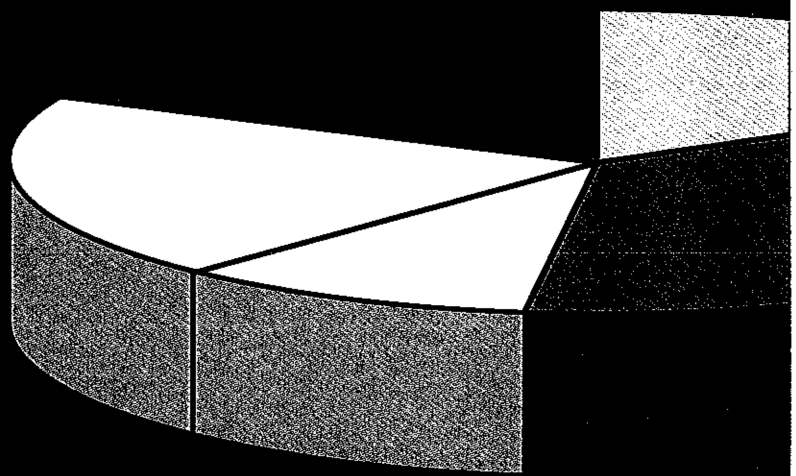
2000

State of the Profession: 2000 Executive Summary

Center for Public Affairs Research (CPAR)
University of Nebraska at Omaha

State of the Profession 2000

Executive Summary



Acknowledgments

■ Arthur J. Gallagher & Co. for financial support of the *State of the Profession* survey 2000;

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■ B.J. Reed, Ph.D., University of Nebraska at Omaha Department of Public Administration, and Jerome Diechert and David Fifer of the University of Nebraska at Omaha Center for Public Affairs Research, and Veronika Pinkerton, graduate assistant, who managed data entry, analysis and report writing;

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■ James F. Coyle, executive director, and Barbara B. Oliver, director of communications at PRIMA.

PRIMA thanks the 518 individual members and their 317 supervisors who took time to respond to the survey. Their contribution provides increased knowledge about and appreciation of the current state of public risk management.

The Public Risk Management Association established its *State of the Profession* survey to provide member entities with comparative information about the compensation, experience, education, responsibilities and challenges of the public risk management function. The *PRIMA State of the Profession* survey was administered via mail to all 1,580 PRIMA government members. The survey recipients comprise representatives of state and local governments and special districts. This executive summary is based on the answers of 518 respondents representing 32.8 percent of the members.

The survey focused on four topics.

1. What kinds of entities are involved in public risk management? What are their characteristics, and what challenges do they face?

2. What are the characteristics of public sector risk managers, and what are their professional development needs?

3. What are the principal activities and responsibilities of risk management departments? What concerns, if any, do they have for the future?

4. How do entities finance different risks, what do they see as their future direction for risk financing, and what factors influence their risk financing decisions?

Chart 1. Type of Entity

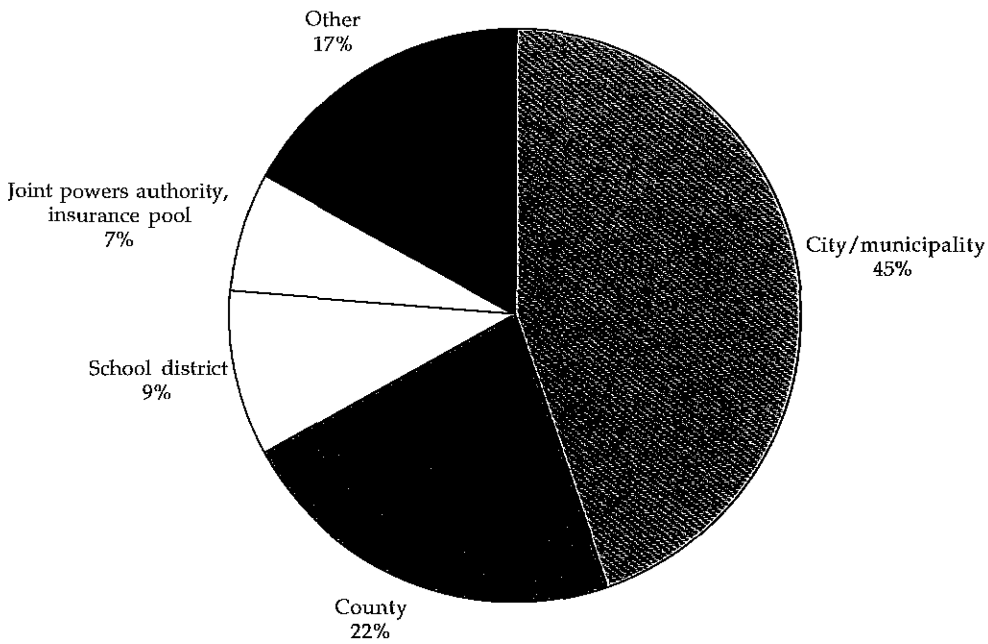
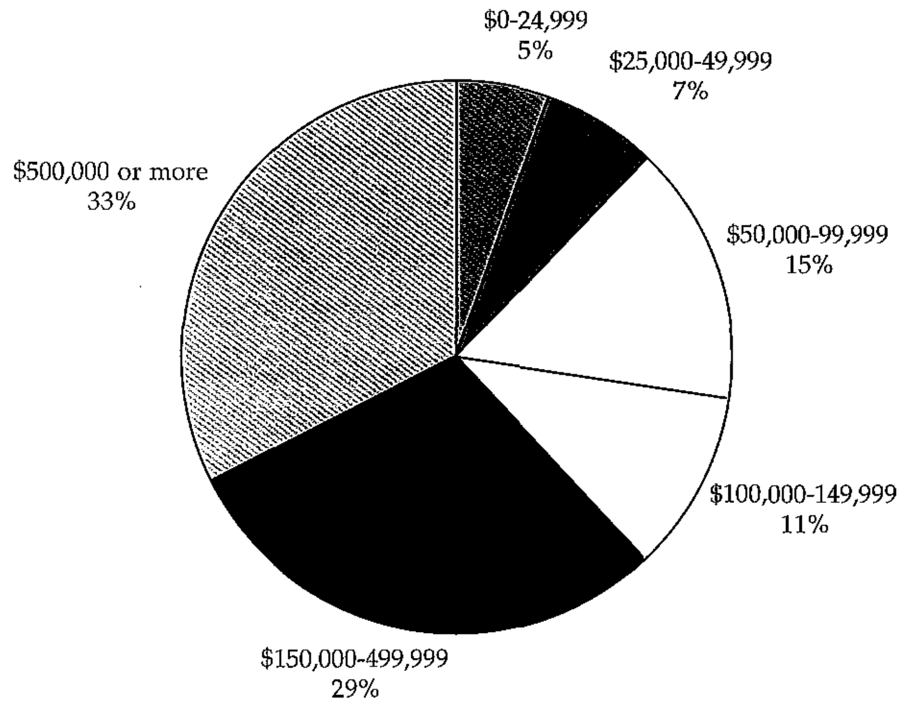


