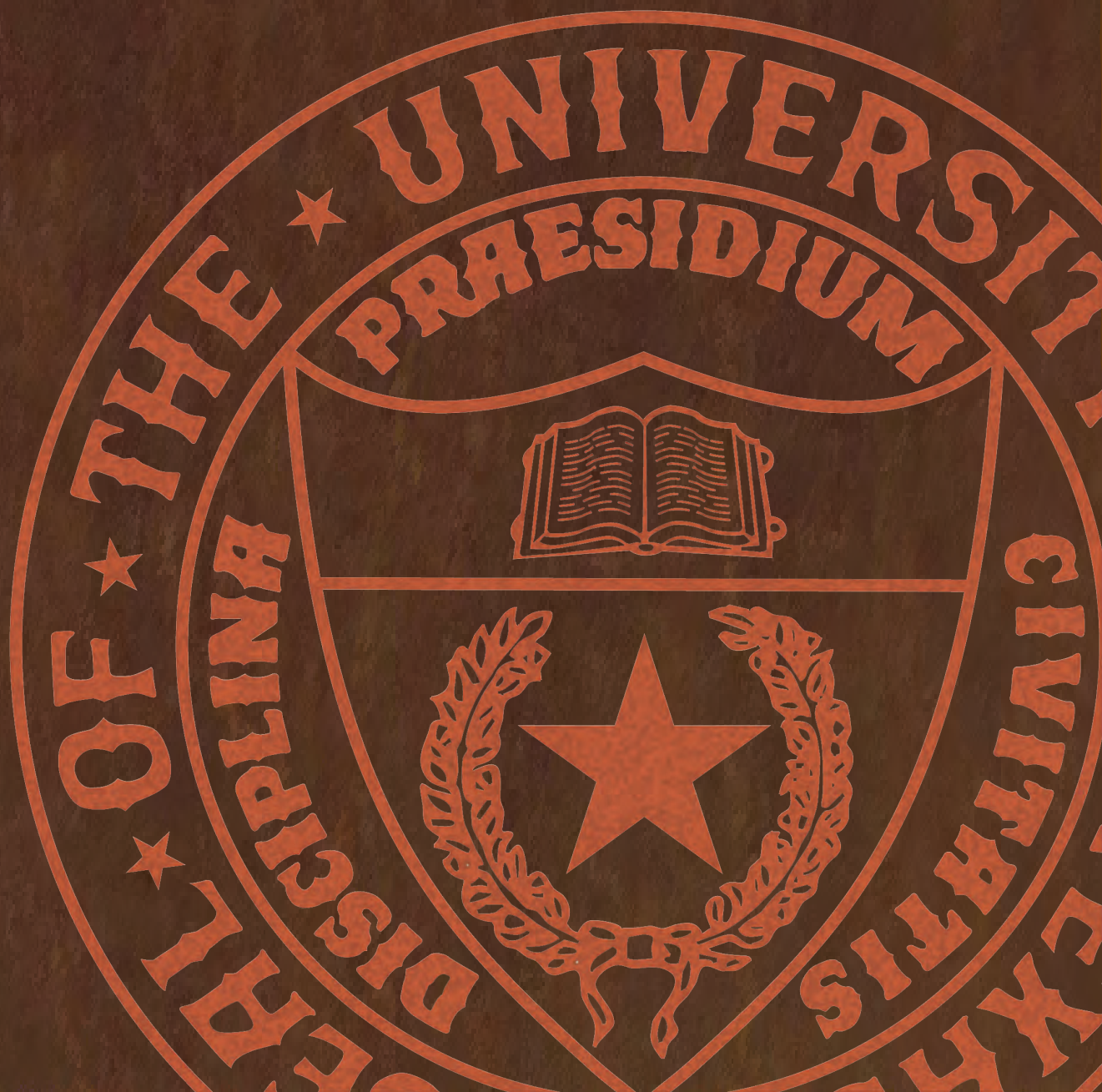


THE UNIVERSITY OF TEXAS SYSTEM

RISK MANAGEMENT ANNUAL REPORT

FISCAL YEAR 2011



MEMBERS OF THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS
AND EXECUTIVE OFFICERS

As of August 31, 2011

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Paul L. Foster, Vice Chairman
R. Steven "Steve" Hicks, Vice Chairman
James D. Dannenbaum, Vice Chairman
Francie A. Frederick, General Counsel to the Board

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Paul L. Foster
Printice L. Gary

*Terms scheduled to expire February 1, 2015**

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Wm. Eugene "Gene" Powell
Robert L. Stillwell

*Terms scheduled to expire February 1, 2017**

Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich

*Term scheduled to expire May 31, 2012**

John Davis Rutkauskas (Student Regent)

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*Each Regent's term expires when a successor has been appointed, qualified, and taken the oath of office.
The Student Regent serves a one-year term.

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The University of Texas System
Office of Risk Management
220 West 7th Street
Austin, Texas 78701
(512) 499-4655
<http://www.utsystem.edu/orp/>

EXECUTIVE SUMMARY

It is the mission of the Office of Risk Management (ORM) to protect people, property, the community, the environment, and to enhance the well-being of students, faculty and staff through the development and implementation of cost effective, efficient, and compliant risk control and risk financing techniques for The University of Texas System (UT System) and its fifteen institutions.

The framework of the UT System risk management program consists of key elements including assessment, control, finance, communication, and monitoring. It is governed by executive leadership and direction from the Risk Management Executive Committee (RMEC). Operational risks are managed by professionals at UT System Administration, the fifteen institutions and through Systemwide committees including the Risk Management Advisory Committee (RMAC), the Environmental Health and Safety Advisory Committee (EHSAC), and the Emergency Management Committee (EMC).

In Fiscal Year (FY) 2011, the total population of the UT System including students, faculty, and staff was over 317,000 and total payroll was over \$6.1 billion. Collectively, there were over 85 million gross square feet of building space, and total insured values (building, contents, and business income) of \$25 billion. Over 15,000 people traveled internationally for business, research or study abroad, and 2,500 vehicles were in the UT fleet. These are only a few of the metrics reflecting the diversity and magnitude of the exposures facing the UT institutions.

Systemwide risk financing programs continued to perform exceptionally well in FY 2011. All commercially marketed insurance programs experienced flat or reduced rates. Enhanced coverage terms were obtained for programs such as the International Package policy and a new Systemwide Student Medical Malpractice policy, which will result in annual savings of about \$200,000 from previous years.

The Comprehensive Property Protection Plan (CPPP) was restructured to include a quota share retention in the primary coverage layer. In FY 2011, the total CPPP program costs decreased from \$0.065 to \$0.056 per \$100 of total insured value (TIV), despite an increase of over \$1.5 billion in TIV. Since 2007, the annual auto liability premiums have decreased from \$230 to \$208 per vehicle. Workers' Compensation Insurance (WCI) benefits were \$4.27 million (medical and indemnity) and were the lowest total paid since 1988 (23 years).

Prior to 2008, claims paid in the Unemployment Compensation Insurance (UCI) program averaged less than \$4 million per year. The economic crisis, along with reductions of force due to Hurricane Ike, led to losses of \$7 million in FY 2009, \$9 million in FY 2010 and \$8.5 million in FY 2011. The fiscal impact to the institutions has been mitigated by financing the losses over several years. Even with these increases, the UCI cost per employee at UT System is less than half of the average cost for other Texas employers.

In FY 2011, the \$8.5 million of UCI Claims paid exceeded the total claims paid in all other lines of coverage combined (\$8.1 million). Losses by line of coverage were: WCI - \$4.27 million, Directors and Officers (D&O) - \$.45 million, Professional Medical Liability (PMLI) - \$2.1 million, Auto - \$.23 million, and CPPP - \$1.1 million.

ORM's training and outreach activities continued in FY 2011. ORM staff serves in leadership roles in several professional organizations and frequently present at seminars and conferences. Along with a variety of training offered annually to UT professionals in Environmental Health and Safety, ORM co-hosted a summit with the US Department of State - Overseas Security Advisory Council with over 120 attendees from 65 institutions of higher education outside of the UT System. The risk management conference was attended by 432 attendees which included representation from all 15 UT institutions and 35 institutions outside the UT System.

Important risk control activities were implemented such as physical and programmatic risk assessments, training, and transfer of risk via Systemwide contracts. These activities continue to mitigate risk and reduce costs associated with UT System's risk financing programs. A continued focus on loss prevention and control is necessary to continue this trend.

ORM continues to work with the Systemwide Environmental Health and Safety Advisory Committee to address new State and Federal environmental rules. International activity continues to increase and institutions have implemented International Oversight Committees (IOC) to assess, review, and approve trips to countries with travel warnings or significant risks. A new UCI claims and data management contract was executed resulting in more effective management of the program.

The UT System's risk management framework encourages the application of prudent risk mitigation techniques and risk intelligent decision making. The following report demonstrates the activities and financial results of UT System's risk management programs and the ORM for FY 2011.

COST OF RISK

Cost of risk is a method of representing the financial performance of risk management programs. For the purpose of this report, cost of risk includes fixed costs such as commercial and self-insurance premiums, program administration, broker fees, and replenishment to the CPPP. The cost of risk model also includes paid deductibles for the CPPP, D&O, and automobile insurance programs. It does not include premiums paid for institution-specific policies or retained losses not reported by the institutions.

In FY 2011, the cost of risk for Systemwide risk management programs managed by ORM was approximately \$34.7 million compared to \$29.9 million in FY 2007. UCI accounted for most of this increase as premiums increased by \$6 million from FY 2009 to FY 2011 following Hurricane Ike and the struggling economy. Increased property premiums from FY 2007 to FY 2011 were offset by a corresponding decrease in WCI premiums.

The table on the following page illustrates the Systemwide cost of risk and applicable metrics. The pie charts demonstrate the shift in percentage of cost between lines of coverage since FY 2007.

From a baseline year in FY 2007, Systemwide exposure metrics including headcount, payroll, square footage, total insured values, research expenditures, and others have increased significantly. Similar charts, including WCI, UCI, and cost per employee help demonstrate the actual cost and impact of programs, and are provided to each institution for their individual analysis.

