
CFO DIVISION
OFFICE OF RISK SERVICES
ANNUAL REPORT 2011/2012

UNIVERSITY OF CALIFORNIA
ENTERPRISE RISK MANAGEMENT



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FOREWORD

Risk is an inherent and essential part of any organization. When properly managed, it drives growth and opportunity. Enterprise risk management (ERM) is the process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on an organization's capital, earnings, and operations. Enterprise risk management expands the process to include not just risks associated with accidental losses, but also financial, strategic, operational, and other risks.¹

The foundation of the University of California's enterprise risk management program is to have people actively manage their various risks – *Everyone is a Risk Manager*.



Everyone is a Risk Manager

UC utilizes a multifunctional approach that attacks the University's entire portfolio of risk by utilizing a host of different tools, workgroups, and initiatives. Our solutions allow the University to take on new opportunities and, by managing risk strategically, ensure optimum outcomes. We have learned that by focusing on developing tools and processes that address a broad array of risks, from frequent to infrequent yet catastrophic ("black swans"), and from small to large, we create a more efficient and effective program.

While basic best practices exist for all areas of risk, these practices must be sustainable and ongoing – we need to be practiced in order to be nimble. If a solution is not used on a regular basis then we will fall short when we try to deploy it during a catastrophic event.

WORKING SMARTER INITIATIVE – RISK SERVICES

Faced with diminishing state support, UC's senior leadership has focused attention and efforts on administrative and operational effectiveness as a key tenet of long-term viability. The Working Smarter Initiative brings together systemwide, regional, and campus-level efforts under one umbrella with a strong commitment from the top; the University is determined to elevate its administrative operations to the same level of excellence as its academic and research enterprise. The initiative's target is ambitious: Within five years, the University will redirect \$500 million from administrative costs to the academic and research missions; streamline operations to address state funding cuts and the need for commonality among the campuses; implement operational efficiencies that enhance the quality of services to students, faculty, and staff; and build a sustainable financial model to carry the University forward.²

¹ Source: <http://searchcio.techtarget.com/definition/enterprise-risk-management>

² <http://workingsmarter.universityofcalifornia.edu/>

FY 2010-2011 marked the first year of the Working Smarter Initiative. During this fiscal year, Risk Services projects in the Working Smarter Initiative produced \$88.4 million in cost savings and revenue — 56% of the total \$157 million in savings and revenue seen throughout the entire initiative. Progress is continuing in FY 2011-2012 as Risk Services Working Smarter projects have already produced \$73.5 million in cost savings and revenue (56% of the \$132 million in savings and revenue seen so far this fiscal year in the entire initiative). In less than two years, UC has generated \$289 million in savings and revenue through the Working Smarter Initiative (58% of its five year goal of \$500 million). Risk Services has contributed \$161.9 million (56%) of the total \$289 million in savings and revenue.

The Enterprise Risk Management project has contributed significantly to the Working Smarter Initiative, generating 93% of the savings and revenue produced by Risk Services Working Smarter projects in FY 2010-2011. The trend is continuing this year as ERM has already generated 97% of the savings and revenue produced by Risk Services Working Smarter projects.

Other Working Smarter projects overseen by Risk Services include the UC Travel Insurance Program (see page 39) and the UC Equipment Maintenance Insurance Program, which have respectively contributed \$1.9 million and \$564,000 to the overall Risk Services Working Smarter Initiative savings and revenue.

Risk Services continues to implement new ideas for the Working Smarter Initiative with the goal of reducing costs and increasing revenue.

A STRATEGIC VIEW OF RISK

Risk Services' strategy is to ensure that the solutions we deploy are focused on results: creating efficiency, reducing the cost of risk, improving the cost of borrowing, and reducing IT and operational redundancy.



For example, leveraging our Enterprise Risk Management Information System (ERMIS) to support automating SAS 112/115 Financial Control Attestation creates efficiency, decreases the chances of a financial loss, and reduces IT redundancy.

ERM is considered to be so important to the success of an organization that credit rating agencies such as Moody's and Standard & Poor's now consider it in their evaluation of UC's creditworthiness. UC's ability to borrow is crucial to its success; in 2011 UC's total debt exceeded \$14 billion. A 0.1% decrease in interest rates that UC pays on its debt load represents over \$14 million in potential savings. Ratings agencies grant favorable

credit ratings to institutions that demonstrate stewardship and trustworthiness. UC’s proactive approach to ERM helps it maintain its excellent credit rating. The rating agency Standard and Poor’s has recognized UC for its ERM program, the first time a non-financial institution has been so recognized:

“THE UC HAS IMPLEMENTED A SYSTEM-WIDE ENTERPRISE RISK MANAGEMENT INFORMATION SYSTEM, WHICH, IN OUR OPINION, IS A CREDIT STRENGTH.” — RATINGSDIRECT ON THE GLOBAL CREDIT PORTAL, SEPTEMBER 9, 2010

NUMBERS THAT COUNT: FY 2011-2012 SUCCESSES

Auto
<ul style="list-style-type: none"> • 22% decrease in auto claims compared to FY 2010-2011 • Lowest number of new auto claims reported since FY 2005-2006 • 38% decrease in auto bodily injury claims compared to FY 2010-2011 • Auto collision and auto property decreased 18% and 32% in claims compared to FY 2010-2011
Emergency Management
<ul style="list-style-type: none"> • \$80,000 in total cost savings from environmental due diligence
Employment Practices Liability (EPL)
<ul style="list-style-type: none"> • Reported EPL claims in FY 2010-2011 were 29% less than in FY 2009-2010 • Reported EPL claims in FY 2011-2012 were 21% less than FY 2009-2010
Environmental Health & Safety
<ul style="list-style-type: none"> • Slip-resistant shoe program reduced slip and fall injuries by 50% • Predicted savings from reduction in slip and fall injuries = \$1.5 million per year in direct annual claims costs
Finance Management
<ul style="list-style-type: none"> • FY 2003-2004 reported Cost of Risk = \$36.92 per \$1,000 operating budget • FY 2010-2011 reported Cost of Risk decreased to \$12.49 per \$1,000 operating budget • FY 2011-2012 estimated cost of risk decreased to \$12.30 per \$1,000 operating budget
UC Student Health Insurance Plan (UC SHIP)
<ul style="list-style-type: none"> • 135,000 students enrolled in UC SHIP in FY 2011-2012 • UC SHIP student members received \$5.4 million in additional benefits • UC SHIP student members saved \$8.4 million in premiums
Workers’ Compensation (WC)
<ul style="list-style-type: none"> • WC accrual rate at \$0.91 – lowest reported since FY 1998-1999 • Returned campus and medical center WC rebates totaling \$31.8 million • WC indemnity claim inventory of 2,816 – 56% reduction since FY 2004-2005 • Reported WC new losses = 5,199 – 35% reduction from the annual high of 8,053 reported in FY 2004-2005

ENTERPRISE RISK MANAGEMENT PROGRAM – HIGHLIGHTS

UC is known as a center of excellence for enterprise risk management. During calendar year 2011, the Risk Services website was visited by more than 132,000 unique visitors, including institutions of higher education and Fortune 100 companies, from more than 195 countries. The department has assisted numerous organizations with their ERM programs, including private and public institutions of higher education, government agencies, and corporations of varying sizes both domestically and internationally.

Cost reductions from ERM are best seen currently from a systemwide perspective where the use of metrics is relatively mature. The nationwide COSO Enterprise Risk Management – Integrated Framework³, which was formally endorsed by The Regents in March 2012, is used systemwide to manage risks at all levels ensuring that the university can meet its goals of teaching, research and public service.

Business Insurance magazine's annual Risk Management Honor Roll recognizes outstanding performance in the practice of risk management. In 2012, the University's ERM program was recognized when the Chief Risk Officer was named to the 2012 Risk Management Honor Roll. Honorees were selected by an independent panel of judges composed of former honorees and insurance industry executives. According to *Business Insurance*, it was the CRO's "successful implementation of ERM" that prompted her selection for the 2012 *Business Insurance* Risk Management Honor Roll. Honorees are profiled in the April 16, 2012 edition of *Business Insurance*.

The University's ERM program received recognition and the 2011 Information Security Executive (ISE) of the Year Award for innovative problem solving related to a collaborative partnership with the University's Chief Information Officer and other Information Technology professionals, insurance brokers, and underwriters for securing previously-unavailable and much-needed cyber coverage, while at the same time developing a program that will drive improvement and best practices into the future. The Information Security Award in the Executive Category recognizes the individual who has demonstrated outstanding leadership in the field of information security in the past 12 months. Awarded to a chief security officer or an executive in an equivalent position, the ISE Award honors exemplary achievement and excellence in risk management, data asset protection, governance, regulatory compliance, privacy, and network security. These pivotal members of the technology community play instrumental roles in ensuring the safety and security of their organizations.

As a key support, UCOP continues to develop the ERM Information System (ERMIS), a flexible and dynamic system, to give campus stakeholders at multiple levels the information they need to make business decisions in a timely and effective manner. The ERMIS essentially "democratizes" information, in that it has the ability to provide key data and reports to personnel at all levels and locations of the University. As the data integrated becomes richer and use becomes more widespread, the value of the ERMIS will grow in creative ways which have not yet been considered.

The Enterprise Risk Management Panel has prepared its third report on the status of ERM at UC, which reports on systemwide and local campus ERM activities. The report is available at <http://ucop.edu/enterprise-risk-management/files/erm-report-2012-final.pdf>.

³ The COSO "Enterprise Risk Management — Integrated Framework: Executive Summary" is available at http://www.coso.org/documents/coso_erm_executivesummary.pdf

ERM - WEBSITE

The ERM website has become a source for information and tools that attracts visitors from around the world. More people are visiting and viewing more pages. More information can be found at the ERM website <http://www.ucop.edu/enterprise-risk-management/index.html>.

On a year-over-year basis:

From January 1, 2011 through December 31, 2011:

- 132,360 visits during calendar year 2011 (362 visits per day), an increase of 3,582 visits over 2010 (and 10 more visits per day)
- 560,284 page-views in 2011 (1,535 page views per day), an increase of 149,455 page views over 2010 (and 410 more page views per day)

Top 5 keyword searches (including variations of each) to visit website:

- Safety topics
- COSO [Committee of Sponsoring Organizations – UC’s ERM framework]
- Enterprise Risk Management/ERM
- AS/NZS 4360 [Australian/New Zealand risk management standard]
- Safety meeting topics

During 2011, 195 countries visited the website, with the US leading the way at 52% (67,353 visits) of total traffic, and a majority of the traffic coming from California (39% or 25,992 visits). China and Australia follow with 5% and 4% respectively. Some of the top 40 non-education organizations visiting the website in 2011 included the US Army and Navy, Facebook, NASA, Amazon.com, Saudi Arabian Oil Company, and the US Department of Homeland Security. The UC campus that visited the website most during 2011 was UCLA, with over 300 more views than the second most-visiting campus, UC Davis. The ERM website was also visited frequently by non-UC educational agencies including the Georgia Department of Education, Stanford University, New York University, Indiana University, and Kenya Education Network.

During FY 2011-2012, there were 1,205 Service Desk Requests opened and 1,191 closed (at the end of the fiscal year 14 requests were active, pending input from the requesters). An additional 525 users have requested and been granted access to the My Managed Risk (MMR) portal (see page 8). There have been 278 requests for access to the ERMIS Dashboard reports (see Table 1. ERMIS Dashboard reports on page 6). UC Plan activations (see UC Plan on page 7) have created 218 accounts. Lastly, during FY 2011-2012 the Service Desk took over responsibility for creating and maintaining Risk Services’ SharePoint sites and responded to 35 SharePoint requests for access during the year.

The resources available on the website include a number of risk assessment tools, which are available for download upon request. In exchange for free access to the tools, downloaders are asked to provide information on how they are making use of the tools. During FY 2011-2012, Risk Services received risk assessment tool download requests from 40 outside organizations. Those 40 users participated in a survey and were asked to

describe how they intended to use the risk assessment tool for their organization/personal use. Some of the most notable organizations with employees requesting the risk assessment tool were Capitol One, Certex, Amgen, and World Vision India. Developing a risk governance program and gaining a deeper understanding of risk identification, assessment, and control were the most common answers for the intended use of the tool.

ENTERPRISE RISK MANAGEMENT INFORMATION SYSTEM

While risk management has traditionally been viewed as managing only hazard risks (e.g., insurable risk and liability), the ERM program and tools are comprehensive and applicable to all types of risks, including operational, compliance, financial, reputational, communication, and strategic. The University’s ERM program provides dashboards and reports through the Enterprise Risk Management Information System (ERMIS), easy-to-use tools (e.g., Excel workbooks) for self-assessments, ERM Maturity Level Work Plans for managing the ERM program, and a variety of other resources to help users throughout the system.

Of the risk categories, hazard risk is currently the category for which the University has the best and most timely data, and therefore offers an excellent data mine for demonstrating the ERM program’s savings and value. Effective enterprise risk management has progressively reduced the direct cost of risk per \$1,000 of Operating Revenue based on actual claims from \$18.46 in FY 2003-2004 to \$12.30 in FY 2011-12. The accumulated cost avoidance systemwide over this same period totals about \$716 million. Campuses have benefitted from these savings through reductions in the Workers’ Compensation and General, Automobile and Employment Liability premiums.

The ERMIS centralizes data from many sources to create a foundation of information which is accessible, updated automatically, transparent, and less prone to error. As of June 2012, the ERMIS had 30 dashboard reports providing up-to-date information on 111 distinct key performance indicators. Dashboards incorporate information from various online systems to provide standards for best practices and campus comparison data. A user requesting access to these dashboards is often seeking to understand and improve their department or campus’s performance with regard to managing risk.

The ERMIS also provides organizations at all levels of the University with automated reports that were formerly prepared manually, thereby reducing the staff time spent in updating information provided regularly to leadership. The UC Bond Debt dashboard on the ERMIS, for example, has reduced the OP staff cost of reporting on bonds by 0.5 FTE. The ERMIS reports are more reliable, more up-to-date, and are readily available without administrative support. As the type of data available is expanded and the correlating metrics mature, the analysis of data will be more in-depth and easily performed.

Risk Services continues to expand the number and range of ERMIS dashboard reports, engaging with our customers by working with them to provide more varied and powerful ways to view and work with their data. The table below lists selected examples of the 45 dashboard reports currently in production or development.

TABLE 1. ERMIS DASHBOARD REPORTS

ERMIS Dashboard Reports	
CFO Division AIM: Actionable Information for Managers	Promote positive administrative behavior at the campus level via campus-by-campus comparisons. Results indicative of business/operational performance and are within Chancellor’s realm of control.
Financial Accounting	Count of hand-postings, direct deposits, electronic W-2 and payments; Certified Financial Reports Plant Balance Report; and percent of transactions not cleared.

ERMIS Dashboard Reports	
Financial Services & Controls	Connexus travel system participation, travel spend and savings. Purchase card expenditures, administrative efficiency and incentives.
Procurement Services	Systemwide procurement savings, procurement spend under management, and percentage of transactions processed electronically by location.
External Finance – UC Bond Debt	Provides visibility and trending on UC bond debt by location.
Medical Quality	Extends medical quality reporting data to support risk management activities.
Travel Incidents, Calls, Claims	To correlate and report data from all travel insurance and travel agencies for UC students and staff traveling throughout the US and world.
UCSF PD Early Warning System Report	Provides UCSF PD leadership the ability to track and identify patterns of multiple staff complaints/investigations/incidents.
UC Travel Dashboard – Connexus	Tracks campus adoption of the Connexus travel system and actual savings for campuses that utilize Connexus.
Waste Diversion	Contains results of the annual waste diversion campus survey. Allows for comparison of recycling/waste diversion between campuses.
Human Capital Dashboard	Provides Human Resource-related correlations by department and reason description by utilizing Enrollment, FTE, Headcount, Hours, EPL Claims, Employee Separation/Retirement, OSHA Rates and Harassment Prevention Training.
Safety Index Dashboard	Provides safety-related loss and exposure correlations by department and cause description by utilizing the following elements: WC Claims, FTE, Hours, Headcount, Vehicles, GL, Student Population, Acres, Property Losses and OSHA rates.
Safety Index ROI Enhancements	Illustrates the direct and indirect costs of safety risks on UC locations and enterprisewide.
UC Ready	Provides Mission (Business) Continuity plan completion counts for all locations at the department level.
UC Ready Department-Level Enhancements	Systemwide Continuity Plan completion and activity metrics at department level.
Reputational Risk (CDPH)	Provides aggregated counts and trends for medical center related complaints and penalties as reported by California Department of Public Health.
Reputational Risk (OSHA Cube)	Allows visibility in OSHA claims against UC locations that may cause reputational risk to UC.
Office of General Counsel (OGC)	Provides visibility to legal cost by locations.
Medical Center	Provides Medical Center loss and exposure trends and correlations.
Medical Center PL Cube	Provides users the ability to create ad hoc reports utilizing selected Medical Center claim data.

