SAN FRANCISCO STATE UNIVERSITY
ENTERPRISE RISK MANAGEMENT
ANNUAL REPORT
FY 16/17

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Executive Summary

This executive summary is intended to provide senior leadership with an overview of the FY16/17 Enterprise Risk Management Annual Report. CSU Technical Letter RM 2011-05 requires that a risk management report be submitted annually to the Vice President and CFO for Administration and Finance.

Financial Analysis

The costs associated with our Insurance and risk-related programs are trending upward. For FY 17/18, our insurance program costs through the California State University Risk Management Authority (CSURMA) will be $5,111,593, an increase of $445,093 (or 9.5%). This increase is being driven by two important factors – claims history (particularly employment practices claims) and policy changes by the Office of the Chancellor.

High-value employment practices claims affect future premiums. The campus has settled several of these claims in recent years and also has several high-value, open claims on its claim ledger. Additionally, in an effort to reduce the financial impact to the campus of future employment claims, the campus this year made the decision to lower its liability program deductible from $500,000 per claim to $250,000 per claim, at an additional annual cost of $137,397 annually.

The campus is seeing a 20% increase in its property insurance costs for FY 17/18. This resulting $102,171 increase is due solely to the elimination of the system-wide central fund that previously paid for State Public Works’ Board bond-funded facilities. In accordance with the instructions from the Chancellor’s Office, these bond-funded facilities are chargeable to the respective campuses beginning FY 2017/18.

Science Building Insurance Claim

The campus is seeking $12.6M from Lexington Insurance Company for costs incurred from 2014-2016 to remediate the Science Building. SF State, through CSURMA, hired coverage counsel in February 2016 to assist in this matter. Complex claims like this one often take several years to settle but indications from coverage counsel are that Lexington will be advising the campus of their initial coverage position in the next few weeks after which we will strategize with coverage counsel and the CSU’s Office of General Counsel and agree upon the next steps to be taken to move the claim forward.
Executive Summary Continued...

EO 1014 - Business Continuity Compliance Initiative
The campus business continuity initiative has made significant strides in the past twelve months towards full compliance with Executive Order 1014 – Business Continuity including the Completion of BC Plans for Administration & Finance (A&F) departments. The goal for the coming year is to engage Student Affairs and Academic Affairs to assist with the development of effective business continuity plans so that their operational needs can be met in the event of a disruption.

Enterprise Risk Management continues its outreach efforts across campus to create a more “risk aware” mindset. Events like Campus Safety Week and the numerous trainings ERM hosts for faculty, staff and students encourage collaboration among our campus partners and increase the campus community’s mindfulness of the risks inherent in any larger institution of higher learning and methods for minimizing those risks.
San Francisco State University Enterprise Risk Management
FY 2016/2017 Annual Report

Introduction

This report is submitted in accordance with the CSU Technical Letter, RM 2011-05, which requires a Risk Management report to be submitted annually to the Vice President for Business Administration and Finance.

Risk Pool and Insurance Costs

The California State University Risk Management Authority (CSURMA) insurance premium contributions paid by the campus provides coverage for Liability, Workers’ Compensation, Industrial Disability (IDL), Non-Industrial Disability (NDI), Unemployment (UI), Property, Athletics Injury Medical Expense (AIME) and Auto Liability Coverage. For comparison, TABLE 1 below outlines the campus premium contributions for the past and current fiscal years.

### TABLE 1
CSURMA COVERAGE PROGRAM COST COMPARISON

<table>
<thead>
<tr>
<th></th>
<th>FY 16/17 Actual</th>
<th>FY 17/18 Adopted</th>
<th>Variance ($)</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability¹</td>
<td>$550,435</td>
<td>$875,661</td>
<td>$325,226</td>
<td>59.1%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>2,445,638</td>
<td>2,325,557</td>
<td>-120,081</td>
<td>-4.9%</td>
</tr>
<tr>
<td>IDL/NDI/UI</td>
<td>1,045,382</td>
<td>1,173,634</td>
<td>128,252</td>
<td>12.3%</td>
</tr>
<tr>
<td>Property²</td>
<td>510,705</td>
<td>612,877</td>
<td>102,172</td>
<td>20.0%</td>
</tr>
<tr>
<td>Auto Liability</td>
<td>29,154</td>
<td>32,375</td>
<td>3,221</td>
<td>11.0%</td>
</tr>
<tr>
<td>AIME</td>
<td>85,186</td>
<td>91,489</td>
<td>6,303</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,666,500</strong></td>
<td><strong>$5,111,593</strong></td>
<td><strong>$445,093</strong></td>
<td><strong>9.5%</strong></td>
</tr>
</tbody>
</table>

**NOTES**

1 Liability increase resulting from less than favorable loss history and campus decision to lower deductible from $500k to $250k per occurrence for FY 17/18, FY 18/19 and FY 19/20.

