

DIFFERENCE BETWEEN RISK MANAGEMNT AND EXPOSURE MANAGEMENT

Sometimes too many words are used to try to explain a relatively simple principle. For example, insurance professionals may use the terms exposure, hazard, peril, or risk interchangeability. However, these are distinctly different and when functionally understood they do define different tasks or accountabilities.

RISK MANAGEMENT has a two-fold definition:

1. It is the assurance that the structures necessary to minimize the probability of a loss are in place and understood by all levels of an organization (policies and procedures).
2. Risk management is also the assurance that a solid plan is in place that will minimize the impact of a serious adverse incident, loss, or claim (crisis management plan).

The development and implementation of the risk management plan is the responsibility of Senior Management and the Board of Directors.

EXPOSURE MANAGEMENT is the day-to-day management of the risk management plan. **It is the responsibility of the middle manager to monitor the exposures and to follow the policies and procedures should the probability of a loss increase.** The middle manager should have intimate knowledge of the exposures that could potentially lead to a loss. A short list of exposures includes individuals (clients and/or staff and/or the milieu), circumstances in the environment of care (necessary repairs or unsafe conditions), and/or conditions of nature (bad weather, armadillo tunnels).

The goal of risk and exposure management is to guarantee, as much as possible, that losses are accidental.