



California State University

SAN MARCOS

**RISK MANAGEMENT
ANNUAL REPORT**

**FISCAL YEAR
2008/2009**

**RISK MANAGEMENT & SAFETY
CRAVEN 4700
(760)750-4502**

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; 2008-2009 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 decreased from 1.75% of the University's budget in the 2007-2008 fiscal year to 1.59% of the University's budget in the 2008-2009 fiscal year.

TOTAL COST OF RISK

Premiums and Claims	2004-05	2005-06	2006-07	2007-08	2008-09
Workers' Compensation Premium	785,883.00	836,665.00	707,904.00	535,953.00	467,658.00
Workers' Compensation Claims	150,016.00	183,139.00	259,018.00	137,453.63	55,549.00
Subtotal	\$ 935,899.00	\$ 1,019,804.00	\$ 966,922.00	\$ 673,406.63	\$ 523,207.00
General Liability Premium	222,853.00	237,397.00	363,507.00	557,512.00	645,585.00
General Liability Claims	254,808.00	521,045.00	266,227.00	38,089.75	17,900.00
Subtotal	\$ 477,661.00	\$ 758,442.00	\$ 629,734.00	\$ 595,601.75	\$ 663,485.00
IDL/NDI/UI Premium	82,481.00	123,816.00	198,629.00	227,454.00	202,463.00
IDL/NDI/UI Claims	342,008.00	197,401.00	191,320.00	144,343.00	321,163.00
Subtotal	\$ 424,489.00	\$ 321,217.00	\$ 389,949.00	\$ 371,797.00	\$ 523,626.00
Property	63,509.00	72,672.00	89,345.00	124,284.51	136,888.00
Auto Liability (VELSIP)	54,848.86	41,301.00	31,732.00	34,905.00	15,490.00
Athletic Injury Medical (AIME)	2,000.00	5,000.00	5,000.00	10,000.00	12,160.00
National Association of Intercollegiate Athletics (NAIA)	-	2,068.00	2,068.00	2,378.00	2,378.00
Special Event	2,952.93	3,725.50	3,302.40	1,866.34	7,207.23
Inland Marine	1,805.51	1,689.33	1,678.33	1,656.33	1,657.00
Student Professional Liability (SPLIP)	-	-	679.00	5,380.00	5,918.00
Student Academic Field Experience Liability (SAFECLIP)	-	-	4,070.00	5,117.00	5,629.00
Foreign Travel (FTLIP)	-	964.00	-	-	3,160.00
Student Travel	913.00	913.00	913.00	913.00	913.00
Subtotal	\$ 126,029.30	\$ 128,332.83	\$ 133,804.73	\$ 180,470.18	\$ 191,400.23
Total Premiums and Claims	\$ 1,964,078.30	\$ 2,227,795.83	\$ 2,120,409.73	\$ 1,821,275.56	\$ 1,901,718.23
Retained Losses					
Deductible, Litigation, Arbitration, Settlements, Small Claims					
Total Retained Losses				\$ 42,935.26	\$ 32,686.81
Administrative Costs					
Administrative Salaries	\$ 162,716.40	\$ 171,192.41	\$ 185,086.14	\$ 157,517.26	\$ 151,308.00
Administrative Expenses	\$ 12,467.74	\$ 13,102.35	\$ 17,646.59	\$ 10,235.61	\$ 6,826.88
Total Administrative Costs	\$ 175,184.14	\$ 184,294.76	\$ 202,732.73	\$ 210,688.13	\$ 158,134.88
Total Cost of Risk (Premiums/Claims + Retained Losses + Administrative Salaries/Expenses)					
Total Cost of Risk	\$ 2,139,262.44	\$ 2,412,090.59	\$ 2,323,142.46	\$ 2,031,963.69	\$ 2,059,853.11
University Budget	\$ 68,995,914.00	\$ 75,458,950.00	\$ 80,684,993.00	\$ 97,740,801.00	\$ 104,474,137.00
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	2.02%	2.00%	1.99%	1.75%	1.59%

