
CFO DIVISION
OFFICE OF RISK SERVICES
ANNUAL REPORT 2010/2011

UNIVERSITY OF CALIFORNIA
ENTERPRISE RISK MANAGEMENT



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FOREWORD

The foundation of UC's Enterprise Risk Management (ERM) program is to have people actively manage their various risks – *Everyone is a Risk Manager*.

The University 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, both frequent and infrequent yet catastrophic ("black swans"), small and large, we create a more efficient and effective program.

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

All these efforts have resulted in a year that has been marked with improvements and achievements:

- UC was the first non-financial institution to receive rating agency acknowledgement of our Enterprise Risk Management Program: "The UC has implemented a system-wide enterprise risk management information system, which, in our opinion, is a credit strength." — Standard & Poor's RatingsDirect on the Global Credit Portal, September 9, 2010
- Once again, we have been able to drive down our cost of risk, to \$13.43 per \$1,000 of operating budget, which represents a cost avoidance savings of \$493 million since fiscal year 03/04.
- APQC (the American Productivity and Quality Center), the leading non-profit organization focused on quality improvement and benchmarking, selected the University of California as one of the top 5 Best-Practice Organization in Enterprise Risk Management out of over 300 global organizations.
- UC is known as a center of excellence for Enterprise Risk Management. During 2010, the Risk Services website was visited by more than 128,000 unique visitors, including institutions of higher education and Fortune 100 companies, from more than 200 countries. The department has become a center of excellence and 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.

- Senior Leadership of UC launched a Working Smarter Program, which aims to drive improvements in administrative and operational effectiveness to support the University's long-term viability, with a goal to save \$500 million over five years. **OPRS programs have delivered \$101.2 Million Cost Savings in 2011** alone (**86%** of the total UC Working Smarter 2011 Cost Savings of \$117.3 Million). The Working Smarter website is available at <http://workingsmarter.universityofcalifornia.edu/>

INTRODUCTION

Everyone is a Risk Manager. We all need to be able to identify, manage, and monitor our risks in order to have success. Risk Services’ role is to deliver a variety of tools across the enterprise. It is everyone’s role to learn about, select, and implement the tools that will serve their location in its mission of supporting teaching, research, public service, and patient care. The Risk Services team is honored to be of service to the University community including students, faculty, staff, and patients.

RISK = OPPORTUNITY

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 but catastrophic (“black swans”), and small and large, we create a more efficient and effective program.

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

FIGURE 1. ENTERPRISE RISK MANAGEMENT (ERM) SOLUTION SET

Enterprise Risk Management (ERM) Solution Set			
ERM Systemwide Panel	Environmental Due Diligence Program		
Risk Assessments	Be Smart About Safety	Foreign Liability	
Risk Ranking Tools	Environment, Health & Safety	Cyber Risk	
Risk Management Leadership Council	Threat & Security Services	Workers’ Compensation	
Risk Management Tools & Training	6% Prescription	Professional Medical & Hospital Liability	Crisis Communications
Enterprise Data Mgmt/Analysis	Travel Assistance	Human Subject Injury	Public Safety
Enterprise Response Enablement	Field Operational Planner	General Liability & Property	UC Ready Panel
UC Tracker	Occupational and Employee Health Advisory Coalition	Employment Practices Liability	UC Ready Forum
UC Action	Environment, Health & Safety Leadership Council	Property & Fine Arts	UC Ready Software
Enterprise Risk Management Information System	Employment Practices Improvement Committee	Construction	Emergency Management
Risk Summit	Web-Based Incident Reporting System	Auxiliary Groups	Incident Command Centers
Enterprise Risk Management Program	Loss Prevention & Loss Control	Risk Financing & Claims Management Program	Crisis & Consequence Management

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 ERMIS to support automating SAS 112/115 Financial Control Attestation creates efficiency, decreases the chances of a financial loss, and reduces IT redundancy.

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." — RATINGSDIRECT ON THE GLOBAL CREDIT PORTAL, SEPTEMBER 9, 2010

ENTERPRISE RISK MANAGEMENT PROGRAM

As a strategic approach to managing enterprise-wide risk, the University has migrated from a traditional risk program to an Enterprise Risk Management (ERM) program, which aims to protect people, prevent loss, and reduce the Cost of Risk.

The ERM program has grown exponentially since the University's Chief Risk Officer joined the Office of the President (UCOP) in December 2004. The UCOP Risk Services website (<http://www.ucop.edu/riskmgt>) is continuously enhanced with new tools to help managers at all levels identify, assess, and manage risk, thus reducing Cost of Risk.

- **Enterprise Risk Management Information System (ERMIS)** provides users a single portal through which they can access and analyze data related to their area.
- **UC Action** enhances the efficiency of monitoring controls established in response to specific incidences through continuous monitoring and automated follow-up to ensure that risk mitigation programs are implemented.

- **UC Tracker** facilitates the review and documentation of key financial controls related to preparation of the University's financial statements.
- **UC Ready** is an award-winning Mission Continuity Tool that allows all UC departments systemwide to develop plans to ensure continuation of operations.
- **ERM Maturity Level Model** provides a framework for campuses and medical centers to plan ERM programs and measure and monitor their progress.
- **Risk Assessment Workbooks** support risk assessments at each UC location.

APQC (the American Productivity and Quality Center), the leading non-profit organization focused on quality improvement and benchmarking, selected the University of California as one of the Top 5 Best-Practice Organizations in Enterprise Risk Management out of over 300 global organizations. The other four organizations selected were Caterpillar, Intuit, Marathon Oil Corporation, and Novo Nordisk A/S. The final report from the benchmarking study, *Effectively Managing Risk Across the Enterprise*, can be accessed at <http://www.apqc.org/knowledge-base/documents/effectively-managing-risk-across-enterprise-university-california-case-stud>

ENTERPRISE RISK MANAGEMENT PROGRAM – HIGHLIGHTS

UC is known as a center of excellence for Enterprise Risk Management. During 2010, the Risk Services website was visited by more than 128,000 unique visitors, including institutions of higher education and Fortune 100 companies, from more than 200 countries. The department has become a center of excellence and 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.

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. On a year-over-year basis:

- Website traffic is up 16%
- Pageviews are up 38%
- Pageviews/visits are up 23%

During 2011, 191 countries visited with the US leading the way at 54% of the total. China and Australia follow with 6% and 4% respectively. There are 618 unique .edu domains, 129 government agencies, 29 military agencies, and 4,167 .coms that have visited.

