

FY 2020/2021 Annual Report



Enterprise Risk Management

**Prepared by: Michael Beatty, Director, Enterprise Risk
Management**

San Francisco State University Enterprise Risk Management FY 2020/2021 Annual Report

Introduction

This report is submitted in accordance with [Executive Order 1069](#) and [Technical Letter 2011-05](#) which require an annual risk management report to be submitted annually to the Campus President with a copy to the Director, CSU Systemwide Risk Management.

San Francisco State University Enterprise Risk Management Team

Jay Orendorff, Associate Vice President, Business Operations

Emily Alayan, Student Assistant

Aimee Arica, Risk Management Coordinator

Michael Beatty, Risk Manager

Demond Blanton, Manager, Workers' Compensation & Loss Control Programs

Vacant, Business Continuity Coordinator

Vacant, Risk Analyst

Vacant, Administrative Analyst

A copy of the Enterprise Risk Management Organization Chart is included in Appendix 1.

**Prepared by: Michael Beatty
Director, Enterprise Risk Management**

September 7, 2021



From the Risk Manager

Fiscal year 20/21 proved challenging for everyone. Students were forced to complete almost an entire academic year's worth of coursework online. Faculty and staff were pressed to abandon the traditional workspace, whether that be the office or the classroom, and pivot to a virtual work environment in which conference rooms were replaced by virtual meeting rooms. The effects of the pandemic were not all negative. Commute time was eliminated for faculty, staff and students. Managers realized that their employees were able to work effectively while remote. The campus grounds had a chance to blossom with nary any foot traffic. Some of us welcomed the addition of more free time to spend with family. Others found themselves embarking on new learning experiences with their free time by embracing physical exercise, developing cooking skills, or starting new professional or academic pursuits.

During the past year, Enterprise Risk Management continued to provide valuable guidance on all matters related to risk. Whether the guidance was pandemic-related or traditional risk-related, the ERM team continued its dedication to effectively managing risk while creating efficiencies in its business practices to adapt to the remote working environment in both transitioning to remote learning/work and in resuming programming deemed essential by campus leadership, such as field trips, field research, and clinical placements. ERM also developed guidelines for faculty to help ensure that virtual academic programming interaction with students (and minors) were safe. As the summer of 2021 approached, a focus on strategies for safely resuming international study abroad programming move to the forefront. Working with the Office of International Programs (OIP), a health and safety risk assessment matrix was developed to assess countries' management of the pandemic which resulted in Fall 2021 study abroad programming being allowed to resume in eleven countries. And, while working remotely, ERM led the development and implementation of the new Youth Protection Program designed to ensure the safety of youth in our programs and on our campus.

The ERM team acknowledges the continued support of campus leadership. Throughout the entirety of the pandemic, campus leadership has continued to provide guidance and support the campus (and ERM) in our efforts to maintain our core mission of equipping our students to meet the challenges of the 21st century.

CSURMA Risk Pool and Insurance Costs

The California State University Risk Management Authority (CSURMA) provides self-insurance coverage programs for liability, workers' compensation, industrial disability leave, non-industrial disability leave, unemployment insurance, property, athletic injury medical expense and auto liability. **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

Insurance Program	FY 20/21	FY 21/22	Variance (\$)	Variance (%)
Liability*	\$ 2,419,244	\$ 2,438,385	\$ 19,141	0.8%
Worker's Compensation	2,926,250	2,849,791	- 76,459	-2.6%
IDL/NDI/UI	1,130,209	1,058,106	- 72,103	-6.4%
Property**	1,107,964	1,326,453	218,489	19.7%
Auto Liability	38,853	37,738	- 1,115	-2.9%
AIME	78,752	53,351	- 25,401	-32.3%
TOTAL	\$ 7,701,272	\$ 7,763,824	\$ 62,552	0.8%
* Campus elected to increase its Liability Program deductible from \$250k to \$500k for FY20/21, FY21/22 and FY22/23, effective 7/1/20, in an effort to reduce upfront costs.				
** Property includes cost allocation for Cyber Liability, Fine Arts, Flood, Fidelity/Crime, Pollution and Parametric Earthquake coverage. Increase is primarily due to recent CSU large losses and overall market trends.				

