

CALIFORNIA STATE UNIVERSITY
SAN MARCOS

RISK MANAGEMENT

ANNUAL REPORT
FOR
FISCAL YEAR
2006/2007

RISK MANAGEMENT & SAFETY
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I. Introduction

Risk Management provides resources, advice and training that allow students, faculty and staff to manage and balance risks created by the University's programs and activities. The program mission is to prevent and reduce losses without unnecessarily limiting activities that advance the University's mission and goals. The vision is to be recognized as a leader in higher education risk management.

The overarching goals (objectives) of the Risk Management Program are to:

- Reduce the University's * *Cost of Risk - Defined below in Section II. A.*
- Increase coordination between student, academic and administrative units that have risk management responsibilities, resulting in common priorities and focus
- Implement proactive risk management strategies developed through an increased emphasis on analysis and reporting of risk management information
- Identify, develop and implement strategies to reduce potential injury to people, damage to property and legal liability exposures and/or claims against the University
- Develop policies, procedures and /or training to address high risk activities/areas

This report analyzes the University's risk management costs; reviews accomplishments achieved during the 2006 – 2007 fiscal year; outlines concerns facing the University and sets forth objectives for the 2007 – 2008 fiscal year. This report should also serve as a tool for managers to assess the nature and extent of common University exposures and provide insight into loss control and prevention programs which can assist in mitigating those exposures.

II. Executive Summary - Program Cost

A. Cost of Risk

One method to assess the effectiveness of the University's Risk Management Program is to compare the annual cost of the program (retained losses, insurance premiums, operational and administrative expenses) against the University's budget over time, commonly referred to as *Cost of Risk*. A *Cost of Risk* at or below 2% is an industry standard for better than average performance. As the table below indicates, the University's risk management costs decreased from 2% of the University's budget in the 2005-2006 fiscal year to 1.99% of the University's budget in the 2006-2007 fiscal year.

COST OF RISK SUMMARY			
Premiums and Claims	2004-05	2005-06	2006-07
Workers' Compensation Premium	781,855.00	836,665.00	707,904.00
Workers' Compensation Claims	150,016.00	183,139.00	259,018.00
Subtotal	\$ 931,871.00	\$ 1,019,804.00	\$ 966,922.00
General Liability Premium	227,526.00	237,397.00	363,507.00
General Liability Claims	254,808.00	521,045.00	266,227.00
Subtotal	\$ 482,334.00	\$ 758,442.00	\$ 629,734.00
IDL/NDI/UI Premium	82,152.00	123,816.00	198,629.00
IDL/NDI/UI Claims	342,008.00	197,401.00	191,320.00
Subtotal	\$ 424,160.00	\$ 321,217.00	\$ 389,949.00
Property	63,193.00	69,512.00	89,345.00
Auto Liability	54,848.86	41,301.00	31,732.00
AIME	2,000.00	5,000.00	5,000.00
NAIA	-	2,068.00	2,378.00
Special Event	2,952.93	3,725.50	3,302.40
Inland Marine	1,805.51	1,689.33	1,678.33
Student Professional Liability Insurance (SLIP)	-	-	679.00
SAFECLIP	-	-	-
International Travel	-	964.00	-
Student Travel	913.00	913.00	913.00
Subtotal	\$ 125,713.30	\$ 125,172.83	\$ 135,027.73
Total Premiums and Claims	\$ 1,964,078.30	\$ 2,224,635.83	\$ 2,121,632.73
Administrative Costs			
Administrative Salaries	\$ 162,716.40	\$ 171,192.41	\$ 185,086.14
Administrative Expenses	\$ 12,467.74	\$ 13,102.35	\$ 17,646.59
Total Administrative Costs	\$ 175,184.14	\$ 184,294.76	\$ 202,732.73
Total Cost of Risk			
Total Risk Management Costs	\$ 2,139,262.44	\$ 2,408,930.59	\$ 2,324,365.46
University Budget	\$ 68,995,914.00	\$ 75,458,950.00	\$ 80,684,993.00
Total Cost of Risk as a % of the University Budget	2.02%	2.00%	1.99%

Notes: *University Budget* does not include construction costs and other miscellaneous expenses. Administrative expenses are actual amounts for each year. Because they are only used in the calculation of their respective funding cost, Workers' Compensation and IDL/NDI/UI claims are not included in total risk management costs. Student Professional Liability Insurance was offered for the first time in 2006 - 2007. SAFECLIP was offered for the first time in 2007 - 2008 and CSURMA currently covers the premium expense for all campuses. The *Cost of Risk* model does not account for unreported mitigation and claims paid as a departmental or outside party's expense (i.e.; non-insured property claims, settlements or University owned vehicle repairs not coordinated through ORIM/DGS, ADA accommodations and Medical Monitoring). Subpoenas and Public Record Access costs are also excluded.