ENTERPRISE RISK MANAGEMENT INFORMATION SYSTEM (ERMIS)

The Enterprise Risk Management Information System (ERMIS) provides a variety of qualitative and quantitative tools to help UC locations identify their risks and determine where to strategically deploy resources. It can define, highlight, and predict risk and trends to allow managers to intervene before problems arise, and it is a

data rich construct that can be adapted to other sectors, such as programmatic, personnel, and operational programs. The ERMIS creates efficiencies by automating manual processes, and the application flexibility reduces IT redundancy.

The ERMIS’s dashboard reports are being used by individual users and groups throughout the system and demand for access is high. In December of 2010 there were 152 authorized users; as of December 2011, there are now 198 authorized users at UCOP and 295 authorized users at the campuses, medical centers, and ANR, for a total of 493 – an increase of 324% from the previous year.

OPRS 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.

Dashboard Name	Description
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, CFR Reports, and percent of transaction not cleared.
Financial Services & Controls	Connexus 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. (Anticipated)
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 Dept. Level Enhancements	System-wide 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.

Dashboard Name	Description
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.

ERM – CONTINUING EDUCATION AS A KEY PROGRAM COMPONENT

RISK SUMMIT

Building on the success of prior Risk Summits, the 2011 Risk Summit broke new barriers in advancing ERM thought leadership within UC, as well as attendance by outside public and private organizations to learn from UC’s experience. The 2011 Risk Summit had over 425 attendees from within the UC system representing a variety of disciplines, including

- EH&S
- Emergency Managers
- Risk Managers
- Student Affairs
- Controllers
- Office of General Counsel
- Human Resources/ Disability Managers
- Directors of Recreational Sports
- Wellness

Attendance by outside organizations included:

- Singapore Health
- Harvard
- Vanderbilt
- CSU
- Safeway
- Intuit

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. Sample comments include:

- *Without naming anything specific, I believe that the networking with peers from other campuses and idea sharing has had the greatest positive impact for me out of all of the risk summits I've attended. (I have been to all but one of them) It allowed me to forge great work relationships that have been maintained for years now. I speak regularly with these network connections and we have been able to help each other trouble-shoot problems and share success that are impacting risk on multiple campuses and medical centers.*
- *The breakout classes I took were from the insurance track. I found the class on internal contracts to be very helpful in terms of working with the departments on campus to obtain to proper insurance based on each country's variances in insurance. Additionally, the new low cost insurance program aka \$500 flat fee for short term independent contractors/consultants is great and I am looking forward to passing this*

information onto the departments at UCLA so we have the requisite insurance instead of issuing waivers for low value, short term contractors. Excellent!

WEBINARS

OPRS 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 200 individuals, both internal and external to UC; requests to be added to the distribution lists are received regularly.

WEBINARS PRESENTED BY OPRS IN 2010-2011:

- Employment Practices Improvement Committee (EPIC)
 - Handling Disability: The Interactive Process, Reasonable Accommodation and Related Issues - Part 1 — 2/24/2010
 - Handling Disability: The Interactive Process, Reasonable Accommodation and Related Issues - Part 2 — 4/15/2010
 - UC Whistleblower Investigations for Locally Designated Officers (LDOs) — 5/19/2010
 - Interviewing & Selection of Job Applicants: 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
- Enterprise Risk Management
 - Risk Assessment Resource Library follow-up discussion — 2/23/2010
 - ERM Maturity Model and Workplan — 4/27/2010
 - Overview of UC Tracker (SAS 112/115 solution) — 5/25/2010
 - Overview of Risk Assessment and Introduction of two new Risk Assessment Tools — 6/22/2010
 - UC Action and retrospective reviews — 7/27/2010
 - PRISM: Minimizing risk to library collections — 8/24/2010
 - Location-specific dashboards: UC Irvine — 9/28/2010
 - Update on UC Tracker pilot — 10/26/2010
 - ERM from the Ground Up, A Grass Roots Approach — 11/16/2010
 - Everyone is a Risk Manager — 1/25/2011
 - ERMIS and Forms — increasing efficiency — 2/22/2011
 - Legal aspects of risk awareness (special bonus presentation) — 3/8/2011
 - Root Cause Analysis and ERM — 3/22/2011
 - New Risk Assessment Tool and Update to Budget Control Tool — 4/26/2011
 - Risk Summit 2011 Preview — 5/24/2011
 - Risk Summit 2011 Recap — 06/28/2011
 - ERM for Travel and Foreign Operations — 07/26/2011
- Risk & Insurance Management Society (RIMS) Golden Gate Chapter
 - GGRIMS: Understanding Medicare Compliance with Conditional Payment Claims — 4/6/2011
 - GGRIMS: Understanding Medicare Set Asides & Structured Settlements — 4/13/2011
 - GGRIMS: Understanding Medicare Reporting Requirements — 4/27/2011
 - GGRIMS: Addressing the Cost of Future Medical Care for Medicare Set-Asides — 5/11/2011
- In partnership with OGC, “Insurance 101” for attorneys, paralegals, risk managers, and their staff
 - Insurance 101 — 3/10/2011
 - Workers Compensation (CA and out of state) and Employment Practices — 3/28/2011

- Professional, General, Employment and Auto – 4/18/2011
- Construction, Property and Environmental – 5/16/2011
- Cyber/Privacy, Crime, Aircraft, Marine and Terrorism – 6/6/2011
- WAVR-21 Behavioral Threat Management Training – 12/16/2010
- For Standard & Poor’s, “ERM in Higher Education” – 10/11/2010
- One-on-one and small-group webinars to demonstrate UC’s ERM program and tools and advise on ERM
 - Harvard University – 8/31/2010
 - Monash University – 3/23/2011
 - NEMEA Security Services – 3/29/2011

ASSOCIATE IN RISK MANAGEMENT DESIGNATION

OPRS 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. Due to this service, over 50 UC employees have taken advantage of this training and many are now pursuing their Associate in Risk Management designation. More information is available at <https://sites.google.com/site/armstudygroup/>

ENTERPRISE RISK MANAGEMENT PROGRAM – RESULTS

Our Enterprise Risk Management (ERM) program (part of the Working Smarter initiative) 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 will be measuring and monitoring annually.

