

By David R. Leng, Chief Risk Officer, Duncan Financial Group

Risk Assessments and Crisis Management: A Guide for Municipal Leaders

Municipal leaders are tasked with numerous responsibilities which significantly affect the safety and well-being of their communities. Risk assessment and crisis management are crucial yet frequently neglected components of effective governance. Municipalities must be equipped to identify risks and respond adeptly to crises, ranging from natural disasters, financial instability, public health emergencies, employee injuries, and/or cybersecurity threats. I have outlined below the importance of these areas for municipal leaders, including practical steps that can be taken and the long-term advantages of investing in risk management.

Understanding Risk Assessment

WHAT IS RISK ASSESSMENT?

Risk assessment is the systematic process of identifying, analyzing, and evaluating potential risks that could negatively affect a municipality's operations, services, or residents. These risks can range from physical threats like floods and wildfires to operational challenges, including budget shortfalls or data breaches.

WHY IS RISK ASSESSMENT IMPORTANT?

A well-conducted risk assessment gives municipal leaders critical insights into vulnerabilities and helps prioritize actions to mitigate or manage those risks. Without this foresight, municipalities may face preventable damages, financial losses, or public safety issues that could have been avoided with proactive planning. Additionally, comprehensive risk assessment supports resilience by preparing communities to respond and recover from emergencies more effectively.

TYPES OF RISKS MUNICIPALITIES FACE

Municipalities must navigate a broad spectrum of risks. The following are the primary categories that should be considered in a risk assessment process:

1. **Natural Disasters:** Earthquakes, tornadoes, hurricanes, floods, wildfires, and droughts are common natural hazards that can devastate infrastructure, displace residents, and strain municipal resources.
2. **Public Health Crises:** Pandemics, such as COVID-19, or localized health issues like outbreaks of water-borne diseases, can overwhelm healthcare systems, disrupt economies, and demand rapid, coordinated responses.
3. **Economic and Financial Risks:** Economic downturns, unexpected revenue shortfalls, or poorly managed budgets can destabilize a municipality's ability to provide essential services, manage debt, or maintain financial sustainability.
4. **Cybersecurity Threats:** Municipalities, like all organizations, are increasingly vulnerable to cyberattacks that can compromise sensitive data, disrupt services, and damage public trust.
5. **Technological Failures:** Power outages, water system malfunctions, and transportation grid failures are technological risks that could affect day-to-day operations.
6. **Political and Social Risks:** Civil unrest, community conflicts, and changes in government policies can create challenges that municipalities need to address in real time.

Steps for Effective Risk Assessment

To properly assess risks, municipal leaders must follow a structured process that evaluates potential threats and the likelihood of those threats materializing. Below are the key steps in a risk assessment process:

1. IDENTIFY RISKS

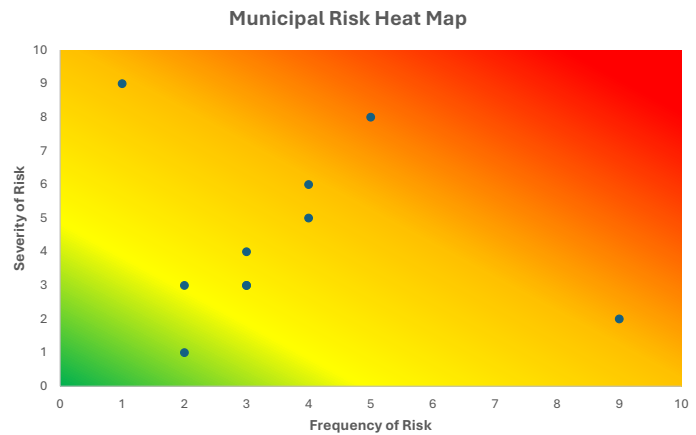
Municipalities should begin by developing a comprehensive list of potential risks. This can be achieved through workshops, consultations with experts, reviewing historical data, and using risk assessment tools designed for local governments. Collaboration with other municipalities, state agencies, and emergency management organizations can provide valuable input. The use of roundtable discussions with representatives from other local municipalities can help reduce the overall load of trying to build out your assessment.

Actionable Step: Create a risk register that lists every identified risk along with relevant details, such as its potential impact, probability of occurrence, and possible mitigation strategies.

2. ANALYZE AND PRIORITIZE RISKS

Once the risks are identified, it is essential to analyze them in terms of their likelihood and potential impact. Risks can be rated on a scale (e.g., low, medium, high, or 1-5) to prioritize which risks demand immediate attention. For example, a high-probability, high-impact risk, such as annual flooding, would take priority over a low-probability risk, such as an economic downturn. Plus, growing real estate assessment appeals trends have a long-term impact on your tax revenues.

Actionable Step: Use a risk matrix that categorizes risks according to their potential impact on the community and likelihood of happening. This will help leaders prioritize which risks require immediate mitigation efforts.



Here is a sample Municipal Risk Heat Map with severity on the left axis and frequency on the bottom axis, using a color scale to represent the level of risk. The darker areas represent higher risks based on the combination of severity and frequency.

3. EVALUATE MITIGATION STRATEGIES

For each high-priority risk, municipalities must evaluate and implement mitigation strategies. These strategies may include infrastructure improvements, policy changes, emergency preparedness plans, or community education initiatives. Risk mitigation may also involve insurance coverage for certain high-impact risks, like natural disasters.