2 Property increase resulting from Chancellor’s Office directive requiring payment of insurance costs for SPWB-funded facilities be moved from A system wide fund to individual campus funding.
INSURANCE COST ANALYSIS

SF State’s total CSURMA insurance coverage premium contributions for FY 17/18 increased by 9.5% compared to the past year.

Liability Program

Liability premium contributions are calculated using campus historical loss history and annual payroll. Our Vehicle Liability premium is based on loss history and the number of vehicles owned by the campus.

SF State’s Liability coverage program saw a significant 59% increase in costs due to two separate but related factors. First, SF State’s loss history, particularly that of employment liability claims, has been plagued by both frequency and severity problems. As a result of this trend, the campus made a financial decision to lower its Liability program deductible from $500,000 per claim to $250,000 per claim at a cost for FY 17/18 of $137,397. If the current trends in frequency and severity continue, one claim arising out of an incident in FY 17/18 and valued at $387,397 or more would result in the cost of the lower deductible being recovered.

Worker’s Compensation Program

Workers’ Compensation premiums are calculated using campus historical loss history and annual payroll.

Workers’ Compensation coverage program costs will see a modest 4.9% decrease in FY 17/18. This program continues to perform well above CSU campus benchmarks particularly as respects the closing of older, open claim files. In the past year, SF State’s open caseload has been reduced from 110 open cases to 66 thanks to the efforts of Victoria Ramos, SF State’s Workers’ Compensation & Loss Control Programs Manager.
IDL/NDI/UI Program

Industrial Disability Leave (IDL), Non-industrial Disability Leave (NDI) and Unemployment Insurance (UI) costs are based on historical loss history and payroll.

The campus saw a 12.3% increase in IDL/NDI/UI costs for FY 2017/18. This increase is being driven by both an increase in payroll and a continuing negative trend in unemployment insurance costs.

Enterprise Risk Management (ERM) was assigned the claims management duties for unemployment claims administration effective July 1, 2017. We hope to be able to bring down the costs of that program (currently about $1.2M annually) with more effective and timely claims management. This year, ERM will be providing additional analysis of unemployment claim causes and recommending implementable strategies for reducing these costs.

Property Program

Property insurance premiums are calculated using only the total insurable values for the campus buildings. Fortunately for SF State, claims costs and other loss-generated expenses are not used to calculate the campus premiums.

However, property insurance costs increased by 20% due solely to a Chancellor’s Office directive requiring that payment of insurance costs for State Public Works Board-funded facilities be moved from a system-wide fund at the Chancellor’s Office to individual campus funding.

Auto Liability Program

The automobile liability program costs are assigned to the CSU by the State of California and allocated to the individual campuses based on fleet size.

SF State’s auto liability costs increased a nominal $3,321 for FY 17-18.

Athletic Injury Medical Expense (AIME) Program

AIME costs are calculated using SF State’s historical loss history. Costs for FY 17-18 are increasing 6.9%.
OTHER RELEVANT INFORMATION

Liability Claims Experience

SF State began fiscal year FY 16/17 with 14 open liability claims. Ten new claims were submitted during the year and five claims were closed. Two, high-dollar employment claims were settled during the fiscal year. Of the new claims filed against the University in FY 16/17, six were filed in May.

Science Building Claim (Date of Loss: 12/3/2013)

ERM continues to make progress toward a favorable resolution to the Science Building claim. The Office of General Counsel engaged Vedica Puri of the law firm Pillsbury & Colman on SF State’s behalf as coverage counsel and continues to advance our coverage position and implement our comprehensive litigation strategy. Though no outcome is guaranteed, we are confident that this claim is being handled in the most effective manner.

Foreign Travel Insurance Program Administration

All faculty, staff and students who travel internationally, including those students enrolled in Study Abroad programs, are required to use the CSU’s Foreign Travel Insurance Program (FTIP). ERM took over management of the Study Abroad Program’s FTIP enrollment process from OIP last fiscal year and has seen increases in efficiencies and a higher level of student satisfaction with the overall enrollment process.

After a 75% increase in international travelers in FY 15/16, usage of the Foreign Travel Insurance Program leveled off in FY 16/17. See TABLE 2 below.