ERM MATURITY LEVEL MODEL

The ERM Maturity Work Plan has been enhanced since its implementation three years ago, adding 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. Campuses collaborated and agreed two years ago to begin assessing maturity of the ERM Initiative Goals on a scale of 1 (weak, ad hoc ERM efforts) to 5 (excellent, displaying leadership in ERM). The Initiative Goals define what the ERM Program is to achieve in the long-term. The growth can be seen in the summary tables presented below.

TABLE 1. CHANGE IN AVERAGE MATURITY RATINGS, JANUARY 2011-SEPTEMBER 2011 - INITIATIVE GOALS

<i>ERM Components</i>	Initiative Goals (Sept 2011)	Initiative Goals (Jan 2011)
Internal Environment/Objective Setting	2.61	2.00
Event Identification/Risk Assessment	2.77	2.44
Risk Response/Control Activities	2.64	2.50
Information & Communication	2.45	2.10
Monitoring	2.36	2.28

The campuses collaborated this past year to establish common objectives in support of the ERM Initiative Goals. The purpose of defining common objectives is to identify objectives that all locations should all include in their ERM Maturity Work Plans. The use of common objectives, however, does not prevent a campus from adding other objectives to their ERM Maturity Work Plan. The average maturity ratings for the common objectives establish benchmarks enabling 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.

TABLE 2. AVERAGE MATURITY RATINGS, SEPTEMBER 2011 - OBJECTIVES

<i>ERM Components</i>	Common Objectives	Additional Objectives	Combined Averages
Internal Environment/Objective Setting	2.76	3.19	3.00
Event Identification/Risk Assessment	2.82	3.30	3.09
Risk Response/Control Activities	2.96	3.33	3.22
Information & Communication	2.62	3.29	3.08
Monitoring	2.43	3.00	2.66

TABLE 3. UC ERM MATURITY MODEL INITIATIVE GOALS MATURITY RATINGS, SEPTEMBER 2011

	Number of Campuses	Maturity Level Average	ANR	UCB	UCD	UCI	UCLA	UCM	UCR	UCSB	UCSC	UCSD	UCSF
Internal Environment/Objective Setting		2.61											
Articulate and promulgate the risk management philosophy and risk appetite of the UC system, campuses and medical centers	11	2.45	2	2	3	3	3	2	3	3	2	3	1
Develop a campus/medical center environment in which risk assessment and risk management (mitigation) is integrated into all business practices and decision-making activities	11	2.55	2	2	3	4	3	2	3	3	3	2	1
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	11	2.82	2	3	4	4	4	2	3	4	2	2	1
Event Identification / Risk Assessment		2.77											
Assist management with developing a portfolio view of current and emerging risks across the enterprise (strategic, financial, compliance, reporting and reputational)	11	2.82	3	2	3	4	3	3	2	4	2	2	3
Promote an efficient and repeatable methodology for identifying, quantifying, comparing, benchmarking and prioritizing risks	11	2.73	3	2	3	4	2	3	2	4	2	2	3
Risk Response / Control Activities		2.64											
Assist management to identify risk indicators and to develop and implement action plans to mitigate the assessed risks	11	2.64	3	2	3	3	3	2	3	3	2	2	3

	Number of Campuses	Maturity Level Average	ANR	UCB	UCD	UCI	UCLA	UCM	UCR	UCSB	UCSC	UCSD	UCSF
Information and Communication		2.45											
Establish and maintain a campus communications structure/support network to facilitate a greater understanding of the University's risk management philosophy	11	2.45	2	2	2	3	2	3	4	3	2	2	2
Monitoring		2.36											
Assist with developing methodologies to monitor regularly the risks identified and the effectiveness of mitigation activities; and to communicate findings to responsible executives	11	2.36	2	1	3	3	3	2	3	3	1	2	3
Continuously assess risk management strategies to assure they remain current with regulatory, operational and legal changes; emerging risks and opportunities; and strategic plans	11	2.36	2	1	3	3	3	1	3	3	2	2	3

ERM SYSTEMWIDE RISK ASSESSMENT

In 2010, in conjunction with the systemwide ERM Panel OPRS 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 and were published in ERM Bulletin #12

<http://www.ucop.edu/riskmgmt/erm/bulletins.html>. 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

- Catastrophic natural event (earthquake, fire, etc.)
- Personnel issues or workplace violence
- Deferred maintenance
- Budget impairment
- Laboratory safety
- Threats to safety of researchers
- General safety and security, on and off campus
- Inadequate lab processes and practices for the promotion of environmental health and safety

- Domestic terrorism (animal rights activists, eco-terrorists, stem-cell research opponents, etc.)
- Student mental health

OPRS is working with local campuses to find creative ways to manage these areas of risk. For example: Systemwide membership in National Behavioral Organization, Threat Management Training, tracking of deferred maintenance issues, human capital key performance indicators, human resource education and training through EPIC program, etc.

ENTERPRISE RISK MANAGEMENT PROGRAM – NEXT YEAR

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/riskmgt/erm/bulletins.html>). They agreed that most of the risks were adequately controlled, but the following six risks were rated as potentially under-controlled:

- Deferred maintenance
- Budget impairment
- Equipment/facility malfunction
- Increase in energy costs
- Obsolescence of systems/technology
- Employee recruitment and retention

In addition to the existing management and mitigation efforts documented in Bulletin #12, the CFO Division met and strategized on how to support and develop additional mitigation efforts. Attractive financing and insurance savings can be put in place to encourage the use of Smart Lab construction , which will have a significant impact on reducing energy costs. The new components in the HRIS/PPS will provide improved identification of employees for promotions which will have positive impact on employee recruitment and retention. Working with the campuses we are moving forward with exploring numerous solutions to address these risks. Our focus for next year is on developing mitigation strategies for the risks that the VCAs identified as being under-controlled.

LOSS PREVENTION & LOSS CONTROL

The prevention and mitigation of potential losses is the daily focus of the Office of Risk Services, which has resulted in reducing the University's Total Cost of Risk by over \$493 million in the last six 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. In a recent actuarial report, the University's actuaries have calculated that the BSAS program has provided an average return on investment of 2:1, and several 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 system-wide groups, such as the **Risk Management Leadership Council (RMLC)**, **Environment, Health and Safety Directors Leadership Council (EHSDLC)**, **Occupational Health Physicians (OEHAC)**, the **Council of Emergency Managers**, and their 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 system-wide level, many of which had an immediate impact.

