



California State University

SAN MARCOS

**RISK MANAGEMENT
ANNUAL REPORT**

**FISCAL YEAR
2009/2010**

**RISK MANAGEMENT & SAFETY
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I. Introduction

Risk Management provides resources, consultation and training in support of students, faculty and staff to manage and balance risks created by the University's programs and activities. The program mission is to provide risk management techniques to the University to minimize the adverse effects of accidental and avoidable losses while promoting activities that support the educational mission and goals of the University. The Risk Management Program's vision is to be recognized as a leader in higher education risk management.

The overarching goals of the Risk Management Program are to:

- Follow the *Enterprise Risk Management* methodology to address: Strategic, Financial, Operational, Compliance and Reputational risk concerns.
- Maintain the University's *Total Cost of Risk* at or below the 2% industry standard which reflects better than average performance.
- 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.

The Risk Management Annual Report provides information about the University's methodology used to address risk; premium and claims performance; the Total Cost of Risk; 2009-2010 accomplishments; potential risks facing the University and 2009-2010 fiscal year goals. The report also serves as an informational tool for managers to better understand the nature and extent of common University exposures and provides insight into loss control and prevention programs, which can help mitigate exposure.

II. Executive Summary - Program Cost

A. Total Cost of Risk - TCOR

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 *Total Cost of Risk*. A *Total 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 increased from 1.59% of the University's budget in the 2008-2009 fiscal year to 1.81% of the University's budget in the 2009-2010 fiscal year.

TOTAL COST OF RISK

Premiums and Claims	2005-06	2006-07	2007-08	2008-09	2009-10
Workers' Compensation Premium	836,665.00	707,904.00	535,953.00	467,658.00	479,387.00
Workers' Compensation Claims	183,139.00	259,018.00	137,453.63	55,549.00	58,504.00
Subtotal	\$ 1,019,804.00	\$ 966,922.00	\$ 673,406.63	\$ 523,207.00	\$ 537,891.00
General Liability Premium	237,397.00	363,507.00	557,512.00	645,585.00	619,980.00
General Liability Claims	521,045.00	266,227.00	38,089.75	17,900.00	-
Subtotal	\$ 758,442.00	\$ 629,734.00	\$ 595,601.75	\$ 663,485.00	\$ 619,980.00
IDL/NDI/UI Premium	123,816.00	198,629.00	227,454.00	202,463.00	221,096.00
IDL/NDI/UI Claims	197,401.00	191,320.00	144,343.00	321,163.00	307,526.00
Subtotal	\$ 321,217.00	\$ 389,949.00	\$ 371,797.00	\$ 523,626.00	\$ 528,622.00
Property	72,672.00	89,345.00	124,284.51	136,888.00	169,542.00
Auto Liability (VELSIP)	41,301.00	31,732.00	34,905.00	15,490.00	7,823.00
Athletic Injury Medical (AIME)	5,000.00	5,000.00	10,000.00	12,160.00	13,881.00
Accidental Physical Damage (APD)	-	-	-	-	159.00
National Association of Intercollegiate Athletics (NAIA)	2,068.00	2,068.00	2,378.00	2,378.00	2,330.00
Special Event	3,725.50	3,302.40	1,866.34	7,207.23	2,951.12
Inland Marine	1,689.33	1,678.33	1,656.33	1,657.00	1,567.00
Student Professional Liability (SPLIP)	-	679.00	5,380.00	5,918.00	7,717.00
Student Academic Field Experience Liability (SAFECLIP)	-	4,070.00	5,117.00	5,629.00	8,550.00
Foreign Travel (FTLIP)	964.00	-	-	3,160.00	1,630.00
Student Travel	913.00	913.00	913.00	913.00	913.00
Subtotal	\$ 128,332.83	\$ 133,804.73	\$ 180,470.18	\$ 191,400.23	\$ 217,063.12
Total Premiums and Claims	\$ 2,227,795.83	\$ 2,120,409.73	\$ 1,821,275.56	\$ 1,901,718.23	\$ 1,903,556.12
Retained Losses					
Deductible, Litigation, Arbitration, Settlements, Small Claims					
Total Retained Losses			\$ 42,935.26	\$ 32,686.81	\$ 4,954.60
Administrative Costs					
Administrative Salaries	\$ 171,192.41	\$ 185,086.14	\$ 157,517.26	\$ 151,308.00	\$ 117,504.89
Administrative Expenses	\$ 13,102.35	\$ 17,646.59	\$ 10,235.61	\$ 6,826.88	\$ 6,549.87
Total Administrative Costs	\$ 184,294.76	\$ 202,732.73	\$ 210,688.13	\$ 158,134.88	\$ 124,054.76
Total Cost of Risk (Premiums/Claims + Retained Losses + Administrative Salaries/Expenses)					
Total Cost of Risk	\$ 2,412,090.59	\$ 2,323,142.46	\$ 2,031,963.69	\$ 2,059,853.11	\$ 2,027,610.88
University Budget	\$ 75,458,950.00	\$ 80,684,993.00	\$ 97,740,801.00	\$ 104,474,137.00	\$ 91,896,865.00
Total Cost of Risk as a % of University Budget (Premiums/Claims + Retained Losses + Administrative Expenses/University Budget)					
Total Costs of Risk as a % of the University Budget	2.00%	1.99%	1.75%	1.59%	1.81%

