I. Introduction

“Of course you have to go out on a limb sometimes, that’s where the fruit is.”¹

NACUBO defines risk as “the potential for loss, including economic loss, human suffering, or that which may prevent the organization from being able to achieve its goals.”² However, as the quotation above suggests, the presence of risk is not intrinsically harmful. Risk assessment analyzes the possibility that things will not go as planned and whether those unexpected outcomes may be good (resulting in an opportunity) or bad (resulting in a loss). The process of dealing with this uncertainty, and trying to achieve the best outcome in a changing environment, is the essence of risk management.³

This Report was developed by the Director of University Risk Management in consultation with the Associate Vice President for Administration and other senior administrators responsible for managing risks associated with University activities.⁴ Section II presents an executive summary of the efforts taken to create a comprehensive and coordinated risk management program at the University. Section III analyzes four years of risk management costs. Section IV contains a review of internal and external threats facing the University. The final Section reviews basic risk management methodology and the techniques available to the University to eliminate, reduce and/or transfer losses.

II. Executive Summary

“No noble thing can be done without risks.”⁵

A. Implementation of a University Risk Management Program

In March of 2000, Dr. Hagan presented to the President’s Administrative Board the framework for a comprehensive and coordinated risk management program. He established the following goals for what has become the Office of University Risk Management.

1. Increase coordination between functions that have risk management responsibilities, resulting in common priorities and focus.
2. Implement proactive risk management strategies developed through an increased emphasis on analysis and reporting of risk management information.
3. Identify, develop and implement strategies to address employment practices/actions that expose the University to lawsuits or other unplanned losses.

¹ Unknown.
² CUBA publication (Sixth Edition).
⁴ Executive Order 715 requires that the University produce an annual report of its risk management activities. This Report represents the University’s first review of its efforts in this area. Valerie Eberle and Jean Daugs contributed greatly to the development of this Report, as they have to the success of the Department.
⁵ Michel de Montaigne, French Philosopher.
4. Develop policies, procedures and/or training to address high risk activities/areas.
5. Reduce the University’s cost of risk (for example, litigation costs and settlements, insurance premiums and Workers’ Compensation costs).

Dr. Gordon approved the creation of the Office of Risk Management and appointed the University’s first acting Director of University Risk Management in September 2001. This appointment became permanent in November 2002. The staff position responsible for Workers’ Compensation was vacant from January 2002 until filled with a temporary employee in June 2002. A permanent employee was hired in August 2003, and the position was re-classified to MPP status and renamed “Workers’ Compensation Program Manager.” The department’s administrative support assistant was hired in March 2001. An organizational chart is included as Attachment A to this Report.

Dr. Hagan created a University Risk Management Committee to provide oversight to the University’s risk management efforts. Dr. Gordon issued Directive Number 12, which sets forth the University’s Risk Management Policy, on April 1, 2004.7

B. Accomplishments

During the past four years, the University has established the framework for a coordinated and comprehensive risk management program, implemented a written risk management policy (Directive 12) and formed a functioning risk management committee. Its Office of University Risk Management is fully staffed, and the following highlights some of its accomplishments over this period.

- Worked collaboratively with the University Counsel, the Executive Director of Human Resources and others to implement loss prevention and reduction measures that resulted in a decrease in:
  - CSURMA General Liability expenses from $551,007 in 2002-03 to $116,758 in 2003-04, a reduction of $434,239 or 79%.
  - The number of lawsuits filed against the University from 4 in 2003 to 2 in 2004 (as of September).
- Reviewed prior CSURMA General Liability expenses and found a billing error which resulted in a $65,000 refund to the University from CSURMA in 2004.

6 Decentralized risk management is a relatively new concept in the CSU System. As late as 1994-95, the Chancellor’s Office managed and paid all general liability and Workers’ Compensation claims. The Chancellor’s Office managed and paid all claims associated with industrial disability, non-industrial disability and unemployment insurance prior to 1995-96, and all property claims prior to 2000-01. The California State University Risk Management Authority (“CSURMA”) was established in July 1997 to manage the CSU’s pooled insurance programs.

7 Under Executive Order 715, the University is required to have a risk management policy and a risk management committee.
Maintained, despite a “hard” market for Workers’ Compensation coverage and the passage of legislation in 2002 that increased benefits to employees with Workers’ Compensation claims, a better than average performance in the administration of the University’s Workers’ Compensation Program as indicated by the following two important measures:

- Costs per $100 of payroll have been lower than the CSU average for six consecutive years.

- The University’s “experience modifier” was less than 1.00 for 2002-03 (86.4%), 2003-04 (90.03%) and 2004-05 (87.6%). The experience modifier measures an employer’s loss experience relative to other employers. An experience modifier less than 1.00 indicates better than average performance.

Developed in 2003-04 at the request of Contracts & Procurement more than 80 risk assessments (as permitted by Executive Order 849) concerning proposed service contracts, which significantly decreased the time spent processing these contracts.