Chart 2. Operating Budget of Entity



Characteristics of Entities Involved in Risk Management

The majority of the risk managers responding to the survey (44.6 percent) were from a city or municipality. The second largest group of responses came from counties (22.4 percent). School districts accounted for 9.3 percent of the responses.

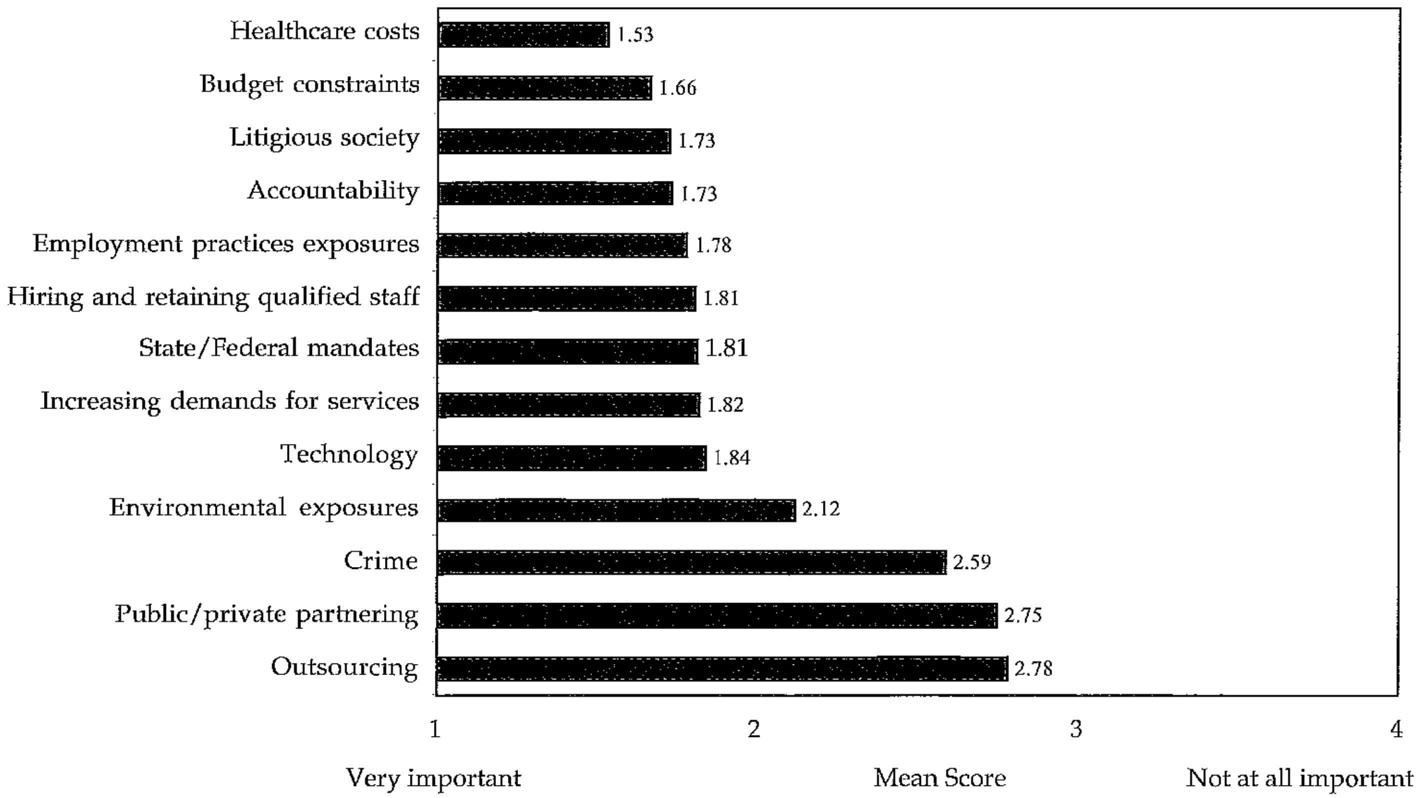
A sizable proportion of the respondents didn't fit into the listed categories and wrote in a response. As a result, we found that 6.8 percent of the respondents came from a joint powers authority or risk pool.

