



**SAN FRANCISCO
STATE UNIVERSITY**

Enterprise Risk Management Annual Report

Fiscal Year 2017-2018

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December 14, 2018

**San Francisco State University Enterprise Risk Management
FY 2017/2018 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 Campus President with a copy to the Director, Systemwide Risk Management.

San Francisco State University Enterprise Risk Management Team

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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 leave, non-industrial disability leave, unemployment, property, athletic injury medical expense and auto liability claims. TABLE 1 below details the campus premium contributions for each coverage program for the prior and current fiscal years.

**TABLE 1
CSURMA COVERAGE PROGRAM COST COMPARISON**

	FY 17/18 Actual	FY 18/19 Adopted	Variance (\$)	Variance (%)
Liability ¹	\$875,661	\$1,342,458	\$466,797	53.3%
Work Comp ²	\$2,325,557	\$2,689,598	\$364,041	15.7%
IDL/NDI/UI	\$1,173,634	\$1,132,166	(\$41,468)	-3.5%
Property ³	\$612,877	\$688,078	\$75,201	12.3%
Auto Liability	\$28,591	\$30,163	\$1,572	5.5%
AIME	\$91,489	\$96,716	\$5,212	5.7%
TOTAL	\$5,111,593	\$5,979,179	\$871,355	17.1%

INSURANCE COST ANALYSIS

Liability Program

The CSURMA Liability Program provides coverage for general liability, errors & omissions, employment practices, and many other types of liability claims. SF State has a per occurrence deductible of \$250,000 for each and every liability claim.

Liability premium contributions are calculated using actual claim payments (regardless of initial date of loss) from the previous five, complete policy years. Claim costs from 11/12, 12/13, 13/14, 14/15, and 15/16 were used in calculating our x-mod and premium contributions for FY 17/18.

SF State's liability premium contributions for FY 18/19, adopted by the CSURMA Board of Directors in May 2018, increased 53.3%, the second consecutive year in which liability program premium increases have been greater than 50%. These consecutive year increases

¹ Liability increase resulting from less than favorable employment practices claims 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 Workers' Compensation increase due to an Accelerated Claims Closure Initiative to close open claims resulting in short-term cost increases but long-term cost savings.

³ Property increase resulting from addition of Mashouf Wellness Center values to SF State property schedule.

are the result of older, high-value employment practices claims finally being settled and paid. Below, TABLE 2 charts the escalating claims payments over the past five fiscal years.

TABLE 2
LIABILITY PROGRAM CLAIM PAYMENTS BY FISCAL YEAR

FISCAL YEAR	ACTUAL CLAIM AMOUNTS PAID	USED FOR FY 18/19 RATING	USED FOR FY 19/20 RATING
12/13	\$227,323	\$227,323	
13/14	\$250,077	\$250,077	\$250,077
14/15	\$186,960	\$186,960	\$186,960
15/16	\$478,546	\$478,546	\$478,546
16/17	\$1,803,789	\$1,803,789	\$1,803,789
17/18 (est)	\$2,600,788		\$2,600,788
		\$2,946,695	\$5,320,160

Claim payment trends from FY 16/17 to present are troubling. Some of the increases can be attributed to the “liberal” legal atmosphere of the Bay Area, in particular, and California, in general but the University must work internally, with the support of senior leadership, to implement strategies to prevent these cases from ever happening. This trend of “bad” years is being addressed at a senior management level and, at the direction of the VP/CFO, claims reduction and mitigation strategies are currently being discussed across all cabinet areas and will be identified and implemented to prevent the trend from continuing.

Workers’ Compensation Program

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

Workers’ Compensation coverage program costs will see a 15.7% increase for FY 18/19. This increase is the result of several factors including a 6.5% increase in payroll basis and an 8.6% increase in our rate (per \$100 in payroll). Normally, an increase in the rate per \$100 in payroll would reflect poorly on an organization’s claims management. However, this particular rate increase is actually the result of an aggressive, one time, strategy initiated in FY 16/17 to close out long-term, ongoing claims as a way to reduce future costs. The Accelerated Claims Closure Initiative (ACCI) was reviewed and encouraged by System-wide Risk Management and our workers’ compensation claims consultant as a proactive method for reducing long-term costs. ACCI resulted in permanently closing 47 longstanding claims and had the expected effect of increasing costs in the short-term due to one-time settlement payments to the claimants while also reducing the ever-increasing long-term medical costs as those claims since they are formally closed and no future payments will be required.

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.