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. The campus premium costs for SAFECLIP and SPLIP are included in the General Liability insurance premiums. The *Total 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). *Retained Losses* (i.e. deductible recovery, litigation, arbitration, settlements and small claims) have been included as of FY 2008-2009. Subpoenas and Public Record Access costs are excluded.

B. CSU System-Wide and Campus Cost Comparison

Another way to measure the effectiveness of the University's Risk Management Program is to compare the percentage of change for certain campus risk management costs against the system-wide average. In 2009-2010, the University's combined premiums for Workers' Compensation, General Liability, Industrial Disability Leave (IDL), Non-Industrial Disability Leave (NDI), Unemployment Insurance (UI) and Property Programs increased by 2.03% while the system-wide average decreased -0.17%. The Risk Management *Program Review* section will define the factors that contributed to this performance below.

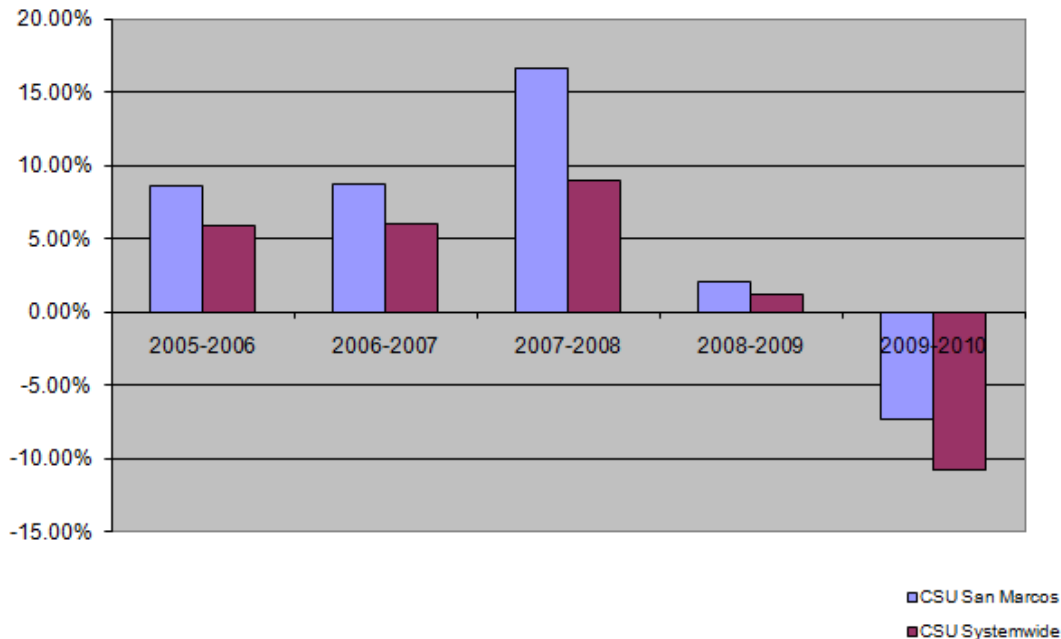
II. Risk Management Program Review

A. CSU System-Wide and University 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. 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. Claim performance is an additional factor in each of these scenarios.

As the graph below illustrates, the University payroll decreased by -7.30% as compared to the system-wide average decrease of -10.80%. With a substantial decrease in both University and system-wide payroll in 2009-2010, this should contribute to a reduction in Workers' Compensation and General Liability premiums, depending on 2010-2011 claims experience.