Liability Program

The CSURMA Liability Program provides coverage for general liability, errors & omissions, employment practices, as well as for other types of liability claims. Liability premium contributions are calculated using actual claim payments (regardless of the initial date of loss) from the previous five, complete policy years. Claim costs from 15/16, 16/17, 17/18, 18/19, and 19/20 were used in calculating our experience modification factor and premium contributions for FY21/22.

Column A in **TABLE 2-A** shows SF State's actual liability claim payments to CSURMA over the past nine fiscal years. The shaded cells in columns B, C, and D show the "capped" liability claim expenses used for Liability Program premium rating for FY21/22 and FY22/23. *Note: Actual claim amounts paid are capped, or collared, by CSURMA at \$35,000 and \$500,000. Claim costs paid outside of these collars are not used in rating.* As an example, please refer to Fiscal year 20/21 in Table 2-A below. Actual claim payments in FY20/21 were \$1,028, 012.11. Thankfully for SF State, the use of these collars applied during the rating process resulted in only \$241,754.96 being used in future liability cost calculations.

TABLE 2-A
LIABILITY PROGRAM CLAIM PAYMENTS BY FISCAL YEAR
ACTUALS vs. "CAPPED"

	A	B	C	D
FISCAL YEAR	ACTUAL CLAIM AMOUNTS PAID	"CAPPED" CLAIM AMOUNTS USED FOR FY 20/21 RATING	"CAPPED" CLAIM AMOUNTS USED FOR FY 21/22 RATING	"CAPPED" CLAIM AMOUNTS USED FOR FY 22/23 RATING
12/13	\$ 227,322.66	\$ 101,787.25	\$ 101,787.25	\$ 101,787.25
13/14	\$ 250,077.03	\$ 143,045.77	\$ 143,045.77	\$ 143,045.77
14/15	\$ 186,960.03	\$ 24,907.98	\$ 24,907.98	\$ 24,907.98
15/16	\$ 478,546.10	\$ 355,726.71	\$ 355,726.71	\$ 355,907.98
16/17	\$ 1,803,788.81	\$ 1,248,118.48	\$ 1,248,118.48	\$ 1,248,118.48
17/18	\$ 2,600,778.33	\$ 1,629,419.31	\$ 1,629,419.31	\$ 1,629,419.31
18/19	\$ 1,010,521.00	\$ 1,010,521.00	\$ 1,010,521.00	\$ 1,010,521.00
19/20	\$ 1,478,080.00		\$ 305,486.00	\$ 305,487.00
20/21	\$ 1,028,012.11			\$ 241,754.96
Total	\$ 9,064,086.07	\$ 4,268,693.48	\$ 4,549,271.50	\$ 4,435,300.75

The overwhelming majority of SF State's claim expenses arise from employment practices liability (EPL) claims. EPL claims include claims of sexual harassment, discrimination, and wrongful termination. EPL claim frequency (the number of claims) is trending in a positive direction after several difficult years. No EPL claims were submitted in FY20/21 nor FY19/20 while FY18/19 saw only one (since closed) and FY17/18 saw two small EPL claims (one closed and one ongoing). Similarly, the severity (the cost of claims) of EPL claims has also been trending downward.

By aligning ongoing training of SF State managers with more effective personnel management, conflict resolution and personnel file documentation practices, the current collaboration between Academic Affairs, Employee Relations, Enterprise Risk Management, Human Resources, and University Counsel has enabled the campus to position ourselves to maintain and hopefully further improve these positive EPL claim trends

Workers' Compensation Program

Workers' Compensation premiums are calculated using campus historical loss history and annual payroll. Workers' Compensation coverage program costs have decreased 2.6% for FY21/22 due to effective claims handling and increased training for employees and other loss mitigation efforts. Additional information about SF State's workers' compensation program is included in the "Other Relevant Information" section of this report.

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. Costs for the IDL/NDI/UI program decreased 6.4% for FY21/22. This is the second consecutive year of cost reductions for this program. However, in light of the pandemic and resulting

layoffs at SF State, we expect to see costs bounce back in future years as expenses related to unemployment claims hit the books.

Property Program

Property insurance premiums are calculated using the total insurable values for all campus buildings. The property program provides “all risk” coverage to all campus buildings (including the Downtown campus, Tiburon campus and Sierra Nevada Field campus), with a \$100,000 deductible, for loss or damage due to fire, water damage, flood, smoke, and most other perils. Coverage for loss due to earthquake is excluded. Coverage for building contents and equipment is excluded unless a business unit specifically schedules the equipment through ERM and incurs a separate premium for the coverage.

