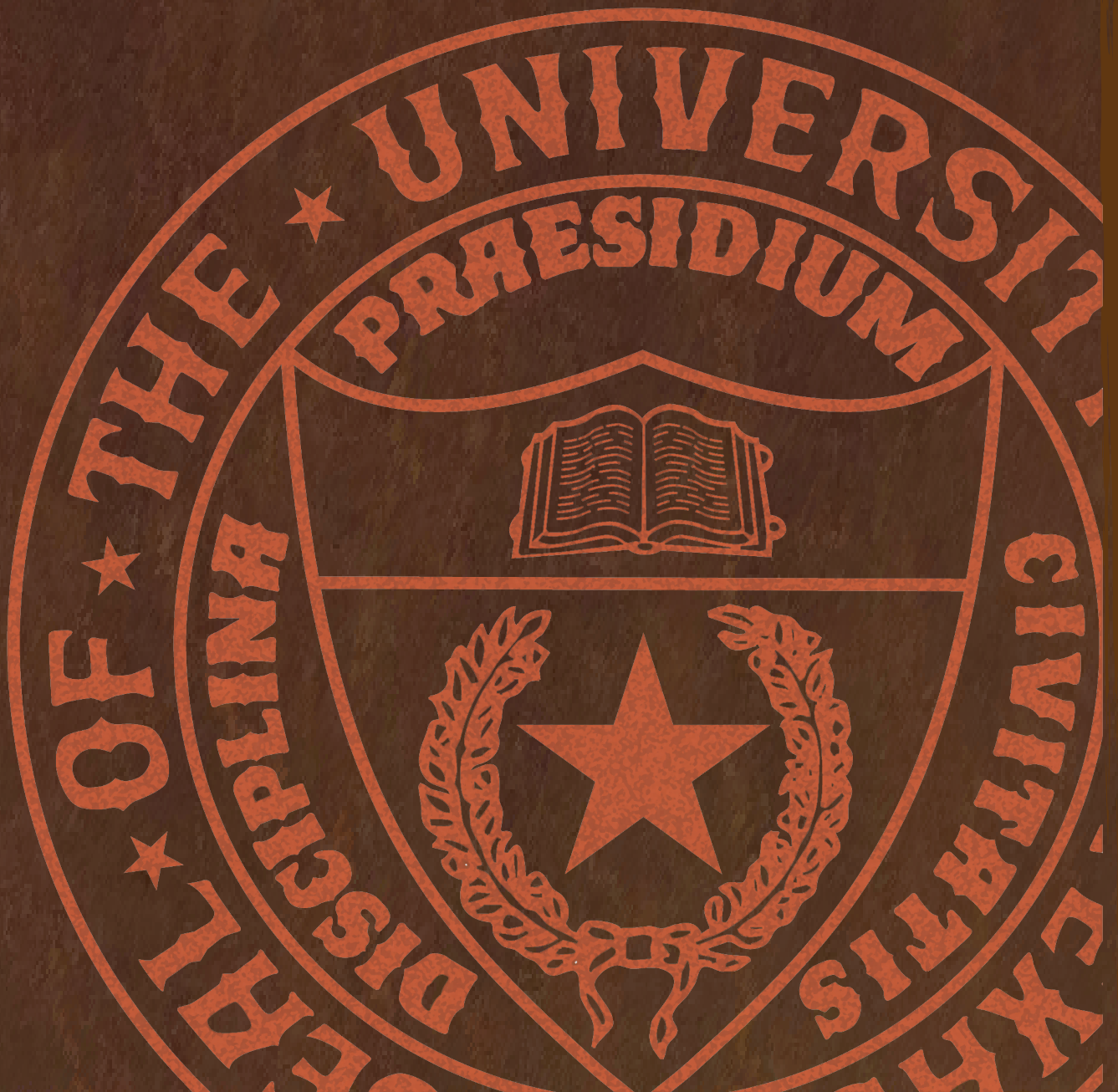


THE UNIVERSITY OF TEXAS SYSTEM

# RISK MANAGEMENT ANNUAL REPORT

FISCAL YEAR 2012



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

As of August 31, 2012

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Paul L. Foster, Vice Chairman  
R. Steven "Steve" Hicks, Vice Chairman  
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Sandra K. Woodley, D.B.A., Vice Chancellor for Strategic Initiatives

\*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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For questions concerning this report, contact:  
The University of Texas System  
Office of Risk Management  
220 West 7th Street  
Austin, Texas 78701  
(512) 499-4655  
<http://www.utsystem.edu/orm/>



## EXECUTIVE SUMMARY

It is the mission of the Office of Risk Management (ORM) to provide high quality risk management services, resources, and leadership, which create value and support The University of Texas System's (UT System) mission of excellence in education, research, healthcare, and public service.

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. A broad range of risks are managed by professionals at UT System Administration, the fifteen institutions and through Systemwide committees including the Risk Management Advisory Committee, the Workers' Compensation Insurance (WCI) Committee, the Environmental Health and Safety Advisory Committee (EHSAC), and the Emergency Management Committee.

In Fiscal Year (FY) 2012, the total population of UT System including students, faculty, and staff was over 321,000 and total payroll was over \$6.3 billion. Collectively, there were over 92 million gross square feet of building space, and total insured values (building, contents, and business income) of \$27 billion. Over 15,800 people traveled internationally for business, research, or study abroad, and 2,500 vehicles were in the UT System fleet. These are only a few of the metrics reflecting the diversity and magnitude of the operational exposures facing the UT System institutions.

The Office of Risk Management received the "2012 Solutions at Work Award" from the Campus Safety Health and Environmental Management Association. This award recognizes the property conservation program and premium allocation model which have been valuable tools in prioritizing life safety and mitigation projects, as well as recognizing the loss prevention programs in place at UT System institutions that protect not only capital assets, but populations of students, faculty, and staff.

The Comprehensive Property Protection Plan (CPPP) was restructured and enhanced to include a three year guarantee for limits and pricing on named windstorm for UTMB Galveston and removing the quota share retention in the primary coverage layer for fire and other perils. In FY 2012, the total CPPP program covered \$27.2 billion in Total Insured Value (TIV), an increase of \$1.6 billion. Program costs decreased from \$0.054 to \$0.050 per \$100 of TIV.

Prior to FY 2009, claims paid in the Unemployment Compensation Insurance (UCI) program averaged less than \$4 million per year. The economic recession led to claim expenditures of \$7 million, \$8.9 million, \$8.5 million, and \$8.8 million the past four fiscal years. The addition of State Extended Benefits (SEB) for the long-term unemployed added an additional 20 weeks to the length of unemployment claims exposure for UT System. This accounted for \$4.1 million of all unemployment expenditures paid between July 2009 and May 2012. 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 approximately half of the average cost for other Texas employers.

Due to the financial success of the Rolling Owner Controlled Insurance Program (ROCIP), a working group comprised of six UT System institutions was convened. The group reviewed ROCIP and recommended a rebate of \$12 million of Phase IV funds, and a retrospective rate and refund reduction of Phase V.

ORM's training and outreach activities continued in FY 2012. ORM staff serve 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, emergency management, and workers' compensation, the Higher Education Risk Management Conference hosted by ORM was attended by 427 participants, which included representation from all 15 UT System institutions and 31 institutions outside 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 loss control is necessary to continue this trend.

Requests for proposals (RFPs) and subsequent contracts were developed, posted, and evaluated for risk management and insurance broker services, systemwide disaster response, hazardous waste disposal, low-level radioactive waste disposal, and workers' compensation cost containment and networks. A total of five major services were competitively procured.

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 ORM for FY 2012.

#### **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, Directors and Officers/Employment Practices Liability (D&O/EPL), and automobile insurance programs. It does not include premiums paid for institution-specific policies or retained losses not reported by the institutions.

In FY 2012, the cost of risk for Systemwide risk management programs managed by ORM was approximately \$34.1 million compared to \$24.4 million in FY 2008. UCI accounted for most of this increase as premiums increased by \$6.5 million from FY 2009 to FY 2012 following the recession and additional unemployment benefits to the long-term unemployed. Property premiums increased \$3.8 million from FY 2008 to FY 2012. Much of that increase resulted from impact related to Hurricane Ike but also includes significant coverage enhancements.

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 2008.

From a baseline year in FY 2008, 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.