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

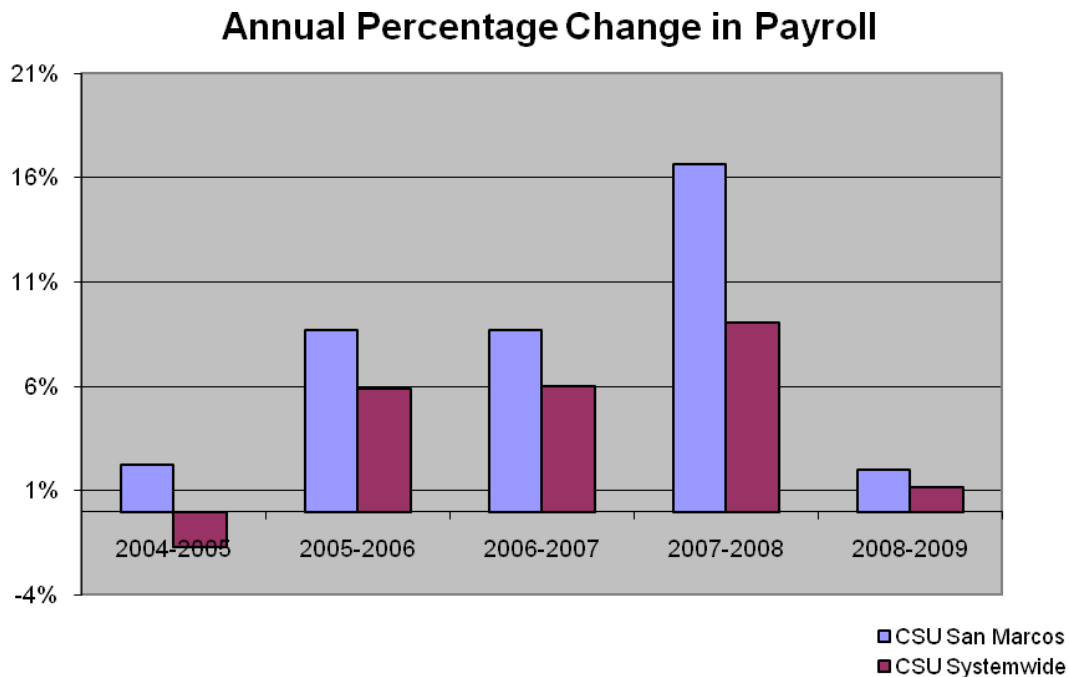
Another way to measure the effectiveness of the University's Risk Management Program is to compare the decrease/increase percentage of certain campus risk management costs against the system-wide average. In 2008-2009, the University's combined premiums for Workers' Compensation, General Liability, Industrial Disability Leave (IDL), Non-Industrial Disability Leave (NDI), Unemployment Insurance (UI) and Property Programs increased at a greater rate (2.0%) than the system-wide average decrease (-0.5%). 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 either of these scenarios.

As the graph below illustrates, in three of the past five 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. The chart however shows a substantial decrease in both University and system-wide payroll in 2008 – 2009 which should assist in lowering Workers' Compensation and General Liability Premiums, depending on claims experience, in 2009 - 2010.