Conducted a complete review of buildings insured under the University’s Property coverage. This review led to:

- The University billing Parking, Housing and ASI for the first time for buildings covered under the University’s Property coverage, which resulted in a savings of approximately $40,000 for the University in 2004.

- Removing several buildings insured by both the University and one of its auxiliaries, and adding buildings valued at approximately $50,000,000 that were not covered at all.

In addition, as is described more fully below, progress has been made toward the achievement of each of the five goals established for this department.

1. To increase coordination between functions with risk management responsibilities, staff in Risk Management are:

- Working with Human Resources to review the University’s sexual harassment policy, training, reporting and publications.
- Partnering with Contracts and Procurement to revise the University’s service requisition process to meet the requirements of CSU Executive Order 849. 8

8 The CSU included reviews of campus contracting, service learning and travel programs in its recent audit of campus risk management functions. Although the University was not one of the eight campuses included in this audit, Risk Management worked with the Internal Auditor and others to prepare for the audit.
• Partnering with Academic Affairs to review the University’s service learning and internship process.
• Working with Environmental Health & Instructional Safety and University Police to review the University’s practices concerning use of University and private vehicles.

2. Proactive risk management strategies implemented in 2003-04 include:

• Use of insurance to transfer the risks of loss associated with international travel and University special events such as Commencement.
• Development of waiver and consent forms for approximately 40 University-sponsored activities.
• Assessment of all existing Workers’ Compensation claims to determine settlement priority in order to reduce future premiums.

3. To address employment practices/actions that expose the University to lawsuits or other unplanned losses, Human Resources and Risk Management are working together to identify, develop and implement strategies to address and reduce harassment of and by employees and students. Of the 46 lawsuits filed against the University since 1995, 15 or 33% have alleged some type of harassment. The University settled 12 of these cases. Of the 14 cases filed since 2001, 7 or 50% have alleged some type of harassment. The University settled 6 of these cases.

The next area of review will be discrimination, as 16 or 35% of the lawsuits filed against the University since 1995 have alleged some type of discrimination.

4. To develop procedures that address high risk activities, staff in Risk Management have worked with various departments to draft policies and procedures to address (a) 12-15 passenger van safety, (b) electrical safety, (c) driving on University business, (d) the handling of personal mail, (e) copyright issues for course packs, (f) tent safety, (g) use of personal property, (h) visitor safety and (i) the use of select agents. Risk Management also worked with University Police to produce the University’s threat level preparedness plan.

5. Decreasing the University’s cost of risk management has been challenging. Although progress has been made in developing a culture of risk identification and assessment, which will reduce the amount of future premiums, the University’s expenditures to manage risks have increased over the past four years. These increases have largely been driven by the cost of participating in CSURMA’s pooled insurance programs, whose costs have grown in large part to the “hard” market for insurance that existed after September 11, 2001. These costs are discussed more thoroughly in Section III.
Despite the external forces contributing to cost increases, Risk Management has taken the following measures to reduce the University’s cost of risk:

- Begun a review of the University’s unemployment insurance claims, which have increased significantly over the past two years.
- Requested from CSURMA the methodologies and calculations used to establish the University’s General Liability and Workers’ Compensation premiums. This information will enable the University to determine if its premiums will increase or decrease from year-to-year and why. Understanding why a premium increased or decreased is the first step in knowing what actions might result in a premium reduction.
- Worked regularly with the University Counsel to resolve litigation matters in a timely manner.

C. **Objectives for 2004-05**

Until the Office of University Risk Management was formed, faculty and staff did not have one central location at the University from which to receive guidance concerning how to best avoid, reduce, retain or transfer the risks associated with their programs and activities. Some efforts of Risk Management staff have been met with questions primarily due to a lack of information or understanding about Risk Management’s existence and appropriate role in assisting faculty and staff in managing risks. At other times, Risk Management staff attempted to implement risk management measures such as purchasing international travel insurance too late in the programming process. Although the effort was to protect the travelers and the University, this effort did lead to confusion among some travel organizers and program participants.

While some academic managers expressed their support for these efforts, the attempts to increase the use of international travel insurance and to implement contractual requirements for experiential learning led several senior faculty members to express concerns about the negative impacts “risk management” was having on their programs. For this reason, the goals of the Office of University Risk Management for 2004-05 include a commitment to improving communication and making Divisions and Departments aware of the services the Office can provide them in managing the risks created by their programs and activities.

1. Meet annually with Division Heads and senior Division administrators, Deans and Department Chairs, the Executive Directors of University auxiliaries, the Chair of the Academic Senate and the ASI President to review significant losses or claims, describe risk management initiatives and training, and receive feedback associated with the implementation of risk management initiatives.
2. Establish regular reporting to interested parties concerning information about the type, frequency and severity of the University’s Workers’ Compensation, General Liability and Automobile Liability claims.
3. Work collaboratively with the above groups and others on campus as proposed guidelines and procedures are developed for implementation.
4. Utilize the University Risk Management Committee to gain insight, input and feedback on proposed risk management issues and policy changes.