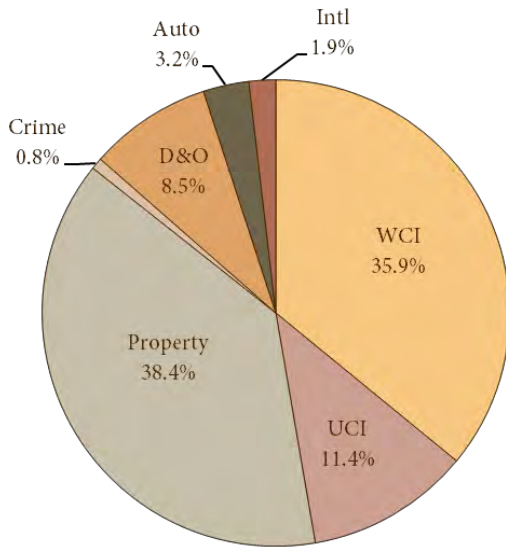
SYSTEMWIDE COST OF RISK

Systemwide Programs Managed by the Office of Risk Management
University of Texas System - All Institutions

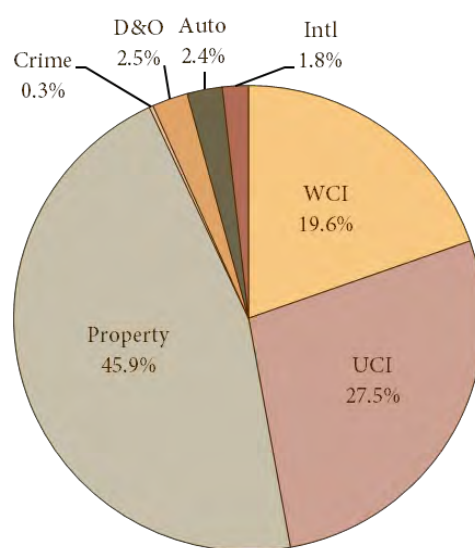
FISCAL YEAR	TOTAL ¹	WCI	UCI	Property ^{2,3}	Crime	D&O ^{2,11}	Auto ²	Intl ⁴
2011	34,706,137	\$ 6,806,583	\$ 9,556,506	\$ 15,931,407	\$ 94,729	\$ 855,039	\$ 840,767	\$ 621,106
2010	31,737,702	\$ 6,836,971	\$ 5,038,036	\$ 17,073,730	\$ 95,642	\$ 1,177,115	\$ 921,866	\$ 594,342
2009	28,668,786	\$ 6,333,562	\$ 3,481,344	\$ 16,844,250	\$ 124,694	\$ 481,151	\$ 936,471	\$ 467,314
2008	24,447,278	\$ 6,371,604	\$ 3,303,750	\$ 11,166,158	\$ 262,900	\$ 1,879,610	\$ 984,553	\$ 478,703
2007 ⁵	29,889,810	\$10,742,224	\$ 3,396,743	\$ 11,470,075	\$ 239,000	\$ 2,542,632	\$ 946,099	\$ 553,037

ALL INSTITUTIONS	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Headcount ⁶	96,234	101,167	103,431	104,467	106,433
TIV ⁷ (000)	\$20,868,571	\$21,948,698	\$ 23,146,353	\$23,900,255	\$25,573,854
Gross Sq Ft ⁸	75,441,260	79,685,594	82,287,975	84,302,950	85,205,637
Operating Budget ⁹ (000)	\$ 9,997,500	\$10,653,950	\$ 11,498,800	\$11,944,300	\$12,773,800
Enrollment ⁹	190,903	194,199	195,107	202,240	211,213
Research Exp. ⁹ (000)	\$ 1,840,364	\$ 1,946,217	\$ 2,169,200	\$ 2,251,300	\$ 2,369,600
Payroll ⁷ (000)	\$ 4,959,330	\$ 5,363,195	\$ 5,703,626	\$ 5,887,139	\$ 6,173,530
Cost of Risk ¹⁰	\$29,889,810	\$24,447,278	\$ 28,668,786	\$31,737,702	\$34,706,137
Medical Staff and Residents	6,936	7,237	7,431	7,603	7,750
Cost of Risk including PLI	\$50,581,785	\$37,252,308	\$ 41,695,689	\$43,984,880	\$42,859,112

**COST OF RISK BY LINE OF COVERAGE
MANAGED BY ORM
FY 2007**



**COST OF RISK BY LINE OF COVERAGE
MANAGED BY ORM
FY 2011**



¹Total does not include Professional Medical Liability Insurance (PMLI).
²Includes premium and deductibles paid by institutions for CPPP-AOP, CPPP-W&F, D&O, and Auto. Does not include retained losses for Hurricane Ike or other losses not reported by the institutions.
³Property includes CPPP-AOP, CPPP-W&F, Fine Arts and Equipment.
⁴International includes the International Package, SOS, Special Crime, and DBA policies paid by UT System funds and not allocated to institutions prior to 2010; \$67,956 was allocated to institutions in 2010 and \$162,376 in FY 2011.
⁵CPPP-AOP for FY 2007 includes an additional six months commercial premium.
⁶State Auditor Quarterly FTE Report.
⁷Values reported to ORM by institutions for CPPP and WCI programs.
⁸Statistical Handbook, Texas Higher Education Coordinating Board.
⁹UT System Fast Facts, 2007-2011.
¹⁰Does not include individual policies purchased for institutions.
¹¹Includes D&O claim that settled on 8-30-2010 within the institution deductible not included on last year's Cost of Risk graph.

SYSTEMWIDE AUTO PROGRAM

DESCRIPTION OF COVERAGE	The Systemwide Auto Program as listed below provides liability and physical damage coverages for the operation and use of UT owned, hired, and non-owned vehicles.
DATE OF INCEPTION	September 1, 1990
PREMIUM ALLOCATION METHODOLOGY	Policies are composite rated with each institution paying its portion of the premium based on the total vehicle count reported, subject to audit.

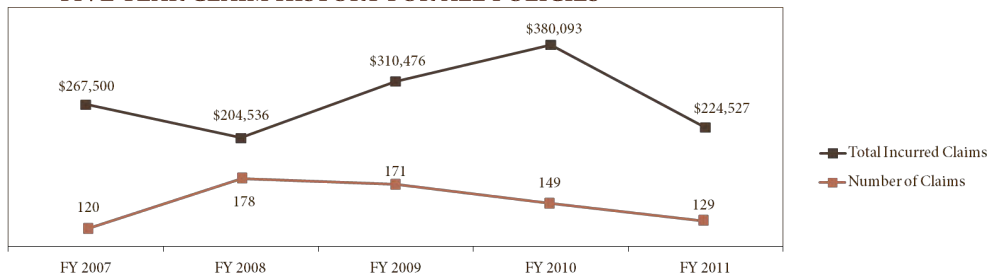
	Policy period ending 9-8-2011*	Policy period ending 9-8-2010*
<u>Systemwide Liability</u>		
Limits: Liability \$600,000 CSL (Combined Single Limit)		
Deductibles: Liability—\$2,500		
Number of Vehicles	2,500	2,527
Rate per Vehicle	\$208.33	\$213.41
Annual Premium	\$520,813	\$539,276
Total Incurred Claims**	\$134,713	\$262,136
<u>Physical Damage</u>		
Limits: ACV (Actual Cash Value) or Actual Cost to Repair		
Deductibles: Collision—\$500, Comprehensive—\$100		
Number of Vehicles	469	429
Rate per Vehicle	\$265.84	\$274.06
Annual Premium	\$124,677	\$117,571
Total Incurred Claims**	\$32,467	\$96,144
<u>Police/Full Coverage</u>		
Limits: Liability—\$600,000 CSL		
PIP (Personal Injury Protection)—\$2,500		
UM/UIM (Uninsured/Underinsured Motorist)—\$250,000/\$500,000/\$100,000		
Physical Damage—ACV or Actual Cost to Repair		
Deductibles: Collision—\$500, Comprehensive—\$250		
Number of Vehicles	7	8
Rate per Vehicle	\$1,282.86	\$1,322.50
Annual Premium	\$8,980	\$10,580
Total Incurred Claims**	\$11,775	\$0
<u>Athletics</u>		
Limits: Liability—\$600,000 CSL		
PIP—\$2,500, UM/UIM \$250,000/\$500,000/\$100,000		
Physical Damage—ACV or Actual Cost to Repair		
Deductibles: Collision—\$250, Comprehensive—\$100		
Number of Vehicles	65	67
Rate per Vehicle	\$1,220.89	\$1,258.62
Annual Premium	\$79,358	\$84,328
Total Incurred Claims**	\$44,301	\$12,695
<u>Hired/Non-Owned Auto</u>		
Limits: Liability—\$600,000 CSL, ACV or Actual Cost to Repair		
Deductibles: Liability—\$2,500, Collision—\$500, Comprehensive—\$100		
Annual Premium	\$34,098	\$35,153
Total Incurred Claims**	\$1,271	\$9,117

*Information based on policy year data and unaudited premiums. Numbers rounded to the nearest one hundredth.

**Total Incurred Claims are a snapshot of active, pending, and closed claims as of 8-31-2011. Numbers are subject to change as claims are finalized.

SYSTEMWIDE AUTO PROGRAM

FIVE YEAR CLAIM HISTORY FOR ALL POLICIES

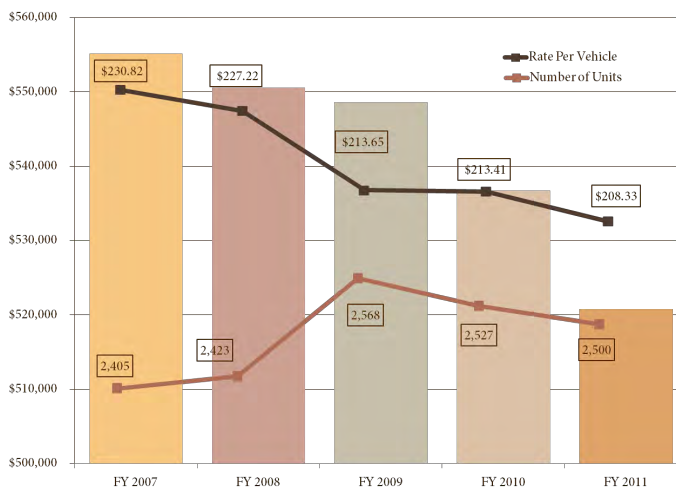


Total Incurred Claims are a snapshot of active, pending, and closed claims as of 8/31/2011. Numbers are subject to change as claims are finalized.