UC PLAN

UC Plan/Budget Development System (BDS) is complete enterprise planning software that provides a complete, dynamic environment for developing timely, reliable and personalized forecasts and budgets. UC Plan provides numerous benefits to UCOP's Budget, Capital Projects, Capital Markets, and Research Grants Planning Office by providing a web-enabled interactive tool for managers that is user friendly and has advanced reporting capabilities. UC Plan/BDS was the first application developed under the ERMIS at UCOP. UC Plan/BDS will automate the budget formulation process for FY 2012-2013 at UCOP from a time-consuming paper- and spreadsheet-driven exercise to a streamlined distributed database tool that will touch every division, subdivision, and department within UCOP.

UC Plan/Capital Projects provides a complete planning and analysis environment for critical performance management activities driven by an organization's planning needs. In contrast to the financial forecasting of the

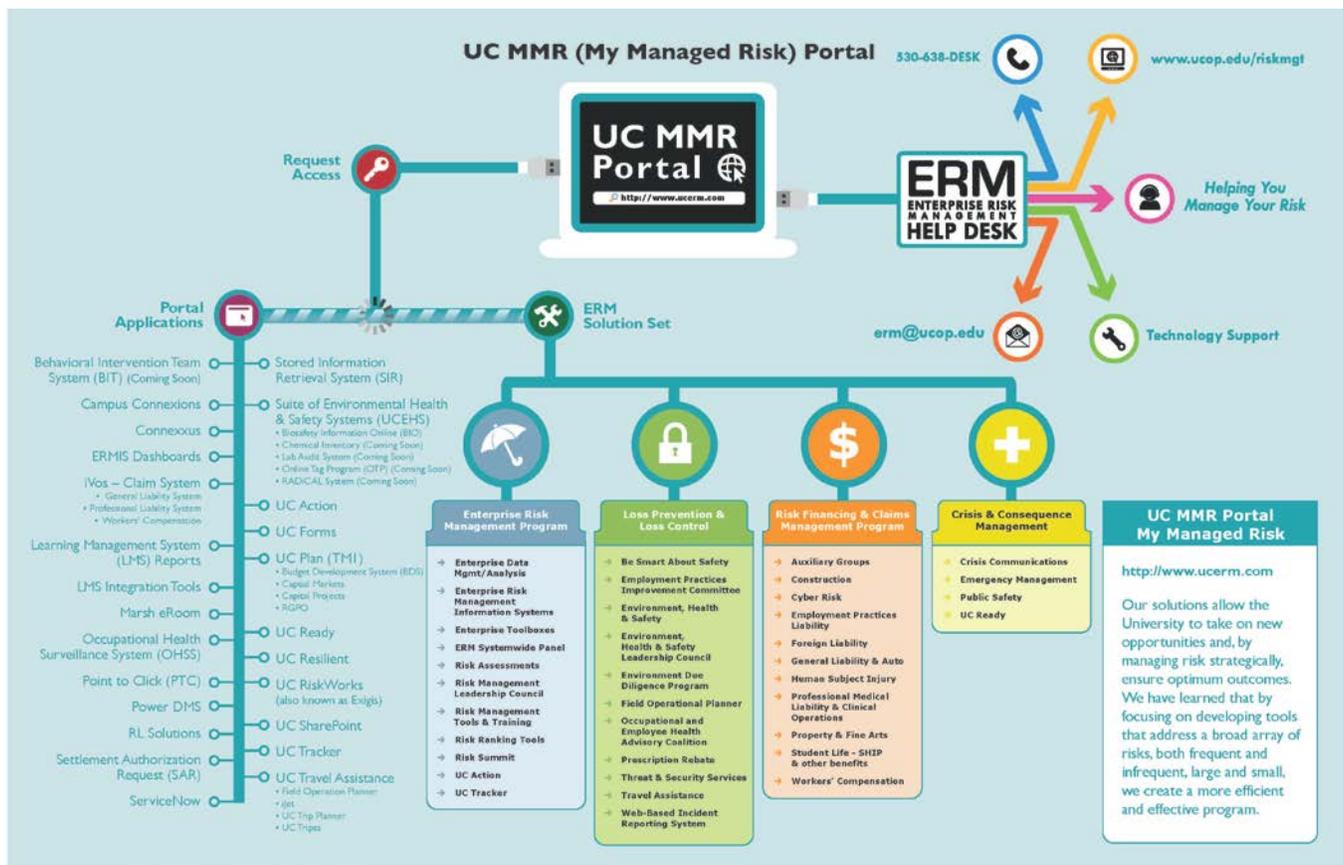
Budget Development System, UC Plan/Capital Projects is a comprehensive planning tool for large scale construction across all campuses within the UC system. As part of the ERMIS solution, UCOP has implemented UC Plan/Capital Projects as a distributed web-based database solution in support of a full range of planning requirements among the campuses and contributions from a broad range of budget planners and approvers at the campuses. UC Plan/Capital Projects addresses these interrelated needs with on-demand analysis, data and user scalability, data integrity, and automated workflow via the web for managed participation, including dashboard and operational reporting.

MY MANAGED RISK PORTAL

The My Managed Risk (MMR) portal was designed as an entry point to the services and resources provided by Risk Services. It serves as a centralized location for authorized users to access enterprise risk management-related tools and information.

The portal allows users direct access to their authorized ERM applications, as well as the ability to view content related to the ERM Solution Set and at the same time, stay informed of up-to-date news and articles directly related to enterprise risk management. The streamlined design also provides an efficient way for users to search within the MMR Portal in order to retrieve contents of interest quickly.

FIGURE 1. MY MANAGED RISK PORTAL



See Appendix: My Managed Risk Portal on page 49 for more information about the MMR portal applications.

ERM – CONTINUING EDUCATION AS A KEY PROGRAM COMPONENT

Ongoing education and training are a critical element of the ERM program and are provided in many forms.

RISK SUMMIT

Risk Summit 2012 once again brought together a wide range of attendees with the common goal of furthering Working Smarter through the sharing of information. The 2012 Risk Summit had over 800 registrants from within the UC system representing a variety of disciplines, including:

- Continuity Planners
- Controllers
- Counseling Professionals
- Directors of Recreational Sports
- EH&S
- Emergency Managers
- Fire Marshals
- Human Resources/Disability Managers
- Office of General Counsel
- Police Chiefs
- Risk Managers
- Student Affairs
- Student Health Services
- Wellness

Attendance by outside organizations included:

- California Institute of Technology (Caltech)
- California State University
- County of Los Angeles
- Hitachi Data Systems
- University of Oregon
- University of Southern California

Evaluations from the Risk Summit demonstrate the value of this annual event to bring colleagues together to discuss risks unique to the University's operations and to continue the dialogue after the Risk Summit concludes. A few representative comments from this year's evaluations:

- "The most valuable part for me was getting to know and network with the UCOP and campus specific risk managers. I feel much more comfortable with contacting their office after this conference. I also really appreciate the culture of 'Working Smarter' and the community aspect of the event."
- "The Risk Summit was extremely beneficial to gain an understanding of what other club sport programs are doing and how we can improve. It was also great to network with some of the people I have not seen or met before."
- "This was my 5th or 6th Risk Summit and I would say it was the best to date. In comparison with other conferences I attend, this one has the best combination of time devoted to networking as compared to

session offerings. Most conferences do not allow sufficient time for networking, so please keep up the good work!”

- “Venue was perfect, pacing and content of sessions on target. President's presence and address to the group sent message that risk management is a critical core value in the University system.”
- “Best Risk Summit yet!”

WEBINARS

Risk Services provides training and information via webinar on a wide range of topics to a large and varied audience. While attendance at each webinar varies, the distribution lists used to send webinar notices and invitations include more than 230 individuals, both internal and external to UC; requests to be added to the distribution lists are received regularly.

WEBINARS PRESENTED BY RISK SERVICES IN 2011-2012

ENTERPRISE RISK MANAGEMENT TOOLBOX WEBINARS

- Common Higher Education Risks – 8/23/2011
- Overview of the ISO 31000 International Risk Management Standard – 10/25/2011
- UC Plan Budget Development System – 12/14/11
- Objective Setting in Enterprise Risk Management – 1/24/2012
- Defining Risk Appetite/Risk Tolerance – 2/28/2012
- The ERM Help Desk – 3/27/2012
- Captive Insurance Basics - Part One – 4/24/2012
- University Controlled Insurance Program for Construction (UCIP) – 5/22/2012
- Understanding the Actuary – 6/26/2012
- Captive Insurance Basics – Part Two – 7/24/2012

RISK & INSURANCE MANAGEMENT SOCIETY (RIMS) GOLDEN GATE CHAPTER

- Revisiting 9/11 – 9/6/2011
- Lloyd's Today & History – 10/27/2011
- Practical Advice on How to Settle Complex Business Interruption Claims – 11/10/2011
- Pharmaceuticals in Workers' Compensation – California Workers' Compensation Institute – 1/26/2012
- Structured Settlements Liability and Workers' Compensation – 2/23/2012

- Workers' Compensation – Taking the Temperature for Legislative Change in 2012 – 3/22/2012
- Alternative Dispute Resolution/Workers' Compensation Carve-outs – 4/26/2012
- Calculating the Cost of Risk – 5/24/2012

EMPLOYMENT PRACTICES IMPROVEMENT COMMITTEE (EPIC)

- Protecting UC Whistleblowers and Investigating Complaints of Whistleblower Retaliation – 10/13/2011
- Interviewing & Selection of Job Applicant: Avoiding the Pitfalls – 2/10/2011
- Issues in Handling Academic Employees – 3/9/2011
- Cyberspace and Beyond: Handling Electronic Communications and Media Issues – 5/4/2011
- Pitfalls of Restructuring Post Layoff – 7/21/2011
- What Happens After the Whistle Blows: How We Handle Whistleblower Complaint at UC – 9/8/2011
- Protecting UC Whistleblowers and Investigating Complaints of Whistleblower Retaliation – 10/13/2011
- Innovative Outreach for Disability Management: The Power of Care Cards – 11/10/2011
- Toxic Employees: Who are they? How do you deal with them? Practical Guidance for Managers and Supervisors – 3/8/2012

STUDENT HEALTH BENEFITS

- Student Health Insurance 101 – 3/26/2012
- Disaster Cost Recovery: California Emergency Management Agency Training Seminar – 5/30/12

ASSOCIATE IN RISK MANAGEMENT DESIGNATION

Risk Services encourages and facilitates ongoing education and development for employees who wish to earn the designation of Associate in Risk Management (ARM) through the American Institute for Chartered Property Casualty Underwriters and the Insurance Institute of America. Led by Director of Environment, Health and Safety Erike Young, this series of no-cost instructional webinars and study sessions aids employees as they work through the three 8-week classes required for ARM certification. In fall of 2011, a fourth training course was added for the ARMe (Enterprise Risk Management) designation. During FY 2011-2012, the training website had over 900 unique visits; 213 people took the course. More information is available at <https://sites.google.com/site/armstudygroup/>

ENTERPRISE RISK MANAGEMENT PROGRAM – RESULTS

Our enterprise risk management program has matured to encompass our entire program rather than being a stand-alone program. Each location has documented their ERM Plan and assessed their ERM maturity level, which we measure and monitor annually.

ERM managers at the campuses and locations collaborated and agreed to the following goals for their campus ERM programs:

- Articulate and promulgate the philosophy for managing risk
- Define the amount of risk the campus is willing to accept
- Establish a culture that promotes innovation consistent with their willingness to accept risk and that allows managers to manage their risks within established tolerances
- Develop an environment in which the assessment and management of risk is integrated into all business practices and decision-making activities
- Develop a portfolio view of current and emerging risks across the enterprise
- Promote an efficient and repeatable methodology for identifying, prioritizing and treating risks
- Ensure the risk responses (avoiding, accepting, reducing, or sharing risk) align with management's risk tolerances and willingness to accept risks
- Identify risk indicators and develop action plans to mitigate risks
- Regularly monitor the risks identified and the effectiveness of mitigation activities; and communicating findings to responsible executives
- Continuously assess risk management strategies to assure they remain current with regulatory, operational and legal changes; emerging risks and opportunities; and strategic plans

ERM AND UC PATH

The University of California initiated the UCPath project that intends to deploy a single payroll personnel system (PPS) and a single human resources information system (HRIS) across all ten campuses and five medical centers that meets the core needs of each location while capturing the efficiencies, improved data, and cost-savings associated with unified systems. A project of this scope, size, and complexity has an equal amount of risk complexity. Risks can be associated components of system development, project management, implementation and ongoing operations and security. To that end, it is crucial that the University integrate its ERM program and approach into the UCPath project to increase the probability of project success.

The UCPath ERM workgroup, sponsored by Risk Services, will leverage existing risk assessment tools within the ERM program for all project components to identify, evaluate and alleviate project risks. This provides a comprehensive risk analysis ensuring all risk dimensions are considered. More information on UCPath is available at <http://workingsmarter.universityofcalifornia.edu/projects/ucpath/overview/>.

ERM MATURITY LEVEL MODEL

The ERM Maturity Level Model has itself matured since its implementation four years ago. The Model adds consistency to the assessment and systemwide reporting on the maturity of the ERM Program. UC's maturity model is very similar to the Standard & Poors model – maturity equates to the breadth and depth of the risk

management function throughout the organization. The Model's Initiative Goals and Common Objectives have existed and matured to where trends can now be seen over time. The average maturity levels presented in the following tables are based on a scale of 1 (weak, ad hoc ERM efforts) to 5 (excellent, displaying leadership in ERM). The Initiative Goals summarized in Table 2 and Table 3 show what the ERM Program is working to achieve in the long-term. The upward trends in the average maturity level ratings indicate growth in the management of risks through the ERM Program.

TABLE 2. INITIATIVE GOALS - AVERAGE MATURITY RATINGS BY ERM COMPONENT, JANUARY 2011-SEPTEMBER 2012

<i>ERM Components</i>	Initiative Goals (Jan 2011)	Initiative Goals (Sept 2011)	Initiative Goals (Sept 2012)
Internal Environment/Objective Setting	2.00	2.61	2.76
Event Identification/Risk Assessment	2.44	2.77	2.86
Risk Response/Control Activities	2.56	2.64	2.91
Information & Communication	2.22	2.45	2.64
Monitoring	2.33	2.36	2.50

TABLE 3. INITIATIVE GOALS – AVERAGE MATURITY RATINGS BY GOAL, JANUARY 2011 TO SEPTEMBER 2012

<i>ERM Components</i>	Initiative Goals (Jan 2011)	Initiative Goals (Sept 2011)	Initiative Goals (Sept 2012)
Internal Environment / Objective Setting	2.00	2.61	2.76
Articulate and promulgate the risk management philosophy and risk appetite of the UC system, campuses and medical centers	1.89	2.45	2.55
Develop a campus/medical center environment in which risk assessment and risk management (mitigation) is integrated into all business practices and decision-making activities	2.00	2.55	2.82
Establish a culture that promotes innovation consistent with top management's risk appetite allowing managers to manage risks within their spheres of responsibility consistent with established risk tolerances	2.13	2.82	2.91
Event Identification / Risk Assessment	2.44	2.77	2.86
Assist management with developing a portfolio view of current and emerging risks across the enterprise (strategic, financial, compliance, reporting and reputational)	2.44	2.82	2.91
Promote an efficient and repeatable methodology for identifying, quantifying, comparing, benchmarking and prioritizing risks	2.44	2.73	2.82
Risk Response / Control Activities	2.56	2.64	2.91
Assist management to identify risk indicators and to develop and implement action plans to mitigate the assessed risks	2.56	2.64	2.91
Information and Communication	2.22	2.45	2.64
Establish and maintain a campus communications structure/support network to facilitate a greater understanding of the University's risk management philosophy	2.22	2.45	2.64

<i>ERM Components</i>	Initiative Goals (Jan 2011)	Initiative Goals (Sept 2011)	Initiative Goals (Sept 2012)
Monitoring	2.33	2.36	2.50
Assist with developing methodologies to monitor regularly the risks identified and the effectiveness of mitigation activities; and to communicate findings to responsible executives	2.33	2.36	2.45
Continuously assess risk management strategies to assure they remain current with regulatory, operational and legal changes; emerging risks and opportunities; and strategic plans	2.33	2.36	2.55

The Initiative Goals are achieved by each location defining and accomplishing their own program objectives. Table 4 summarizes by ERM Component the maturity levels of the objectives set by the campuses/locations. Common objectives are objectives that all locations agreed to include in their ERM Maturity Work Plans. The Additional Objectives are location specific objectives added by the campuses/locations to their ERM Maturity Work Plans. The average maturity ratings for the common objectives enable UC Risk Services to better measure growth in how the campuses are managing their ERM Programs. From a central perspective, UC Risk Services will be better able to determine where assistance is needed to ensure an effective ERM Program systemwide. The objectives, together with the goals, show growth in the UC ERM Program.

