University of California Office of the President

Department of Financial Management
Office of Risk Services
Annual Report 2005/2006

I. Introduction

UC is constantly in motion, choices are being made, and risk is inherent in everything the University does or does not do. This past fiscal year the Office of the President, Department of Financial Management, Office of Risk Services (OPRS) along with many others throughout the University made significant strides in improving our management of risk. By making changes in how we do business, driving new initiatives, and partnering with a variety of disciplines we have been able to reduce our cost of risk and improve safety for our employees and the public in a material and measurable way.

Major functions of the Office of Risk Services include:

- Developing and implement Enterprise Risk Management (ERM) to identify risks and controls systemwide, resulting in reduced cost and efficiencies
- Identifying risk and developing strategies to minimize the impact of risk
- Developing a center of excellence for managing risk, drawing on the expertise of highly-skilled individuals throughout the University
- Risk Services core responsibilities:
  - Provide claims management services
    - Workers' Compensation Program
    - Professional Medical & Hospital Liability Program
    - General Liability Program
    - Auto Program
    - Employment Practices Liability Program
    - Property Program
    - Fine Arts Program
    - Construction Program
  - Purchase insurance systemwide and develop alternative risk financing mechanisms
  - Develop loss control programs to reduce claims cost and provide leadership to Environmental Health & Safety (EH&S)

Our mission is to enable the University faculty, staff, and students to identify and manage risks associated with their activities, consistent with the University's missions of teaching, research, and public service. By strategically managing risk we can reduce the chances of loss, create greater financial stability, and protect our resources.

http://www.ucop.edu/riskmgt/welcome.html

II. Executive Summary

Enterprise Risk Management (ERM)

Working with information gathered during interviews with 33 executives and program managers at UCOP and more than 300 senior executives and key process owners at the campuses, medical centers, and Agriculture and Natural Resources, we have developed a list of possible performance measures based on data already being collected throughout the system. These will be incorporated in an ERM data warehouse which will use dashboard technology to monitor performance indicators and provide a platform for documenting and monitoring risk and controls systemwide. The consultants will perform a control framework gap analysis, looking at the current KPI reporting capability for the UC system and where the KPI reporting capability is desired to be; the analysis will provide a summary of gaps between the two. It will also identify some key risk areas identified during their reviews.

Cost Savings/Cost of Risk

By investing in a variety of initiatives across the areas of Risk Services responsibilities, we have achieved significant savings; the comparatively small investment of $2.9 million total has resulted in savings to date of $135 million. The Cost of Risk is also markedly lower, having been reduced by 16% over the past 18 months.

Councils, Committees, Coalitions, and Workgroups

The Office of Risk Services sponsors a number of events and groups to support its initiatives and programs. These include an annual Risk Summit, Risk Management Leadership Council, coalitions which provide guidance and leadership in the area of Risk, and multiple systemwide Environmental Health & Safety workgroups.

Program Management – Workers' Compensation

Our efforts to reduce the deficit in the workers' compensation program have been extremely successful and we anticipate that the program deficit will be significantly reduced or completely eliminated by the end of calendar year 2006. With initiatives targeted at reducing the University's outstanding claim liability and with increased attention placed on preventing injuries, both frequency and severity of injury claims continue to drop.

Program Management – Professional Medical & Hospital Liability

A continuing focus on timely and efficient claims processing and case closures has resulted in a decreased number of open cases in the program and improved reporting to University leadership regarding the program. Communication and education remains a priority, including sponsoring seminars to educate defense attorneys about the University's defense goals and providing ongoing informational resources to physicians and residents. A new program, "The 4% Prescription" is an insurance premium rebate program developed to drive improvements in loss prevention and patient safety.

Program Management – General Liability

The number of general liability claims brought against the University has decreased over the past two years. OPRS works in partnership with many different groups throughout the system providing education and other resources to help reduce claims in this area.

Program Management – Employment Practices Liability

The number of employment practices claims brought against the University has remained relatively stable over the past four years, but the cost of litigating such claims continues to rise. Risk Services is working in partnership with Office of General Counsel and Human Resources to help prevent such claims from arising and to better manage those claims that do occur.

Program Management – Property

During the past fiscal year, Risk Services completely overhauled the manner in which property claims were adjudicated. This standardized approach to claims and aggressive pursuit of subrogation is expected to bring better recoveries and higher expertise in claims management and loss prevention.

Program Management – Fine Arts

The University purchases insurance to cover its multi-billion-dollar holdings in fine arts and library materials, but such coverage is rising in cost while its availability decreases. A new Fine Arts Workgroup will benchmark the University against other universities with similar holdings and use the information gathered to develop a systemwide framework to improve protection for these assets.

Program Management – Construction

Risk Services works with the Capital Projects and Facilities, Design, and Construction offices at each location to administer construction-related insurances and provide guidance in safety and loss control for each project. Through bulk purchasing and leveraging other lines of insurance purchased by the University, the systemwide Master Builders' Risk program is able to provide rates more favorable than could be achieved if each project were treated individually.

Risk Financing Strategy

One of the core responsibilities of the Office of Risk Services is to mitigate risks faced by the University, not merely to purchase insurance to reduce the financial impact of such risks. The Risk Bearing Capacity study conducted this year allows the University to assess these risks in order to determine how best to manage them.

Prevention and Loss Control

Through the new systemwide "Be Smart About Safety" program, Risk Services provides funding for new safety education and injury prevention programs at the campuses and medical centers. The program is expected to save the University $18 million over the next three years; increasing education and injury prevention further could result in even greater savings.

III. Enterprise Risk Management (ERM)

We are moving towards an enterprise approach to identifying and managing risk, including financial, business, operational and governance risks.

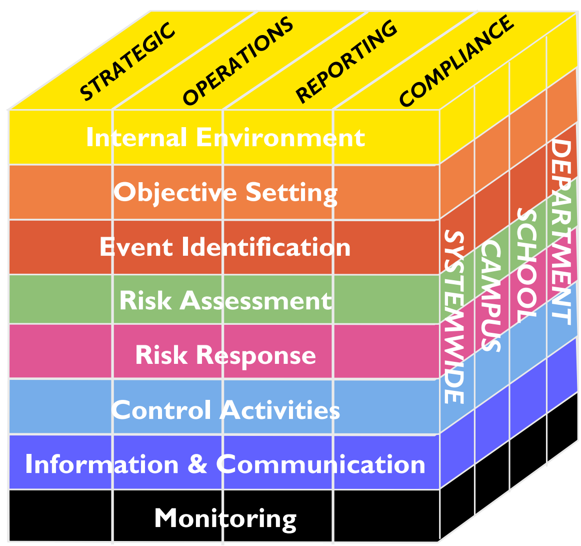
- ERM Panel formed in June of 2005 to develop an ERM strategy
- Review of current Risk Assessment efforts completed by Chief Risk Officer and presented to ERM Panel
- Request for Proposal issued and consultant selected
- Data-gathering in progress, including informational interviews with 33 key process owners at UCOP
- Information gathered in 14 meetings with over 300 senior executives and key process owners at the campuses and medical centers being used to develop performance metrics and determine next steps in rolling out ERM systemwide
- Over 150 key performance indicators identified
- ERM data warehouse under development
- Report on moving forward with ERM program under development

As a leading institution of higher education and financial practices, the University of California (UC) is working to implement the Enterprise Risk Management (ERM) framework advocated by the Committee of Sponsoring Organizations of the Treadway Commission[1] (COSO).

