

Risk Management for Government Agencies

Risk management is a popular term, but what does it really involve when it is implemented?



Risk management for government agencies is similar to any other business, but differs largely when evaluating the political environment. A government agency must: take into consideration laws and regulations by which it is governed, consider the impact on its image and reputation, analyze and optimize financing methods that are specific to the agency.

For example, a federal, provincial or municipal government may take on a higher level of financial risk than that of a business, since it can use, when necessary, its taxation power to finance the consequences of a risk that it considered as unlikely, but that materialized. However, by underestimating those risks and counting on taxpayers to dig in their pockets, our public officers risk losing their mandators' trust and respect and must assume the consequences when their mandate is up for renewal.

The risk management process should therefore be a key issue for government agencies. They must be aware of the risks and be able to quantify these risks both financially and politically; they must also understand the perils associated with the methods for mitigating risks and be able to apply such methods to minimize the financial and political impact.

A competent public officer must strategically assess risk transfer methods he intends to use. His goal is to control what is being transferred to the third party in order to avoid bearing the consequences should the third party be unable to assume the transferred risks. The public sector is merciless when it comes to wrongful officers; they should therefore consider innovative risk financing methods.

By implementing efficient risk management methods, government agencies will reap the following benefits:

- Protecting the image and reputation of the agency;
- Saving time, financial and human resources;
- Ensuring stability and efficiency of services and operations;
- Preventing or reducing social and legal liabilities;
- Minimizing the risk of property damage and bodily injury;
- Minimizing environmental impairment;
- Improving the agency capacity to plan for various challenging situations.

At GPL, we can implement a functional risk management mechanism, offer training and coaching, and assist government agency administrators in reaching their goals by addressing a specific issue.

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