Everyone's a Risk Manager: Enterprise Risk Management

Cheryl Lloyd

Office of Risk Services, CFO Division
Office of the President

November 2010
Risk Never Sleeps
## Enterprise Risk Management (ERM) Solution Set

<table>
<thead>
<tr>
<th>Crisis Communications</th>
<th>Environmental Due Diligence Program</th>
<th>Workers’ Compensation</th>
<th>ERM Systemwide Panel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety</td>
<td>Environment, Health &amp; Safety</td>
<td>Professional Medical &amp; Hospital Liability</td>
<td>Risk Assessments</td>
</tr>
<tr>
<td>UC Ready Panel</td>
<td>Threat &amp; Security Services</td>
<td>Human Subject Injury</td>
<td>Risk Ranking Tools</td>
</tr>
<tr>
<td>UC Ready Forum</td>
<td>6% Prescription</td>
<td>General Liability</td>
<td>Risk Management Leadership Council</td>
</tr>
<tr>
<td>UC Ready Software</td>
<td>Travel Assistance</td>
<td>Employment Practices Liability</td>
<td>Risk Management Tools &amp; Training</td>
</tr>
<tr>
<td>Emergency Management</td>
<td>Occupational and Employee Health Advisory Coalition</td>
<td>Property</td>
<td>Enterprise Data Mgmt/Analysis</td>
</tr>
<tr>
<td>Incident Command Centers</td>
<td>Environment, Health &amp; Safety Leadership Council</td>
<td>Fine Arts</td>
<td>Enterprise Response Enablement</td>
</tr>
<tr>
<td>UCOP Crisis Management Response Team</td>
<td>Employment Practices Improvement Committee</td>
<td>Construction</td>
<td>UC Tracker</td>
</tr>
<tr>
<td>Crisis &amp; Consequence Management</td>
<td>Loss Prevention &amp; Loss Control</td>
<td>Auto</td>
<td>UC Action</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Auxiliary Groups</td>
<td>Enterprise Risk Management Information System</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Risk Summit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Enterprise Risk Management Program</td>
</tr>
</tbody>
</table>
A Strategic View of Risk

- Create Efficiency
- Reduce Cost of Risk
- Improve Cost of Borrowing
- Reduce Redundancy
Results of a Strategic View of Risk

The rating agency Standard and Poor’s has recognized UC for its ERM program:

*The UC has implemented a system-wide enterprise risk management information system, which, in our opinion, is a credit strength.*

*Ratings Direct on the Global Credit Portal, September 9, 2010*
Risk Tools and Sustainable Practices

Risk = Opportunity

- Mission continuity planning
- Crisis Management and Communication programs and plans
- Decision making tools and training scenario modeling exercises
- Dashboard reporting on key areas of risk
- Formal retrospective reviews on all incidents that incur an expense over $50,000
- Financial control attestation (SAS 112/115)
- Risk financing and risk transfer program
- Loss prevention and loss control programs
Risk Tools and Sustainable Practices

ERM Process

Define → Analyze → Control/Monitor → Evaluate
Risk Tools and Sustainable Practices

• UC Enterprise Risk Management Information System (ERMIS)

• UC Action

• UC Tracker

• UC Ready

• ERM Maturity Level Model

• Risk Assessment Workbooks
The University of California

The Expanding Risk Universe

- Workers' Compensation
- General Liability
- Auto (Bodily Injury)
- Professional Liability
- Foreign Liability (Enhanced)
- Aviation
- Marine
- Employment Practices
- Library
- Builders Risk
- Boiler & Machine
- Indentured Property
- Property
- Be Smart About Safety (WC)
- Travel (Enhanced Program)
- Tenant Users Event Liability*
- Auto (First Party)
- Be Smart About Safety (GL, Prop, Auto)
- Cyber & Privacy Liability
- Vendors & Contractors*
- Directors & Officers
- Recognized Sports Club*
- Foundations, Alumni, & Support Groups
- Terrorism – GL & PL
- Human Subject Injury
- Crime
- Mortgage Impairment
- Marine Fine Arts Cargo General Liability
- General Practice
- Professional Liability
- Auto (Bodily Injury)
- Property
- Terrorization – Property
- University Controlled Insurance Program (Construction)
- Registered Student Organizations*
- Licensing Board Representation
- Environmental Pollution Liability
- Threat & Security (Enhanced)
- Threat & Security (Special Risk)
- Foreign Liability (Enhanced)
- Recreation & Club Sports*
- Fiduciary

*Part of CampusConnexions
Cost of Risk for FY 09/10

Cost of Risk per $1,000 Operating Revenue

- Total Including Indirect Costs
- Direct Costs - Ex Uninsured Legal
- Uninsured Legal Costs

Cost Avoidance (in $millions)

- 2003-04: $36.92
- 2004-05: $35.90
- 2005-06: $104
- 2006-07: $146
- 2007-08: $135
- 2008-09: $94
- 2009-10: $111
- 2010-11: $99

- $1.28
- $1.27
- $1.26
The Basic Risk Management Process

- Identify the potential Risk Events
- Identify your objectives
- Examine alternative risk control methods
- Select and implement the appropriate method(s)
- Monitor results, make changes as needed
Types of Risk

Operational
Strategic
Compliance
Financial
Reputation
Risk Treatment

- Accept
- Avoid
- Transfer
- Mitigate
Everyone’s A Risk Manager

The Risk Services website is continuously enhanced, providing new tools to help managers at all levels:

http://www.ucop.edu/riskmgt/welcome.html
After BOI you have work to do
Questions ?
Risk Assessment Worksheets