KPMG International was selected to work on the ERM initiative evaluation and roll-out. The Panel requested that the consultant review our existing programs and data and identify what components of the ERM Framework we need to improve on and what processes or programs we may need to implement in order for UC to move forward with the implementation of ERM.

KPMG will be preparing a formal report for University review and consideration.

We will soon be moving forward with developing the data warehouse, which will use dashboard technology to monitor key performance indicators and will also provide a platform for documenting and monitoring controls, risk, testing, and remediation of weaknesses found in the control environment. This will serve the University with its compliance and control and accountability programs.



[1] http://www.coso.org

IV. Cost Savings as of 6/30/2006

New Initiative Investment		Savings to Date	
Total Invested	**$2.9M**	**Total Saved**	**$135M**
Workers' Compensation Program			
• Accelerated Claims Closure – 20% of savings to date	$2.2M	• Accelerated Claims Closure – Based on claims closing below reserve	$15.5M
• Occupational Health Mgmt. – Occupational Health Consultant – Software for Occupational Health doctors – AMA Training	$150k	• Occupational Health Mgmt. – Training & Education	$14M
		• Reduced Claims Expense Resulting From Changes in Law	$64M
• Education, Training & Travel	$150k	• TPA Procedures Change – Compromise & Release (full settlement) – TPA Caseload Reductions* – Incident Reporting	$15M
• Internal Procedural Changes in UC (no additional investment)	$0	• Internal Procedural Changes in UC – Incident Reporting Procedures – Compromise & Release verses Stipulating Claims	$23.5M
		* Reducing TPA caseload decreases the number of claims each adjuster handles. The lower the claim count, the better the outcome and claim cost achieved.	
Environmental Health & Safety			
• EH&S Staffing Increased – Safety Manager & Assistant	$150k	• Hazardous Materials – Disposal Contract & Savings through new regulations	$250k
• Set Back Devices – Safety feature for fume hoods	$50k	• Set Back Devices – Safety feature for fume hoods – results in reduced utility expense	$500k
Other Programs			
Property Program • Subrogation and recovery – 20% of savings to date	$48k	• Property Program – Subrogation and recovery	$239k
• Manager Salary & Benefits	$100k		
General Liability • Subrogation and recovery – 20% of savings to date	$61k	• General Liability – Subrogation and recovery	$308k
Professional Liability (future) • Implementation of Incentive Program	$200k	• Professional Liability (future) – 4% Rx – Incentive Savings Program; this is an estimate of savings because of lag and tail for these types of claims	$2M

V. Cost of Risk FY 2005/2006

The current Cost of Risk analysis includes insurance premium, costs of risk evaluation and analysis, risk control, administration, uninsured or self-insured losses and indirect costs of uninsured losses (where coverage is extended in the interest of doing business), and safety (EH&S budget) relative to operating budget. The retained losses are inclusive of all open and pending claims regardless of date of loss. In other words, they are our book of liability as of valuation date. Benchmarking against operating budget allows us to see if our risk has increased or decreased relative to our exposure.

A Risk Summit was held in March of 2005 in San Diego wherein 143 attendees were given the continued mission to reduce the cost of risk by 15% in 24 months. In April of 2006, a second Risk Summit was held in San Francisco, at which more than 200 attendees met to continue to work towards this mission.

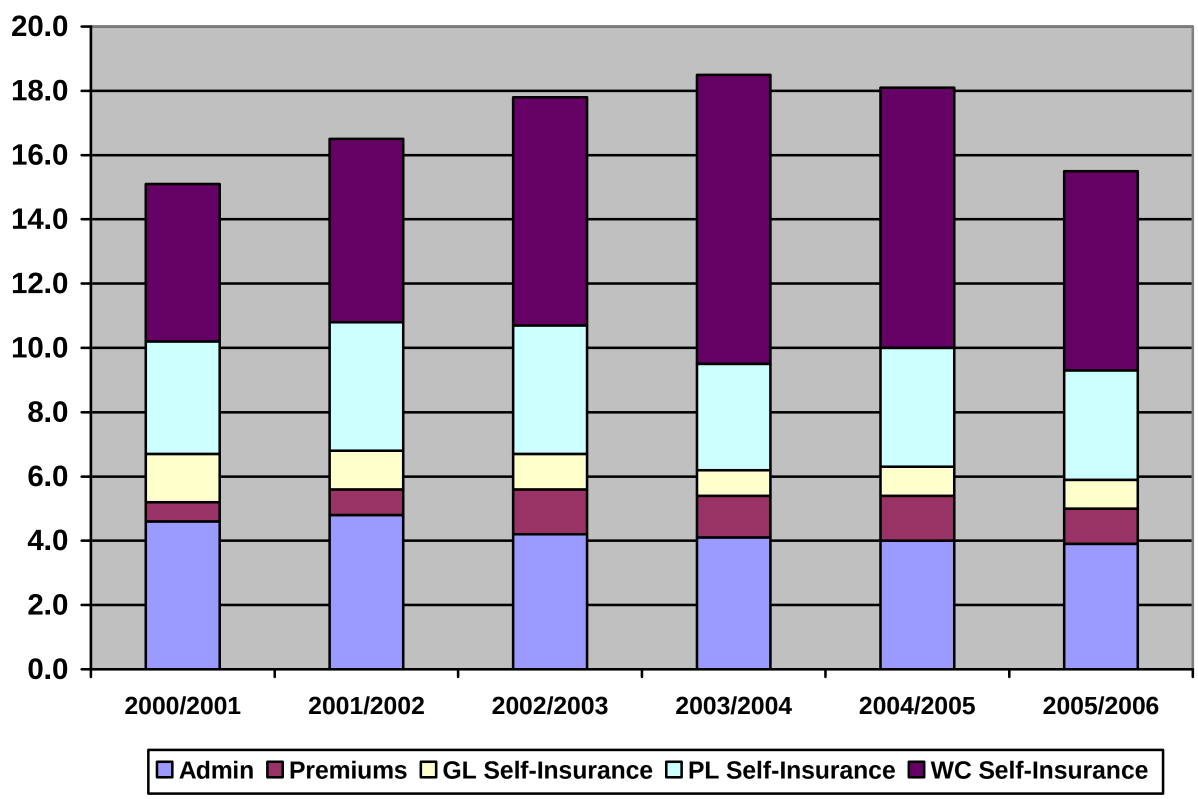
As of June 30, 2006, just over 18 months later, we have achieved a 16% reduction in the cost of risk.

Table 1. University of California Total Cost of Risk per $1,000 Revenue

	FY 2000/2001	FY 2001/2002	FY 2002/2003	FY 2003/2004	FY 2004/2005	FY 2005/2006
Admin	4.6	4.8	4.2	4.1	4.0	3.9
Premiums	0.6	0.8	1.4	1.3	1.4	1.1
GL Self-Insurance	1.5	1.2	1.1	0.8	0.9	0.9
PL Self-Insurance	3.5	4.0	4.0	3.3	3.7	3.4
WC Self-Insurance	4.9	5.7	7.1	9.0	8.1	6.2
Grand Total	15.2	16.5	17.8	18.6	18.0	15.6

Figures based on original program year ultimate loss cost estimates, or earliest available.

Figure 1. Cost of Risk per $1,000 Revenue



VI. Councils, Committees, Coalitions, and Workgroups

The Office of Risk Services sponsors events and groups to support its initiatives and programs.

- Risk Summits

  At Risk Summit 2005 in San Diego, more than 140 attendees met to share information and form workgroups to work towards reducing cost of risk.