TABLE 4. OBJECTIVES - AVERAGE MATURITY RATINGS BY ERM COMPONENT, SEPTEMBER 2011 – 2012

<i>ERM Components</i>	Common Objectives		Additional Objectives		Combined Averages	
	Sept 2011	Sept 2012	Sept 2011	Sept 2012	Sept 2011	Sept 2012
Internal Environment/Objective Setting	2.76	3.21	3.19	3.26	3.00	3.23
Event Identification/Risk Assessment	2.82	3.05	3.30	3.26	3.09	3.08
Risk Response/Control Activities	2.96	3.28	3.33	3.50	3.22	3.32
Information & Communication	2.62	2.99	3.29	3.32	3.08	3.04
Monitoring	2.43	2.81	3.00	3.00	2.66	2.82

ERM SYSTEMWIDE RISK ASSESSMENT

In 2012, in conjunction with the systemwide ERM Panel, Risk Services conducted an assessment of risk by the Vice Chancellors of Administration. The Vice Chancellors of Administration, as the leaders of their organizations, are in a unique position to see all the risks associated with fostering and supporting the academic mission at their campuses. This review was conducted to consolidate their perspectives and create a systemwide view of the most common risks in higher education they consider most significant and the overall effectiveness of current activities performed to mitigate those risks and steer the ERM Team and Panel.

The Vice Chancellors of Administration were asked to assess a list of 44 risks common to higher education. The list of risks resulted from a study conducted by UC Risk Services to identify some of the most common risks facing higher education. See ERM Bulletin #12 (available at <http://www.ucop.edu/enterprise-risk-management/resources/erm-bulletins.html>) for the full list of risks. The risks listed below were ranked

collectively by the Vice Chancellors of Administration as having the highest impact on the University's mission and the highest likelihood of occurrence.

TOP 10 RISKS – ALL CAMPUSES COMBINED

Below is a list of the top 10 risks for all the UC campuses combined. Paired with each risk are short summaries of the steps being taken to mitigate and reduce the volume and severity of these risks:

- Budget Impairment – A budget system tool, UC Plan, was developed for the Office of the President using a business intelligence tool (IBM's Cognos) which draws together budget analysis information for the Office of the President budget into one system. The tool also has drill-down capabilities as well as providing a total of all OP units. This was previously done on various excel worksheets that each unit would submit and then compile. For more information, see UC Plan on page 7.
- Laboratory Safety – As laboratory safety has become an increased area of risk not only with UC, but nationally, Risk Services has taken a systemwide approach to bring clarity and consistency in the safe operation of our labs. This focus has resulted in the development of systemwide laboratory safety policies addressing personal protective equipment (PPE), minimum requirements for laboratory safety fundamentals training, and minors in laboratories. Additionally, Risk Services has developed the Laboratory Safety Management Self-Assessment and Peer Review Program to provide a framework for evaluating the status of our laboratory safety management processes and practices.
- Disclosure of confidential information (personally identifying information (PII) or health care information) – The University's Student Health Insurance Program (see UC Student Health Insurance Plan on page 26) protects confidential health information in accordance with state and federal law. Individually-identifiable health information is managed by UC SHIP's vendor partners, who are HIPAA-covered entities required to comply with strict federal and state regulations. Campuses maintain health insurance-related information in the electronic medical record system, which is moving to a centrally-managed secure hosting environment in the coming year. Individually-identifiable health information is not held at UCOP except in extremely limited circumstances pertaining to resolution of large and complex claims.
- Inadequate lab processes and practices for the promotion of environmental health and safety – Although each campus has adopted policies and procedures to promote environmental health and safety practices in the labs, researchers and lab personnel in some cases have not received training on how to effectively implement those processes and practices, or more likely have not been provided the tools and resources to ensure that effective lab processes and practices are put into place. The development of laboratory specific standard operating procedures (SOPs) is one example in which researchers are unaware of the Cal/OSHA requirements for SOPs and so require a tool to identify the risks associated with their research to develop an effective SOP. Based upon the Chemical Hazard Use Authorization tool developed at UCSD, is developing a systemwide application that will automate the development of SOPs to not only help ensure regulatory compliance, but it will be more effective reducing the risk of injury in research laboratories.
- Deferred maintenance – Risk Services is collaborating with Facilities Management and Capital Projects to develop a systemwide Facility Conditions Assessment program that will allow locations to inventory buildings, building systems and infrastructure and create standard metrics for the campuses and medical centers to track and prioritize facilities renewal and risk and safety needs.

- Student mental health – UC SHIP mitigates risk by providing coverage for mental health services, reducing financial barriers to seeking care, and allowing students to receive the appropriate level of care, from inpatient treatment to outpatient counseling. Mental health coverage, which includes substance abuse treatment, has full parity to medical care; there are no separate benefit limitations. In support of campus Behavioral Intervention Teams (BIT), Risk Services has provided systemwide WAVR-21 (Workplace Assessment Violence Risk) training to campus BIT team personnel; renewed our enterprise membership license to NaBITA (National Behavioral Intervention Team Association), providing access to resources; and formed a workgroup to develop BIT software tools.
- Unethical/unapproved human/animal subject research – Risk Services has a Director who participates on the committee that developed the systemwide protocol for approval, insurance and coverage of human/animal subject research. Additionally, Risk Services has in place an insurance (crime) policy that will respond in the event that research misconduct includes a financial loss to the University.
- Research misconduct, such as falsification of data or results, or non-disclosure of research dangers – Mitigation efforts in this area are primarily located at the campus level and include policies on research misconduct, department chair oversight, mandatory ethics training and responsible conduct of research training for researchers, investigation of research misconduct allegations, and more.
- Acts of intolerance – Risk Services sponsors the Employment Practices Improvement Committee (EPIC), which presents an ongoing series of workshops to help members of the University community recognize and prevent discrimination and workplace harassment.
- Threats to safety of researchers – Risk Services supports the UC Police Departments by providing threat- and security-related risk assessments and resources when requested in response to threats against UC researchers and faculty. (See Crisis & Consequence Management on page 44 for more information.)

Risk Services is working with local campuses to find creative ways to manage these areas of risk. Examples include the Laboratory Safety Program and resources, partnering with Capital Projects on deferred maintenance identification and data collection, providing increased Student Health/Behavioral resources through UC SHIP, administering discrimination and harassment prevention workshops through the Employment Practices Improvement Committee, developing systemwide standard operating procedures to ensure regulatory compliance and reduce the risk of injury in research laboratories, and more.

CONTROL EFFECTIVENESS

The Vice Chancellors of Administration were also asked to assess the effectiveness of internal controls in place at their campuses for mitigating the impact and likelihood of risks. The VCAs, working with others on the campus, completed an ERM assessment based on an inventory of risks and mitigations published in ERM Bulletin #12 (<http://www.ucop.edu/enterprise-risk-management/resources/erm-bulletins.html>). They agreed that most of the risks were adequately controlled, but the following three risks were rated as “potentially poorly controlled” or “poorly controlled”:

- Budget impairment
- Deferred maintenance
- Research misconduct, such as falsification of data or results, or non-disclosure of research dangers

These risks warrant additional management attention because of their greater likelihood, impact, and reputational repercussions, and due to this noted broadly-held perception that their controls are currently less effective than the controls in place for the other risks.

Working with the campuses we have moved forward with exploring numerous solutions to address these risks. The list below provides examples of current activities being deployed to reduce the impact and/or likelihood of the common risks listed in the survey of the Vice Chancellors of Administration, and the management and mitigation efforts listed reflect those survey responses.

TABLE 5. TOP RISKS AS ASSESSED BY VICE CHANCELLORS OF ADMINISTRATION

Risks	Management and Mitigation
<p>Budget impairment (rated as “potentially poorly controlled” or “poorly controlled” per VCA assessment)</p>	<ul style="list-style-type: none"> • Budget officers • Budget tools • Contingency planning • External financing program • Memorandum of Understanding with UCOP
<p>Laboratory safety</p>	<ul style="list-style-type: none"> • Be Smart About Safety (BSAS) funding for specific safety programs and projects • EH&S lab safety programs and training • Hazardous waste management programs • Injury and medical treatment guides • Inspection tools • Integrated Safety & Environmental Management (ISEM) policy • Personal protective equipment (PPE) provided • Standards and procedures for departments with laboratories • Required reporting and timelines • Safety plans and chemical hygiene plans • Safety program guidelines for principal investigators

Risks	Management and Mitigation
<p>Disclosure of confidential information (personally identifying information (PII) or health care information)</p>	<ul style="list-style-type: none"> • Annual reporting • Auditing access and restricting access • CIOs systemwide and at campuses • Data discovery tool • Electronic information security policy • Encryption of sensitive information, especially on laptops • Ethics compliance and audit programs • Health sciences compliance programs • Identity theft prevention program • Internal audit of mobile device security • Internal control program • IT Security and Policy Group • IT Governance Committee • Local policies limiting downloads and storage of personal information • Privacy office • Removal of partial information (e.g., partial SSNs) • Secure servers • Storage reduction (PII or ePHI) on enterprise systems • Information security awareness training of employees who work with FERPA or HIPAA data
<p>Inadequate lab processes and practices for the promotion of environmental health and safety</p>	<ul style="list-style-type: none"> • Be Smart About Safety (BSAS) funding • Chemical and laboratory safety programs • EHS office activities to inspect laboratories and recommend corrections • Hazardous materials and waste programs • Institutional Animal Care and Use Policies and Committees (IACUC) policies and guidelines • Integrated Safety & Environmental Management (ISEM) policy • Laboratory self-inspections • Material safety data sheets (MSDS) • Reporting processes with required timelines • Safety programs • Training programs • Standard operating procedures

Risks	Management and Mitigation
<p>Deferred maintenance (rated as “potentially poorly controlled” or “poorly controlled” per VCA assessment)</p>	<ul style="list-style-type: none"> • External financing program • Capital finance plans • Deferred maintenance and capital renewal plans • Joint task group of Facilities Management, Capital Programs, Risk Management and Emergency Management development of risk prioritized facilities maintenance • Review alternative funding models • Selective application of Be Smart About Safety (BSAS) Funds • Work groups addressing deferred maintenance
<p>Student mental health</p>	<ul style="list-style-type: none"> • CARE referrals to behavioral intervention tool • Consultation group meetings • Counseling and psychological services • Early detection • Health promotion and wellness services integration • Red folder (the Office of the Dean of Students and Student Affairs collaboration) training • “See Something – Say Something – Do Something” program • Student affairs activities • Student Critical Incident Team • Student Health clinics and Counseling and Psychological Services centers (CAPS) • Students of Concern Committee • Threat management team
<p>Unethical/unapproved human/animal subject research</p>	<ul style="list-style-type: none"> • Animal Care and Use Committee (ACUC) • Centers for Animal Alternatives • Collegial oversight • Education certification in use of animals or human subjects • Institutional Animal Care and Use Policies and Committees (IACUC) • Institutional Review Boards • Laboratory Animal Resource Center • Research compliance • Whistleblower program

Risks	Management and Mitigation
<p>Research misconduct, such as falsification of data or results, or non-disclosure of research dangers (rated as “potentially poorly controlled” or “poorly controlled” per VCA assessment)</p>	<ul style="list-style-type: none"> • Ethics compliance and audit program • Conflict of Interest Committee • Department Chair oversight • Internal control program • Investigation of research misconduct allegations • Mandatory ethics training • Policy on research misconduct • Research compliance and integrity offices • Responsible conduct of research training • UC Statement of Ethical Values and Standards of Ethical Conduct • Whistleblower program • Research compliance and integrity offices
<p>Acts of Intolerance</p>	<ul style="list-style-type: none"> • Campus Climate Committee • Diversity awareness training • Diversity Initiative Office • Formal reporting and response protocols • Physical security systems • Police visibility • Lighting improvements and community engagement • Principles of community and codes of conduct • UC Statement of Ethical Values and Standards of Ethical Conduct • Systemwide and local work groups • Training
<p>Threats to safety of researchers</p>	<ul style="list-style-type: none"> • Animal Care and Use Committee (ACUC) and Office of Laboratory Animal Care (OLAC) identity protection for researchers • Coordination with law enforcement (police and FBI) • Hardening of homes • Physical Security Systems Coordinator • Threat and security programs • Threat education for research • UCPD Personal Security and Safety Guide

The most common mitigation techniques used to manage the top ten risks include various safety and training programs, IT security, standard operating procedures, external financing, hazardous waste management, ethics compliance and audit programs, BSAS funding for specific safety programs and projects, Integrated Safety & Environmental Management (ISEM) policies, and internal control programs.

Managing risks holistically reduces costs by preventing or reducing the severity of losses, reducing injuries and saving lives, and avoiding compliance issues and adverse publicity that can result. The goals of an effective ERM program are to provide a complete picture of significant risks, deliver information to support strategic decision-making, and facilitate designing the right processes to assure that opportunities are achieved successfully and provide the most benefit. UC’s ERM program is collaborating with other systemwide and campus units to

identify, manage and mitigate risks so that the University accomplishes its goals and objectives in support of its mission of teaching, research and public service.