TABLE 2

<table>
<thead>
<tr>
<th>Foreign Travel Insurance Program Participants</th>
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</thead>
<tbody>
<tr>
<td>FY 12/13</td>
</tr>
<tr>
<td>250</td>
</tr>
</tbody>
</table>
Foreign Travel Insurance Program Administration Continued...

It is important to note that in FY 16/17 there were 29 significant international events (national disasters, terrorist attacks, etc.) requiring ERM to coordinate confirming the safety of 269 SF State travelers (faculty, staff and students). These figures represent a significant increase over last year’s events and safety confirmations (21 events and 113 travelers).

Identifying the need to ensure that all travelers to “high hazard” countries are made aware of the specific perils in those countries, ERM has initiated an additional level of traveler safety risk management. All travelers to high hazard countries will be provided with a location-specific outline of risks identified in those countries. This additional precaution comes as the result of a recent court ruling in which a judgement of $41M was granted to the parents of a high school minor as a result of the school’s failure to advise the parents of the risks associated with travel to the foreign country. Though minors don’t normally participate in SF State-related international travel, our department thought it would be prudent to initiate the additional safeguard for all of our travelers.

Workers’ Compensation Coverage Program

The Workers’ Compensation program continues to have good results. TABLE 3 below shows the positive trend in our annual costs for workers’ compensation coverage. Costs decreased almost 5% for FY 17/18. TABLE 4 shows an upward trend in our experience modification (ex-mod) factor. This increase in the ex-mod, which is used in calculating future costs, is due primarily to the campus initiative aimed at controlling long-term costs by closing older claims out. The higher ex-mod will have the effect of increasing our costs in future years.

<table>
<thead>
<tr>
<th>FY 12/13</th>
<th>FY 13/14</th>
<th>FY 14/15</th>
<th>FY 15/16</th>
<th>FY 16/17</th>
<th>FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,344,418</td>
<td>$2,175,855</td>
<td>$2,407,806</td>
<td>$2,545,888</td>
<td>$2,445,638</td>
<td>$2,325,557</td>
</tr>
</tbody>
</table>

TABLE 3
Seventy claims were approved in FY 16/17. Of those, 67 are classified as future medical or indemnity. This is a 32% decrease in future medical and indemnity claims from FY 15/16. This decrease was due to an accelerated claim closure (ACC) project with the University’s claims administrator, Sedgwick.

The ACC gave the WC program an opportunity to collaborate with the Disability Programs and Resource Center (DPRC) to ensure that the University formally accommodated employees with future medical or indemnity claims and work restrictions. This gave injured workers’ confidence that they were being accommodated permanently and gave supervisors assurance that their department, DPRC, and our Worker’s Compensation Claims Coordinator were on the same page regarding temporary and permanent work restrictions.

Due to Environment, Health and Safety’s training and loss control program efforts, the campus continues to see fewer medical, indemnity and future medical claims filed. FY 16/17 saw a total of 70 medical only, indemnity and future medical claims compared to 100 in FY 15/16 and 116 in FY 14/15, a 39% decrease.
Business Continuity Program

In June 2016, we engaged a business continuity planning consultant, Tracy Knippenburg Gillis, to assist the Campus in updating and finalizing business continuity plans for each department. With her oversight, the ERM Business Continuity team has made significant strides towards full compliance with Executive Order 1014 – Business Continuity.

Summary of BC Program Activities (June 2016-June 2017)

- SF State Business Continuity Webinars (conducted live and recorded)
- Individual A&F Department BC Planning Meetings
- Individual Department BC Planning Meetings with select departments from Academic Affairs and Student Affairs
- BC and ITS Disaster Recovery (DR) Working Meetings to align these critical preparedness programs
- BC and EOC (primarily UPD) Working Meetings to align these critical preparedness programs
- Enhancement and upgrade of SF State Ready online tools for BC planning/documentation
- Development of several BC Real Time Response tools to supplement SF State Ready BC Plan outputs, including helpful tips and guidelines/tools for BC planners to help simplify the planning process
- BC and Academic Technology (AT) Disaster Recovery (DR) Working Meetings to align these critical preparedness programs
- Identification/documentation/positioning of essential common or campus-wide resources to support continuity following a catastrophic disrupting event
- Development of SF State Business Continuity (BC) framework and Campus BC Plan Summary
- Development of SF State BC Program administration materials, and multi-year BC Program work plan.
- BC Workshop (conducted April 5, 2017) to increase awareness, training and coordination among personnel, and across departments and other SF State response elements (i.e. EOC, DR, etc.)
Business Continuity Program Key Outcomes and Successes (June 2016-May 2017):