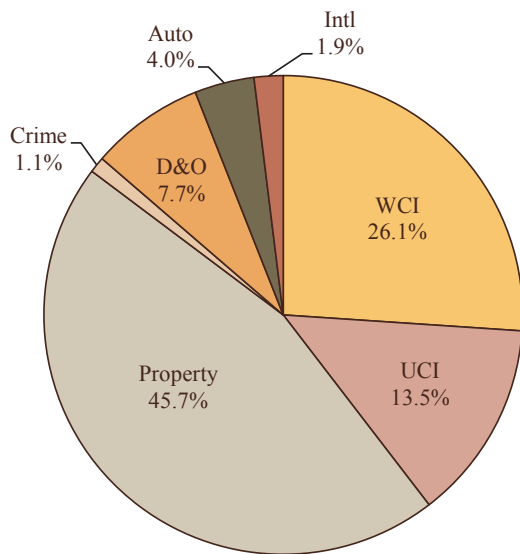
# SYSTEMWIDE COST OF RISK

Systemwide Programs Managed by the Office of Risk Management University of Texas System - All Institutions								
FISCAL YEAR	TOTAL <sup>1</sup>	WCI	UCI	Property <sup>2,3</sup>	Crime	D&O/EPL <sup>2</sup>	Auto <sup>2</sup>	Intl <sup>4</sup>
<b>2012</b>	<b>\$34,147,825</b>	\$ 6,511,442	\$ 9,961,467	\$ 15,112,078	\$ 94,572	\$ 1,020,535	\$ 820,396	\$ 627,335
<b>2011</b>	<b>\$34,956,137</b>	\$ 6,806,583	\$ 9,556,506	\$ 16,181,407	\$ 94,729	\$ 855,039	\$ 840,767	\$ 621,106
<b>2010</b>	<b>\$31,737,702</b>	\$ 6,836,971	\$ 5,038,036	\$ 17,073,730	\$ 95,642	\$ 1,177,115	\$ 921,866	\$ 594,342
<b>2009</b>	<b>\$28,668,786</b>	\$ 6,333,562	\$ 3,481,344	\$ 16,844,250	\$ 124,694	\$ 481,151	\$ 936,471	\$ 467,314
<b>2008</b>	<b>\$24,447,278</b>	\$ 6,371,604	\$ 3,303,750	\$ 11,166,158	\$ 262,900	\$ 1,879,610	\$ 984,553	\$ 478,703

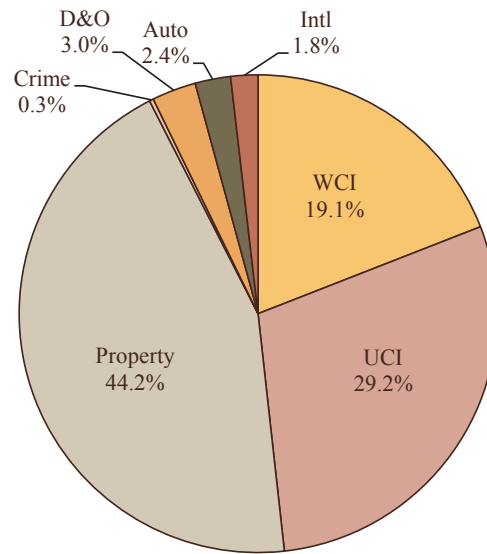
  

ALL INSTITUTIONS	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Headcount <sup>5</sup>	101,167	103,431	104,467	106,433	106,861
TIV <sup>6</sup> (000)	\$ 21,948,698	\$ 23,146,353	\$ 23,900,255	\$ 25,573,854	\$ 27,223,926
Gross Sq. Ft <sup>7</sup>	79,685,594	82,287,975	84,315,255	89,766,496	92,406,500
Operating Budget <sup>8</sup> (000)	\$ 10,653,950	\$ 11,498,800	\$ 11,944,300	\$ 12,773,800	\$ 13,092,500
Enrollment <sup>8</sup>	194,199	195,107	202,240	211,213	214,861
Research Exp. <sup>8</sup> (000)	\$ 1,946,217	\$ 2,169,200	\$ 2,251,300	\$ 2,369,600	\$ 2,540,100
Payroll <sup>6</sup> (000)	\$ 5,363,195	\$ 5,703,626	\$ 5,887,139	\$ 6,173,530	\$ 6,374,339
<b>Cost of Risk <sup>9</sup></b>	<b>\$ 24,447,278</b>	<b>\$ 28,668,786</b>	<b>\$ 31,737,702</b>	<b>\$ 34,956,137</b>	<b>\$ 34,147,825</b>
Medical Staff & Residents	7,237	7,428	7,595	7,750	8,007
Cost of Risk including PLI	\$ 45,139,253	\$ 41,473,815	\$ 44,764,605	\$ 47,203,315	\$ 42,337,542

**COST OF RISK BY LINE OF COVERAGE  
MANAGED BY ORM  
FY 2008**



**COST OF RISK BY LINE OF COVERAGE  
MANAGED BY ORM  
FY 2012**



<sup>1</sup> Total does not include Professional Medical Liability Insurance (PMLI).

<sup>2</sup> Includes premium and deductibles paid by institutions for CPPP-AOP, CPPP-W&F, D&O/EPL, and Auto. Does not include retained losses for Hurricane Ike or others losses not reported by the institutions.

<sup>3</sup> Property includes CPPP-AOP, CPPP-W&F, Fine Arts, and Equipment.

<sup>4</sup> International includes the International Package, International SOS, Special Crime, and DBA policies paid by UT System funds and not allocated to institutions prior to 2010. Institution allocation: \$67,956 - FY 2010, \$162,376 - FY 2011, \$54,375 - FY 2012.

<sup>5</sup> State Auditor Quarterly FTE Report.

<sup>6</sup> Values reported to ORM by Institutions for CPPP and WCI programs.

<sup>7</sup> Statistical Handbook, Texas Higher Education Coordinating Board.

<sup>8</sup> UT System Fast Facts, 2008-2012.

<sup>9</sup> Does not include individual policies purchased for institutions.



## 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.

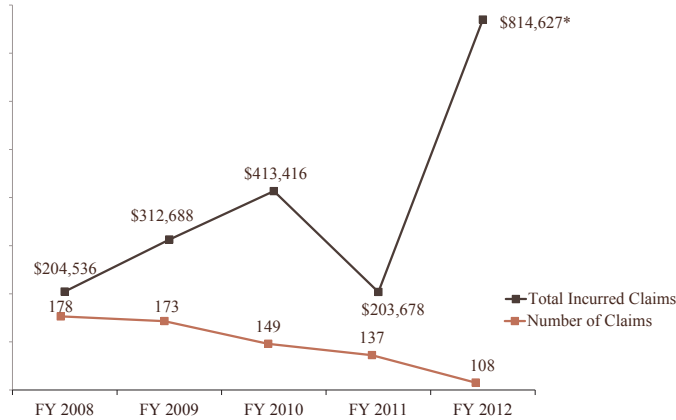
	Policy period ending 9-8-2012*	Policy period ending 9-8-2011*
<b><u>Systemwide Liability</u></b>		
<b>Limits:</b> Liability \$600,000 CSL (Combined Single Limit)		
<b>Deductibles:</b> Liability—\$2,500		
Number of Vehicles	2,483	2,500
Rate per Vehicle	\$200.49	\$208.33
Annual Premium	\$497,816	\$520,813
Total Incurred Claims**	\$681,292	\$147,309
<b><u>Physical Damage</u></b>		
<b>Limits:</b> ACV (Actual Cash Value) or Actual Cost to Repair		
<b>Deductibles:</b> Collision—\$500, Comprehensive—\$100		
Number of Vehicles	485	469
Rate per Vehicle	\$265.84	\$265.84
Annual Premium	\$128,932	\$124,677
Total Incurred Claims**	\$65,775	\$12,105
<b><u>Police/Full Coverage</u></b>		
<b>Limits:</b> 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		
<b>Deductibles:</b> Collision—\$500, Comprehensive—\$250		
Number of Vehicles	7	7
Rate per Vehicle	\$1,282.86	\$1,282.86
Annual Premium	\$8,980	\$8,980
Total Incurred Claims**	\$3,886	\$6,068
<b><u>Athletics</u></b>		
<b>Limits:</b> Liability—\$600,000 CSL		
PIP—\$2,500, UM/UIM \$250,000/\$500,000/\$100,000		
Physical Damage—ACV or Actual Cost to Repair		
<b>Deductibles:</b> Collision—\$250, Comprehensive—\$100		
Number of Vehicles	65	65
Rate per Vehicle	\$1,220.89	\$1,220.89
Annual Premium	\$79,358	\$79,358
Total Incurred Claims**	\$63,674	\$36,924
<b><u>Hired/Non-Owned Auto</u></b>		
<b>Limits:</b> Liability—\$600,000 CSL, ACV or Actual Cost to Repair		
<b>Deductibles:</b> Liability—\$2,500, Collision—\$500, Comprehensive—\$100		
Annual Premium	\$34,098	\$34,098
Total Incurred Claims**	\$0	\$1,271

\*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 8-31-2012. Numbers are subject to change as claims are finalized.

# SYSTEMWIDE AUTO PROGRAM

## FIVE YEAR CLAIM HISTORY FOR ALL POLICIES

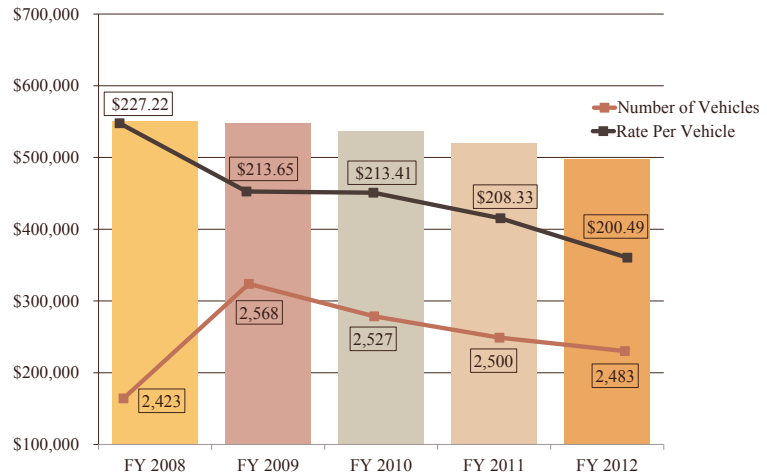


Total Incurred Claims are a snapshot of active, pending, and closed claims as of 8-31-2012. Numbers are subject to change as claims are finalized.