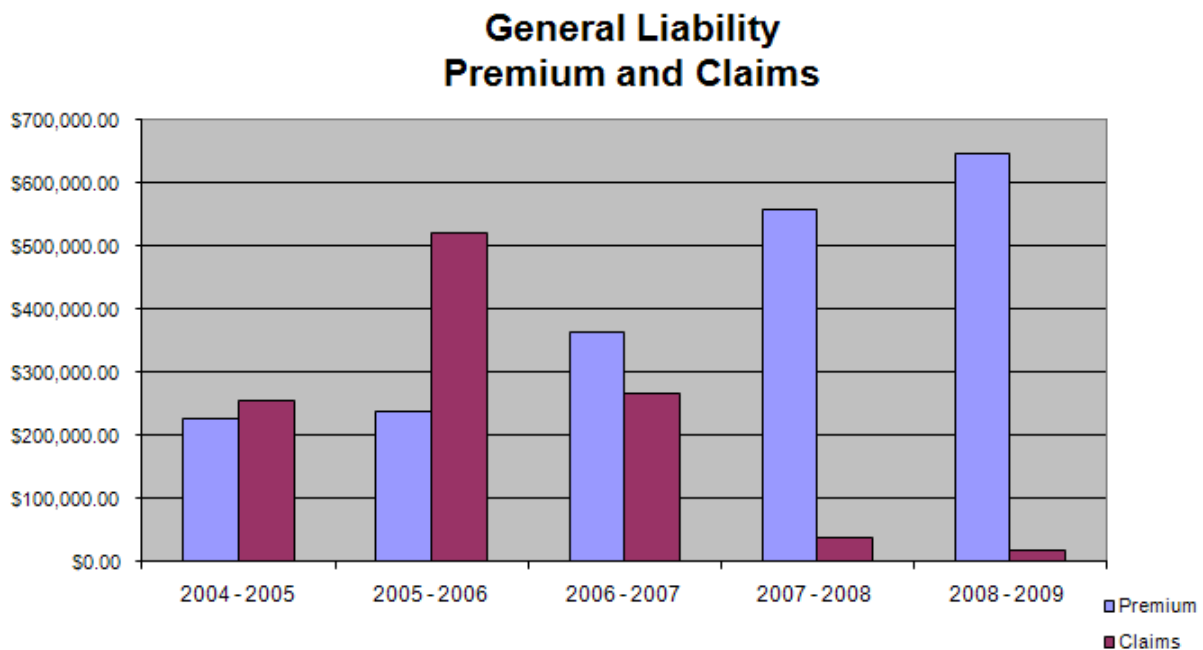
Because the University’s historical claim performance directly and significantly affects future premium costs, the following information is necessary to fully understand the impact of the claims cost outlined in the *Total Cost of Risk* model above.

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 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. As of June 2009, the University was involved in three litigated claims. In 2008-2009, general liability premium costs in the CSU increased an average of 9.06%. The University’s premium cost increased in 2008-2009 by 15.80% or \$88,033. This can be attributed to the University’s growth in payroll and the University’s GL claim payout prior to 2008-2009. GL claim costs in 2008-2009 decreased from 2007-2008 by \$ 20,189.75 or (- 53.01%). If GL claim costs continue to trend downward, premium costs should decrease beginning in 2011-2012. To maintain this progress, Risk Management recommends that Human Resources and Academic Resources continue to review policies, procedures, publications and training related to the prevention of Employer’s Practice Liability concerns including: wrongful termination, harassment, discrimination and retaliation.