The global property insurance marketplace has sustained significant losses resulting from catastrophic natural events, primarily wildfires in the western United States (California, Washington, Oregon), occurring since 2017. The Camp Fire in Northern California was the costliest single natural disaster in the world for insurers in 2018, resulting in \$12.5 billion in losses. The Kincaid Fire (Sonoma) in 2019 caused over \$10 billion in damages while individual fires in 2020 rank 1st, 3rd, 4th, 5th, and 6th on the list of the largest fires in California since the 1930s. These large losses continue to result in the diminished underwriting capacity of insurers to provide insurance coverage to policyholders. Insurers often manage this diminished underwriting capacity by canceling policies covering property in high-risk areas, or by passing on their increased costs to policyholders in the form of substantially increased premiums. These now-frequent catastrophic losses, particularly those insured wildfire events near CSU campuses (Tubbs (2017), Camp (2018), Kincaid (2019), and CZU Lightning Complex (2020) fires), are having a serious and unsustainable impact on CSURMA’s property insurance program. CSURMA’s overall property program costs for FY21/22 increased 29% from FY20/21 after 22.7% increases the previous year. SF State’s FY21/22 property insurance costs increased only 19.7%, or \$218,489 after increasing 18.2% in FY20/21 and 36.3% in FY19/20.

The ongoing effects of climate change and the recurring catastrophic property losses have caused CSURMA to undertake extraordinary measures to manage the CSURMA property program. One significant, underinsured loss at a remote, under-valued location of a CSU campus (we’ll call it “Campus ABC”) has caused much consternation among the property program underwriters resulting in CSURMA being asked by insurers to consider a significant restructuring of the CSURMA property program.

Traditionally, policyholders are expected to go to great lengths to provide accurate underwriting data which is then used by insurers to assess appropriate insurance premiums to policyholders. For the CSURMA property program, campuses and auxiliary organizations must annually provide prior to renewal an accurate reporting of the value of each and every structure insured by the campus. At SF State, Enterprise Risk Management coordinates annually with CPDC and other campus stakeholders to perform a formal valuation review of all insured structures. This information is then provided to CSURMA as part of the renewal underwriting process. For unknown reasons, this valuation review was not performed at “Campus ABC”, resulting in property values being significantly

under-reported, year after year. Last summer's Lightning Complex fire caused significant damage to Campus ABC's auxiliary organization-owned, remote 3,200-acre parcel of land and existing structures. Only upon initiating claim discussions with CSURMA and the property program claims adjusters did Campus ABC's auxiliary organization realize that they had reported about 10% of the actual value of the buildings located on the affected parcel of land. Though the insurers were understandably upset and threatened to deny most of the claim, CSURMA was able to use its long-term relationship with the property insurers to persuade them to agree to settle the entire claim. As a result, CSURMA is expecting to see increased scrutiny from underwriters along with higher than usual premium increases for upcoming renewals. To address these issues, the CSURMA Executive Committee appears prepared to (1) fund an appraisal by an external consultant of most, if not all, campus and auxiliary-organization buildings; and, (2) create, or "carve-out", a separate property program with higher insurance rates for remote structures located in areas of significant risk to wildfire and other natural, catastrophic events. Discussions with SF State have been initiated by CSURMA about the probability of transitioning SF State's Tiburon and the Sierra Nevada Field Campus properties to the new property program with higher insurance rates. ERM has already communicated with stakeholders at SF State about the possibility of increased property insurance rates being assessed on the Tiburon and Sierra Nevada properties for the foreseeable future.

Auto Liability Program

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

SF State's auto liability costs for FY 20/21 decreased by 2.9%, to \$37,738 due to a reduction in vehicle fleet size. SF State auto liability claims continue to be negligible. Mandatory Driver Safety Program training, strict incident reporting requirements, and effective fleet maintenance and management all contribute to the low rate of claims and resulting cost stability.