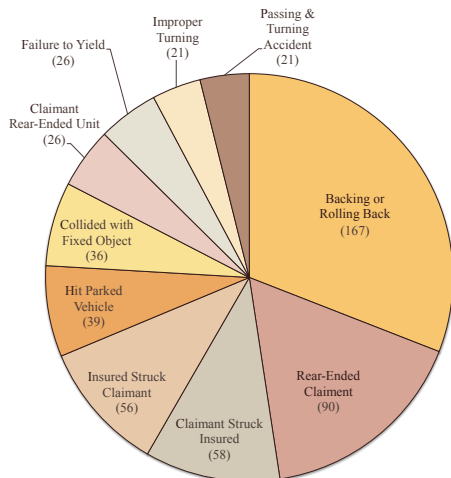
### HIGHLIGHTS FROM FY 2012

- ORM conducted an RFP in October 2011 among the existing broker pool for the marketing and servicing of the 2012-2013 Systemwide Auto Program.
- \*The Systemwide Liability policy experienced a catastrophic loss in excess of \$500,000 in September 2011. This loss was the second largest loss to the program since 2003. The effect of this loss on FY 2012 incurred claims is shown in the graph above.

### SYSTEMWIDE LIABILITY PREMIUM SUMMARY



### CAUSE OF LOSS BY INCIDENT\*



\*Based on 5 Year Loss History of the Top 10 Causes of Loss. Total Incidents = 745, All Other Losses = 205

### LOSS CONTROL

- To assist UT System institutions in maintaining compliance with UTS157-Automobile Insurance Coverage for Officers and Employees and General Requirements for the Use of Vehicles, ORM continues to provide, at no cost to the institutions, traffic safety and large passenger van training for UT System authorized drivers through the AlertDriving online driver education program.
- Since 2009, 750 UT System authorized drivers have completed authorized driver training using this program.
- In FY 2012, 245 drivers from UT System institutions completed training.
- In the next three years, an estimated 700 authorized drivers will utilize the online program.

## COMPREHENSIVE PROPERTY PROTECTION PLAN

### FIRE AND AOP

**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  
20% - Institution's Premium Allocation Model (PAM) score

<b>CPPP Fire and AOP</b>			
<b>Balance Sheet</b>			
	at 8-31-2012		at 8-31-2011
<b>Assets</b>			
Operating Cash	\$ 19,302,666	\$	18,940,100
Prepaid Expenses	2,092,273		1,693,412
Total Assets	21,394,939		20,633,512
<b>Liabilities</b>			
Deferred Income	2,385,484		2,032,317
IBNR	245,330		400,543
Total Liabilities	2,630,814		2,432,860
<b>Net Assets</b>	18,764,125		18,200,652
<b>Total Liabilities and Net Assets</b>	\$ 21,394,939	\$	20,633,512
<b>Income Statement</b>			
	Year Ended 8-31-2012		Year Ended 8-31-2011
<b>Revenue</b>			
Premium Income <sup>1</sup>	\$ 4,137,768	\$	3,994,533
Interest Income	383,166		394,755
Total Revenue	4,520,934		4,389,288
<b>Expenses</b>			
Claim Expenses	295,553		8,987
Premium Expenses	3,473,875		3,389,259
Actuary Expenses	2,441		-
Administrative Expenses	340,805		341,087
Total Expenses	4,112,674		3,739,333
Change in IBNR	(155,213)		318,543
Net Expenses	3,957,461		4,057,876
<b>Change in Net Assets</b>	563,474		331,412
<b>Beginning Net Assets</b>	18,200,652		17,869,240
<b>Ending Net Assets</b>	\$ 18,764,125	\$	18,200,652

<sup>1</sup> 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

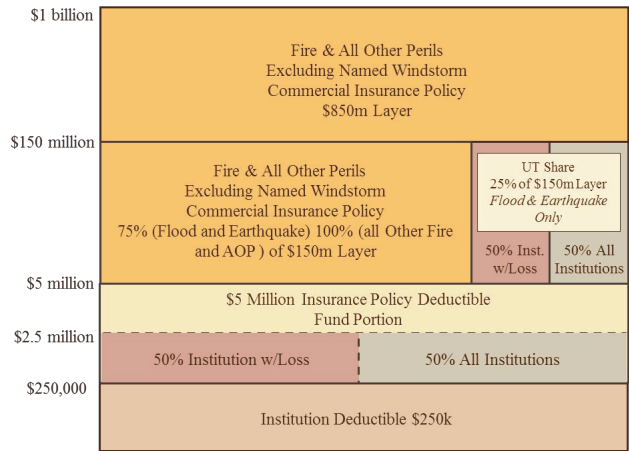
## FIRE AND AOP

### PROGRAM OVERVIEW

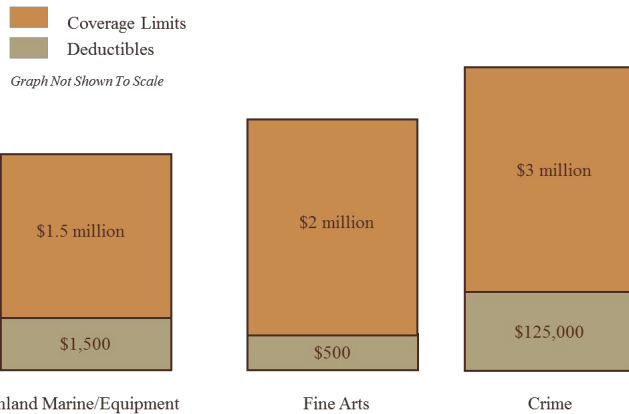
- Total Insured Values: \$27,223,925,744
- Annual Commercial Premium: \$3,501,498

### HIGHLIGHTS FROM FY 2012

- ORM issued a RFP for Property Insurance Broker Services, ultimately selecting Beecher Carlson Insurance Services, LLC.
- Despite a hardening property market, ORM successfully negotiated a renewal with a flat commercial rate and coverage enhancements.
- ORM eliminated the 25% quota share of the primary \$150 million layer of the CPPP Fire and AOP commercial insurance program for all perils except Earthquake and Flood.
- ORM added historic property reproduction coverage to the program.
- Based on actuarial analysis, ORM lowered the cap on program replenishments from \$5 million to \$2.5 million.



### MAJOR UNDERLYING COMMERCIAL INSURANCE POLICIES



### CLAIM ACTIVITY

- There were a total of 14 claims reported under the CPPP Fire and AOP and Equipment policies.
- The carriers' settlement payments for all losses totaled \$26,419; payments were exclusively for the Equipment policy.
- Of the four reported CPPP Fire and AOP claims in FY 2012, only one loss, with reserves estimated at \$500,000, is expected to exceed the \$250,000 institutional deductible.

### LOSS CONTROL

- The Property Conservation Program surveyed 26 buildings with a total value of \$1,156,562,428. Carrier loss prevention visited 3 institutions, in addition to the 15 property conservation surveys. Total of 36 buildings surveyed by carrier representing the largest concentration of values. \$3,993,717,863 in property values surveyed during the visits.
- Total of 498 buildings over \$10 million in value are now included in Premium Allocation Model; values total \$19,149,968,988.
- 23 new property conservation recommendations.
- Over 300 recommendations closed over life of program.
- A total of 22 construction projects at 7 institutions have utilized the Systemwide contract for construction photo documentation.

## COMPREHENSIVE PROPERTY PROTECTION PLAN 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

<b>CPPP Wind and Flood</b>		
<b>Balance Sheet</b>		
	at 8-31-2012	at 8-31-2011
<b>Assets</b>		
Operating Cash	\$ 15,608,357	\$ 21,339,310
Prepaid Expenses	11,841,270	5,210,147
Accounts Receivable	3,579	114
Total Assets	27,453,206	26,549,571
<b>Liabilities</b>		
Deferred Income	7,590,149	6,488,277
Accrued Expenses	222	19,804
Total Liabilities	7,590,371	6,508,081
<b>Net Assets</b>	19,862,835	20,041,490
<b>Total Liabilities and Net Assets</b>	\$ 27,453,206	\$ 26,549,571
<b>Income Statement</b>		
	Year Ended 8-31-2012	Year Ended 8-31-2011
<b>Revenue</b>		
Premium Income <sup>1</sup>	\$ 11,980,237	\$ 11,359,515
Interest Income	350,769	394,265
Total Revenue	12,331,005	11,753,780
<b>Expenses</b>		
Claim Expenses	-	-
Premium Expenses	12,168,305	9,593,100
Actuary Expenses	551	-
Administration Expenses	340,805	341,087
Total Expenses	12,509,661	9,934,187
<b>Change in Net Assets</b>	(178,656)	1,819,594
<b>Beginning Net Assets</b>	20,041,490	18,221,897
<b>Ending Net Assets</b>	\$ 19,862,835	\$ 20,041,490

<sup>1</sup> 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

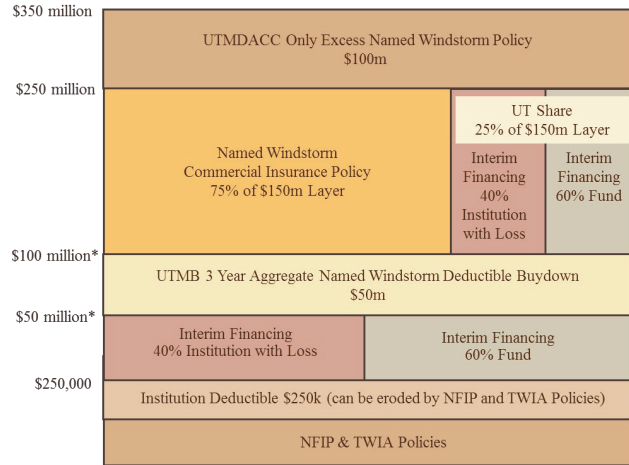
## WIND AND FLOOD

### PROGRAM OVERVIEW

- Total Insured Values: \$27,223,925,744
- Annual Commercial Premium: \$8,084,162
- Capitalization: \$1,500,000

### HIGHLIGHTS FROM FY 2012

- ORM continues to participate in a 25% quota share of the primary \$150 million layer of the CPPP Wind and Flood commercial insurance program.
- ORM acquired separate, dedicated limits for certain locations driving the cost of the plan.
- ORM successfully reduced the deductible on Mandatory Evacuation coverage from 24-Hours to \$100,000.
- Reduced institution capitalization costs from \$3 million to \$1.5 million.