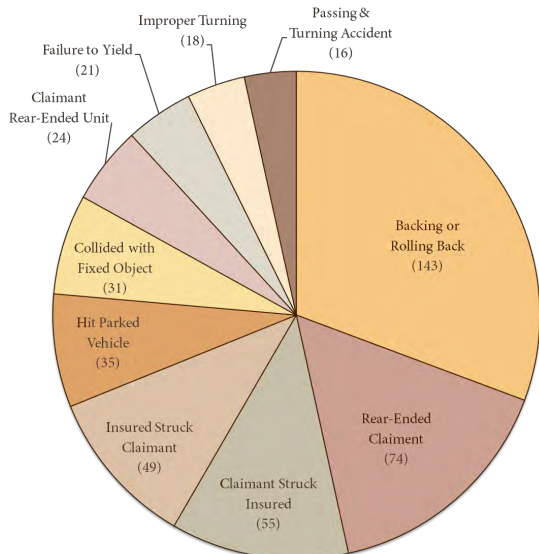
HIGHLIGHTS FROM FY 2011

- Systemwide Auto Liability premiums have consistently declined over the last five years.
- Total Incurred Claims were reduced by over 40% from FY 2010 to FY 2011.
- ORM continues to assess the viability of an auto self-insurance plan.

SYSTEMWIDE LIABILITY PREMIUM SUMMARY



CAUSE OF LOSS BY INCIDENT*



*Based on 4 Year Loss History of the Top 10 Causes of Loss. Total Incidents = 466
All Other Losses = 161

LOSS CONTROL

- Continued to support the AlertDriving online driver's training program currently being used by eight different institutions at multiple locations. This program provides not only recurrent training for authorized drivers of university owned vehicles required under UTS157 - Automobile Insurance Coverage for Officers and Employees and General Requirements for the Use of Vehicles, but it also provides specialized training for 12-passenger vans.
- Continued to monitor the use of 12 and 15-passenger vans, providing supplemental training through AlertDriving as well as equipping campus individuals to administer behind the wheel testing.

COMPREHENSIVE PROPERTY PROTECTION PLAN (CPPP)

DESCRIPTION OF COVERAGE	The CPPP Fire and All Other Perils Program (Fire and AOP) is a commercial insurance program with a high retention and 25% quota share of the primary layer that insures the institutions against property claims including fire and other perils. A funded reserve is in place to cover the policy deductible and quota share. Underlying Systemwide Crime, Equipment and Fine Arts policies are purchased as the first layer of coverage.
DATE OF INCEPTION	The CPPP Fire and AOP Program was established in 1995.
PREMIUM ALLOCATION METHODOLOGY	80% - Institution's Total Insured Values (TIV) 20% - Institution's Premium Allocation Model (PAM) score

CPPP Fire and AOP			
Balance Sheet			
		at 8-31-2011	at 8-31-2010
Assets			
Operating Cash	\$	18,940,100	\$ 19,254,036
Prepaid Expenses		1,693,412	935,717
Total Assets		20,633,512	20,189,753
Liabilities			
Deferred Income		2,032,317	2,237,247
Accrued Expenses			1,266
IBNR		400,543	82,000
Total Liabilities		2,432,860	2,320,513
Net Assets		18,200,652	17,869,240
Total Liabilities and Net Assets	\$	20,633,512	\$ 20,189,753

Income Statement			
		Year Ended 8-31-2011	Year Ended 8-31-2010
Revenue			
Premium Income ¹	\$	3,994,533	\$ 4,250,641
Interest Income		394,755	389,267
Claim Settlement		-	-
Total Revenue		4,389,288	4,639,908
Expenses			
Claim Expenses		8,987	87,172
Premium Expenses		3,389,259	1,773,977
Administrative Expenses		341,087	334,043
Total Expenses		3,739,333	2,195,192
Change in IBNR		318,543	(8,531)
Net Expenses		4,057,876	2,186,661
Change in Net Assets		331,412	2,453,247
Beginning Net Assets		17,869,240	15,415,993
Ending Net Assets	\$	18,200,652	\$ 17,869,240

¹ Accrual of premium income includes five months income from the current year's plan renewal and seven months income from the previous year's plan renewal since the plan renews annually on April 1.

COMPREHENSIVE PROPERTY PROTECTION PLAN (CPPP)

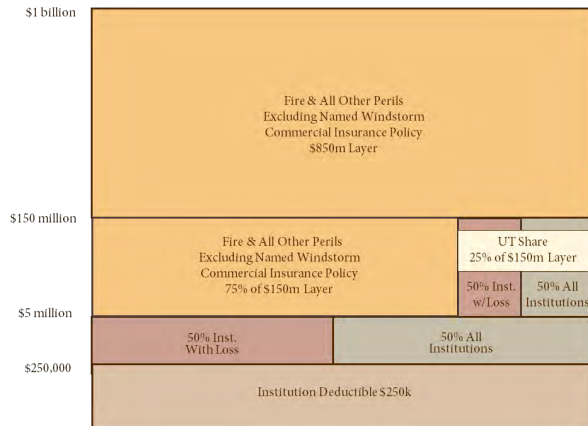
FIRE AND AOP

PROGRAM OVERVIEW

- Total Insured Values: \$25,573,854,239
- Annual Commercial Premium: \$2,880,121

HIGHLIGHTS FROM FY 2011

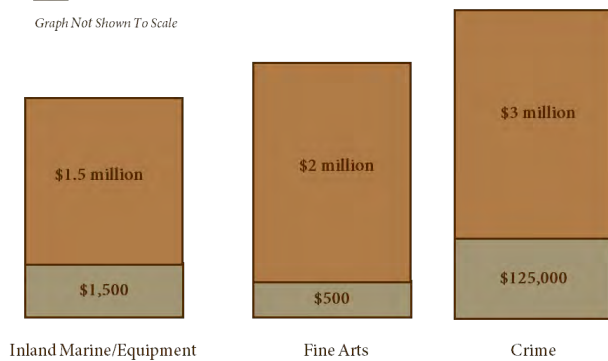
- ORM now participates in a 25% quota share of the primary \$150 million layer of the CPPP Fire and AOP commercial insurance program.
- In the event of a loss, the 25% quota share will be replenished using the same formula as the \$5 million commercial policy deductible.
- Despite Total Insured Values increasing 7%, ORM negotiated a 17.42% rate decrease and an 11.63% premium decrease.
- Premiums for underlying equipment, fine arts, and crime policies decreased 1.43% compared to FY 2010.
- ORM successfully negotiated a decreased deductible on the equipment policy from \$2,500 to \$1,500 with no increase in rate.



MAJOR UNDERLYING COMMERCIAL INSURANCE POLICIES

- Coverage Limits
- Deductibles

Graph Not Shown To Scale



CLAIM ACTIVITY

- There were a total of 18 claims reported under the CPPP Fire and AOP, Equipment, and Fine Arts policies.
- The carriers' settlement payments for all losses totaled \$603,013 (Equipment \$601,527; Fine Art \$1,486).
- ORM facilitated a full recovery of \$176,078 for property-related damages caused by a general contractor at UT Pan American.

LOSS CONTROL

- Surveyed 31 buildings with total value of \$1,110,532,203.
- Carrier loss prevention visits to 3 institutions in addition to the 15 regular campus surveys.
- Total of 472 buildings now included in Premium Allocation Model; values total \$17,993,406,560.
- 37 new property conservation recommendations.
- 283 recommendations closed over life of program.
- A total of 19 construction projects have utilized the Systemwide contract for construction photo documentation.

COMPREHENSIVE PROPERTY PROTECTION PLAN (CPPP)

WIND AND FLOOD

DESCRIPTION OF COVERAGE	The CPPP Named Windstorm and Resulting Flood Program (Wind and Flood) includes commercial insurance and 25% quota share of the primary layer with interim financing that insures the institutions against direct physical loss and damage resulting from named-windstorm and/or storm surge flood. Interim financing is in place and supported by capacity to issue debt up to \$50 million. Underlying National Flood Insurance Program (NFIP) and Texas Windstorm Insurance Association (TWIA) policies are purchased as the first layer of coverage.
DATE OF INCEPTION	The CPPP Wind and Flood Program was established in 2003.
PREMIUM ALLOCATION METHODOLOGY	10% - Institutions Total Insured Values reported 70% - Institutions with property in Tier 1 and 2 based on loss estimates 20% - Institutions with property in Tier 1 and 2 and 100 Year Flood Zone

CPPP Wind and Flood		
Balance Sheet		
	at 8-31-2011	at 8-31-2010
Assets		
Operating Cash	\$ 21,339,310	\$ 19,348,485
Prepaid Expenses	5,210,147	5,652,015
Accounts Receivable	114	
Total Assets	26,549,571	25,000,500
Liabilities		
Deferred Income	6,488,277	6,778,603
Accrued Expenses	19,804	-
Total Liabilities	6,508,081	6,778,603
Net Assets	20,041,490	18,221,897
Total Liabilities and Net Assets	\$ 26,549,571	\$ 25,000,500
Income Statement		
	Year Ended 8-31-2011	Year Ended 8-31-2010
Revenue		
Premium Income ¹	\$ 11,359,515	\$ 12,035,633
Interest Income	394,265	371,744
Claim Settlement		837,749
Total Revenue	11,753,780	13,245,125
Expenses		
Claim Expenses	-	1,221,124
Premium Expenses	9,593,100	4,681,023
Administration Expenses	341,087	286,323
Total Expenses	9,934,187	6,188,469
Net Expenses	9,934,187	6,188,469
Change in Net Assets	1,819,594	7,056,656
Beginning Net Assets	18,221,897	11,165,241
Ending Net Assets	\$ 20,041,490	\$ 18,221,897

¹ Accrual of premium income includes five months income from the current year's plan renewal and seven months income from the previous year's plan renewal since the plan renews annually on April 1.