Almost a third of the operating budgets were $500,000 or more. Another 29.4 percent were between $150,000 and $499,999. The third most common budget category, with 15.2 percent of the responses, was $50,000 to $99,999. An additional 10.8 percent were between $100,000 and $149,999. This means that 12.2 percent of the budgets fell below $50,000.

Respondents were asked to rate several key overall challenges facing their organization in the next three years. They rated these challenges on a scale of "1" to "4," where 1 was "very important," 2 was "important," 3 was "somewhat important," and 4 was "not at all important." The challenges are ranked according to the mean score—where the lower the score, the more important the challenge.

The most important challenge facing organizations in the next three years is health care costs with a mean score of 1.53. Additionally, 62.5 percent of the respondents said that it was

Chart 3. Importance of Selected Challenges Facing Organization in the Next Three Years



"very important." This is the only potential challenge that more than half of the risk managers rated as "very important." The second biggest challenge, in terms of both mean score and percent "very important" responses, was budget constraints.

Rounding out the top five challenges were litigious society, accountability and employment practices exposures. Following these were hiring and retaining qualified staff, state/federal mandates, increasing demands for services, technology and environmental exposures. Those challenges viewed as least important were crime, public/private partnering and outsourcing.

Characteristics of Public Sector Risk Managers

Nearly one third of the PRIMA members responding to the survey had a job title other than risk manager, while 58.9 percent of the respondents had the title of risk manager and an additional 10 percent had a shared title of risk manager and something else.

About half of the respondents had an annual salary of $60,000 or more, but 10.5 percent had an annual salary of less than $40,000. Only 2.9 percent of the respondents had an annual salary of $100,000 or more.

Respondents were asked to rate several items in terms of meeting their own development needs using the 1-to-4 scale

Chart 4. Job Title of Member

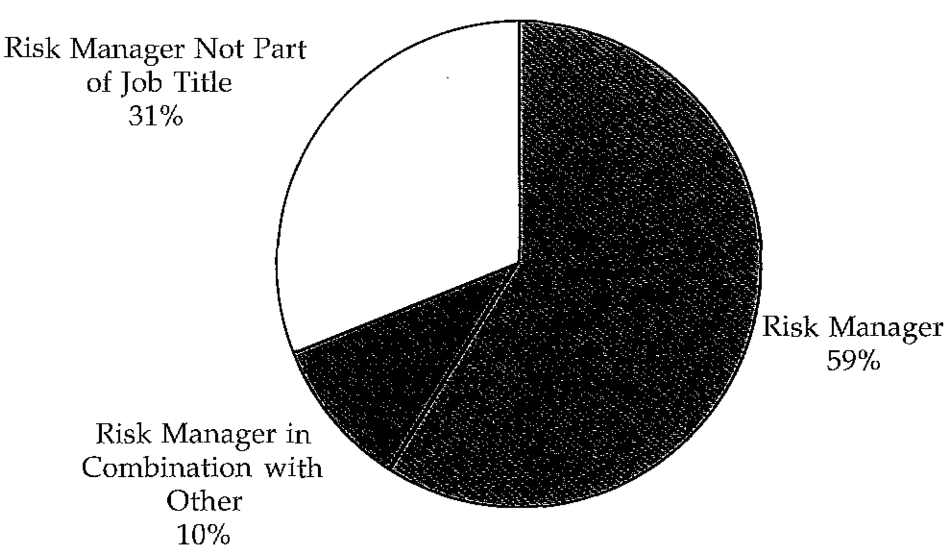
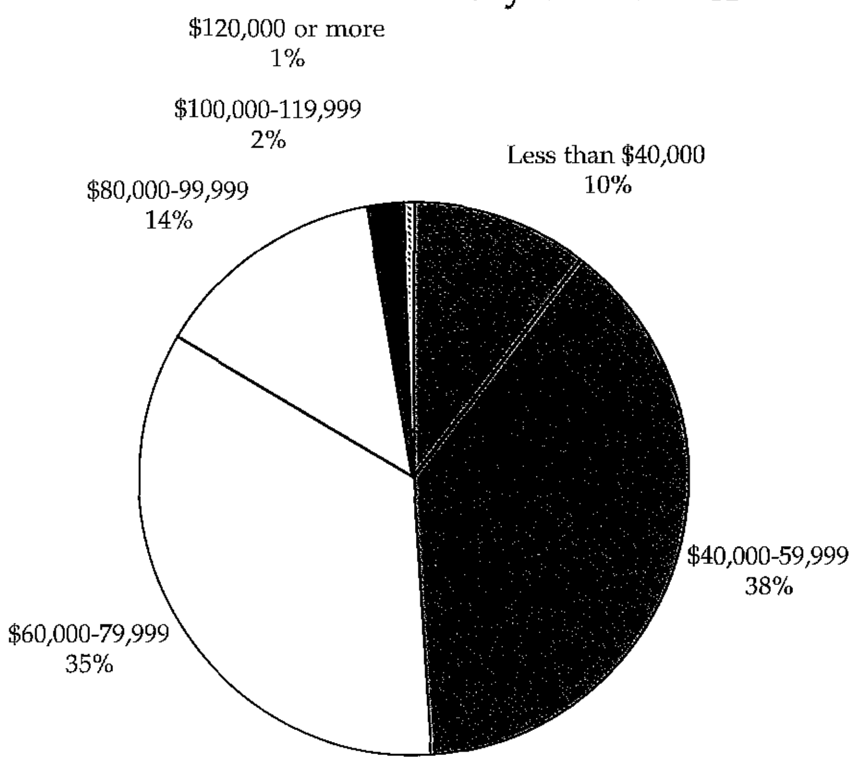