  Risk Summit 2006 took place in March in San Francisco with more than 200 participants—a 30% increase over the previous year—and an expanded program of presentations and work sessions.

- Risk Management Leadership Council

  The University of California Risk Management Leadership Council is an organization of Risk Management senior leadership from throughout the UC system.

  Council workgroups: Volunteer Clinical Faculty and Community Affiliations; Student Related Risks; Fine Arts; Driver & Fleet Safety; Summer & Sports Camp Practices; Foundations and Support Groups; and Workers' Compensation.

- Occupational and Employee Health Advisory Coalition

  The University of California Occupational and Employee Health Advisory Coalition (OEHAC) is an association of Occupational Medicine and Employee Health professionals who seek to provide direction and leadership to the University in the area of occupational health.

- Pandemic Response Planning Workgroup

  Risk Services has formed a workgroup to discuss and share information about various planning efforts, as well as to develop a systemwide approach and strategy to pandemic planning.

- Environmental Health & Safety Workgroups

  Environmental Health & Safety sponsors 12 systemwide workgroups: Ergonomics; HWAG (Hazardous Waste and Action Group); Radiation Safety; Bio Safety; Industrial Hygiene/Lab Safety; Fire Marshal; Emergency Management; Environmental Management; Environmental Health; STEW (System Training & Education Workgroup); Field Safety; and EH&S Leadership.

VII. Program Management

Workers' Compensation Program

Financial Highlights (in thousands of dollars)	2003	2004	2005	2006
Claims Paid	78,827	80,293	71,379	74,788
Total Retained Claims Liability	278,392	353,151	346,500	315,526

Last year our actuaries projected, at a conservative 75% confidence level, that the University's deficit was likely to go from the FY 2002-2003 deficit of $119 million to a deficit of $27 million by June of 2007. We are pleased to report that the actuaries' latest program status reconciliation, valued as of 6/30/05, shows a decrease in the University's deficit to $15.6 million. We continue to anticipate that the program deficit will be significantly reduced or eliminated by the end of calendar year 2006. A recent review by our actuaries projects a $21 million surplus by 06/30/2006.

During FY '04, we reported a leveling of workers' compensation costs, which had been subject to significant cost increases in each year since the early 1990s. During FY '05, we reported a decrease in both the University's Claims Paid and Total Retained Claims Liability. Although Claims Paid slightly increased in FY '06, the University's Total Retained Claims Liability has continued to decrease. The increase in Claims Paid was an expected result of the Aon (UC's insurance broker) Accelerated Claims Closure project which is designed to reduce the University's ultimate claim liability.

Improvements Achieved During FY '06

Costs and liability associated with the University's workers' compensation program began to level in FY '04 and trend downward in FY '05. Although Claims Paid slightly increased in FY '06, the University continues to realize an overall positive trend with a decrease in Total Retained Claims Liability. The nature of this positive trend is attributable to efforts identified in the section above. Figure 2 depicts a key trend in the University's Workers' Compensation program.

The higher medical center rates reflect the greater injury exposures at those facilities. This is because medical center jobs, on the whole, are much more labor-intensive.

With the implementation of a new settlement strategy that emphasized final resolution of claims and the Accelerated Claims Closure Project, the University has realized a substantial decrease in its indemnity claim inventory. Table 2 shows the savings that have been achieved by the Accelerated Claims Closure Project.

Figure 2. Workers' Compensation Loss Rates

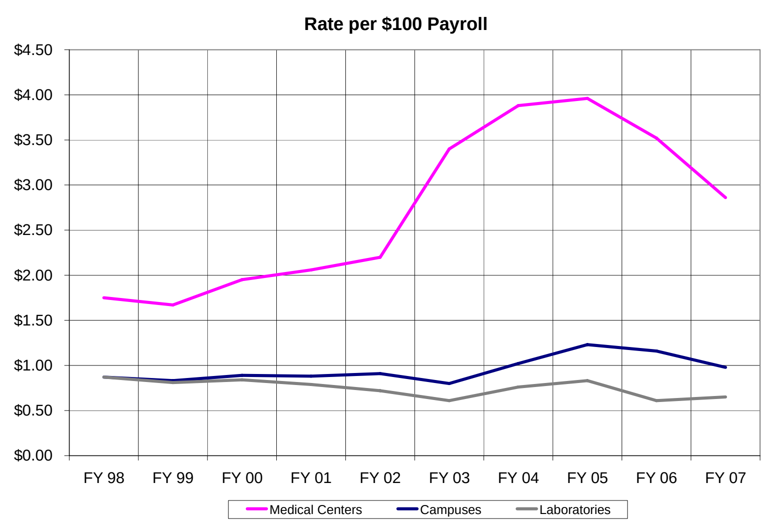


Table 2. Accelerated Claims Closure Project Results

	Phase 1		Phase 2		Phase 3	
Project End Date	11/20/2005	# of Files Closed	1/19/2006	# of Files Closed	8/10/2007	# of Files Closed
Savings & Closures to Date Total	$4,299,249	311	$3,328,489	359	$7,912,926	626
Projections of Additional Savings to Project End	$1,151,000		$148,129		$3,177,019	
Overall Total Savings	$5,450,249		$3,476,618		$11,089,945	
Total Savings All Phases	**$20,016,812**					

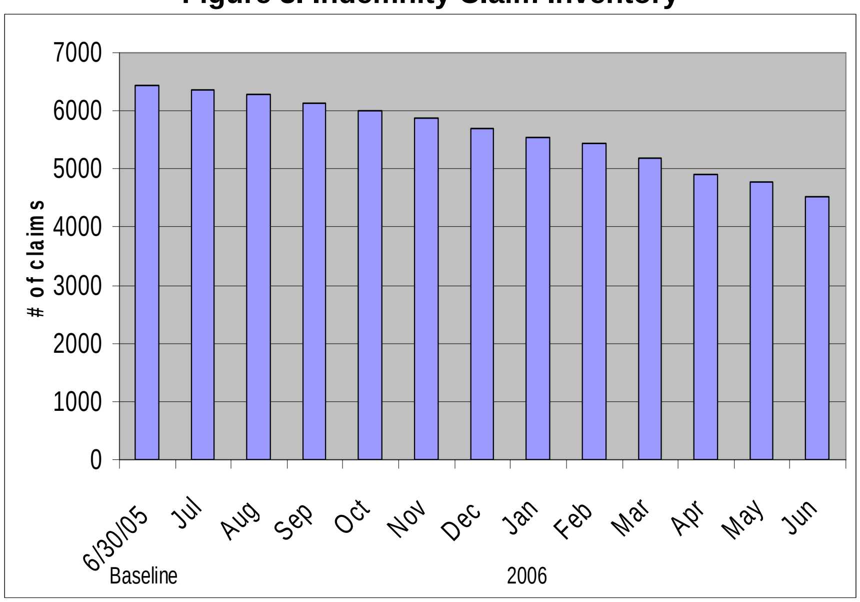
These two initiatives were employed with the goal of reducing the University's outstanding claim liability. Figure 3 shows a key trend in this regard.

Due to the many injury prevention initiatives deployed by the campuses, medical centers and laboratories, the University has also realized a decrease in its frequency of claims. This is integral to the University's ability to decrease its liability. Figure 4 depicts a key trend in this regard.

