# Risk Management Framework

## Purpose

This FASOP establishes the framework the LSU Office of Risk Management uses to identify, assess, prioritize, and treat risks to the University, and to inform the University's insurance and risk financing decisions. The framework provides a process for assessing risk with the participation of key University stakeholders, maintaining a University risk inventory, and reassessing risk on a recurring basis.

The Office of Risk Management leads the University's risk assessment process, drawing on knowledge from across the University, so that insurance coverage and other risk treatments are appropriate for the University's actual exposures.

## Scope

This FASOP applies to Louisiana State University A&M.

## Risk Management Framework

The University's risk management framework is based on ISO 31000, the international standard for risk management. Consistent with ISO 31000, the framework is intended to inform University decision-making, involve relevant stakeholders, respond to change, and rely on the best available information. The Office of Risk Management applies a structured and repeatable process, with communication and consultation among stakeholders throughout, that includes the following elements.

- **Scope, context, and criteria.** Before each assessment, define its objectives and scope, consider the internal and external context, and establish the criteria used to evaluate and prioritize risk.
- **Risk identification.** Identify risks that could affect the University's objectives, operations, people, property, finances, and reputation.
- **Risk analysis.** Analyze each risk by considering its likelihood and impact, taking into account the effectiveness of existing risk treatments.
- **Risk evaluation.** Compare the analyzed level of each risk against the University's risk criteria to determine which risks require treatment and the priority for treatment.
- **Risk treatment.** Determine how identified risks will be addressed, including accepting, reducing, transferring, or avoiding the risk, and the use of insurance and other risk financing.
- **Monitoring and review.** Track risks and the effectiveness of treatments over time, and update the assessment as conditions change.
- **Recording and reporting.** Document results in the University risk inventory and report to appropriate stakeholders.

The framework is scalable and may be applied at the University level, at the level of an individual unit, college, or division, or to a specific program, project, activity, or initiative. The same process is applied at each level and is scaled to the scope and complexity of the area being assessed.

## Risk Assessment Process

The Office of Risk Management conducts a University-wide risk assessment, with the participation of key University stakeholders across academic, administrative, financial, and operational areas, and reassesses risk at least annually. Risk assessment comprises risk identification, risk analysis, and risk evaluation. Risks are identified and assessed using methods such as surveys, interviews, and workshops, and risk scores are assigned collaboratively with the relevant stakeholders. The assessment focuses on moderate and major risks and on significant emerging risks, rather than attempting to capture every risk. For each risk, a risk owner is identified during the assessment and recorded in the risk inventory. The risk owner is the unit or individual with the accountability and authority to manage the risk, and the Office of Risk Management facilitates and supports the risk management process and does not own the University's risks. The Office of Risk Management adjusts insurance coverages and other risk treatments as necessary based on the results of the assessment.

## Communication, Collaboration, and Risk Culture

Communication and collaboration are essential to the risk management framework. The Office of Risk Management engages stakeholders throughout the risk management process and shares the information needed to identify, evaluate, and treat risk. The Office of Risk Management consults with the unit or units closest to each risk, incorporates their knowledge and perspective, and coordinates with University leadership, Internal Audit, and other offices on matters that affect more than one unit.

The Office of Risk Management promotes a culture of risk awareness in which managing risk is understood as a shared responsibility. Through training, consultation, and routine engagement, the Office of Risk Management encourages units to surface risks early, communicate them openly, and consider risk in planning and decision-making.

## Risk Identification and Scoring

A risk is the effect of uncertainty, arising from internal or external factors, on the University's ability to achieve its objectives. Assessing the likelihood and impact of a risk helps determine the appropriate risk response. Each identified risk is scored as residual risk, taking into consideration the effectiveness of existing risk treatments. Risks shall be scored using an impact and likelihood criteria matrix for consistent scoring. A risk's overall score is the product of its likelihood and impact ratings (1 through 25). The score is used to help prioritize risks and determine the appropriate level of attention and response.

| Risk Rating | Score | Management Response |
|---|---|---|
| **Minor** | 1–6 | Managed through routine controls and monitoring within the unit. |
| **Moderate** | 7–15 | Managed with defined controls and risk treatment, with periodic review by the Office of Risk Management. |
| **Major** | 16–25 | Actively managed. A treatment plan is developed as resources allow, with priority based on the risk rating and leadership discretion, and may include risk transfer. |

