



California State University

SAN MARCOS

**RISK MANAGEMENT
ANNUAL REPORT**

**FISCAL YEAR
2010/2011**

**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's mission is to provide risk management techniques, in accordance with the University's risk appetite, to manage uncertainty that could impede or promote the 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*, 2010/11 accomplishments, potential risks facing the University and 2011/12 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 may 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 decreased from 1.81% of the University's budget in the 2009/10 fiscal year to 1.69% in the 2010/11 fiscal year.

TOTAL COST OF RISK

Premiums and Claims	2006-07	2007-08	2008-09	2009-10	2010-11
Workers' Compensation Premium	707,904.00	535,953.00	467,658.00	479,387.00	479,643.00
Workers' Compensation Claims	259,018.00	137,453.63	55,549.00	58,504.00	143,703.00
Subtotal	\$ 966,922.00	\$ 673,406.63	\$ 523,207.00	\$ 537,891.00	\$ 623,346.00
General Liability Premium	363,507.00	557,512.00	645,585.00	619,980.00	605,416.00
General Liability Claims	266,227.00	38,089.75	17,900.00	-	-
Subtotal	\$ 629,734.00	\$ 595,601.75	\$ 663,485.00	\$ 619,980.00	\$ 605,416.00
IDL/NDI/UI Premium	198,629.00	227,454.00	202,463.00	221,096.00	408,202.00
IDL/NDI/UI Claims	191,320.00	144,343.00	321,163.00	307,526.00	354,166.00
Subtotal	\$ 389,949.00	\$ 371,797.00	\$ 523,626.00	\$ 528,622.00	\$ 762,368.00
Property	89,345.00	124,284.51	136,888.00	169,542.00	191,148.00
Auto Liability (VELSIP)	31,732.00	34,905.00	15,490.00	7,823.00	7,823.00
Athletic Injury Medical (AIME)	5,000.00	10,000.00	12,160.00	13,881.00	29,844.00
National Association of Intercollegiate Athletics (NAIA)	2,068.00	2,378.00	2,378.00	2,330.00	2,330.00
Special Event	3,302.40	1,866.34	7,207.23	2,951.12	4,289.19
Inland Marine	1,678.33	1,656.33	1,657.00	1,567.00	2,334.00
Student Professional Liability (SPLIP)	679.00	5,380.00	5,918.00	7,717.00	12,621.00
Student Academic Field Experience Liability (SAFECLIP)	4,070.00	5,117.00	5,629.00	8,550.00	8,826.00
Foreign Travel (FTIP)	-	-	3,160.00	1,630.00	2,825.00
Student Travel	913.00	913.00	913.00	913.00	913.00
Auto Physical Damage				159.00	1,126.00
Subtotal	\$ 133,804.73	\$ 180,470.18	\$ 191,400.23	\$ 217,063.12	\$ 262,953.19
Total Premiums and Claims	\$ 2,120,409.73	\$ 1,821,275.56	\$ 1,901,718.23	\$ 1,903,556.12	\$ 2,254,083.19
Retained Losses					
Deductible, Litigation, Arbitration, Settlements, Small Claims					
Total Retained Losses		\$ 42,935.26	\$ 32,686.81	\$ 4,954.60	\$ 58,055.75
Administrative Costs					
Administrative Salaries	\$ 185,086.14	\$ 157,517.26	\$ 151,308.00	\$ 117,504.89	\$ 128,092.03
Administrative Expenses	\$ 17,646.59	\$ 10,235.61	\$ 6,826.88	\$ 6,549.87	\$ 16,448.58
Total Administrative Costs	\$ 202,732.73	\$ 210,688.13	\$ 158,134.88	\$ 124,054.76	\$ 144,540.61
Total Cost of Risk (Premiums/Claims + Retained Losses + Administrative Salaries/Expenses)					
Total Cost of Risk	\$ 2,323,142.46	\$ 2,031,963.69	\$ 2,059,853.11	\$ 2,027,610.88	\$ 2,398,623.80
University Budget	\$ 80,684,993.00	\$ 97,740,801.00	\$ 104,474,137.00	\$ 91,896,865.00	\$ 112,139,136.00
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	1.99%	1.75%	1.59%	1.81%	1.69%

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 2007-2008. Subpoenas and Public Record Access costs are excluded.