Initiatives for FY '07 to Continue to Achieve Program Objectives

- Enhance Injury Prevention efforts throughout the University system
  - The workers' compensation program will continue to actively support and provide consulting to the campuses and medical centers injury prevention efforts through the Be Smart About Safety Program. Please refer to the Environmental Health & Safety section of this report.
- Reduce Outstanding Workers' Compensation Liabilities – Toward this end, Risk Services will continue with the following proven programs and will undertake several new initiatives:
  - Systemwide Fraud Program – Risk Services, in conjunction with our third party administrator, will establish a systemwide fraud reporting and investigation program to be used by all campuses, medical centers and laboratories. The program will be administered by a third party vendor. This program will allow the University to reduce its costs associated with fraudulent claims.
  - Litigation Audit and Evaluation of Defense Counsel – Risk Services has obtained the services of Mercer Consulting to conduct a quantitative audit of our workers' compensation litigation defense guidelines, procedures and counsel panel. The audit and review will be focused on implementing changes to produce a more effective litigation program that will

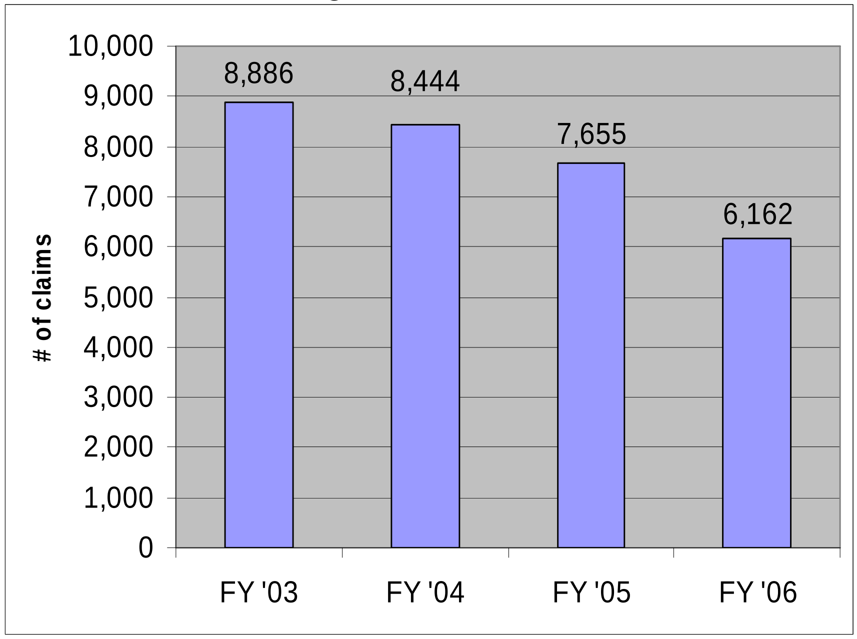
Figure 3. Indemnity Claim Inventory



decrease our expenditures in this area and the University's overall liability.

- American Medical Association (AMA) Final Report Quality Assurance Program – Risk Services, in conjunction with our third party administrator, will establish an AMA final report quality assurance program to ensure that physicians are properly producing final reports according to AMA guidelines. The program will also ensure that claims handlers are properly interpreting those reports. Due to recent legislative changes, use of the AMA guidelines is relatively new to the state of California, so a need exists to ensure medical and claims handling professionals are adhering to these changes. The AMA guidelines are used to determine the existence and level of permanent impairment which is the basis for settling workers' compensation claims. This is a substantial area of exposure for the University.
- Systemwide Prescription Medication Program – Risk Services is working with our third party administrator to develop a prescription medication program for employees injured at work. This program will be administered by a third party vendor who has been selected. This program will allow employees to receive their prescribed medications in a more efficient and effective manner through alleviating a burdensome administrative process. This is also a realized benefit to our healthcare professionals treating industrial injuries. Through the use of clinical utilization management, electronic data interchange of employee eligibility information, employee medical history information and uniform standardization of injury coding, this program will provide defense against abuses in the area of prescription medication.

Figure 4. New Claims



Professional Medical & Hospital Liability Program

Financial Highlights (in thousands of dollars)	2003	2004	2005	2006
Claims Paid	40,372	40,485	48,963	43,887
Total Retained Claims Liability	168,818	158,958	154,357	155,033

During the past year, the University's Professional Medical & Hospital Liability Program experienced a slight increase (1.9% over last year) in the number of cases presented on an annual basis (excluding licensing board actions). This increase is attributable to the cases arising from the UCI liver transplant program.

As noted last year, there is continued pressure on claim costs due to plaintiff attorneys trying to circumvent the limits imposed on damages by the Medical Injury Compensation Reform Act (MICRA) by making allegations that are not covered by that statute, such as Elder and Dependent Adult Abuse Act allegations. While the University continues to be successful in defending against these allegations, there is increased cost of defense associated with such multiple allegations being made in medical malpractice cases. Also, the increasing costs of the components of damages in malpractice cases, that is, future healthcare costs, future wage loss, and the cost to purchase annuities to fund future periodic payments for these damages are contributing to higher settlements.

Program Activities During FY ’06

In Fiscal Year 2005 the Professional Medical and Hospital Liability Program continued to focus on timely and efficient claims processing and case closures. As a result, as of June 30, 2006 there were 782 cases (including deposition representation matters) open in the program. Since the Fiscal Year 2000 the number of open cases in the program has decreased by 19.57% as of the end of Fiscal Year 2006. The Program has also improved reporting to University leadership to keep them informed about University professional medical and hospital liability program experience.

In order to ensure that the program’s outside panel defense attorneys comprehend the University’s litigation goals, this year a defense seminar was conducted for all Professional Medical and Hospital Liability and General Liability Program attorneys. The defense attorneys were educated about the University’s defense goals and strategies for improved outcomes.

The program scope broadened with the initiation of limited coverage for licensing board actions taken against University licensed healthcare practitioners (nurses, doctors, etc.).

OPRS purchased subscriptions to “Professional Risk Management”, a risk management newsletter aimed at physicians, for all attendings and residents and established the online risk management education program, ELMExchange, for physicians and residents.

OPRS continues to purchase subscriptions to ECRI Corporation Healthcare Risk Control for each medical center risk management office. This loss prevention resource was made available to the medical centers as part of the loss prevention initiatives.

Initiatives for FY ’06-07 to Achieve Program Objectives

The University’s Professional Medical and Hospital Liability Program implemented a premium incentive program called “The 4% Prescription”. This program is aimed at reducing claim frequency by increasing risk management education and loss prevention. Each medical center and medical school has the ability to earn 4% of the premium paid into the program. The program has four essential elements:

- Risk management education of administration and physicians.
- Evaluation of the risk management staffing and structure at the medical centers by an outside consultant.
- Loss prevention focused on departments with high claim frequency and cost.
- Participation in a patient safety culture survey and development of action plans to improve lowest scoring units.

Benchmarking Claims Management Results

The University’s Professional Medical and Hospital Liability Program participated in the Aon 2005 benchmark analysis. This benchmark study was developed to provide healthcare risk managers with an evaluation of their cost of risk compared with industry benchmarks – previously a difficult task in the medical malpractice market. The Aon analysis of UC data indicates that UC has lower claim frequency, claim severity and loss costs when compared to the benchmarks.

General Liability Program

Financial Highlights (in thousands of dollars)	2003	2004	2005	2006
Claims Paid	6,612	6,688	5,307	5,784
Total Retained Claims Liability	19,123	18,323	14,427	17,108

Annually, the Office of Risk Services, Sedgwick CMS (our claims administrator), and the Risk Managers from the Campuses and Medical Centers meet to discuss new developments in case management, share effective loss prevention techniques, analyze claims experience and consider program modification and innovation.