B. CSU System-wide and Campus Cost Comparison

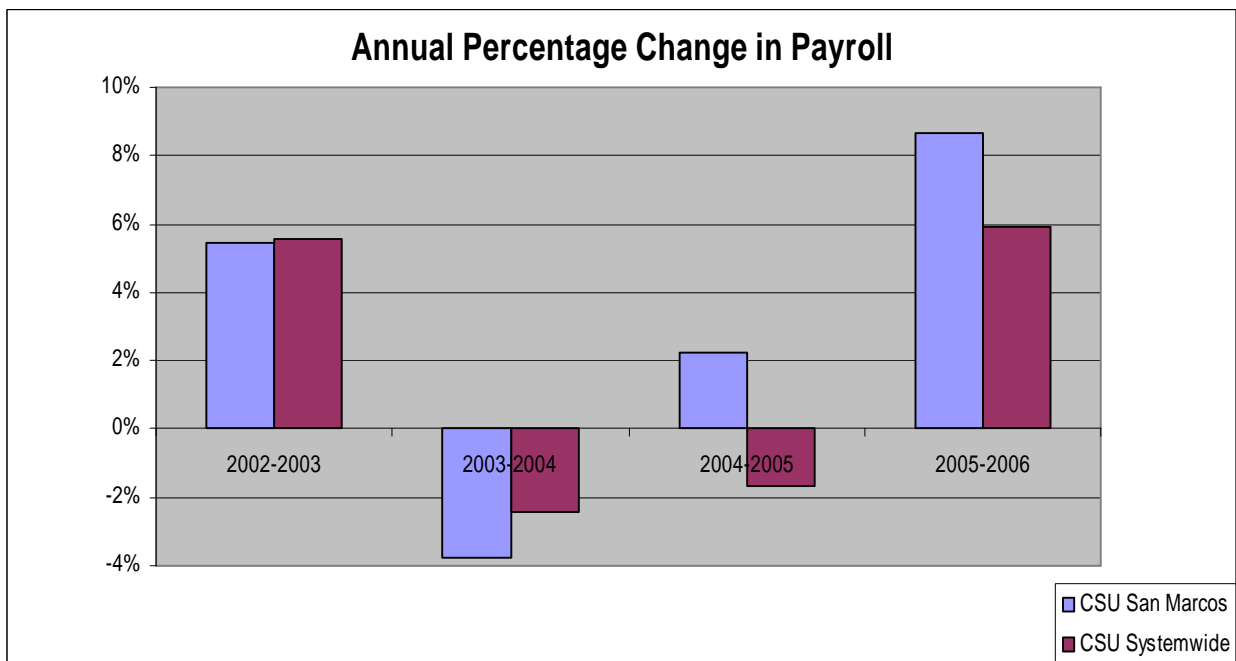
Another way to measure program effectiveness is to compare the decrease/increase percentage of certain campus risk management costs against the system-wide average. In 2006 - 2007, the University's premiums (7%) for Workers' Compensation, General Liability, IDL/NDI/UI and Property programs increased at a greater rate than the system-wide average (1.6%). The *Program Review* section will define the factors that contributed to this performance.

II. Program Review

A. CSU System-wide and Campus Payroll Comparison

The University's Workers' Compensation and General Liability premiums are directly impacted by the size of its annual payroll relative to the CSU system-wide payroll. If an increase in the University's payroll for any given year is greater than the system-wide increase for that year, the premiums will increase, depending on claim performance. If a decrease in the University's payroll for any given year is greater than the system-wide decrease for that year, the premiums will decrease, depending on claim performance.

As the graph below illustrates, in two out of the last four years, the University's payroll has increased at a faster rate than the system-wide average; driving the premiums for Workers' Compensation and General Liability premiums upward.