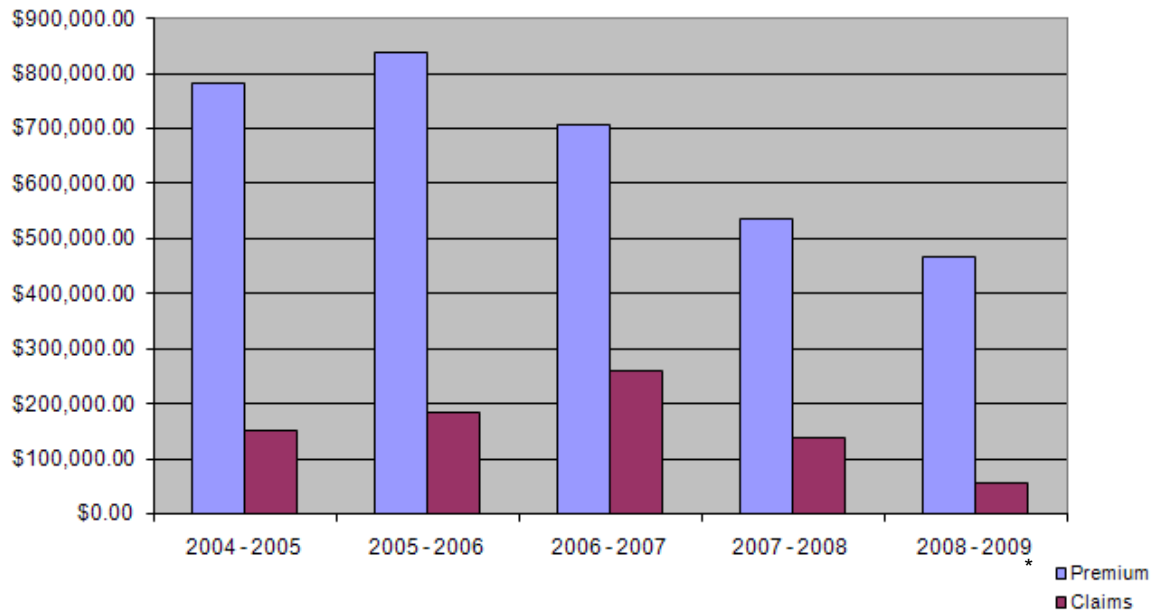
Retained and Received Loss Costs

University retained loss costs include deductible recovery, settlements, litigation, arbitration, small claims and tort claims under \$1,000. In 2008-2009, University retained loss costs were \$32,686.81. The University received loss costs are funds paid to the University by an outside party as the result of their damages. The University received \$8,678.61 loss costs funds in 2008-2009. 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 2008-2009, Workers' Compensation premium costs in the CSU decreased an average of (-14.9%). The University's premium cost decreased by (-12.7%) or \$68,295. 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 2008-2009 decreased from 2007-2008 by (-59.59%) or \$81,904.63.

Workers' Compensation Premium and Claims

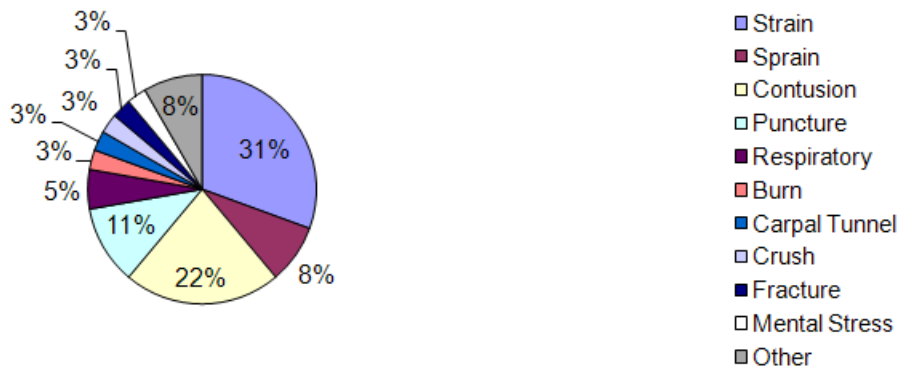


Workers' Compensation Open Claims



The first two charts illustrate an increase in the total number of claims in 2008-2009, while the total cost of claims have decreased. The graph above indicates an increase in the number of open claims in 2008-2009 from 33 to 36, a 9% increase.

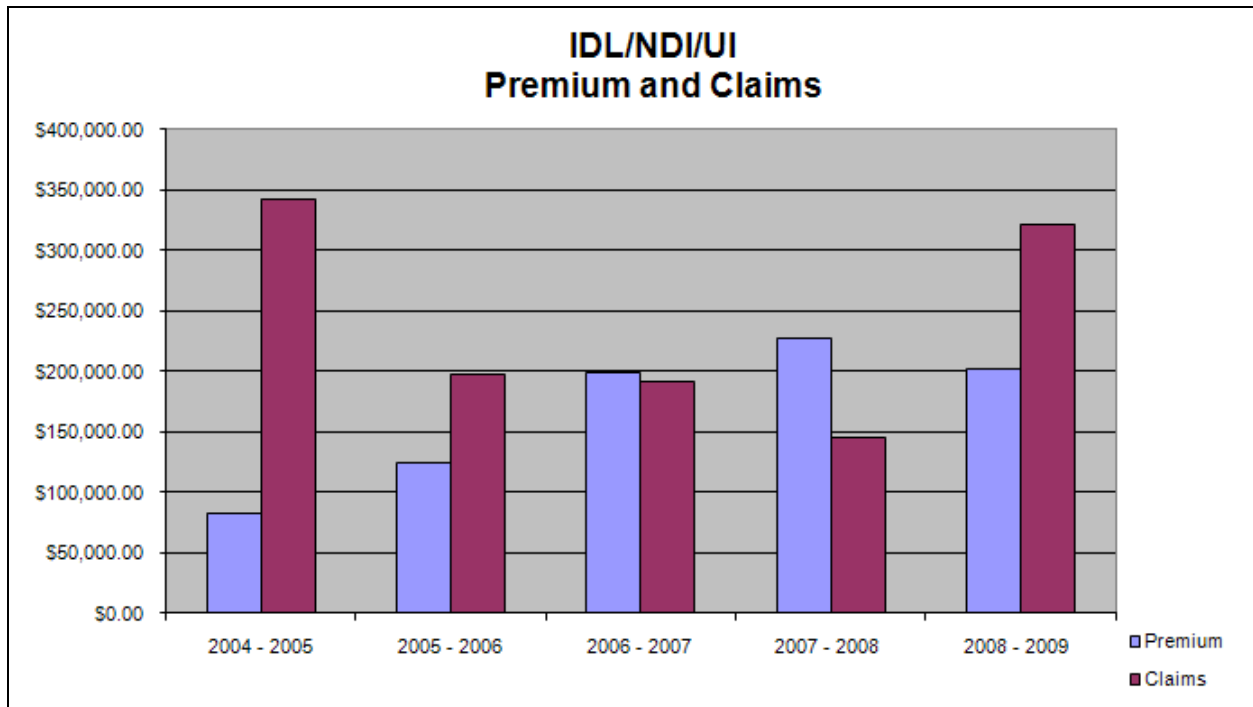
Workers' Compensation Claims by Nature of Injury or Illness 2008 - 2009