The University's considerable size with multiple sites, buildings, boats, and areas where large numbers of people congregate, presents a significant risk exposure for The Regents. However, as shown in Table 3, the number of claims brought against the University in this area remains below 400 annually.

Table 3. New General Liability Claims

as of 6/30/06	2003	2004	2005	2006
GL – Bodily Injury (BI)	182	167	159	149
GL – Property Damage (PD)	223	252	197	222
Total GL Claims (BI/PD)	405	419	356	371

These claims can arise from just about any occurrence—students falling out of dorm beds or windows, trip and fall/premises liability claims, and even student dismissal claims.

Loss control measures: OPRS partners with many different groups to help reduce claims in this area. Current and past projects include the following:

- Met with systemwide housing and dining directors to train them about the exposures in their areas.
- Continually meet and collaborate with the systemwide Recreation and Sports Directors to reduce losses in their areas.
- In partnership with the Office of General Counsel, work on the University's waiver and indemnification clauses to strengthen the University's defenses and transfer risk where appropriate.

Program Activities Fiscal Year '06

- Migrated thousands of claims to vendor's information technology system.
- In partnership with Office of General Counsel, hired an attorney to oversee General Liability, insurance and contract matters.
- In partnership with Office of General Counsel, hosted a systemwide seminar for all outside defense panel members who represent The Regents.

Auto Liability Program

Financial Highlights (in thousands of dollars)	2003	2004	2005	2006
Claims Paid	1,738	1,409	829	1,101
Total Retained Claims Liability	3,455	3,024	2,800	2,973

The University has a fleet of over 5,100 vehicles, including passenger and light trucks, buses, vans, scooters, and our fastest growing category, electric cars. Over the last four years our vehicle count has increased by about 700 vehicles. With that increase, there has been a noted increase in the number of auto claims.

Table 4 shows the number of new claims received in a fiscal year. There has been a significant increase in the number of 1st party claims (damage to the University's own vehicles). The increase in reported claims was expected in part, because we have centralized the reporting and handling of these claims. Prior to October of 2005, each campus individually handled their fleet claims and did not report all claims to Office of the President, Office of Risk Services. There has also been an increase in the number of 3rd party claims (accidents where we damage property of others or cause injury to people).

Loss control measures

To address the increase in Auto claims, the Risk Management Leadership council has designated a Risk Manager to serve on the systemwide Fleet Managers' Council. In addition, the Risk Management Leadership Council is forming a systemwide Driver and Vehicle Safety work-group, which will address issues such as safety videos, driver training programs, discipline for accident-prone drivers, and other safety measures.

Table 4. New Auto Claims

as of 6/30/06	2003	2004	2005	2006
Total Auto 1st Party	343	312	352	599
Total Auto 3rd Party	286	320	269	349
Total Auto Claims	629	632	621	948

Employment Practices Liability Program

Financial Highlights (in thousands of dollars)	2003	2004	2005	2006
Claims Paid	5,142	6,620	6,294	9,021
Total Retained Claims Liability	32,413	19,847	24,987	27,827

The University has over 175,000 employees, and this number is steadily growing. The Office of Risk Services, in partnership with Office of General Counsel, manages the defense of employment liability lawsuits that are filed against The Regents. Employment Practices claims are volatile, expensive, and can garner the attention of the press. They are often difficult claims for the University. However, nationwide, all employers struggle with these types of claims.

As shown in Table 5, with the exception of FY 2003-2004, the number of employment lawsuits filed against the University has remained steady.

Table 5. New Employment Practices Claims

as of 6/30/06	2003	2004	2005	2006
Employment	55	64	56	56

However, the cost of litigating these claims continues to rise. Table 6 indicates the average litigation expense on closed Employment Practices claims. The University is able to successfully defend many employment cases with defensive motions and settlements. But getting to that point can be quite costly.

Table 6. Average Litigation Expense on Closed Files

as of 6/30/06	2003	2004	2005	2006
Employment	114,770	66,731	97,985	131,060

Due to the fact that we are able to extract better data from our new claims information system, we are able for the first time to see the most common claims filed against the University.

Allegations of race/national origin discrimination, disability discrimination, and wrongful termination are the primary drivers for Employment Practices Liability lawsuits. Gender discrimination lawsuits decreased 66% (from 6 to 2) compared to the prior fiscal year.

Table 7. EPL Claims Reported by Cause Code

	2003	2004	2005	2006
Administrative Error	0	0	1	2
Breach of Contract	4	3	5	4
Defamation	1	1	1	2
Discrimination – Age	2	3	1	3
Discrimination – Disability	12	7	12	11
Discrimination – Gender	3	4	7	3
Discrimination – National Origin	2	4	1	10
Discrimination – Other	2	1	1	0
Discrimination – Pregnancy	1	0	1	0
Discrimination – Race	8	11	6	2
Discrimination – Sexual Orientation	3	0	1	1
Harassment	0	4	1	2
Harassment – Sexual	9	4	3	3
Invasion of Privacy	0	1	0	0
Malicious Prosecution	0	1	0	0
Retaliation	2	5	5	5
Sexual Assault	0	1	0	0
Whistle Blowing	2	3	1	3
Wrongful Termination	4	11	9	5
Total	55	64	56	56

Loss Control Measures

Employment Practices claims are often the most expensive and volatile claims handled in this program. To effectively manage this exposure OPRS has done the following:

- Partnered with Office of General Counsel to hire a lawyer dedicated to EPL claims.
- Partnered with Human Resources to train supervisors on the proper return to work procedures to reduce disability claims.
- Instituted a procedure to collect EPL claims prior to a lawsuit in order to find trends that need to be addressed sooner and identify claims that can be addressed prior to a lawsuit.

Property Program

Financial Highlights (in thousands of dollars)	2003	2004	2005	2006
Claims Paid	6,571	1,467	7,749	11,095
Excess Insurance Recovery	—	—	—	(2,623)
Net Paid	6,571	1,467	7,749	8,472
Total Retained Claims Liability	8,241	15,306	11,422	6,223

The University has over $38 billion in property assets ranging from physical buildings to the inventory in those buildings, libraries, and major art collections. Table 8 indicates the number of claims received each fiscal year.

This past fiscal year, OPRS completely overhauled the manner in which property claims were adjudicated. Historically, the campuses handled them individually and not all claims were reported. A standardized approach to property claims handling with aggressive pursuit of subrogation potential is expected to bring us better recoveries and a level of expertise that has not always been present. Table 8 indicates an expected increase in the number of claims reported. Now that the campuses are required to report all claims, an increase in the number of claims was projected.

Table 8. New Property Claims

as of 6/30/06	2003	2004	2005	2006
Property – Building	431	384	327	261
Property – Contents	36	43	38	176
Property – Other	5	4	4	19
Library – Contents	0	0	0	2
Fine Arts – Contents	2	0	0	0
Total Claims	474	431	369	458

This past fiscal year, we had the following objectives:

- Outsource claims handling to Sedgwick CMS.
- Aggressively pursue the recovery from parties who damage University property.
- Move the claim reporting feature to Sedgwick's JURIS system which will allow for more timely reporting of claims and better source data for finding the root cause of a loss.
- Strengthen OPRS management and oversight of the property program.
- Examine and implement a "Best Practices" approach for minimizing loss to University property.

All of those objectives were met, with the exception of the last one. This year, our focus will be to research and implement a "Best Practices" approach for minimizing loss to University property. OPRS, in partnership with Sedgwick CMS, has been very successful in recovering over $250,000 from parties who have damaged University property.