Enterprise Risk Management assumed claims management duties for unemployment claims administration effective July 1, 2017. The campus has experienced a 3.5% reduction in IDL/NDI/UI costs for FY 18/19. This decrease is the direct result of more proactive claims management by ERM. Claims are now being reported on a timely basis and questionable claims are challenged when appropriate.

Property Program

Property insurance premiums are calculated using only the total insurable values for the campus buildings. The property insurance program is not “loss-rated” so any claims costs or other loss-generated expenses are not used in annual premium calculations.

Property insurance premiums are increasing by \$75,201, or 12.3%, for FY 18/19 but this is due solely to the addition of the new Mashouf Wellness Center’s \$75MM in values to SF State’s property portfolio in September 2017.

We continue to experience challenges in our student residential units. We have had two kitchen fires in each of the past two years resulting in significant claim costs to the University (almost \$375,000 in FY 16/17 and over \$500,000 in FY 17/18).

At the recommendation of Enterprise Risk Management, Housing now requires all student residents to carry a personal liability policy to protect the University against losses caused by the insured student resident. This coverage should generate savings to the University for damages resulting from student residents since it should serve to reimburse the University for the \$100,000 deductible of every property loss.

Auto Liability Program

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

SF State’s auto liability costs increased a nominal \$1,572 for FY18/19. Auto liability claims continue to be minimal. Required Driver Safety Program training, strict incident reporting requirements and effective fleet management are all reasons for the low rate of claims and the resulting premiums.

Athletic Injury Medical Expense (AIME) Program

The NCAA provides catastrophic coverage for athletes injured while participating in NCAA-sanctioned events (practices, games, etc.). The NCAA catastrophic coverage has a \$90,000 deductible. The AIME program provides coverage for injured NCAA athletes

up to the NCAA’s \$90,000 attachment point. Costs for FY18/19 are increasing 5.7% due to claims activity.

OTHER RELEVANT INFORMATION

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

Enterprise Risk Management continues to make progress toward a resolution of the Science Building claim. The Office of General Counsel (OGC) engaged Vedica Puri of the law firm Pillsbury & Coleman on SF State’s behalf as coverage counsel and continues to advance our coverage position and implement our comprehensive litigation strategy.

The claim settlement process is progressing. The last meeting between OGC, Systemwide Risk Management, coverage counsel and AIG took place on August 14, 2018 at which coverage counsel submitted a report from an independent claim causation expert rebutting the reasons initially provided by AIG for initially denying the claim.

Foreign Travel Insurance Program Administration

All faculty, staff and students who travel internationally, including students enrolled in Study Abroad programs, are required to use the CSU’s Foreign Travel Insurance Program (FTIP). Participation in FTIP continues to trend upward as more and more faculty, staff and students travel internationally on University-related business or programs. TABLE 3 below tracks participation in FTIP.

**TABLE 3
FOREIGN TRAVEL INSURANCE PROGRAM PARTICIPANTS**



The number of significant international events (national disasters, terrorist attacks, etc.) continues to be on the rise. There were 30 international events in FY17/18, up from 22 in FY15/16 and 28 in FY16/17. When such an event occurs, ERM coordinates the

confirmation of safety of each and every one of our SF State travelers. In FY17/18, ERM confirmed the safety of 278 SF State travelers (faculty, staff and students).

ERM also continues to expand its outreach to travelers prior to their departure. ERM has conducted numerous health and safety orientations to advise travelers of the perils specific to their destination. We present international travel risk and safety information to students at the annual Office of International Program (OIP) Study Abroad Orientation session. We collaborate with OIP to present mandatory Faculty Leader Health & Safety Orientation sessions for short-term faculty-led study abroad academic programs. We spend considerable time with our partners from the Confucius Institute to ensure that participants in their two summer trips to China, one with high school principals and one with high school students, are well prepared for the risks inherent in any international travel. We provide travelers going to countries designated as “high risk” by the Chancellor’s Office with a detailed memorandum outlining the risks to be aware of in their destination countries, risk mitigation strategies to consider and emergency contact information.

ERM partnered with KeynectUp to procure a traveler safety notification service and mobile phone safety information contact card. The notification service allows ERM to send real-time push notifications to international travelers in the event of an international incident. The recipient is asked to confirm their safety with the responses immediately registered in an online database allowing ERM to more effectively monitor the safety of our travelers. The safety information card is downloaded by travelers prior to departing (for instance, at the OIP Study Abroad Orientation) and is saved to the traveler’s mobile phone for easy access to campus safety resources.

Understanding the risks to the University and its faculty, staff and students while traveling abroad, we continue to allocate additional resources and develop new initiatives aimed at increasing the safety of our international travelers.