B. CSU System-wide and Campus Cost Comparison

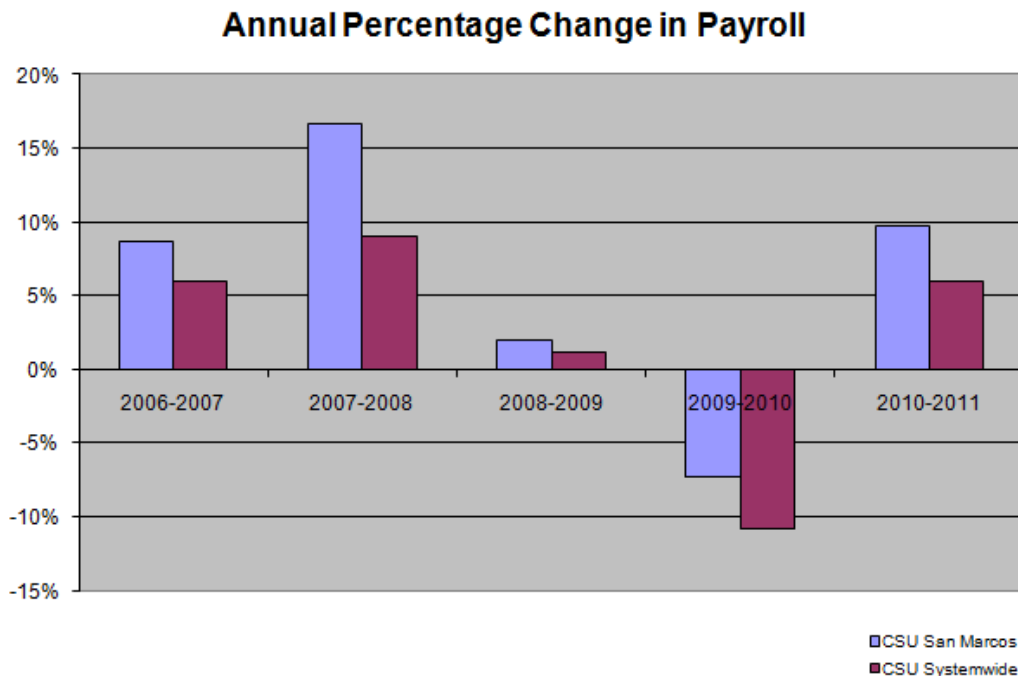
Another way to measure the effectiveness of the University's Risk Management program is to compare the decrease/increase percentage of certain campus risk management costs against the system-wide average. In 2010/11, the University's combined premiums for Workers' Compensation, General Liability, Industrial Disability Leave (IDL), Non-Industrial Disability Leave (NDI), Unemployment Insurance (UI) and Property Programs increased at a lesser rate 3.71% than the system-wide average increase 17.08%. The Risk Management Program Review section below will define the factors that contributed to this performance.

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 both of these scenarios.

As the graph below illustrates, the University payroll steadily decreased at a slightly greater rate than system-wide, with the exception of 2007 /08. Payroll decreased for both the CSU and the campus during the 2009/10 furlough year. Payroll rebounded in 2010 /11 to 2006 /07 payroll levels, contributing towards reducing the Workers' Compensation premium. General Liability premium however continued to increase until 2008/09 due to costs of open claims that occurred five to ten years prior. General Liability premiums have decreased slightly since 2006/07. The chart is showing a flat, if not modestly reduced, premium costs for the 2010/11 Workers' Compensation and General Liability Premiums, depending on claims experience.