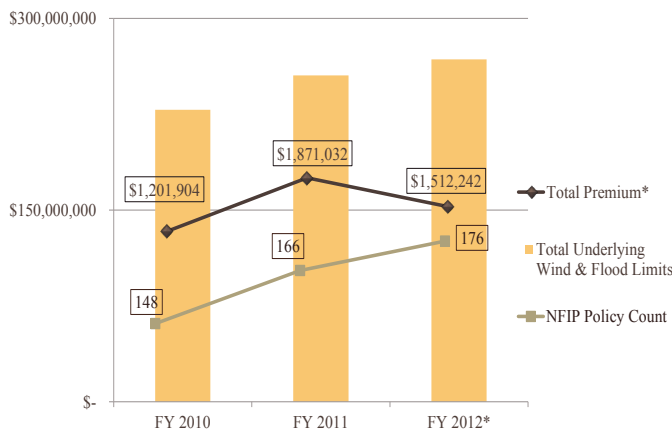


\*Deductibles vary by location – \$100 million per occurrence for UTMB Galveston, \$50 million per occurrence for UTHSC Houston and UTMDACC, all other Tier 1 locations, minimum of \$5 million with \$50 million maximum depending on values

### LOSS CONTROL

- Compiled building construction, occupancy, and protection information for wind modeling, and flood zone determination during property conservation surveys.
- Focused FY 2012 property conservation surveys on flood elevations. Total of 91 buildings surveyed valued at \$2,116,898,980.
- 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.

### UNDERLYING WIND & FLOOD LIMITS



\*FY 2012 premiums shown are net of commission.

### UNDERLYING WIND & FLOOD POLICIES

- ORM has historically placed 176 flood policies and 5 wind policies on 46 buildings. These policies equate to more than \$260 million in underlying wind and flood limits.
- In FY 2012, ORM conducted an initiative to consolidate all existing flood and wind policies to only three effective dates. Due to a change in broker commission structure, this project allowed for institutions to take advantage of commission savings of almost \$300,000, while also experiencing substantial reduction in administrative time and effort.
- ORM placed 10 new flood policies and added 3 new buildings to the wind policy in FY 2012.

## DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES

### LIABILITY

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

<b>Directors and Officers</b>		
<b>Balance Sheet</b>		
	at 8-31-2012	at 8-31-2011
<b>Assets</b>		
Operating Cash	\$ 12,865,111	\$ 12,768,950
Prepaid Expenses	7,153	6,889
Total Assets	12,872,264	12,775,839
<b>Liabilities</b>		
Deferred Income	16,248	16,840
IBNR	3,311,463	3,307,982
Total Liabilities	3,327,711	3,324,822
<b>Net Assets</b>	9,544,553	9,451,017
<b>Total Liabilities and Net Assets</b>	\$ 12,872,264	\$ 12,775,839
<b>Income Statement</b>		
	Year Ended 8-31-2012	Year Ended 8-31-2011
<b>Revenue</b>		
Premium Income	\$ 403,627	\$ 408,472
Interest Income	266,004	273,723
Total Revenue	669,631	682,196
<b>Expenses</b>		
Claim Expenses	256,026	-
Excess Insurance Policy Expense	174,737	168,922
Actuary Expenses	3,150	4,425
Administrative Expenses	138,701	101,390
Total Expenses	572,614	274,737
Change in IBNR	3,481	(986,310)
Net Expenses	576,095	(711,573)
<b>Excess Revenue Over Expenses</b>	93,536	1,393,769
Other Transfers and Adjustments	-	(3,752)
<b>Change in Net Assets</b>	93,536	1,390,017
<b>Beginning Net Assets</b>	9,451,017	8,061,000
<b>Ending Net Assets</b>	\$ 9,544,553	\$ 9,451,017

# DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES

## LIABILITY

### PROGRAM OVERVIEW

#### \*Plan Deductibles

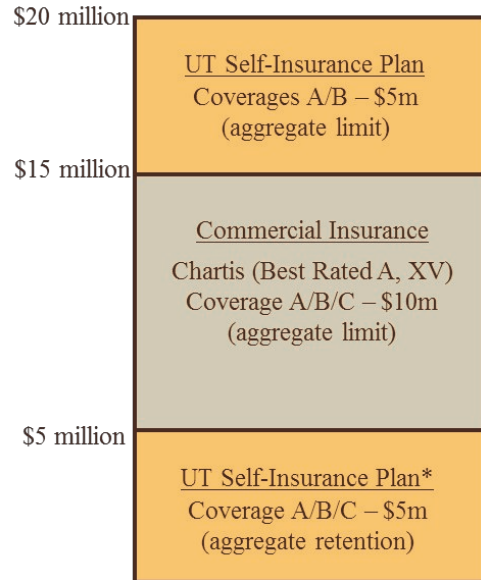
**Coverage A** – Non-Indemnified Individuals - None

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

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

#### Excess D&O/EPL Policy

- The excess policy is a following form program and is in excess of the \$5 million UT System Self-Insurance Plan retention.
- The policy was issued with a two year rate and terms and conditions guarantee.

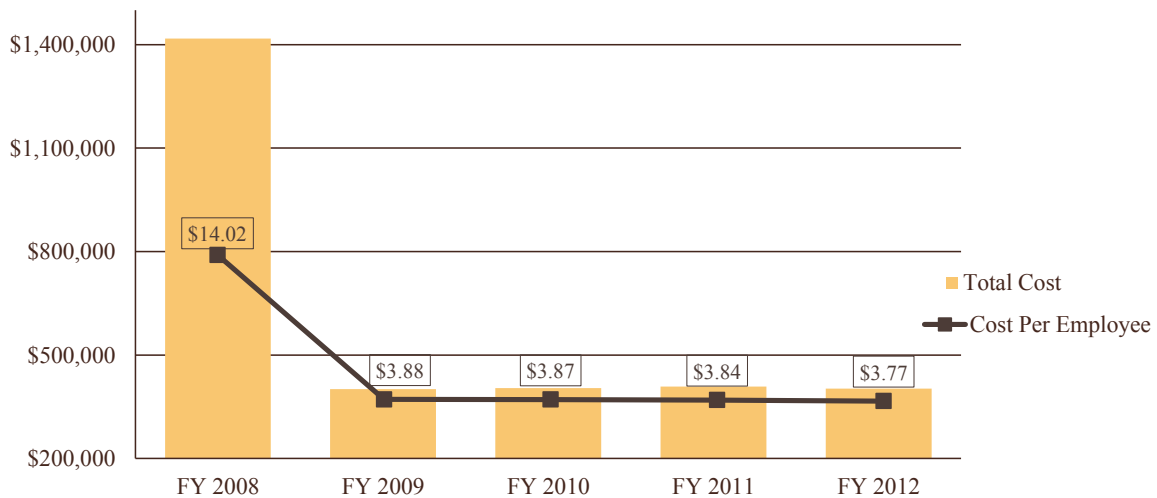


### CLAIM ACTIVITY

- 206 claims were reported under the D&O/EPL Plan in FY 2012.
- 244 claims, with report dates from FY 2000 through FY 2012, were closed during FY 2012.
- One jury verdict on a D&O/EPL claim is presently on appeal to the U.S. Supreme Court.
- During FY 2012, one claim settled for a net amount of \$256,026 after the institution’s deductible of \$300,000.

### PREMIUM HISTORY

**TOTAL D&O/EPL COST AND COST PER EMPLOYEE**





## INTERNATIONAL TRAVEL

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 in 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 U.S. 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 2011\* INTERNATIONAL TRAVEL BY INSTITUTION

Institution	Total Student Travelers	Total Employee Travelers	Car Rentals	Bus Rentals
UT Arlington	353	691	51	0
UT Austin	3,039	4,763	262	28
UT Brownsville	86	75	3	0
UT Dallas	494	534	8	33
UT El Paso	178	123	4	0
UT Pan American	175	55	0	2
UT Permian Basin	0	14	0	0
UT San Antonio	497	448	9	5
UT Tyler	57	33	0	0
UT HSC Houston	18	495	53	0
UT HSC San Antonio	96	518	2	0
UT HSC Tyler	0	4	0	0
UTMB Galveston	107	538	0	0
UT MD Anderson	0	1,595	17	0
UT SWMC	36	805	17	0
UT System	0	4	0	0
<b>TOTAL</b>	<b>5,136</b>	<b>10,695</b>	<b>426</b>	<b>68</b>

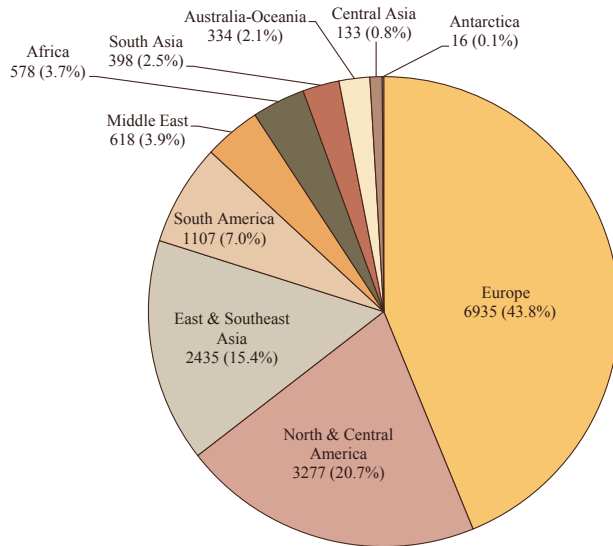
\*Data used for FY 2012 policies is based on FY 2011 travel.

