



Best Practices Series

The Risk Management Process



To fulfill the goals of an Enterprise Risk Management program, successful firms are employing a comprehensive risk management process to address the strategic, financial, operational, and hazard risks that they face.

Recent Findings

As we work with various organizations around the world, there are clear differences between organizations that employ a continuous series of steps to manage loss exposures versus those that don't. If the organizational goals are clearly defined and articulated, then an organized, continuous risk management process may be applied.

A process can be initiated by such events as pending insurance renewals, serious claims, a merger or acquisition, debt or equity restructurings, or new laws or regulations. However, if the process is continuous, these events can be managed in a less reactive, more productive way.

Key Solutions

The risk management process consists of six key steps

which, when applied in a continuous manner, result in higher organizational quality, profitability, and asset value.

1. Loss Identification.

There are a wide variety of methods and techniques to identify loss exposures which would interfere with the organization's goals and objectives. The use of document, compliance, inspection, and expert reviews typically reveals areas where additional risk management techniques, products, and services should be focused.

2. Loss Analysis.

The analysis of losses are typically reviewed by frequency, severity, total dollar amounts, and timing. This analysis enables an organization to develop projections, prioritize exposures, and allocate risk management resources.

3. Risk Management Techniques.

Loss exposures may be addressed with a wide variety of risk control and financing techniques. These include thousands of different products and services which may be employed to address very specific risk exposures.

4. Technique Selection.

Once the preceding three steps have been completed,

the techniques that prevent or reduce losses are employed. All financial and non-financial matters should be taken into consideration.

5. Technique Implementation.

All the various techniques employed require tremendous support and guidance from the organization's governing body and management team. Without this support, the techniques will be less effective and the organization will not sufficiently meet its defined and articulated goals.

6. Monitoring and Revisions.

Acceptable standards and results-based performance measurement throughout the organization is paramount. With continuous monitoring and revisions, the organization will optimize its risk management for higher financial and social results.

About Blackburn Group

Blackburn Group is an enterprise risk management professional service firm specializing in a variety of industries. Our partners have over 30 years experience delivering advanced product and service solutions for the risk and insurance industries.