Athletic Injury Medical Expense (AIME) Program

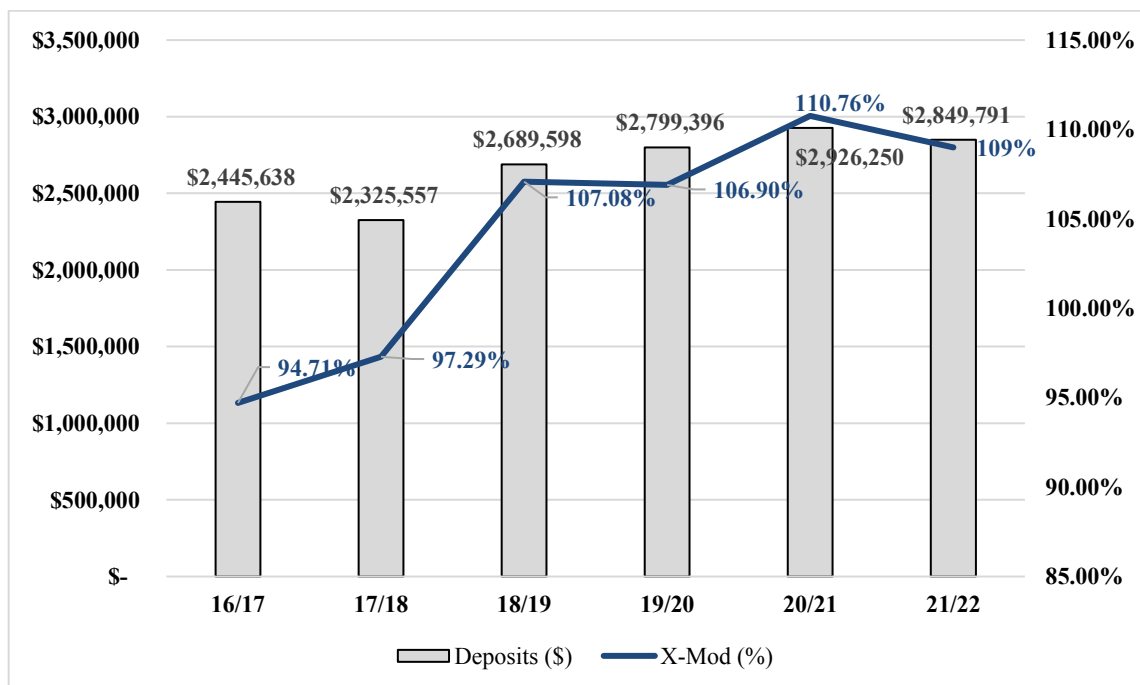
The NCAA provides catastrophic coverage for athletes injured while participating in NCAA-sanctioned events (practices, games, etc.). While the NCAA catastrophic coverage has a \$90,000 deductible, the AIME program provides primary coverage for injured NCAA athletes up to the NCAA's \$90,000 attachment point. Costs for FY20/21 are estimated to decrease 32.3% due to reduced claims activity brought on by the suspension of NCAA athletic events during the pandemic.

OTHER RELEVANT INFORMATION

Workers' Compensation Coverage Program

SF State's Workers' Compensation Program continues to perform better than the CSU as a system, with SF State realizing a 2.6% reduction versus a 1% systemwide reduction for FY 21/22. **Table 3** below shows this 2.6% decrease in our annual costs for workers' compensation coverage. This cost reduction resulted primarily from a 6% decrease in our claims experience. This improved claims experience is due to several factors – effective training for both employees and managers, a coordinated approach to claims handling by business managers and the workers' compensation manager, and the transition to a virtual workplace and subsequent reduction in workplace risks brought on by the pandemic.

