

A collection of symbolic objects is arranged on a light-colored surface. On the left, a portion of a chessboard with a blue and brown checkered pattern is visible, featuring several chess pieces. Below the chessboard are two medals: one with a red ribbon and a white star, and another with a blue ribbon and a white star. A silver compass is positioned at the bottom left. A pair of gold-rimmed glasses with thin temples is placed diagonally across the center. The background is a plain, light-colored surface.

# The Risk Management Function

AAPA Administration Seminar  
July, 2005

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# The Risk Management Function

- ◆ Risk Management Process
- ◆ Risk Management Policy Statement
- ◆ Identification of Exposures
- ◆ Loss Control
- ◆ Port Risk Management & Insurance Guidebook
- ◆ AAPA Risk Management Committee
- ◆ The Future



# The Risk Management Process

- 5 Basic Steps of the Risk Management Process
  - 1. Identify and measure loss exposures
    - Type of value exposed to loss
    - The peril causing the loss
    - The extent of the potential financial consequences of that loss
    - Develop a Loss Exposure Matrix

<b>High Severity/High Frequency</b>	<b>Low Severity/Low Frequency</b>
<b>Low Severity/High Frequency</b>	<b>High Severity/Low Frequency</b>



# The Risk Management Process

2. Identify and examine alternative techniques for dealing with these exposures:

- Risk Control Alternatives
  - Avoidance
  - Prevention
  - Reduction
  - Separation
- Risk Financing Alternatives
  - Retention
  - Contractual Risk Transfer
  - Insurance Required of others



# The Risk Management Process

- 3. Select the most appropriate risk management alternatives.

<b>High Severity/High Frequency:</b> Avoidance or Non-Insurance Transfer	<b>Low Severity/Low Frequency:</b> Retention
<b>Low Severity/High Frequency:</b> Loss Control	<b>High Severity/Low Frequency:</b> Retention or Insurance

- 4. Implementing the selected alternatives
- 5. Monitoring and improving the selected alternatives



# The Risk Management Policy Statement

- ◆ A formal, written policy statement is essential for communicating the port's risk management mission and objectives
- ◆ Typical policy statement establishes:
  - What risk management encompasses
  - Risk managements position in the port organization
  - Scope of authority and responsibility of risk management dept.
  - Ports tolerance and capacity for bearing risk
  - Insurance procedures
- ◆ Sections:
  - Mission
  - Risk Retention
  - Cost of risk allocations
  - Lines of communication
  - Fund authorization



# Identification of Exposures

- ◆ Exposure identification can be a lengthy and time consuming process. Many resources are available to help with the identification process:
  - Surveys, questionnaires and applications
  - Review previous loss history
  - Analyze your organizations financial statement and accounting records
  - Department manuals
  - Review other important records – ie: leases, contracts, purchase orders, capital improvement plans, etc.
  - Personal inspections
  - Employee interview
  - Brokers, consultants and experts



# Loss Control

- ◆ Loss control is a variety of techniques available to ports to handle the loss potential identified in the risk management process. These techniques can be broken down into two classes – Control and Financing
- ◆ Control Techniques:
  - Avoidance – avoiding the risk altogether
  - Prevention – safety committees, education, controlled access
  - Reduction – sprinkler systems, fire walls, etc.
  - Segregation of units
- ◆ Financing Techniques:
  - Transfer – contractual, insurance, etc.
  - Retention – keeping or retaining all elements of the exposure



# Port Risk Management and Insurance Guidebook

- ◆ Prepared by the Maritime Administration /US Dept of Transportation
- ◆ Written by Port Risk Managers and Experts
- ◆ Specific to the Port Industry
- ◆ Contains useful tools and resources
- ◆ Exposure Identification Questionnaire
- ◆ Last update 1998
- ◆ <http://www.marad.dot.gov/publications/portriskmgmt.html>



# AAPA Risk Management Committee

- ◆ Sub-committee of AAPA Finance Committee
- ◆ Risk management seminar
- ◆ Conference calls
- ◆ AAPA website discussion room
- ◆ Benchmarking
- ◆ Membership



# Future

- ◆ Higher profile of Risk Management in Ports
- ◆ Risk Management focus on Security issues
- ◆ Committee involvement with other AAPA committees
- ◆ More involvement is government related issues (TRIA)

A collection of military medals and a compass on a wooden surface. The medals include a red ribbon with a circular emblem, a blue ribbon with a circular emblem, and two silver Maltese crosses with central emblems. A pair of gold-rimmed glasses and a silver compass are also visible.

# The Risk Management Function

Thank You!

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