CSU Channel Islands Risk Management


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Risk Manager
The Role of Channel Islands Risk Management

By way of history, Risk Management at CSU Channel Islands was established at the inception of the University within one unit - Environment, Health, Safety and Risk Management. In November 2012, the risk management function was administratively separated from EH&S. Today Risk Management endeavors within the office of the Vice President for Business and Financial Affairs, reporting to the Director of Special Projects.

The Risk Management office strives to use effective risk management techniques while improving the delivery of services across the campus in support of the University’s mission. To accomplish these objectives, Risk Management engages in risk mitigation through consulting, analyzing, planning, and coordinating activities, striving to minimize adverse risk exposure. In addition, the office has the responsibility of carrying out the policies of the California State University in matters relating to adverse events, pro-active risk management and managing the cost of risk.

The following list is a sampling of the potential risks faced by the University, and serves to illustrate the importance of identifying and managing risk across the campus. Potential risk events include, but are not limited to:

- Incomplete risk transfer/mitigation in contracts
- Civil unrest or natural disasters, injuries and illness while traveling abroad
- Bodily injury, accidental death
- Property loss and/or loss of research data and specimens
- Fraud and cybercrime
- Employment practices claims, such as sexual harassment or retaliation
- Workplace injuries and safety issues
- Intellectual property infringement
- Class action claims
- “Whistleblower” complaints
- Event cancellation
- Business disruption
- Natural disaster and pandemic
- Auto accidents involving staff or students

Other duties assumed by the Risk Management office include:

- Acting as a resource to the university community on issues such as auto liability, use of waivers, contractual risk transfer, and professional liability.
- Collecting risk exposure and claims data information.
- Serving on the CSURMA Board of Directors, the Preparedness (Civil Discourse) Working Group, the University’s Safety Committee, Co-Chairing the Business Continuity Committee, the Emergency Operations Committee, and on the Security Systems Control Team
Reviewing contract and lease language, insurance requirements, indemnification, subrogation, and hold harmless clauses, in accordance with CSU insurance standards.

Reviewing and approving facility use requests from external entities.

Administration of Defensive Driver training and DMV Pull Notice Program

Providing oversight on high profile Workers’ Compensation and civil claims

Researching and obtaining insurance coverage as new, distinct activities are undertaken

Providing risk management services to auxiliaries

Quoting and binding Special Event Insurance coverage

Facilitating resolution of property losses

Serving as campus requestor and custodian of records for Department of Justice Live Scan reports

THE COST OF RISK - RISK MITIGATION THROUGH TRANSFER AND INSURANCE

The California State University has elected to be self-insured for its general liability, workers' compensation, professional liability, motor vehicle liability, and property exposures.

The California State University Risk Management Authority (CSURMA) administers the general liability, workers’ compensation, property, and professional liability programs, as well as the brokered or manuscript insurance policies needed collectively by all campuses, or individually based on campus need.

Under this form of insurance, the University, its employees and designated volunteers are insured for any tort liability that may arise from University activities, including University operations on non-state owned property.

The costs associated with the CSURMA pooled insurance programs for fiscal year 2016-2017 are illustrated below:

Annual CSURMA Risk Pool Funding by Channel Islands
(Percentages indicate funding change over the previous year.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Change</th>
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<tbody>
<tr>
<td>11-12 (6.7%)</td>
<td>$1,235,257</td>
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<tr>
<td>12-13 (5.5%)</td>
<td>$1,306,970</td>
<td>(5.5%)</td>
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<tr>
<td>13-14 (8.5%)</td>
<td>$1,419,161</td>
<td>(6.9%)</td>
</tr>
<tr>
<td>14-15 (6.9%)</td>
<td>$1,516,544</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>15-16 (2.4%)</td>
<td>$1,556,839</td>
<td>(1.8%)</td>
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<tr>
<td>16-17 (1.8%)</td>
<td>$1,585,632</td>
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BREAKDOWN OF THE FY 2016-2017 PROGRAM COSTS FOR CSUCI

GENERAL LIABILITY

The pooled Liability program covers claims arising from university owned or controlled premises, as well as negligent acts of faculty, staff and designated volunteers that result in property damage or bodily injury to a third party.

Included in the Liability Program is an Employment Practices Liability component, providing coverage for claims arising from alleged civil rights violations, discrimination, ADA violations, wrongful termination, and other claims that may be filed in the Federal or State Court systems. In addition, coverage extends to directors, officers, and employees who may be individually named in these claims.

The incidences of claims from employment practices have been increasing both nationally and locally. In recent years the CSU has focused greater attention on training and mediation as means to avoid expensive and protracted litigation. Until 2013, CSUCI’s liability funding remained fairly static. The increase in funding in recent years is in part due to serious losses shared throughout the pooled program, and in part due to the increasing cost of excess liability coverage in a hard industry market.
Workers' Compensation insurance is designed to provide a satisfactory way to address the medical and economic aspects of employment-related injuries. Workers' compensation insurance is not based on the legal concept of negligence, but rather provides statutory benefits without regard to who is at fault, as long as the injury or occupational illness arises out of and occurs in the course of employment.