# INTERNATIONAL TRAVEL

## HIGHLIGHTS FROM FY 2012

- In March 2012, ORM purchased general liability, auto, and professional liability policies for UTMB Galveston. These policies were contractually required by Lockheed Martin for a government grant with the National Science Foundation. The purpose of the contract is to manage a medical clinic in Antarctica.
- In June 2012, ORM procured a policy through International SOS that provides medical and security evacuation coverage for Cuba. As part of the FY 2012 International SOS renewal, ORM successfully negotiated the inclusion of medical and security coverage for Haiti that was previously excluded.

## FY 2011\* INTERNATIONAL TRIPS BY REGION



### Top 10 Most Visited Countries

Canada	1833
United Kingdom	1191
China	1038
Spain	1022
France	963
Mexico	819
Germany	775
Italy	757
India	365
Brazil	353

- **5,136 Student Travelers**
- **10,695 Employee Travelers**
- **151 Countries**

\*Data used for FY 2012 policies is based on FY 2011 travel.

## INTERNATIONAL SOS UTILIZATION

- During FY 2012, International SOS responded to 294 requests for medical or security referrals/advice/outpatient care in 44 countries.

## INTERNATIONAL PACKAGE POLICY & DBA CLAIM ACTIVITY

- There were two auto claims made in Canada totaling \$10,000.
- A workers' compensation claim was reported in the Dominican Republic for \$22,000.
- There were no claims reported in FY 2012 for the DBA policy.

## 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 2012, the institutions reported IOCs received 1,270 requests for exceptions and granted 744 exceptions to faculty/staff and 490 exceptions to students. The total number of traveler exceptions that were denied was 36. Exceptions were denied to China, Colombia, Haiti, Israel, Japan, Kenya, Mexico, Pakistan, and Uzbekistan.

## **ROLLING OWNER CONTROLLED INSURANCE PROGRAM**

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                      \$7,335,070,378 at August 31, 2012

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

<b>ROCIP</b>		
<b>Balance Sheet</b>		
	at 8-31-2012	at 8-31-2011
<b>Assets</b>		
Operating Cash	\$ 46,405,854	\$ 51,985,286
Prepaid Expenses	2,046,439	1,264,299
Accounts Receivable	6,970	12,020
<b>Total Assets</b>	<b>48,459,263</b>	<b>53,261,605</b>
<b>Liabilities</b>		
Accounts Payable	830,791	309,875
IBNR	8,562,188	5,739,713
<b>Total Liabilities</b>	<b>9,392,979</b>	<b>6,049,588</b>
Net Assets	39,066,284	47,212,017
<b>Total Liabilities and Net Assets</b>	<b>\$ 48,459,264</b>	<b>\$ 53,261,605</b>
<b>Income Statement</b>		
	Year Ended 8-31-2012	Year Ended 8-31-2011
<b>Revenue</b>		
Premium Income IV	\$ 14,640	\$ 345,770
Premium Income V	24,568,871	11,254,800
Interest Income	1,234,463	1,113,442
<b>Total Revenue</b>	<b>25,817,974</b>	<b>12,714,012</b>
<b>Expenses</b>		
ROCIP III Expenses	5,797	1,574
ROCIP IV Expenses	284,340	510,881
ROCIP V Expenses	1,958,286	2,360,990
Premium Expenses	7,247,308	5,368,812
Administrative Expenses	340,805	341,087
Actuary Expenses	12,296	9,071
<b>Total Expenses</b>	<b>9,848,832</b>	<b>8,592,414</b>
Change in IBNR	2,822,475	(1,643,216)
<b>Net Expenses</b>	<b>12,671,307</b>	<b>6,949,198</b>
<b>Excess Revenue Over Expenses</b>	<b>13,146,667</b>	<b>5,764,814</b>
Other Transfers and Adjustments	(21,292,400)	-
<b>Change in Net Assets</b>	<b>(8,145,733)</b>	<b>5,764,814</b>
<b>Beginning Net Assets</b>	<b>47,212,017</b>	<b>41,447,203</b>
<b>Ending Net Assets</b>	<b>\$ 39,066,284</b>	<b>\$ 47,212,017</b>

# ROLLING OWNER CONTROLLED INSURANCE PROGRAM

## PROGRAM OVERVIEW

Phase	Dates	Construction Value	Cost Avoided by Project	Estimated Savings to the ROCIP Fund	Savings Rebate IV, Rate Reduction V
ROCIP IV	2004-2011	\$2,115,233,830	\$11,143,909	\$12,974,223	\$12,000,000
ROCIP V	2008-2016	\$3,601,249,182	\$7,562,623	To Be Determined*	\$8,879,620

\* Too early in Phase to estimate savings.

## HIGHLIGHTS FROM FY 2012

### ROCIP V

Construction Values under ROCIP V increased by over \$1 billion in FY 2012. ROCIP V includes over 100 projects and provides insurance coverage to over 1,500 contractor firms.

In April 2012, a working group of institutional representatives recommended a reduction in the ROCIP V contribution rate to recognize a favorable trend in loss experience, as well as re-negotiated insurance premium rates. The reduction in the contribution rate was applied retroactively to all projects that had been previously billed, which resulted in a refund to participating institutions of \$8.9 million. The new rate of \$1.95 per \$100 of construction value will be applied to all future projects and increases in construction value of current projects.

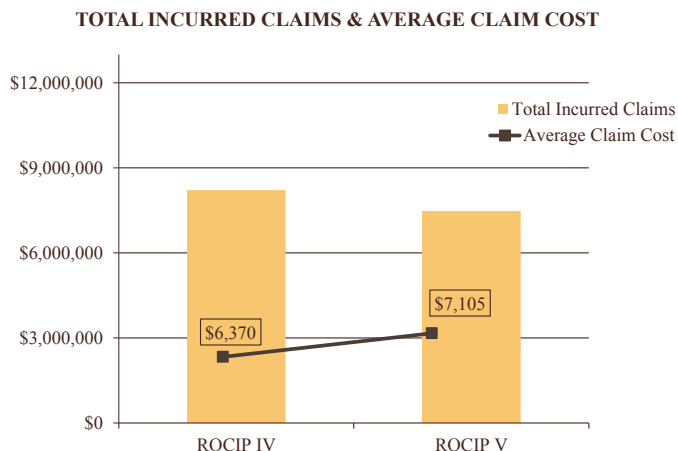
### ROCIP IV

ROCIP IV began in FY 2004 and ended on May 31, 2011. The ultimate cost of claims for ROCIP IV as a percentage of construction value is projected to be 40% less than the comparable rate for ROCIP III. The significant reduction in claims cost has been credited to increased safety and claims management by all involved parties throughout the progression of ROCIP IV.

In light of the better than expected loss experience, the working group mentioned above also recommended a savings rebate of \$12 million for ROCIP IV. After considering multiple options for allocating the rebate, the group selected a loss-weighted methodology with 60% of the rebate based on premiums and 40% based on the individual institution's losses in the phase.

In accordance with the working group's recommendations and subsequent approvals, a combined total of \$20.9 million was returned to institutions in August 2012.

## CLAIM ACTIVITY



## LOSS CONTROL - ROCIP V

- 2,260 safety inspections completed for 52 ROCIP V projects.
- Loss control is provided by the ROCIP Administrator, its subcontractor, the Office of Facilities Planning and Construction, and institutional safety professionals.
- The ROCIP Safety Training Series was expanded to a web-based format that can now provide training throughout the state for UT System staff, as well as to the wider contracting community.
- The Step Award Program provided recognition to contractors who demonstrated excellence in safety performance.

