Memorandum

To: Presidents

From: Richard P. West
Executive Vice Chancellor
and Chief Financial Officer

Subject: Risk Management and Insurance Audit

Date: October 8, 2004
Phone: 562-951-4600

The recently completed audit of several campus risk and insurance programs (Report No. 03-24) resulted in several findings. One of these findings was that all campuses should have an effective, ongoing process in place to proactively identify risks, analyze the frequency and severity of identified risks, and implement risk mitigation programs.

Using the Bickel and Lake's Facilitator Model as a foundation, the Systemwide Office of Risk Management presents the attached Risk Assessment Matrix, Risk Management Process Flow Chart, and Event Planning Form as guidelines for use by campuses in the risk identification, assessment and mitigation planning process.

The steps involved in this process include:

1. Identification – Identify the risks and exposures each event presents to the University.

2. Measure – Once the risks have been identified, they should be measured qualitatively and quantitatively to determine the:
   frequency – the probability of loss occurring
   severity – probable loss and estimated maximum loss from each occurrence.

3. Mitigation – Once the risks have been evaluated, the most effective method for managing each risk must be determined. Methods of controlling of risks include avoidance, prevention, reduction, segregation, physical transfer or a combination of methods.

4. Implementation – Follow through on the methods determined for mitigation.

5. Assessment – Evaluate the event or activity identifying those methods of mitigation that were or were not successful.
These tools are presented to assist the campuses in their practicing proactive risk management and to insure compliance with Executive Order number 715, California State University (CSU) Risk Management Policy.

Should you or your staff have questions or require assistance, please contact Charlene Minnick, Senior Director of Systemwide Risk Management at (562) 951-4580 (email: cminnick@calstate.edu) or Dennis Hordyk at (562) 951-4540 (email: dhordyk@calstate.edu).

Attachments (3)

cc: Vice President Administration and Finance
   Risk Managers
   Charles B. Reed, Chancellor
   Dennis Hordyk, Assistant Vice Chancellor, Financial Services
   Larry Mandel, University Auditor
   Nate Clark, Trustees Audit
   Charlene Minnick, Sr. Director, Systemwide Risk Management
EVENT/ACTIVITY PLANNING - RISK ASSESSMENT MATRIX

SERIOUSNESS OF RISK
I. May result in death
II. May cause severe injury, major property damage, significant financial loss, and/or negative publicity for the University
III. May cause minor injury, illness, property damage, financial loss and/or negative publicity for the University
IV. Hazard presents a minimal threat to health, safety and well being of participants and/or spectators

PROBABILITY THAT SOMETHING WILL GO WRONG
A. Likely to occur immediately or in a short time frame, expected to occur frequently
B. Probably will occur in time
C. May occur in time
D. Unlikely to occur

WHAT DO WE HAVE IN PLACE TO REDUCE THE RISKS WE IDENTIFIED?

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>ASSOCIATED RISKS</th>
<th>METHOD TO MANAGE</th>
</tr>
</thead>
<tbody>
<tr>
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This form has been provided as a tool to develop a process for identifying and discussing potential risks. It is intended for use as a part of the risk management event/activity planning assessment process, and should serve only as a starting point. Completion of the form does not imply approval or authorization of the event by the University.
RISK MANAGEMENT PROCESS FLOW CHART

Identify Your Assets and Exposures

- Destruction or theft of real or personal property
- Loss of intellectual or intangible property
- Liability from torts
- Liability from contracts
- Liability, Statutory, includes Workers’ Compensation
- Loss of Revenue, as a result of damage or loss
- Extra Expense as a result of damage or loss
- Death, disability, resignation, termination, or retirement of key employees
- Loss of reputation

Measure the Risks – Qualitative and Quantitative

- For Frequency – probability of loss occurring
- For Severity – probable loss and estimated maximum financial loss from each occurrence

Control the Risks

Pre-Loss

- Avoidance – eliminate the cause of the loss
- Prevention – stop the loss from occurring (e.g., machine guard)
- Reduction – reduce the impact of a loss (e.g., sprinklers)
- Segregation, separation, or duplication
- Physical transfer
- Combination

Post-Loss

- Active Claims Management
- Salvage and Subrogation
- Rehabilitation
- Public Relations
RISK MANAGEMENT PROCESS FLOW CHART
Page Two

Finance the Risks

Retention
- Current Expensing (pay as you go; e.g., tort claims < $1000
- Funded and Unfunded Reserves
- Trust Accounts
- Pooling Arrangements
- Finite Insurance (chronological stabilization or spread loss plan)
- Equity or debt financing

Transfer
- Contractual
- Governmental Relief
- Insurance

Risk Administration and Communication

- Setting Risk Management Goals
- Risk Management Mission and Values Statement
- Risk Management policy Statement
- Annual Risk Management and Insurance Report
- Risk Management Policies and Procedures
- Risk Management Audit
- Insurance Specification
- Certificates of Insurance, Endorsements
- The Risk Manager
- The Broker
- Insurers (Insurance Companies)
- Other Service Provider (Third Party Administrators)
- Continual Education in Risk Management, Safety, Insurance, Claims Management
**Event Planning Form**

**Organization Activity** – *(detailed description of organization's activity)*

List potential risks/problems areas associated with each component of your activity and the action steps your organization will take to mitigate them.

<table>
<thead>
<tr>
<th>Physical</th>
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<tbody>
<tr>
<td>Physical risks can include things such as food poisoning, injuries that may result from physical activities, injuries that may result from travel related accidents.</td>
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<tr>
<th>Reputation</th>
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<tbody>
<tr>
<td>Reputational risks are those things that may result in negative publicity for your organization, CSU, your advisor and/or the venue where you are holding event.</td>
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</table>

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<tr>
<th>Emotional</th>
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<tbody>
<tr>
<td>Emotional risks are those things that can cause a participant at your event to feel alienated or negatively impact the feelings of a member or members of the CSU community.</td>
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<tr>
<th>Financial</th>
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<tr>
<td>Financial risks are those things that negatively impact the fiscal stability of your organization and/or other organizations financially supporting your event.</td>
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<th>Facilities</th>
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<tr>
<td>Facility risks are those things which may cause property damage, prevent your event from being held (bad weather, not enough space for the number of participants, lack of equipment or materials needed for the event).</td>
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</table>

The examples of risks given on this form are not intended to be all-inclusive; rather they are intended to act as a guide for students using the form when assessing risks associated with their activities.