scenarios and plans an effective response for each.

In uncertain economic times, the pressure on communities to effectively manage their assets is greater than ever. Effective risk management is a critical tool in preventing loss, preserving property and controlling expenses.

The following are four real-life scenarios, and how a community might respond to each:

### Damage to Town-Owned Property

No manager wants to pick up the phone on a Monday morning and find out that a school has sustained significant water damage. Contacting the insurer to begin the claim process is an obvious first step. But a risk management approach goes well beyond insurance.

A strong risk management program includes property maintenance and preservation techniques designed to prevent losses from occurring. Even when a loss does occur, effective pre-loss risk management techniques will significantly lessen the impact of the event on the community.

---

*Michael Cusack is MIIA's Claims Manager.*

A risk manager must understand the exact amount of risk the city or town faces in the event of a loss at an insured property. Has the building been assessed recently to ensure that it is properly insured to value? Is there an inventory of contents that will allow the city or town to replace items that may be damaged or destroyed in the event of a total loss? Are chemicals or other substances stored in the building that could complicate fire response or pose environmental issues? If the building provides direct service to the general public, how will those services be maintained if the building is unavailable? These are all questions a municipal manager will face shortly after a loss occurs. Having a plan in place prior to any loss will ease post-loss management and speed the recovery process.

The most damaging property losses sustained by municipalities are the result of recurring weather events or inadequate maintenance. A strong risk management approach incorporates a maintenance program with scheduled preventive maintenance to anticipate recurring or seasonal issues. For example, heating system failures, frozen pipes and ice dams are all losses that can be prevented if cold weather procedures are implemented prior to the onset of the first frost.

### Damage to Private Property

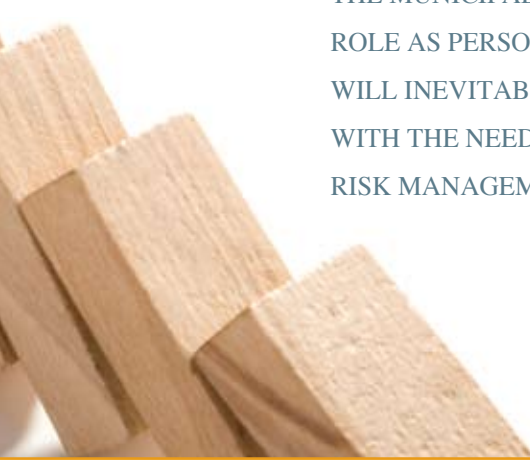
Municipalities provide a wide range of services to residents and businesses. Each of those services presents an opportunity for risk—as well as an opportunity for successful management of that risk. The impression a municipal manager creates by his or her response to the claims of residents can be long lasting. While it is not possible to resolve all situations to the satisfaction of the claimant, the method and approach of the municipal manager can go a long way toward maintaining a positive relationship.

Two of the most contentious types of losses involving private property are pothole claims and sewer backups. All cities and towns face the potential for pothole claims, and any city or town that provides sanitary sewer service faces potential claims for sewer damage to private property. While the two types of claims differ greatly in the damage they cause, the common thread is that, more often than not, they involve damage to property owned by residents. A municipal manager can anticipate that he or she will be quickly contacted by constituents who have suffered property damage and believe the city or town is responsible. It may be tempting to assure the claimant that the city or town will “take care of” the situation, but strong risk managers have a plan to help them understand the steps that need to be taken to provide service to the claimant while also protecting the interests of the municipality. >>

The key to an effective response is planning, which allows the manager to understand the facts, circumstances and available responses. Does the city or town have a road maintenance schedule, or a log of complaints? Is there a plan for handling road defects during the winter season, when roads cannot be paved? How does the city or town respond to sewer backups? Is an incident report completed, identifying the cause of the backup? Are there resources available to assist the claimant in cleanup? What steps will be taken to ensure that the backup does not repeat? A municipal manager who has reviewed and addressed the potential issues that may arise before a loss occurs will be in a much better position to quickly and confidently deal with residents after a loss does occur.

### Contractual Liability

Municipalities frequently enter into contracts to provide or receive services. Each potential contract presents a unique opportunity for risk management. Before the contract is signed, the municipal manager has the opportunity to review the terms of the contract to understand not only what type of loss may occur, but what response the city or town can expect from its contractual



THE MUNICIPAL MANAGER'S  
ROLE AS PERSONNEL OFFICER  
WILL INEVITABLY COINCIDE  
WITH THE NEED FOR EFFECTIVE  
RISK MANAGEMENT.

partner. Effectively written contracts anticipate potential losses and clearly spell out the remedies available to each party in the event of a loss. Before the contract is finalized, the municipal manager has an opportunity to request changes to ensure that the municipality has as much protection as possible. A manager should understand which party to the contract has the obligation to procure insurance, which party is required to indemnify the other following a loss, what rights the city or town may have in the event of a loss caused by the contractor, and what rights the contractor may have in the event of a loss caused by the city or town.

Municipal counsel can provide valuable assistance by review-

ing contracts before they are signed. It can be tempting to rely solely upon municipal counsel to provide corrections or suggestions to a pending contract, but an effective risk manager works with counsel to understand the contents of the contract, points out specific concerns, and ensures that the contract is tailored to the unique relationship the city or town desires. The municipal insurer can also be an effective partner in the review of pending contracts, particularly to verify that the municipality has the required coverage in place and is not providing too much insurance benefit to the other party to the contract. Contracts provide an excellent tool for effective risk management and should be closely analyzed before any agreement is completed.

### Employment Liability

The municipal manager's role as personnel officer will inevitably coincide with the need for effective risk management. Before taking action to resolve a personnel situation, a manager should think about how the situation can be managed to prevent further escalation.

Good risk management in the personnel arena starts with the adoption of clear expectations of performance, a published personnel manual, and an open-door policy. Each community should have an updated and effective employee handbook that outlines the duties of both the municipality and its employees. The handbook should be reviewed to ensure that it is effective, current and in keeping with actual day-to-day procedures followed in the city or town. Relying on a handbook that differs from actual procedure or contains outdated information can actually do more harm than good. Be certain that all municipal employees have read the handbook and keep a copy available in the municipal offices.

Effective risk management in the personnel arena fosters open communication between employees and management to ensure that small issues do not build into major problems. If an issue does occur, the municipal manager should plan ahead to anticipate the likely next steps. Are there collective bargaining implications or union representatives who need to be contacted? Are there specific contractual requirements affecting employment or discipline of an individual? What is the procedure in place for the employee to appeal or seek review? Who will ensure clear communication between the city or town and the employee? If the city or town is required to investigate a complaint, who will conduct the investigation and how will its findings be reported? Are public hearings required and, if so, how will they be managed? Will there be media inquiries? Does the city or town have a clear policy on communication with the media that identifies who will provide comments?

A strong risk manager will consult with municipal counsel and with his or her insurer before an employment liability situation arises. Early discussions can clarify roles, establish expectations, and ensure a planned response. ❁