CYBER RISK

In 2007 to Nov 2008, educational institutions experienced 158 data breaches involving 3.7 million records. This put cyber liability high on the University's radar screen. Insurers were not willing to insure a research University such as UC because the IT systems are many and diversified.

As a solution, the University implemented a cyber liability risk transfer program at Lloyd's of London using an innovative concept, "reverse underwriting", created by Chief Risk Officer Grace Crickette. These are the principles of reverse underwriting:

1. Underwrite to standards rather than to existing conditions.
2. Provide CIOs with a tool to drive improved behavior around cyber risk.
3. Provide first dollar insurance coverage for those that meet UC's policies – rewarding best practices.
4. Provide a secondary savings through consolidation of systems (utility cost, space, maintenance, IT redundancy)
5. Support improved post-loss risk response.

This innovative program has drawn national attention from higher education and the cyber security community. In 2011, ISE (Information Security Executives) recognized the program by awarding UC the National ISE Executive of the Year Award in the newly-introduced Education/Non Profit category. Campus CIOs report that the program facilitates conversation with server owners on moving systems to contracted secure facilities.

More information about cyber risk is available at <http://gotcyber.org/>. Additionally, *Insurance Journal* magazine published an article about the program, “How to Find Cyber Insurance for the Uninsurable”, which can be accessed at <http://www.insurancejournal.com/news/west/2011/04/04/193018.htm>

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. 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. The reviews began on August 4, 2011 and included all of the campuses, with all of the site visits being completed by December 31, 2011. During the review process OPRS 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.

Each individual University Health Services (UHS) health and counseling services will receive a focused report detailing the results of the findings and recommendations related to the gap analysis. The medical services were assessed in comparison with the standards of the Accreditation Association of Ambulatory Health Care (AAAHC), and the counseling services were assessed as compared to the standards of the International Association of Counseling Services (IACS) which accredits university and college counseling centers, as well as public and private counseling agencies. Other standards considered include 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 will be presented to the Regents in January of 2012.

SLIP-RESISTANT SHOE PROGRAM FOR FOOD SERVICE DEPARTMENTS

There are very few examples in which you can “buy” safety. The Shoes for Crews 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. The pilot program, implemented April 2011, focused on Dining Services employees, who are the source of the majority of UC’s slip and fall injuries. On average, the University experiences over 700 slip and fall injuries per year, costing over \$15 million annually. Through the end of fiscal year 2010-2011, UC spent \$105K on slip resistant shoes; the estimated spend when fully implemented is \$300K annually. The Shoes for Crews Program is expected to reduce slip and fall related injuries by 50%; actuarial predictions are that the reduction in number of injuries and cost of claims will save the University 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 purpose of the Safety Spotlight newsletter is to provide information that is critical to the success of our safety programs system wide. The newsletter includes links to posters, training presentations, videos, and other resources that will help campus offices, laboratories, and departments better integrate safety into operations. Each month, the spotlight focuses on a specific workplace safety topic, drawing on the expertise from staff in Occupational Health Services, Environmental Health & Safety, Emergency/Business Continuity Management, and

the 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 POSITION

At the University of California, custodians, housekeepers and environmental service workers play a critical role in keeping building interiors well-maintained. To perform these physical tasks, these workers are exposed to ergonomic risk factors such as repetitive motions and awkward postures. In fiscal year 2010, custodial injuries accounted for 761 workers' compensation claims, with an actuarial estimated ultimate direct cost of \$7.1 million. Loss data was valued as of June 30, 2010.

UCOP Risk Services tasked the UC System-wide Ergonomics Work Group with conducting an ergonomic study of this group to identify problem areas and develop strategies to address those problems. A project team comprised of ergonomists from various UC locations was formed. The information received was consolidated and reviewed to create the *Best Practices Bulletins, Recommended Product Sheets and Design Guidelines for New Construction and Existing Buildings*, which will be used to help reduce custodial related injuries. The full report can be viewed at http://ucanr.org/sites/ucehs/Workgroups/Ergonomics/Projects_112/.

An immediate result of the study is the deployment of a tool to help reduce rotator cuff injuries to custodial staff. The study revealed that a large number of injuries are due to how custodians "throw" bags into trash dumpsters by using one hand to hold the lid open. A simple lid prop was developed and has been deployed to all campus locations.

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 (ASTM) standards and Federal EPA regulations.

In 2010/2011, Risk Services oversaw environmental due diligence on forty-one (41) 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, 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 avoided consulting costs. More information on the environmental due diligence program can be found at: <http://www.ucop.edu/riskmgmt/ehs/duedil.html>

CAL/OSHA VARIANCE FOR FUME HOOD TESTING

In an important environmental victory, the UC, Office of the President was successful in requesting a variance from the California Occupational Safety and Health Administration (Cal-OSHA) Standards Board to allow UC campuses to use alternative method to test fume hoods. The variance request stems from the university's concern that sulfur hexafluoride (SF6) gas is 22,800 times more potent than carbon dioxide in warming the Earth's lower atmosphere. Each 20-minute test of a single fume hood using SF6 releases the equivalent of about

10 metric tons of carbon dioxide. The substitute, nitrous oxide, has about 1 percent of the global-warming impact of SF6. The change applies only to the 10 UC campuses in the state, but could eventually be applied across California to reduce energy use and the emission of greenhouse gases. More information:

<http://ucsdnews.ucsd.edu/newsrel/general/06-03-11GreenhouseGas.asp>

CAMPUS SAFETY AND SECURITY

There is no higher priority for the University than the safety and security of its students, faculty, staff, and visitors. OPRS continues to work closely with many different campus stakeholders including public safety, emergency management, continuity planning, risk management, facilities management, and behavioral threat intervention personnel to enhance the safety and security of our campus communities. OPRS personnel coordinate and meet regularly with many of these groups to address various issues and concerns. OPRS also coordinates closely with University Police (UCPD) to provide threat and security services and risk assessments related to faculty and their families, and high risk campus facilities. Threat and security-related activities are reported monthly to the FBI by the Chief Risk Officer.

OPRS sponsored state-of-the-art advanced training for all campus behavioral threat intervention teams to assist them in better evaluating the potential for violent behavior in members of the campus community. More details on this training can be found in the Crisis and Consequence Management section of this report.

In order to help keep our campuses safe and secure, UCPD needs to have the right equipment, tools, and information to protect both the public and themselves. During the last year, OPRS has worked directly with the Police Chiefs to address these needs as part of our ongoing close working relationship with public safety and emergency management personnel. Highlights are provided below.