Chart 5. Annual Salary of Member



described earlier. Continued advanced professional development was the most important item with a mean of 1.55, and it was the only item where more that half (54.7 percent) of the respondents said that it was "very important." The next items were networking opportunities and technical skill development. The three lowest rated items were: identifying resources for professional development, continued basic risk management training, and finding information on education opportunities.

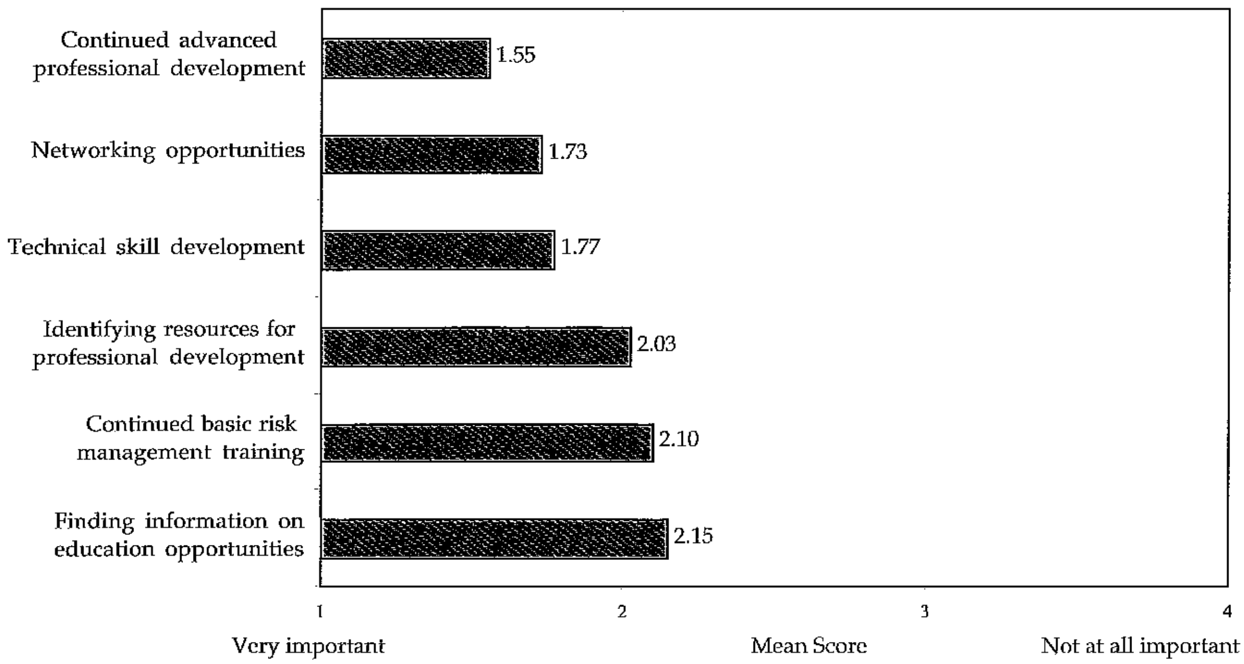
Principal Activities and Responsibilities of Risk Management Departments

Respondents were given a list of responsibilities and asked to indicate for each one if it was included in their organization's risk management function. If it was, then the respondent was asked whether it was the sole responsibility of risk management or shared with another unit.

More than 95 percent of the responding organizations reported the following responsibilities were part of their risk management function: loss control, risk assessment, training and risk management education, and claims handling. Most of the responsibilities in the list were the sole responsibility of risk management. The largest percentages were: insurance buying (73.4 percent), risk management information management (71.6 percent), risk assessment (70.2 percent) and claims handling (70.1 percent).

For each of the same responsibilities, respondents were asked if any part was outsourced. Claims handling was the only responsibility outsourced by the majority of respondents. Cost allocation, catastrophe planning, alternative risk planning and communitywide risk management were the responsibilities least

Chart 6. Importance of Selected Professional Development Activities



likely to be outsourced.

Nearly 70 percent of the risk management programs have a formal risk management goal and objective statement. A little more than 60 percent have a risk management manual, and 60 percent have a formal risk audit process. Less than half have a public education awareness program or a newsletter.