COMPREHENSIVE PROPERTY PROTECTION PLAN (CPPP)

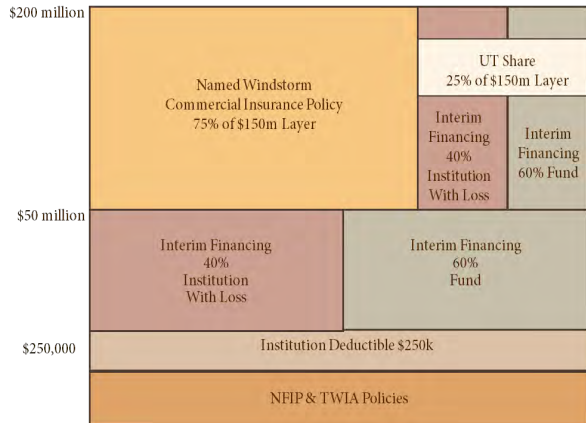
WIND AND FLOOD

PROGRAM OVERVIEW

- Total Insured Values: \$25,573,854,239
- Annual Commercial Premium: \$7,332,008
- Capitalization: \$3,000,000

HIGHLIGHTS FROM FY 2011

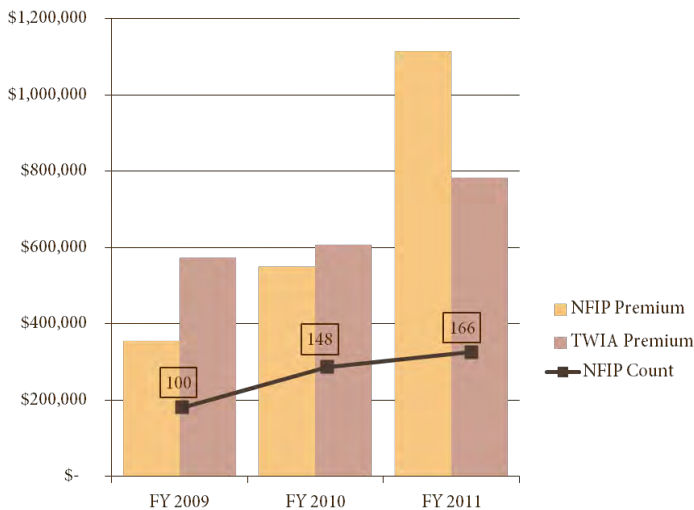
- ORM now participates in a 25% quota share of the primary \$150 million layer of the CPPP Wind and Flood commercial insurance program.
- In the event of a loss, the 25% quota share will be replenished using the same formula as the \$50 million commercial policy deductible.
- ORM successfully negotiated an 18.17% rate decrease and a 12.44% decrease in the Named Storm and Storm Surge Flood commercial insurance premium.



UNDERLYING WIND AND FLOOD POLICIES

- During FY 2011, ORM placed 24 new NFIP flood insurance policies and non-renewed 6 policies for a net increase of 18. The majority of the new policies enable UT Medical Branch - Galveston (UTMB) to address Federal Emergency Management Agency (FEMA) insurance requirements for Hurricane Ike damage/mitigation payments. All cancelled policies were for buildings demolished at UTMB.
- ORM placed a \$100 million Excess Windstorm policy for UT MD Anderson Cancer Center.

UNDERLYING NFIP & TWIA POLICIES



LOSS CONTROL

- Compiled building construction, occupancy and protection information for wind modeling, and flood zone determination during Property Conservation surveys.
- Facilitated carrier visits to survey UTMB mitigation construction projects as well as view completed projects at other institutions.
- Continued to monitor and assist institutions on property recommendations related to wind and flood loss mitigation.

DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES

LIABILITY (D&O/EPL)

DESCRIPTION OF COVERAGE	D&O/EPL is a self-insurance plan that provides coverage to board members, employees, faculty, and other covered individuals, as well as each of the UT System institutions for claims arising from actual or alleged wrongful acts performed by the Plan beneficiaries. The Plan also provides coverage for EPL claims, such as wrongful termination, failure to promote, and wrongful discipline. The Office of General Counsel administers the plan and ORM is responsible for plan accounting.
DATE OF INCEPTION	September 1, 1991 – Coverage A and B September 1, 1996 – Coverage C
PREMIUM ALLOCATION METHODOLOGY	80% - Employee Headcount (6 years) 20% - Loss History (6 years); capped at \$250,000 per claim

Directors and Officers Balance Sheet		
	at 8-31-2011	at 8-31-2010
Assets		
Operating Cash	\$ 12,768,950	\$ 12,364,192
Prepaid Expenses	6,889	7,709
Total Assets	12,775,839	12,371,901
Liabilities		
Deferred Income	16,840	16,610
IBNR	3,307,982	4,294,292
Total Liabilities	3,324,822	4,310,902
Net Assets	9,451,017	8,061,000
Total Liabilities and Net Assets	\$ 12,775,839	\$ 12,371,901
Income Statement		
	Year Ended 8-31-2011	Year Ended 8-31-2010
Revenue		
Premium Income	\$ 408,472	\$ 403,868
Interest Income	273,723	272,524
Total Revenue	682,196	676,393
Expenses		
Excess Insurance Policy Expense	168,922	190,181
Actuary Expenses	4,425	3,909
Administrative Expenses	101,390	113,876
Total Expenses	274,737	307,966
Change in IBNR	(986,310)	981,790
Net Expenses	(711,573)	1,289,756
Excess Revenue Over Expenses	1,393,769	(613,363)
Other Transfer and Adjustments	(3,752)	
Change in Net Assets	1,390,017	(613,363)
Beginning Net Assets	8,061,000	8,674,363
Ending Net Assets	\$ 9,451,017	\$ 8,061,000

DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES LIABILITY(D&O/EPL)

PROGRAM OVERVIEW

*Plan Deductibles

Coverage A – Non-Indemnified Individuals - None

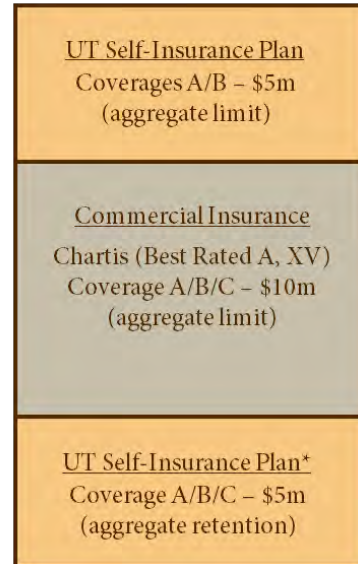
Coverage B – Indemnified Individual/
Organization - \$100,000 per person/\$300,000 per loss

Coverage C – Organization - \$300,000 per loss

\$20 million

\$15 million

\$5 million

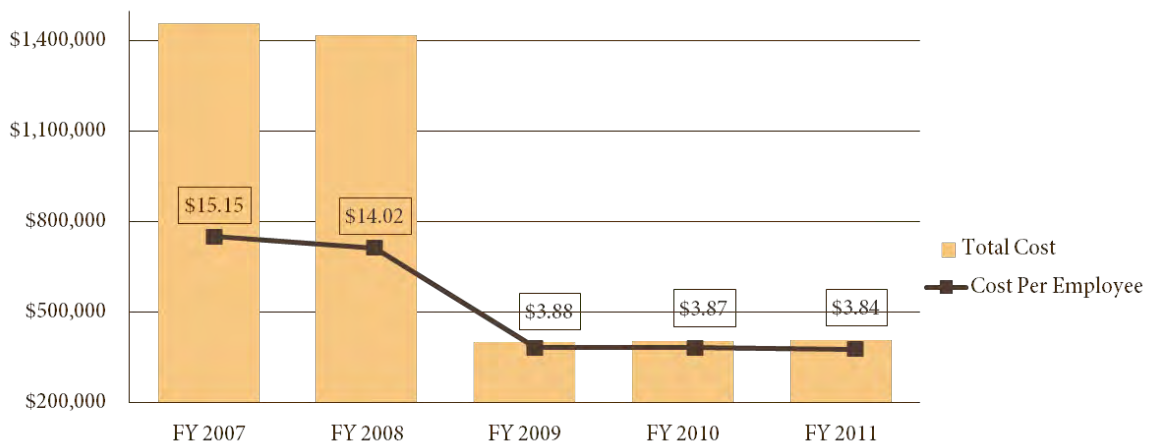


CLAIM ACTIVITY

- 263 claims were reported under the D&O/EPL Plan in FY 2011.
- 208 claims, with report dates from FY 2000 through FY 2011 were closed during FY 2011.
- Two jury verdicts on D&O/EPL claims in FY 2010 are presently on appeal.
- During FY 2011, eight claims totaling \$446,337 settled under the institutions' deductible.

PREMIUM HISTORY

TOTAL D&O/EPL COST & COST PER EMPLOYEE



INTERNATIONAL TRAVEL AND COVERAGE

To address the variety of exposures presented by international travel and operations, ORM maintains the following insurance programs:

International Package Policy

Coverage includes the following:

- Foreign Workers' Compensation – provides coverage for injury or occupational illness occurring to an employee which occurs while the employee is outside of the United States. Coverage includes Workers' Compensation, Employers Liability, and Supplemental Repatriation Expenses. Benefits are as directed by the State/Province of hire.
- Foreign General Liability – provides coverage if UT System or its institutions become legally obligated to pay damages because of bodily injury or property damage occurring outside of the United States.
- Foreign Auto Liability; Physical Damage; Hired and Non-Owned Auto Liability – provides coverage for the use of owned private passenger or hired/charter vehicles while being operated outside of the United States (coverage applies excess of any other applicable insurance).