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 this last year, OPRS assisted in evaluating and contracting with several systemwide emergency notification system vendors that will help provide consistency and reliability in the emergency notification process, while also reducing costs.

REDUCING POLICE OFFICER INJURIES

While police work is inherently dangerous, one of the most common injuries that police officers sustain is back injuries related to wearing duty belts. Duty belts carry all of the tools that an officer may need, but can weigh up to 50 pounds and cause chronic back pain. By incorporating ergonomic principles, the Police Chiefs are piloting the use of duty vests to help distribute the weight and reduce the potential of back injuries.

STREAMLINE INFORMATION GATHERING AND REPORTING

Utilizing the power of the ERMIS, OPRS has been engaged for the last year in improving the campus police department's ability to capture and analyze data, as well as, meet their reporting requirements (Clery Act, FBI, etc).

The UCPDs must report on selected criminal offenses to satisfy state and federal requirements:

- To the Criminal Justice Statistics Center (CJSC) for the state requirements
- To the FBI's Uniform Crime Reports (UCR) for the federal requirement

These reports include crimes such as Murder/Manslaughter, Assault (including Sexual Assault), Theft/Burglary, as well as information on Bias/Hate Crimes, Value of Stolen Property, and the crime rates of the campus versus the cities the campuses are located in. This data is also helpful to current and prospective students and parents when looking for data and information to gauge safety at a particular UC location.

The ERMIS has been leveraged to create an interactive dashboard that allows the different police departments to easily retrieve annual report data, compare different departments with each other, and also look for annual trends for the various categories of crime over the past 4 years. Previously this was only compiled annually, but we are now capturing this data monthly, and we will post monthly crime stats on the website as well as allow the crime analysts in each department to look at the stats interactively. This should help with identifying risk areas and may assist in resource allocation. More importantly, automating the reports helps save an average of 300 hours per location, allowing officers more time policing the campus.

RMF STRATEGIES – CONTROLLED RISK INSURANCE COMPANY, LTD

The Professional Medical and Hospital Liability Program has partnered with RMF Strategies, part of the Harvard Controlled Risk Insurance Company (CRICO) to develop improved coding of claims to identify loss prevention issues in claims and suits. As part of this initiative, data is provided to the medical centers to focus loss prevention efforts. More information is available at <http://www.rm.harvard.edu/company/about-us.aspx>

EMMI SOLUTIONS

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, 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 \$5,268,043 over a five-year period 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. The EMMI Solution is an online system that helps patients and their families understand their diagnosis and treatment plans and options. Their program uses interactive media to engage patients. More information about EMMI is available at their website: <http://www.emmisolutions.com/>

A systemwide license has been purchased and implementation with select medical school departments is occurring. The implementation will continue.

LOSS PREVENTION & LOSS CONTROL – RESULTS

In the workers' compensation program, systemwide annual new losses have decreased from 7,097 in fiscal year 2005-2006 to 5,350 in fiscal year 2010-2011. Furthermore, the systemwide accrual rate decreased from \$1.51 per \$100 payroll in fiscal year 2005-2006 to \$1.07 per \$100 payroll for fiscal year 2010-2011. Further comparison

of these two time periods show that our annual required funding amount has been decreased in excess of \$23 million. More information is available on the Working Smarter website:

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

UC CENTER FOR LABORATORY SAFETY

A first-of-its-kind laboratory safety center was established at University of California, Los Angeles, with funding provided by the UCOP Office of Risk Services. The UC Center for Laboratory Safety has been created to improve the practice of laboratory safety through the performance of scientific research and implementation of best safety practices in the laboratory. The Center will operate under the oversight of the UC Center for Laboratory Safety Advisory Board with technical support from the UCLA Office of Environment, Health and Safety and the UCLA School of Public Health – Department of Environmental Health Sciences. More information:

<http://cls.ucla.edu/>

EMPLOYMENT PRACTICES IMPROVEMENT COMMITTEE

UCOP Risk Services continues leading the work of the Employment Practices Improvement Committee (EPIC), a UC systemwide workgroup tasked with reducing claims employment practices claims such as discrimination, harassment, and more. More information can be found at <http://www.ucop.edu/riskmgmt/epic.html>

The intent of the committee was to take a targeted approach to training by looking at loss data and comparing it to departments and locations which had the most frequent loss experience. It was decided to use a multiple-prong approach:

- Hiring of two more lawyers in OGC to assist the campuses with employment matters
- Using an outside vendor to conduct a conflict resolution session – “Maximizing the Workplace” for specific departments
- Setting up a series of training sessions conducted either by in-house and/or outside counsel. A link to webinars can be found here: http://www.ucop.edu/riskmgmt/te_seminars.html

Results: The total number of EPL claims reported to the Third Party Administrator (TPA) decreased by 29% when compared to FY10.

LOSS PREVENTION & LOSS CONTROL – NEXT YEAR

OCCUPATIONAL WELLNESS PROGRAM

The University of California has developed a specialized occupational wellness program for employees who are at high risk for work place injuries. As a component of their occupational injury treatment plan, this program will provide employees who have sustained multiple work related injuries or have other high risk factors, specialized fitness training and wellness coaching tailored to the specifics of their injury and/or risk factors. Through improving the health and fitness of our employees, it is expected this program will provide benefit to both our system wide loss prevention and loss control efforts. A review of our workers’ compensation data reveals that we have a substantial population of current employees with multiple work related injuries. The data bares

32,593 employees with multiple injuries that account for a total of 120, 184 injuries. Of those employees, 7,149 have five or more injuries and 1,401 have ten or more injuries. Our workers' compensation data also reveals that the average cost of second plus injuries ranges from \$5,029 to \$22,703. Therefore, if we are successful in increasing the health and fitness of our employees and subsequently reducing their probability of being reinjured, we can expect a substantial reduction in our workers' compensation costs. A video about the wellness program's innovations is linked from the Risk Services website, and can also be accessed directly at <http://www.youtube.com/watch?v=JQuWXxP9n9I>

VEHICLE AND DRIVER SAFETY

The University of California has a combined fleet of approximately 5,700 vehicles, including buses, trucks, vans and passenger vehicles. Additionally, it is estimated that over 50,000 University employees often operate personal and rental vehicles in the course and scope of University related activities. To help reduce the liability exposure presented by these operations, the Office of Risk Services will be actively promoting the use of Vehicle Collision Review Committees and the automation of the Department of Motor Vehicle Employee Pull Notice Program. More information: http://www.ucop.edu/riskmgt/documents/coreplus_drvr_trng.pdf

SAFETY IN DESIGN AND CONSTRUCTION

Prevention through design is an emerging focus for the University with the goal of eliminating potential workplace hazards in the design and construction of buildings. The Office of Risk Services and Office of Capital Resources Management have formed a systemwide workgroup to develop environment, health and safety design specifications to help reduce operational safety hazards. Included in this effort is incorporating sustainability and safety considerations in the construction of new laboratories.

