

Cost of Risk FY 2005/2006

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

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

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

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

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

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

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