The graph above illustrates the types of injuries and illnesses sustained by University employees and volunteers in 2008-2009. Less than 39% of the injuries are strains/sprains that can be further classified as repetitive motion injuries. A 50% repetitive motion injury frequency rate in Workers' Compensation injuries is an industry norm, Risk Management & Safety offered ergonomic consultation and training to reduce the impact or severity of repetitive motion injuries throughout 2008-2009. RM&S also performed multiple accident investigations to address slip and falls leading to contusions, a common injury on campus, and industrial air quality surveys to reduce respiratory exposures. Growth in the Nursing program has led to an increase in needle punctures. RM&S continues to provide training to address this exposure and Risk Management continues to improve communication with Nursing on reporting claims of this nature.

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. 2008-2009 marked a return to IDL, NDI and UI claim costs not seen since 2004-2005.



In 2008-2009, IDL/NDI/UI premium costs in the CSU remained stable with no change. The University's premium cost decreased slightly by (-11%) or \$24,991. This can be attributed to the tailing off of 2004-2005 claims experience. Unfortunately, claim costs in 2008-2009 increased substantially from 2007-2008 by 122.50% or \$176,820. This will most likely affect future premiums. The campus continues to approach improving 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. The University will pay higher premiums for claims experience that occurred in the 2004 – 2005 fiscal year through 2009 – 2010, 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.

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, property insurance premiums increased by \$12,603.49 or 12.14% from 2007- 2008.

Automobile Liability Insurance

This premium is based on the CSU (not the University's) loss experience and the number of vehicles owned by the campus. In 2008-2009 the University's premium cost decreased significantly by \$19,415 or (-55.62%).

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 2007-2008 the University's AIME premium cost increased by \$2,160 or 21.60%. This can be attributed to growth in the University's Athletic programs. NAIA costs have remained stable for the past three years.

Special Events and Vendor Liability Insurance

The frequency and severity of claims made against Special Events Insurance was minimal in 2008-2009. Risk Management & Safety, in coordination with the Event and Conference Services (ECS) and the Clark Field House/University Student Union (CFH/USU), assesses on an event-by-event basis the necessity for Special Events Insurance for campus events. The growth in events on campus in 2008-2009 has increased the use of Special Event Insurance. Risk Management's risk assessment worksheet, in conjunction with the ECS's standard lease for space and campus service contracts, will assist the ECS/CFH, Event Organizers, Outside Organizations and Vendors in minimizing risk, reducing the need for Special Event Insurance. The University's Special Events Premium was \$1,859 lower (- 50%) in 2007-2008.

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. Risk Management & Safety will promote this risk financing option during 2009-2010 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 2008-2009, the University's SPLIP premium cost decreased by \$1,566 (- 29.11%).