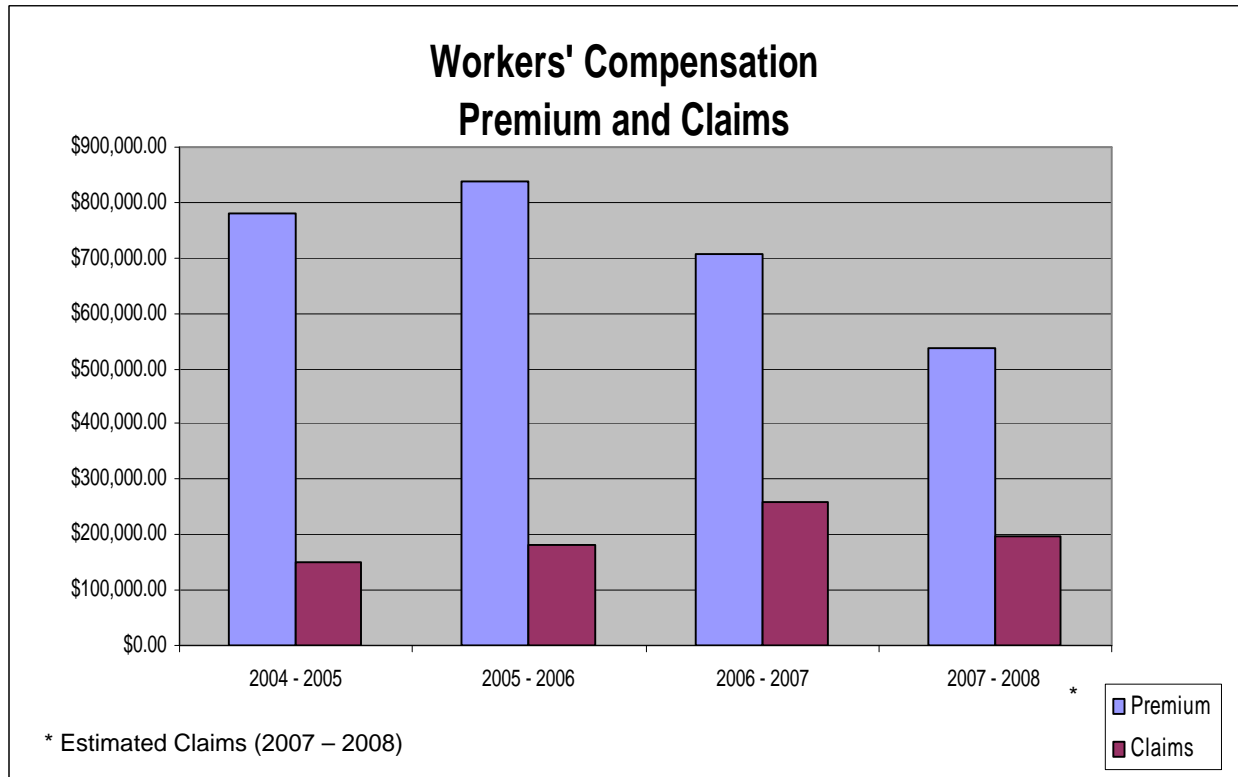
Because the University's past claim history directly affects most of its future premium, the following information is necessary to fully understand the impact of the claims cost outlined in the *Cost of Risk* model above.

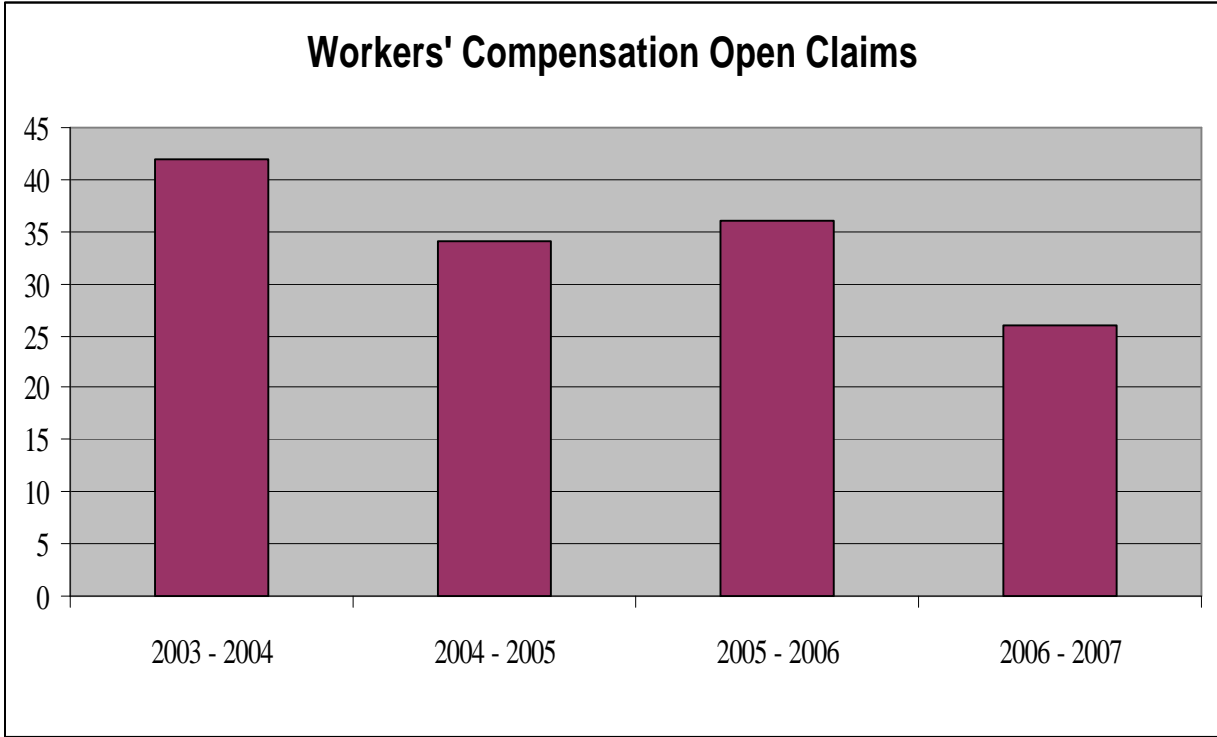
B. System-wide and Campus Premium/ Claims Comparison