## UNEMPLOYMENT COMPENSATION INSURANCE

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 METHODOLOGY	60% - Loss History (3 years) 20% - Claim Frequency (3 years) 20% - FTEs

### Unemployment Compensation Insurance

#### Balance Sheet

	at 8-31-2012	at 8-31-2011
<b>Assets</b>		
Operating Cash	\$ 2,717,059	\$ 886,917
August Premiums Receivable	-	260,502
Total Assets	2,717,059	1,147,418
<b>Liabilities</b>		
Accrued Expenses	26,885	110,570
Claims Accrued	1,971,969	2,131,107
Loan Payable	4,500,000	3,000,000
Total Liabilities	6,498,854	5,241,677
<b>Net Assets</b>	(3,781,795)	(4,094,259)
<b>Total Liabilities and Net Assets</b>	\$ 2,717,059	\$ 1,147,418

#### Income Statement

	Year Ended 8-31-2012	Year Ended 8-31-2011
<b>Revenue</b>		
Premium Income	\$ 9,768,659	\$ 9,755,635
Interest Income	59,130	52,956
Total Revenue	9,827,789	9,808,591
<b>Expenses</b>		
Claim Expenses	8,800,147	8,524,428
Actuary Expenses	2,835	2,835
Claim Management Expenses	303,012	375,191
Administrative Expenses	198,742	147,503
Interest Expense	141,659	66,778
Total Expenses	9,446,395	9,116,735
Change in Prior Year Accrual	68,930	(87,735)
Net Expenses	9,515,325	9,029,000
<b>Excess Revenue over Expenses</b>	312,464	779,591
Other Transfers and Adjustments	-	-
<b>Change in Net Assets</b>	312,464	779,591
<b>Beginning Net Assets</b>	(4,094,259)	(4,873,850)
<b>Ending Net Assets</b>	\$ (3,781,795)	\$ (4,094,259)

# UNEMPLOYMENT COMPENSATION INSURANCE

## PROGRAM OVERVIEW

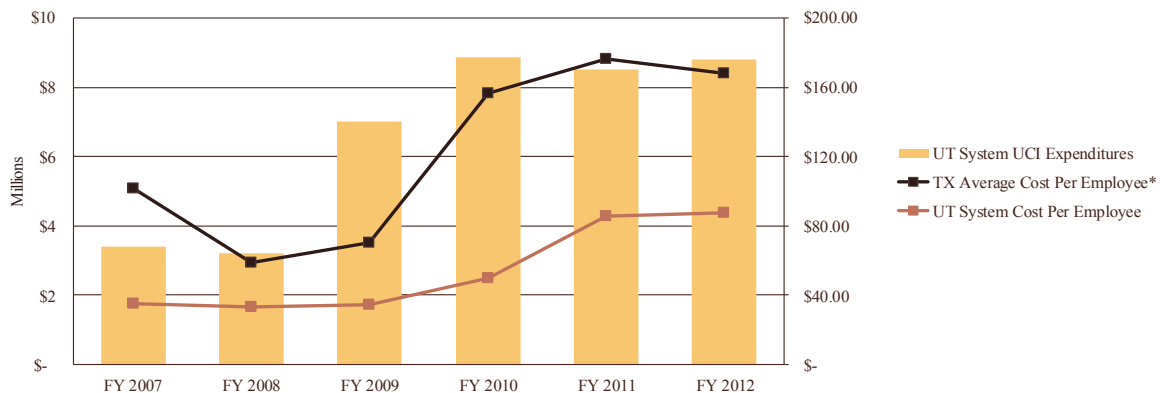
- UT System reimburses the State Unemployment Trust Fund for any claims paid by the Texas Workforce Commission (TWC) to former employees of UT System in lieu of paying UCI taxes to the TWC.
- ORM oversees the UCI self-insured plan and human resource professionals at each institution manage claims that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

## HIGHLIGHTS FROM FY 2012

- UT System claim expenditures totaled \$8.8 million during FY 2012, a 3% increase from FY 2011 claim expenditures of \$8.5 million.
- Loans totaling \$4.5 million from the WCI fund over the past three fiscal years enabled the UCI fund to operate with measured premium rate increases. The loan balance will be repaid as future actuarially determined rates factor in adverse claim experience from FY 2009 through FY 2012.
- UT System's FY 2012 premium rates of \$0.97 per \$100 payroll were approximately half of rates paid by the average Texas employer of \$1.87. Even with an increase to \$1.07 in FY 2013, UT System rates will be substantially lower than the TWC average for experience rated Texas employers.
- SEB unemployment claims for the long-term unemployed, accounted for \$4.1 million of all UCI expenditures paid from July 2009 through May 2012, when SEB expired.
- Unemployment claims management vendor assisted UT institutions with managing 3,575 claims in FY 2012. Enhanced reporting and training efforts increased the claims protested win rate from 79% in the first quarter to 84% in the last quarter of FY 2012.
- ORM contract provided outsourcing of 56,954 employee verifications at no charge to UT institutions, compared to 38,644 employment verifications in FY 2011.
- Reemployment services vendor assisted 273 transitioning UT System employees in FY 2012 with reemployment services compared to 297 employees in FY 2011. On average, the length of unemployment claims was 6 weeks shorter for employees using the reemployment services.

## UCI EXPENDITURES & COST PER EMPLOYEE

The average UT System UCI cost was \$87 per employee in FY 2012, an increase from \$85 from FY 2011. This cost compares favorably to the average UCI cost paid by experience rated Texas employers of \$168 per employee during FY 2012.



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

## WORKERS' COMPENSATION INSURANCE

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 METHODOLOGY	50% - Loss History (3 years); capped at \$100,000 per claim 30% - Payroll (3 years) 20% - Claim Frequency (3 years)

### Workers' Compensation Insurance

#### Balance Sheet

	at 8-31-2012	at 8-31-2011
<b>Assets</b>		
Operating Cash	\$ 32,618,683	\$ 38,620,873
August Premiums Receivable	560,077	658,179
Prepaid Expenses	299,406	49,401
Loan Receivable	4,500,000	3,000,000
Total Assets	37,978,166	42,328,454
<b>Liabilities</b>		
Accounts Payable	174,675	351,421
IBNR	8,014,000	7,985,000
Total Liabilities	8,188,675	8,336,421
<b>Net Assets</b>	29,789,491	33,992,032
<b>Total Liabilities and Net Assets</b>	\$ 37,978,166	\$ 42,328,454

#### Income Statement

	Year Ended 8-31-2012	Year Ended 8-31-2011
<b>Revenue</b>		
Premium Income	\$ 6,436,108	\$ 6,856,936
Investment Income	851,288	902,768
Total Revenue	7,287,396	7,759,704
Less RAP Funds Transfer	(3,000,000)	(3,000,000)
Net Revenue	4,287,396	4,759,704
<b>Expenses</b>		
Claim Expenses	5,179,875	4,268,872
Claim Management Expenses	1,999,494	2,085,897
Out of State Insurance	287,554	306,117
Administrative Expenses	997,926	1,050,020
Total Expenses	8,464,848	7,710,906
Change in IBNR	29,000	(403,000)
Net Expenses	8,493,848	7,307,906
<b>Excess Revenue Over Expenses</b>	(4,206,452)	(2,548,202)
Other Transfers and Adjustments	3,911	(3,833)
<b>Change in Net Assets</b>	(4,202,542)	(2,552,034)
<b>Beginning Net Assets</b>	33,992,032	36,544,066
<b>Ending Net Assets</b>	\$ 29,789,491	\$ 33,992,032

# WORKERS' COMPENSATION INSURANCE

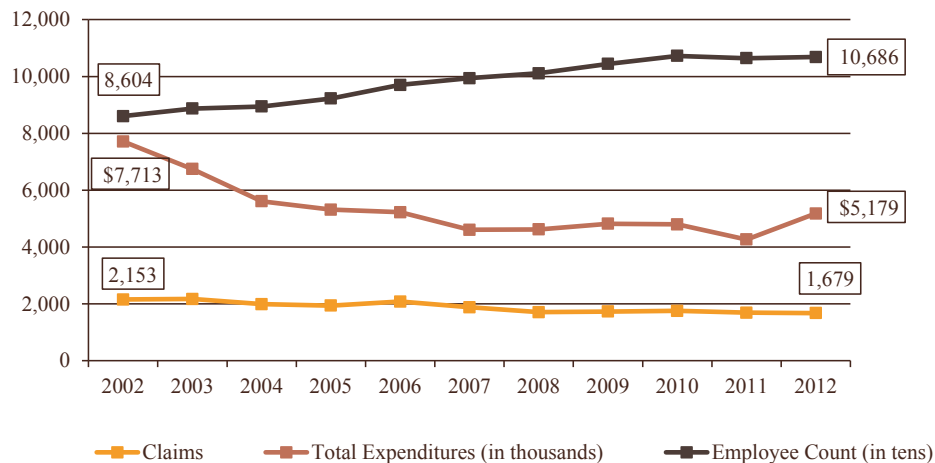
## PROGRAM OVERVIEW

- 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 2012

- UT System experienced a decrease in the total number of reported claims making FY 2012 the lowest in new claims for the past decade.
- UT System contracted with Injury Management Organization, Inc. for WCI cost containment services and a certified health care network.

CLAIM SUMMARY FOR FY 2002 - 2012



## LOSS CONTROL

- **Systemwide Occupational Safety and Health Advisory Group (OSHAG)** - The OSHAG met twice in FY 2012. Discussions topics included new legislation, prevention of slips, trips, and falls, and safety program development.
- **OSHAG Metrics** - Identified metric discrepancies and verified correct and consistent data throughout UT System; identified areas that could be broken out to focus on loss prevention efforts and created new reports to support these efforts. ORM will continue to track and trend metrics to assist institutions in focusing their loss prevention efforts.
- **UTSWMC** - Working with institution contacts, ORM surveyed hospitals and vivarium spaces to make recommendations on occupational safety. ORM also worked with local contacts to develop and implement a return to work program and developed the metrics to support the program.