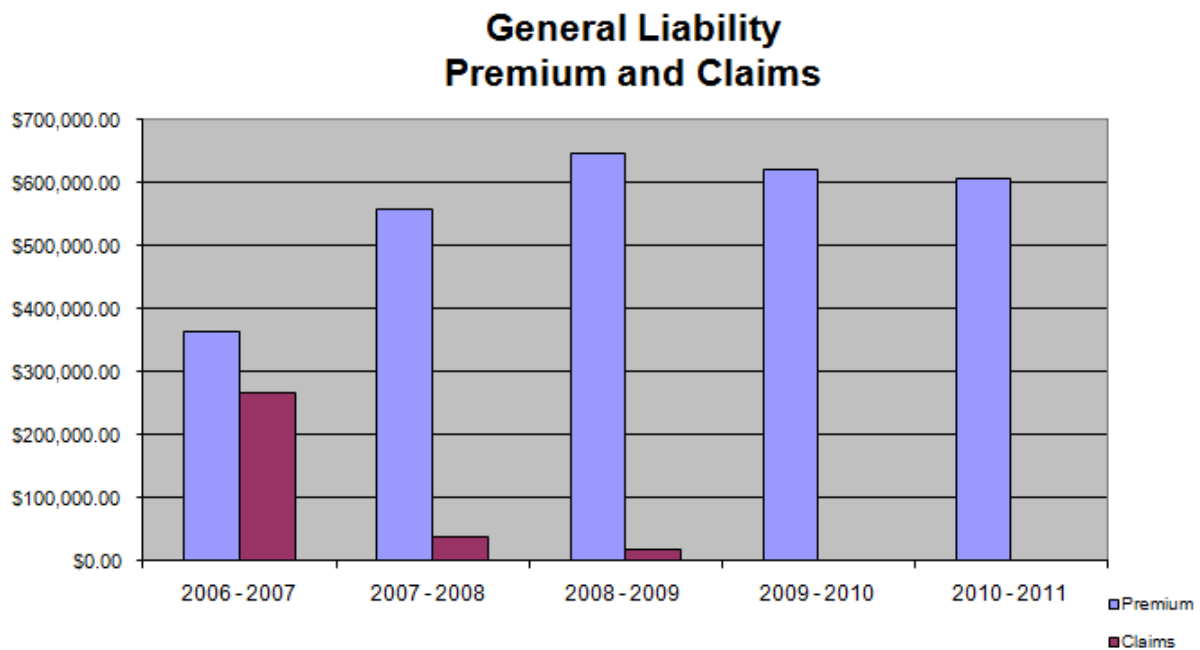
Because the University's historical claim performance directly and significantly affect future premium costs, the following information is necessary to fully understand the impact of the claims cost outlined in the *Total Cost of Risk* model above.

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

The cumulative payments of claims over a five-year period affect 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 claims frequency. The analysis and graphs below illustrate the University and System's experience over the past four 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. The University currently maintains a \$50,000 general liability deductible, per occurrence. As of June 2011, the University was involved in one litigated claim. In 2010/11, GL premium costs in the CSU increased an average of 4.92%. The University's premium cost decreased in 2010/11 by - 2.35% or (\$14,564). This may be attributed to the University's steady reduction in payroll and the drop in the University's GL claim costs beginning in 2007/08. In 2009/10 and in 2010/11 GL claim costs \$0. If GL claim costs continue to trend downward, premium costs should continue to decrease. 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.