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 SurgiCount Safety Sponge System (<http://www.surgicountmedical.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.

8% PRESCRIPTION

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 identify loss prevention initiatives eligible for the grant funds. Premium rebate funds are targeted to specific goals. Details of the 2011-2012 program are available at <http://www.ucop.edu/riskmgt/documents/2011-2012-8percent-rebate-program.pdf>

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, 4-H programs, as well as young prodigies assisting researchers in our labs. Working with minor children present a unique risk for the University and one that the Office of Risk Services has been actively developing programs and policies to minimize the risk of these operations.

CAMPUS CAMPS AND VOLUNTEERS

As the administrator for 4-H programs in California, the UC Division of Agriculture and Natural Resources (ANR) has developed a robust program to ensure child safety. These best practices include background checks for all volunteers who work with minors and establishing procedures so that no one adult is allowed to work one-on-one with a child. Building upon the success of the ANR program, the systemwide Risk Management Leadership Council is reviewing the practices of 4-H and other organizations and will be developing a Best Practices document for all campus locations that operate recreational and academic camps. The goal of these improved controls is exclude those with a criminal history from working with minors and thereby reducing the potential of a sexual molestation occurring in one of our programs. Additionally, OPRS is in the process of placing sexual molestation coverage for volunteers to further protect the University.

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 system-wide 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 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 draft policy will be going through the University policy development process with the goal of implementing in the next several months.

FOREIGN OPERATIONS AND TRAVEL PROGRAM

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 UCTRIPS 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 process of gathering foreign travel and foreign research projects from the UC campuses has been improved by using UCTRIPS to gather the traveler's information and an Internet-based questionnaire sent to all departments by each campus' risk management department to request information regarding research projects. By gathering this data, the University's broker is able to provide better information to the University's insurer to ensure adequate coverage for these risks.

FOREIGN OPERATIONS AND TRAVEL PROGRAM – HIGHLIGHTS

The UCTRIPS Travel Insurance Program is a web portal that captures travel information, thereby enabling the University to procure better coverage to protect the health, safety and security of our faculty, students, and staff while traveling on University business. In support of the 2005 Presidential policy on Integrated Safety and Environmental Management (“ISEM”), this initiative began in 2006 in response to the accidental drowning of five participants in a UC-sponsored marine research trip outside the US. At that time, UC had no knowledge of the trip; the organizers were unable to provide a roster of participants, trip plan, or emergency contact information.

Envisioned as a full-service, single-portal for global operations for field researchers, and faculty traveling abroad, UCTRIPS has recently deployed the UC Field Operational Plan (<https://www.uctrips-insurance.org/ucop/>), which generates key information on specific locations of travelers, local emergency contact information for both the traveler and their family plus a local alternative contact and emergency contact information. The Field Operational Plan also has the structure to further integrate country- or region-specific information such as legal, compliance, diplomatic resources, and medical care.

The Field Operational Plan of UCTRIPS is currently in various stages of implementation at all campuses, with the exception of UCLA (UCLA is reviewing the system). 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. During the past year, the University responded to locate, provide guidance and confirm the safety of employees and students during multiple incidents around the globe, including:

- Haitian Earthquake in 2010 – The University had 4 graduate students in Haiti on the day of the quake. Two needed security/evacuation assistance. The University’s security provider chartered a small jet and flew them to Santo Domingo and then provided commercial air back to Northern California.
- Chilean Earthquake of 2010 – Several Education Abroad Program (EAP) students were displaced as a result of the Chilean Earthquake and needed temporary assistance (housing and transportation) in order to return to their study program in Santiago.
- Arab Spring 2011 – The University had 19 EAP students in Cairo and an 11-person team of archeologists in Southern Egypt when the Egyptian protesters began their crusade to topple Mubarak’s government. The atmosphere was considered volatile and unsafe for both groups (students and archeologists). The University activated the services of the security provider who successfully flew them out of Egypt on a chartered plane. A detailed account is available online: <http://today.ucla.edu/portal/ut/coordinated-efforts-bring-bruins-191803.aspx>
- Japanese Earthquake 2011 – Shortly after safely evacuating the Egyptian travelers, the University was confronted with issues surrounding the Japanese earthquake and resulting tsunami. In addition, there was the threat of a meltdown of a nuclear reactor. The University had approximately 80 students in EAP programs attending 7 universities within Japan. Although only a few students were in the most impacted area, safety and security experts were not certain about the Japanese infrastructure (food, water, transportation) and the ability of the partner universities to resume their programs. A decision was made to evacuate the students and either redirect them into other programs around the world or bring them back to California. Our travel partners worked diligently to provide safe passage to our students. In addition, OPRS had to secure a service to go into their Japanese homes, retrieve their belongings and

send them back home. The UC press release on the Japanese quake can be accessed at <http://www.universityofcalifornia.edu/news/article/25119>

The University's insurer, through both the foreign voluntary workers' compensation coverage and the global travel accident coverage, provides university faculty and staff with access to pre-travel risk assessments from iJet for the country where they are traveling. The global travel accident policy also extends access to students.

The University has an agreement with iJet to (when asked) provide comprehensive, on the ground analysis of different travel spots around the world. So far, the University has used this service to evaluate locations in Israel, Mexico, Ghana, Egypt, Japan and others. It is a comprehensive security review that includes (but is not limited to) an assessment of crime, security services, civil unrest, terrorism, kidnapping, and cultural issues. Often it may include a physical inspection of the premises and/or campus where a project is located. The reviews are used to determine whether to open and/or continue operations in a particular country and/or city.

FOREIGN OPERATIONS AND TRAVEL PROGRAM – RESULTS

The University's broker has implemented a foreign liability program for UC which complies with admitted insurance regulations in venues where UC has registered operational entities – Chile, Mexico, Spain, Italy, France, and the UK. UC purchases employers' liability in the UK to comply with compulsory requirements. UC also purchases a foreign liability policy which includes voluntary workers' compensation and repatriation expenses for UC faculty and staff including US nationals, third country and local nationals. UC's property policy also extends to foreign operations.