ANNUAL AND QUARTERLY RISK REPORTS

In the spring of 2012, Risk Services compiled and distributed the first annual Campus Risk Report to the Vice Chancellors of Administration (VCAs). The Campus Risk Report included a comprehensive selection of metrics for each UC campus, based on data that is readily available in the ERMIS or other previously-generated documentation, that provided key performance indicators (KPIs) for a particular UC campus' risk profile for FY 2010-2011. The report consisted of the following 19 KPIs:

TABLE 6. KEY PERFORMANCE INDICATORS INCLUDED IN CAMPUS RISK REPORT

KPI Description	Explanation of Metric
National Fire Protection Association (NFPA) Emergency Readiness Compliance	Metric calculates: Average NFPA score
Hospital Consumer Assessment of Health Care Providers and Systems (HCAHPS Rating) of 9 or 10	Metric tracks: The percentage of patients that scored the overall rating of the hospital (question 21 on the Hospital CAHPS survey) with a 9 or 10 (Medical Centers only)
Hospital Consumer Assessment of Health Care Providers and Systems (HCAHPS) Percentage Definitely Recommend	Metric tracks: The percentage of patients that scored the Definitely Yes to question 22 on the Hospital CAHPS survey asking the patient would they would "recommend this hospital to your friends and family" (Medical Centers only)
Workers' Compensation (WC) Incidents Relative to Hours Worked	Metric calculates: # of Claims per 100 FTE ((WC Claims *200,000) / Number of Hours Worked)
Medical Center PL Cost of Claims by Adjusted Patient Days	Metric calculates: Total Cost of Incurred Claims by Occurrence Date per 10,000 Adjusted Patient Days (Medical Centers only)
Workers' Compensation Cost Incurred Relative to Hours Worked	Metric calculates: \$ Incurred per 100 FTE ((Total Incurred *200,000) / Number of Hours Worked)
Medical Center PL Count of Claims by Adjusted Patient	Metric calculates: Count of Claims by Occurrence Date per 10,000 Adjusted Patient Days (Medical Centers only)
Medical Center PL Count of Incurred Claims by Risk Adjusted Exposure	Metric calculates: Count of Claims by Occurrence Date per 1,000 Risk Adjusted Exposure (Medical Centers only)
Medical Center PL Cost of Incurred Claims by Risk Adjusted Exposure	Metric calculates: Total Cost of Incurred Claims by Occurrence Date per 1,000 Risk Adjusted Exposure
Master Builder's Risk (MBR) Insurance Program	Metric calculates: Incurred Losses as % of Premium Paid
UC Equipment Maintenance Insurance Program (UCEMIP)	Metric calculates: Savings from the UCEMIP program
UC Ready Continuity Completion %	Metric calculates: Percentage of departments or units who have completed their UC Ready continuity plans
Percent of Employees Separated in Period Based on Headcount	
Percent of Employees Newly Hired in Period Based on Headcount	

KPI Description	Explanation of Metric
Percent of Employees Eligible for Retirement	
UC Bias Crimes	As reported in the systemwide University of California Police Department Annual Report, bias-motivated cases are those motivated by a bias against the victim due to the victim's actual or perceived ethnicity, physical or mental disability, race, religion, or sexual orientation
Employment Practices Count of Claims	
Employment Practices Cost of Claims	

This Campus Risk Report provides the campus risk profile at a glance and highlights areas of concerns for the VCAs, which will allow the VCAs and their staffs to pay closer attention to the highlighted risks. The VCAs and their staffs can log on to the ERMIS and obtain more details on each risk to conduct root-cause analysis and obtain more details on each score.

In addition to the selected KPIs listed above (which will be revised periodically as new ones are created), the Campus Risk Report includes the top ten risks for the UC system and the top ten risks as identified by each campus in the campus-wide risk assessment, as well as the common mitigations for these risks. The report also includes the latest ERM maturity model level and analysis.

CLAIM CAUSE CODE ANALYSIS – FREQUENCY AND SEVERITY

Not all risks are insurable but many are. Analyzing our insurance claims helps us to design risk treatment programs to avoid repeating mistakes. The following illustrates how Risk Services works with its third party administrators (TPAs) to collect and analyze claims data from all UC campuses to help gain a better understanding on how to efficiently insure high risk areas in each program.

Data between 7/1/2002 to 6/30/2012 includes claims from Auto, General Liability (Bodily Injury and Property Damage), Employment Practice, Property, and Workers' Compensation. Each of these sections has claim information organized in two parts: Frequency and Severity. This information provides UC with an idea of which type of claims occur the most and which types require the most funding.

TABLE 7. TOP CLAIM CAUSES BY FREQUENCY AND SEVERITY

Auto Liability – Top 3 Claim Causes by Frequency	Claim Count
Improper Backing	1,367
Misjudged Clearance	576
Hit Stationary Object	535
Auto Liability – Top 3 Claim Causes by Severity	Total Incurred
Failed to Yield Right Of Way	\$7,136,793
Inattentive	\$5,287,870
Ran Stop Signal/Sign	\$3,213,350

General Liability-Bodily Injury – Top 3 Claim Causes by Frequency	Claim Count
Slip & Fall Wet Surface Inside	145
Slip & Fall Uneven Surface Inside	60
Asbestos	56
General Liability-Bodily Injury – Top 3 Claim Causes by Severity	Total Incurred
Civil Rights	\$7,420,494
Willed Body	\$6,138,308
Discrimination-Gender	\$4,745,799
General Liability-Property Damage – Top 3 Claim Causes by Frequency	Claim Count
Valet	254
Loss or Theft of Personal Property	193
Caused by Tree Branches/Limbs	177
General Liability-Property Damage – Top 3 Claim Causes by Severity	Total Incurred
Unlawful Seizure	\$1,025,632
Chemical	\$439,483
Water/Flood Damage	\$416,629
Employment Practice – Top 3 Claim Causes by Frequency	Claim Count
Discrimination-Disability	115
Wrongful Termination	74
Racial Discrimination	62
Employment Practice – Top 3 Claim Causes by Severity	Total Incurred
Discrimination-Disability	\$16,116,293
Discrimination-Gender	\$15,937,963
Retaliation	\$10,886,611
Employment Practice – Incident Rate	Incident Rate
Discrimination-Disability	147
Racial Discrimination	129
Wrongful Termination	110
Property – Top 3 Claim Causes by Frequency	Claim Count
Theft/Burglary/Robbery	1004
Vehicle or Aircraft	491
Not Provided/NOC/Insufficient Data	470
Property – Top 3 Claim Causes by Severity	Total Incurred
Water/Sewer Service or Defect	\$22,063,449
Fire and/or Explosion	\$14,080,542
Flood	\$8,514,775
Workers’ Compensation – Top 3 Claim Causes by Frequency	Claim Count
Patient or Person (Non-Self)	7033
Multiple Work Duties	5996
Keyboard	2749

Workers' Compensation – Top 3 Claim Causes by Severity	Total Incurred
Multiple Work Duties	\$74,140,649
Patient or Person (Non-Self)	\$66,289,899
Other Workstation-Work Area	\$35,102,809

RISK TREATMENT

The prevention and mitigation of potential losses is the daily focus of the Office of Risk Services, which has successfully reduced the University's Total Cost of Risk by over \$716 million over the last eight years. At the core of this effort is the Be Smart About Safety (BSAS) program, which has been instrumental in providing additional resources to the campuses and medical centers in their efforts to prevent and reduce the cost of losses. The University's actuaries have calculated that the BSAS program has provided an average return on investment of 2:1, and several BSAS prevention efforts experience a return as high as 5:1.

These prevention efforts have gone beyond just reducing workers' compensation costs and have expanded in recent years to include a focus on reducing general, auto, and employment practices liability risks; as well as professional liability risk associated with the medical centers.

Driving these efforts at the campuses and medical centers are collaborative systemwide groups, such as the Risk Management Leadership Council (RMLC); the Environment, Health and Safety Directors' Leadership Council (EHSDLC); the Occupational and Employee Health Advisory Coalition (OEHAC); the Council of Emergency Managers; and each systemwide group's respective working groups. Because of their collaborative efforts, the University has seen an increase in the number of best management practice initiatives implemented at the systemwide level, which has resulted in reduced cost and improved efficiency. An example of this collaboration is the work of the UC Systemwide Training and Education Workgroup (STEW), which is responsible for ensuring that systemwide environment, health and safety training and education initiatives are aligned and support both the UC mission and the EH&S strategic plan. During this last year, the STEW created the "EH&S Training Best Practices, Standards, and Guidelines" manual, which is quickly becoming the model for developing and delivering effective training systemwide. The manual is available at <http://ehs.ucr.edu/training/standards/trainingstandardsandguidelines.pdf>

LOSS PREVENTION & LOSS CONTROL – HIGHLIGHTS

The last year has seen a number of loss prevention and control initiatives implemented at the systemwide level, many of which had an immediate impact.

CYBER RISK

Since 2000, there have been 375 reports of cyber security events for colleges and universities involving approximately 14.2 million records, with the largest involving 2.2 million patient records at the University of Utah. Additionally, more than one-third of the cyber events recorded in Advisen's Master Significant Case and Actions database (MSCAd), a database of over 100,000 global loss events with total loss value of \$5.8 trillion, relate to health care, education and government entities.

Risk Services and IT Services recognize the need to include information privacy and security within enterprise risk management (see “The Reputational Risk and IT Relationship”⁴ for discussion) and since the University’s implementation of an innovative cyber liability risk transfer program with Lloyd’s of London in 2010, there has been increased collaboration with Risk Services and IT Services in the area of cyber and privacy risk:

- A general session on cyber and privacy risk was presented at the 2012 Risk Summit, with plans to introduce an entire track of sessions for the 2013 Risk Summit.
- Risk Services provided funding to help promote the new online Information Security Awareness Training at the Office of the President and the seven campuses that choose to administer the training.
- Development of the Protected Health Information Value Estimator (PHIve) tool to help understand the financial impact of a PHI breach and evaluate and recommend the appropriate investments necessary to mitigate the risk of a data breach. This helps reduce potential financial exposure while strengthening the organization’s reputation as a protector of the PHI entrusted to its care.
- As the University moves to a shared services model for administrative systems, such as the UCPath payroll personnel system/human resources information system, security and privacy activities are integrated from the very start of the process of developing/deploying these types of services. There is also more risk assessment activity being completed on data centers and other vendors, as well the development of standard contract language for cloud computing contracts.

STUDENT HEALTH SERVICES RISK MANAGEMENT REVIEW

The Committee on Health Services, through the Office of Health Science and Services and the Office of Risk Services, engaged an outside consultant to conduct an independent review of health and counseling services provided to UC students under the auspices of the student health centers. The scope of the risk management review was to perform a review of the access, quality, cost and accountability of health and counseling services provided to UC students by Student Health Services and Counseling and Psychological Services (SHS/CAPS). The reviews began on August 4, 2011, and included all 10 campuses; all of the site visits were completed by December 31, 2011. Key to a risk management review is correcting issues as quickly as possible – in many cases immediately on the spot with the owners of the risk. During the review process Risk Services provided immediate advice and assistance on proper monitoring of medication refrigerators and offered formal education on credentialing processes as well as general risk management education for staff.

The medical services were assessed in comparison with the standards of the Accreditation Association of Ambulatory Health Care (AAAHC), the International Association of Counseling Services (IACS), the Council for the Advancement of Standards (CAS) (counseling), the American Society for Healthcare Risk Management (ASHRM) and other relevant ambulatory patient care and safety standards and guidelines. A final report was presented to the Regents in January of 2012.

Based on identified issues, Risk Services worked with the locations to implement a Credentialing Verification Organization and credential all Student Health and Counseling Center staff; transition all clinics to the same electronic medical record (EMR) system, provided by Point and Click Solutions (PnC); develop standardized templates; and improve coding.

⁴ <http://www.riskmanagementmonitor.com/the-reputational-risk-and-it-relationship/>

UC STUDENT HEALTH INSURANCE PLAN

The University of California requires all registered students to have adequate health insurance as a non-academic condition of enrollment at UC campuses. The University created the University of California Student Health Insurance Plan (UC SHIP) as a Working Smarter program to provide a comprehensive, affordable health care plan to help students meet this requirement. UC SHIP members also have the option to purchase coverage under UC SHIP for their dependents.

UC SHIP marks the first time in the University's history that a single health care program has been established for graduate, undergraduate, and international students across all ten UC campuses, plus UC Hastings College of the Law. For this inaugural year, 135,000 students were enrolled, making UC SHIP the largest health plan for students in the United States.

The establishment and implementation of UC SHIP in the fall of 2011 was the culmination of several years of collaborative work among University officials from Human Resources, Risk Services, campus Student Health centers, Academic Affairs, and the UC SHIP office. Student representatives also participated. This collaboration identified the distinct administrative and cost advantages of developing a mandatory, self-funded health care plan for all UC campuses.

In forming UC SHIP, the strongest benefits from each campus' prior student health plans were incorporated; as a result, under UC SHIP each campus has added new benefits they didn't have before. In aggregate, UC SHIP student members saved \$8.4 million in premiums during academic year 2011-2012 while receiving about \$5.4 million in additional benefits.

Recognizing that some students may already have health insurance that meets University criteria by providing coverage equivalent to that provided by UC SHIP, the UC SHIP office, in cooperation with student health managers and University governing officials, developed and launched systemwide criteria in fall of 2011 for those students who already have health insurance and wish to waive enrollment in UC SHIP. Systemwide administration of waiver requests and appeals was also established.

While self-funded student health insurance plans are not subject to federal health care mandates such as the Affordable Care Act (ACA), UC SHIP voluntarily aligned benefits with recent legislation in order to provide stronger benefits for students and keep UC SHIP competitive in the insurance market. In AY 2011-2012, preventive health care services at student health centers on all campuses were available for no cost to students, with behavioral health benefits in parity with benefits for any other medical condition. Additional enhancements based on new ACA legislation were developed during AY 2011-2012 for implementation in fall of 2012.

ACCOMPLISHMENTS FOR AY 2011-2012

- Launch of UC SHIP across all ten UC campuses plus UC Hastings College of the Law
- Establishment of UC systemwide insurance waiver criteria and waiver appeal policies
- Formation of UC SHIP governance: Chief Risk Officer becomes Plan Administrator and Plan Fiduciary; the UC SHIP Advisory Board and Executive Committee conduct their inaugural meetings
- UC SHIP Director appeared before the U.S. Department of Health and Human Services to advocate that self-funded student health plans meet the individual coverage mandate of the Affordable Care Act

STUDENT HEALTH SERVICES CLINICAL DOCUMENTATION IMPROVEMENT TRAINING

The risk review of UC Student Health and Counseling and Psychological Services (SHS/CAPS) conducted in Fall 2011 identified opportunities to strengthen clinical documentation and coding of services. The Regents Committee on Health Sciences endorsed the recommendations of the report during The Regents' meeting of November 15, 2012, and endorsed development of systemwide policy for this area.

The review recommended that all UC Student Health and Counseling Services employ nationally-standardized coding systems to identify and categorize the services provided to patients at their facilities. This will include the Healthcare Common Procedure Coding System Levels I (commonly known as Current Procedural Terminology, or CPT) and II (HCPCS Level II codes) for procedures and International Classification of Diseases (ICD) codes for diagnoses. Use of standard codes will enable facilities to maximize reimbursement from UC SHIP and other insurance plans and will allow the student health clinics to provide meaningful utilization data that is comparable across the system to drive strategic planning and operational decisions to serve the needs of UC students.

Training on coding was offered three ways: as on-site, in-person training provided by certified coding experts from Altegra Health; as webinars recorded by the Altegra trainers; and as online courses offered by E/M University. The Altegra courses were customized to address the scope of services offered by the SHS/CAPS facilities and were created in collaboration with Point and Click Solutions (PnC) staff. Continuing medical education (CME) credit was provided for the E/M University trainings. All UC Student Health and Counseling Services employees who are providing patient care or performing tasks related to data collection about, or payment for, patient care completed training on coding systems by July 2012.

Altegra Health coding experts continue to work with PnC template developers to ensure that services performed at SHS/CAPS facilities are captured accurately in the electronic medical record, especially those services that fall outside of standard coding systems, such as public health, health education and outreach activities. Specialized trainings for nursing services, physical therapy and optometry have been developed. This project was conducted in close collaboration with the PnC standardization effort.

STUDENT HEALTH AND COUNSELING CENTERS ELECTRONIC MEDICAL RECORD IT INITIATIVE

Based upon the risk review findings, the electronic medical record (EMR) IT initiative was established to create a single systemwide healthcare management information system (HMIS) with standardized templates, coding, centralized data reporting, and an optimal hosting solution.

Within this IT initiative four major projects were scoped:

- Migration of UC campuses onto the selected EMR information system (Point and Click Solutions/PnC): As part of this initiative, three of the four campuses which were not on PnC have been migrated to PnC; the final campus is scheduled to be completed in January of 2013.
- Systemwide standardization of EMR templates, selected data dictionaries and reports: All UC campuses are now using UC standardized templates to maintain and ensure consistent and high quality of care and counseling services to UC students. Additionally a change control committee and process will be established to monitor and maintain the systemwide approach.

- Creation of a centralized reporting platform to allow for ease of analysis of data systemwide: The first of the two phases, making the systemwide PnC operational reports available, is near completion. The second phase will focus on further automation and availability of reports in the ERMIS dashboard.
- Design and implementation of an optimal centralized hosting solution to provide a consistent, secure environment for the EMR application: This project consists of multiple phases and requires participation from a wide spectrum of campus personnel including the project management team, campus IT, and the system users (clinicians). After completing the initial campus security assessments, the project team developed a proposal for a hosting solution and is now collaborating with campus IT to finalize the proposal before moving onto subsequent phases.

