



December 9, 2005

I am pleased to welcome you to the first State Leadership Risk Management conference. The conference showcases best practices from within our state agencies, the private sector and other parts of the public sector. In 2002, the Task Force on Risk Management that I co-sponsored as Attorney General examined five questions about risk management for Washington State. One of those questions was, “How can various agencies operate in a manner that mitigates risk exposure, while still delivering the most effective and useful services?” Today, we’ll look at the same question in terms of balancing the odds through effective risk management.

The ensuing three years have seen positive changes to the state’s risk management work, and there is more to do. The ability to manage risk is an essential element of good governance. The conference today provides the leadership of our agencies a chance to focus on methods that integrate risk management into daily practice by every state employee, and leadership strategies to get there. That integrated risk management should be directed as much to grasping new opportunities as to minimizing losses. And it should be borderless – enterprise-wide – linking the way we think in one part of our organization to the work done in another part.

This requires state agencies to evolve from using a business line-based risk management approach. It means our employees must be trained to catch the near-misses as well as the misses, and address them so they don’t happen again. It means that all the factors impacting an exposure must be addressed *across the enterprise*. It means we don’t wait for a claim or lawsuit to respond to a problem. Liability exposure is important, but it is not the only important aspect of managing our risk. Preventing the loss in the first place frees resources and energy to address our primary goals of better lives for the citizens of Washington State.

This is the conversation I hope we begin today. It is woven into our efforts on GMAP, and the clear call from our citizens to provide them with a government of best practices and good stewardship. Your commitment to improve the services we deliver and change the culture of state government is very much appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Christine O. Gregoire".

Christine O. Gregoire  
Governor

December 9, 2005



Greetings friends, clients and colleagues:

Welcome to the 2005 Risk Management Conference. This is a great opportunity to share information among the Attorney General's Office and an outstanding group of state agency leaders. It is my hope that this event serves to highlight the importance of collaboration between the Attorney General's Office and state agencies on all matters of risk management.

Effectively managing risk requires a focus beyond just tort liability. Enterprise risk management means evaluating all levels of agency activity including contracts, real estate, technology and intellectual property.

Successful enterprise risk management in state government will depend on consistent and effective coordination between state agencies and the AAG's who represent them. AGMAP will be working side by side with GMAP to help agencies identify exposures and offer options-based advice for managing those risks.

I'm very proud of the work of the Attorney General's Office Torts Division. In concert with our clients and the OFM Risk Management Division, we have had three years of declining tort payouts. And, 64 percent of all tort cases have resolved with zero payout in this last fiscal year.

Thank you for attending the conference. I and the Assistant Attorneys General representing all of you here today look forward to working together to improve collaboration on risk management, support agency efforts to implement new risk management strategies and most effectively serve the citizens of Washington state.

Best Regards,

A handwritten signature in dark ink that reads "Rob McKenna". The signature is written in a cursive, slightly stylized font.

Rob McKenna  
Attorney General

## Shifting the Odds: Effective Risk Management

St. Martin's University, Worthington Pavilion

December 9, 2005

### AGENDA

8:00 a.m. **Check-in and Refreshments**

Coffee, tea, bagels/muffins/sweet rolls served

8:30 a.m. **Welcome and Opening Remarks**

Victor Moore, Director, Office of Financial Management

8:40 a.m. **Panel of Practitioners: Discussion of the Range of Risk Management Approaches and Programs Being Implemented in Washington State Government**

- Elizabeth Cherry, Risk Manager, University of Washington
- Harold Clarke, Secretary, Department of Corrections power point
- Joe Dear, Executive Director, State Investment Board
- Gary Robinson, Director, Department of Information Services (3,711 KB)

*Panel Moderator:* Linda Dunn, Deputy Attorney General, Attorney General's Office

9:40 a.m. **Governor's Address**

The Honorable Christine O. Gregoire

10:00 a.m. **Break**

10:15 a.m. **Enterprise-wide Risk Management @ Microsoft**

Lori Jorgensen, Senior Director–Finance, Microsoft

11:00 a.m. **University of California Graduates to ERM**

Grace Crickette, Chief Risk Officer, University of California (3,767 KB)

Deborah Luthi, Director, Risk Management Services, University of California, Davis

Noon **Attorney General's Address**

Rob McKenna, Washington State Attorney General

12:30 p.m. **Presentation of ORCA Awards and Closing Remarks**

Marty Brown, Legislative Director, Office of the Governor

**Elizabeth Cherry, Risk Manager, University of Washington**

Elizabeth Cherry has led the University of Washington's risk management program since 1988. An attorney by training, she focuses on preventing, mitigating, and financing loss. Ms. Cherry was instrumental in creating the University Complaint Investigation and Resolution Office, which has been responsible for reducing the frequency of discrimination claims and lawsuits by 74 percent per thousand employees since 1994. Currently, Ms. Cherry is part of a team exploring a new methodical model for assessing risk throughout the University's campuses and medical centers.

**Harold W. Clarke, Secretary, Department of Corrections**

Harold W. Clarke was born in Ancon, Panama, where he received his primary and secondary education in the Canal Zone. After graduation from high school, Mr. Clarke attended college in Nebraska. Mr. Clarke joined the Department of Correctional Services in Nebraska at an entry-level position in 1974, advancing through 11 different positions within the Department. He became Director of Corrections in Nebraska in 1990, serving three different governors. In February 2005, Mr. Clarke was appointed Secretary of the Department of Corrections in the State of Washington.