Campuses report new foreign activities and operations to OPRS on an ongoing basis. Additionally, for underwriting purposes OPRS annually collects information from the campuses regarding the nature of their operations, facilities, employees, vehicles, etc.

International contracts are created at the campus level and for purposes of insurance and indemnification are reviewed by campus Risk Managers. Our broker provides guidance and training to the Risk Managers on how to adhere to country-specific compliance issues and regulations. The training also focuses on the comprehensive nature of the insurance program that has been bound with the global insurance carrier and how this ensures that departments are not purchasing unnecessary duplicate coverage.

Through the travel program, OPRS and the assistance providers responded to multiple world incidents and safely brought home faculty, staff and students. The civil unrest in Egypt and the earthquake and Tsunami in Japan proved to be the most challenging. However, OPRS safely evacuated 80 travelers (faculty, staff, and students) from Egypt. And, during the Japanese Quake and ensuing tsunami, the program not only successfully relocated Education Abroad students, but also provided security and safety guidance to multiple researchers who were contemplating travel to Japan to assist with the recovery efforts.

FOREIGN OPERATIONS AND TRAVEL PROGRAM – NEXT YEAR

During the next fiscal year, the foreign operations program will take advantage of travel risk assessment tools and predictive intelligence which will enable our travelers to take full advantage of the many "pre-trip" 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 OPRS work diligently to implement risk financing strategies that will help reduce the number of claims and/or mitigate the losses when they occur.

The management of claims in all categories (auto, employment practices, general liability, professional medical hospital liability and worker's compensation) continues to be managed by Sedgwick CMS, out Third party administrator.

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.

University Controlled Insurance Program Tower 1 (UCIP1) was implemented on January 1, 2010, for all projects with construction value of \$25,000,000 and over. To date it has enrolled 10 projects valued at \$1.53B and is on target for anticipated savings of 1% to 3% of total construction values, which would be \$15M to \$46M in potential savings to the University.

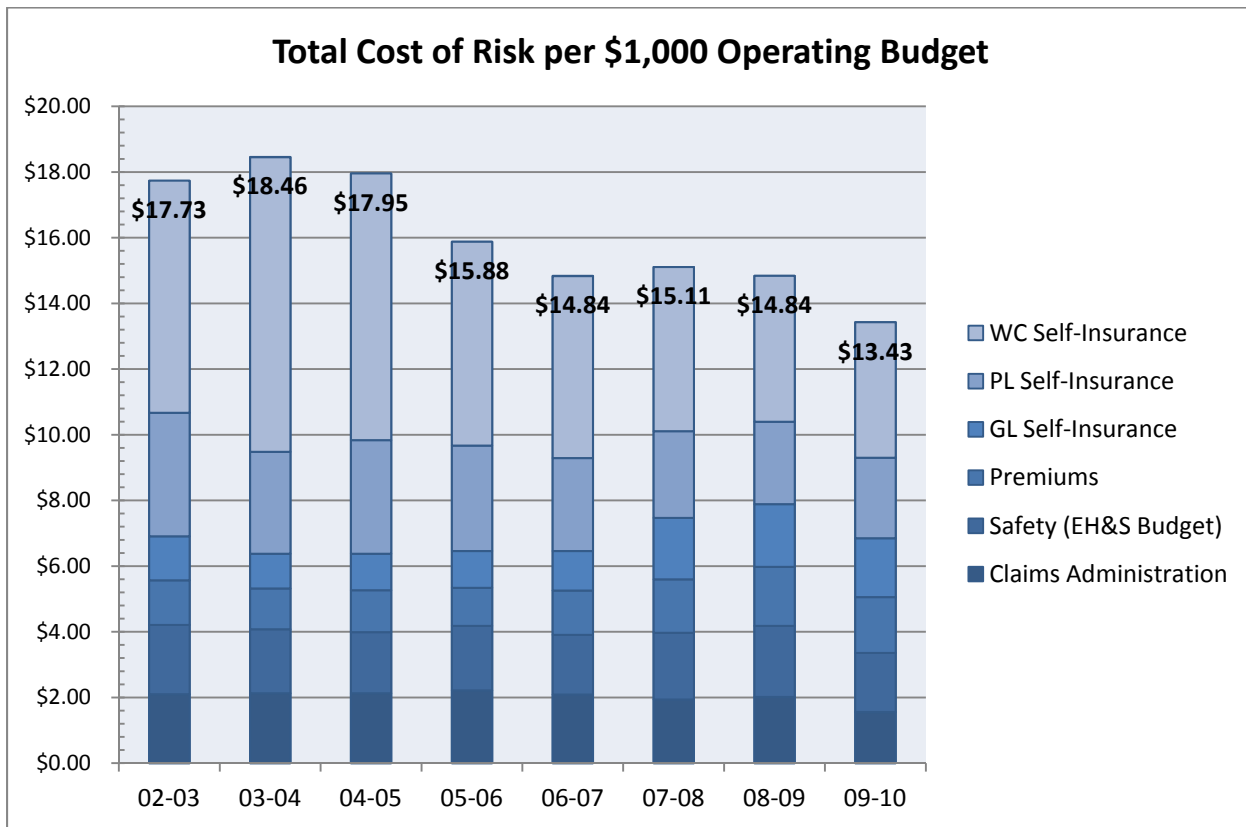
RISK FINANCING – RESULTS

The Office of Risk Services spends approximately \$25,000,000 each year in payments to defense attorneys retained to resolve claims and litigation in the insured programs. During the last quarter of the fiscal year, OPRS partnered with OGC to implement a legal bill review program. The program is expected to ensure billing compliance by the defense firms, facilitate improved evaluation of firm outcomes and ultimately achieve cost savings through improved efficiency.

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 09/10 REDUCED FROM \$17.73 TO \$13.43



As you can see from the graph above, the estimated total cost of risk has decreased significantly over the last several years, from \$18.46 per \$1,000 operating budget in 2003-04 to \$13.43 in 2009-10. We have projected \$13.99 for 2010-11, an estimate which will be updated once we begin to analyze UC’s loss data as of June 30, 2011.

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 2009-10.