Defense Base Act (DBA)

The DBA policy provides compulsory workers' compensation coverage and disability benefits for civilian employees working outside of the United States on contracts between UT System and the US Government. Benefits are as directed by the Federal Defense Base Act.

International SOS

International SOS provides UT System international travelers and expatriates with worldwide emergency assistance and evacuation services 24 hours a day while abroad.

FY 2010* INTERNATIONAL TRAVEL BY INSTITUTION

Institution	Total Student Travelers	Total Employee Travelers	Car Rentals	Bus Rentals
UT Arlington	267	656	40	1
UT Austin	2,669	4,915	216	49
UT Brownsville	64	37	0	0
UT Dallas	439	362	8	6
UT El Paso	148	224	0	0
UT Pan American	186	109	0	0
UT Permian Basin	26	12	0	2
UT San Antonio	199	716	0	0
UT Tyler	130	66	0	0
UT HSC Houston	20	412	58	0
UT HSC San Antonio	95	725	16	0
UT HSC Tyler	0	7	0	0
UTMB Galveston	52	148	0	0
UT MD Anderson	0	1,418	22	0
UT SWMC	30	875	21	0
UT System Administration	0	3	0	0
TOTAL	4,325	10,685	381	58

*Data used for FY 2011 policies is based on FY 2010 travel.

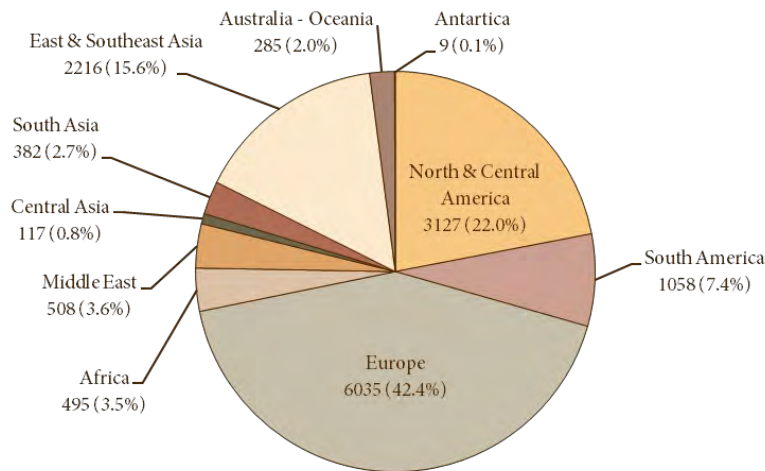
INTERNATIONAL TRAVEL AND COVERAGE

HIGHLIGHTS FROM FY 2011

- In April 2011, ORM and the US Department of State's Overseas Security Advisory Council (OSAC) co-hosted a College & University Health, Safety, and Security Seminar. It was a record breaking event both in the number of attendees and the number of institutions from within UT System, the State of Texas and nationally that attended. Attendance included 65 non-UT institutions representing 26 different states, along with representatives from 11 different UT institutions.
- In February 2011, ORM and International SOS presented the International SOS "Roadshow" across the state at multiple institutions, offering an overview of International SOS, case handling procedures, and communicating the International SOS program to travelers.

FY 2010* INTERNATIONAL TRIPS BY REGION

TOTAL TRIPS = 14,232



- 4,325 Student Travelers
- 10,685 Employee Travelers
- 160 Countries

*Data used for FY 2011 policies is based on FY 2010 travel.

INTERNATIONAL SOS UTILIZATION

- During FY 2011, International SOS responded to 84 requests for medical referrals/advice/outpatient care and 36 security related requests in 37 countries.

INTERNATIONAL PACKAGE POLICY AND DBA CLAIM ACTIVITY

- One claim was reported, but no claims were paid in FY 2011.

LOSS CONTROL

- International Oversight Committees (IOC) were created at the institutions in FY 2010 to review requests for travel to any country where significant safety or health concerns are present. In FY 2011, the institutions reported that IOCs received 441 requests for exceptions and granted 317 exceptions to faculty/staff and 105 exceptions to students. Exceptions were granted to 23 countries. This information is not complete and it will be reported in a more comprehensive manner in future years.

ROLLING OWNER CONTROLLED INSURANCE PROGRAM (ROCIIP)

DESCRIPTION OF COVERAGE The ROCIP provides Workers' Compensation, General Liability, and Excess Liability insurance coverage for all enrolled contractors working on designated UT System construction projects. Benefits include lower insurance premiums due to bulk purchasing, consistency of insurance provided on each project, enhanced safety and loss control, and cost savings.

VALUES ENROLLED ALL PHASES \$6,294,776,514 at August 31, 2011

PROJECT FUND CONTRIBUTION RATE Actuarially determined rate per \$100 construction value

ROCIIP		
Balance Sheet		
	at 8-31-2011	at 8-31-2010
Assets		
Operating Cash	\$ 51,985,286	\$ 46,768,756
Prepaid Expenses	1,264,299	2,114,669
Accounts Receivable	12,020	-
Total Assets	53,261,605	48,883,425
Liabilities		
Accounts Payable	309,875	53,293
IBNR	5,739,713	7,382,929
Total Liabilities	6,049,588	7,436,222
Net Assets	47,212,017	41,447,203
Total Liabilities and Net Assets	\$ 53,261,605	\$ 48,883,425
Income Statement		
	Year Ended 8-31-2011	Year Ended 8-31-2010
Revenue		
Premium Income IV	\$ 345,770	\$ 526,120
Premium Income V	11,254,800	9,362,270
Interest Income	1,113,442	1,075,390
Total Revenue	12,714,012	10,963,780
Expenses		
ROCIIP III Expenses	1,574	9,853
ROCIIP IV Expenses	510,881	1,270,744
ROCIIP V Expenses	2,360,990	1,527,782
Premium Expenses	5,368,812	5,225,886
Administrative Expenses	341,087	190,881
Actuary Expenses	9,071	9,219
Total Expenses	8,592,414	8,234,365
Change in IBNR	(1,643,216)	(339,283)
Net Expenses	6,949,198	7,895,082
Excess Revenue Over Expenses	5,764,814	3,068,698
Other Transfers and Adjustments		(3,355,055)
Change in Net Assets	5,764,814	(286,357)
Beginning Net Assets	41,447,203	41,733,560
Ending Net Assets	\$ 47,212,017	\$ 41,447,203

ROLLING OWNER CONTROLLED INSURANCE PROGRAM (ROCIP)

PROGRAM OVERVIEW

Phase	Dates	Construction Value	Cost Avoided by Project	Estimated Savings to the ROCIP Fund
ROCIP IV	2004-2011	\$2,127,513,950	\$11,753,402	\$12,604,489
ROCIP V	2008-2016	\$2,548,675,198	\$5,352,218	To Be Determined*

* Too early in Phase to estimate savings.

HIGHLIGHTS FROM FY 2011

ROCIP V

Construction Values under ROCIP V increased by over \$500 million in FY 2011. ROCIP V includes over 90 projects and provides insurance coverage to over 1,300 contractors. Over 50 projects were in active construction at August 31, 2011.

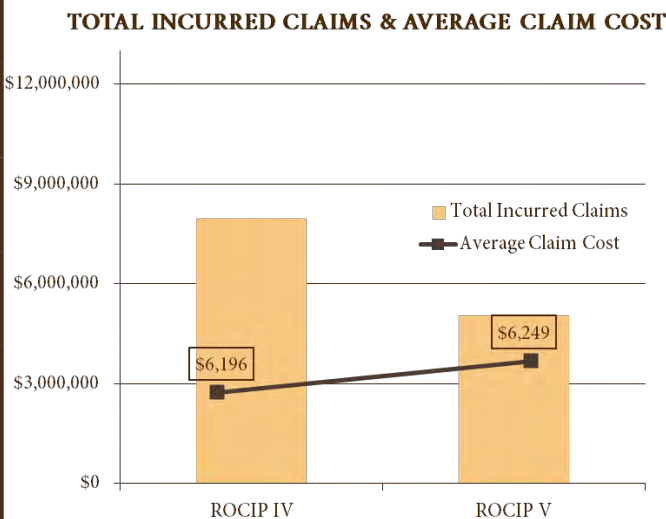
One area of emphasis for this year was developing and enhancing the ROCIP program for the Hurricane Ike Recovery projects. As of August 31, 2011, over 900 contracts had been processed for ROCIP enrollment for Ike Recovery work. In addition, the ROCIP Administrator worked with UTMB to establish occupational injury clinics within the UTMB healthcare system that would be available to injured ROCIP and other contractors.

ROCIP IV

ROCIP IV began in FY 2004 and ended on May 31, 2011. Through the efforts of all parties involved in project safety and claims management, the current claims rate (projected claims cost to construction values) for Phase IV is the lowest of all completed ROCIP Phases.

Although claims under ROCIP IV are still open and more may be reported, the current estimated savings for this Phase is sizeable. In FY 2012, a working group of institution representatives will reconvene to determine the timing and allocation of a savings rebate to institutions participating in ROCIP IV.

CLAIM ACTIVITY



LOSS CONTROL - ROCIP V

- 5,421 safety inspections completed for 62 ROCIP V projects.
- Loss control is provided by the ROCIP Administrator, its subcontractor, the Office of Facilities Planning and Construction, and institutional safety professionals.
- Safety Leadership Training was provided for the majority of projects that began construction this fiscal year. The training emphasizes and enhances safety skills and a safety focus for the project leadership team.
- The Step Award Program provided recognition to contractors who demonstrated excellence in safety performance.