TABLE 3
WORKERS' COMPENSATION PROGRAM DEPOSITS AND EXPERIENCE
MODIFICATION FACTOR



Workers' Compensation Claims Management

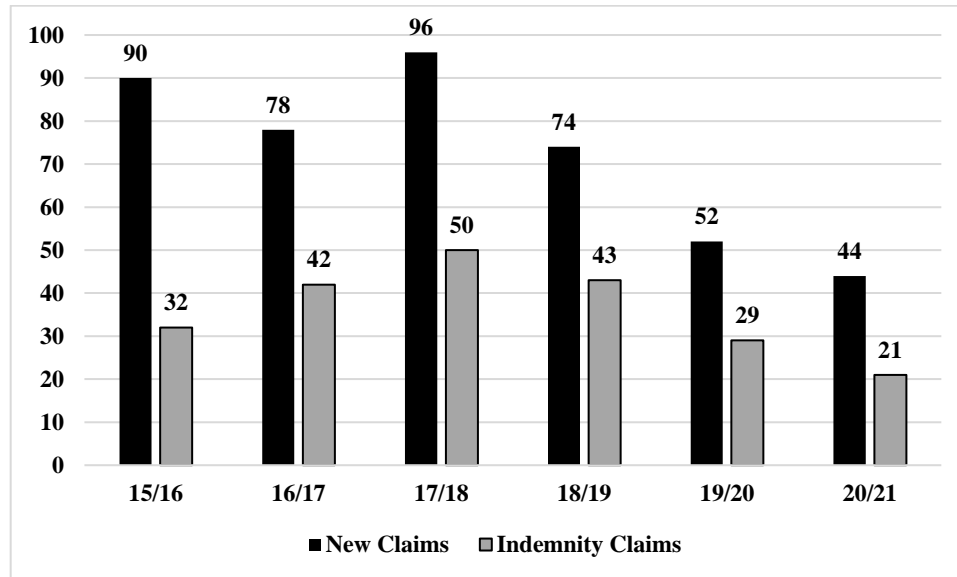
Two standard workers' compensation performance metrics used to gauge an organization's level of success in managing the health and safety of employees are the number of new claims overall and the number of "indemnity" claims. Indemnity claims are claims that result in lost time from work, and/or permanent disability benefits.

Reducing the number of workers' compensation claims demonstrates that an organization is providing the equipment and training needed for employees to perform their duties without getting injured. Of course, accidents can happen. But, the goal of an effective workers' compensation program is to minimize accidents resulting in employee injuries while simultaneously managing open claims to expedite an employee's return to work.

The number of new workers' compensation claims in FY20/21 decreased from 52 claims to 44 claims, a 15% reduction. The number of indemnity¹ claims also dropped from 29 claims to 21 claims, a 28% reduction for FY20/21.

Table 4 shows SF State's historical trends in the filing of all new claims and new indemnity claims.

TABLE 4
ALL NEW CLAIMS AND NEW INDEMNITY CLAIMS



Workers' Compensation Claim Reporting Training

ERM initiated a process to provide workers' compensation claim reporting training to academic and administrative units who had failed to follow the university's process reporting of workers' compensation-related injuries resulting in claims being reported late. These refresher training opportunities have proven to be successful in reminding managers and supervisors of the importance of timely reporting of injuries.

Ergonomic Assessment and Equipment Cost-Matching Program

Upon realizing that the SF State workforce would be working remotely for a considerable time, ERM pivoted from being reactive (the very nature of administering workers' compensation claims involves reacting after an employee is injured) to be more pro-active by scaling up our ability to provide ergonomic assessments for employees who were now required to work from an unfamiliar workspace – their homes. In FY20/21, ERM performed 66 ergonomic assessments (65 virtual, one in-person). This was a significant increase over the 28 assessments (11 virtual, 17 in-person) administered in FY19/20. This increase in ergonomic assessments proved valuable in two separate and distinct ways.

¹ Indemnity is the amount paid to an injured employee to help the employee cover their loss of income. A low indemnity claim count is a good indicator that an organization's injuries have low severity.

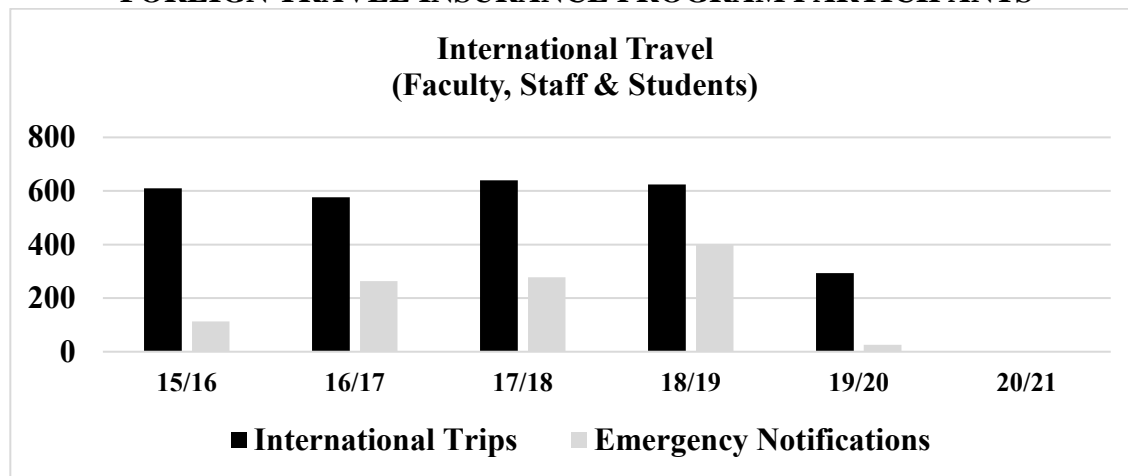
First, the university incurred only 44 new workers' compensation claims in the current fiscal year, compared to 52 in FY19/20. And, by increasing the marketing of the availability of ergonomic assessments to the now, work-from-home workforce, the university realized a "goodwill" benefit - employees pleased with the efforts made by the university to ensure their health and safety during this challenging time.