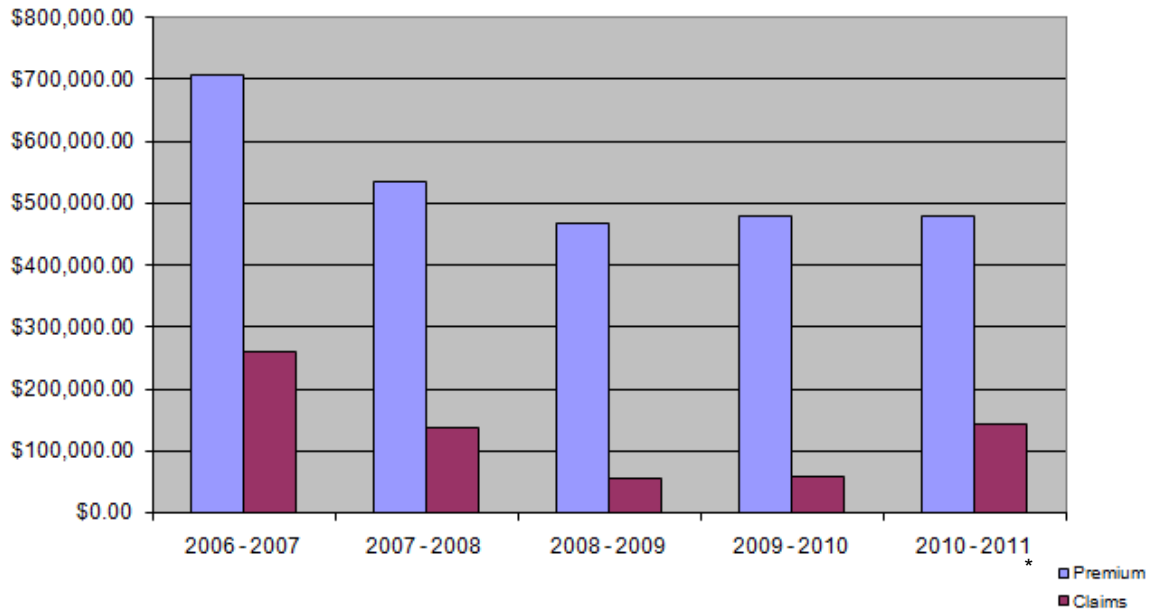
Retained and Received Loss Costs

University retained loss costs include deductible recovery, litigation, settlements, arbitration, small claims and government claims. In 2010/11, University retained loss costs were \$58,055.75. The University received loss costs are funds paid to the University by an outside party as the result of their damages. The University received \$628.91 loss costs funds in 2010/11.

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 2010/11, Workers' Compensation premium costs in the CSU decreased an average of (2.02%). The University's premium cost decreased by -.05% or (\$256). Factors contributing to this success include the campus risk control efforts, commitment to return-to-work and the contributions of each campus in the California State University Risk Management Authority (CSURMA). As illustrated below, the University's claims cost in 2010/11 increased from 2009/10 by 145.63% or \$85,199.00. Factors contributing to this increased cost include the complex, litigated and non-litigated workers compensation claims reported in 2010/11.

Workers' Compensation Premium and Claims

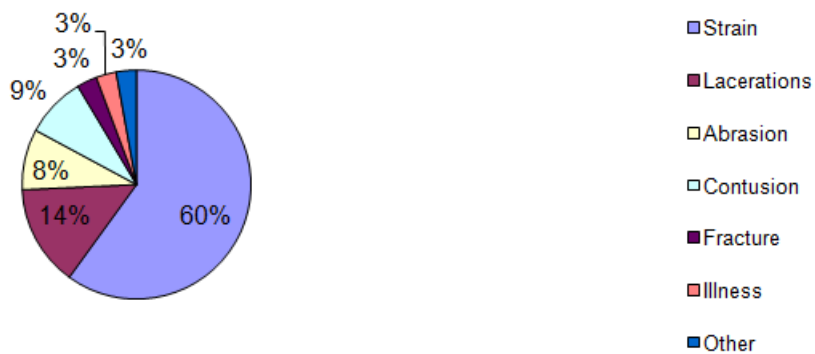


Workers' Compensation Open Claims



The Workers' Compensation Open Claim chart illustrates the total number of open claims over the past five years. In 2010/11, the total number of claims increased, which also increased the claims cost, as shown in the Workers' Compensation Premium and Claims Chart. The graph above indicates an increase in the number of open claims in 2010/11 from 19 to 35, an 82% increase.