Workers' Compensation Coverage Program

The Workers' Compensation program continues to have good results. TABLE 4 below shows a slight uptick in our annual costs for workers' compensation coverage resulting from our pro-active Accelerated Claims Closure Initiative (ACCI)⁴. By reducing the ongoing medical costs (which continue to increase year over year due to the marketplace healthcare costs) through initiation of an up-front, one-time settlement with the claimant, we expect to offset the current, short-term premium increases reflected in Table 4 below.

TABLE 4
WORKERS' COMPENSATION PROGRAM TOTAL COSTS



Several new loss prevention initiatives are scheduled for FY18/19. With the addition of a new on-staff ergonomist, we will be able to evaluate employee workstations more quickly with individualized follow-up only a phone call away.

Similarly, we are implementing a “lean gemba safety walk” initiative as a way to proactively identify poor work habits that result in injuries to workers. By watching the actions required to complete work tasks, gemba teams can identify improvement opportunities that make work safer and easier for the employee. Gemba teams will start with safety walk observations of custodians and ground crews and their day-to-day duties since most workers' compensation injuries occur in these units. The gemba teams will consist of department supervisors, leads and ERM staff. The gemba walks will be initiated first throughout Facilities and progress to other departments as we look for ways to make work safer and more efficient over the entire campus.

⁴ The Accelerated Claims Closure Initiative (ACCI) was initiated in FY 16-17 and resulted in 47 longstanding claims being settled and permanently closed.

Campus-wide Business Continuity Program

Previously, SF State utilized Quali Ready as its primary Business Continuity (BC) planning software. Since its adoption by the CSU at a system-wide level in 2011, Quali Ready has failed to evolve with the industry. The current Enterprise Risk Management team determined that Quali Ready lacked the competency to allow SF State to build a robust and Executive Order 1014-compliant BC program. This determination was prompted by the ERM team's own experience with the tool and discussions with end-users on campus, other CSU BC Affinity Group members, representatives from the University of California system who currently use Fusion, and Quali Ready representatives since June of 2016.

After undergoing a Request-for-Proposal process for Business Continuity software services, ERM recommended procuring Fusion Risk Management business continuity software for our campus business continuity needs. The purchase was approved by Interim VP/CFO Ann Sherman in May 2018.

Fusion Risk Management is an industry leader for BC software. Adoption of the tool will allow SF State to:

1. Map dependencies between business units as well as link key applications with their corresponding critical functions
2. Access reports and dashboards that are easy, powerful, and fully configurable without programming skills
3. Respond to ad hoc demands about business dependencies and strategies as well as capture all information and analyze outcomes of every exercise and incident allowing for continuous improvement.

Fusion is a dynamic tool that can be highly cross-functional. Though initial use of the software will focus on BC, unit leaders from ITS and UPD have endorsed Fusion and assisted with Fusion implementation and recognize that the tool can also be used to assist with Disaster Recovery (ITS) and Incident Response (UPD) efforts on Campus. Fusion will ultimately be used to help ITS and UPD accomplish various departmental initiatives.

Customization of SF State's Fusion Business Continuity software will be finalized in Fall 2018 and a phased-in roll-out is planned for 2019.

SF State continues to progress towards full compliance with Executive Order 1014 and we expect the new software to help reduce the time needed for full compliance.

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 CFO/Vice President, Administration & Finance, the ARC Committee met six times in FY 17/18. 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:

- Enterprise Risk Management Guest Speaker – Carrie Frandsen, University of California Office of the President Enterprise Risk Program Manager
- California State University Travel Ban
- Public Records Act & Subpoena Response Process
- Revised Child Abuse and Neglect Reporting Act
- Drones on Campus
- Time, Place and Manner University Executive Directive
- Campus-wide Audit of Student Organization Graduation Celebrations
- Review of Executive Order 1111: Disability Support and Accommodations

Enterprise Risk Management Training

Risk management training is imperative to any large organization. Understanding that a team the size of the ERM Department needs help from its campus partners to identify the sometimes “hidden” risks of our operations, the goal of ERM’s training program is to provide risk identification knowledge to a larger group of campus partners to empower them coordinate with the ERM team to manage those risks.

Enterprise Risk Management hosted/facilitated numerous training and informational events in FY 17/18 promoting risk management and safety on campus. These sessions were open to all including faculty, staff and students.