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 2008-2009, the University's SAFECLIP premium cost increased slightly by \$512 10.01%.

Foreign Travel Liability Insurance Program (FTLIP)

Foreign Travel Liability Insurance is available for traveling faculty, staff, and students participating in university sponsored trips and augments General Liability coverage available to faculty and staff. FTLIP 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. It also serves as an emergency contact source for the University to contact faculty, staff, and students through the Travel Assist component. FTLIP is not mandated by CSURMA and has not been routinely used on our campus. This was the first year that FTLIP was secured for trips coordinated through Extended Learning and Athletics. Premiums covered individually by the trip participants amounted to \$3,160 in 2008/2009. Risk Management & Safety will promote this risk financing option during 2009-2010 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 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.

Crime (ID Fraud) Insurance

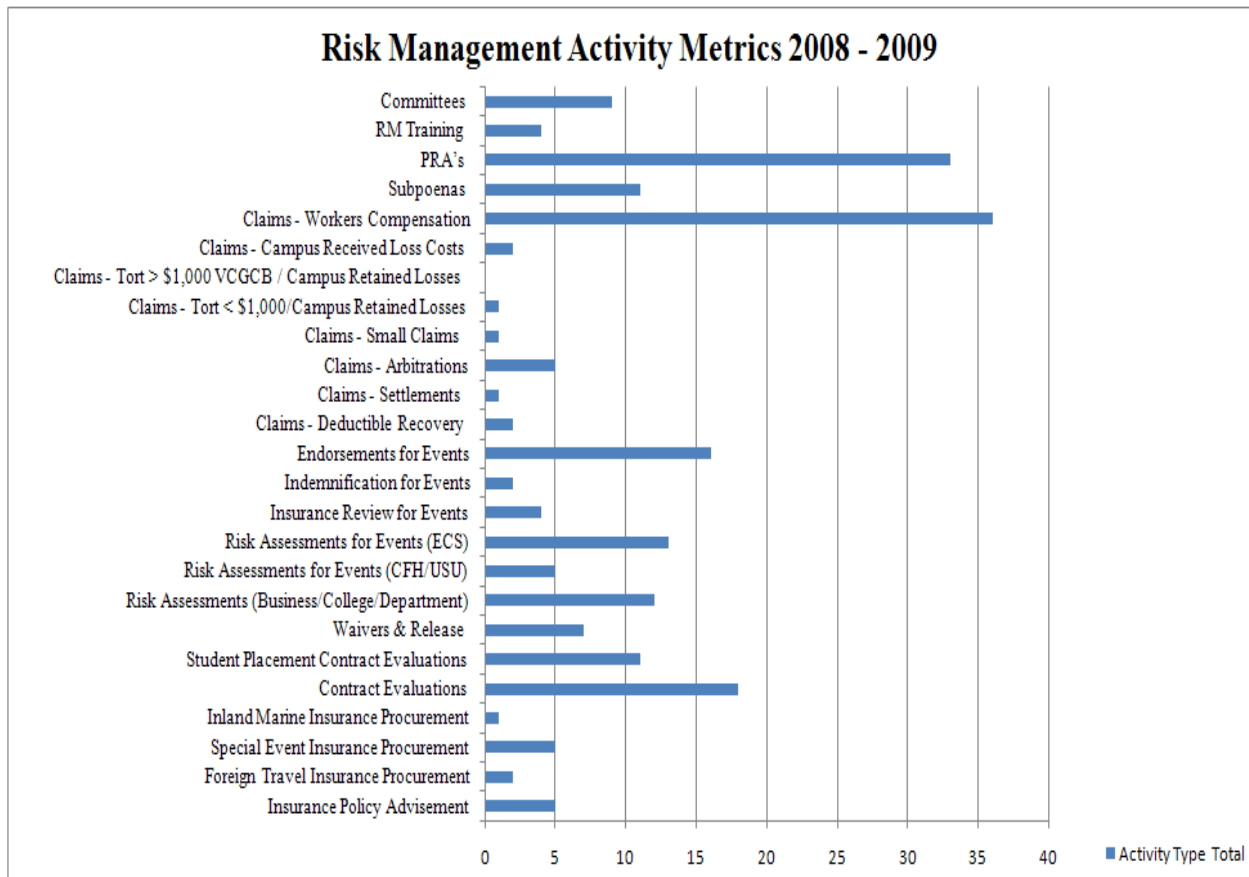
Crime (ID Fraud) Insurance was purchased for the first time in 2007-2008 and premium cost was included in the University’s General Liability premium. Crime (ID Fraud) Insurance reimburses employees (or additional insured person) for expenses incurred as the direct result of identity fraud.