The cumulative number of claims over a five year period affects the University's self-funded coverage programs (WC, Liability, IDL/NDL/UI) annual premium rating. That is to say, claims that occurred within this five year historical window impact the University's loss experience modification rate in the current policy year. Keeping that in mind, it is crucial to implement risk controls to reduce the number of open claims (or claims frequency).

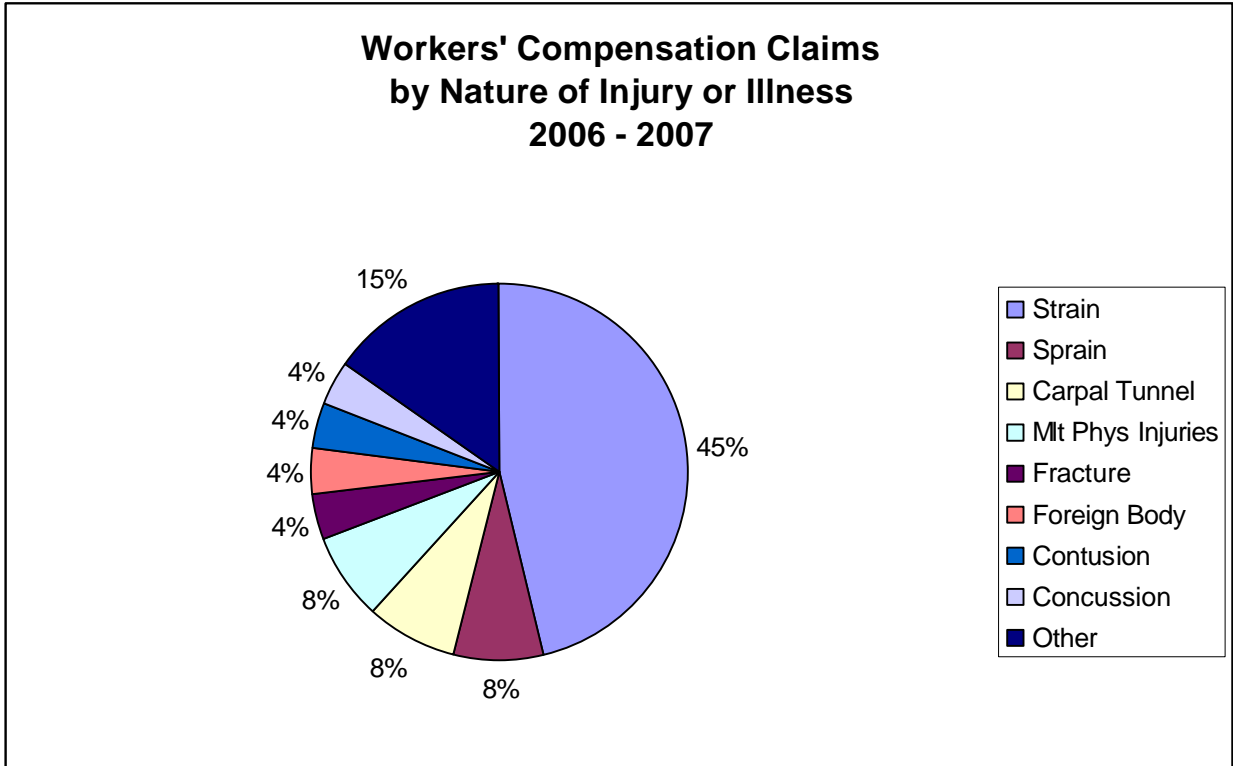
Workers' Compensation Premium and Claims

Workers' Compensation expenses represent the University's largest controllable *Cost of Risk*. The University's premium is primarily based on a five-year claims cycle. Claims costs are primarily driven by the number of open claims. In 2006 - 2007, Workers' Compensation premium costs in the CSU decreased an average of 6.2%. The University's premium cost decreased by 15.6% or \$130,761. This is impressive when factoring in the University's growth in payroll from the 2005 - 2006 fiscal year to 2006 - 2007 fiscal year and the increase in the University's claims cost in 2006 - 2007. Claims cost in 2006-2007 increased from 2005 - 2006 by 41.4 % or \$ 75,879. The graphs below demonstrate that the total number of claims in 2006 - 2007 has decreased, while the total costs of claims have increased. The increase in claims cost is most likely attributed to an increase in settlements for a few long standing claims.