Date	Event Details
Sept 13, 2017	Time, Place and Manner Public Forum Hosted an open public forum on the new Time, Place and Manner University Executive Directive. Co-presenters included SAEM and UPD.
Sept 14, 2017	Protection of Minors on Campus Enterprise Risk Management will be hosting a two-hour presentation on Preventing Abuse of Minors on Campus. During the presentation we will examine the root causes of abuse allegations arising in a campus setting. We will be providing “real-life”, best practices for mitigating risk when interacting with youth. Reporting requirements, as mandated by California’s Child Abuse and Neglect Reporting Act (CANRA), will also be discussed.
Dec 9, 2017	OIP Study Abroad Health & Safety Orientation Enterprise Risk Management provided over 150 study abroad students with general information about staying safe abroad, administrative process for procuring foreign travel insurance, and how to access resources available to them while abroad.
Jan 22, 2018	Time, Place and Manner Committee Instructional Training Held training session for the Time, Place and Manner Committee

Jan 24, 2018	<p>Risk Talk: Campus-Wide Risk Registry: Risk Assessments & Mitigation Plans</p> <p>Enterprise Risk Management (ERM) is responsible for surveying the campus community to find out what risks the campus may be exposed to, be them financial, operational, strategic, hazard, or other. ERM then aggregates the data into a risk registry which shows, not only the identified risks, but mitigation efforts that may affect a risk's ranking to be poorly, adequately, or overly controlled. Attendees learned about the risk assessment process and what campus leadership has identified as the most prominent risks for the SF State campus and how the campus plans on mitigating these risks.</p>
Feb 13, 2018	VP/CFO A&F Cabinet Training- Time, Place and Manner
Feb 14, 2018	Risk Talk: University Executive Directive #89-13: Time, Place & Manner Updates
Feb 16, 2018	<p>MPP Leadership Luncheon- Time, Place and Manner</p> <p>ERM presented on the updates to and enforceability of the Time, Place and Manner Executive Directive.</p>
March 12, 2018	Time, Place and Manner Public Forum
March 14, 2018	<p>Risk Talk: Subpoenas and Public Records Act Requests</p> <p>This session covered what to do if you are ever served a subpoena on campus as well as how the campus responds to Public Records Act (PRA) requests. The California Public Records Act requires inspection or disclosure of governmental records to the public upon request, unless exempt by law. Governmental records include physical and electronic files as well as emails that are sent in the course University business. As an employee of the California State University, learn what may be requested of you and your department if the campus ever receives a PRA request. The session also covered best practices and resources available on campus when dealing with a subpoena or PRA request.</p>
April 19, 2018	Time, Place and Manner Public Forum
April 27, 2018	<p>Risk Talk: Release of Liability Waivers Explained</p> <p>This session covered the enforceability of Release of Liability and best practices for drafting and maintaining them. It also discussed some case examples that contributed to shaping the California Liability Waiver Law.</p>
May 8, 2018	<p>Technology Acquisition Reviews</p> <p>SF State technology acquisitions, purchased or obtained at no cost, must be reviewed for accessibility and information security compliance with CSU policies and SF State practice directives. Compliance helps ensure the university's data is appropriately managed and protects the university's liability in the event of data breach or litigation. Pre-approved technology does not require a Technology Acquisition Review (TAR) and should be used whenever possible. This session will outline the technology review process,</p>

	pre-approved technologies, and explain how supplemental IT conditions are incorporated in contracts.
June 8, 2018	Risk Talk: Insurance Requirements in Contracts SF State enters into hundreds of contract/agreements each semester. This session outlined the procurement process and what to look for to avoid delays in the contracting process. The most common delayer in the procurement process is insurance requirements. Attendees learned what to look for from the beginning to ensure a smooth contract experience and about the hidden (and uninsured) costs of accidents that justify these requirements.

Conclusion

Enterprise Risk Management continues to evolve and grow as do the risks inherent in any large university. Similar to July 2017 when ERM increased its risk management portfolio by assuming administration of unemployment insurance claims, ERM will be folding workers’ compensation claims management, driver safety and ergonomics into our portfolio effective July 1, 2018. We are eager to assume oversight of these valuable programs and expect to be able to increase efficiencies related to them by streamlining existing processes and implementing new risk mitigation tools designed to further help the University reduce its cost of risk. Furthermore, we have already identified new risk mitigation initiatives for the upcoming year, including the roll-out of the new Fusion business continuity platform, implementation of the “lean gemba safety walk” program and an enhanced and expanded ergonomics program. We feel that these, and other programs still to be identified, will continue to help the University reduce its cost of risk while improving the health and safety of faculty, staff and students alike.

None of this success could have been accomplished without the support of both SF State senior leadership and my colleagues on the SF State ERM team. The ERM team is appreciative of being able to continue to work on behalf of senior leadership to provide effective risk management services and guidance to the campus community.