University of California Cost of Risk Based on ultimate* loss estimates as of 6/30/10							
Total Cost of Risk per \$1,000 Operating Budget							
Location	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
UC Berkeley	\$17.94	\$15.65	\$14.82	\$11.01	\$13.83	\$13.76	\$11.38
UC Davis	16.87	16.40	14.56	17.44	14.71	15.73	13.51
UC Irvine	16.96	16.02	17.76	14.02	12.29	12.41	11.92
UC Los Angeles	15.32	16.03	13.56	14.00	14.39	16.14	12.50
UC Merced	0.13	0.57	0.59	8.86	10.76	15.86	14.59
UC Riverside	18.27	16.15	16.12	16.14	19.70	19.15	15.61
UC San Diego	13.44	14.50	11.93	11.97	13.60	12.43	14.04
UC San Francisco	17.36	18.50	16.06	15.47	17.94	16.89	14.64
UC Santa Barbara	20.90	17.75	17.65	12.91	13.56	13.48	9.16
UC Santa Cruz	19.32	18.22	17.11	13.54	17.13	15.76	16.38
Office of the President	6.53	4.05	3.09	1.96	1.63	2.42	1.37

University of California Cost of Risk Based on ultimate* loss estimates as of 6/30/10							
UC Davis Medical Center	26.87	25.51	21.86	15.27	16.42	14.84	15.57
UC Irvine Medical Center	28.04	26.98	29.47	23.92	19.13	15.70	23.94
UC Los Angeles Medical Center	26.89	26.27	22.10	22.91	21.20	19.74	15.74
UC San Diego Medical Center	25.68	24.59	20.18	21.98	20.47	15.83	18.14
UC San Francisco Medical Center	18.13	19.90	16.20	18.05	17.62	14.53	13.32
Grand Total	\$18.46	\$17.95	\$15.88	\$14.84	\$15.11	\$14.84	\$13.43
*Original projections for each year.							

UC's cost of risk is made up of a variety of components, with the largest of course being self-insured claims. In fact, 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.

RISK FINANCING – NEXT YEAR

OPRS will assess the viability of the University forming a captive to provide enhanced coverage programs and creating a more stable financial vehicle for financing the insurance programs.

CRISIS & CONSEQUENCE MANAGEMENT

Our Emergency Management staff continues to work pro-actively 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.

The University's innovative efforts in continuity planning were recognized in an article in the 2011 University Risk Management and Insurance Association (URMIA) Journal, “Getting Ready with UC Ready: How the University of California Made Business Continuity Planning Practical for Higher Education – and Created a New Way to Manage the Risk of Interruption”, which can be accessed at

https://www.urmia.org/member/library/docs/journal/2011/URMIAJournal2011_20110901.pdf

CRISIS & CONSEQUENCE MANAGEMENT – HIGHLIGHTS

UCOP considerably bolstered its capabilities by constructing and equipping its first Emergency Operations Center (EOC) and dual-use ground floor conference facility that now enables us to effectively direct, control, and

coordinate major emergency response and recovery efforts. In conjunction with the new EOC facility, following extensive training UCOP held its first-ever tabletop disaster exercise to vet its emergency plans and procedures and train executive management and response support team staff.

Triggered by the continuing trend of violent acts on university campuses, and recent related litigation against the University, OPRS re-evaluated 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, OPRS identified and sponsored 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/>

CRISIS & CONSEQUENCE MANAGEMENT – RESULTS

A wide variety of initiatives and projects were completed over the course of 2010/2011:

- OPRS issued the Annual Emergency Management Status Report to senior University management. OPRS collaborated with the campuses to develop a new 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/riskmgmt/emergprep/documents/em_annual_rpt.pdf
- UCOP utilized its new Emergency Operations Center facility for a series of progressive tabletop exercises to orient and provide practical experience to pre-designated executive management and a trained cadre of response support team staff.
- A UC Council of Emergency Managers workgroup completed a nearly year-long MNS (Mass Notification System) RFQ vendor bidding, evaluation, and selection process in conjunction with UCOP Procurement Services and began systemwide contract negotiations with the three lowest qualified bidders.
- The preliminary working version of the new "UC Ready 2" online continuity planning tool was demonstrated for the first time at the Risk Summit Conference in June. This simpler streamlined next-generation version will be effective and easier to use, and should prove to be a valuable adjunct tool to use alongside the current award-winning "Kuali Ready" tool. OPRS also led the Payroll Processing System (PPS) continuity planning project in coordination and cooperation with UCOP Banking & Treasury Services, Information Technology, and Treasurer's Office staff.
- In coordination with campus student counseling and human resources staff, behavioral threat management training (WAVR-21) began at Santa Cruz in February 2011 and was completed at the Santa Barbara, Irvine, San Francisco/UCOP, and San Diego campuses to high acclaim from participants.

CRISIS & CONSEQUENCE MANAGEMENT – NEXT YEAR

In order to address current deficiencies and vulnerabilities, OPRS 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.

OPRS will also coordinate 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. These joint workshops with CSU 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.

We have set a target for UC Ready of 50% completion of mission continuity plans by July 1, 2012.

	Total Expected Plans (est.)	Plans Complete	Plans In Progress	Total Plans	Percent Engaged*	Percent Complete**
UC Berkeley	350	197	107	304	87%	56%
UC Davis	200	21	92	113	57%	11%
UC Davis Health System	100	65	28	93	93%	65%
UC Irvine	281	69	64	133	47%	25%
UC Merced	45	21	22	43	96%	47%
UC Riverside	145	52	24	76	52%	36%
UC San Diego	153	58	35	93	61%	38%
UC Santa Barbara	130	41	38	79	61%	32%
UC Santa Cruz	240	20	67	87	36%	8%
UCLA	283	98	62	160	57%	35%
UCLA Health System	465	13	47	60	13%	3%
UC San Francisco	380	219	61	280	74%	58%
UCOP	40	18	21	39	98%	45%
Agriculture & Natural Resources	50	8	15	23	46%	16%
LBNL	101	95	5	100	99%	94%
TOTALS	2963	995	688	1683	57%	34%

CONCLUSION

The last several years have been a financially challenging time for the University; but 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/stratplan.html>) into our operations:

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

OPRS 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 campus by providing the Risk Summit and monthly webinars. Finally, the tools and information provided by OPRS allows campus leadership to be action oriented and to be able to quickly implement programs that will result in immediate impacts. The guiding principal in all of the work that OPRS does is to support the University mission of teaching, research, and service.