Annual % Change in Payroll



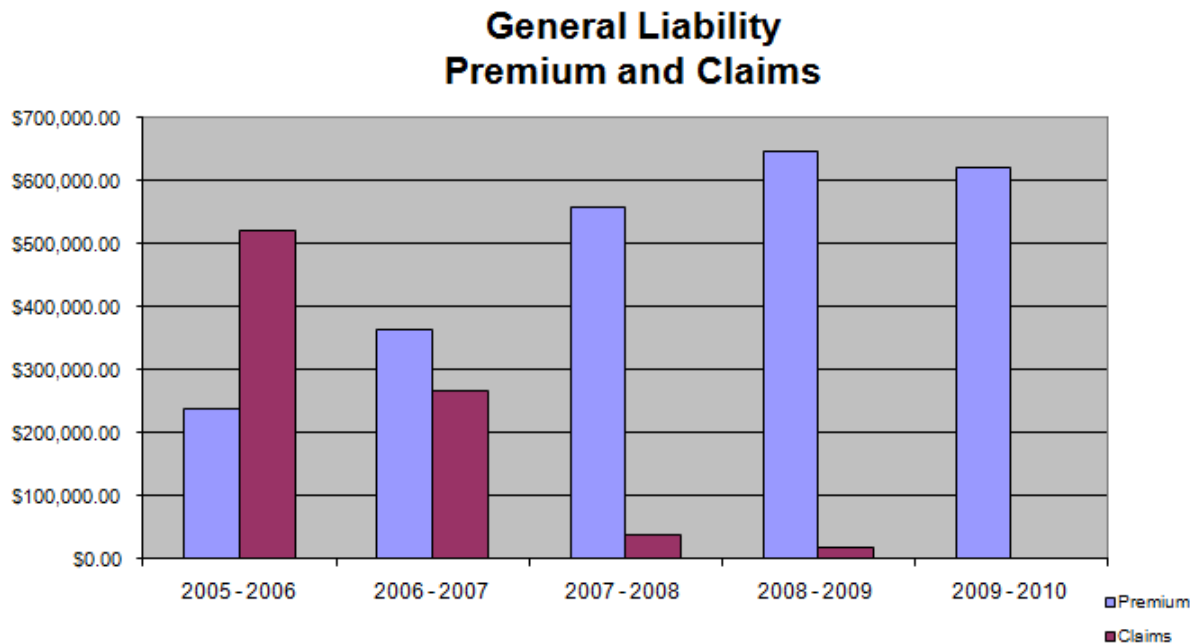
Because the University’s historical claim performance directly and significantly affects future premium costs, the following information is necessary to fully understand the impact of the claims cost outlined in the *Total Cost of Risk* model above.

B. CSU System-Wide and University Premium/ Claims Comparison

The cumulative payments of claims over a five-year period affects the University’s annual premium rating for coverage of its self-funded programs (General Liability, Workers’ Compensation, Industrial Disability Leave, Non-Industrial Disability Leave and Unemployment Insurance). Claims that occurred within this five-year historical window impact the University’s loss experience modification rate in the current policy year, contributing to the cost of premium. Therefore, it is crucial to implement risk controls to reduce the University’s claim frequency. The analysis and graphs below illustrate the University and system-wide experience over the past five years.

General Liability Premium and Claims

General Liability (GL) expenses are directly related to the number of litigated and non-litigated claims filed against the University. As of June 2010, the University was involved in two litigated claims. In 2009-2010, general liability premium costs in the CSU increased an average of 8.25%. The University’s premium cost decreased in 2009-2010 by -3.97% or - \$25,605. This can be attributed to finalizing the University’s long-term general liability claim payout prior to 2009-2010. GL claim costs in 2009-2010 decreased -100% from 2008-2009 by -\$17,900. With GL claim costs continuing to trend downward, premium costs should continue to decrease in 2010-2011. To maintain this progress, Risk Management is committed to working collaboratively with Office of General Counsel, Human Resources and Academic Resources to eliminate or reduce General Liability exposures. *Note: During 2009, Workers’ Compensation was temporarily managed by Human Resources.*