- Completion of **BC Plans for Administration & Finance (A&F)** departments, with Student Affairs, Academic Affairs departments remaining without current BC Plans. BC Plans are maintained on the SF State Ready online platform.
- Integration of the role of Business Continuity within the context of the (newly updated) Emergency Operations Plan and **Emergency Operations Center (EOC)**
- Identification and location of existing **SF State emergency generators & power sources**
- Confirmation and documentation of contract to procure **BC trailers for temporary workstations** through a CSU System wide contract with Agility Recovery in response to building/work location destruction as a result of disrupting events
- Update/enhancement of the online **SF State Ready** tool through collaboration with Kuali Ready to document BC Plans, and allow access via external hosting should SF State systems be inaccessible.
- Coordination with other CSU campuses to gain from other good work already completed has been ongoing through active participation in the CSU BC Affinity Workgroup.

SF State still has work to complete to be in full compliance with the EO but we hope with additional BC Program funding and collaboration from our campus partners outside of A&F, we can meet our goal of full compliance in the next 12-18 months.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance (ARC) Committee was established on July 10, 2015 to identify and manage the full range of risks that the University faces. Chaired by the Vice President & CFO for Administration & Finance, the Committee met six times in FY 16/17. We have expanded the committee to include members from Student Affairs and Enrollment Management and our Auxiliary Organization partners. Topics discussed over the course of the year included:

- Audit and Advisory Services
- Development of Department Risk Dashboards
- IT Security and Phishing
- Response to Chancellor’s Office Risk Assessment Project
- Campus Asset Management
- Time, Place and Manner Policy Revisions
- Residential Housing & Security Action Plan
- Business Continuity Planning
Enterprise Risk Management Training Sessions

ERM hosted/facilitated 9 events promoting risk management and safety on campus in FY 16/17. These sessions were open to all faculty, staff and students.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Details</th>
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<tbody>
<tr>
<td>Aug 26, 2016</td>
<td><strong>First Aid, CPR, AED Training</strong></td>
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<tr>
<td></td>
<td>As part of the initiative to promote a safety culture in the workplace</td>
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<tr>
<td></td>
<td>as well as improve response times during cases that involve cardiac</td>
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<tr>
<td></td>
<td>arrest and other medical response issues on campus, ERM partnered</td>
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<tr>
<td></td>
<td>with EH&amp;S to sponsor certification trainings for faculty and staff.</td>
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<tr>
<td>Sep 28, 2016</td>
<td><strong>American Heart Association (AHA) Hands-Only CPR Demonstrations</strong></td>
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<td></td>
<td>ERM partnered with the AHA to host “hands-on” CPR demonstrations in the quad.</td>
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<td></td>
<td>Participants were able to practice hands-only CPR on mannequins. Approximately 50 individuals participated and provided very positive feedback about their experience. Most of which voiced that they were grateful to receive the hands-on training and definitely felt more comfortable helping if ever necessary.</td>
</tr>
<tr>
<td></td>
<td>To promote transparency and compliance on campus, ERM partnered with</td>
</tr>
<tr>
<td></td>
<td>Victoria Ramos, our Worker’s Compensation Manager who also administers the driver safety program on campus. Topics discussed included:</td>
</tr>
<tr>
<td></td>
<td>• Authorized Drivers • Field Trips • Emergency Pull Notice Program • Auto Accidents</td>
</tr>
<tr>
<td></td>
<td>• Students &amp; Volunteers • Auxiliary Organizations • Insurance • Claims</td>
</tr>
<tr>
<td>Nov 7 – 11, 2016</td>
<td><strong>Risk Management Week</strong></td>
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<tr>
<td></td>
<td>ERM invited various campus partners to engage in discussion following</td>
</tr>
<tr>
<td></td>
<td>webinars focused on the following topics:</td>
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<tr>
<td></td>
<td>• Managing Volunteers on Campus • Drones: Regulations and How they Affect Universities • Managing Food Allergies in Higher Education • How to Use a Risk Committee Effectively • Total Cost of Risk: Where Facilities meets Risk Management</td>
</tr>
<tr>
<td>Date</td>
<td>Session Title</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Nov 8, 2016</td>
<td>Lunch &amp; Learn: University Asset Management</td>
</tr>
<tr>
<td>Dec 13, 2016</td>
<td>Lunch &amp; Learn: Special Events</td>
</tr>
</tbody>
</table>
| Feb 3, 2017| First Aid, CPR, AED Training                      | The 8-hour course covered:   
- Airway Management   
- Rescue Breathing   
- Cardiopulmonary Resuscitation   
- First Aid   
- Personal Protective Equipment   
- Automated External Defibrillator |
| Mar 2, 2017| Let’s Talk Risk Discussion: Time, Place & Manner Executive Directive | Michael Beatty (Risk Manager), Mary Ann Begley (Interim Dean of Students), and Jason Wu (Chief of Police) led a discussion around how the campus balances the need for freedom of expression with the desire to provide the campus community a safe environment for discussion and debate. They also discussed the updates to the Time, Place & Manner Executive Directive such as permitted and prohibited campus activities, distribution of circulars, posting of flyers, commercial solicitation and tabling. |
Enterprise Risk Management Training Sessions Continued...

