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# Risk Control Manual

*Welcome to HAI Group's Risk Control Manual, which has been developed exclusively for you, our members.*

Dear Member,

HAI Group has been publishing risk control manuals for the benefit of our membership since 1994. With each new publication, we integrate the latest information and best practices gathered from the field, from trusted resources, from your feedback, and from evolving policy and procedures in the housing industry.

As always, we hope you find the information useful, and we invite your comments and suggestions. Write to your risk control consultant or to:

*HAI Group  
c/o Risk Control & Consulting Department  
189 Commerce Court  
Cheshire, CT 06410*

Looking for additional resources? Our consultants are available to offer on-site training and tailored recommendations to help you mitigate risk and promote a culture of safety at your organization. Contact us anytime.

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*This manual is for the use of HAI Group members and is for informational purposes only. It is not intended to be all-inclusive or to address every hazard your employees, visitors, or residents may face.*

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■ Section 1

# Concepts of Risk Management





## 1A. Risk Management Defined

For our purposes, here we define risk as the existence of uncertainty regarding a future loss. The “uncertainty” is an event that can occur and, in the case of a housing organization, adversely affects its objectives, mission, vision, or bottom line.

*Risk management is a set of activities intended to prevent accidents and other preventable losses—risks—from occurring.*

At its core, risk management aims to preserve and protect an organization’s assets, including its employees, residents, buildings, equipment, property, and even visitors.

Proactive risk management helps demonstrate due diligence and can reduce your long-term costs. For example, if your organization were to face a claim or a lawsuit, having a policy or guidelines in place related to the risk in question could help you demonstrate that you proactively attempted to prevent or reduce the risk. A coordinated risk management practice can also help you meet the requirements of your insurance company and of HUD, and help you comply with federal laws, state and local

fire codes, and building codes. A safety-forward culture that includes sound risk management principles is one of the first steps in a coordinated risk management initiative.

## 1B. The Risk Management Process

The risk management process consists of five steps that apply to physical hazard risks as well as organizational and financial risks. Use the steps below to identify and control risks within your organization.

### 1. Establish Context

To begin, you must first establish context. Think about your organization. What is its risk history? What losses has it experienced? Who are its stakeholders? What risks might it face?

When identifying risk, it’s important to consider all aspects of the organization and the different categories of risk you need to assess. These categories include, but are not limited to, organizational risk, financial risk, external risk, compliance risk, and technical/IT risk.

### 2. Analyze Frequency and Severity

Analyze the potential frequency of the risk, as well as its potential severity. Determine what

would cause the risk to turn into a loss. Then, examine how prepared your organization is to withstand a large loss. It's important to keep in mind that some risks cannot be eliminated, though you can minimize or control their frequency and severity. There may be instances where some risk is acceptable if the cost to eliminate the risk exceeds the benefit of removing it.

## Five Risk Control Techniques

There are five different risk control techniques you can use (either on their own or in combination) to address risks within your organization. Let's explore them below.

1. **Avoidance** means intentionally abandoning an activity or service or removing an object so a loss can no longer occur. With this technique, you remove the risk completely. For example, if you have old, damaged playground equipment, you could remove it from the property to eliminate the potential for a liability loss related to that equipment.

2. **Loss prevention** reduces the probability and frequency of a loss. Installing handrails in the hallway of a building designated for the elderly is one example. By installing handrails, you

provide stability to people, which can help reduce slips, trips, and falls.

3. **Loss reduction** reduces the severity of a loss that does occur. An automatic fire sprinkler system is one example. The system will not reduce the probability of a fire, but it will help prevent the fire from spreading throughout the building.

4. **Loss separation** separates and/or duplicates assets and resources to prevent a single event from causing simultaneous loss to all. If you store your vehicles in different garages, for example, you can prevent a total loss of inventory should a fire occur in one location.

5. **Loss transfer** contractually transfers financial and legal responsibilities to a third party for specified losses that might otherwise be incurred by the transferring organization. For example, when you hire a fire equipment vendor to test and maintain your fire protection and life safety equipment, you effectively transfer the potential risk to that vendor, assuming an adequate contract is in place.

## Implementing Risk Control Techniques

This step requires you to develop a plan to implement a given risk control technique or a combination of techniques. Be sure to gain the

support of your management team for the measures you plan to take, and make sure to share the plan across the organization. You should also develop a timeline with goals that you can track and measure as they're achieved.

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*Ideally, proactive risk management will reduce the frequency of your organization's exposure to risk as well as the severity of the risk. Both will save you money.*

When monitoring your results, be sure to evaluate how your employees and residents were affected by the measures you implemented. Keep in mind that risk management is an ongoing process. Your organization should start at step one periodically and reassess risks on a regular basis.





The full manual is available to HAI Group members.

Contact an [account representative](#) for more information or log into the risk management center to view the content.