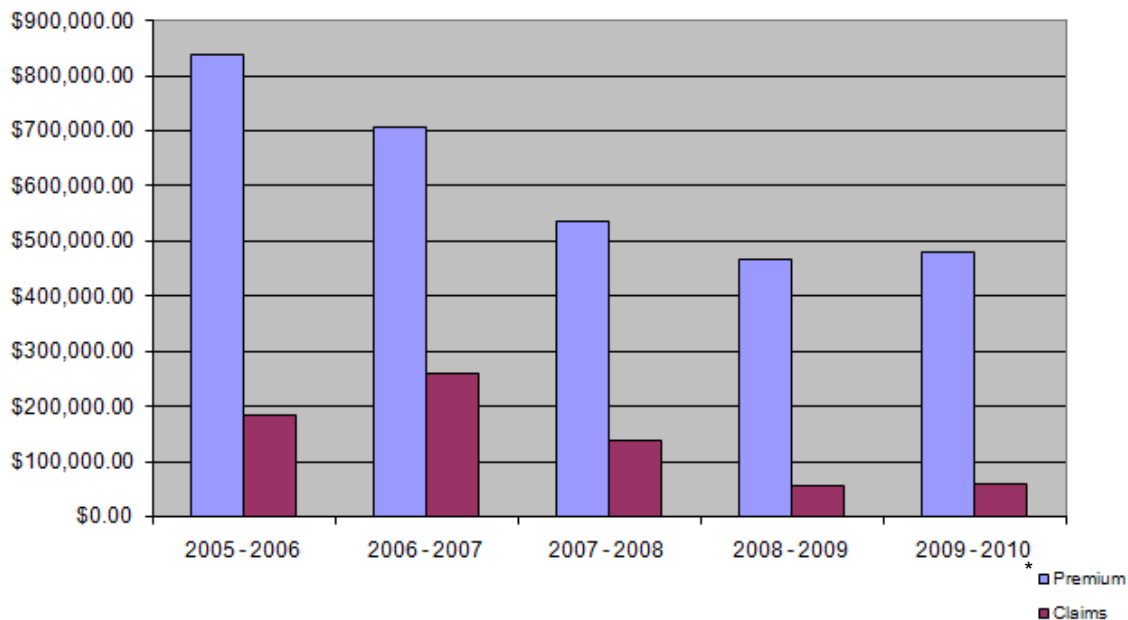
Retained and Received Loss Costs

University retained loss costs include deductible recovery, litigation, settlements, arbitration, small claims and government claims. In 2009-2010, University retained loss costs were minimal at \$4,954.60. The University Received Loss Costs are funds paid to the University by an outside party as the result of their damages. The University received \$6,734.42 loss costs funds in 2009-2010. The University currently maintains a \$50,000 liability deductible.

Workers' Compensation Premium and Claims

Workers' Compensation expenses represent the University's largest controllable *Total Cost of Risk*. The University's premium is primarily based on claims payments over the last five years. In 2009-2010, Workers' Compensation premium costs in the CSU decreased an average of -3.46%. The University's premium cost increased by 2.51% or \$11,729. Factors contributing to this change include; claim history over the past five years and the overall performance of each campus in the California State University Risk Management Authority (CSURMA). As illustrated below, the University's claims cost in 2009-2010 increased from 2008-2009 by 5.3% or \$2,955. Factors contributing to this increased cost include the complex, litigated and non-litigated workers' compensation claims reported in 2009-2010.

Workers' Compensation Premium and Claims

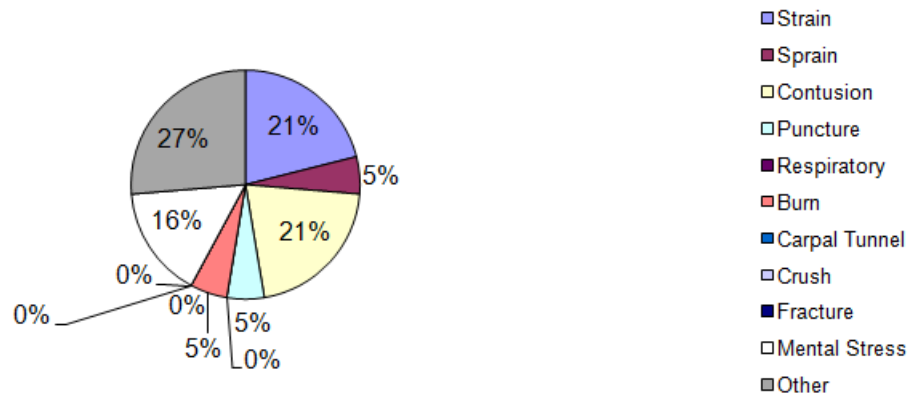


Workers' Compensation Open (New) Claims



This chart illustrates a decrease in the total number of claims in 2009-2010, while the total costs of claims have increased. The graph above indicates a significant decrease in the number of open (new) claims in 2009-2010 from 36 to 19, a decrease of -52.7%. There were also eight reported near miss incidents resulting in no accident.