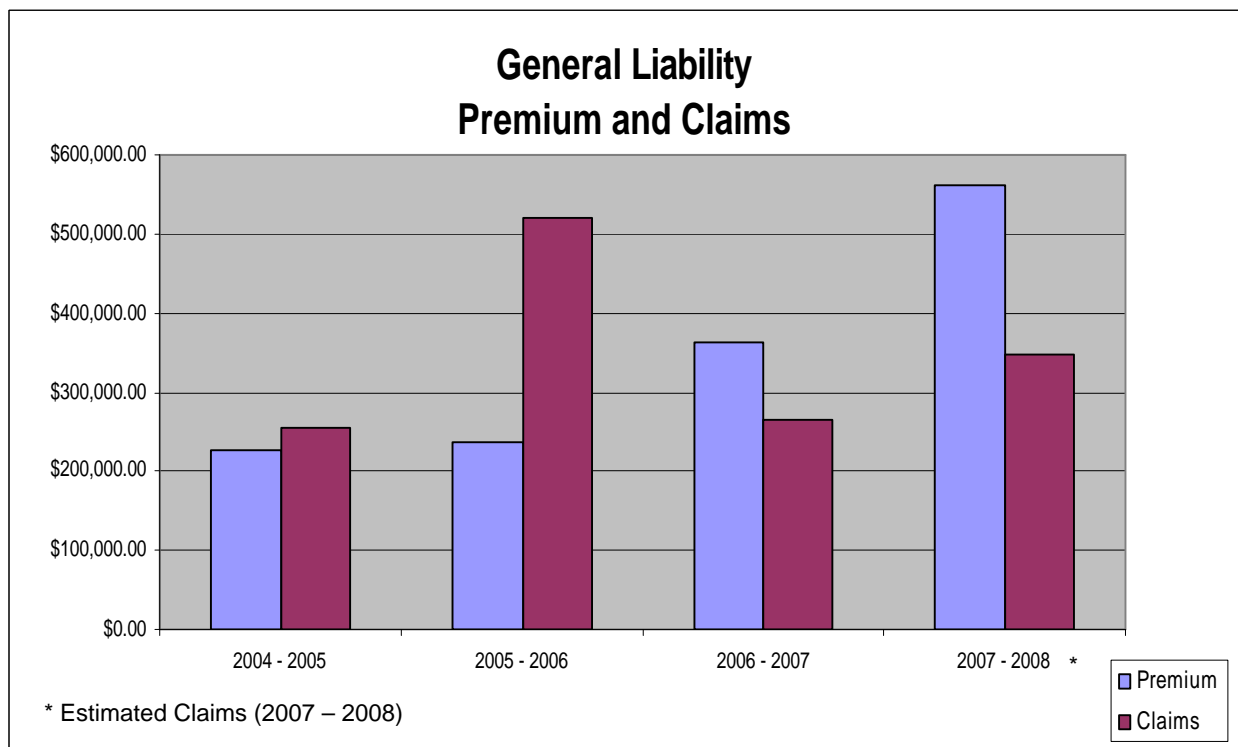
The graph above shows that the number of open claims has decreased in 2006-2007 from 36 to 26 or a 38% reduction.



The graph above illustrates the types of injuries and illnesses suffered by University employees and volunteers in 2006 - 2007. The data substantiates the efforts made by Risk Management and Safety in collaboration with university leadership to address the University's most frequent injury/illness, repetitive motion injuries.