# WORKERS' COMPENSATION INSURANCE

## CLAIM TOTALS & BENEFIT EXPENDITURES

Institution	Indemnity Expenditures*	Medical Expenditures**	Total Expenditures ***	New Claims	Medical	Lost Time
UT Arlington	\$39,575.77	\$83,368.39	\$122,944.16	55	30	25
UT Austin	\$149,132.15	\$542,623.96	\$691,756.11	276	159	117
UT Brownsville	\$7,515.06	\$52,250.05	\$59,765.11	26	16	10
UT Dallas	\$25,133.87	\$160,101.92	\$185,235.79	32	22	10
UT El Paso	\$112,012.43	\$203,175.98	\$315,188.41	60	31	29
UT Pan American	\$23,586.33	\$169,474.38	\$193,060.71	51	21	30
UT Permian Basin	\$7,074.83	\$27,388.81	\$34,463.64	7	2	5
UT San Antonio	\$96,879.68	\$337,840.43	\$434,720.11	130	75	55
UT Tyler	\$0.00	\$10,976.07	\$10,976.07	6	2	4
UT HSC Houston	\$86,053.58	\$119,964.76	\$206,018.34	81	37	44
UT HSC San Antonio	\$113,944.75	\$463,137.52	\$577,082.27	205	143	62
UT HSC Tyler	\$29,839.91	\$48,896.86	\$78,736.77	27	18	9
UTMB Galveston	\$287,533.38	\$395,502.80	\$683,036.18	332	176	156
UT MD Anderson	\$76,009.81	\$255,849.35	\$331,859.16	34	6	28
UT SWMC	\$422,884.66	\$826,490.64	\$1,249,375.30	345	190	155
UT System Administration	\$0.00	\$5,656.40	\$5,656.40	12	11	1
<b>TOTAL</b>	<b>\$1,477,176.21</b>	<b>\$3,702,698.32</b>	<b>\$5,179,874.53</b>	<b>1679</b>	<b>939</b>	<b>740</b>

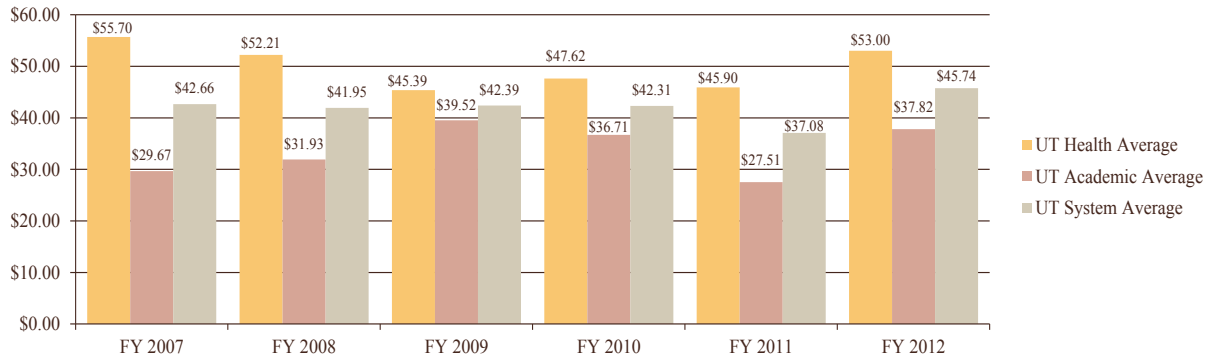
\* Includes income benefits, death benefits, and attorney fees.

\*\* Includes medical audit and cost management fees.

\*\*\* Total expenditures figures includes settlement fees.

The increase in expenditures in FY 2012 is related to an employee fatality; a rise in the severity of claims requiring surgical procedures; and the State's increase in reimbursement rates for medical care.

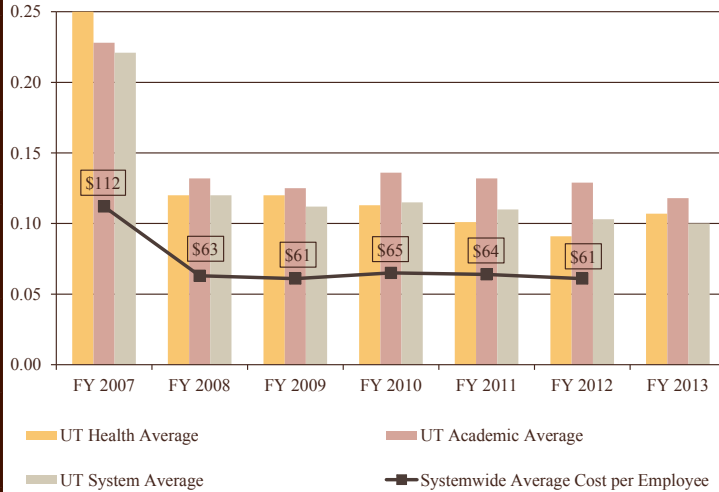
## BENEFITS PAYMENTS PER EMPLOYEE\*



\* Data based on total expenditures.

# WORKERS' COMPENSATION INSURANCE

### ALLOCATED RISK PREMIUM RATES

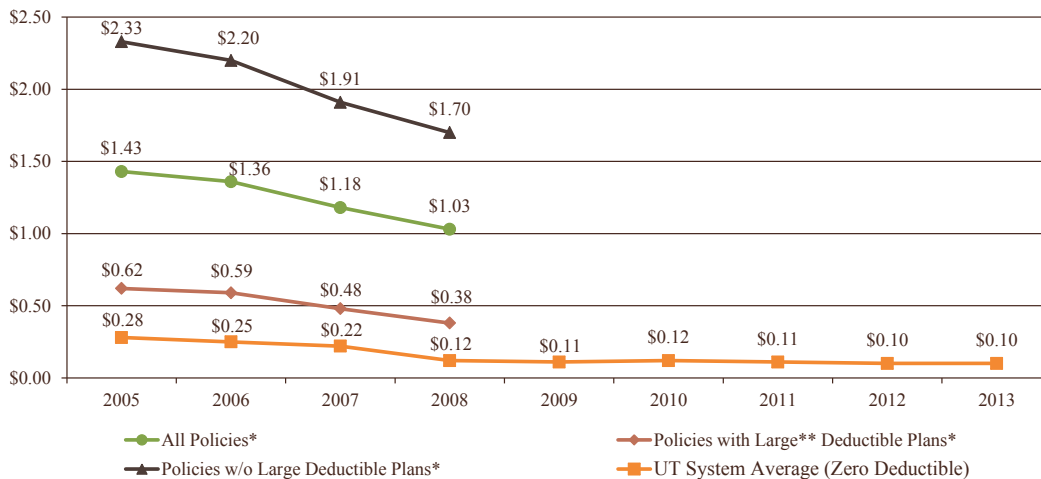


ALLOCATED RISK PREMIUM RATES BY INSTITUTION		
Institution	FY 2012	FY 2013
UT Arlington	0.134	0.133
UT Austin	0.113	0.105
UT Brownsville	0.146	0.136
UT Dallas	0.088	0.090
UT El Paso	0.244	0.184
UT Pan American	0.144	0.116
UT Permian Basin	0.082	0.116
UT San Antonio	0.139	0.138
UT Tyler	0.124	0.096
UT HSC Houston	0.068	0.069
UT HSC San Antonio	0.091	0.097
UT HSC Tyler	0.067	0.158
UTMB Galveston	0.133	0.122
UT MD Anderson	0.040	0.042
UT SWMC	0.149	0.152
UT System Administration	0.077	0.066

- Funding for the WCI program comes from the collection of premiums from each institution based on a variable rating process. In FY 2012, the average premium rate was \$0.10 per \$100 of payroll. The average rate remained flat at \$0.10 per \$100 of payroll for FY 2013.
- UT System's rate compares favorably to the FY 2012 average rate assessed by the State Office of Risk Management (SORM) of \$0.39\* per \$100 of payroll. The average SORM rate for higher education institutions was \$0.25 per \$100 of payroll.

\* SORM Fiscal Year 2013 Assessments (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

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 \$42.6 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 of the total allocation is used for Systemwide projects and initiatives, which benefits all institutions.

Distribution of FY 2012 funds is outlined in the table to the right.

RAP Distribution for FY 2012	
Institution	Allocation
UT Arlington	\$87,166
UT Austin	\$360,006
UT Brownsville	\$48,319
UT Dallas	\$80,869
UT El Paso	\$62,799
UT Pan American	\$62,738
UT Permian Basin	\$27,612
UT San Antonio	\$79,935
UT Tyler	\$25,648
UT HSC Houston	\$225,692
UT HSC San Antonio	\$192,236
UT HSC Tyler	\$46,963
UTMB Galveston	\$278,436
UT MD Anderson	\$803,763
UT SWMC	\$257,621
UT System Administration	\$60,197
Systemwide	\$300,000
<b>TOTAL</b>	<b>\$3,000,000</b>

### Examples of Systemwide Initiatives

**Systemwide Training** - New Source Review, EHS Academy, Life Safety Plans Review, International Air Transport Association Dangerous Goods Shipping, and Texas Workers' Compensation Compliance Conference.

**Higher Education Risk Management Conference** - Conference for WCI, EHS, risk management, and insurance professionals.

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

**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 Facility Audits** - Provides funding for third-party due diligence audits of hazardous waste facilities used by the institutions.

### Examples of Institution Initiatives

**Safety and Personal Protective Equipment** - Purchase ergonomic aids, safety tools, and personal protective equipment to help reduce workplace injuries.

**Employee Wellness** - Fund programs that focus on the physical and mental health of employees, as well as workplace safety.

**Chemical Waste Storage Facility Upgrade** - Provide safe, regulatory-compliant environment to prepare hazardous materials for disposal.

**Hearing Conservation** - Identify job duties that may expose workers to high noise levels, monitor noise exposure, post hazard signage in hazardous noise level areas, and establish jobs that require pre-employment baseline audio testing.