Workers' Compensation Claims by Nature of Injury or Illness 2009 -2010

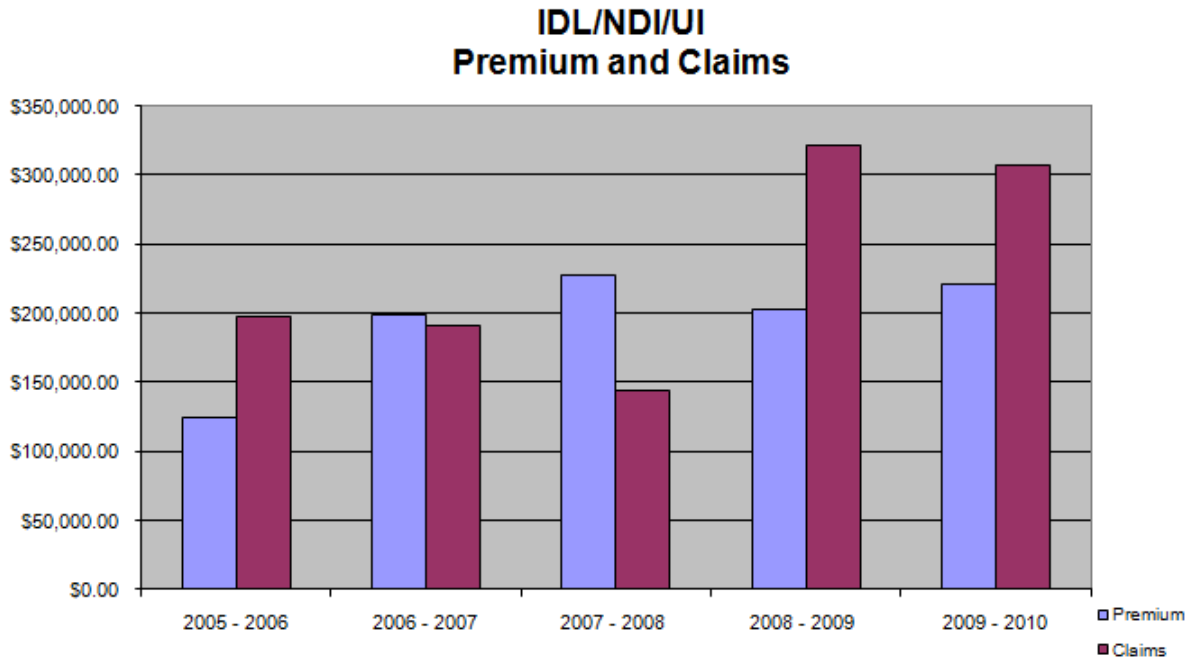


The graph above illustrates the types of injuries and illnesses sustained by University employees and volunteers in 2009-2010. Most injuries consisted of strains (21% or 4 claims), contusions (21% or 4 claims), stress claims (16% or 3 claims) and other (27% or 5 claims), which are those injuries not otherwise classified such as spider bites, GI issues and minor cuts. There were a relatively insignificant number of repetitive motion injuries that occurred in 2009-2010. Risk Management & Safety continued to offer ergonomic consultation and training intended to reduce the impact or severity of repetitive motion injuries. A 50% repetitive motion injury frequency rate in workers' wompensation injuries is an industry standard. RM&S also performed multiple accident investigations to address slip and falls leading to lacerations/abrasions/contusions,

common injuries on campus, and industrial air quality surveys to reduce respiratory exposures/illnesses. There were no significant trends during 2009-2010.

IDL/NDI/UI Premium and Claims

Industrial Disability Leave (IDL) is a benefit (coupled with 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 eligible employees who become unemployed or separated from the University. A market increase in UI premium rating and claims has continued to drive IDL/NDI/UI cost since 2008-2009.