General Liability Premium and Claims

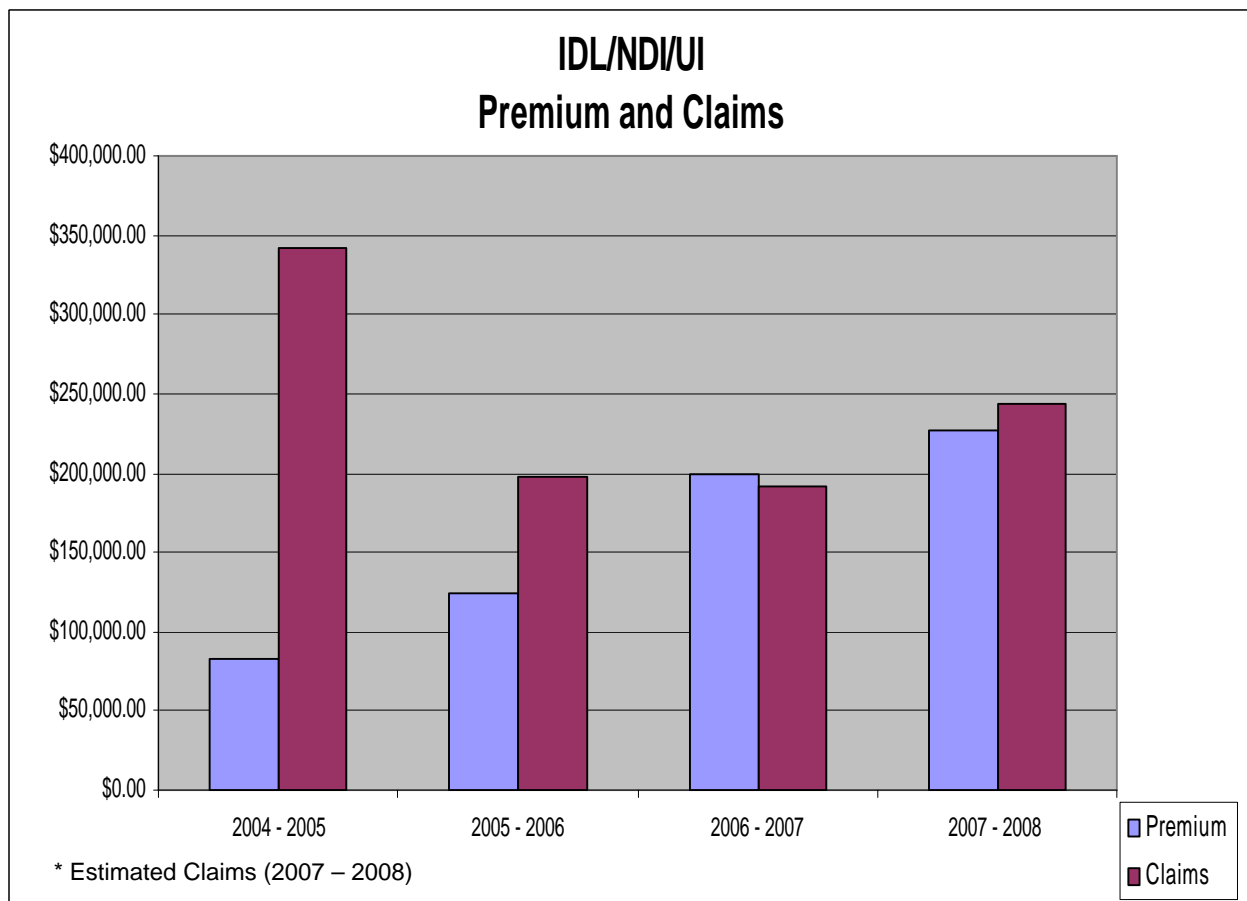
General liability expenses are directly related to the number of lawsuits and non-litigated claims filed against the University. As of December 2007, the University was involved in only one litigated claim and two non-litigated claims. In 2006 - 2007, general liability premium costs in the CSU increased an average of 12.8%. The University's premium cost increased substantially in 2006 - 2007 by 53.4%. This can be attributed to the University's growth in payroll and the University's claim payout in 2005 - 2006. Claims cost in 2006 - 2007 decreased from 2005 - 2006 by \$ 254,818 or - 48.9 %. To maintain this progress, Risk Management in collaboration with Human Resources will continue to review policies, procedures, publications and trainings related to the prevention of Employers Practice Liability concerns including, wrongful termination, harassment, discrimination and retaliation.



IDL/NDI/UI Premium and Claims

Industrial Disability Leave (IDL) is a benefit (coupled to Workers' Compensation) available to those who sustain a work related injury or illness. Non-industrial Disability Leave (NDI) is a benefit available to employees who sustain a non-work related injury or illness and are unable to work. Unemployment Insurance (UI) is a benefit available to qualified employees who become unemployed / separated from the University. IDL, NDI and UI claim costs have decreased significantly since 2004 – 2005.

In 2006 - 2007, IDL/NDI/UI premium costs in the CSU increased an average of 9.5%. However, the University's funding cost increased by 60.4%. This higher-than-average increase was due to an increase in campus claims history in 2004 – 2005. Claims cost in 2006-2007 decreased from 2005 – 2006 by \$ 6,081 or - 3.1 %. Risk Management and Human Resources recognize the need to continue the campus IDL and UI improvement in claims through focusing on Disability Case Management/Return-to Work and emphasizing the need to improve hiring practices (i.e. screening, background checks, selection and hiring decisions). NDI is for the most part, a non-controllable benefit for employees. Unfortunately, the University will pay higher premiums for claims experience that occurred in the 2004 – 2005 fiscal year through 2009 – 2010, *as explained above in Section II, B. System-wide and Campus Premium/ Claims Comparison.*



Property Insurance

The primary factor in determining property insurance premium cost is the CSU's, not the University's loss experience. A secondary factor involves campus building growth. Considering the University's current and future plans to build new campus structures, it is understandable that property insurance premiums increased by \$16,673 or 22.9% from 2005- 2006.