**Professional Development** - 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

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)

<b>Professional Medical Liability Plan</b>		
<b>Balance Sheet</b>		
	at 8-31-2012	at 8-31-2011
<b>Assets</b>		
Operating Cash	\$ 6,113,385	\$ 1,797,203
Investments	64,579,779	77,438,976
Accounts Receivable	233,690	400,138
Total Assets	70,926,854	79,636,317
<b>Liabilities</b>		
Accounts Payable	114,739	3,600
IBNR	18,639,671	16,454,961
Total Liabilities	18,754,410	16,458,561
<b>Net Assets</b>	52,172,444	63,177,756
<b>Total Liabilities and Net Assets</b>	\$ 70,926,854	\$ 79,636,317
<b>Income Statement</b>		
	Year Ended 8-31-2012	Year Ended 8-31-2011
<b>Revenue</b>		
Premium Income	\$ 8,224,318	\$ 8,189,717
Interest Income	2,290,027	2,677,208
Total Revenue	10,514,345	10,866,925
Less Premium Refund	(15,000,000)	(24,000,000)
Net Revenue	(4,485,655)	(13,133,075)
<b>Expenses</b>		
Legal Expenses	620,453	1,079,565
Claim Liability Expenses	2,129,024	2,053,034
Medical Board Expenses	219,117	135,772
Administrative Expenses	1,204,445	1,194,547
Other Expenses	59,957	16,216
Total Expenses	4,232,996	4,479,134
Change in IBNR	2,184,710	(2,954,093)
Net Expenses	6,417,706	1,525,041
<b>Excess Revenue Over Expenses</b>	(10,903,361)	(14,658,117)
<b>Other Changes in Net Assets</b>		
Investments Market Value Increase	(101,951)	7,076,306
Transfer to Special Funds	-	(4,000,000)
Total Other Changes	(101,951)	3,076,306
<b>Change in Net Assets</b>	(11,005,312)	(11,581,810)
<b>Beginning Net Assets</b>	63,177,756	74,759,566
<b>Ending Net Assets</b>	\$ 52,172,444	\$ 63,177,756

## **BUSINESS CONTINUITY AND EMERGENCY MANAGEMENT**

*Texas Education Code*, Section 51.217 requires institutions of higher education to perform a safety and security audit of their facilities and emergency preparedness and planning efforts at least every three years. The statute also requires that every institution adopt and implement a multi-hazard emergency plan that provides for:

- employee training in responding to an emergency;
- mandatory drills to prepare students, faculty, and employees for responding to an emergency;
- measures to ensure coordination with the Texas Department of State Health Services, local emergency management agencies, law enforcement, health departments, and fire departments in the event of an emergency.

ORM staff participated in eight of the fifteen institution audits and assisted with the final report for several others. The results of the audit must be reported to the institution’s Board of Regents and to the Texas Division of Emergency Management (TDEM). As required by Systemwide policy, UTS172 Emergency Management, ORM, working with representatives from each institutions, compiled the audit reports and made the report to the Board of Regents. ORM also reported the audit findings to TDEM.

The results of these audits have determined that all of the UT System institutions are in compliance with the requirements of *Texas Education Code*, Section 51.217

In FY 2013, ORM will work with the Systemwide Emergency Management Committee to finalize a schedule for safety and security audits that meets the requirements of the *Texas Education Code*.

*Texas Education Code*, Section 51.218 now 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 as shown in the table on the right.

The current status at each institution and compliance with this new law was included in the safety and security audit report to the Board of Regents.

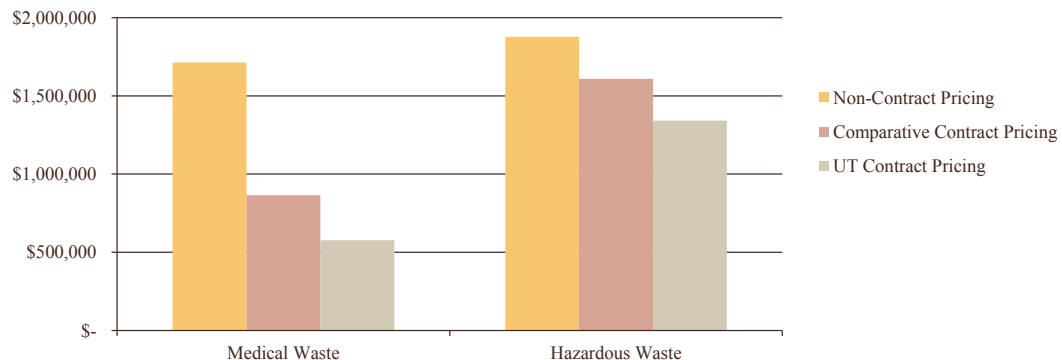
Institution	Total Enrolled
UT Arlington	31,575
UT Austin	61,308
UT Brownsville	7,232
UT Dallas	19,002
UT El Paso	19,483
UT Pan American	19,000
UT Permian Basin	3,993
UT San Antonio	30,910
UT Tyler	6,287
UT HSC Houston	12,500
UT HSC San Antonio	7,393
UT HSC Tyler	N/A
UTMB Galveston	6,313
UT MD Anderson	18,821
UT SWMC	18,000
UT System Administration	543
<b>Total Systemwide</b>	<b>262,360</b>

# ENVIRONMENTAL PROGRAM

## HIGHLIGHTS FROM FY 2012

- Renewed non-exclusive Systemwide contracts for medical waste, biological waste, emergency response, and environmental site assessment services without price increases. 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.
- Initiated two RFPs intended for a low-level radioactive waste contract and a hazardous waste service contract. Executed two new non-exclusive Systemwide contracts with 4 one-year contracts extensions for each RFP.
- Systemwide generation of 3.2 million pounds of medical waste. ORM leveraged pricing to save approximately \$288,000 from other competitive medical waste contracts and to save over \$1.1 million from clinical market pricing.
- Systemwide generation of 1.2 million pounds of hazardous waste. The Systemwide contract yielded an approximate savings between \$250,000 from comparative contract pricing to \$550,000 from non-contract pricing.
- Contract training service provided 20 on-site classes with a total of 352 attendees with an estimated cost avoidance of \$325 per student (based on an average of market rates) for a total training cost avoidance of \$115,000 (does not include related travel cost avoidance).
- Cost savings from all non-exclusive Systemwide environmental contracts for service and training are estimated at \$1.8 million.

FY 2012 MEDICAL & HAZARDOUS WASTE CONTRACT SAVINGS



## PROGRAM SUPPORT

- Monitored the actions of the Texas Low-Level Radioactive Waste Disposal Compact Commission by attending rule-making meetings and providing comments on behalf of UT System institutions.
- Reviewed 19 Phase I environmental property assessments (1 apartment complex, 10 lots, 6 commercial buildings, 1 gas station, and 1 house) and 5 Phase II assessments as part of pre-purchase due diligence in cooperation with UT System's Real Estate Office.
- Collected Systemwide licensing and equipment registration fees to provide comments to the Texas Department of State Health Services proposed fee increase of 15% to 150%.
- Coordinated the decontamination and abatement of lead contaminated materials from UT System's Police Academy Firing Range as part of the backstop replacement project.
- Facilitated and supported the Systemwide EHSAC meetings and the associated Systemwide subgroups.
- Worked with UTMB in coordinating the implementation of their hazardous pharmaceutical waste disposal program, training, and shipments for UTMB Huntsville Pharmacy Distribution Warehouse.

## **A LOOK AHEAD TO FY 2013**

Each year, 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 2013.

- **Fleet Safety**  
ORM will survey the fleet safety programs at each institution to evaluate the policies and procedures contained within UTS157. Surveys will include, but are not limited to, training programs, motor vehicle record checks, use of 12 and 15-passenger vans, and commercial motor vehicles.
- **Flood Hazard Loss Prevention Reports**  
ORM will identify the UT System buildings that are located in high hazard flood zones and provide a graphical interface using a Google earth tool showing the building's location within the high hazard zone, as well as the critical occupancies and equipment that could be impacted.
- **Construction Risk Program**  
With new construction projects anticipated with completion dates that will extend beyond the dates of the current ROCIP phase, ORM will prepare a RFP for administrator and broker services for a ROCIP Phase VI. Broker services, project eligibility, safety programs, coverage limits, terms, conditions, and retentions will all be evaluated and considered in the process.

In addition, a separate process will provide an analysis and probable implementation of a master builders' risk program to replace the current contractor process. This will result in cost savings to projects, ensure adequate limits, and appropriate and consistent coverage terms and conditions for projects during construction until substantial completion, when they are added to the CPPP.

- **WCI Network**  
ORM will transition to a new cost containment vendor and implement a WCI Health Care Network. The WCI Health Care Network will be effective for all injuries after March 1, 2013 and will include physicians and medical providers, including UT System physicians, hospitals, and clinics to ensure quality medical outcomes and increase return to work rates for the employees of UT System that are injured in the course and scope of their employment. The network will encompass monitoring mechanisms and effective cost-control, which provides quality assurance and savings.
- **ORM Application Transition Management to PeopleSoft**  
With a 2013 transition to PeopleSoft, ORM must ensure the effectiveness of ORM financials for PLANET, WCMENU, and PSACCT from DEFINE to PeopleSoft. Efficient implementation is critical to ensuring that all ORM applications will continue to function appropriately. That includes, but is not limited to, injured workers' benefits and medical provider bills in workers' compensation, and professional liability and medical liability settlements and legal fees. These must be paid on a timely basis, tracked, and reported appropriately to avoid compliance issues and possible fines.