Workers' Compensation Claims by Nature of Injury or Illness 2010 - 2011



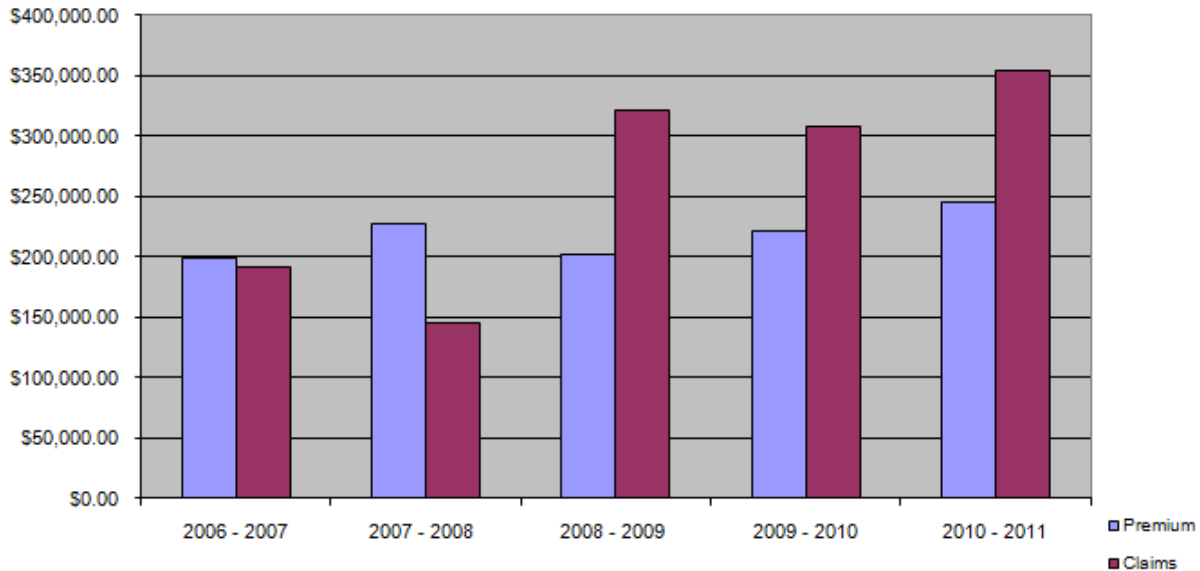
The graph above illustrates the types of injuries and illnesses sustained by University employees and volunteers in 2010/11. Sixty percent of the injuries are strains. Furthermore, a majority of those injuries can be classified as material handling injuries in the trades. A smaller percentage can be classified as repetitive motion injuries in an office environment. A 50% repetitive motion injury frequency rate in Workers' Compensation injuries is an industry norm. Throughout 2010/11 Risk Management & Safety offered ergonomic consultation and training to reduce the impact or severity of repetitive motion injuries. Risk Management & Safety (RM&S) also performed multiple accident investigations to address slips and falls leading to

lacerations/abrasions/contusions, common injuries on campus, and industrial air quality surveys to reduce respiratory exposures/illnesses.

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 qualified employees who become unemployed/separated from the University. Since 2008/09, a market increase in UI premium rating and claims continued to drive IDL/NDI/UI cost. In fact, the University was assessed an additional, \$163,143 for UI premium in 2010/11. Fortunately, the campus received a \$141,263 performance dividend check for the Workers’ Compensation Program, which was used to offset this assessment, leaving the campus with paying the \$21,880 difference for the increase in UI premium.

**IDL/NDI/UI
Premium and Claims**



In 2010/11, IDL/NDI/UI premium costs in the CSU increased dramatically by 99.87% or \$9,487,378. The University’s premium cost also increased substantially by 84.63% or \$187,106. Claim costs in 2010/11 increased from 2009/10 by 15.17% or \$46,640. This can be attributed to the increasing UI claims experience and increased UI premium rates adjusted for longer UI benefit periods. Unfortunately, this will most likely affect future premiums due to the use of a five-year historical window. Changes in the economy are trending towards an increase in this area in the years to come as well. 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).