Identifying a valuable opportunity to provide ERM staff with better professional tools while providing the campus with access to more highly-skilled professionals, ERM allocated funds to allow our Workers' Compensation and Loss Control Programs Manager to obtain his Certified Office Ergonomic Evaluation professional certification.

Foreign Travel Insurance Program Administration

The onset of the pandemic significantly upended university-related international travel for faculty, staff, and students. Effective March 29, 2020, the CSU suspended all international travel requiring faculty and staff to cancel all future travel arrangements while also requiring students participating in study abroad programs to return to the U.S. immediately. University-related travel was finally allowed to resume on June 1, 2021. **TABLE 5** below details the number of university-related international trips taken by faculty, staff, and students.

TABLE 5
FOREIGN TRAVEL INSURANCE PROGRAM PARTICIPANTS

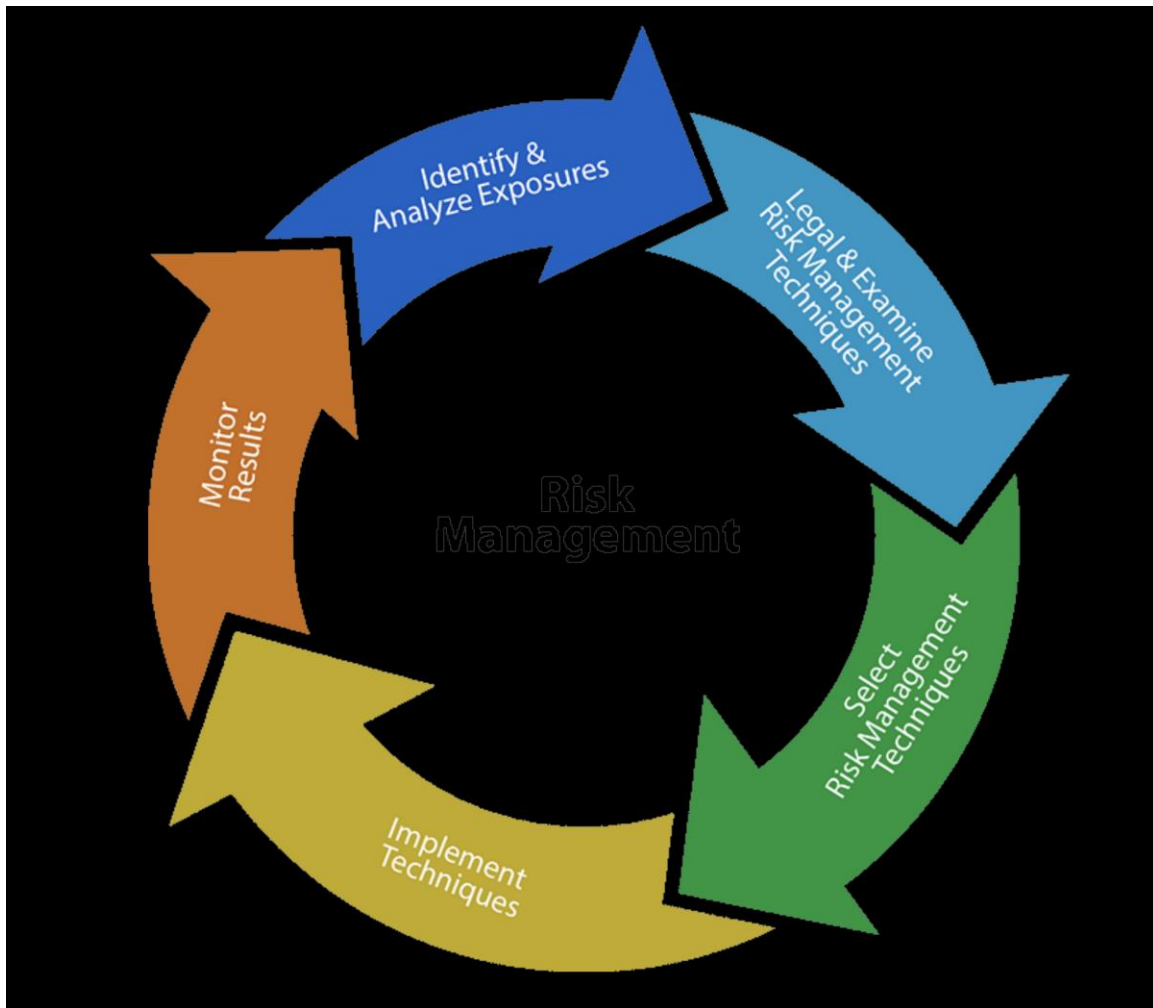


Conclusion

We hope the 21/22 academic year will provide some semblance of normalcy to our faculty, staff, and students, most of whom have been forced to conduct their instruction, work, and academic pursuits from behind the screen of a computer over the past eighteen months. ERM stands ready to assist campus leadership in finding ways to safely resume many of the opportunities for engaging the student body that