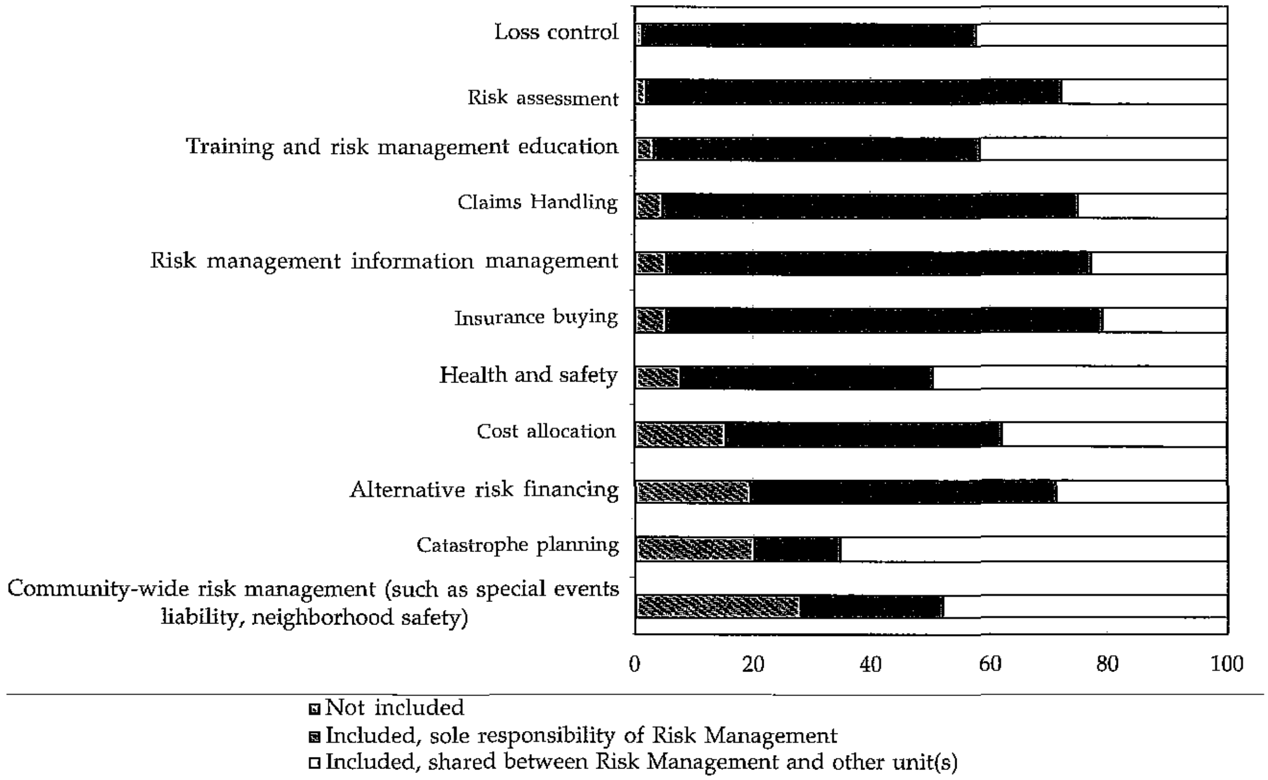
Respondents were asked to rate several concerns facing their risk management programs in the next three years using the 1-to-4 scale described earlier. Obtaining or maintaining top management support was the "most important" concern with a mean of 1.64. Although employee benefit costs had the highest percentage of "very important" responses, it had the second highest mean value (1.70). Budget constraints ranked third. The next set of concerns recorded means between 1.87 and 2.03, and all had percentages of "very important" responses exceeding 30 percent. This set included: establishing standards of accountability, availability or affordability of insurance, organizational growth or change and erosion of immunities.

The next set of concerns was changing demands of the job, increasing regulatory requirements and changing risk exposures. Issues of least concern were pool participation and outsourcing of the risk management function. Only 5.1 percent of the risk managers thought that outsourcing was a "very important" concern.

How Entities View Several Aspects of Risk Financing

Respondents were asked to describe their risk financing programs by type of exposure. Property was most likely to have large deductible insurance cover-

Chart 7. Selected Responsibilities: Included in Organization's Risk Management Function?



age with nearly equal percentages of first dollar/low deductible or self-insured with excess coverage. Almost none of the risk managers said that property was totally self-insured.

Workers' compensation, liability and motor vehicles were most likely to be self-insured with excess coverage. More than half of the respondents (57.2 percent) said that workers' compensation fell in this category.

The largest percent of total self-insurance was for motor vehicles with 22.6 percent of the respondents mentioning this category.

In addition to the type of exposure, risk managers were asked to evaluate the future direction of each risk management program. The majority of the respondents thought that there would be no change in coverage with percentages ranging from a high of 76.5 percent for workers' compensation and a low of 68.5 for property.

Respondents were asked to rate the importance of several factors in their decision to buy insurance, participate in a pool, or retain risk using the 1-to-4 scale described earlier. Three factors were rated "most important," with similar mean ratings: financial stability of risk carrier (1.40), premium/contribution competitiveness (1.45) and knowledge of the public sector (1.48). Each of these factors also had about 60 percent of the respondents mentioning them as "very important."