5. Develop and launch a website that provides faculty and staff with tools and resources to identify risk exposures, review possible risk management techniques and select the most appropriate techniques for their program.

6. Develop and implement a formalized risk management training program.

III. Program Costs and Effectiveness

“To win you have to risk loss. ”

One measure of the effectiveness of the University’s risk management program can be derived by comparing the annual cost of the risk management program, which includes retained losses, insurance premiums and operational and administrative expenses, against the University’s annual payroll over time. As the table below shows, risk management costs as a percentage of the University's annual payroll has risen from 2.19% in 2001-02 to 3.13% in 2004-05.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Workers’ Compensation</td>
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<td>$1,526,151</td>
<td>$1,898,402</td>
<td>$2,415,536</td>
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<td>General Liability Premium</td>
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<td>$518,637</td>
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<tr>
<td>General Liability Expenses</td>
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<td>IDL/NDI/UI</td>
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<td>$391,394</td>
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<td>$198,633</td>
<td>$165,667</td>
<td>$228,620</td>
</tr>
<tr>
<td>Auto Liability</td>
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<td>$16,133</td>
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<tr>
<td>AIME</td>
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<td>$124,000</td>
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<tr>
<td>Inland Marine</td>
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<td>$1,513</td>
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<tr>
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<td>$955</td>
<td>$913</td>
<td>$913</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$2,865,485</td>
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<td>$3,127,467</td>
<td>$4,174,947</td>
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<table>
<thead>
<tr>
<th>Other Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative (Salaries)</td>
</tr>
<tr>
<td>Administrative (Expenses)</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
</tbody>
</table>

| Total Risk Management Costs  | $3,005,735 | $3,310,026  | $3,280,255  | $4,362,533  |

| University Payroll           | $137,440,407| $146,102,236| $139,459,183| $139,459,183|

<table>
<thead>
<tr>
<th>Total Cost as a Percentage of University Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.19%</td>
</tr>
<tr>
<td>2.27%</td>
</tr>
<tr>
<td>2.35%</td>
</tr>
<tr>
<td>3.13%</td>
</tr>
</tbody>
</table>

Notes:

Payroll for 2004-05 is an estimate, as is the premium shown for Student Travel for 2004-05. General Liability expenses for 2004-05 are an estimate. Administrative expenses are budgeted amounts.

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9 Jean-Claude Killy, three-time Olympic Gold medalist.
From 2003-04 to 2004-05, the University’s cost to participate in CSURMA’s pooled insurance programs increased $864,238 or 31%. The average Systemwide increase for the same period was 28%. Possible explanations for the University’s higher than average increase are as follows:

- A less than average decrease in its General Liability premium, which was due in large part to several large claims paid in 2000-01 and 2001-02.
- A higher than average increase in its IDL/NDI/UI premium, which was due in large part to increased unemployment claims during the last two years.
- A continuing “hard” market for Workers’ Compensation insurance and an increase in benefits available to employees off-work due to a work-related injury or illness. The University’s premium increased $517,134 despite a reduction in its experience modifier from the previous year.

Overall, the University’s cost of risk is expected to increase $1,082,278 or 33% in 2004-05. An increase in expected liability expenses is another significant cost factor.

Because the University’s General Liability, Workers’ Compensation, Athletic Injury and Disability Leave/Unemployment Insurance premiums are based on a five-year loss history, the results of any campus efforts in the upcoming year to reduce these premiums and will not be fully felt until 2009-10.

### IV. Internal and External Threats

“Over the years, I’ve had hundreds of shots blocked. You’ve got to go in and take chances.”

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 internal threats facing the University that are most likely to have a negative impact on one or more of the five areas listed above. This list is based on a review of the University’s loss history, as well as current insurance and litigation trends.

1. Employment practices
2. Information management
3. Student activities/Auxiliary activities
4. Compliance with the ADA
5. Compliance with federal and state laws and regulations
6. On-campus housing
7. Domestic automobile travel

10 John Havlicek, Boston Celtics, NBA Hall of Fame.

11 According to the Executive Director of Higher Education Practice at Arthur J. Gallagher, University employees tend to feel more personally involved and their emotions therefore run higher than those employed in the business sector. For this reason, settlements tend to be much higher. Statewide for the CSU, the largest amount of claims dollars are spent to settle or litigate employment practices liability issues. The University’s loss history mirrors that of the CSU.
8. Construction project management
9. Off-campus, experience-based, learning activities
10. International travel
11. Facilities use
12. Deferred maintenance

External threats facing the University include competition for students, faculty, staff and financial resources; the cost of housing in Orange County; an increasing number of non-traditional academic programs; a decreasing State budget; and pressures to utilize new technologies and to increase responsiveness to student and community needs.

V. Review of Risk Management Methodology

"If the primary aim of a captain were to preserve his ship, he would keep it in port forever."