Property Insurance

Property Insurance is an all perils policy excluding earthquake, personal property and 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. Considering the University's current and future plans to build new campus structures, property insurance premiums increased by 38.42% or \$52,683 from 2009/10.

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 2010/11 the University's premium cost decreased significantly by -49.68% or (\$7,724).

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 other object. Comprehensive is also sometimes referred to as "other than collision" since it pays for damages to a vehicle caused by perils other than a collision (i.e. fire, flood, theft). The University's APD is automobile coverage that pays for University owned or leased vehicles that are damaged (minus a \$1,000 deductible) while used on University business. APD coverage is only extended to departments that have requested coverage or are required to maintain it per lease contract.

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. The NAIA coverage general aggregate is \$5,000,000 per injured person. In 2010/11 the University's AIME premium cost increased by \$15,963 or 115%. This can be attributed to growth in the University's Athletic programs (Woman's Volleyball, Woman's and Men's Basketball, Cheerleading). NAIA costs have remained stable for the past two years.

Special Events and Vendor Liability Insurance

Risk Management & Safety, in coordination with the Event and Conference Services (ECS), Clark Field House/University Student Union (CFH/USU), and Student Life & Leadership (SLL) assess on an event-by-event basis the necessity for Special Events Insurance for campus events. The growth in events on campus in 2010/11 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 Event Insurance. The University's 2010/11 Special Events Premium decreased by - 45.34% or (\$1,338.07)

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, particularly when damage or loss would potentially affect a department's operation or academic program. This past year, RM&S worked with the Presidents Arts Committee to address insuring temporary and permanent art across the campus. RM&S will continue promote this risk financing option during 2011/12 to help address the risks associated with personnel property or contents.

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 2010/11, the University's SPLIP premium cost increased by 63.55% or \$4,904.

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 2010/11, the University's SAFECLIP premium cost increased slightly by \$276 or 3.23%.

Foreign Travel Insurance Program (FTIP)

Foreign Travel Insurance is available for traveling faculty, staff, and students who are participating in university sponsored trips. This insurance augments the campus 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, as well as for potential claims and litigation while in foreign countries. It also serves as an emergency contact source for the University to contact faculty, staff, and students through the Travel Assist component. FTIP is now mandated by the Chancellor's Office, Risk Management for all University employees and volunteers. This was the first year that FTIP was secured for employees and students as a University expense. Foreign Travel trips amounted to \$2,825 in 2010/11. This past year marked a rise in procured Foreign Travel insurance. The increase may be attributed to recent the death of an SDSU student in Spain, unrest in Egypt or effects of the Tsunami / Nuclear Reactor Exposure in Japan. RM&S will continue to promote this risk financing option during 2011/12 to help address the risks associated with foreign travel.

Student Travel Accident Insurance

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

CSU Student Health Insurance (CSUSHI)

CSUSHI is available through CSU Healthlink (i.e. domestic and international health, dental, and vision insurance). Students assume full premium cost for this program. Student Health Services and Associated Students Incorporated actively promote this coverage as an alternative to students with no personal health insurance.

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 for purchase on a per-activity basis and the cost varies depending on the selected coverage and deductibles.