were taken away from students in March 2020 by the pandemic including athletic events, club sports and intramurals, intercollegiate athletics, academic instruction, academic internships, field trips, field research, and film shoots.

Health and safety will continue to be the driving factor for ERM in its efforts to help student life resume on campus. We'll continue to utilize the risk management process – **Identify** risk exposures, **Assess** the risks, **Select** the most appropriate risk mitigation strategy, **Implement** the strategy and **Monitor** the effectiveness of the strategy and **Modify** as appropriate. Utilizing the risk management process will allow us to ensure that our tools are working to address the risks associated with campus re-population campus while also allowing us to identify and respond to newly identified risks. All of ERM's efforts will be focused on encouraging academic and personal exploration while safeguarding the campus community and the university.

The Risk Management Process



Prepared by: Michael Beatty, Director, Enterprise Risk Management

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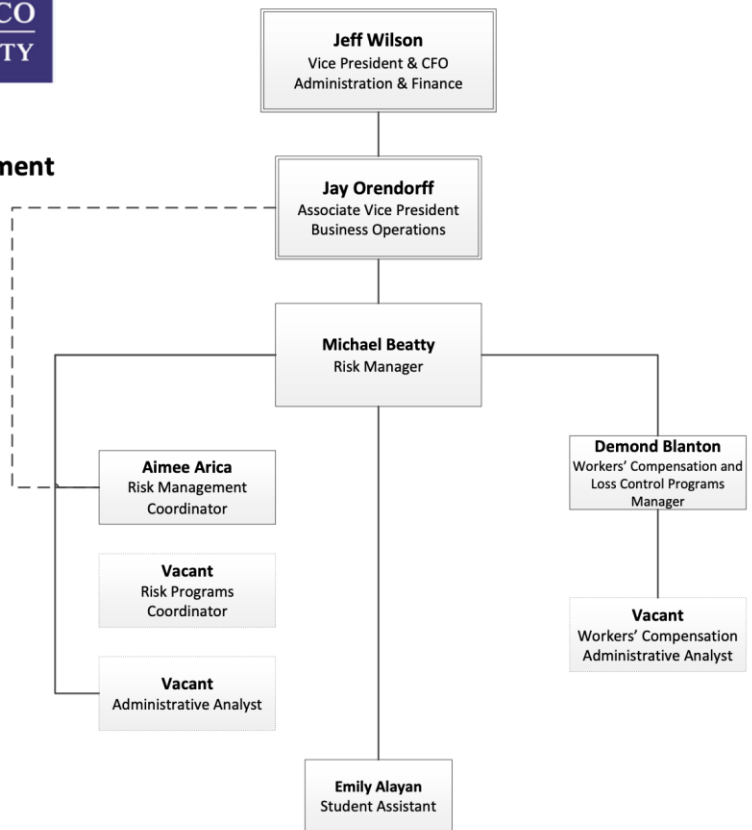
APPENDIX

1. Enterprise Risk Management Organization Chart (July 2021)

Appendix 1. Enterprise Risk Management Organization Chart at July 1, 2021



Enterprise Risk Management Organization Chart



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7/1/21