Fine Arts Program

Fine Arts Program – Values Reported as of April 2006	
Library	$10,295,013,978
Fine Art	$1,472,447,462

Fine Arts includes displays of artwork and unique collections of historical and valuable items at each of the campuses, either in informal settings; at museums, galleries, or libraries; or through traveling exhibits. In addition to these items, there are also library collections and miscellaneous pieces of historic and/or artistic value that are acquired by the campuses, for which there has been no formal means used to identify and quantify for the purposes of assessing the value of this risk.

Currently the University purchases significant amounts of insurance to cover these exposures. The cost of this coverage is continually rising, and the amount of insurance capacity available is continually decreasing.

Loss control measures

The UC Risk Management Leadership Council has agreed to create a Fine Arts Workgroup to study these issues and develop a systemwide framework to capture this information and improve the controls at each of the campuses. UC will be able to use the improved data to evaluate the most effective method for insuring UC Fine Arts systemwide.

Additionally, OPRS will survey other universities with similar holdings and determine what methods they are using to protect these valuable assets.

Construction Program

The University of California generates one of the largest volumes of construction in the state. The Office of Risk Services provides oversight for construction related insurances which are jointly administered by our office and the Capital Projects and Facilities, Design and Construction offices at each location. With the increased cost of construction, one way to reduce costs is through insurance.

Table 9. Construction – Losses vs. Premium

Policy Year (starting 9/1)	Construction Value	Premium	Incurred Losses	Loss Ratio
2000-2001	Not Available	$1,099,457	$2,266,549 (15 claims)	206%
2001-2002	$865,994,705	$1,074,881	$1,134,117 (5 claims)	106%
2002-2003	$1,247,277,735	$2,536,514	$7,327,320 (24 claims)	289%
2003-2004	$975,133,281	$1,856,682	$1,814,217 (11 claims)	98%
2004-2005	$520,713,720	$843,815	$TBD (1 claim)	TBD
2005-2006	$792,394,681	$1,070,801	$TBD (1 claim)	TBD

Another key to reducing the cost of risk is safety and loss control at each project. The Office of Risk Services participates in monthly visits to construction sites. Safety issues are addressed and loss control recommendations are made.

Builders' Risk insurance, which covers loss or damage to a project during the course of construction, is provided through the University's Master Builders' Risk program. This program offers favorable rates over what a general contractor can provide, which translates into lower insurance premiums. This is made possible through bulk purchasing and leveraging of other lines of insurance purchased by the University.

The benefits to the University having a Master Builders' Risk Program are:

- Control over premium costs with premium savings.
- Limits sufficient to cover a project.
- Control and continuity over policy terms and conditions.
- Uniformity of coverage and rates.
- Improved claims management.
- Acceptance of all projects and contractors of every tier.

As reflected in Table 9, exposure is far greater than the premium.

Another method by which to save on insurance costs is through an Owner Controlled Insurance Program (OCIP). Basically, the University, as the project owner, secures the insurance for the entire construction project. This would include the General Liability, Excess Liability, and Workers' Compensation insurances for the general contractor and all sub-contractors. The traditional method is to have the contractor/sub-contractors provide the insurance and then charge back the University for the cost. This cost will usually include an additional profit margin (it may also include independent agent and broker commission) and is embedded in the total project cost.

In addition to cost savings, additional benefits of an OCIP include consistency of insurance and dedicated limits provided on each project, enhanced safety and loss control, coordinated claims management, and minimization of litigation (subrogation and cross liability).

Table 10 shows projects covered by OCIP with an indication of projected cost savings. Since claims under an OCIP can continue on for several years beyond the close of the project, it takes several years to finalize the actual savings achieved on any particular construction project.

Table 10. Projected Cost Savings Under OCIP

	UCLA (As of 8/2006)	UCSF (Completed 11-2005)	UCDMC* (As of 9/2006)	UCB* (As of 9/2006)
Project Duration Forecast	113 Months (2000 to 2008)	56 Months (2001 to 2005)	48 Months	24 Months
Construction Value EARNED	$792,180,232	$202,625,795	$61,216,346	$15,971,247
Payrolls EARNED (Pending Audit)	$277,619,362	$59,587,374	$11,256,974	$3,093,440
Est. Savings EARNED (GROSS)	$20,454,559 (2.6% of CV)	$3,485,000 (1.7% of CV)	$1,105,748 (1.8% of CV)	$434,816 (2.7% of CV)
* Loss-Sensitive Program – Savings affected by losses on project				

VIII. Risk Financing Strategy

Regental Policy on Risk Financing ("University Risk Financing Policy", available online at http://www.universityofcalifornia.edu/regents/policies/6046.html) requires that a Risk Retention/Risk Bearing Capacity analysis be conducted every two years. The Office of Risk Services retained Aon Risk Services to conduct this analysis for FY '07.

The purpose of the Risk Bearing Capacity analysis is to provide UC with an estimate of the institution's financial ability or capacity to withstand aggregate financial losses—either revenue reductions or expense increases—without jeopardizing stated financial performance thresholds for FY '07. In addition, the study also estimates the probability that key non-insurable operating parameters will deplete Risk Bearing Capacity. Consequently, the study aims to gauge the cushion available for UC's insurable risk portfolio and to assist UC in its decision making process for risk transfer programs across UC's portfolio of insurable risks. The analysis defined Risk Bearing Capacity for the University of California as a whole, and for the University of California Medical Centers.

Our strategy is to mitigate risks whenever possible. Many of UC's hazard and operational risks are insured at a catastrophic level; however, insurance in and of itself is not a mitigation strategy, it is a financial strategy. If normal business practices and loss prevention and control programs will eliminate the possibility of an adverse event, or reduce to an acceptable level the cost of an adverse event, then purchasing insurance may not be the best way to mitigate the risk. Recognizing that the University of California is exposed to various property and liability risks which may be insured or not insured, in whole or in part, it is University policy with respect to the management of such risks to:

- evaluate risk primarily from the standpoint of the entire University, rather than a single campus or department;
- eliminate or modify conditions and practices, whenever practical, which may cause loss;
- assume risks whenever the amount of potential loss would not significantly affect the University-wide financial position; and
- insure risks whenever the amount of potential loss would be significant.

By self-insuring risk, the University can exert direct control over program costs through retention of premiums, development of loss prevention and control programs, and claims management.

Insurance Renewal Highlights

Overview

- We recently completed a Risk Bearing Capacity Study which indicates that in addition to our current retention of approximately $800 million UC's fiscal year 2007 estimated Risk Bearing Capacity is an additional $335 million.
- A Captive Feasibility Study is underway which will assist us in developing a long term strategy for our insurance and self-funding programs at UC.

Property

- Retention remains at $7.5 million. The limits under this program were increased to $1 billion.
- Terrorism coverage was purchased with a $2.5 million self-insured retention and $100 million in coverage limits. It includes coverage for both domestic and foreign terrorism.
- The overall increase on the core property premium is 70% from $3.1 million to $5.4 million. This increase is largely the result of the property market tightening after Hurricane Katrina.
- Premiums for other lines of coverage (e.g., boiler, crime, etc.), with the exception of fine arts, remained stable.
- The overall increase on the fine arts program and the reduction in limits available is due to limited market capacity. The species policy for fine arts was renewed with a limit of $890 million in coverage which is lower than the previous year ($1.1 billion).
- The exposure (property value) increased by 6.9%.

