

Sent via e-mail on May 1, 2007

Professional Liability Program Funding – 2007-08

Attached are the final actuarial reports for the Medical Center programs. The Medical Center Health Care program reserve and funding are set at a 65% confidence level, up from the expected level which equated to about 50%. This change will bring us closer to other medical centers/hospitals of which the majority is funding to a 75% to 90% confidence level. This change is prudent given the range of loss our actuary has estimated for the liver transplant and fertility cases. Without an increase in confidence level, our judgment is this would likely result in future funding shortfalls (deficits) as additional claims may arise out of these incidents and/or other similar situations may give rise to future batch claims. Our external auditor has reviewed the rationale for this change and is in agreement with this management decision.

The reports are also broken down as follows:

- Medical Center – Health Care
- Medical Center – General Liability
- Medical Center – Employment
- Auto includes both Campus and Medical Center claims

We are currently working on the Property Program actuarial reports. This program has not had an actuarial review in over seven years. We hope to have this to you shortly.

The General Liability Program has a \$5 million reserve deficit primarily due to the Willed Body Program and increased claims cost (legal expense) related to Employment Practices; however, the Auto Program for purpose of reserving and funding is part of the General Liability Program.

The Professional Liability Program which is made up of the Health Care, General Liability and Employment exposures and losses associated with the Medical Centers has a reserve surplus of \$8m.

This new breakdown of reports allows us to better understand what types of exposures are driving our costs. It appears that our Employment Liability experience is more favorable for the Medical Centers than the Campuses. It will require some additional analysis to determine whether or not it is a result of better practices and controls. We encourage you to share your best practices with others. The General Liability experience indicates that the frequency of claims is flat while the severity has severe spikes which indicate that the University may want to consider purchasing lower limits of coverage to smooth out the financial impact of these losses. We will be making a pitch to the carriers during our insurance renewal marketing campaign that they should offer UC split level retentions for the GL/PL policy. We will let you know the outcome of these efforts.

Loss prevention is key to controlling our self-insured and our insured expenses and financial liabilities. The 4% Prescription resulted in a credit against our liabilities. We encourage you to participate in this program as well as other loss prevention programs. If you would like more information about the 4% Prescription program please contact Terri Kielhorn at Terri.Keilhorn@ucop.edu.

We have tasked the Campus and Hospital Risk Managers with developing a similar loss prevention program for our general liability, auto liability and employment practices liability program. They will be looking to partner with other groups that are interested in developing loss prevention programs. We look forward to seeing the results of their efforts.

If you have questions about this e-mail and attached reports please contact Terri Kielhorn at Terri.Kielhorn@ucop.edu or Karen Vecchi at Karen.Vecchi@ucop.edu.

Grace Crickette
Chief Risk Officer

**PROFESSIONAL MEDICAL & HOSPITAL LIABILITY
2007/08 EXPENSE ALLOCATION
AND FUNDING SCHEDULE**

	EXPENSE				FUNDING
	Professional Liability	Non-Patient General Liability	Employment Practices Liability	Total Allocation ⁽¹⁾	Total Funding ⁽²⁾
Berkeley					
Student Health Center	\$ 74,000	\$ -	\$ -	\$ 74,000	\$ 74,000
Davis					
School of Medicine	5,631,500	-	-	5,631,500	5,631,500
Medical Center	<u>5,631,500</u>	<u>408,000</u>	<u>651,000</u>	<u>6,690,500</u>	<u>6,690,500</u>
Subtotal	11,263,000	408,000	651,000	12,322,000	12,322,000
Student Health Center	<u>33,000</u>	-	-	<u>33,000</u>	<u>33,000</u>
Total	11,296,000	408,000	651,000	12,355,000	12,355,000
Irvine					
School of Medicine	3,348,000	-	-	3,348,000	3,348,000
Medical Center	<u>3,348,000</u>	<u>160,000</u>	<u>270,000</u>	<u>3,778,000</u>	<u>3,778,000</u>
Subtotal	6,696,000	160,000	270,000	7,126,000	7,126,000
Student Health Center	<u>16,000</u>	-	-	<u>16,000</u>	<u>16,000</u>
Total	6,712,000	160,000	270,000	7,142,000	7,142,000
Los Angeles					
School of Medicine	6,616,500	-	-	6,616,500	6,616,500
Medical Center	5,366,500	397,000	619,000	6,382,500	6,382,500
Neuropsychiatric Inst.	219,000	51,000	91,000	361,000	361,000
Santa Monica	<u>1,031,000</u>	<u>28,000</u>	<u>48,000</u>	<u>1,107,000</u>	<u>1,107,000</u>
Subtotal	13,233,000	476,000	758,000	14,467,000	14,467,000
Student Health Center	<u>67,000</u>	-	-	<u>67,000</u>	<u>67,000</u>
Total	13,300,000	476,000	758,000	14,534,000	14,534,000
Riverside					
Student Health Center	15,000	-	-	15,000	15,000
San Diego					
School of Medicine	3,687,000	-	-	3,687,000	3,687,000
Medical Center	<u>3,687,000</u>	<u>183,000</u>	<u>324,000</u>	<u>4,194,000</u>	<u>4,194,000</u>
Subtotal	7,374,000	183,000	324,000	7,881,000	7,881,000
Student Health Center	<u>33,000</u>	-	-	<u>33,000</u>	<u>33,000</u>
Total	7,407,000	183,000	324,000	7,914,000	7,914,000
San Francisco					
School of Medicine	7,082,000	-	-	7,082,000	7,082,000
Medical Center	4,642,500	240,000	552,000	5,434,500	5,434,500
SF General	1,755,000	-	-	1,755,000	1,755,000
Langley Porter Institute	<u>116,500</u>	<u>14,000</u>	<u>32,000</u>	<u>162,500</u>	<u>162,500</u>
Subtotal	13,596,000	-	-	14,434,000	14,434,000
Student Health Center	<u>6,000</u>	-	-	<u>6,000</u>	<u>6,000</u>
Total	13,602,000	254,000	584,000	14,440,000	14,440,000
Santa Barbara					
Student Health Center	33,000	-	-	33,000	33,000
Santa Cruz					
Student Health Center	<u>19,000</u>	-	-	<u>19,000</u>	<u>19,000</u>
GRAND TOTAL	<u>\$52,458,000</u>	<u>\$ 1,481,000</u>	<u>\$ 2,587,000</u>	<u>\$56,526,000</u>	<u>\$56,526,000</u>

(1) Allocation percentage and dollars are based upon the expense of a campus or its affiliate (while separating the Student Health Center and general liability and employment practices liability for Medical Centers at each campus).

Allocation of the expense within the campus between Medical Center, School of Medicine and affiliates, if applicable, is a local decision based upon the "Medical Malpractice Insurance Guidelines". A 50/50 split between Medical Center/Affiliates and the School of Medicine is shown above for professional liability except for UCSF.

(2) Total funding of the annual cost for 2007/08 fiscal year.