Risk Management is frequently described as a process to identify sources of risk faced by an organization and to select the most appropriate measures to prevent unplanned losses or to pay losses that do occur. Risk control is the attempt to eliminate or reduce losses. Risk financing is the attempt to pay for losses once they occur. This process involves the following steps:

- Identifying risks and evaluating their seriousness and loss potential.
- Analyzing the potential frequency and severity of any reasonably foreseeable loss.
- Evaluating risk control and risk financing alternatives and selecting appropriate risk management techniques, which optimally involves a combination of risk control and financing techniques.
- Implementing the selected risk management technique(s).
- Monitoring and documenting the impact of the selected risk management techniques.

A. Risk Control

Risk Management staff provide consultation to University departments on how to organize, implement or supervise activities in such a way as to prevent or reduce losses. During the past four years, these activities have included sending a student to Iraq as an embedded reporter, hosting two all-day rock concerts, flying the Vietnam flag at Commencement and drilling a 500-foot water well on campus. Other often implemented risk control measures include researching, developing and recommending policies and procedures to address high risk/loss activities; responding to and adjusting claims in a fair, timely, and cost-effective manner; and seeking monetary compensation from individuals who have damaged University property or harmed its employees.

12 In Spring 2003, approximately 2,500 University students were engaged in service learning activities at 60 different locations throughout Southern California. This figure does not include students participating in internships, clinical programs or teaching practicums.
13 This information was published in the March 2004 issue of the NACUBO Business Officer.
14 Thomas Aquinas.
B. Risk Financing

Risk financing is the most well-known and relied upon aspect of a traditional risk management program. Risk financing attempts to transfer the risk of loss to a third party through the use of commercial insurance, waivers and indemnification/hold harmless agreements. Although the University regularly uses waivers to transfer risks associated with student activities and travel, and requires indemnification/hold harmless language in all of its contracts, the most prevalent risk transfer technique applied at the University is the purchase of insurance.

The University participates in CSURMA’s pooled group insurance programs for General Liability, Workers’ Compensation, Property, IDL/NDI/UI and Athletic Injury Medical Expense coverages. In addition to these pooled insurance programs, CSURMA provides the University’s Student Travel Insurance. Optional programs offered through CSURMA include Foreign Travel Liability Insurance, Special Event and Vendor Insurance, Student Health Insurance, Inland Marine Property Insurance, Participant Accident Insurance and Student Organization Liability Insurance.

The University’s Automobile Liability Coverage is provided under the State of California’s Motor Vehicle Insurance Account. The University purchases Fine Arts Liability Coverage from Atlantic Mutual. The paragraphs that follow summarize and identify the costs associated with each of these programs.

1. Workers’ Compensation and Employers’ Liability Insurance

The premium the University pays for Workers’ Compensation and Employers’ Liability coverage through CSURMA is larger than any other premium paid by the University. For this reason, these claims represent the University’s largest potentially controllable cost of risk. The University accounts for this premium as a University expense.

A third-party administrator, Octagon Risk Services, manages the University’s claims.

a. Claim Frequency

The University’s Workers’ Compensation costs (which are graphically depicted on the next page) have been below the CSU system average since 1999-00. In 2004-05, the Systemwide cost of Workers’ Compensation per $100 of payroll is $2.02 while the University’s cost is $1.80. Costs have increased significantly in the past two years due to a “hard” market for this type of insurance as well as the enactment of legislation that significantly increased the benefits provided to employees with a job-related injury or illness.
As depicted in the graph below, the number of claims filed with the University has declined for four straight years. This continued decline in 2003-04 is due in large part to the hiring of an experienced program manager.

b. Premium History

The University’s premium increased by 27% in 2004-05 (from $1,898,402 to $2,415,536). The average Systemwide increase was 41%. The University’s premiums since 1999-00 are shown in the graph on the next page. The University’s actual premium for 2005-06 will likely be larger than CSURMA’s estimate of $2,415,536 as several significant claims from the early 1990s will be settled and closed during the upcoming year.
c. **Strategies for Loss Prevention, Reduction or Transfer**

Claims can be prevented by providing a safe workplace and proper safety training; maintaining high morale and conducting thorough investigations of all alleged claims. Once a claim has been filed, losses can be reduced by responding to and adjusting claims in a fair, timely and efficient manner; fostering consistent communications with injured or ill employees; and reducing any perceived need on behalf of the employee to hire an attorney. Other actions the University can take to prevent claims and/or reduce losses are set forth below.

a. Increase trend analysis of alleged injuries and illnesses to better target specific safety and ergonomic training.

b. Reduce lost work days through the creation of a return-to-work program for employees with work and non-work related injuries and illnesses.

c. Respond to and investigate every claim and provide a written rationale for decisions to accept, delay or deny a claim.

d. Review the benefits and costs of instituting a Workers’ Compensation cost charge-back system where each Division would be charged for its share of the costs based upon its loss experience. Currently, Workers’ Compensation costs are considered to be a University expense.

e. Create training programs for supervisors concerning how to complete the University’s “Employer’s Report of Injury” form and how to document claims they believe are questionable.

f. Contact every employee off-work due to a work-related injury or illnesses at least once a month to provide an update on campus activities and to encourage a quick return to work.
g. Create a Workers’ Compensation discussion group among Division budget officers.