In 2009-2010, IDL/NDI/UI premium costs in the CSU remained stable with no change. The University’s premium cost increased 9.2% or \$18,633. Claim costs in 2009-2010 decreased from 2008-2009 by -4.25% or -\$13,637. However, the decline in the national economy and continued increase in UI claims will affect future premiums. The campus continues to approach improving Industrial Disability Leave, Non-Industrial Disability Leave and Unemployment Insurance in claims experience through focus on Disability Case Management/Return-to Work and hiring practices (i.e. screening, background checks, selection and hiring decisions). NDI is for the most part, a non-controllable benefit for employees.

Property Insurance

Property Insurance is an all perils policy excluding earthquake, personal property and is subject to a deductible for flood claims. 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. With the University’s current and future plans to build new campus structures, property insurance premiums will continue to increase. In 2009-2010, premiums increased by \$32,654 or 23.85% over 2008-2009.

Automobile Liability Insurance

Automobile Liability Insurance provides third party liability coverage for employees driving University owned or leased vehicles on University business. This premium is based on the CSU (not the University's) loss experience and the number of vehicles owned by the campus. In 2009-2010, the University's premium cost decreased by -\$7,667 or -49.50%.

Auto Physical Damage Insurance (APD)

Auto Physical Damage Insurance is commonly referred to as Collision or Comprehensive auto coverage. Collision typically covers damage to a vehicle that hits, or is hit by, another vehicle, or object. Comprehensive is also sometimes referred to as "other than collision" as it pays for damages to a vehicle caused by perils other than a collision (i.e. fire, flood, theft). The University's APD coverage pays for University owned or leased vehicles that are damaged (less a \$1,000 deductible) while used on University business. APD is not an automatic coverage for all University owned or leased vehicles. Coverage can be requested and obtained through a submission to the carrier.

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 (AIME) also provides up to \$25,000 of coverage for travel accidents and up to \$15,000 for accidental death or dismemberment. This insurance augments any other valid primary health insurance covering student athletes. The University also purchases catastrophic insurance through the (NAIA). NAIA coverage begins following the AIME \$25,000 coverage. NAIA coverage general aggregate is \$5,000,000 per injured person. In 2009-2010 the University's AIME premium cost increased by \$1,724 or 14%. This can be attributed to growth in the University's Athletic programs (Women's Volleyball, Women's and Men's Basketball, Cheerleading). NAIA costs have decreased insignificantly by -0.02%.

Special Events and Vendor Liability Insurance

The frequency and severity of claims made against Special Events Insurance was minimal in 2009-2010. Risk Management & Safety, in coordination with Event and Conference Services (ECS) and the Clark Field House/University Student Union (CFH/USU), assess on an event-by-event basis, the necessity for Special Events Insurance for on campus events. The growth in on-campus events in 2009-2010 has increased the use of Special Event Insurance. Risk Management's risk assessment worksheet, in conjunction with ECS's standard lease for space and campus service contracts, will assist ECS, CFH/USU, event organizers, outside organizations and vendors with minimizing risk; reducing the need for Special Events Insurance. The University's Special Events premium significantly decreased by \$4,256.11 or - 59.0% in 2009-2010.

Inland Marine

Inland Marine insurance provides coverage for fine arts and equipment owned or exhibited by the campus, when identified and submitted for coverage. Campus units may request and fund coverage by the Inland Marine policy to insure high value personal property (owned by the University), particularly when damage or loss would potentially affect the department's operation or academic program. Risk Management & Safety will continue to promote this risk financing option during 2010-2011 to help address the risks associated with personnel property (owned by the University) or contents. Inland Marine premiums decreased insignificantly from 2008-2009.

Student Professional Liability Insurance Program (SPLIP)

Student Professional Liability Insurance Program (SPLIP) provides General Liability and Professional Liability coverage for students enrolled in a CSU Health Profession practicum, Social Welfare program, Social Work program or Education Credential program. This does not account for non-matriculated student placement through Extended Learning. In 2009-2010, the University's SPLIP premium increased by \$1,799 or 30%.

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

Student Academic Field Experience for Credit Liability Insurance Program (SAFECLIP) is available when the host institution requires the University to obtain General Liability and/or Professional Liability insurance for student participation in the institution's affiliation program. SAFECLIP provides General Liability and Professional Liability coverage for students performing community service or volunteer work for academic credit; and students enrolled in CSU radio, television or film credential programs. In 2009-2010, the University's SAFECLIP premium cost increased significantly by \$2,921 or 52%. This increase can be attributed to growth in student participation in these field experience opportunities.