CSUCI's claim history (number of claims per year, nature and expense) is reflected in its experience modification (X-mod). An X-mod, expressed as a percentage, is used in the premium or funding calculation for each campus. Generally, an X-mod of less than 100% reflects better-than-average loss experience, while an X-mod of more than 100% reflects worse-than-average loss experience. Accordingly, an X-mod that is greater than 100% increases workers' compensation program funding, while an X-mod that is less than 100% decreases the funding. CSUCI's X-mod is 1.08%, meaning CSUCI presently contributes roughly 7% more per $100/payroll for WC funding than the system wide average X-mod of 101.5%.
PROPERTY

Property insurance coverage provides protection for direct physical loss or damage to university property. Perils covered include fire, windstorm, hail, smoke damage, explosion, theft, and water intrusion. The policy is written on a scheduled basis to cover buildings, contents (if scheduled), business income loss and expense (including tuition & fees), as well as builder’s risk. Boiler and Machinery coverage is also included.

CSUCI’s total insured value for real and personal property for 2016-2017 was $307,406,244. The current total insured value rate, or premium rate, is .047/$100. Overall, property losses system wide are trending downward, which facilitates lower pool funding.

Property Funding by Channel Islands
(Percentages indicate funding change over the previous year.)
UNEMPLOYMENT INSURANCE, NON-INDUSTRIAL DISABILITY AND INDUSTRIAL DISABILITY LEAVE

CSURMA reports that the Industrial Disability Leave and Non-industrial Disability Leave is showing improvement. However, Unemployment Insurance expenditures routinely experience the effects of state budget challenges and workforce reductions. Benefit payments to faculty outside the academic year continue to make up the bulk of benefits paid.

In the past, the CSURMA Executive Committee approved a plan to fund Unemployment Insurance deficits with a combination of Workers’ Compensation dividends and Unemployment Insurance assessments. To offset a significant deficit in 2011, campuses received sizeable mid-year Unemployment Insurance assessments.

<table>
<thead>
<tr>
<th>UI, NDI, IDL Funding by Channel Islands</th>
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<table>
<thead>
<tr>
<th>11-12</th>
<th>12-13 (-6.3%)</th>
<th>13-14 (5%)</th>
<th>14-15 (-12.5%)</th>
<th>15-16 (6.8%)</th>
<th>16-17 (9.3%)</th>
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<tbody>
<tr>
<td>$300,000</td>
<td>$284,031</td>
<td>$266,834</td>
<td>$282,666</td>
<td>$246,710</td>
<td>$262,215</td>
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NEW PROGRAMS

In August, 2012, CSURMA rolled out a pooled insurance program for Sports Clubs. Premiums are paid by recognized clubs at a rate of $45 per participant, annually. The program provides accident medical coverage with a $100 deductible, and includes a catastrophic medical layer, previously provided through NIRSA. The program also provides general liability coverage, in keeping with the requirements set forth for Sports Club in Executive Order 1006.

The Owner Controlled Insurance Program incepted January 2012. This program allows the CSU to carry the liability, workers’ compensation, employer liability and builders risk coverage, in one policy, for all construction efforts throughout the system. Benefits include the CSU’s control of claim processes, and the removal of insurance requirements from contractors in the bidding process.

The Unmanned Aerial Vehicle Program was added to the existing general liability program in July of 2014, having been specifically excluded in the past. To activate coverage a UAV must be scheduled
with the campus Unmanned Aerial Systems Board. The program provides up to $20 million in liability coverage per occurrence.

The Fine Arts, Archives and Artifacts Program rolled out in July of 2016, providing first-dollar coverage for all components typical of fine art and collections, on the property, in transit, out on loan and during return transit. Covered items do not need to be appraised, however written agreements must be in place for exhibited items not owned by the University.

STRATEGIC RISK MANAGEMENT

In an effort to control and reduce the overall cost of risk, make informed risk decisions and align risk management with the University’s strategic planning, operations and service delivery, we have begun implementing Strategic Risk Management across campus. By definition, Strategic (or Enterprise) Risk Management is an institution-wide commitment to managing risk as an integral component of the institution’s operations in order to maximize opportunities and minimize setbacks to the institution’s objectives.

Strategic Risk Management (SRM) takes a holistic approach, moving risk analyses and mitigation decisions from an isolated handful of administrators, into all departments throughout the institution. The shift in accountability for risk management decisions ultimately creates a new culture, one focusing less on avoidance and more on informed risk taking to achieve the institution’s goals. The program is the vehicle for creating a common risk management process, maintaining consistent reporting and establishing mitigation priorities.

The characteristics of an SRM program include the alignment of risk management with the mission of the institution, by identifying a wide range of risks (e.g. financial, human capital, strategic, operational, reputational, compliance), instead of focusing on hazard risks. The program assigns accountability for risk identification, mitigation and decisions within the campus divisions, and utilizes a campus-wide risk inventory for strategic decision-making and resource allocation.

Interviews with division vice presidents regarding their primary risks revealed a vast array of deeply concerning areas of exposure. The primary risks identified indicate that the campus divisions embrace the underlying principles of SRM; the risks being considered are being done in an integrated, comprehensive and strategic manner. It was particularly interesting to hear the divisions address significant concerns outside their own purviews.

CSUCI Risk Management will continue working toward its goal of achieving an embedded holistic risk management culture. Discussions within the divisions will continue regarding the risk management process, prioritization, use of assessment tools and risk reporting. We can expect the overall risk appetite to change, to increase, as the campus begins to accept more risk in pursuit of strategic value.
ADDITIONAL GOALS FOR 2017-2018

Goals for the Risk Management office include:

- Vetting a campus policy on Strategic Risk Management
- Continuing with campus-wide risk assessment and mitigation training
- Continue to monitor the progress of, and assist departments with updating and testing their Business Continuity Plans
- Provide assistance to Academic Affairs with revising student placement agreements and vetting a workflow process to assure compliance with the forth-coming Internship Policy