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. 2008-2009 Program Metrics

The metric below represents Risk Management’s primary activity totals in 2008-2009. It does not however incorporate time dedicated to each activity. The metric demonstrates the current Risk Management program areas of focus.



IV. 2008-2009 Program Accomplishments

The following represent Risk Management's primary accomplishments for the 2008-2009 fiscal year:

- Provided risk assessment, insurance consultation/procurement/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
- Focused customer risk assessments in the "Enterprise Risk Management" model to increase various campus entities awareness in strategic, financial, operational, compliance and reputational risk concerns.
- Provided URMIA's Total Cost of Risk webinar training to the Budget and Accounting Departments.
- Risk Manager selected as recipient of the March 2009 URMIA Western Regional Conference Scholarship
- Established a strong working relationship with the University's new Occupational Medicine Service Provider Palomar Pomerado Health Systems
- Reduced Workers' Compensation claims costs in 2008-2009 by (-59.59%) or (\$81,904.63). Received a Workers' Compensation dividend in the amount of \$263,053 directly related to the University claims performance. Payroll which is used in the premium calculation for comp premiums year to year was not a factor in the University's dividend return
- Received Government Employee Service Award (GESA) for Workers Compensation performance in 08/09
- Completed an Employee Injury Reporting and Transporting process improvement
- Completed process improvement for the DMV Pull Notice Program following the CSU Use of University Guidelines
- Worked collaboratively with Human Resources, Academic Resources and General Counsel to establish ongoing University settlement meetings
- Provided Procurement with Insurance Requirements in Contract (IRIC) training per Executive Order 849 for new buyers
- As a member of the Chancellor's Office Sports Club Committee, Risk Management assisted SLL & ASI to address risk and insurance concerns in student recreational club sports (per Executive Order 1006).
- Improved the Risk Management website to assist customers with risk management process and program 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.

- Global economic climate and the State of California/CSU budgetary considerations.
- The ease of filing and potential cost associated with employer practice liability such as wrongful terminations, unfair labor practices, harassment, discrimination and retaliation claims.
- Growth in construction related projects and related 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.
- 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.
- Increased regulatory health & safety training and tracking requirements.

VI. Program Goals in 2009-2010

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, continue a reduction in the University's TCOR, Risk Management plans on integrating Enterprise Risk Management 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.

Risk Management program goals to reduce overall costs associated with the 2009 – 2010 fiscal year will focus on the following:

- Ensure Risk Management Program costs are at or below 1.9 % of the University's budget.
- Create a Risk Appetite Exercise for the Risk Management Advisory Committee.
- 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.
- Partner with UPD to improve the Potential Liability Injured Person (PLIP) report details to assist the Risk Manager in addressing potential university liabilities
- Provide ECS & CFH/USU with Insurance Requirements in Contract (IRIC) training per Executive Order 849 for event coordinators.
- Partner with Student Life and Leadership to reassess student org recognition, insurance and risk management practices.
- Assist ASI in following the CSU club sports model.
- Assist OCSL in developing the Risk Management component of their on-line registration process.
- Partner with Procurement to update the campus Student Field Placement policy and procedure.
- Partner with Procurement, UARSC, ECS and CFH/USU to integrate liability language into standard university contracts (i.e. lease of space, service contracts and student placement contracts).
- Improve the Risk Management Student Domestic Travel web link and create a mirror Foreign Travel web link.
- Define the CSU Foreign Travel Liability Insurance Program (FTLIP) program as an insurance product that is available for faculty, staff, students and others wishing to travel on sponsored University Foreign Travel. Market the program on the Academic Affairs, Student Affairs, Risk Management website.
- 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 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.

Risk Management & Safety