2. General Liability Insurance/Litigation Management

The University has $25,000,000 in coverage for bodily injuries, personal injuries and property damage for which the University is liable, either as imposed by law or contract. This CSURMA pooled insurance program also provides coverage for employment practices liability (for example, wrongful termination, sexual harassment, discrimination and retaliation), errors and omissions liability and medical malpractice. The University accounts for this premium as a University expense.

Individuals covered include University employees and volunteers. Students enrolled in off-campus learning experiences and in clinical programs may also be covered as long as the students receive academic credit and the allegations arise from actions taken within the course and scope of the learning activity.

The University’s self-selected deductible is $250,000. In December 2004, the University will have an opportunity to re-evaluate its chosen deductible. Increasing the deductible will lower the University’s premium but increase its exposure to losses below the deductible. Reducing the deductible will increase the University’s premium but decrease its exposure to losses below the deductible. All campuses have a $35,000 deductible for claims arising from Dorm Revenue Fund, Student Health Center, Parking and Continuing Education operations.

a. Claim Frequency

As shown in the graph on the next page, the number of lawsuits filed against the University has steadily decreased from a high of nine lawsuits in 1999 to only two lawsuits as of September 2004. One reason for this downward trend is Dr. Gordon’s decision in 2002 to have a campus-based University Counsel. Another is the hiring in 2002 of a new Executive Director of Human Resources, who has instituted new programs such as “termination with dignity.”

Disputes concerning the University’s employment practices were at issue in 21 of the 46 lawsuits (46%) filed since 1995. Of the 46 lawsuits, 15 or 33% have alleged some type of harassment. The University settled 12 of these cases. Of the 14 cases filed since 2001, 7 or 50% have alleged some type of harassment. The University settled 6 of these cases.
The graph below shows claims filed against the University at the Victim Compensation and Government Claims Board (Non-Litigated Board of Control Claims). 8 of the claims filed in 2004 were related to two break-ins to lockers in the Performing Arts building. Prior to these claims, the most frequent claims filed against the University were related to damage caused by baseballs/softballs (4 claims) and by conditions in parking lots (5 claims). In 2004-05, signs will be posted near the baseball and softball fields warning drivers that they park there at their own risk. Staff in Risk Management will team with staff in Physical Plant to quarterly review the parking lots for any hazards.

Notes:

1. The number of lawsuits shown for 2004 is through July 2004.
b. Premium History and Lawsuit/Claim Severity

The next graph shows the amount of the University’s General Liability premium and its losses both below and above its deductible. The 8.4% reduction in premium in 2004-05 (from $566,132 to $518,637) is more due to a softening in the insurance market than to an improved loss performance. The average Systemwide decrease during this same period was approximately 19%. Because this premium is based in part on the University’s loss history over the past 5 years, even if the insurance market continues to soften the University’s premium will continue to remain higher than average due to several large losses paid in 1999-00, 2000-01 and 2001-02.

Since 1995, the University has not experienced a claim where monetary damages, legal costs and attorney’s fees have totaled more than $500,000. In the last nine years, the University has experienced four claims where these expenses totaled more than $250,000 but less than $500,000 (the largest loss was almost $480,000), nine claims for more than $100,000 but less than $250,000, and seventeen claims for more than $35,000 but less than $100,000.

15 As mentioned earlier, the University pays all fees, costs and settlements for liability claims below $250,000. CSURMA pays all fees, costs and settlements that exceed $250,000.
c. **Strategies for Loss Prevention, Reduction or Transfer**

The goals of the following strategies are to reduce the University’s General Liability premium and/or reduce the University’s litigation expenses.

i. Review claim frequency and severity, as well as existing and proposed risk control measures, to determine if the University should reduce, maintain or increase its deductible. Reducing the deductible would reduce the amount of University’s self-retention but increase its Liability premium. Raising the deductible would have the opposite effect.

ii. Recommend training programs based on the frequency and severity of the University’s liability losses for the previous two years.

iii. Develop with Internal Audit mechanisms to measure compliance with current University employment policies and procedures.

iv. Review and revise as necessary University policies, procedures, publications and training related to harassment, discrimination and retaliation.