UNEMPLOYMENT COMPENSATION INSURANCE (UCI)

DESCRIPTION OF COVERAGE	UCI is a self-insurance plan that assists workers who become unemployed through no fault of their own. It provides temporary financial assistance to qualified individuals while they search for other work.
DATE OF INCEPTION	1971
PREMIUM ALLOCATION	60% - Loss History (3 years)
METHODOLOGY	20% - Claim Frequency (3 years) 20% - FTEs

Unemployment Compensation Insurance				
Balance Sheet				
	at 8-31-2011		at 8-31-2010	
Assets				
Operating Cash	\$	886,917	\$	1,276,266
August Premiums Receivable		260,502		68,726
Total Assets		1,147,418		1,344,992
Liabilities				
Accrued Expenses		110,570		
Claims Accrued		2,131,107		2,218,842
Loan Payable		3,000,000		4,000,000
Total Liabilities		5,241,677		6,218,842
Net Assets		(4,094,259)		(4,873,850)
Total Liabilities and Net Assets	\$	1,147,418	\$	1,344,992

Income Statement				
	Year Ended 8-31-2011		Year Ended 8-31-2010	
Revenue				
Premium Income	\$	9,755,635	\$	5,038,037
Investment Income		(13,822)		37,864
Total Revenue		9,741,813		5,075,901
Expenses				
Claim Expenses		8,524,428		8,875,367
Actuary Expenses		2,835		3,614
Claim Management Expenses		375,191		21,500
Administrative Expenses		147,503		83,170
Total Expenses		9,049,957		8,983,651
Change in Prior Year Accrual		(87,735)		1,135,182
Net Expenses		8,962,222		10,118,833
Excess Revenue over Expenses		779,591		(5,042,932)
Other Transfers and Adjustments				
Change in Net Assets		779,591		(5,042,932)
Beginning Net Assets		(4,873,850)		169,082
Ending Net Assets	\$	(4,094,259)	\$	(4,873,850)

UNEMPLOYMENT COMPENSATION INSURANCE (UCI)

PROGRAM OVERVIEW

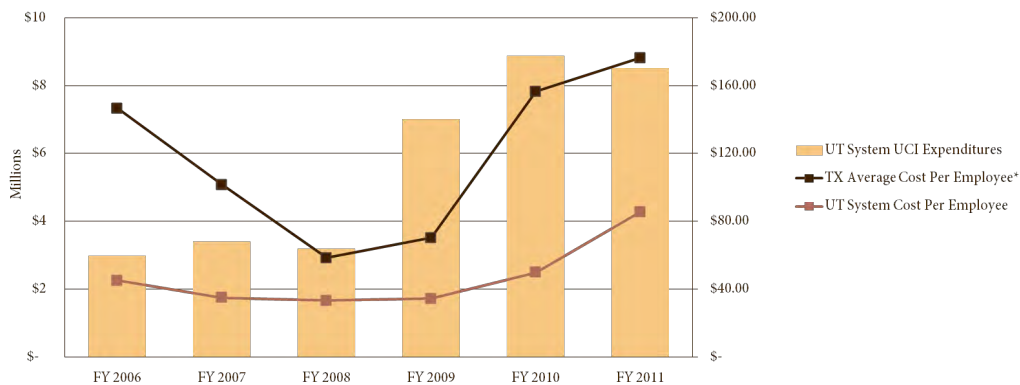
- UT System reimburses the State Unemployment Trust Fund for any claims paid by the Texas Workforce Commission (TWC) to former employees of the UT System in lieu of paying UCI taxes to the TWC.
- ORM oversees the UCI self-insured plan and human resource professionals at each institution manage claims that are filed with the TWC.

HIGHLIGHTS FROM FY 2011

- UT System claim expenditures totaled \$8.5 million during FY 2011, a 4% decrease from FY 2010 claim expenditures of \$8.9 million.
- A \$4 million loan from the WCI fund enabled the UCI fund to operate during FY 2010 without implementing a mid-year premium increase. An additional \$1 million was borrowed in FY 2011 and \$2 million was repaid at year-end. The remaining \$3 million loan will be repaid as future actuarially determined rates factor in adverse claim experience from FY 2009 through FY 2011.
- UT System's FY 2011 premium rates of \$0.95 per \$100 payroll were substantially lower than rates paid by the average Texas employer of \$1.96. Even with a slight increase to \$0.97 in FY 2012, UT System rates will be less than half of the TWC average for experience rated Texas employers.
- Systemwide Claims Management contract - ORM contracted with a vendor to assist UT institutions to manage unemployment claims. Benefits of this contract include:
 - Electronic claims exchange with TWC.
 - UCI claims cost management services by experienced professionals.
 - Reporting capabilities to benchmark unemployment claims metrics.
 - Outsourcing of employment verification services.
- Systemwide Reemployment Services contract - ORM contracted with a vendor to assist with outplacement services for separated employees. Benefits to institutions include:
 - Assist engaged job seekers to become reemployed.
 - Avoid/reduce unemployment liabilities.

UCI EXPENDITURES & COST PER EMPLOYEE

The average UT System UCI cost was \$85 per employee in FY 2011, an increase from \$50 from FY 2010. This cost compares favorably to the average UCI cost paid by experience rated Texas employers of \$176 per employee during FY 2011.



* Based on Texas Workforce Commission average for experience rated Texas employers.

WORKERS' COMPENSATION INSURANCE (WCI)

DESCRIPTION OF COVERAGE	WCI is a self-administered/self-insurance plan that provides necessary and reasonable medical coverage and income benefit payments to UT System employees who sustain injuries or occupational disease while in the course and scope of employment. An all-states policy is purchased for employees who work in states outside of Texas. In addition, commercial workers' compensation coverage is provided for employees who work under federal contracts and in foreign countries.
DATE OF INCEPTION	Statutory authority embodied in Chapter 503 of the <i>Texas Labor Code</i> on September 1, 1952.
PREMIUM ALLOCATION	50% - Loss History (3 years); capped at \$100,000 per claim 30% - Payroll (3 years)
METHODOLOGY	20% - Claim Frequency (3 years)

Workers' Compensation Insurance		
Balance Sheet		
	at 8-31-2011	at 8-31-2010
Assets		
Operating Cash	\$ 38,620,873	\$ 40,586,259
August Premiums Receivable	658,179	588,470
Accounts Receivable	49,401	629
Loan Receivable	3,000,000	4,000,000
Total Assets	42,328,454	45,175,358
Liabilities		
Accrued Expenses	351,421	243,292
IBNR	7,985,000	8,388,000
Total Liabilities	8,336,421	8,631,292
Net Assets	33,992,032	36,544,066
Total Liabilities and Net Assets	\$ 42,328,454	\$ 45,175,358
Income Statement		
	Year Ended 8-31-2011	Year Ended 8-31-2010
Revenue		
Premium Income	\$ 6,856,936	\$ 6,837,429
Investment Income	902,768	980,844
Total Revenue	7,759,704	7,818,273
Less RAP Funds Transfer	(3,000,000)	(3,000,000)
Net Revenue	4,759,704	4,818,273
Expenses		
Claim Expenses	4,268,872	4,800,992
Claim Management Expenses	2,085,897	1,971,294
Out of State Insurance	306,117	295,180
Administrative Expenses	1,050,020	1,112,764
Total Expenses	7,710,906	8,180,230
Change in IBNR	(403,000)	(330,000)
Net Expenses	7,307,906	7,850,230
Excess Revenue Over Expenses	(2,548,202)	(3,031,957)
Other Transfers and Adjustments	(3,833)	(5,522)
Change in Net Assets	(2,552,034)	(3,037,479)
Beginning Net Assets	36,544,066	39,581,544
Ending Net Assets	\$ 33,992,032	\$ 36,544,066

WORKERS' COMPENSATION INSURANCE (WCI)

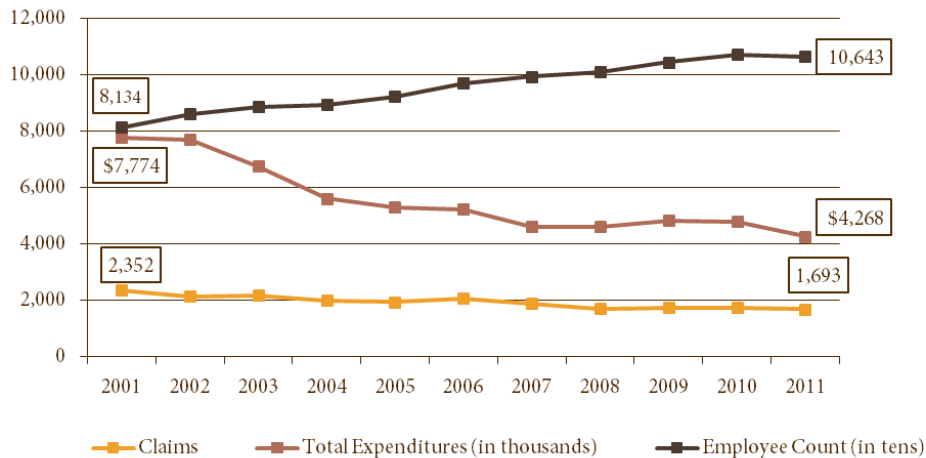
PROGRAM OVERVIEW

- Program administration includes management of cost containment contracts, actuarial assessment of premium, fund administration, reporting and training as required or appropriate, and payment of claims and expenses.
- All claims are investigated and managed, including hearing representation, from offices located in Austin, Dallas, El Paso, and Houston.

HIGHLIGHTS FROM FY 2011

- Total benefit expenditures were \$4.27 million, the lowest in the UT System WCI program since 1988.
- In FY 2011, UT System experienced a decrease in the total number of reported claims with an additional decrease in lost time claims of 2% from FY 2010.
- Average premium lost reduced from \$112 per employee in FY 2007 to \$64 in FY 2011.
- Launched WCMENU 2.0 claims management system for UT workers' compensation claims.
- Implemented federal Medicare reporting of eligible workers' compensation claimants.

CLAIM SUMMARY FOR FY 2001 - 2011



LOSS CONTROL

- **Systemwide Occupational Safety and Health Advisory Group (OSHAG)** - The inaugural meeting of the group was held on March 23, 2011. Topics and discussions included occupational health clinics, employee wellness, injury management, incident metrics, as well as a panel discussion on research safety.
- **OSHAG Metrics** - Identified metric discrepancies and verified correct and consistent data throughout the System; identified areas that could be broken out to focus on loss prevention efforts and created new reports to support these efforts. WCI and Risk Control will continue to track and trend metrics to assist institutions in focusing their loss prevention efforts.