Flexibility in underwriting approach and willingness to share loss information were rated less important. Finally, the least important factor was local representation.

Chart 8. Selected Responsibilities: Any Part Outsourced?

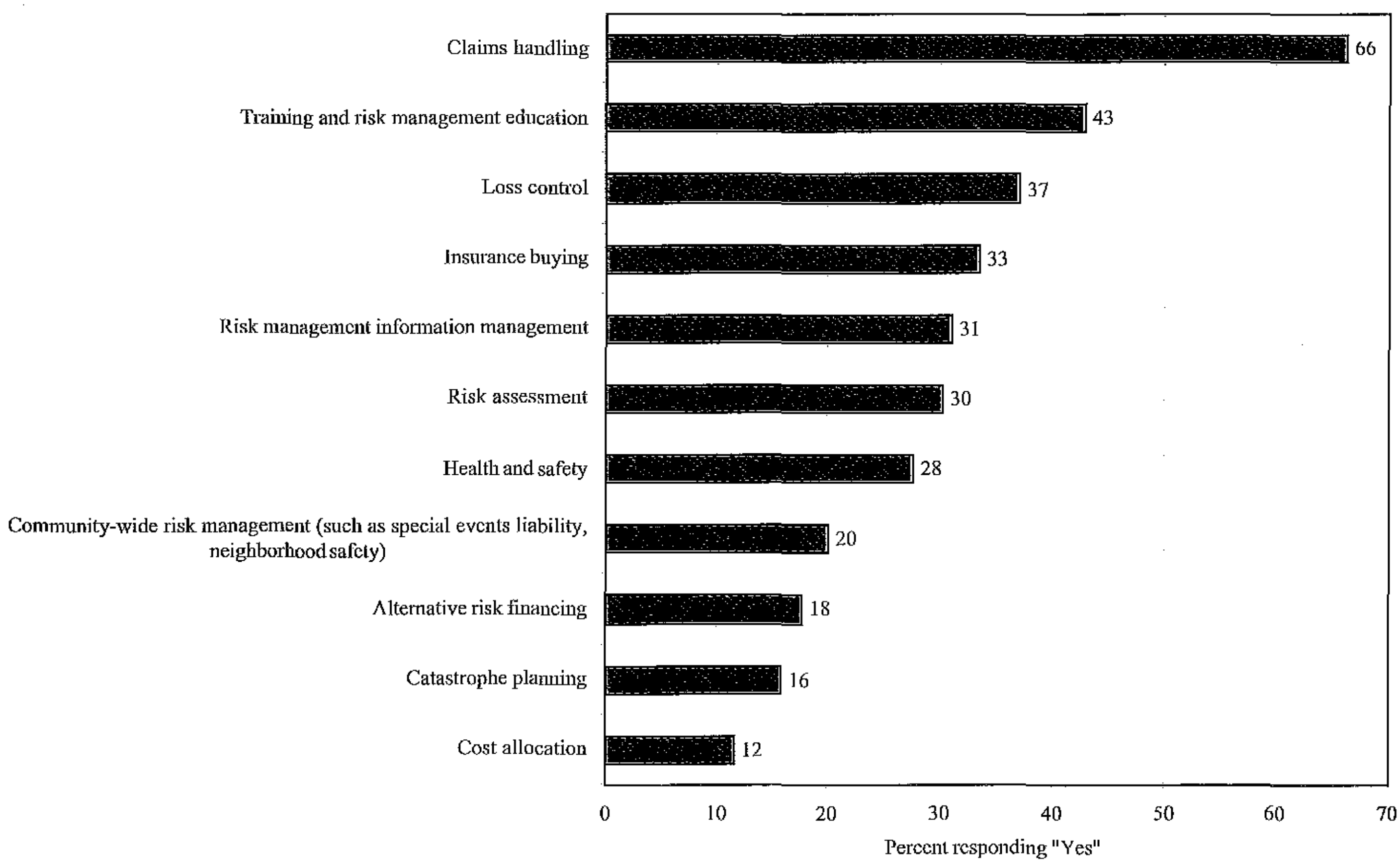


Chart 9. Importance of Selected Concerns Facing Risk Management Program in Next Three Years