General and Professional Liability

- The retention was decreased from $7.5 million to $5 million per occurrence. An analysis of our retention relative to our actuarial requirements resulted in our selecting the lower retention and allows us to reduce the amount of funding for the retained losses, reduce our risk of cash outlay should we have a catastrophic loss (above the retention).
- Some markets declined to quote on any line of coverage and some markets declined to quote on general liability. This is not unique to UC.

IX. Prevention and Loss Control

We are dedicating significant time and resources to loss prevention, as this is the best practice in managing our risk and protecting our faculty, staff, students, and the public we serve.

- Systemwide "Be Smart About Safety" program to fund loss prevention and loss control efforts
- Local "Be Smart About Safety" education program at Office of the President
- Environmental Health & Safety programs

Return on Investment – Be Smart About Safety

In December of 2004 the Workers' Compensation program had a deficit of $111 million. As a result of a variety of initiatives including Incident Reporting, Accelerated Claims Closure, and procedural changes in response to SB899 regulations resulting in reduced disability and medical expenses, the program is now only $15 million in deficit, a $96 million dollar savings. Latest actuarial projections are that at the end of FY '06 the program will have a $21 million surplus. Each location is assessed a rate (premium) based on their loss exposure, experience, and actuary evaluation of loss prevention and loss control practices. Based on actuarial projections, OP Risk Services was able to reduce the overall costs needed to fund projected losses for FY '06 by 16%. The systemwide rate was reduced by 9% with 7% of the savings attributable to the Be Smart About Safety Program (BSAS) totaling $11,174,000.

Also, several locations have a surplus resulting in a retrospective “premium” rebate totaling $18,475,000. At the campuses this surplus amount is subject to both State and Federal rules requiring that some or even all must be returned to the appropriate funding source if not used to fund safety and injury prevention initiatives, but any amounts that are used in association with the BSAS may be retained so long as they are used to prevent employee injuries and are monitored and audited through the workers’ compensation program. Medical Centers’ surplus amounts are not subject to the same rules; however, there are Medicare and Medi-Cal issues that must be addressed.

Our actuaries have reviewed BSAS proposals which allot $10,305,000 to fund a variety of loss prevention and loss control initiatives at each of the locations, and they have determined that BSAS should result in savings as follows:

- 7.5% savings as a percent of losses the first year
- 15% savings as a percent of losses the second year
- 30% savings as a percent of losses the third year

The University paid claims in the amount of $71,378,705 million in FY 2004-2005 and $80,293,322 in 2003-2004. By investing in BSAS in the coming years the losses decrease and savings increase. Table 11 shows details of the projected savings.

We need to be mindful of the return on our BSAS investment in conjunction with the investment itself. It is typical for a new safety program to take several years to mature.

Table 11. "Be Smart About Safety" Program Projected Savings

	BSAS	Projected Losses	Savings on Losses	Net Savings
Year 1	$10,305,000	$102,300,000	$6,672,500	($ 3,632,500)
Year 2	$10,305,000	$ 95,627,500	$14,344,125	$ 4,039,125
Year 3	$10,305,000	$ 81,283,375	$24,385,012	$14,080,012

Some examples of the innovations and improvements proposed by the locations include ergonomics and reduction of repetitive stress injuries; wellness programs; employee training programs; incentive and recognition programs; online and web-based training; automated external defibrillators at Agriculture & Natural Resources field locations; specialized safety equipment; and multilingual communications for employees who are not fluent in English.

UC Office of the President

In 2006, UCOP initiated a new employee safety program, “Be Smart About Safety”. This program trained 40 department safety officers who in turn conduct mandatory monthly safety meetings and quarterly area inspections, maintain safety bulletin boards, and assist in mishap investigation. During its first six months, this new program has trained over 3,000 employees in numerous safety-related topics. This program has created a new awareness and energy for employee safety at UCOP.

Environmental Health & Safety (EH&S) Program

The Environmental Health & Safety (EH&S) programs at the University of California campuses, hospitals, Agriculture and Natural Resources (ANR), and national laboratories are a major effort, which includes over one thousand employees working in numerous disciplines. Their goal is to continually reduce the cost of risk through loss prevention. The EH&S departments are the primary contact for local, state and federal agencies to inform the campus communities of regulatory requirements and to perform compliance functions related to EH&S. Requests for EH&S information, training, regulatory interpretation and applicability, approval of potentially hazardous procedures, resolution of safety problems, and surveillance and monitoring are all functions handled by the EH&S departments. EH&S serves as the campus workplace safety consulting resource. They are working partners in campus advisory groups such as the Chemical Safety Committee, the Radiation Safety Committee, the Animal Use and Care Committee, the Biological Safety Committee, and numerous other administrative and research committees. The EH&S departments must also interface with all campus departments to ensure their activities are successful and safe.

EH&S Program Results

- During CY 2005[2] the systemwide averages in almost all areas of Cal/OSHA reporting decreased. For example, in the key area of lost work days, the lost days rate dropped from 24.6 to 21.0, the lost days number of cases rate from .79 to .56, and the overall performance index from 63.2 to 55.6. Although some of these were small gains they are considerable improvements and constituted a reversal of trends from the past year when rates increased. With the increased emphasis and availability of loss prevention funding through the new Be Smart About Safety program these numbers should continue to trend in a positive direction.
- The EH&S departments at the campuses will continue to use the additional opportunities from increased Be Smart About Safety loss prevention funding to identify new areas for cost reduction and aggressive loss prevention efforts.

Initiatives for FY ’07 to Continue to Achieve Program Objectives

- Reduced frequency of injury accidents by continued emphasis on prevention.
- Increased use of EH&S Leadership Council’s task-specific Workgroups to identify problem areas and recommend solutions.
- Safety communications initiative to emphasize the available resources to assist employees: “Be Smart About Safety”.
- Implementation of the new EH&S policy through Integrated Safety and Environmental Management (ISEM) to streamline EH&S support and direct responsibility to the appropriate level.

Campus Initiatives in Support of the Goal of Reducing the Cost of Risk

UC Berkeley

UCB EH&S provides guidance and services to the campus community that promote health, safety and environmental stewardship. In 2003 UCB EH&S received a grant to reduce the use of mercury on campus. Over the next three years more than 1,200 pounds of mercury waste was collected, including 3,600 lab thermometers and 500 fever thermometers. This accomplishment protects and enhances the campus environment and community and has reduced the number of campus mercury spills. Prior to 2002, EH&S responded to two to three mercury thermometer spills each month. By comparison, there have been no thermometer spills reported in the past six months.

UC Davis

Ergonomics is the science of fitting the work environment to the employee. The ergonomics program is designed to minimize repetitive motion injuries in the workplace in compliance with Federal and State regulations. The program includes workstation evaluations for computer/office and laboratory personnel, back safety program, and training.

Ergonomics Program – Number of Evaluations				
2001	2002	2003	2004	2005
259	216	223	143	175

[2] OSHA regulations require that data be reported on a Calendar Year basis, not Fiscal Year.

UC Irvine

EH&S and Workers' Compensation Accomplishments FY '06	
Reduction in WC claims	-13% from FY '05 to FY '06
Reduction in Loss Days	-30% from FY '05 to FY '06
Reduction of OSHA 300 cases	-34% for calendar year 2004
Reduction in OSHA Lost Days	-51% for calendar year 2004
Total Disability Payments (calendar year 2003 – 2005)	-59% over 2 years

UCLA

EH&S programs at UCLA provide several objectives designed to enhance loss prevention for FY '06 including increased management participation and support in injury prevention and safety training. EH&S Ergonomic website provides online access to managers and employees with information and request forms for service. Managers are notified by email when employees report ergonomic issues. Managers receive reports and are encouraged to meet with employees to develop remediation plans.

