OUS, Risk Management Quarterly Report as of December 31, 2013

EXECUTIVE SUMMARY
The Risk Management program continues to reflect a strategic enterprise approach to managing risk at the university-level resulting in improved claims management and an increased awareness and focus on the prevention of losses. This report reflects the second quarter for fiscal year 2013-14, ending December 31, 2013. Updates reflect the current financial status of the program and the impact of risk control efforts.

FINANCIAL ACTIVITIES
Risk financing includes the risk transfer costs for the purchase of insurance and the management of those funds retained by the pool. In FY2014, we renewed all lines of coverage for $6,346,823 or at a flat rate variance as compared with FY2013. In Exhibit 1, a review of the total program funds available to pay claims reflects a positive balance over the three years shown. Exhibits 2, 3, 4, and 5 represent each fiscal year and support the totals in Exhibit 1. In Exhibit 1, the right hand column shows the actuarially derived expected losses to the pool less premiums and operations expenses resulting in total assets to pay claims. The total assets remaining to pay claims that are unallocated and not tied to any current claims total $5,534,031. When the reserve funds tied to current claims of $6,420,227 are added back, the total balance of assets available to pay claims is $11,954,258.

For the take-over claims (pre-FY2012) there is a remaining balance of $1.4 million to offset a negative balance in assets to pay claims for FY2013 of ($981,361) due in part to the fact that we had a flat assessment in FY2013 from the prior biennium. It should also be noted that we have subrogation claims in process for over $500,000 related to FY2013 claims.

The total incurred divided by the expected costs reflects a ratio as to whether our claims are being managed within expected costs. Currently we are at a .69 for the program and each year is less than “1” or under (favorable) the total expected costs. Exhibits 2, 3, 4, and 5 represent the detailed loss frequency, severity (total incurred in dollars), and percent total incurred to expected losses for each year.

Allocation modeling is underway and an initial model with multiple options of deductibles to the pool for each university will be discussed with the vice presidents of finance and administration in February with an anticipated final model approval expected in March. The model shows a slight uptick in expected claims of about 6% noting this takes into account pre-program activity and takeover claims costs. That said, we’ve somewhat stabilized the frequency of claims, have improved claims management for educator’s legal liability and workers’ compensation claims, thus creating more certainty in the overall expected claims costs.

RISK CONTROL ACTIVITIES
The risk managers have continued to provide a positive impact to their universities through risk assessments for student programs, training such as meetings with university leaders on an
ad hoc basis, focused attention to controlling costs surrounding premium drivers and property deferred maintenance, and loss prevention activities.

Regarding property insurance, FM Global (FM), our property insurer, provided over 2,346 hours of field service to our universities in FY2013 providing our universities with over 200 recommendations to mitigate potential fire, equipment, and natural hazards. FM also provided 83 hours of construction and planning reviews. In FY2014 YTD, FM has provided 521 field service hours and 88 hours of plan review. Universities have implemented sprinklers, Hot Work (welding) permit systems, and Red Tag impairment notification programs. We also agreed to utilize our membership premium credit from FM for 2014 to install over 200 seismic gas shutoff valves throughout all universities and this will minimize our expected “maximum foreseeable loss” or MFL factor on our premium rating by over $1B. Additional training efforts are also ready to be implemented. It is no surprise that these efforts help to minimize increases to our premium at a time when we are expected to add over $250 million in new construction during this biennium. Through these efforts and our risk pooling effort, we spread the risk of high earthquake zones and also have the one of if not the highest limit of liability for quake of anyone—commercial or non-commercial—in the State of Oregon. Our universities and the staff involved in implementing these efforts are applauded from this office for their hard work.

Regarding United Educator’s (UE) insurance for employment matters, the University of Oregon’s Organizational Development and Training and Enterprise Risk Services worked with UE to roll out online training using a new UE system and piloted this program in FY2014. As of December, 1,379 employees completed multiple training courses on topics such as sexual harassment and discrimination. This is an area that each of our universities may participate, and also an area with the highest cost per claim of all claim types.

Workers’ Compensation costs are under review from claims prevention and management to premium analysis and minimization. Regular staffing meetings between university workers’ compensation managers, SAIF, our insurer, and OUS Risk have been held to discuss claims, close or minimize reserves as much as feasible, and shorten the time to close out claims. In October 2013, a review of 39 claims resulted in a decrease of over $280,000 in reserves, or approximately 10% of the total reserves for FY2013 and pre-FY2012 claims. Additional attention has been paid to the Employer-at-Injury Program (EAIP) for accessing funds available to pay workers who return to work rather than stay at home when they could perform modified duty jobs until they can return to full duty. During the past five years, over $1 million has been provided to the universities through this program, meaning the universities who utilize this program receive a benefit to returning their employees to work rather than paying for them to stay at home. We will focus more on this in 2014.

Workers’ compensation premiums are also being analyzed and OUS Risk Control is in process of applying National Council on Compensation Insurance (NCCI) codes to various job descriptions consistent with US Bureau of Labor SIC codes. By applying these codes, we will compare our combined code ratings as filed in Oregon with payroll and assess whether or not our premium may be adjusted downward. This is a very detailed and comprehensive study that will benefit
all universities in our risk pool. Currently SAIF uses a special rating specific for higher education for OUS, but we can do better and are assessing for 2014-15. This will also allow an opportunity to compare with peers elsewhere and benchmark over time.

Additional risk control efforts include providing a facilitated approach to environmental health & safety and supporting the rollout of the Global Harmonizing System (formerly “right to know”) hazardous communication training in October 2013.

The Risk Council requested a more streamlined approach to obtaining certificates of insurance and our office developed a multi-faceted approach that allows for direct self-insurance level certificates through our office as well as obtaining more comprehensive and excess coverage certificates through the broker. Special camps and clinics coverage was also tracked showing over 19,324 participants throughout the universities this year.

Guidelines are also being developed in lieu of policies, to support universities in awareness of “best practices” expectations and resources as they develop and implement more comprehensive programs over time. Topics have been distributed to the Risk Council and include: Hot Work, Lockout/Tagout, Fire Protection System Impairments, Indoor Air Quality, Ladder Safety, Hazard Communication, Large Passenger Vans and Driver/Vehicle Safety. Additional guidelines have been drafted to reflect internal processes such as certificates of insurance, camps and clinics tracking and billing, and credentialing requests.

**PLANNING FOR FY2015**

While governance decisions are being made, we’ve provided various scenarios and worked with the vice presidents for finance and administration and general counsel offices to support efforts in assessing the risk management pool options in compliance with the legislative bills from 2013. We will continue this effort throughout this year in preparation for FY2015.

**STAFF RECOMMENDATION TO THE COMMITTEE**

The Staff requests that the Committee accept this report.

(Committee action required.)