Crime (ID Fraud) Insurance

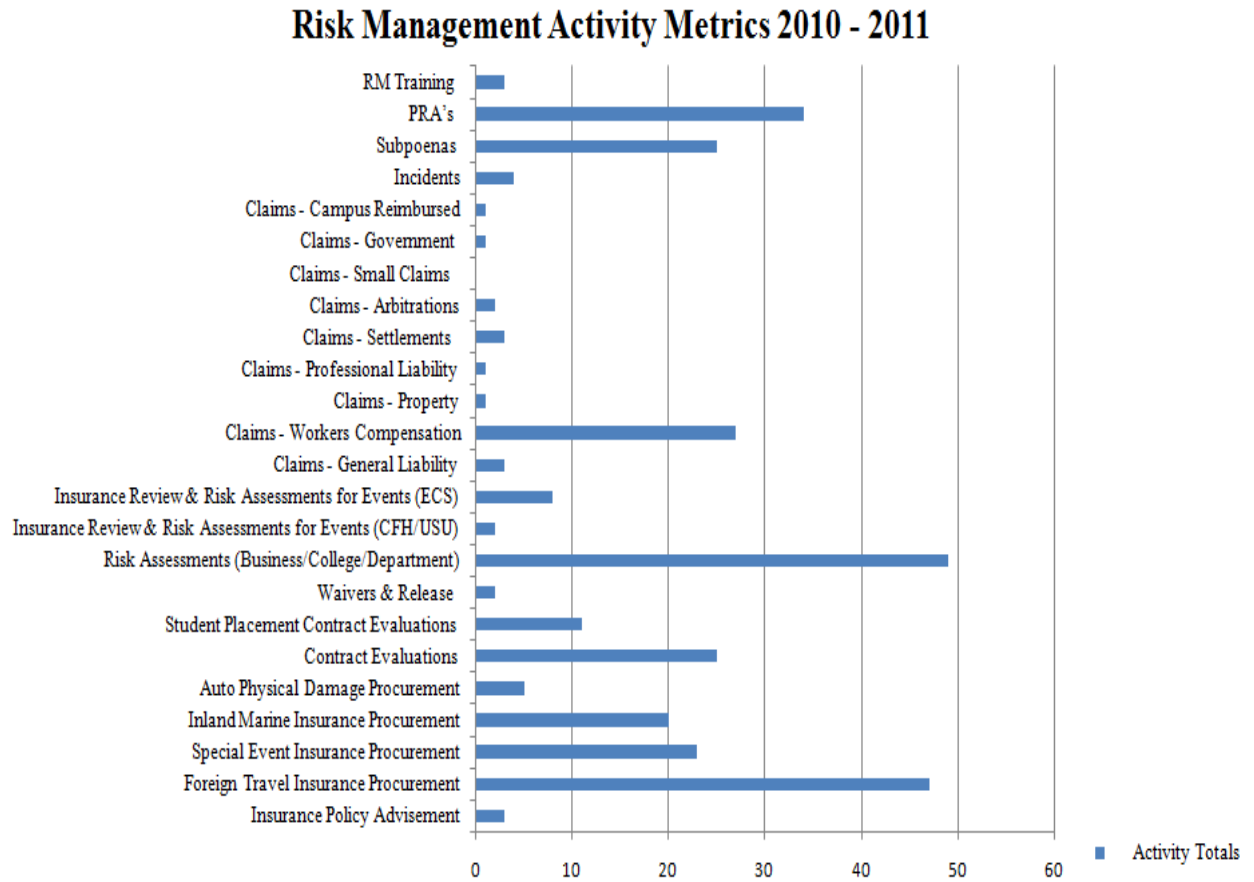
Crime (ID Fraud) Insurance was purchased for the first time in 2007/08 and the premium cost was included in the University's General Liability premium. Crime (ID Fraud) Insurance reimburses employees (or additional insured person) for expenses incurred as the direct result of identity fraud.

Fidelity Crime Insurance

Fidelity Crime Insurance was purchased for the first time in 2007/08 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. 2010-2011 Program Metrics

The metric below represents Risk Management’s primary activity totals in 2010/11. It does not, however, incorporate the time dedicated to each activity. The metric demonstrates the current Risk Management program areas of focus.