SLIP-RESISTANT SHOE PROGRAM

There are very few examples in which you can “buy” safety. A slip-resistant shoe program is one of those programs and has had an immediate impact in the reduction of employee slip and falls and resulting in substantial savings to the University.

Before the implementation of the slip-resistant shoe program, the University experienced an average of more than 700 slip and fall injuries per year, costing more than \$15 million annually. The pilot program, implemented April 2011, focused on Dining Services employees, who experience the majority of UC’s slip and fall injuries. In January 2012 the program was expanded to include custodial/housekeeping , groundskeeping and animal care workers. Through the end of FY 2011-2012, the University spent \$300K on slip-resistant shoes.

The slip-resistant shoe program has reduced slip and fall related injuries by 50%. The University’s actuary predicts that the reduction in number of injuries and cost of claims will save UC over \$1.5 million per year in direct annual claims costs. More information is available on the Working Smarter website:

http://workingsmarter.universityofcalifornia.edu/files/2011/05/Slip-Buster-Crickette_2011-022.pdf

UC SAFETY SPOTLIGHT NEWSLETTER

The systemwide Safety Spotlight newsletter is created by the systemwide EHS Injury and Illness Prevention workgroup. The newsletter includes articles on best practices and links to printable posters, training presentations, videos, and other resources to help campus offices, laboratories, and departments better integrate safety into operations. Each month, the Safety Spotlight focuses on a specific workplace safety topic, drawing on the expertise from staff in Occupational Health Services, Environmental Health & Safety, Emergency and Business Continuity Management, and the University’s Police and Fire Departments. Current and past Safety Spotlight issues can be viewed at http://ucanr.org/sites/ucehs/Safety_Spotlight/.

ERGONOMIC STUDY OF CUSTODIAL POSITIONS

Custodians, housekeepers and environmental service workers play a critical role in keeping University building interiors well-maintained. As they perform these physical tasks, these workers are exposed to ergonomic risk factors such as repetitive motions and awkward postures. In FY 2009-2010, custodial injuries accounted for 761 workers’ compensation claims, with an actuarial estimated ultimate direct cost of \$7.1 million (loss data valued as of June 30, 2010).

In 2011, Risk Services tasked the UC Systemwide Ergonomics Work Group with conducting an ergonomic study of this group to identify problem areas and develop strategies to address those problems. The team developed best practices bulletins, recommended product sheets, and design guidelines for new construction and existing buildings. The full report can be viewed at

http://ucanr.org/sites/ucehs/Workgroups/Ergonomics/Projects_112/.

With funding from Risk Services, campus ergonomists have begun pilot testing some of the recommended solutions – from hands-free cleaning systems to laundry lifting systems – all designed to reduce or eliminate injuries caused by exposure to repetitive motion.

ENVIRONMENTAL DUE DILIGENCE PROGRAM

Risk Services manages a centralized environmental due diligence program to manage potentially significant hazardous materials-related risks and liabilities associated with all systemwide real estate transactions, including gifts of real estate. The program imparts environmental liability factors into property-related financial management decisions and negotiations as an integral part of UCOP's legal and real estate services team and conforms to all applicable national (American Society for Testing and Materials) standards and Federal EPA regulations.

In FY 2011-2012, Risk Services oversaw environmental due diligence on more than 32 different systemwide real estate transactions/projects including acquisitions, sales, gifts and bequests, campus development projects, land transfers/swaps, and faculty residential foreclosures for a wide range of clients including campuses, medical centers, foundations, Regents endowments, the division of Agriculture & Natural Resources, and the Natural Reserve System. All of the technical environmental site investigations were conducted at no charge to clients, resulting in significant systemwide cost savings from avoiding outside consulting costs. More information on the environmental due diligence program can be found at: <http://www.ucop.edu/risk-services/loss-prevention-control/environmental-due-diligence-program/index.html>

CAMPUS SAFETY AND SECURITY

The University of California makes every effort to provide safe campus environments for all the members of the University community, including students, faculty, staff, and visitors. Every UC campus has a police department staffed by sworn peace officers with full law enforcement authority, as well as an array of counseling, education, and safety programs. Police officers handle all criminal offenses. Judicial officers handle matters concerning student conduct and campus violations. Campus judicial officers use both discipline and counseling to address abusive behavior and solve problems.

UC campuses conduct safety training as part of new student orientation and offer similar sessions for continuing students. They maintain professionally staffed health and counseling centers that help students be proactive to protect themselves as well as dealing with emergencies. Campus residence hall staff are trained to assist students in dispute resolution, safe practices, and crisis management. Residence halls are protected by automated lock and entrance control technologies.

Safety lighting, physical maintenance, and security escort services are designed to discourage or prevent criminal behavior on campus. Campus grounds are equipped with emergency alarm systems for summoning rapid help if needed. This combination of staffing and organizational and physical infrastructure is intended to

help young adults learn to take responsibility for their own safety in a context of accurate knowledge of risks and resources.

Each UC campus police department has responsibility for gathering statistics, identifying reportable crimes, and reporting and publishing statistics to Department of Education, the FBI and the public. Statistics are reported in different formats and categories depending upon legal requirements. For example, FBI reports include different crimes from those reported under the Clery Act, while the Clery Act requires statistics be reported from a wider geographic area than the FBI (for example, crimes that occur on adjacent public property or student organization properties), and also requires reports of student disciplinary referrals and of arrests for drug, alcohol, and weapons offenses. Further, the Clery Act mandates the collection of information regarding incidents from non-law enforcement “campus security authorities” having “significant responsibility for students or campus activities,” while FBI statistics include only crimes reported to the police.

EMERGENCY NOTIFICATION SYSTEM

The ability to notify students and staff quickly when a campus emergency occurs is crucial to ensure the safety and security of the entire campus community. Federal law now requires that campuses must issue timely warnings upon confirmation of a significant emergency or dangerous situation involving an immediate threat to health or safety. Each UC campus has developed and implemented various layered and redundant methods to issue campus alerts and warnings through email blasts, text messages, social media, etc. During FY 2011-2012, Risk Services partnered with UCOP Procurement Services to sign contracts with several systemwide emergency notification system vendors that will help provide consistency and reliability in the emergency notification process, while also reducing costs.

UC RESILIENT – MISSION CONTINUITY PLANNING

Over the past year, Risk Services has developed a streamlined and simplified mission continuity tool to help prepare for the resumption of critical functions as quickly as possible after any disruptive event. UC Resilient is a new offering within the UC Ready suite of tools. Like its parent tool UC Ready, it seeks to achieve event readiness by engaging all department-level units in mission continuity planning in anticipation of:

- All-encompassing events (e.g., earthquake, pandemic illness)
- Localized events (e.g., building fire, basement flood)
- Personal events (e.g., failure of a hard drive)

Both UC Ready and UC Resilient are designed for use by campus departments. While the broad-based UC Ready tool can be used by all types of departments, this new UC Resilient tool is designed specifically for use by front-line teaching and research units. UC Resilient helps align the unit level plans (academic departments, organized research units, or even individual Principal Investigators) with the systemwide preparedness efforts. This allows for rapid resumption of UC’s mission following a crisis.

Utilizing the power of ERMIS, UC Resilient uses the UC Forms technology to facilitate a user-friendly data collection process. (See Appendix: My Managed Risk Portal on page 49 for more information about UC Forms.) UC Resilient provides the user with multiple screens providing help and hints along the way and is interactive, presenting the appropriate next question to the user based on their previous choices in the form.

Risk Services will also leverage ERMIS to create interactive reports based on the data submitted in the various continuity plans across the campuses. These reports will be completed in early 2013 and will allow authorized users to easily retrieve information such as the key personnel at each campus, a list of critical buildings for each unit, critical risk factors affecting each unit, and the list of action items required to mitigate these factors. In addition, the reports will also list key documents and records by each participating department along with related plans in the UC Ready system (see Crisis & Consequence Management – Highlights on page 45) and will provide links to such documents for easy access. These reports can be run monthly and will provide up-to-date information to the campuses to assist them in making informed, data-driven decisions.

RMF STRATEGIES – CONTROLLED RISK INSURANCE COMPANY, LTD

The Professional Medical and Hospital Liability Program continues its partnership with RMF Strategies, a subsidiary of the Risk Management Foundation of the Harvard Medical Institutions and part of the Harvard Controlled Risk Insurance Company (CRICO), to develop improved coding of claims to identify loss prevention issues in claims and suits. Quarterly reports are provided to senior leaders identifying major areas of exposure. This information led to surgery loss prevention projects as a focus for FY 2011-2012.

More information about RMF Strategies is available at <http://www.rmfi.harvard.edu/About-CRICO>

EMMI SOLUTIONS – IMPROVING PATIENT CONSENT

Lack of informed consent and failure to appreciate known risks of procedures and treatment plans leads to patient dissatisfaction and is an underlying issue for many malpractice cases. Even if a physician has advised the patient of the risks, the patient may not fully understand. Often documentation of the informed consent is lacking. Healthcare organizations struggle with improving patient communication – the challenges include ensuring the communication is done at the right educational level and uses terms the patient understands. Additionally, there is the issue of ensuring clear communication so that risks and benefits are explained to and understood by the patient and the patient’s family. The University of California has incurred liability and defense costs of \$5,184,745 from 2006 through 2012 in cases in which informed consent has been identified as a primary loss prevention issue. In addition to these costs, the University has suffered indirect expenses relating to these cases.

Research has shown that consent forms are deeply flawed, inconsistent, and do not improve patient understanding or safety. A February 7, 2007, Joint Commission white paper entitled “*What Did the Doctor Say?: Improving Health Literacy to Protect Patient Safety*”⁵ found that 44% of patients who signed an informed consent form did not know the exact nature of the operation to be performed, and 60% to 70% did not read or understand the information in the form. More critically from the health care provider’s perspective, flawed consent forms do not protect hospitals or doctors from malpractice suits.

Emmi Solutions provide an online system that helps patients and their families understand their diagnosis and treatment plans and options. Emmi programs support clinical conversations with reliable, repeatable, actionable information. Their program uses interactive media to engage patients. The interactive programs (delivered over the web and to mobile devices) help organizations overcome health literacy and retention challenges throughout the entire continuum of care. The Emmi programs help patients make sense of complex medical

⁵ http://www.jointcommission.org/assets/1/18/improving_health_literacy.pdf

information and manage their expectations around diagnostic and surgical procedures, chronic health conditions, the hospital experience, and more. Emmi provides access to this engagement tool outside the four walls of the hospital and across the continuum of care. In addition, the programs are self-documenting to allow tracking of patients' experience for reporting and legal defense purposes. More information about Emmi is available at their website: <http://www.emmisolutions.com/>

A code is issued for the patient to access an interactive program which is delivered over the web and to mobile devices. The codes issued are access codes given to patients by their physician (or their staff) so that the patient can access information specific to their procedure. The number of codes reflects the number of patients who have been given the opportunity to use the system (but not necessarily the number who have actually used it).

We have issued over 22,000 codes to UC patients. Momentum is building – we have increased the number of codes issued by 48% since June and expect the adoption to continue to accelerate. Top programs include Anesthesia; Colonoscopy; Upper GI Endoscopy; and Patient Satisfaction: Hospital Visit Expectations, which has been shown to impact ratings on the Hospital Consumer Assessment of Health Care Providers and Systems Survey (HCAHCPS; see Table 6. Key Performance Indicators Included in Campus Risk Report on page 21). Currently UC Davis leads in codes issued, followed by UCSD and UCSF.

A systemwide license has been purchased and implementation is in progress at UC Davis, UC Irvine, UCLA, UCLA Santa Monica, UCSD, UCSF and UCSF-Fresno.

Emmi is also a component of the accountable care organization (ACO) at UCSF. An ACO is a healthcare organization characterized by a payment and care delivery model that seeks to tie provider reimbursements to quality metrics and reductions in the total cost of care for an assigned population of patients. According to the Centers for Medicare and Medicaid Services, an ACO is "an organization of health care providers that agrees to be accountable for the quality, cost, and overall care of Medicare beneficiaries who are enrolled in the traditional fee-for-service program who are assigned to it." A group of coordinated health care providers forms an ACO, which then provides care to a group of patients. The ACO may use a range of payment models (capitation, fee-for-service with asymmetric or symmetric shared savings, etc.). The ACO is accountable to the patients and the third-party payer for the quality, appropriateness and efficiency of the health care provided.

LEGALBILL

Risk Services has retained Legalbill, a legal spend management solution, to monitor, measure, and manage its legal spend. The Legalbill Compliance Solution ensures that all outside counsel invoices adhere to Risk Services Billing Guidelines. Non-compliant invoices are reduced appropriately, resulting in immediate cost savings to Risk Services. The Legalbill Business Intelligence Solution combines outside counsel invoice information with claims and matter management data and provides custom reports/analysis for Risk Services. Risk Services management and OGC monitors have developed custom total-cost-of-case reports by campus, outside counsel, and matter type. These reports help determine the most efficient outside counsel on the basis of their quality of representation, responsiveness, and cost-effectiveness, resulting in long-term savings to Risk Services. During FY 2011-2012, UC realized a net savings of \$1,137,046.78 (4.54% of the Office of the President's annual defense costs) in defense costs for all Risk Services lines.

RISK TREATMENT – RESULTS

The results of Risk Services' ongoing efforts to mitigate and manage the University's risk continue to be positive.

WORKERS' COMPENSATION

In covering over 180,000 employees and their worldwide activities, our workers' compensation program represents our greatest liability. In order to effectively manage this liability our efforts continue to focus on loss prevention and mitigation. Through local loss prevention programs funded via the Be Smart About Safety program and systemwide mitigation initiatives deployed from the Office of Risk Services, we continue to reduce the overall cost of risk and produce cost savings for the University. Our results show that annual new losses have decreased from 7,097 in FY 2005-2006 to 5,297 in FY 2011-2012. Furthermore, the systemwide accrual rate decreased from \$1.51 per \$100 payroll in FY 2005-2006 to \$1.05 per \$100 payroll for FY 2011-2012. Comparison of these two time periods also shows that our annual required funding amount remains more than \$23 million lower.

More information is available on the Working Smarter website:

<http://workingsmarter.universityofcalifornia.edu/files/2011/05/Risk-Services-WHYDFML-WC-highlight.pdf>

EMPLOYMENT PRACTICES IMPROVEMENT COMMITTEE

Risk Services, in collaboration with the Office of General Counsel (OGC), manages the Employment Practices Improvement Committee (EPIC). EPIC is a systemwide committee made up of professionals in risk, human resources, legal, and compliance and audit, whose mission is to reduce the number of employment practices claims and improve the working experience for university faculty and staff.

This committee takes a targeted approach to training by reviewing employment practices claims and complaints to analyze loss data, comparing departments and locations which had the most frequent loss experience and analyzing the data for trends. Upon discovering a trend, EPIC works with the campus or systemwide departments, as appropriate, to provide training programs to university managers, supervisors and employees. Most notably in this area, EPIC has provided a series of webinars beneficial to managers and supervisors, available from the Risk Services website: http://www.ucop.edu/risk-services/loss-prevention-control/groups-committees/EPIC_content/training-education-seminars.html. Nine webinars were delivered during FY 2011-2012 (see Webinars presented by Risk Services in 2011-2012 on page 10).

In addition, Risk Services has engaged an employment liability specialist from our actuary to provide direct support to campus departments and assist with reducing workplace conflict, which is often the source of employment practices claims.

The specialist, a former practicing employment practices attorney, assists the campuses and medical centers in reducing the incidence of EPL claims by introducing a change management model that deals with work-related problems and disputes proactively. He emphasizes the need to act if there is a complaint and the ability to change the organization's culture so that claim likelihood is reduced. He specializes in identifying "wedges" in the workplace and helps departments eliminate them.

EMPLOYMENT PRACTICES LIABILITY RESULTS

The total number of EPL claims reported to the third party administrator (TPA) in FY 2010-2011 decreased by 29% and by 21% in FY 2011-2012 when compared to FY 2009-2010 (information from University of California Third Party administrator's Employment Practices Stewardship Report FY 2011-2012). The system is continuing to experience a downward trend in the number of Employment Practices Claims.