Foreign Travel Insurance Program (FTIP)

Foreign Travel Insurance is available for traveling faculty, staff, and students participating in university sponsored trips and augments General Liability coverage available to faculty and staff. FTIP is intended for short-term use. It provides additional financial protection for exposures in excess of those covered by the campus' general liability, workers' compensation, and vehicle liability programs, for potential claims and litigation while in foreign countries. FTIP includes a Travel Assist component which facilitates emergency contact with faculty, staff, and students. Risk Management & Safety will continue to promote this risk financing option during 2010-2011 to help address the risks associated with foreign travel, such as an increase in high-hazard areas. Premiums for 2009-2010 were minimal at \$1,630.

Student Travel Accident Insurance

The CSU maintains this coverage for students participating in an approved, supervised campus activity requiring travel. This is an accident policy only and does not cover illnesses.

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. Student Health Services and Associated Students Incorporated actively promote this coverage.

Participant Accident Insurance

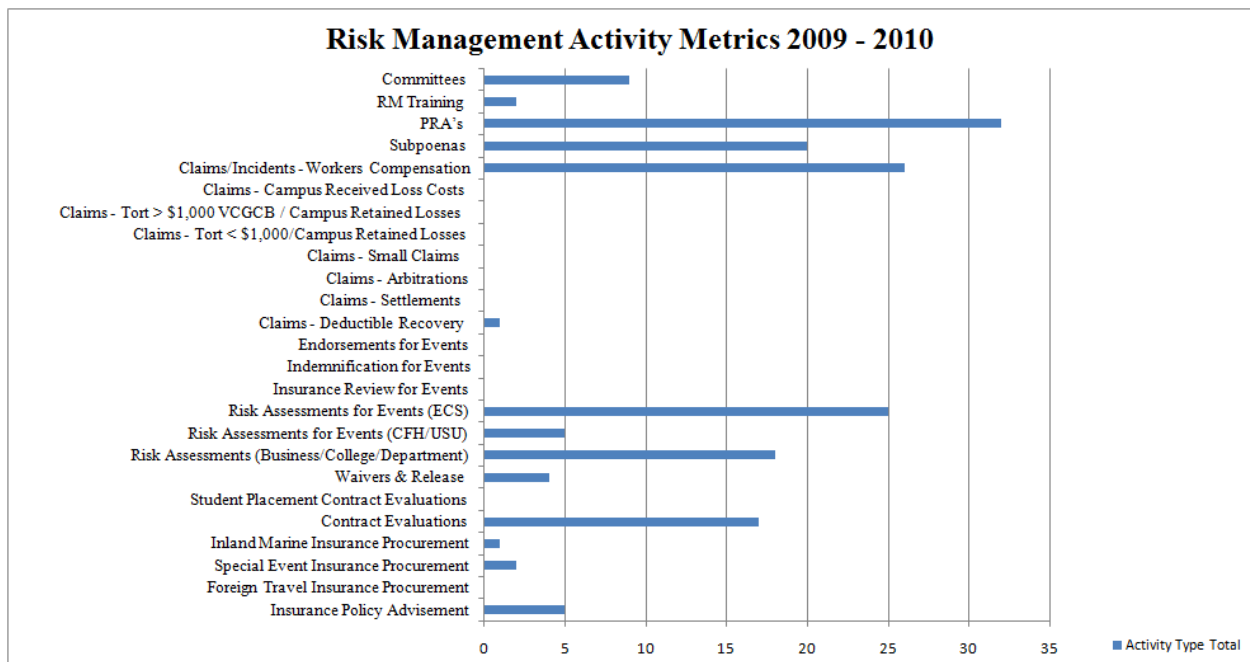
This insurance provides coverage for participants in University sponsored activities such as sports camps, 5K events, camping, skiing, white water rafting, fundraisers and one-time special events. This insurance is available on a per-activity basis and the cost varies depending on the selected coverage and deductibles. Currently, this coverage is under-utilized. Risk Management & Safety will continue to promote this option.

Crime (ID Fraud) Insurance

Crime (ID Fraud) Insurance was purchased for the first time in 2007-2008 and premium cost was included in the University’s General Liability premium. Crime (ID Fraud) Insurance reimburses employees (or additional insured person) for expenses incurred as the direct result of identity fraud.