Automobile Liability Insurance

This premium is based on the CSU's, not the University's loss experience. The premium calculation is based on the number of vehicles owned by the campus. Because the CSU did not have any significant losses in 2006 - 2007, the premium decreased by \$9,629 or 23% per vehicle in 2006 - 2007. This premium is expected to decline steadily over the next few years.

Foreign Travel Liability Insurance Program

FTLIP is available for purchase by traveling faculty, staff, and students participating in academic related activities. FTLIP is intended for short-term use. FTLIP provides additional financial protection for exposures in excess of those covered by the campus' general liability, workers' compensation, and vehicle liability programs, which may be encountered through claims and litigation in foreign countries. It also serves as an emergency contact mechanism for the University to contact faculty, staff and students.

Special Events and Vendor Liability Insurance

The frequency of claims made against Special Events Insurance is minimal at this time. Risk Management in coordination with University Events Scheduling (UESO) and the Clark Field House (CFH) has been assessing, on an event-by-event basis, the necessity for Special Events Insurance for campus events. The increase of the size and scope of events on campus may increase the need for this type of insurance. It is Risk Management's anticipation that the new RM&S risk assessment tool, in conjunction with the UESO's standard lease for space and campus service contracts, will assist the UESO/CFH, Event Organizers, Outside Organizations and Vendors with minimizing their risk, reducing the need for Special Event Insurance. The University's Special Events Premium was \$772.57 higher or 26.2% in 2006 - 2007.

Participant Accident Insurance

This insurance provides coverage for participants in University sponsored activities such as sports camps, camping, skiing, white water rafting, fundraisers and one-time special events. This insurance is available on a per activity basis and the cost varies depending on the selected coverage's and deductibles. Athletics will be procuring Participant Accident Insurance for summer camps in 2008. This coverage has also been used for past 5K events on campus.

Athletic Injury Medical Expense Insurance (AIME) and National Association of Intercollegiate Athletics (NAIA)

Students participating in intercollegiate athletics, whether as a team member or prospective team member, are eligible to receive up to \$25,000 for medical expenses related to injuries sustained while participating in regularly scheduled intercollegiate sporting events and other supervised or customary activities (i.e. practices and try-outs). This self-funded insurance also provides up to \$25,000 of coverage for travel accidents and up to \$15,000 for accidental death or dismemberment. This insurance is in excess of any other valid and collectible insurance. AIME's 2007 – 2008 premium is projected to increase by 50% or \$5,000 due to the growth in Athletics. NAIA is a premium expense for catastrophic insurance coverage required by the University's involvement in the NAIA.

Student Professional Liability Insurance Program (SPLIP) and Student Academic Field Experience for Credit Liability Insurance Program (SAFECLIP)

SPLIP is projected to increase by \$7,936 or 92% in 2007 – 2008 due to growth in the University's clinical nursing and student teaching placements. Currently, CSURMA is paying the campus premium expense for SAFECLIP in the amount \$4,070. It is expected that the University will assume this expense in the near future. This does not account for non-matriculated student placement through Extended Studies.

CSU Student Health Insurance (CSUSHI)

Students may purchase CSUSHI through CSU Healthlink (i.e. domestic and international health, dental and vision insurance). Students assume the full premium cost for this program offered through CSURMA.

III. 2006-2007 Program Accomplishments

The following represent Risk Management's primary accomplishments for the 2006 – 2007 fiscal year:

- Created action plans addressing Student Domestic Travel, Community Service Learning and Employee Injury Transport.
- Worked collaboratively with General Counsel to minimize potential and ongoing claims and litigation costs.
- Reduced the total number of open claims for Workers' Compensation from 36 to 26 or 38%. Received a Workers' Compensation dividend for the University and system-wide Workers' Compensation performance in the amount of \$255,179. Recommended the dividend be allocated toward future claim deductibles.
- Assisted the Emergency Manager in facilitating a campus claim through FEMA for the October 2007 wild fires. Estimated campus costs for damages were \$172,047. The campus anticipates a 75% reimbursement for damages or \$129,035.
- Saved the University \$13,572.41 through the collection of funds from four outside organizations who damaged University property.
- Identified the most prevalent types of injuries and illnesses suffered by University employees. Developed measures to reduce the most frequent and severe injuries and illnesses (i.e. ergonomic injuries). Provided ergonomic training, consultation and publications to reduce injuries caused by poor equipment and furniture design. Continue to encourage proactive stretching programs for employees exposed to high-impact repetitive stress. Assisted Facility Services in being recognized as a Government Employee Safety Award winner for their ergonomic stretching program.
- Created a Faculty Responsibilities Brochure to address faculty concerns such as: Student Injury/Illness, Classroom Safety, Emergency Preparedness, Emergency Reporting, Field Trips, Student Placement and Study Abroad.
- Provided Academic Resources/Faculty Center with Risk Management 102, Workers' Compensation and Injury Illness Prevention Program training during New Faculty Orientation. Risk Management 102 serves as an introduction to risk management strategies, including risk assessments.
- Provided Risk Management 102 training for all Finance & Administrative Services MPP's.
- Created a Campus Connect field trip video demonstrating services provided by various FAS departments which is a tool available on the RM&S website.