UC WORKSTRONG OCCUPATIONAL WELLNESS PROGRAM

Recognizing the value of a systematic, customizable approach to overall health, Risk Services introduced the UC WorkStrong program, an occupational wellness initiative designed to promote recovery and prevent future workplace injuries. The program was developed with the expertise and collaborative support of UC staff in wellness programs, occupational health and recreational sports.

A similar program was piloted at UC San Francisco where employees were offered a post-rehabilitation fitness program overseen by the campus' trained fitness staff. Seventy-three employees participated in the program and after following them for four years after they completed the program, only one employee was injured again during that time.

After extensive analysis of our claims history Risk Services determined that we would identify every employee that files a second work related injury claim in a rolling 24 month period as a potential candidate for the wellness program. Every day our Third Party Administrator (TPA) sends a list of any such potential candidates to the Occupational Medical partner responsible for that employee's location. The physician then decides if the employee is physically able to participate in the program as a part of their treatment plan. If so, the employee is referred to the location's WorkStrong teams.

The first WorkStrong referral was made on December 2, 2011 and the first participant started on January 17, 2012 at the UC Davis Medical Center. The systemwide goal is to have 500 additional graduates by July of 2013.

Of the 38 WorkStrong graduates, only two have filed a subsequent workers' comp claim post-graduation. The feedback from WorkStrong program graduates has been extremely positive:

- "Who knew a miracle teacher named Gabi would come into my life and help me to be without the pain. It's a real miracle."
- "I was kind of clueless about eating right and nutrition prior to doing WorkStrong. My Personal Trainer really gave me the basics and then some."
- "I am the most fortunate person in the world to have this program come along when I needed it so much."
- "I feel like I count now."
- "WorkStrong has helped me both mentally and physically by offering me the tools to live a healthier life without taking away the things I love about life."
- "I can't thank the WorkStrong program enough for the gift they have given me. This is truly a wonderful program!"

- “I feel that after just 2 sessions with Brooke, one of our dieticians, that I have already made great changes... like walking to work every day a mile each way, and reading nutrition labels. Just by reading labels I have changed my usual lunch from over 1200 calories, down to 400. I just didn’t know before, and I am so grateful for the education I am receiving through WorkStrong.”

TABLE 8. WORKSTRONG REFERRALS BY LOCATION

Location	Referrals	Participants	Graduates
UCB	159	17	2
UCD	127	29	7
UCI	66	19	1
UCLA/UCLAMC/SM/NPI	431	31	5
UCR	61	13	0
UCSD/UCSDMC	271	14	10
UCSF/UCSFMC	184	0	0
UCSB	52	5	0
UCDMC	93	25	13
Total*	1,444	153	38

*Remaining locations (LBL, UCOP, UCM, UCSC, UCSF’s Langley Porter Psychiatric Hospital, and UCIMC) are still in the process of setting up UC WorkStrong

For the last 7 years we have consistently reduced our new claims through the effective use of the Be Smart About Safety program. Implementing WorkStrong allows us to take injury prevention to a new level while also helping to improve the overall health and wellbeing of our participants.

In the upcoming year we intend to continue communication of our program in collaboration with our occupational health physicians, our wellness staff, and our recreational sports staff.

THE SMOKE- AND TOBACCO-FREE POLICY

In January 2012 President Yudof announced that the University of California, as a national leader in healthcare and environmental practices, would demonstrate the leadership to reduce tobacco use and exposure to secondhand smoke by following the lead of our Medical Centers and our San Francisco campus to create a smoke- and tobacco-free environment on all of our campuses. At that time, the President asked each Chancellor to form a committee on their campus charged with the task of implementing this important policy by January 2014. The Office of the President, Office of Risk Services has been charged with overseeing and assisting systemwide efforts.

Since the President’s announcement of the smoke- and tobacco-free policy, all campuses have established committees that have begun the process of local implementation. The first smoke- and tobacco-free policy systemwide meeting was hosted by Risk Services in October 2012. This meeting was attended by representatives from each campus and medical center. The systemwide meeting provided the attendees with policy clarification and an opportunity to openly discuss implementation issues, share best practices, and develop solutions to current and anticipated future challenges. Systemwide branding of the policy will be produced for each location to use at their discretion.

We are pleased to announce that the Los Angeles campus will be a tobacco-free campus as of April 22, 2013, as announced by Chancellor Gene D. Block on October 30, 2012. UCLA's tobacco-free policy is effective for all property owned and leased by the campus. Los Angeles joins San Francisco as our second campus and seventh location to implement the tobacco-free policy ahead of the January 2014 timeline.

The Office of Risk Services will continue to provide support and clarification to the campuses as we move towards full implementation by January 2014.

UC CARE

UC's combined health plans have averaged 10.9% annual increases over the last 13 years. Even with the arrival of the Affordable Care Act in 2014, medical inflation is expected to continue to rise at 9-12% a year. In order to not become a passive victim of the marketplace, UC has been actively studying self-insurance and risk management concepts to reduce our healthcare costs. The result of our work is a self-funded three-tier point-of-service product called UC CARE.

UC CARE will be self-insured, which will result in lower fixed administration costs and more control. Its pricing will be affordable, similar to that of the current Health Net Blue and Gold option. Structured to take advantage of UC's Centers of Excellence, it will bring the very best medical science US has to offer to UC's own employees. For example, the Athena Breast Health Network is a collaboration between the five UC Medical Centers, the Institute for Health Policy Studies at UC San Francisco, and the School of Public Health at UC Berkeley. The project's goal is to follow patients from screening, to diagnosis, to treatment and ultimately survivorship, and to provide innovative and individualized treatment across the board.

The plan will be UC-centric, providing a higher level of benefits for employees who receive care at UC facilities and Centers of Excellence. Plan design will encourage prevention and wellness, leveraging existing wellness efforts and adding new options in a focus on identifying health risks and leading behavior change in patients.

The UC Care model provides the framework to deliver a higher level of value to our employees and allows UC to have more control in proactively managing our healthcare costs.

VEHICLE AND DRIVER SAFETY

Employees who drive commercial vehicles have been required to be enrolled in the DMV Employer Pull Notice program since its inception in 1982. Under the DMV Pull Notice program, employers receive motor vehicle record reports regarding any activity on an enrolled employee's driving record (e.g., DUI, speeding tickets, etc.). As allowed by the DMV and UC BUS-46, campuses are allowed to enroll employees who drive UC-owned vehicles. Currently, UC has approximately 11,000 employees enrolled in the DMV Pull Notice program.

As part of the effort to improve the efficiency of managing the DMV Pull Notice Program, in 2012 the University engaged the services of SAMBA Holdings. SAMBA's automated employer pull notice service provides online pull notices, driver list access, summary reports, audit archiving and summary risk reports, which helps to reduce the internal administrative costs while providing customized reporting at the campus level. By using SAMBA, UC is now able to automate the Pull Notice system and receive daily reports regarding drivers who have had negative activity on their driving record and take action immediately to prevent a non-approved employee from driving on University business.

Additionally, the Driver and Vehicle Safety Workgroup, a subgroup of the Risk Management Leadership Committee, has been developing guidelines for Vehicle Collision Review Committees that will allow the campuses to monitor the frequency of collisions and trends and to assist in the development of programs to promote safety, mitigate risk, and reduce liability for the University.

As many campuses are using various driver safety training courses, Risk Services has been working with the systemwide Driver Safety Workgroup to identify a single course that will meet the needs of all of the campuses. An agreed upon driver safety training vendor has been identified and Risk Services is exploring a systemwide agreement for Online Driver Training that will be incorporated in the Learning Management System⁶. In addition to behind-the-wheel and classroom training, an online course will enable the campuses to extend driver training to a wider audience of drivers in support of their existing driver training efforts.

SAFETY IN DESIGN AND CONSTRUCTION

A strong physical plant safety and risk management program goes beyond code and regulations. By incorporating best practices into the design and construction process upfront the total cost of ownership can be reduced. Total costs of ownership include maintenance, safety retrofitting and the cost of injuries. Risk Services has engaged Capital Resources and representatives from EHS disciplines such as Ergonomics, Laboratory Safety, and Shop Safety for the purpose of creating a review process to ensure that UC's construction not only complies with code but includes practical features that minimize potential injury to staff, students, and visitors. As part of the UCPath Riverside office planning, ergonomics input was provided on aspects of workstation design in both cubicle and private offices, public spaces, and common areas with an end goal of providing a comfortable, ergonomically correct environment at a direct cost savings.

SURGICOUNT

Failure to maintain an accurate sponge count resulting in retained sponges is a common medical error that can cause patient harm, adverse publicity, and time and expense in litigation and with licensing body investigations and penalties. Despite national standards for sponge-counting the task is error prone for multiple reasons. Use of a data-matrix-coded system technology such as the SurgiCount Safety Sponge System (<http://www.surgicountmedical.com/>) or RFID technology such as ClearCount (<http://clearcount.com/>) has helped UCSF avoid retained sponge cases since 2007. As part of the effort to reduce the incidence of retained sponges during operative procedures, the Professional Medical and Hospital Liability Program offers the medical centers with premium rebate credit for deployment of technical solutions such as SurgiCount to support the sponge count process. To date UCSD, UCI, UCSF and UCLA are using either SurgiCount or ClearCount.

PRESCRIPTION REBATE PROGRAM

The Professional Medical and Hospital Liability Program offers grant funds and premium rebates to the University's medical centers and schools of medicine to support loss prevention activities. Each location has the ability to request funds for loss prevention projects. Additional premium rebate funds are targeted to specific system goals. To improve the rebate program, a partnership with Health Sciences and Services has been formed and a revised process is being developed with the input of the Schools of Medicine and Medical Center leadership.

⁶ <http://www.ucop.edu/lms/index.html>

CHILDREN ON CAMPUS

The University operates a number of programs that involve youth on our campuses and other facilities. This includes on-campus daycare centers and 4-H programs, as well as young prodigies assisting researchers in our labs. Working with minor children presents a unique risk for the University.

In January of 2012, the Office of Risk Services purchased a Sexual Abuse and Molestation Liability Insurance Policy to protect the University from lawsuits that arise out issues similar to what took place at Penn State this last year. The Office of Risk Services has also procured the services of an abuse risk management company which will assist the campuses with implementing loss control measures for working with minor youth. During the first six months of 2012, Risk Services personnel traveled to each campuses with the abuse risk management consultant and participated in over 12 presentations giving an overview of how to make University environments safer for minor children. During the current and upcoming fiscal years, the plan is to provide focused instruction and training to specific groups on campuses like Athletics, Recreational Sports, tutoring programs and others.

CAMPUS CAMPS AND VOLUNTEERS

As the administrator for 4-H programs in California, the University's Division of Agriculture and Natural Resources (ANR) has developed a robust program to ensure child safety. These best practices include precautions such as background checks for all volunteers who work with minors and establishing procedures so that no adult ever works one-on-one with individual children. Building upon the success of the ANR program, the systemwide Risk Management Leadership Council formed a committee that reviewed best practices in 4-H and other camps around the system. The committee also conducted a survey on each campus measuring its compliance with best practices for camps. The committee developed a set of recommendations that have been reviewed by an abuse risk management expert and will be distributed to the campuses during the current fiscal year in time for the summer camp season.

PERSONAL PROTECTIVE EQUIPMENT POLICY

Personal Protective Equipment (PPE) is required whenever an employee is exposed to chemical or biological hazards. UC's PPE policy, a draft of which is currently under review by stakeholders including the Academic Senate, goes beyond regulatory requirements by broadening the scope to include students in an academic laboratory, shop, or field setting and specifies training requirements. The policy is expected to be implemented during the 2012-2013 fiscal year.

MINORS IN LABS POLICY

Minors working in research laboratories present a unique exposure to the University both in terms of the type of research being conducted and ensuring that parents understand the potential risks of their child working in a laboratory. The Environment, Health and Safety Directors Leadership Council has drafted a systemwide policy on minors working in laboratories to help ensure the safety of these students and bring consistency throughout the system. The policy establishes restrictions on the type of research a minor may be involved in and requires parent permission for their minor child to participate. Additionally, the policy requires that those supervising the minor in the laboratory complete a background check. The policy has been approved by the UCOP Policy Advisory Committee and is expected to be approved for implementation by January 1, 2013.

FOREIGN OPERATIONS AND TRAVEL PROGRAM

The University of California's mission takes faculty, staff and students all over the world, introducing a variety of travel risks subject to constant change. Risk Services manages a significant network of programs which provide services to our faculty, staff and students who travel internationally to teach, perform research, and set up operations in foreign countries. Risk Services developed a web portal, UC TRIPS, to capture travel information that would enable the University to procure better coverage to protect the health, safety and security of faculty, students and staff while traveling on University business. The portal and programs service travelers in the following manner:

- **Foreign Operations and Researchers** – The University provides a web-based Field Operations Planner. This web planning tool will help the researcher address possible risks specifically associated with field research and foreign operations. This tool was developed to assist in the creation of a customized field/foreign operations plan, which the researcher can carry on a laptop or PDA or can print as a paper version. It gives the opportunity for the researcher to review and address risks prior to departure.
- **UC Education Abroad Program (UCEAP)** – Experience has shown that for a number of reasons, including the transient nature of the traveling undergraduate, students are resistant to registering their travel plans. To address this, working with UCEAP and our travel vendors we upload UCEAP participants into the travel database by academic term, so that they can receive the real-time alerts and be tracked in the event of an emergency. We also provide security assessments for the locations to which they travel. This past year, we had comprehensive security assessments done for UCEAP locations in Kenya, Cairo and Israel.
- **Faculty, Staff, and Non-UCEAP students** – When a traveler arranges a trip through Connexus, or books travel on their own and registers that travel through UC TRIPS, they immediately have the ability to receive real-time alerts on conditions impacting their travel (for example, health, security, weather, natural disasters, airport closures, civil unrest etc). It also allows UCOP and their local campus to know where they are when problems arise and improves the ability to maintain contact with the traveler.

FOREIGN OPERATIONS AND TRAVEL PROGRAM – HIGHLIGHTS AND RESULTS

OPRS has built an elaborate network of Travel Insurance and Security Services that are provided to students (including Education Abroad Program participants and non-participants), staff and faculty. Program registration through UC TRIPS enables UC Risk Services and the Education Abroad Program (EAP) to track the traveler and send “real time” alerts when issues surface affecting health, safety and security. The program is integrated with the University's ERM program offering tools that can perform location-specific risk assessments. The program includes expanded travel assistance resources — in particular, medical evaluation and security extraction which can deploy emergency response services throughout the world at a moment's notice.

Past fiscal years have been eventful for the travel program. During FY 2010-2011, the University's travel program oversaw evacuation of students from Haiti; evacuations of students, staff, and faculty from Cairo, Egypt; and evacuation of students from the Japan after the earthquake and tsunami.

The current fiscal year has been relatively quiet, with only one significant occurrence during FY 2011-2012. In November 2011, Thailand experienced severe flooding during the monsoon season. It displaced several students who had to be temporarily housed until the program declared that they should return to the U.S. The University

responded to locate, monitor, and ultimately provide for the safe return home of 21 students who had been studying abroad in Thailand.

Risk Services promotes the travel program and provides related resources and education for the University community. Knowledge of the travel program and the resources it provides continues to spread. Understanding is increasing among faculty, staff, and students that if they register their trips they receive coverage and real-time alerts. The table below indicates the number of trips taken last year and the many countries and continents visited by University faculty, staff and students.

TABLE 9. UNIVERSITY TRAVEL DESTINATIONS

Country/Region	Total Travelers
Africa	793
Antarctica	12
Asia	2,861
Australia / Pacific	391
Latin America / Caribbean	218
Europe	4,100
North America	894
South America	695
Afghanistan	10
Iran	11
Iraq	0
Total Trips	9,985

FOREIGN OPERATIONS AND TRAVEL PROGRAM – ENHANCEMENTS

During FY 2011-2012, the foreign operations program rolled out travel risk assessment tools and predictive intelligence which enable our travelers to take full advantage of the many pre-travel tools available to them. The goal is for the traveler to be more proactive and less reactive when planning travel.