3. **IDL/NDI/UI Benefits**

The University provides up to one year’s salary for employees who are off work due to a work-related injury or illness. This benefit is referred to as “Industrial Disability Leave” or “IDL,” and is in addition to any Workers’ Compensation benefits an off-work employee may be receiving. The University also provides a smaller benefit for employees who are off-work due to a non-work related injury or illness. This benefit is referred to as “Non-Industrial Disability Leave” or “NDL.” Unemployment insurance is also provided to eligible former employees. This benefit is referred to as “UI.” The University accounts for this premium as a University expense.

a. **Premium History**

The following graph on the next page depicts the University’s premiums since 1999-00. The increase the University experienced in actual expenditures in 2001-02 through 2003-04 was due in large part to increases in expenditures for unemployment insurance. These increases led to a premium increase of 74% from 2003-04 ($224,980) to the 2004-05 ($391,394). The Systemwide average during this same period was 60%.
b. **Strategies for Loss Prevention, Reduction or Transfer**

The goals of the following strategies are to reduce the University’s IDL/NDI/UI premium.

i. Establish a return-to-work program for employees with industrial and non-industrial injuries and illnesses.

ii. Track lost work days by year; track work days gained through early return and return-to-work efforts.

iii. Audit quarterly unemployment insurance payments and claims.

4. **Master Property Insurance**

This insurance provides up to $500,000,000 for “all risks,” subject to sublimits and exclusions, which include the following on a per occurrence basis: $30,000,000 (flood); $5,000,000 (business interruption); $1,000,000 (landscaping); $5,000,000 (demolition and increased cost of construction); $5,000,000 (replacement power extra expense); and $500,000 (bridges, tunnels and streets). This insurance does not provide earthquake coverage.

The University accounts for this premium as a University expense. For bond and non-bond funded facilities, the University’s deductible is $100,000. The University’s flood deductible is $100,000.

a. **Claim Frequency**

The University has not made a claim in the past three years.

b. **Premium History**
The University’s premium is based on a percentage of the Systemwide premium and not its loss experience. For 2004-05, each CSU campus premium was increased by 28% regardless of campus acreage, value of buildings insured or loss history. Thus, the University’s premium increased from $165,667 to $228,620. The University’s premium history is shown below.

**Master Property Premium History**

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<tr>
<th>Year</th>
<th>Premium</th>
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<tbody>
<tr>
<td>2000-2001</td>
<td>$100,000</td>
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<tr>
<td>2001-2002</td>
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<td>2004-2005</td>
<td>$250,000</td>
</tr>
<tr>
<td>2005-2006</td>
<td>$250,000</td>
</tr>
</tbody>
</table>

**Notes**
1. Prior to 2000-01, the Chancellor’s Office did not bill the University for Property insurance.
2. The premium for 2005-06 is an estimate.

c. **Strategies for Loss Prevention, Reduction or Transfer**

The goals of the following strategies are to reduce the University’s Property premium and/or to ensure that all eligible claims are filed.

i. Advocate that CSURMA tie future premiums to each campus’ loss history, acreage and/or the value of the buildings insured.

ii. Ensure that staff in Physical Plant notify Risk Management in the event of a loss so that a claim can be made when appropriate.

iii. Review deductible levels.

iv. Maintain a current schedule of buildings and their value.
5.  Automobile Liability Insurance

The State's Motor Vehicle Insurance Account, to which the University pays an annual premium, provides unlimited liability coverage to employees driving University vehicles on University business. When an employee drives their personal vehicle on University business, that employee’s personal automobile liability insurance provides the primary liability coverage, with the State’s Motor Vehicle Insurance providing unlimited excess coverage. Either an employee’s personal automobile liability insurance or insurance purchased/provided by a rental car company provide the primary coverage for employees who drive rented vehicles on University business.

1,907 employees are authorized to drive a vehicle on University business.

a. Claim Frequency

University employees have been involved in 7 accidents in 2004, all of which were the employee’s fault. In 2003, University employees were involved in 7 accidents, in 5 of which the employee was at fault. The University’s overall “rate of accident experience” was 7.62. In 2002, University employees were involved in 1 accident, which was the employee’s fault. The University’s overall “rate of accident experience” was 1.05. In 2001, University employees were involved in 7 accidents, all of which were the employee’s fault. The University’s overall “rate of accident experience” was 6.5.

The following graph sets forth the miles driven by University employees in 2001-2003. Although the total number of miles driven decreased from 2001 to 2003 (1,076,974 to 918,332), the University’s rate of accidents increased seven fold from 2002 to 2003. Due to the number of recorded accidents as of July 2004, the University’s rate of accident experience will apparently rise as well in 2004.

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16 The “rate of accident experience” equals the number of accidents multiplied by 1,000,000 and divided by the actual number of miles driven.
b. Premium History

The University’s premium is not related to its loss experience; rather it is tied to the loss history of the CSU as a whole. Because three different CSU campuses had accidents involving student fatalities, the premium charged to universities in the CSU increased dramatically for 2004. The premium is charged on a per vehicle basis.
c. **Strategies for Loss Prevention, Reduction or Transfer**

In response to the increased premium, the University is considering taking the following actions:

i. Centralizing management responsibility for the University’s driving program into one department. Currently, responsibility for this program is shared among University Police, Environmental Health & Instructional Safety and BFA. This change is required by CSU policy.

ii. Requiring all University employees and volunteers who drive on University business to complete an in-person, University-approved defensive driving course.

iii. Requiring all University employees and volunteers who drive on University business to complete an in-person, University-approved defensive driving course once every four years.

iv. Prohibiting employees and volunteers under the age of 18 from driving on University business.

v. Prohibiting employees and volunteers under the age of 25 from driving 12-15 passenger vans on University business.

vi. Restricting University employees and volunteers other than University Police and those responding to an emergency from driving on University business more than 12 hours in any 24-hour period.

vii. Restricting University employees and volunteers other than University Police and those responding to an emergency from driving on University business while using a handheld electronic device.