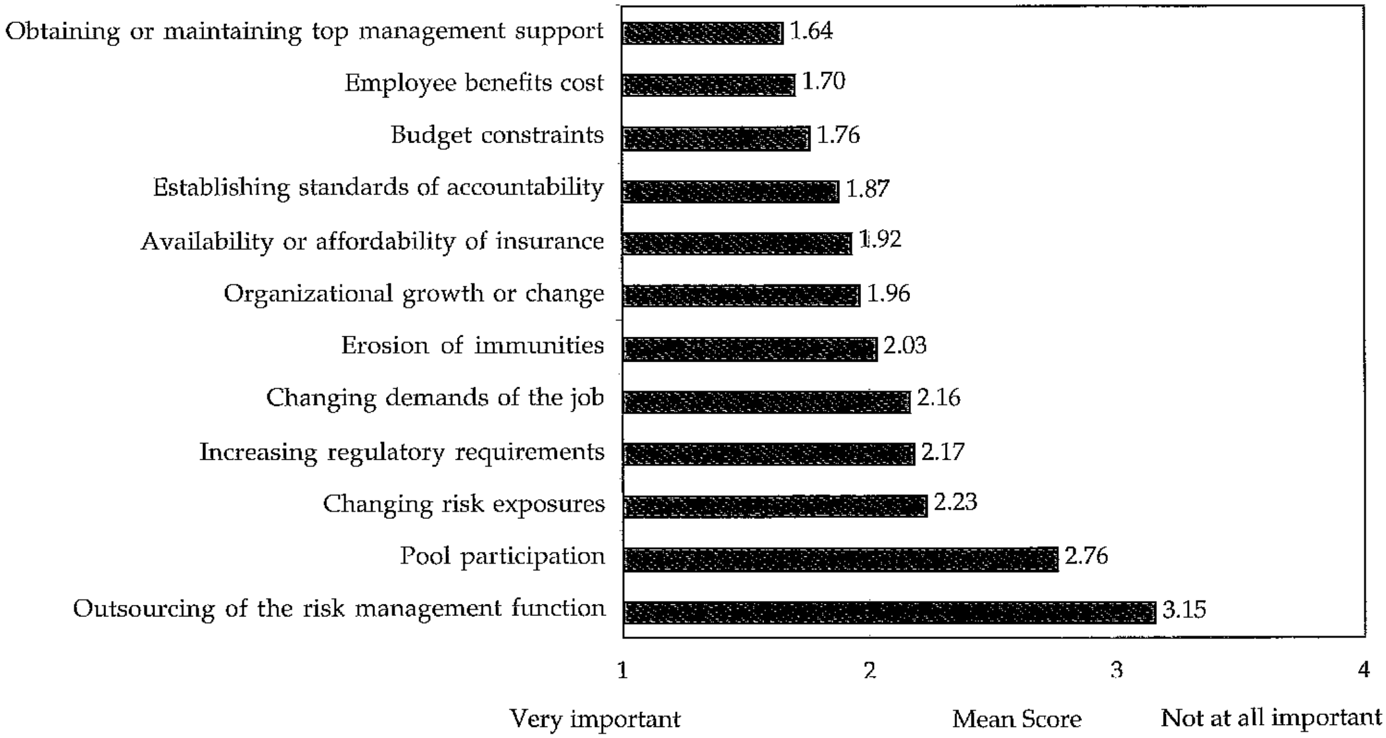
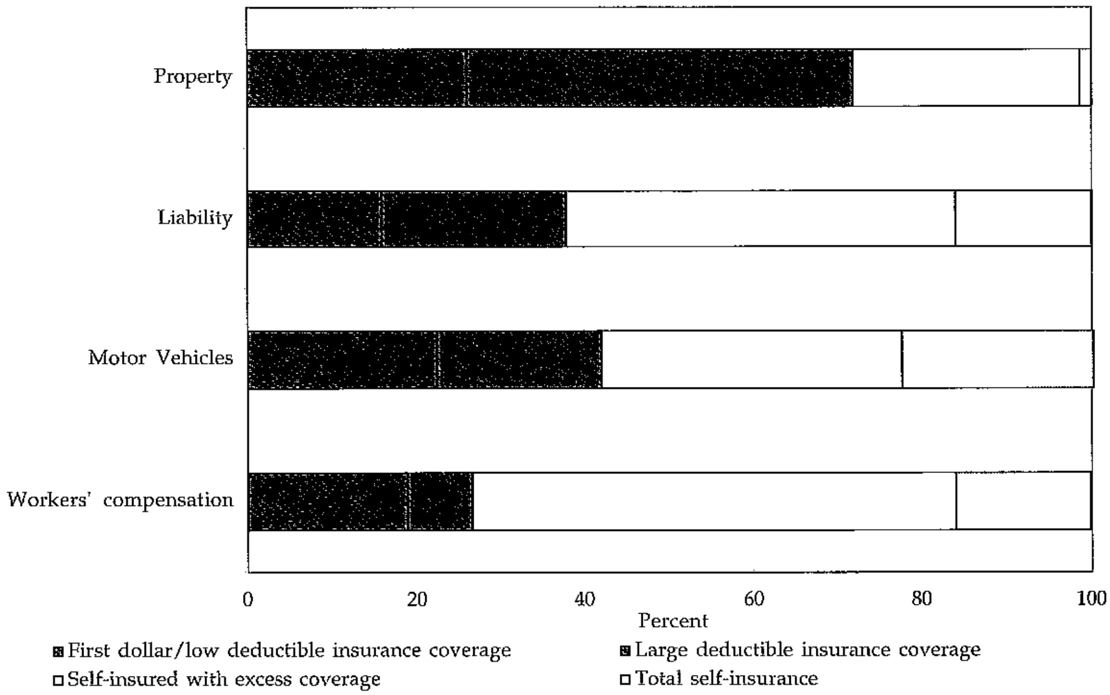


Chart 10. Risk Financing Program by Type of Exposure



Survey Design

PRIMA conducted the survey with financial support from Arthur J. Gallagher & Co. The survey design was a collaborative effort between PRIMA, the University of St. Thomas and the University of Nebraska at Omaha. The University of Nebraska at Omaha Center for Public Affairs Research was contracted to handle data entry, analysis and report writing.

The survey was directed at PRIMA members. It was conducted by mail and consisted of two separate questionnaires, one for the risk manager and another for the risk manager's supervisor.