RISK FINANCING

The directors and program managers in Risk Services work diligently to implement risk financing strategies that will help reduce the number of claims and/or mitigate the losses when they occur.

The service providers for all categories (auto, employment practices, general liability, professional medical hospital liability and worker’s compensation) are our third party administrators, who are listed below with their functions:

TABLE 10. THIRD PARTY ADMINISTRATORS BY FUNCTION

Function	Service Provider
Independent Auditor	PricewaterhouseCoopers LLP
Independent Actuary	Bickmore Risk Services
Captive Manager	Willis Management (Vermont), Ltd.

Claims Administrator	Sedgwick CMS
Reinsurance Brokers	Marsh, Alliant, and Aon
Legal Counsel	McDermott Will & Emery LLP

CAPTIVE INSURANCE

In late 2010, the Office of Risk Services within the CFO Division of the University of California’s Office of the President initiated a feasibility study for the creation of an alternative risk financing entity, such as a captive insurance company. The purpose of such an alternative risk financing entity would be to reduce UC’s cost of traditional insurance, while giving it greater control over the various risks for which it is responsible. Many large public and private entities have successfully used captives to achieve significant cost savings and to offer improved risk and insurance-related services. The Risk Services Department engaged UC’s actuarial and risk consulting firm, Bickmore Risk Services, to conduct the study.

The study determined that of the alternative risk mechanisms evaluated, a captive insurance company, formed and controlled by UC, offers the most comprehensive solution to enhancing UC’s current program.

REGENTAL APPROVAL OF CAPTIVE

At their meeting of May 16, 2012, The Regents approved the formation of the new Fiat Lux Risk and Insurance Company.

CAPTIVE BENEFITS

Some benefits that UC will enjoy by utilizing a captive insurance company include:

- Because it is a self insurance vehicle, the captive is not subject to the wide swings of commercial insurance pricing, therefore use of a captive improves cost stability and predictability.
- Non-traditional (e.g., earthquake) and difficult to place risks (construction surety bonds) may be accommodated in a captive.
- Captive insurance companies are held to rigorous external accounting and auditing standards, which compel formalized risk financing policy and practice.
- Because it is considered a formal “insurance company”, a captive insurance company can directly access the reinsurance markets. This increases the number of insurance companies available to compete for UC business.
- A captive will be allowed to provide insurance to non-UC organizations (third parties such as affiliated physicians or joint ventures).
- Because the captive controls and issues the captive insurance policy (or “policy of indemnification”), it is able to structure terms and conditions. Instead of issuing their own policies, reinsurers will be asked to accept the terms and conditions of the captive company. This is known as “following form”. One advantage of this arrangement is that terms and conditions can be structured to enable the parent to control claims all the way up to the ultimate limit. This eliminates control of claims by insurers and

provides UC final decision-making authority over if and when to settle, regardless of the amount of the claim.

USE OF CAPTIVES BY OTHER UNIVERSITIES

Captives are commonly used by both public and private Universities, particularly Universities that operate teaching hospitals. Most Universities create captives to accommodate their hospital and physician professional liability and subsequently expand their captives to accept other lines of coverage. Captives routinely house professional liability for several reasons:

- This line of coverage is expensive and subject to wide swings in the commercial insurance markets.
- Professional liability has a “long tail”. Because claims payouts are slow, there is a potential to earn investment income on retained funds.
- Captives provide preferred access to international reinsurance markets, which improves terms and capacity.
- Some Universities that utilize a captive as part of their risk financing program are Cornell University (captive established 1978); Rutgers (captive established 1979), University of Michigan (captive established 1986); Duke University (captive established 1989); Northwestern University (captive established 1990); and Penn State University (captive established 1993).

RISK FINANCING – HIGHLIGHTS

UC generates one of the largest volumes of construction in the State of California and faces a myriad of risks relating to construction operations and defects, which vary with the size and type of construction project.

The University Controlled Insurance Program (UCIP) provides general liability and workers’ compensation for all projects with construction contract budgets of over \$25 million. The program has been in place since January 2010. In addition to savings that can range from 1 to 3 percent of construction costs, benefits also include higher limits and broader coverage that is uniform and consistent, enhanced and coordinated safety for all contractors, and potentially reduced litigation and cross-complaint expenses.

The actual savings and impact of the entire program is evaluated annually as projects close out. As of June 30th, 2012, 13 projects with a combined construction value of just under \$1 billion have been enrolled in the program; most projects are active, with only two projects in the close-out process. We expect a few additional projects to close out in the coming fiscal year. We also anticipate the enrollment of additional projects into the program as bidding and construction phases begin.

As of June 30th, 2012, the value of the work currently in place is approximately \$296 million out of the nearly \$1 billion in construction value enrolled into the program. The difference of around \$700 million represents the work that has yet to be performed and completed. Although the UCIP is in its third year, about 70% of the construction has not been performed and completed; the program has not matured to a level where a definitive analysis can be performed. A preliminary analysis of those projects over 50% complete reflects a combined savings between 1.08% and 1.48% of the value of the work in place. There is also potential for savings to

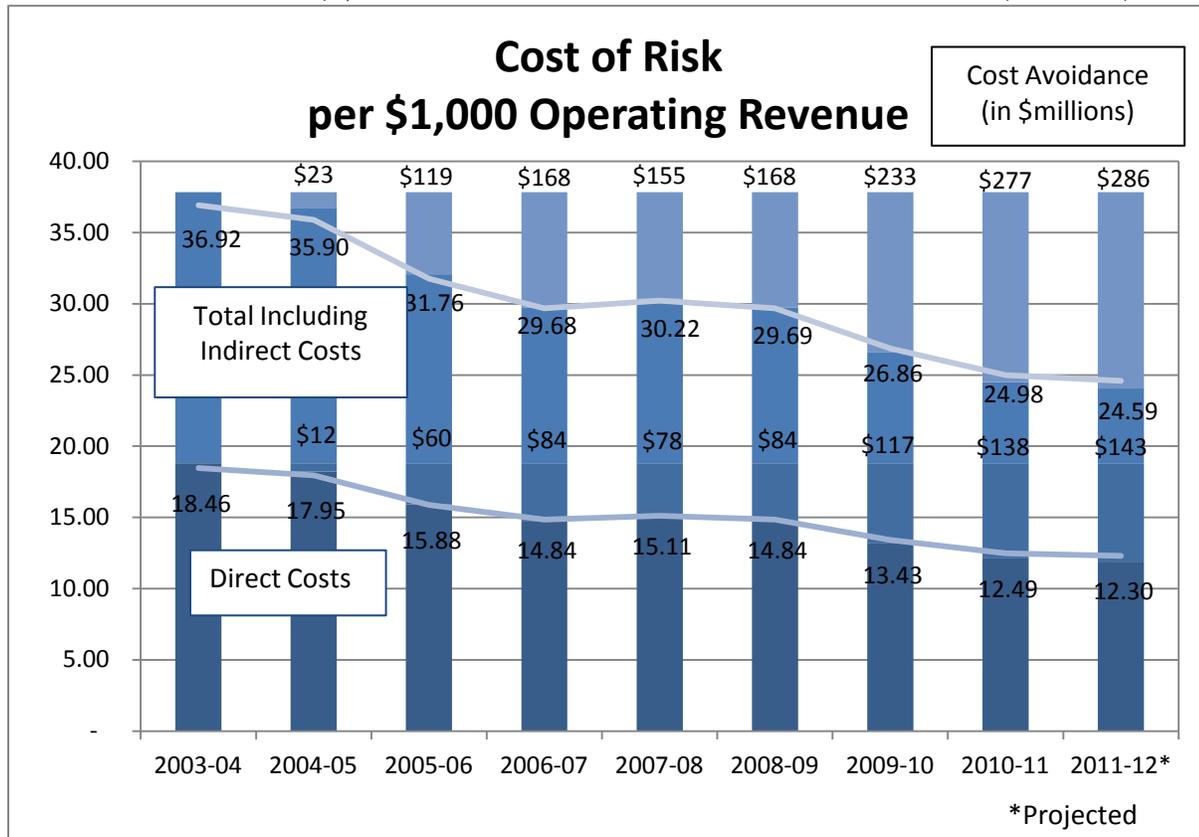
increase as contractors face a hardening insurance market, in particular, we are seeing workers' compensation insurance rates on the rise.

In addition to the projects enrolled in the UCIP, there is also the significant UCSF Mission Bay Hospital project, for which, due to the project's size and complexity, UCIP coverage was placed separately in a standalone program. Initial estimates expect this project to reach \$800 million in construction value, with the project's current work in place totaling \$240 million as of June 30th, 2012. The project is off to a positive start, with a workers' compensation loss rate of \$ 0.66 per worker hour; below \$1 is considered acceptable performance.

ONGOING SUCCESS IN REDUCING THE COST OF RISK

The total cost of risk for the University includes self-insured losses, premiums, claims administration, and loss control and loss prevention expenses. For the purposes of comparing by year, the total cost has also been stated as an amount per \$1,000 of systemwide operating budget.

FIGURE 2. COST OF RISK PER \$1,000 OPERATING REVENUE FOR FY 2011-12 REDUCED FROM \$18.46 TO \$12.30



As the graph above shows, Risk Services has continued to drive down the estimated total cost of risk over the last several years, from \$18.46 per \$1,000 operating budget in 2003-04 to \$12.49 in 2010-11. The 2010-2011 \$12.49 operating budget results outperformed the \$13.99 projection we made for 2010-11. The actuary's projection for 2011-2012 is for \$12.30 per \$1,000 operating budget.

We have also estimated the total cost of risk on an individual location basis. The following table provides this breakdown for the years 2003-04 through 2010-11. These figures are based on ultimate loss estimates (original projections for each year) as of June 30, 2010.

TABLE 11. TOTAL COST OF RISK BY LOCATION

Total Cost of Risk per \$1,000 Operating Budget								
Location	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
UC Berkeley	\$17.94	\$15.65	\$14.82	\$11.01	\$13.83	\$13.76	\$11.38	\$10.39
UC Davis	16.87	16.40	14.56	17.44	14.71	15.73	13.51	13.14
UC Irvine	16.96	16.02	17.76	14.02	12.29	12.41	11.92	10.33
UC Los Angeles	15.32	16.03	13.56	14.00	14.39	16.14	12.50	12.41
UC Merced	0.13	0.57	0.59	8.86	10.76	15.86	14.59	9.33
UC Riverside	18.27	16.15	16.12	16.14	19.70	19.15	15.61	12.36
UC San Diego	13.44	14.50	11.93	11.97	13.60	12.43	14.04	13.95
UC San Francisco	17.36	18.50	16.06	15.47	17.94	16.89	14.64	13.87
UC Santa Barbara	20.90	17.75	17.65	12.91	13.56	13.48	9.16	12.51
UC Santa Cruz	19.32	18.22	17.11	13.54	17.13	15.76	16.38	13.70
Office of the President	6.53	4.05	3.09	1.96	1.63	2.42	1.37	1.58
UC Davis Medical Center	26.87	25.51	21.86	15.27	16.42	14.84	15.57	12.25
UC Irvine Medical Center	28.04	26.98	29.47	23.92	19.13	15.70	23.94	14.50
UC Los Angeles Medical Center	26.89	26.27	22.10	22.91	21.20	19.74	15.74	12.77
UC San Diego Medical Center	25.68	24.59	20.18	21.98	20.47	15.83	18.14	19.05
UC San Francisco Medical Center	18.13	19.90	16.20	18.05	17.62	14.53	13.32	12.91
Grand Total	\$18.46	\$17.95	\$15.88	\$14.84	\$15.11	\$14.84	\$13.43	\$12.49

UC’s cost of risk is made up of a variety of components, with the largest being self-insured claims. Based on recent analyses it has been estimated that the amounts incurred for the cost of individual claims account for about 2/3 of the annual total. The remaining 1/3 of the cost of risk goes toward expenses for claims administration and loss control and loss prevention programs, as well as excess insurance premiums to cover the costs of individual claims above UC’s retention level.

UC has been successful in managing its risk by investing in claims administration and loss control and loss prevention programs. The Be Smart About Safety program in particular has impacted the loss experience, resulting in a reduction of the actuarial estimates of ultimate losses and therefore also in the total cost of risk.

CRISIS & CONSEQUENCE MANAGEMENT

Our Emergency Management staff continues to work proactively to create a disaster-resistant and disaster-resilient “event-ready” University with effective crisis and consequence management capabilities. We continue to make progress to prevent, mitigate, prepare for, respond to, and recover from any adverse event or disruption including natural disasters, technological hazards, human-caused disasters, or acts of terrorism. Our progressive approach will safeguard the University’s assets, including people, property, and research. We continue to develop systemwide programs engineered to support all locations for common hazard exposures and to leverage our considerable campus expertise and experience.

CRISIS & CONSEQUENCE MANAGEMENT – HIGHLIGHTS

Risk Services supported the development of a model Campus Management Response Plan (MRP) in order to provide a clear, consistent, and documented executive management process for response to events or issues that either rise to the level of a crisis or have the potential to become a crisis. The MRP defines a process for how campus senior executive management will engage, deliberate, and make strategic decisions in response to a full range of risks including major emergencies, interruptions to campus operations, and emerging issues that threaten the reputation or organizational, legal, or financial stability of the University. The MRP outlines a recommended organizational structure, team roles and responsibilities, activation and notification procedures, and concept of operations for senior campus leadership. It also clarifies coordination and communication between campus executive management and UCOP.

Risk Services also supported the development of a UCOP Crisis Communications Plan (CCP) in coordination with UCOP Strategic Communications. The purpose of the CCP is to document UCOP's process for effectively providing crisis communications support at the time of a crisis or potential crisis event or issue similar to those situations that trigger the activation of the Management Response Plans. The CCP establishes processes to manage consistent and effective communications across the broad spectrum of University stakeholders.

UCOP now has a functional Emergency Operations Center (EOC) and dual-use ground floor conference facility that enables us to effectively direct, control, and coordinate major systemwide and UCOP emergency response and recovery efforts and support operations. Following extensive training, UCOP held its first-ever functional disaster exercise in its EOC facility to vet its emergency plans and procedures and train executive management and response support team staff. In coordination with UCOP Financial Management, an emergency procurement card ("pro-card") purchasing system was implemented to enhance UCOP's ability to quickly repair/replace critical infrastructure or purchase whatever supplies and equipment needed to maintain or restore UCOP operations and facilities.

Following a multi-year planning and procurement process, Risk Services deployed a systemwide Mobile Satellite Radio system at all locations to support both emergency operations and interoperable communications in the event of conventional telecommunications systems failure. This new "failsafe" satellite-based system operates independently of any ground-based communications architectures and serves as the only functional systemwide inter-campus communications system. The system can be used to coordinate inter-campus mutual aid as well as University mutual aid coordination with statewide public safety agencies. It can also be deployed in the field at Incident Command Posts in direct support of campus emergency operations.

Risk Services continued to support the University's systemwide approaches to behavioral threat management. Campus Threat Management Teams are key factors in reducing and containing intimidating or threatening behavior by students, staff, and other members of the campus community. To assist the campuses in meeting this challenge, Risk Services completed state-of-the-art advanced training for evaluating the potential for violent behavior at all campus locations. More information about the training selected, WAVR-21, is available at <http://wavr21.com/>.

The University of California is regarded as the leader in academic continuity planning. Our UC Ready tool, launched in 2006, defined the genre. UC Ready is now being used by more than 80 universities and colleges in the United States, Canada, and Australia, including many of our peer institutions.

In response to the launch of UC Ready, faculty asked for a highly streamlined continuity tool focused on teaching and research. In response to this request, a new continuity planning tool, UC Resilient, was completed during FY 2011-2012. This new, easy-to-use web application fills that need and serves as a valuable adjunct to our mainstay UC Ready tool and shares its goal: to assist departments to continue our teaching, research, service, and patient care functions despite adverse events such as earthquakes, fires, pandemics, IT interruptions, acts of violence, or many others. See page 30 for more information about UC Resilient.