6. **Athletic Injury Medical Expense Insurance**

Students participating in intercollegiate athletics, whether as a team member or as a prospective team member, are eligible to receive up to $25,000 for medical expenses related to injuries sustained while participating in regularly scheduled intercollegiate sports events and other supervised or customary activities. 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.

The University accounts for this premium as a University expense.

a. **Claim and Premium History**

Of the total claims paid since 1999-00, 14.2% involved expenses to address injuries to student-athletes participating in wrestling; 13.8% to address injuries in men’s basketball; 13.6% in gymnastics; 10.5% in baseball; 10.3% in women’s soccer; 9.8% in men’s soccer, 8.7% in softball and 19.1% in all other sports combined.
As the graph below shows, the University’s premium and costs have increased every year since 1999-00 to a current level of $141,872.

**Athletic Injury Insurance Premium History**

![Bar chart showing premium history](chart.png)

*Notes*
1. The premium for 2005-06 is an estimate.

b. **Strategies for Loss Prevention, Reduction or Transfer**

A review by the University’s Athletic training staff of injuries in the four highest sports may lead to a reduction in expenses and therefore the University’s premium through improved training, conditioning and/or changes to practice procedures.

7. **Personal Property Insurance**

Departments can purchase insurance to cover losses or damages to musical instruments, fine art, personal computers, laptops, camera and video equipment, and other miscellaneous property and equipment. Students renting equipment for course projects can also purchase coverage.

This insurance offered through CSURMA insures against all risks of direct physical loss or damage, except perils specifically excluded, which include mechanical failure, fraud, rust, corrosion, repairs, normal wear and tear, war, flood, earthquake, unexplained loss or mysterious disappearance. Certified and non-certified acts of terrorism are covered.
Departments are responsible for the cost of insurance.

a. Claim Frequency

Only one claim has been made since September 2001. That claim involved an instrument the Music Department insured that was stolen from a locker in the Performing Arts Building.

b. Premium History

The University’s premium increased in 2004-05 to $1,750 after two straight years of decline due to a “hard” market and the filing of a claim. Additional costs have risen each year since 2000-01 as the University has made an effort to insure art exhibits held in the library and to provide students with insurance for rental equipment necessary for an academic course. This expense is reimbursed by students.

![Inland Marine Premium History](image)

Notes

1. The premium for 2004-05 is an estimate.

c. Strategies for Loss Prevention, Reduction or Transfer

Because the University has not publicized this program, few University Divisions or departments have purchased this insurance in the last three years. Not participating in this program means that by default, the University has chosen to retain rather than transfer risks associated with owning computers, laptops, cameras and other property. By describing and reviewing this insurance with the various Division Heads, as well as including information on the Risk Management Website and in the Property Management Program, those who own property integral to a campus or academic function can make an informed decision whether the risks associated with losing a piece of property merit their transfer through the use of insurance.
8. Student Travel Insurance

CSURMA’s Student Travel Accident Insurance covers any student enrolled at the University, including students enrolled through Extended Education, injured while traveling to or from, or participating in, an off campus, school sponsored activity. School sponsored activities are limited to activities occurring off campus that are part of a course requirement, sponsored by a University auxiliary or sponsored by a recognized student organization/club. Student-athletes traveling to and from intercollegiate athletic events held off campus are also covered.

This insurance provides up to $10,000 per accident for medical expenses for each student. This coverage is in excess of any other valid and collectible insurance. The University accounts for this premium as a University expense.

a. Claim Frequency

The University has not made a claim in the past three years.

b. Premium History

The University’s premium, which is identical to every other CSU campus, has remained relatively the same for the past six years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2000</td>
<td>800</td>
</tr>
<tr>
<td>2000-2001</td>
<td>820</td>
</tr>
<tr>
<td>2001-2002</td>
<td>840</td>
</tr>
<tr>
<td>2002-2003</td>
<td>860</td>
</tr>
<tr>
<td>2003-2004</td>
<td>880</td>
</tr>
<tr>
<td>2004-2005</td>
<td>900</td>
</tr>
<tr>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td>1. The premium for 2004-05 is an estimate.</td>
<td></td>
</tr>
</tbody>
</table>
c. **Strategies for Loss Prevention, Reduction or Transfer**

The University has not publicized this program. Describing and reviewing this insurance with the Dean of Students, Student Health Center Director, Director of Residence Life and ASI student leaders, as well as including information on the Risk Management Website, will increase the likelihood that Risk Management is notified in the event of a loss so a claim can be made when appropriate. The fact that the University has not made a claim in the past three years does not mean that the University has had no losses for which a claim could have been made.