All 1,580 PRIMA governmental members were sent a first mailing on Jan. 21, 2000. The mailing was personally addressed to risk managers in PRIMA's membership database. The mailing consisted of a cover letter, a questionnaire to be completed by the risk manager, a business reply envelope for returning the completed questionnaire and an envelope to be given to the risk manager's supervisor. The envelope for the supervisor contained a cover letter, a questionnaire and a business reply envelope. Respondents were promised that their input would remain confidential. A second, follow-up mailing was sent on Feb. 21, 2000, to members from whom both a member and a supervisor questionnaire hadn't been returned.

Chart 11. Future Direction of Risk Financing Program by Type of Exposure

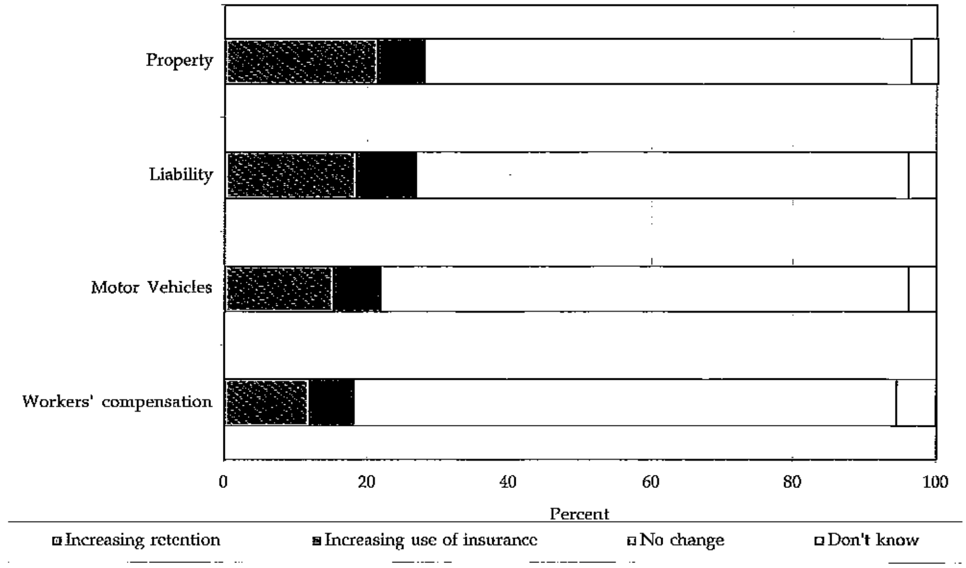
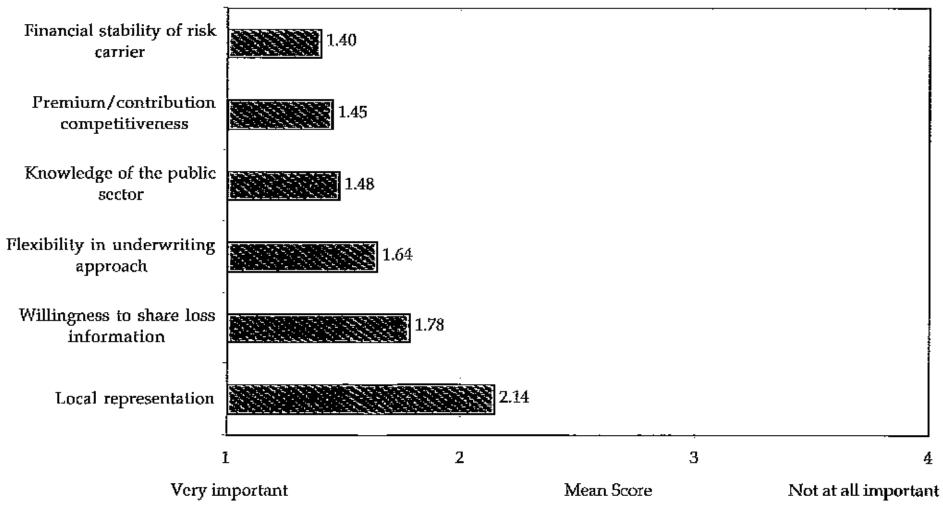


Chart 12. Importance of Selected Factors in Decision to Buy Insurance, Participate in a Pool, or Retain Risk



State of the Profession 2000—Final Report

The final report, which will expand upon the data provided in this executive summary, will be based on the responses of both 518 risk managers and 317 supervisors who completed the survey documents. You'll want a copy of the final report to asses how the risk management field is evolving and your place in it.

Order the report from PRIMA now for delivery in fall 2000. The cost to PRIMA members is $45, plus shipping and handling. The cost to nonmembers is $95, plus shipping and handling. To secure your copy, provide your name, credit card number and billing address via:

Fax: (703) 528-7955, Attn: Pam Bradley
E-mail: info@primacentral.org
Web: www.primacentral.org

The Public Risk Management Association promotes effective risk management in the public interest as an essential component of administration. For more than two decades, PRIMA has been dedicated to providing hard-hitting, practical education and training for practitioners in state and local government through seminars, conferences, research and publications.

Membership is open to state agencies, local governments and intergovernmental risk sharing pools and their staffs, as well as service providers, nonprofit organizations, educators, students, nongovernmental organizations or individuals who agree to follow its guidelines.

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