WORKERS' COMPENSATION INSURANCE (WCI)

CLAIM TOTALS AND BENEFIT EXPENDITURES

In FY 2011, WCI claim expenditures totaled to \$4,268,871.79, a decrease of \$532,119.79.

Institution	Indemnity Expenditures*	Medical Expenditures**	Total Expenditures ***	New Claims	Medical	Lost Time
UT Arlington	\$31,265.80	\$176,616.13	\$207,881.93	85	63	22
UT Austin	\$134,117.71	\$467,807.66	\$601,925.37	297	188	109
UT Brownsville	\$3,372.50	\$33,624.26	\$36,996.76	36	22	14
UT Dallas	\$19,731.20	\$87,435.85	\$107,167.05	36	26	10
UT El Paso	\$65,537.89	\$164,413.73	\$229,951.62	72	38	34
UT Pan American	\$9,769.42	\$55,767.42	\$65,536.84	28	18	10
UT Permian Basin	\$708.78	\$28,137.29	\$28,846.07	6	3	3
UT San Antonio	\$52,827.80	\$170,982.68	\$223,810.48	113	78	35
UT Tyler	\$0.00	\$15,460.51	\$15,460.51	11	6	5
UT HSC Houston	\$55,632.19	\$99,836.43	\$155,468.62	82	37	45
UT HSC San Antonio	\$39,117.97	\$174,854.73	\$213,972.70	203	151	52
UT HSC Tyler	\$18,138.91	\$80,827.89	\$98,966.80	24	16	8
UTMB Galveston	\$203,680.52	\$548,886.53	\$752,567.05	341	161	180
UT MD Anderson	\$81,456.79	\$280,752.57	\$362,209.36	33	11	22
UT SWMC	\$350,236.53	\$805,324.42	\$1,155,560.95	321	158	163
UT System Administration	\$0.00	\$12,549.68	\$12,549.68	5	4	1
TOTAL	\$1,065,594.01	\$3,203,277.78	\$4,268,871.79	1693	980	713

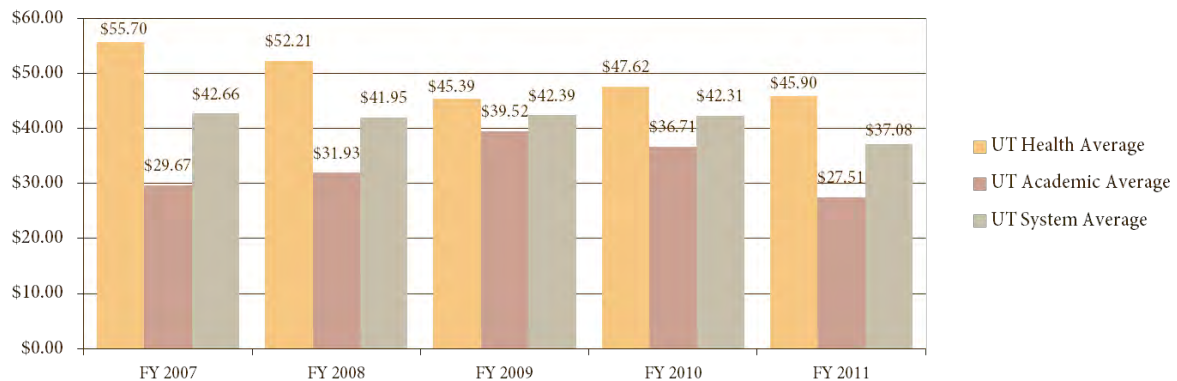
* Includes income benefits, death benefits, and attorney fees.

** Includes medical audit and cost management fees.

*** Total expenditures figure includes settlement fees.

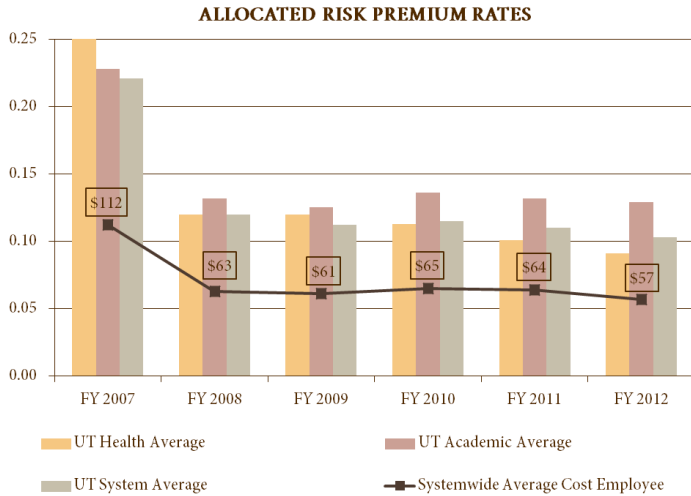
BENEFITS PAYMENTS PER EMPLOYEE*

The average cost per covered employee is \$37.08, a \$5.23 decrease from FY 2010 as detailed in the graph below.



* Data based on total expenditures.

WORKERS' COMPENSATION INSURANCE (WCI)

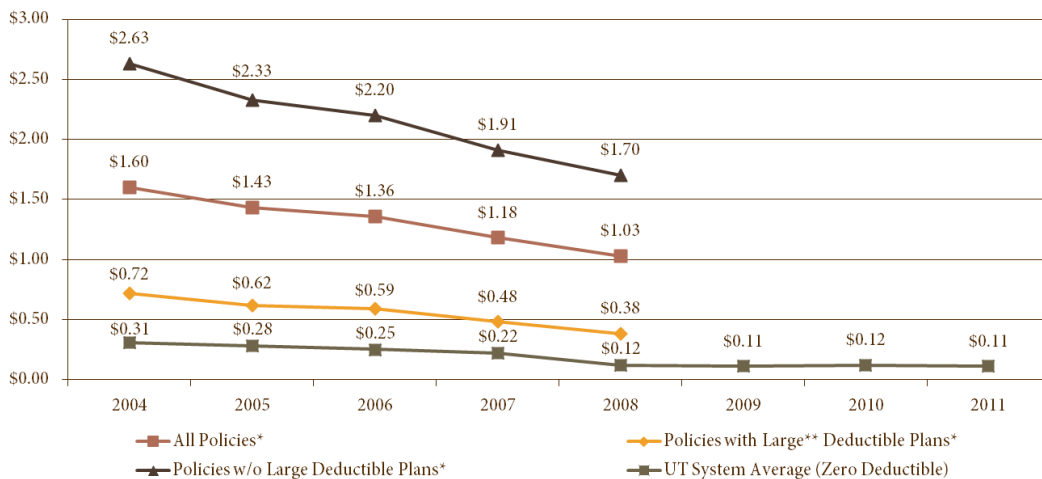


ALLOCATED RISK PREMIUM RATES BY INSTITUTION		
Institution	FY 2011	FY 2012
UT Arlington	0.154	0.134
UT Austin	0.121	0.113
UT Brownsville	0.159	0.146
UT Dallas	0.099	0.088
UT El Paso	0.183	0.244
UT Pan American	0.131	0.144
UT Permian Basin	0.123	0.082
UT San Antonio	0.148	0.139
UT Tyler	0.099	0.124
UT HSC Houston	0.082	0.068
UT HSC San Antonio	0.097	0.091
UT HSC Tyler	0.069	0.067
UTMB Galveston	0.149	0.133
UT MD Anderson	0.043	0.040
UT SWMC	0.165	0.149
UT System Administration	0.093	0.077

- Funding for the WCI program comes from the collection of premiums from each institution based on a variable rating process. In FY 2011, the average premium rate was \$0.11 per \$100 of payroll. The average rate decreased to \$0.10 per \$100 of payroll for FY 2012.
- UT System's rate compares favorably to the FY 2011 average rate assessed by the State Office of Risk Management (SORM) of \$0.72* per \$100 of payroll. The average SORM rate for higher education institutions was \$0.28 per \$100 of payroll.

* SORM Fiscal Year 2011 Assessments (Mid Year Final).

AVERAGE STANDARD PREMIUM PAID PER \$100 PAYROLL BY POLICY TYPE



* TDI Workers' Compensation Research and Evaluation Data 2011 (through 2008).

** Large deductible—\$100k per accident/aggregate deductible option.

RESOURCE ALLOCATION PROGRAM (RAP)

Implemented in 1998, the Resource Allocation Program (RAP) provides institutions with funding that allows them to implement risk management initiatives that, while complementing existing efforts, are outside the scope of their current budgets.

Since inception, over \$39.6 million has been distributed through RAP. The exceptional loss experience in the workers' compensation program is clear evidence of its positive impact to the institutions and other program areas.

Funding from WCI is allocated to each institution as recommended by the actuary. Funds are allocated primarily based on the institution's three-year loss ratio. Ten percent (10%) of the total allocation is used for Systemwide projects and initiatives, which benefits all institutions.

Distribution of FY 2011 funds is outlined in the table to the right.

RAP Distribution for FY 2011	
Institution	Allocation
UT Arlington	\$73,111
UT Austin	\$353,744
UT Brownsville	\$45,921
UT Dallas	\$65,579
UT El Paso	\$62,018
UT Pan American	\$78,405
UT Permian Basin	\$21,921
UT San Antonio	\$68,457
UT Tyler	\$25,462
UT HSC Houston	\$176,155
UT HSC San Antonio	\$151,782
UT HSC Tyler	\$48,651
UTMB Galveston	\$270,965
UT MD Anderson	\$1,007,808
UT SWMC	\$205,604
UT System Administration	\$44,417
Systemwide	\$300,000
TOTAL	\$3,000,000

Examples of Systemwide Initiatives

Systemwide Training - Air Emissions and Equipment Permit By Rule, Certified Safety Professional overview course, International Air Transport Association Dangerous Goods Shipping, and the UT System Risk Management Conference.

National Fire Protection Association - Systemwide online access to fire and life safety codes.

Emergency Contact for Shipping Hazardous Materials - Provides the required 24/7 access to emergency response information for all hazardous material shipments at the institutions.

International SOS - Provides 24-hour medical and security assistance for all employees traveling internationally on university business.