9. **Foreign Travel Liability Insurance**

The Foreign Travel Liability Insurance Program is designed to provide financial protection for the University for claims arising from sponsored international travel. While this Program does not eliminate campus liability, it provides an alternative funding source for losses associated with general liability, automobile liability and Workers’ Compensation coverage.

This insurance offered through CSRUMA provides University employees, students and volunteers traveling internationally coverage for emergency medical expense (up to $10,000 in excess coverage with a $100 deductible); medical evacuation (up to $100,000 in excess coverage); accidental death and dismemberment (up to $20,000 in excess coverage); repatriation (up to $25,000 in excess coverage); and assistance services. Coverage does not provide Trip Interruption Insurance.

Coverage territory is anywhere in the world excluding the United States, its territories or possessions; Canada; Puerto Rico; the territorial waters of the United States, Canada or Puerto Rico; the waters or shores of the Gulf of Mexico; or any country or territory for which a U.S. embargo, sanction or ban is in effect.

Insurance is currently available through a blanket policy. To avoid a surcharge, no more than five employees may travel together on the same boat, plane, bus or train. Insurance is not available for high risk activities such as hang gliding, white water rafting, ski trips; employees on long term or extended foreign assignment; sports camps; special needs programs; and rental of automobiles other than private passenger vehicles.

a. **Claim Frequency**

The University has not had a claim filed against it in the past three years due to an injury or illness that occurred on an international trip.

b. **Strategies for Loss Prevention, Reduction or Transfer**

Because the University has not publicized this program, few University Divisions or departments have purchased this insurance in the last three years. Not participating in this program means that by default, the University has chosen to retain rather than transfer risks associated with international travel. By describing and reviewing this insurance with the various Division
Heads, as well as including information on the Risk Management Website and in UPS 450.700 (Travel Courses), those who travel internationally can make an informed decision whether the risks associated with that travel merit their transfer through the use of insurance.

10. Special Events and Vendor Liability Insurance

This insurance offered through CSURMA provides optional liability coverage for events held on-campus by an organization or individual permitted to use the campus. For example, students organizing the PASA Friendship Games have purchased this insurance. Liability coverage is also available for events held or sponsored by the University, such as Commencement and the CSUF Special Games.

a. Claim Frequency

The University has not made a claim against this insurance in the past three years.

b. Strategies for Loss Prevention, Reduction or Transfer

Because the University has not publicized this program, few University Divisions or departments have purchased this insurance in the last three years. Not participating in this program means that by default, the University has chosen to retain rather than transfer risks associated with special events. By describing and reviewing this insurance with the various Division Heads, as well as including information on the Risk Management Website, those who organize special events can make an informed decision whether the risks associated with that event merit their transfer through the use of insurance.

11. CSU Student Health Insurance

Students may purchase through CSU Healthlink (www.csuhealthlink.com) domestic health insurance, international health insurance, dental insurance and vision insurance. The University pays no premium for its students to participate in this program offered through CSURMA.

The University has not publicized this program. By describing and reviewing this insurance with the Dean of Students, Student Health Center Director, Director of Residence Life and ASI student leaders, as well as including information on the Risk Management Website, students who have been unable to purchase health insurance through other means may be able to do so through this program.

12. 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 its cost varies depending on the coverages and deductibles selected.
Because the University has not publicized this program, no University Division or department has purchased this insurance in the last three years. Not participating in this program means that by default, the University has chosen to retain rather than transfer risks associated with activities such as the TREK outing in Freshman Programs. By describing and reviewing this insurance with the various Division Heads, as well as including information on the Risk Management Website, those who administer eligible programs can make an informed decision whether the risks associated with an activity merit their transfer through the use of insurance.

13. Student Organization Liability Insurance

This is a new program offered through CSURMA. Student organizations seeking to rent a venue for a dance or a cultural production, as well as students seeking to use a venue for an academic project such as a film shoot, often need to provide a Certificate of Liability Insurance. Because the University’s General Liability insurance does not cover student organizations and because CSURMA’s Special Event Insurance is not available for non-University sponsored events held off campus, obtaining liability insurance has been very difficult. This insurance is available only to recognized student organizations.

By describing and reviewing this insurance with the various Division Heads, as well as including information on the Risk Management Website, those who advise recognized student organizations can review with student leaders the benefits and costs associated with this insurance.

14. Fine Arts Insurance

The University maintains insurance with Atlantic Mutual to insure its fine arts exposures created through exhibits housed in the Main Art Gallery, the Exit Gallery and the Grand Central Arts Center. The University has had two significant claims in the last two years. Actions taken to mitigate future losses include increasing written and video documentation of the condition of art work received and revising transportation procedures.