- Provided Procurement with Insurance Requirements in Contract (IRIC) training per Executive Order 849 for new buyers.
- Created new processes to improve the existing Defensive Driving and Department of Motor Vehicles Pull Notice programs. Class enrollment has increased from 2-5 attendees to approximately 18-20 attendees per class.
- Created and launched a web tool for UESO/CFH and event organizers (faculty, staff, students and outside organizations) to assist with University insurance and risk assessment requirements. Worked with UESO to address risk and insurance concerns for large events.
- Risk Assessment and Insurance Consultation:
 - Reviewed liability and insurance concerns for multiple Extended Studies contracts to assist with offering new Extended Studies programs on campus.
 - Assisted the Kinesiology Department with offering “Max O2” treadmill stress test for students and/or community members.
 - Assisted Athletics with creating athlete orientation documentation and summer camp development.
 - Assisted the Clarke Field House with addressing liability and insurance concerns regarding the use of Personal Trainers at the CFH.
- Improved the Risk Management website to assist customers with risk management process and program tools.
- As a member of the CSURMA Property Liability Committee, created a draft CSU Foreign Travel Policy.
- As a member of the Chancellors Office Sports Club Committee, represented CSUSM to address risk and insurance concerns in student recreational club sports (per Executive Order 1006).

IV. Projected Risk Concerns for the Future

A key risk management function is to anticipate and identify risks that could negatively impact the University's strategic mission, reputation, day-to-day operations, compliance with applicable laws and regulations, and financial resources. Set forth below is a list of the projected risk concerns that Risk Management believes are most likely to have a negative impact on one or more of the five goals listed in the *Introduction* on page 1. This list is based on a review of the University's loss history, as well as current insurance and litigation trends.

- The nature wrongful terminations, unfair labor practices, harassment, discrimination and retaliation.
- Growth in construction related projects
- Exposure to crime (i.e. alcohol, theft, burglary, vandalism, weapons possession)
- The size and scope of campus events
- The nature and increase of off-campus, experience-based, learning activities including; student teaching nursing
- New student clubs
- Student mental health issues such as behaviors elicited by drug or alcohol use and suicide
- Employee and student domestic travel.
- Faculty, staff and students foreign travel

V. Program Objectives in 2007-2008

Risk Management and Safety is committed to educating the campus community about the services we can provide to assist with managing risks in their programs and activities.

Decreasing the University's *Cost of Risk* will continue to be a challenge. Although progress has been made in developing a culture of risk identification and assessment, which will reduce the amount of future premiums and claims, the University's "Total Risk Management Costs" have increased each year, with the exception of 2006 – 2007, as listed above.

Program goals to reduce overall costs in associated with the 2007 – 2008 fiscal year will focus on the following:

- Create an action plan that addresses training in Risk Management and Workers Compensation. These trainings will provide the campus community with the tools to more effectively risk in their respective area.
- Develop and implement a campus risk assessment, following the Enterprise Risk Management model, which will assist leaders in targeting risk activities in their area to protect the University's human, financial and physical resources.
- Ensure Risk Management Program costs are at or below 1.9 % of the University's budget.
- Continue to provide the campus community with Risk Management and Workers' Compensation training to improve the university's loss history.
- Improve the campus Disability Case Management and Return to Work Programs to address both industrial and non-industrial injuries and illnesses.
- Collaborate with Human Resources by continuing to review policies, procedures, publications and training related to the prevention of Employer Practice Liability Claims (i.e.; hiring practices, employee screening, background checks, wrongful termination, harassment, discrimination and retaliation).
- Collaborate with the development and implementation of the University Hazing Education Team (UHET) which focuses on reducing the potential for student hazing and minimizing the potential for litigation.
- Partner with Procurement, the Foundation and UESO to integrate liability language into standard university contracts (i.e. lease of space, service contracts, and student placement contracts).
- Considering the growth in student placement in Academic Programs, recommend establishing student fees, common to CSU campuses, to cover Student Professional Liability Insurance in student placement.
- Define the CSU Student Health Insurance (CSUSHI) program as an insurance product that is available for students who have been unable to purchase health insurance through other means. Market the program on the Risk Management website. This type of coverage is crucial when it comes to placing students in off-site learning experiences.
- Integrate the CSU Standard Waiver & Release into all University functions and activities where a waiver and release should exist per an impending EO.
- Work with the Chancellor's Office and other campus risk managers to develop system-wide claim trending data which can be incorporated into each campus' annual report and other reporting tools used by campus Chief Administrators and Business Officers (CABO) representatives.

Risk Management & Safety