<table>
<thead>
<tr>
<th>Apr 17 – 20, 2017</th>
<th>Campus Safety Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERM partnered with UPD and EH&amp;S to host SF State’s very first Campus Safety Week that included a weeklong series of trainings, workshops, discussions, tabling, and activities around the following topics:</td>
<td></td>
</tr>
<tr>
<td>• Active Shooter</td>
<td>• Back Care</td>
</tr>
<tr>
<td>• Data Security</td>
<td>• Evacuation Chair</td>
</tr>
<tr>
<td>• Urban Bicycling</td>
<td>• International Travel Safety</td>
</tr>
<tr>
<td>• Service &amp; Assistance Animals</td>
<td>• Mental Health &amp; Well Being for Faculty &amp; Staff</td>
</tr>
<tr>
<td>• Emergency Preparedness</td>
<td>• Safety Resources Available on Campus</td>
</tr>
<tr>
<td>• Self-Defense</td>
<td>• First Aid, CPR, AED</td>
</tr>
</tbody>
</table>

FY 16/17 Milestones

August 2016 – Initiated Campus-wide Business Continuity Planning initiative

August 2016 – Organized new Health and Safety Training for Admin and BERCs – First Aid, CPR & AED Training

September 2016 – Organized new Health and Safety Training – Hands-Only CPR

Fall 2016 – Series of monthly Lunch and Learn presentations – Driver Safety, University Asset Management, Special Events

October 2016 - Developed Downtown Center Security Enhancement action plan

October 2016 - Developed Residential Housing Security Enhancement action plan

January 2017 – Development of response to CO Risk Assessment Survey

January 2017 – Presented campus TPM policy with Asst. Dean of Students and UPD to Cabinet members and other key stakeholders

January 2017 – Spearheaded unemployment insurance process improvement initiative with HR and Business Ops; Will assume management of unemployment insurance claims handling in ERM effective July 1, 2017
FY 16/17 Milestones Continued...

February 2017 – Fine Arts damage claim management on behalf of the department of Museum Studies. Collaborated with insurance claims adjustors to develop an action plan for remediation and restoration of fine arts. Paid insurance claims reimbursement of $200,000 already received with an additional claim in the amount of $160,000 being reviewed by the insurance claims adjustor. Note, our Fine Arts, Archives and Artifacts Program, implemented on January 1, 2016 has a $0 deductible. All covered costs will be recouped.

March 2017 - Performed Physical Risk Assessment for Cesar Chavez Student Center

April 2017 - Oversaw rollout of Campus Safety Week with over 15 training sessions and a day of tabling and safety demonstrations on the Quad.

March 2017 - Successfully implemented marketing plan for International Student Health Insurance Program renewal. Interviewed three competing brokers. Appointed Ascension as Broker of Record. Renewal proposal showed a 10% reduction over expiring rates.

March 2017 - Successfully completed SF State Emerging Leaders Group resulting in designation of permanent location and funding for AS Food Pantry

March 2017 - Identified opportunity to mitigate risks in Library by moving forward the installation of Emergency Blue Light Phone

February 2017 - Time, Place, Manner presentations to President’s Cabinet and other interested parties.

April 2017 - Development of new tabling procedure for non-profits and non-campus-related groups
Conclusion

Over the past fiscal year, Enterprise Risk Management has achieved a great many milestones as denoted in the above report from process improvement initiatives to implementation of completely new risk management programs. The most rewarding accomplishment, however, was the substantive rebranding of Enterprise Risk Management. Through our countless interactions with the campus community, it became apparent that their perception of the department shifted from authoritative to service-oriented.

From the increasing influx of requests and questions the team receives on a daily basis, it is clear more and more of our campus partners value a risk management perspective in their daily operations and special events. This is indicative of the success of our outreach efforts which are aimed to promote a culture of safety and accountability by educating the campus community about this concept of an Enterprise Risk Management model.

We attribute this great success to the support received from campus leadership. It is extremely difficult for programs like ours to gain traction without continued support (be it fiscal or inherent) from above and we are grateful for the opportunity to make great things happen.