OA General Services, Risk Management
Enterprise Risk Management

ERM Definitions

Risk Frequency, Severity, and Total Exposure

Risk Frequency - Risk frequency is typically the number of times the risk occurs on a yearly, monthly, or weekly basis. A total or average can be used.

Total example: 2,000 workers' compensation claims could have been reported last year. Therefor we used 2,000 workers' compensation claims reported on a yearly basis.

Average example: 2,000 workers' compensation claims could have been reported three years ago, 2,150 two years ago, and 2,500 one year ago. Therefor we use the average of 2,217 workers' compensation claims reported yearly.

Risk Severity - Risk severity can be a dollar amount, number of days, number of hours, or people affected from each occurrence. It can be displayed as an average or total.

Total example: $5,000 of worker's compensation claims expenditures were spent last year on a weekly basis. Therefor we use $5,000 of workers' compensation claims expenditures as the severity.

Average example: $5,000 of worker's compensation claims expenditures were spent three years ago on a weekly basis, $4,500 two years ago, and $3,750 last year. Therefor we use the average of $4,417 workers' compensation claims expenditures as the severity.

Total Exposure - is configured by multiplying the the frequency by the severity (Frequency x Severity = Total Exposure). This is completed for you in the template.