## Risk Treatment and Risk Transfer

After a risk is assessed and scored, the Office of Risk Management works with the relevant stakeholders to determine the appropriate risk treatment using established risk management principles. Consistent with FASOP RM-01 (Risk Management), in which managing risk is a shared responsibility and every member of the University community is a risk manager within their area of operations, the unit or units closest to a risk participate in selecting and implementing its treatment. Treatment options include avoiding the risk, reducing its likelihood or impact through controls and loss prevention, transferring the risk, or accepting and retaining the risk.

The selection of risk treatments takes into account the assessed residual risk and the Total Cost of Risk. Risk transfer is accomplished through insurance and through contractual risk transfer, as addressed in FASOP RM-01 (Risk Management).

By tying insurance and other risk financing decisions to the results of the risk assessment, the Office of Risk Management determines appropriate coverage levels and self-insured retentions, identifies and addresses coverage gaps, and avoids paying for coverage that is not needed.

## Risk Inventory

The Office of Risk Management maintains a University risk inventory that records identified risks, their likelihood and impact scores, existing treatments, risk owners, and status. The risk inventory is updated through the assessment cycle and serves as the central record of the University's known risks and how they are being managed.

## Risk Financing and Total Cost of Risk

Under the authority granted by the Louisiana Granting Resources and Autonomy for Diplomas (GRAD) Act, the University manages its own risk management and insurance program with autonomy from the State of Louisiana Office of Risk Management. This autonomy allows the University to administer its own insurance, self-insurance, claims, brokerage, and loss control, and to make risk financing decisions tailored to the University's exposures, while the University is responsible for the related financing, compliance reporting, and legacy claims.

The Office of Risk Management manages the University's risk financing using a Total Cost of Risk (TCOR) approach. Total Cost of Risk is divided into internal costs (the Office of Risk Management's program administration), external costs (fees for the University's insurance broker, actuary, and claims administration), retained losses (losses paid through self-insurance and retentions), and insurance premiums (the cost of commercial coverage). Evaluating these components together allows the Office of Risk Management to make informed decisions about how much risk to retain and how much to transfer, to avoid coverage gaps, and to avoid overpaying for coverage.

The Office of Risk Management obtains an annual actuarial analysis to evaluate the University's loss experience, project expected and retained losses, and inform self-insured retention and reserve levels. These results inform the University's insurance and risk financing decisions.

The Office of Risk Management allocates the Total Cost of Risk across the applicable units annually, based on their exposures and losses. The annual allocation is approved by the Vice Chancellor of Finance.

Insurance purchased outside the University's master program to cover specialty risks is charged to the requesting unit. Examples include special event, special equipment, Defense Base Act, and student accident and travel insurance.

## Coordination and Reporting

The Office of Risk Management coordinates closely with Internal Audit, which leads the LSU System's enterprise risk management program. The Office of Risk Management aligns its risk management activities with Internal Audit's program and assesses particular risks at the request of Internal Audit. To support a coordinated, University-wide understanding of risk, the Office shares its risk information, assessment results, and risk financing decisions with Internal Audit, reports this information to University leadership to inform decision-making, and provides information to support the LSU System's enterprise risk management initiatives.

**Resource Considerations and Limitations**

The University manages risk within the limits of its available resources. The University may not be able to address or mitigate every identified risk, and the acceptance of risk is a recognized risk treatment. Decisions about which risks to treat, and how, are discretionary judgments that take into account the University's mission, priorities, and available resources.

This FASOP provides internal guidance for the University's risk management program. It does not create any duty, obligation, or standard of care beyond that required by applicable law, does not create any right or benefit enforceable by any party against the University, and does not waive or limit any defense, statutory limitation or cap on liability, or other protection available to the University under law.

**Resources**

Additional guidance, forms, and resources are available through the LSU Office of Risk Management website:

lsu.edu/riskmgt

**Contact**

Questions regarding this FASOP should be directed to the LSU Office of Risk Management at riskmanagement@lsu.edu or by phone at 225-578-3283.