IV. 2010-2011 Program Accomplishments

Risk Management's 2010/11 fiscal year significant accomplishments include the following:

- Focused customer risk assessments to follow the "Enterprise Risk Management" model to increase various campus entities awareness in strategic, financial, operational, compliance and reputational risk concerns.
- Provided risk assessments, insurance consultations (indemnification, policy procurement, certificates of insurance, endorsements, claims management), waiver/release assistance, student placement, contract review of liability concerns, subpoena management, PRA management, training and committee assistance with the entire campus community as noted in the program metric above.
- Successfully completed the Risk Management strategic goal of addressing student foreign travel, student domestic travel and student field placement processes.
- The Risk Manager served on the Chancellor's Office, Office of Community Service Learning Best Practice Manual revision committee. Developed tools to address the June 2010 Systemwide Off-Campus Activities audit. Collaborated with Academic Resources to address Off-Campus Student Activities and developed a web site for the campus.
- Addressed numerous internal and external processes related to workers' compensation claims management.
- Received a Workers' Compensation dividend in the amount of \$141,263 directly related to the University claims performance.
- Collaborated with University Police to address incident response on campus and created processes for assessing campus "incidents" including improving the campus Incident Accident Report.
- Worked collaboratively with Human Resources, Academic Resources and General Counsel to mitigate potential and ongoing University exposures that may lead to arbitrations, settlement or General Liability claims.
- Created and communicated processes to address the Chancellor's Office mandate for employees to maintain Foreign Travel insurance and extended Foreign Travel coverage to students.
- Communicated the need for the campus community to use the CSU standard release per Executive Order 1051 requirements.
- The Risk Manager conducted several ERM publication speaking engagements through Infonex, RIMS, University of California and CSUSM CoBA.
- Improved the Risk Management web site links, in particular, Foreign Travel, Government Claims and Vehicle Liability. Replaced the Events link with separate links for Insurance Requirements, Insurance Limits and Risk Assessment.

V. Projected Risk Concerns

A key function of risk management is to anticipate and identify potential risks that could negatively impact the University's 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.

- Global economic climate and the State of California/CSU budgetary constraints
- The ease of filing and potential cost associated with employer practice liability claims such as wrongful terminations, unfair labor practices, harassment, discrimination and retaliation
- Growth in construction related projects and associated hazards or exposures
- Exposure to crime from an increased student and visitor population (i.e. alcohol, theft, burglary, vandalism, weapons possession)
- 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
- New student clubs and associated risk exposures
- New student housing facility located directly across the campus
- Student mental health issues such as behaviors elicited by drug or alcohol use (i.e. active shooter scenarios)
- Employee and student domestic and foreign travel
- Growth in Athletics programs

VI. Program Goals for 2011/12

The University's *Total Cost of Risk (TCOR)* illustrates a favorable decrease in the last four years. In order to improve risk identification and control and continue a reduction in the University's TCOR, Risk Management intends to integrate Enterprise Risk Management (ERM) principles across the University. Risk Management is committed to providing the campus community with services to assist them in managing risks in their programs and individual activities.

In order to reduce overall costs associated with the 2010/11 fiscal year Risk Management will focus on the following program goals:

- Ensure Risk Management Program costs are at or below 1.9 % of the University's budget.
- Develop an ERM governance structure by developing a risk appetite through the University's Executive Council.
- Develop and implement a campus risk assessment, following the ERM model, which will assist leaders in targeting risk activities in their area to protect the University's human, financial, and physical resources.
- Following the success of the 2008/09 Athletics ERM pilot, Risk Management will partner with Student Affairs to promote and integrate ERM principles into their operations.
- Partner with Student Life & Leadership to address recognition processes, advisor orientation, insurance, liability, on and off campus events and other relevant points per the July 2005 Systemwide Student Activities audit and EO 1006.
- Improve the current campus Disability Case Management program.
- Review and address campus Human Resources volunteer processes, as they relate to potential employee liability.
- Collaborate with University Police, Emergency Management, San Marcos Unified Corporation, Facilities Development & Management to address fire safety concerns per the campus Clery Report.
- Partner with the Chancellor's Office and other campus risk managers to develop system-wide metrics, premium and 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.