CRISIS & CONSEQUENCE MANAGEMENT – RESULTS

A wide variety of initiatives and projects were completed over the course of 2011/2012:

- Risk Services issued the Annual Emergency Management Status Report to senior University management. Risk Services collaborated with the campuses to develop a NFPA 1600 Standard benchmarking guide that defines specific quantifiable performance criteria for each of the NFPA's 70+ programmatic criteria, producing a performance management system that is more accurate, credible, objective, and consistent across all UC locations. Campus benchmarking data was automatically entered into ERMIS as a KPI dashboard indicator. The annual report is posted online at http://www.ucop.edu/risk-services/files/emergency/em_annual_rpt.pdf
- The UC Medical Center emergency managers successfully developed and facilitated the first-ever systemwide MOU for inter-hospital mutual aid. The MOU establishes principles and procedures for requesting and responding to mutual aid requests and reimbursement for providing medical staffing, pharmaceuticals, supplies and equipment, or assistance with emergency medical center evacuation including accepting patients for inter-facility transfer. The MOU augments local and regional disaster medical planning and agreements to respond to patient care demands that may quickly exceed the resources of any individual hospital/medical center.
- Following up on the 2005 Hazard Vulnerability Assessment (HVA), Risk Services issued the first systemwide Hazard Mitigation Progress Status Report that summarized both University-funded and externally (grant)-funded campus hazard mitigation projects and programs that have been implemented since 2005 to reduce the risk and/or severity of the University's top-ranked physical hazard risks based on the HVA systemwide analysis.
- Risk Services coordinated the planning, logistics, and presentation of two regional Disaster Cost Recovery workshops conducted by Cal Emergency Management Agency staff experts. Risk Services partnered with UCOP Capital Projects Institute, California State University (CSU), and Cal-EMA staff to provide this training to over 100 UC/CSU campus risk management, finance and administration, and emergency management staff. The one-day workshops trained campus staff on how to apply for and secure federal disaster funding assistance. Both Northern and Southern California training sessions were fully enrolled and received very high attendee evaluations.
- Risk Services coordinated closely with the State CaliforniaVolunteers agency (<http://www.californiavolunteers.org/>) on the planning and presentation of the first statewide College & University CERT (Campus Emergency Response Team) Symposium. The CERT Symposium supported campuses that already had or are planning to add staff/student volunteer CERT teams. This two-day

conference held in Southern California was attended by over 120 staff from 43 different campuses, and was fully funded (including all travel and lodging expenses) by CaliforniaVolunteers.

- The new UC Resilient continuity planning tool (see page 30) was developed in response to requests from faculty, who asked for a tool focused on teaching and research. This new web application will serve as a valuable adjunct to our mainstay UC Ready tool. As of July 1, 2012, over 1,340 UC Ready campus department continuity plans have been completed, with another 695 plans in progress. On a systemwide basis, 46% of the continuity plans have been completed, approximately in line with our original target of 50% set for this date. Risk Services coordinates this program across all UC locations, defining metrics, setting goals, and tracking performance. In addition, Risk Services continues to provide matching funds to all locations for staffing the continuity planning program.

CRISIS & CONSEQUENCE MANAGEMENT – ONGOING

In order to address current deficiencies and vulnerabilities, Risk Services will continue to work with the campuses to develop and implement a “failsafe” systemwide satellite radio communications system for use in the event of campus or regional conventional telecommunications failure or system overload.

In support of campus Behavioral Intervention Teams (Threat Assessment Teams), Risk Services provided systemwide WAVR-21 (Workplace Assessment Violence Risk) training to campus BIT team personnel; renewed our enterprise membership license to the National Behavioral Intervention Team Association (NaBITA), improving access to resources; and have formed a workgroup to develop BIT software tools.

In support of UCPD, Risk Services provides threat and security related assessments and resources in response to threats or threatening actions targeted at UC researchers and faculty.

Risk Services is coordinating with UCOP Budget & Capital Resources to sponsor Capital Programs Institute workshops/seminars on Disaster Cost Recovery/Claims Administration, a common weakness discovered through the annual NFPA 1600 benchmarking report (on a systemwide basis, the program elements under Finance and Administration, including Cost Recovery and Claims Administration, retained lower conformity with standard criteria relative to all other NFPA 1600 programs). These joint workshops with the California State University (CSU) system will enhance our collective systemwide knowledge and expertise in managing the federal and state disaster claims and cost recovery processes for the repair/replacement of damaged facilities.

As of July 1, 2012, 46% of UC Ready mission continuity plans had been completed.

TABLE 12. UC READY PLAN COUNT AS OF JULY 1, 2012

	Total Expected Plans (est.)	Plans Complete	Plans In Progress	Total Plans	Percent Engaged*	Percent Complete**
UC Berkeley	400	222	82	304	76%	56%
UC Davis	125	61	40	101	81%	49%
UC Davis Health System	100	81	25	106	106%	81%
UC Irvine	242	111	77	188	78%	46%
UC Merced	43	33	11	44	102%	77%
UC Riverside	145	78	32	110	76%	54%
UC San Diego	153	69	57	126	82%	45%

	Total Expected Plans (est.)	Plans Complete	Plans In Progress	Total Plans	Percent Engaged*	Percent Complete**
UC Santa Barbara	130	56	30	86	66%	43%
UC Santa Cruz	240	24	95	119	50%	10%
UCLA	283	141	46	187	66%	50%
UCLA Health System	465	20	105	125	27%	4%
UC San Francisco	400	320	54	374	94%	80%
UCOP	40	19	20	39	98%	48%
Agriculture & Natural Resources	50	11	15	26	52%	22%
LBNL	101	95	6	101	100%	94%
TOTALS	2917	1341	695	2036	70%	46%

CONCLUSION

The last several years have been a financially challenging time for the University. Even in the face of those challenges the University has made significant strides in reducing our risk exposure, thereby allowing the campuses to focus their limited dollars on our mission of teaching, research and service. ERM is intended to be a continuous improvement process and the Office of Risk Services, as part of the CFO Division, has integrated the Division Strategic Goals (<http://www.ucop.edu/finance-office/mission-goals/strategic-goals.html>) into our operations:

- Reexamine the Day-to-Day
- Showcase our Value-Add
- Engage with the Customer
- Develop our Staff
- Be Action-Oriented

Risk Services continues to reexamine the day-to-day operations, looking for innovative ways to reduce risk while improving operational efficiency. We continue to showcase the savings that are generated by implementing ERM and continually engage our customers to learn how we can better meet their needs. We not only focus on developing our staff, but encourage the professional development of those at the campuses and medical centers by providing the Risk Summit and monthly webinars. Finally, the tools and information provided by Risk Services allows campus and medical center leadership to be action oriented and to be able to quickly implement programs that will result in immediate impacts. The guiding principle in all of the work that Risk Services does is to support the University mission of teaching, research, and service.

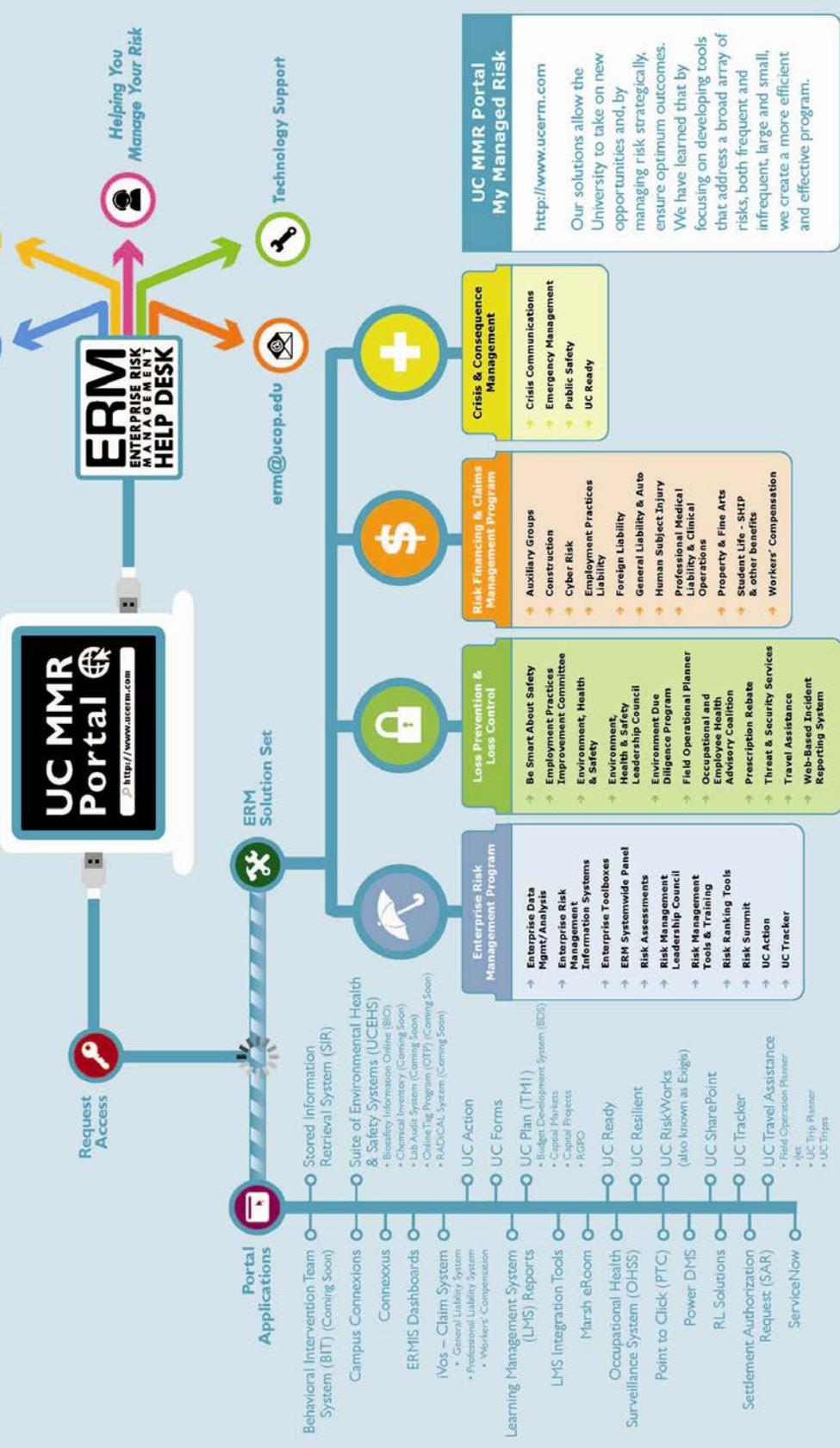
APPENDIX: MY MANAGED RISK PORTAL

UC MMR (My Managed Risk) Portal

www.ucop.edu/riskmgt

530-538-DESK

Helping You Manage Your Risk



UC MMR Portal My Managed Risk

<http://www.ucerm.com>

Our solutions allow the University to take on new opportunities and, by managing risk strategically, ensure optimum outcomes. We have learned that by focusing on developing tools that address a broad array of risks, both frequent and infrequent, large and small, we create a more efficient and effective program.

System	Description
Behavioral Intervention Team System (Coming Soon)	The BIT system is a tool for the campus Behavioral Intervention Teams. The system provides a central hub for information on campus incidents, pulling together necessary data from department specific systems.
Campus Connexions	Campus Connexions is a program that provides insurance coverage to faculty, staff, students, and supporting third parties (e.g., foundations, alumni associations, etc.) for events and activities held on campus.
Connexus	Connexus is the UC & CSU system wide travel program that combines discounts with a range of booking options, providing value, flexibility, and convenience for UC and CSU business travelers.
ERMIS Dashboards	ERMIS Dashboards provide and integrate reporting solutions to business users and executives from relevant administrative systems.
iVos – Claim System <ul style="list-style-type: none"> • General Liability System • Professional Liability System • Workers' Compensation 	iVOS is the UC primary database for managing worker's compensation, general liability and professional liability claims.
Learning Management System (LMS) Reports	A web-based reporting interface that provides custom report from LMS.
LMS Integration Tools	The LMS Integrator provides campus departments the ability to request and obtain course record completion data for the purpose of integrating the data into an existing campus system.
Marsh eRoom	An online tool for OP Risk Services partners and vendors who participate in the monthly Risk Services "All Hands" meetings to track and update projects and post documents.
Occupational Health Surveillance System (OHSS)	OHSS is a system for Principal Investigators (PIs) and their staff to submit a health surveillance survey. The clinic physician reviews the survey and determine staff fitness to perform the work.
Point to Click (PTC)	An electronic medical records system in support of Student Health clinics at 10 UC Campuses
Power DMS	A system for law enforcement at UC Campuses to track required trainings to ensure compliance.
RL Solutions	An incident reporting system for the medical centers.
Settlement Authorization Request (In Development)	Online claims settlement approval process for Risk Services related claims that follows Regents Policy 4105.
ServiceNow	The ERM incident and project portfolio management system.
Stored Information Retrieval (SIR)	SIR is the Stored Information Retrieval System.

System	Description
Suite of Environmental Health & Safety Systems (UCEHS) <ul style="list-style-type: none"> • Biosafety Information Online (BIO) • Chemical Inventory System (CIS) (Coming Soon) • Lab Audit System (Coming Soon) • Online Tag Program (OTP) (Coming Soon) • RADiCAL System (Coming Soon) 	<p>The BIO system automates the Biological Use Authorization process and manages the documentation required for use of viruses, bacteria and recombinant DNA.</p> <p>CIS collects information related to chemicals to assist with regulatory compliance in the following areas: Cal/EPA, Fire Codes, PA, Cal/OSHA and CUPA.</p> <p>The Lab Audit System is a system that will automate tracking laboratory safety processes.</p> <p>OTP is a web based system that provides automated hazardous waste tracking and tag generation. The system enables PIs/Researchers to create tags with the required fields to track hazardous waste for pick up when the accumulation time is reached or expired.</p> <p>RADICAL is a system for for PIs who work with chemicals to perform Chemical Risk Management. It allows them to determine banded safety operating parameters or if a detailed SOP is needed.</p>
UC Action	UC Action is designed to automate follow up and corrective actions. The system supports the Retrospective Review process for claims exceeding \$50K threshold.
UC Forms	UC Forms enables rapid development of forms for capturing data for relevant business processes. It also enables the migration to paperless business processes.
UC Plan (TMI) <ul style="list-style-type: none"> • Budget Development System (BDS) • Capital Markets • Capital Projects • RGPO 	<p>BDS was implemented at UCOP to allow collaborative and effective budget planning and analytical reporting.</p> <p>Capital Markets, the online Month-End Funding platform, is being targeted for rollout in 2013.</p> <p>Capital Projects is a comprehensive planning tool for large scale construction across all campuses within the UC system.</p> <p>RGPO will be used as a grants administration database.</p>
UC Ready	UC Ready is a continuity planning tool designed to help the University resume its critical operations following an event/disruption of any size or type.
UC Resilient	UC Resilient is a continuity planning tool designed specifically for use by front-line teaching and research units.
UC RiskWorks (also known as Exigis)	UC RiskWorks provides tracking of certificates of insurance received from vendors/contractors. It also tracks certificates of insurance to verify the UC's self-insurance coverage.
UC SharePoint	UC wide Intranet.
UC Tracker	UC Tracker is a web-based tool that facilitates the review and documentation of key department controls.
UC Travel Assistance <ul style="list-style-type: none"> • Field Operations Planner • iJet • UC Trip Planner • UC Tripss 	<p>The Field Operations Planner is a travel planning system that helps UC travelers with operations abroad to address potential risks associated with field research and foreign operations. The system creates a customized field/foreign operations plan, which is available to the researchers as they travel to review and address risks prior to departure.</p> <p>iJet provides real-time intelligence and travel alerts designed to keep travelers well informed throughout their foreign travel, based on their individual itineraries.</p> <p>UC Trip Planner Provides an overview of the country of destination plus security briefs, health briefs and in country cultural country customs for the U.C. traveler to consider before travelling.</p> <p>UCTRIPSS allows UC students, faculty and staff to register when they are traveling out of state on behalf of the university. The system provides the traveler with an insurance card that contains a phone number to obtain help or receive guidance in the event they are in troublesome situations while away.</p>