UC Riverside

UC Riverside EH&S accident reduction—reduction in total case rate, continued aggressive intervention will ensure continued and significant progress

Calendar Year	Total Cases	Total Hours Worked	Total Case Rate = (# Injury & Illness Cases X 200,000)/ Hours Worked
2005	124	8,795,415.49	2.8
2004	136	8,739,101.46	3.2
2003	139	8,677,252.47	3.5

UC San Diego

EH&S, Campus Risk Management, and Medical Center Security have continued to improve in overall efficiency and the delivery of high-quality services in CY '05. Plans for continuous improvement in CY '06 are targeted to refining specific programs and to restructuring certain business processes to meet the changing needs of our customers. Overall EH&S department costs have remained low and constant from FY '04 to FY '05 at $0.81 per $100 of research expenditure.

UCSF

UCSF OEHS Department Safety Advisers and industrial hygienists perform ergonomic evaluations for computer users, laboratory personnel, and any other employee. They also provide self-evaluation software for computer users. Department Safety Advisors conduct ergonomic classes for groups of employees. UCSF will also launch an online ergonomic training and self-evaluation tool.

UC Santa Barbara

UCSB EH&S has worked closely with campus risk management to reduce the accidents and injuries on the Santa Barbara campus. They meet on a regular basis to discuss training strategies and to review statistics. The campus received the award for the "Best Rate Reduction" in 2006 at the Risk Summit in March. Based on data from OSHA's Form 300A, UCSB has experienced a reduction in injuries from 185 in 2004 to 171 in 2005. In addition, the total number of days away from work went from 1,387 in 2004 to 303 in 2005.

UC Santa Cruz

Job Hazard Analysis Program – UCSC EH&S began a job hazard analysis (JHA) initiative within Physical Plant Building and Utility Service units. Training was provided to skilled craft groups on creating JHAs, and they began working with individual shop units to review tasks and assist in finalizing JHAs. Once completed, standard operating procedures are developed for proper chemical handling, equipment safety needs, ergonomic postures, and confined space entries.

Lawrence Livermore National Lab

The Integrated Safety Management System (ISMS) at LLNL is the means by which environment, health and safety requirements are integrated into the planning and execution of the everyday work at LLNL, thus enhancing overall performance. With the ISMS, the overall management of safety functions and activities is an integral part of mission accomplishment. The ISMSs at all national laboratories continue to be effective at improving performance and maintaining a high level of performance in EH&S.

Lawrence Berkeley National Lab

In FY ’05 LBNL had 52 OSHA recordable injuries. As of July 26, 2006, LBNL has only 25 OSHA recordable injures. The improvement is due to focused efforts in preventing office ergonomic problems by committing additional resources in supporting on-site ergonomic evaluation, streamlining purchase process, and providing additional training. Specific improvements include an increase in the number of field ergonomic assessments to identify employees at the highest risk. In the 1st quarter of FY ’06, 275 ergonomic assessments were conducted. This equates to 1,100 assessments annually, compared to approximately 800 assessments in FY ’05 and approximately 650 in FY ’04.

Agriculture and Natural Resources

Agriculture and Natural Resources (ANR) continues to better serve its constituents through a series of safety contacts/coordinators in place at every Research and Extension Center and now at every County Cooperative Extension office for a total of 61 of these trained safety contacts at various ANR locations. These Safety contacts will become the primary point of contact with EH&S and will ensure the injury and illness prevention plan is implemented and up to date. The safety contacts will also maintain the posting of safety information and coordinate safety training efforts.

Appendix A. University Risk Financing Policy

Approved January 16, 1970; revised September 22, 2005

1. Recognizing that the University of California is exposed to various property and liability risks which either may be insured or not insured, in whole or in part, it is University policy with respect to the financial management of such risks to:
    a. evaluate risk primarily from the standpoint of the entire University, rather than a single campus or department;
    b. eliminate or modify conditions and practices, whenever practical, which may cause loss;
    c. assume risks whenever the amount of potential loss would not significantly affect the University-wide financial position;
    d. insure risks whenever the amount of potential loss would be significant; and
    e. purchase insurance from whichever insurance carrier is deemed to be in the best interests of the University.
2. The President is assigned the authority and responsibility for:
    a. coordination of the University risk management program;
    b. purchase of all property and liability insurance, including selection of sources; and
    c. administering all University insurance programs.
3. In determining what constitutes a significant loss, the President will rely on a Biannual Risk Retention Study to determine the appropriate level of risk retention. Exceptions to these guidelines may be made by the President when:
    a. it is desirable to buy special services, such as inspection or claim adjustment services, in connection with insurance;
    b. insurance is required by law or contractual agreement;
    c. deductible insurance or non-insurance does not satisfy the test of economic feasibility;
    d. insurance is not available;
    e. insurance is not available on a financially sound basis;
    f. in the judgment of the President, an exception is deemed to be in the best interests of the University.
4. In purchasing insurance, the President will use the following guidelines:
    a. insurance negotiations will be conducted by a qualified broker on behalf of the University;
    b. selection will be based on quality of protection and services provided and the ultimate cost, in that order;
    c. the University will maintain a competitive atmosphere, but with continuity of relationships with insurance sources unless a significant reason for change exists.

Appendix B. Policy on Settlement of Claims and Litigation

Effective July 20, 2000

1. As used in this Policy, the following terms shall have the meaning specified:
   a. "Claim" shall refer to any demand for payment which is disputed in whole or in part and is made other than through litigation. Commercial negotiations to adjust amounts payable under a contract shall not be treated as "claims."
   b. "Litigation" shall refer to legal proceedings in the form of a lawsuit, arbitration proceeding, or internal or external administrative proceeding.
2. <u>Settlement Authority of the President</u>

The President shall have authority to settle claims when the consideration paid or received by the University shall have a value not in excess of $100,000. Settlement of claims when the consideration paid or received by the University exceeds $50,000 shall require the concurrence of the General Counsel. Settlement of claims by the President shall be subject to appropriate funding.

3. <u>Settlement Authority of the General Counsel</u>

The General Counsel shall have authority to settle claims and litigation when the consideration paid or received by the University shall have a value not in excess of $250,000. Settlement of claims or litigation by the General Counsel shall be subject to appropriate funding.

4. <u>Reporting of Settlement Actions</u>

The following reports of settlement actions shall be submitted to The Regents:

   a. Annually by the President, all settlements of claims.
   b. At each regular meeting of The Regents by the General Counsel, all settlements of claims and litigation when the consideration paid or received by the University has a value between $50,000 and $250,000.
   c. At each regular meeting of the Regents by the General Counsel, all settlements of claims and litigation approved by the Chairman of the Board and the Chairman of the Committee on Finance pursuant to section 5.a. hereof.

5. <u>Settlement Actions Reserved to The Regents</u>

The following proposals for settlements of claims or litigation shall be submitted to the Chairman of the Board and the Chairman of the Committee on Finance or to The Regents for prior approval:

   a. To the Chairman of the Board and the Chairman of the Committee on Finance, settlements when the consideration to be paid or to be received by the University has a value between $250,000 and $500,000.
   b. To The Regents, settlements when the consideration to be paid or to be received by the University has a value in excess of $500,000.

c. To The Regents, settlements of any amount involving significant questions of University policy.

All settlement proposals shall be accompanied by the recommendation of the General Counsel and a statement of the applicable fund source.