Treatment, Storage, and Disposal (TSD) Facility Audits - Provides funding for third-party due diligence audits of hazardous waste facilities used by the institutions.

Examples of Institution Initiatives

Occupational Health Program and Clinic - Provide Occupational Health Program with a clinic to offer occupational health and medical services for institution employees.

Laboratory Safety - Purchase commercial lab safety program to track inspections, trend metrics, and manage training.

Emergency Preparedness - Fund the first-year cost to procure and implement a solution to the institution's emergency communications needs for text messaging.

Radiation Dose Reduction - Develop online training course for radiation workers and integrate into patient dose measurement system.

Specialized Training - Provides funding for Environmental Health and Safety personnel at the institutions to attend training and professional development specific to their area of expertise.

PROFESSIONAL MEDICAL LIABILITY PLAN (PMLI)

DESCRIPTION OF COVERAGE	PMLI is a self-insurance plan that covers all of the UT System staff physicians, dentists, residents, fellows, and medical students who have been enrolled for claims and lawsuits relating to events that occurred while enrolled in the plan. The Office of General Counsel administers the plan and ORM is responsible for plan accounting.
DATE OF INCEPTION	Statutory authority was granted to the Board of Regents by the <i>Texas Education Code</i> Section 59.01 on March 10, 1977 and the plan was approved by the UT System Board of Regents on April 15, 1977.
PREMIUM ALLOCATION METHODOLOGY	50% - Institution Weighted Loss History (20 years) 50% - Overall Plan Rate (20 years)

Professional Medical Liability Plan		
Balance Sheet		
	at 8-31-2011	at 8-31-2010
Assets		
Operating Cash	\$ 1,797,203	\$ 2,289,060
Investments	77,438,976	91,729,701
Accounts Receivable	400,138	241,282
Total Assets	79,636,317	94,260,043
Liabilities		
Accounts Payable	3,600	91,422
IBNR	16,454,961	19,409,054
Total Liabilities	16,458,561	19,500,476
Net Assets	63,177,756	74,759,566
Total Liabilities and Net Assets	\$ 79,636,317	\$ 94,260,043
Income Statement		
	Year Ended 8-31-2011	Year Ended 8-31-2010
Revenue		
Premium Income	\$ 8,189,717	\$ 12,247,178
Investment Income	2,677,208	3,018,784
Total Revenue	10,866,925	15,265,963
Less Premium Refund	(24,000,000)	(23,000,000)
Net Revenue	(13,133,075)	(7,734,037)
Expenses		
Legal Expenses	1,079,565	1,310,739
Claim Liability Expenses	2,053,034	1,210,649
Medical Board Expenses	135,772	141,762
Administrative Expenses	1,194,547	1,362,739
Other Expenses	16,216	24,240
Total Expenses	4,479,134	4,050,128
Change in IBNR	(2,954,093)	(4,532,394)
Net Expenses	1,525,041	(482,266)
Excess Revenue Over Expenses	(14,658,117)	(7,251,772)
Other Changes in Net Assets		
Investments Market Value Increase	7,076,306	7,321,454
Transfer to Special Funds	(4,000,000)	(4,000,000)
Total Other Changes	3,076,306	3,321,454
Change in Net Assets	(11,581,810)	(3,930,318)
Beginning Net Assets	74,759,566	78,689,884
Ending Net Assets	\$ 63,177,756	\$ 74,759,566

BUSINESS CONTINUITY AND EMERGENCY MANAGEMENT

House Bill 2758 relating to mandatory emergency alert systems at institutions of higher education - Passed by the 82nd Texas Legislature during the regular session, this bill requires all institutions of higher education in the State of Texas to implement emergency alert systems using at least phone (text) and/or emails to communicate emergency information to institution populations including students, faculty, and staff. The emergency alert systems are mandatory; participants must choose to “opt out” of participating in the system vs. enrolling themselves. Currently, there are more than 260,000 people enrolled in UT System institutions’ emergency alert systems.

While this is now law, in 2010, the Chancellor mandated that all UT System institutions implement “opt out” emergency alert systems. This Systemwide approach to emergency communication was the basis and model for House Bill 2758.

UTS172 - Emergency Management - Initially adopted to comply with statutory requirements for each UT institution to develop and maintain a multihazard emergency management program, ORM continues to coordinate and administer the peer review process in order to demonstrate compliance. Currently, five institutions have conducted reviews and two others have had preliminary visits in preparation for the review. All UT System institutions must complete their review prior to August 31, 2012.

To demonstrate compliance, each institution must have programs in place to provide for the following:

- employee training in responding to an emergency;
- mandatory drills to prepare students, faculty, and employees for responding to an emergency;
- the implementation of a safety and security audit;
- completion of a hazard vulnerability analysis or risk assessment; and
- development and maintenance of an all-hazards emergency management plan.

A report of findings must also be submitted to the UT System Board of Regents and Texas Division of Emergency Management every three years.

ORM continued its commitment to the safety and health of our campus communities by providing **Hazardous Materials Training** to UT System Police Academy cadets. During FY 2011, 28 cadets were trained on the following topics:

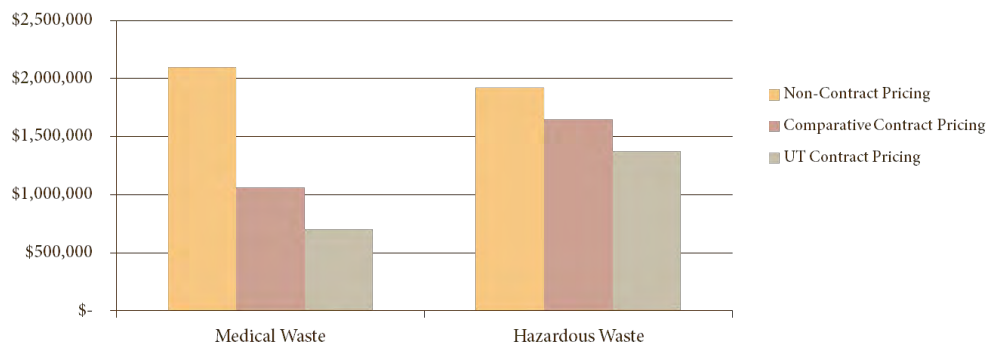
- Hazardous Materials Awareness for First Responders;
- Introduction to Managing Incidents; and
- Fire Extinguisher Training.

ENVIRONMENTAL PROGRAM

HIGHLIGHTS FROM FY 2011

- Systemwide generation of approximately 4 million pounds of medical waste. UT System leveraged pricing to save approximately \$350,000 from other competitive medical waste contracts and to save over \$1 million from clinical market pricing.
- Systemwide generation of almost 1 million pounds of hazardous waste. The Systemwide contract yielded an approximated savings between \$300,000 from comparative contract pricing to \$550,000 from non-contract pricing.
- Renewed non-exclusive Systemwide contracts for low-level radioactive waste, medical waste, biological waste, hazardous waste, and emergency response services. These contracts provide value through control of waste disposal options, which limits liability, provision of on-site training options, reduced operational costs, and enhanced service.
- Contract training service provided 22 on-site classes with a total of 325 attendees with an estimated cost avoidance of \$310 per student (based on an average of market rates) for a total training cost avoidance of \$100,000 (this excludes related travel cost avoidance).
- Cost savings from all Systemwide non-exclusive environmental contracts for service and training are estimated at \$2 million.

FY 2011 MEDICAL & HAZARDOUS WASTE CONTRACT SAVINGS



PROGRAM SUPPORT

- Facilitation and support of the Systemwide Environmental Health and Safety Advisory Committee (EHSAC) meetings and the four associated subgroups.
- Closely monitored the Texas Low Level Radioactive Waste Disposal Compact Commission developments and progress for opening the waste site by attending rule making meetings and providing comments on behalf of UT institutions.
- Provided a Systemwide professional development course to prepare participants for the Board of Certified Safety Professionals' exam, as well as training on regulatory air permitting requirements for common sources.
- Conducted hazardous waste pricing comparison for 2010 waste invoicing against 2001 pricing to better understand waste pricing and budget.
- Coordinated hazardous pharmaceutical waste disposal program, training and shipments for UTMB Correction Managed Care pharmacy in Huntsville.
- Reviewed 14 Phase I environmental property assessments and 2 Phase II assessments as part of pre-purchase due diligence in cooperation with the Real Estate Office.

A LOOK AHEAD TO FY 2012

Each year, the ORM examines its efforts and identifies opportunities to enhance the services provided to the fifteen institutions, in support of UT System's academic, research, and health care mission. The following reflects some of the initiatives ORM will focus on in FY 2012.

- **Live Meeting and Communication Enhancement**
Develop process and procedures to enhance communication with WCI Field Offices and Institutional customers through the use of technology. The project will include the exploration of hardware and software requirements that will enable ORM to provide regular meetings and training sessions as appropriate. It will include video, audio, and desktop capabilities for individual and group meetings.
- **Analysis of Institutional Occupational Medicine Clinics**
Conduct analysis to determine the roles/relationships with Occupational Medicine Clinics and their impact on the WCI program. Evaluate and share institutional best practices that impact the WCI program including the relationship to Occupational Medicine Clinics, delivery of healthcare for job related injuries, case management protocols for reporting, WCI claim administration, and return-to-work programs
- **Broker and Risk Management Services (Broker Panel Request For Proposal)**
The Request For Proposal (RFP) process will require formation of stakeholder groups with representatives from the institutions and/or appropriate UT System Administration departments; in-depth review of past scope of services; modifications to scope of services based on review; evaluation and review of proposals; oral presentations (if necessary); and contract negotiations.
- **ROCIP Working Group**
Reconvene ROCIP Rebate working group to discuss the rebate methodology for ROCIP IV and the project participation rate for ROCIP V.
- **Transition WCMENU and PLANet financials to PeopleSoft**
Establish and transition WCMENU 2.0 and PLANet financials and transactions from *DEFINE to PeopleSoft or an alternate system.
- **Enhance Reporting Effectiveness of the UCI Program**
Provide enhanced reporting of UCI performance metrics from Third Party Administrator to assist UT Institution human resource professionals in UCI claims management.

