

## Combined Claims Conference Continued Professional Training



### Some Thoughts on “Real” Risk Management

**Presented by Gordon Graham  
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Thank you so much for inviting me here to Anaheim to speak to you. I have two 60-minute opportunities to speak to you. Our first program (today 0900-1000) will focus on what real risk management is all about. Tomorrow afternoon (1415-1515) I will focus on the 10 Families of Risk.

My goal here this morning is to give you some ideas, thoughts, strategies and tactics you can utilize in your respective jobs in the world of insurance to better protect yourself, your team, your facilities, your organization, your citizens, our environment, and our great nation.

For those of you I have met before, you know I have spent a huge amount of time studying tragedies. I got interested in this topic during graduate school (and what a lucky break that was for me) where one of my professors was the guru on maritime tragedies. Every night we studied shipwrecks—and there have been a bunch of them around the world over the centuries. How do ships end up on the rocks or the bottom of the ocean?

From there we graduated to train tragedies, bridge collapses, refinery explosions, power plant tragedies, aviation tragedies, sports stadium tragedies, and other tragic events that had occurred in the past. Simultaneously, I was a young cop and getting involved in all the “tragedies” occurring in my profession at that time—law enforcement operations.

Also (and not to bore you) but during same time, I was fortunate to be a contributor to “The Hurt Report,” perhaps the most significant publication ever on how motorcycle tragedies occur. If you ride, you need to read this report. Professor Harry Hurt was one of

my professors, and the lead author on this piece, and even today (40+ years later) his work is recognized as the leading authoritative work on motorcycle safety.

Risk managers study tragedies with one goal. If we can identify the cause of the tragedy, perhaps we can put together “control measures” to prevent similar tragedies from occurring.

Sadly, too many people have never been taught that a given tragedy will have multiple causes, including proximate causes, contributory causes, root causes and other “problems lying in wait”—problems people knew about or *should* have known about and yet did nothing about.

As a result of this lack of knowledge, the control measures we put in place oftentimes do not address the real cause of the problem and future similar tragedies continue to occur again and again.

Let me explain to you the difference between “black swans” and “gray rhinos.” Everyone in your organization needs to know this. In nature, black swans occur rarely, and we can’t predict when they will occur. In risk management speak, then, “black swans” are events that have a low probability of occurring but have devastating impact. Gray rhinos, however, are plentiful in nature—all rhinos are gray. In the world of risk management, “gray rhinos” are threats that are highly likely to occur, yet we ignore them.

Behind every black swan is at least one gray rhino—probably a lot more. But we focus on the horrible impact of the black swan, rather than digging deeper to see what really caused it. Put another way: Too many people get worked up on the wrong stuff! By 1000 HRS I want you to know that most of your problems are “gray rhinos”—massive beasts coming right at us and we refuse to get out of the way.

So what can be done to address the risks you face in your high-risk operations? As I read about the lawsuits, injuries and deaths, organizational embarrassments, internal investigations and even the rare criminal filing against organizations and employees, I know we can learn so much by studying the mistakes that have been made in the past. It all gets down to risk management.

Risks can be eliminated, minimized, controlled, avoided, shared or transferred. Each of these is a form of risk management. There is not one of you in here today who has not heard the phrase, risk management. Unfortunately, the phrase is grossly misused, many times by people who have no clue what they are talking about.

America is a nation of laws. Lawyers run our great nation. Lawyers are very good at fixing problems after they occur. Risk managers do not think this way. Their whole life is

focused on “pre-incident prevention of problems.” I don’t know one educated and trained risk manager in America who holds elected office. Not one! Do you? Take a look at any organization’s internal phone roster and compare the number of lawyers listed to the number of risk managers.

Or take a look at any government organizational chart and compare the position of “lawyer” to where the risk management position is. Too often, risk management is not even on the organizational chart—and if it is, it shares a box with Human Resources or Maintenance or Finance.

This is not something that suddenly became important to me on September 11, 2001. This has been my focus for the last 40+ years. What will it take to wake people up? Prevention is better than correction. Small, smart expenditures of effort and money up front can prevent massive downstream problems. *You can make this happen individually and organizationally.*

Webster takes a stab at defining risk as the possibility of meeting danger or suffering a harm or loss, or exposure to harm or loss. As a follow then,

**Risk management is any activity that involves the evaluation of or comparison of risks and the development, selection and implementation of control measures that change outcomes.**

Or more simply stated, risk management is the process of looking into the future (short or long term) and asking what can go wrong and then doing something about it to prevent it from going wrong. It all gets down to **RPM**:

- **Recognizing** the risks you face;
- **Prioritizing** them in terms of frequency, severity, and time to think; and
- **Mobilizing** (acting) to do something about them.

Well, my internal clock is telling me it is closing in on 1000 HRS—so let’s take our break. I hope to see you tomorrow afternoon.

**Thank you for giving me the opportunity to address you. If you ever need anything, please do not hesitate to contact me:**

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