

Managing risk

Business, Risk Management



Abstract This analysis is to submit a proposal that the CFO and I can work on together to evolve into a policy that assists each Risk Management department. In this proposal we will develop a system to evaluate enterprise and financial risk. However, Due to the fact that there are two models that are inconsistent we will have to figure out ways to work together to get on the same page to reduce confusion and getting the job done. In this proposal I will illustrate how to use the ERM Framework to address risk, will discuss how to support the Insurance Marketing Process.

Also I will discuss how to evaluate " Risk Bearing" and " Risk Sharing" activities, and how to assist in implementing a Workers' Compensation program that is fair and equitable. Developing a process to identify organizational risks will assist management in determining what risks can impact strategy and the achievement of organizational goals. Some of the same methodologies used to identify risks in conventional risk management programs can be deployed in an ERM program and include both formal and informal methods. (Youngberg, 2011).

A successful enterprise risk management (ERM) initiative can affect the likelihood and consequences of risks materializing, as well as deliver benefits related to better informed strategic decisions, successful delivery of change and increased operational efficiency. To use the ERM Framework to address risk, I will follow the 5 steps that organization uses to develop and implementing the ERM programs. Which is Identify and engage an executive-level champion, for any organization there should be someone in charge to make decision about certain policies or project.

This will reduce migration and everyone will be in the same page. Second is to select a steering committee and working task force. “ The benefit of the steering committee is to develop a timeline for program development. The committee meets quarterly to review and also to approve project, receive status reports on existing project and to review strategic plan for organization”. (Youngberg, 2011). Third is to Review strategic plan for organization, which means organizations should be aware of the work strategic direction.

You can't be a team leader without knowing what's your organization plan is. As stated in the course text: the strategy plan should be reviewed with the steering committee and the working task force to ensure that the goals and objective are clearly stated that ERM program support the existing plan, and that conflict do not arise” (Youngberg, 2011). Fourth is to Identify and review current risk-identification tools. Which mean the working task force should review all existence methods to identify risk.

These methods may be internal or external to the organization and may be formal or informal. Last but not least, “ the organization should be compile and share resource lists and reference materials, and identify subject-matter experts. For example, the working task force will be responsible for compiling the reference materials in an online library for easy reference”. (Youngberg, 2011). Also follow the surveys and risk interviewing method. To support the Insurance Marketing Process is to understand the steps and to have a better understanding of how the process works.

What I would do is before beginning the marketing process with another organization I would find out what are the objectives and strategies for

transferring risk to the commercial-insurance market place. We both should come together with an agreement and be aware of the current risk-financing plan before the process. Also to identify and analyze potential insurers. If I have to choose whose will be my potential insurer, this candidate should meet all of the organizations objectives. It's also my responsibility to collaborate with other potential organizations and which candidates will be the best carrier to do business with.

The steps that will be taking are: “ Organizations should be reviewing existing financial plan, identify potential markets, collecting data and lose information, reviewing loss forecast and prepare analytical summaries, developing program options. Finalize submission, submit to market, meet the underwriters, obtain quotations and perform comparative analyses, negotiating place policies and monitoring results and relationship”. (Youngberg, 2011). According to health affairs articles, Balancing Risk Bearing and Risk Sharing is a system that is entirely risk bearing.

The primary purpose of a cost-allocation system is to encourage participation in risk management programs, reduce overall costs and the frequency and severity of losses, and share proportionately in the cost of the program. The easiest way to achieve this is by allocating the costs to the parties that generate them. A risk-sharing system allocates all medical liability costs in proportion to each department's exposure. The proper allocation system for most organizations lies somewhere between these two extremes. (Youngberg, 2011).

The number of risk-sharing arrangements between health plans and providers grew rapidly. More recently, however, there is evidence that plans

and providers in some markets are losing interest in developing new or continuing existing risk-sharing arrangements. Several factors appear to be contributing to this change: the financial instability of risk-bearing organizations; consumer and provider backlash against managed care; and an increasingly restrictive regulatory environment, which may extend to plan-provider contracting arrangements. (Marsha R.

Gold. 2003). Risk sharing is attractive on several fronts. For plans, it provides a mechanism for controlling costs; for providers, it preserves their autonomy by shifting to them responsibilities for managing service use, costs, and quality. However, it also has a down side, particularly if the amount of risk transferred is large or payments are not commensurate with expected costs. (Kleffner, A. Drohetrty, N. 1996) Many provider organizations have little experience managing risk and lack the necessary infrastructure to manage it effectively.

If the degree of risk transferred to providers is more than they can absorb, their continued viability, as well as that of plans with whom they contract, may be jeopardized. This in turns raises the likelihood that the level and quality of care available to enrollees could be negatively affected. (Marsha R. Gold. 2003). Base of what the most important factor to evaluate Risk Bearing" and " Risk Sharing" activities is whomever created the risk should be encouraged to participate in risk management cost and activities.

From my perspective, worker's compensation can be defined as all of the rewards earned such as direct financial compensation consisting of pay received in the form of wages, salaries, bonuses and commissions provided at regular and consistent intervals. Indirect financial compensation including

all financial rewards that are not included in direct compensation and can be understood to form part of the social contract between the employer and employee such as benefits, leaves, retirement plans, education, and employee services.

Non-financial compensation referring to topics such as career development and advancement opportunities, opportunities for recognition, as well as work environment and conditions by employees in return for their labor. In determining effective rewards, however, the uniqueness of each employee must also be considered. People have different needs or reasons for working. The most appropriate compensation will meet these individual needs.

To a large degree, adequate or fair compensation is in the mind of the employee. A good compensation strategy includes a balance between internal equity and external competitiveness. Compensation and benefits affect the productivity and happiness of employees, as well as the ability of your organization to effectively realize its objectives. It is to your advantage to ensure that your employees are creatively compensated and knowledgeable of their benefits. (Gomez-Mejia, L. , & Wiseman, R. M. 1997).

Conclusion

Developing a process to identify organizational risks will assist management in determining what risks can impact strategy and the achievement of organizational goals. There several tools to follow when working as a team, the two most common method is used in ERM program are surveys and risk interviews. If we're going to work as a team we have to open-minded and be responsible and thoughtful. Communication is the key to be successful in a

organization. Also following the five steps of developing and implement an ERM program can help an organization moves forward.