Fidelity Crime Insurance

Fidelity Crime Insurance was purchased for the first time in 2007/2008 and premium expenses were included in the University’s General Liability premium. The Fidelity Crime Insurance Program reimburses the University (or additional insured person) for a loss related to acts of employee dishonesty, theft, computer, crime, counterfeiting or forgery. It also covers a direct financial loss sustained by another person or organization where an employee may be responsible for the care, custody and control of money, securities or property.



III. 2009-2010 Program Metrics

The metric above represents Risk Management's primary activity totals in 2009-2010. It does not however incorporate time dedicated to each activity. The metric demonstrates the current Risk Management program areas of focus. *Note: During 2009, Public Records Act (PRAs) requests and Subpoenas were temporarily managed by Human Resources.*

IV. 2009-2010 Program Accomplishments

The following represent Risk Management's primary accomplishments for the 2009-2010 fiscal year:

- The Risk Manager published *Enterprise Risk Management from the Ground Up – An ERM case study*
- Even with an increase to the Risk Management Program cost, we maintained a better than industry standard (less than 2.0%), *Total Cost of Risk* of 1.81% of the University's budget.
- Partnered with UPD to improve the Potential Liability Injured Person (PLIP) report to assist with addressing potential university liabilities.
- Collaborated with Academic Affairs, Academic Resources and Student Affairs to develop Student Domestic Travel Guidelines and web links.
- To comply with Executive Order 849, provided Insurance Requirements in Contract (IRIC) training to new buyers in Procurement.
- To comply with Executive Order 849 and 715, provided Insurance and Risk Assessment training to Event Coordinators in ECS and CFH/USU.
- Risk Manager participated as a member of the Chancellor's Office Sports Club Committee. Assisted Student Life & Leadership and Associated Students, Inc. with addressing risk and insurance concerns in student recreational club sports (Per Executive Order 1006). Assisted the ASI Club Sports Director with integrating the new system-wide club sports tools.

V. Projected Risk Concerns

A key function of risk management is to anticipate and identify potential risks that could negatively impact the University's strategic mission, reputation, day-to-day operations, compliance with applicable laws and regulations; and financial resources. The following list of potential risk concerns is based on a review of the University's loss history, as well as current insurance and litigation trends.

- Ongoing Global economic climate and the State of California/CSU budgetary considerations
- The nature and increase of off-campus, experience-based, learning activities including the need to address contractual arrangements, informed consent, waivers, safety orientation, professional liability and student health insurance
- The ease of filing and potential cost associated with employer practice liability claims such as wrongful terminations, unfair labor practices, harassment, discrimination and retaliation claims
- Growth in student clubs/programs and associated risk exposures
- Growth in new Athletic/recreational sports programs
- Employee and student, domestic and foreign travel
- Growth in construction related projects and related hazards or exposures.

VI. Program Goals in 2010-2011

The University's *Total Cost of Risk* (TCOR) illustrates a favorable decrease in the last four years as noted on page two. In order to improve risk identification and control, and continue a reduction in the University's TCOR, Risk Management plans on integrating Enterprise Risk Management principles campus-wide. Risk Management is committed to providing the campus community with services to assist them in managing risks for their programs and individual activities.

Risk Management program goals to reduce overall costs associated with the 2010 – 2011 fiscal year will focus on the following:

- Strive to keep Risk Management Program costs at or below 1.9 % of the University's budget as per industry standard for *Total Cost of Risk*
- Establish an Enterprise Risk Management model to increase awareness in strategic, financial, operational, compliance and reputational risk concerns
- Partner with Student Affairs to address off-campus student activities
- Review and improve internal/external workers' compensation claims management processes
- Partner with UPD to address incident response/reporting on campus
- Partner with HR, Academic Resources and General Counsel to address mitigation efforts that may help with arbitrations, settlements and general liability claims
- Address the Chancellor's Office impending foreign travel insurance mandate
- Improve the Risk Management website to address foreign travel, government claims, vehicle liability, insurance requirements and risk assessments
- Work with the Chancellor's Office and other campus Risk Managers to develop system-wide metrics, and premium and claim trending data, which can be incorporated into each campus' annual report and other reporting tools
- Prepare for and communicate to the campus community, the implementation of Executive Order 1051, "Use of Approved Waiver of Liability"