Actionable Step: Develop specific mitigation plans for each prioritized risk, detailing the actions required, responsible parties, and resources needed for successful implementation.

4. MONITOR AND UPDATE THE RISK ASSESSMENT

Risk assessment is not a one-time activity. Municipalities must continuously monitor the risk landscape and update their assessments as new threats emerge or existing risks evolve. This requires a dynamic risk management system that can adjust to real-time developments and integrate new data.

Actionable Step: Establish a schedule for reviewing and updating the risk register, ensuring it reflects current risks and mitigation progress. Consider annual reviews and updates after significant changes or incidents.

continued on page 46

IN THE WORKPLACE

continued from page 45

Crisis Management: Preparing for Emergencies

While risk assessment focuses on identifying and mitigating potential risks, crisis management prepares the municipality for responding when those risks materialize. Crisis management involves creating a comprehensive framework that outlines how the municipality will handle emergencies in order to minimize damage and recover swiftly.

1. DEVELOP AN EMERGENCY RESPONSE PLAN

The cornerstone of effective crisis management is a well-developed emergency response plan. This plan should outline roles and responsibilities, communication protocols, resources, and key actions that must be taken in different crisis scenarios.

Actionable Step: Work with public safety departments, emergency responders, and relevant stakeholders to draft a detailed emergency response plan that addresses the municipality's most pressing risks. This should include coordination with state and regional emergency services.

2. CREATE A CRISIS COMMUNICATION PLAN

Effective communication is critical during a crisis. Municipalities must be able to disseminate information quickly and accurately to residents, staff, and external agencies. This includes using multiple channels, such as social media, local news, and emergency alert systems, to ensure everyone is informed.

Actionable Step: Develop a crisis communication plan that designates spokespeople, sets up communication channels, and provides templates for public announcements in emergencies.

3. ESTABLISH INCIDENT COMMAND SYSTEMS

An Incident Command System (ICS) is a standardized approach to managing emergencies that enables coordination between different agencies and departments. Municipal leaders should ensure their emergency response plan integrates an ICS to streamline decision-making during a crisis.

Actionable Step: You should train municipal staff and relevant personnel in ICS protocols to ensure smooth coordination during emergencies.

4. CONDUCT REGULAR DRILLS AND TRAINING

Preparedness requires practice. Municipal leaders should organize regular emergency drills that simulate different crisis scenarios, allowing staff, emergency responders, and key stakeholders to rehearse their roles.

Actionable Step: Schedule annual or semi-annual crisis management drills that test the municipality's emergency response plan and identify any weaknesses that might hinder preparedness.



The Benefits of Strong Risk Assessment and Crisis Management

Investing time and resources into risk assessment and crisis management offers municipalities several long-term benefits:

1. **Minimized Losses:** Proactively identifying and mitigating risks reduces the likelihood of financial losses, property damage, and human casualties during a crisis.
2. **Faster Recovery:** A well-prepared municipality can respond more quickly to emergencies and restore normal operations faster, reducing the overall impact of a disaster.
3. **Improved Public Trust:** Transparent and effective crisis management builds trust with residents, who will feel confident in their local government's ability to protect them during difficult times.
4. **Better Resource Allocation:** By prioritizing risks, municipalities can allocate resources more efficiently, focusing on areas that need attention without wasting funds on low-probability risks.
5. **Legal and Regulatory Compliance:** A comprehensive risk management strategy helps municipalities comply with regulatory requirements, thereby reducing the potential for legal issues or fines.
6. **Reduced Insurance Costs:** The greater an insurance company believes you will not have a claim, the less premium they will charge. Plus, if you can avoid or mitigate a claim, you will not see your premiums increase when the insurance company has to pay out on your behalf.

Conclusion

For municipal leaders, effective risk assessment and crisis management are not just optional tasks—they are fundamental to protecting public safety, ensuring the continuity of services, and maintaining community trust.

Municipalities can lessen the impact of crises by identifying risks, formulating mitigation strategies, and effectively preparing for emergencies while fostering resilient communities ready to face future challenges. **B**

ABOUT THE AUTHOR



David R. Leng, CPCU, CIC, CBWA, CRM, MWCA, is the author of the #1 Best Seller Amazon Business Books *The 10 Laws of Insurance Attraction*, *Insured to Fail*, as well as *Stop Being Frustrated & Overcharged* (by your workers' compensation program.)

David is the Chief Risk Officer of the Duncan Financial Group in Irwin, Pa., a Keystone member. Leng is also an Institute of WorkComp Professionals instructor and serves on the PA Compensation Rating Bureau Classification and Rating Committee. He can be contacted at dleng@duncangrp.com. For more information, visit www.StopBeingFrustrated.com.

About Keystone: *Keystone is a network of high-performing independent insurance agencies. In partnership with Keystone Agency Partners, we're here to help your borough navigate the unique challenges and risks facing your community.*

Our Keystone agencies are more than just insurance providers—they're part of your community, living and working alongside you. They bring a deep understanding of the risks you face, leveraging resources like advanced risk assessments, environmental protection measures, and tailored insurance solutions to meet your evolving needs. Together, we're committed to safeguarding your borough's future.