**Joe Dear, Executive Director, State Investment Board**

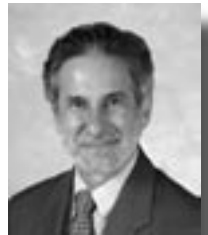
Joe Dear was appointed Executive Director of the Washington State Investment Board in November 2003. Formerly, he served as Government Relations Officer for the Frank Russell Company, Chief of Staff for Governor Gary Locke, Assistant Secretary of Labor for the U.S. Occupational Safety and Health Administration (OSHA), and Director of the Washington State Department of Labor and Industries. When he was Director of Labor and Industries, Mr. Dear was a member of the Washington State Investment Board from 1987 to 1992, and served as Board Chair from 1989 to 1991. He received his Bachelor of Arts degree from The Evergreen State College.

**Gary Robinson, Director, Department of Information Services**

Gary Robinson was appointed Director of the Department of Information Services in January 2005. Before joining DIS, Mr. Robinson worked at the Office of Financial Management. Mr. Robinson also served as Assistant Director, Deputy Director, and Acting Director while at OFM.

Mr. Robinson has been a member of the Washington State Economic and Revenue Forecast Council, the Information Services Board, the Public Employees Benefits Board and the Sentencing Guidelines Commission.

Mr. Robinson received his Bachelor's Degree from Pitzer College in Claremont, California, and his Master's Degree from The Evergreen State College. He also completed the Program for State and Local Executives at the Kennedy School of Government.





### **Lori Jorgensen, Senior Director-Finance, Microsoft Corporation**



Lori Jorgensen is responsible for development and implementation strategies, and policies and procedures concerning worldwide financial and hazard risk management functions for Microsoft's Treasury Department. Ms. Jorgensen has over 30 years' experience in risk management. Prior to joining Microsoft in 1995, Ms. Jorgensen was Assistant Vice President/ Risk Management for McCaw Cellular Communications. Early in her career, Ms. Jorgensen worked for insurance companies and brokers engaged in program design and implementation, and decisions concerning risk assumption and pricing.

### **Grace Crickette, Chief Risk Officer, University of California**



The mission of the Department of Risk Services, University of California Office of the President, is to enable the faculty, staff, and students to identify and manage risks associated with their activities by reducing the chances of loss, creating greater financial stability, and protecting their resources. Ms. Crickette joined the University in December 2004 after 13 years as a vice president and officer in audit, insurance, safety, and human resources capacities in the equipment and construction industry.

### **Deborah Luthi, Director, Risk Management Services, University of California**



Deborah Luthi, a graduate of the University of Kansas in art education, has focused her creativity for nearly 25 years on the art and science of risk management. Ms. Luthi brought her experience as risk manager for the Sacramento Regional Transit District to the University of California-Davis 18 years ago. She has also held risk management positions with two Fortune 500 companies – Amfac, Inc. and Natomas Company in San Francisco. During her time at the University, Ms. Luthi's positions have included work in the property liability area, workers' compensation, benefits, the academic and staff assistance program, disability management services, employee health services, employment and outreach services, and staff development and professional services.

Ms. Luthi currently serves as a vice president of Member and Chapter Services on the Board of Directors of the Risk and Insurance Management Society (RIMS). She has also served on the RIMS Technology Advisory Council, the Executive Nominating Committee, the Strategic Planning Task Force, and Chair of the Member and Chapter Services Commission. Ms. Luthi is a member of the Sacramento Valley Chapter, which she helped to co-found in 1991.



# Honor Leadership and Excellence in Risk Management

2005 ORCA AWARDS

FOR

OUTSTANDING RISK REDUCTION COMMITMENT  
AND ACHIEVEMENT

## FOR PROGRAM ACHIEVEMENT

### Proactive Management Award

Recognizing an outstanding agency program or initiative that takes an enterprise-based approach to managing risk.

## NOMINEES

#### Washington State Patrol – Office of the Chief, Chief's Challenge Program

The program identifies and addresses exposures across the agency.

#### Department of Social and Health Services – Economic Services Administration – Incident Review Pilot Program

The ESA is partnering with OFM- Risk Management to establish an incident identification and review program for ESA to address matters early and prevent or control potential claims and litigation exposures.

#### University of Washington – University Complaint Investigation and Resolution Office Program (UCIRO)

As a result of its early resolution approach to employment practices liability-related grievances and complaints, UCIRO resolves 100 percent of the University's claims before litigation commences.

#### Employment Security Department – Automobile Accident Reduction Program

In FY 2003, ESD implemented an automobile accident reduction program resulting in a 50percent reduction in vehicle accidents by ESD employees.

#### State Board for Community and Technical Colleges – Risk Management Coordination Program

The finance office with this organization has created risk management awareness at each of its member community and technical colleges.

## FOR PROGRAM ACHIEVEMENT

### Sustained Achievement Award

Bestowed on an agency's comprehensive risk management program and approach that demonstrates consistent and effective management of exposures, incidents and outcomes.

### NOMINEES

#### Western Washington University

The risk management program at Western Washington University provides sustained focus on operational and business risk issues. It offers the University comprehensive, skilled services related to risk finance, property, auto, safety, and personal injury related matters. The program consistently monitors risk and advocates policy changes and prevention improvements in a complex and ever-changing environment.

#### Department of Transportation

The Department of Transportation is one of few agencies with a long-standing policy specific to risk management, and has offered a program with clear support from the agency's executive leadership. The program has developed an excellent partnership with the Attorney General's Office Tort Division focusing on risk identified through litigation assessment. DOT's worker safety and return-to-work program is one of the best in state government. The agency has outstanding performance measures related to its risks, and addresses the strategic aspects of risk management throughout its operational structure.

#### Department of Ecology

Ecology's risk management program is tuned in to its losses, and focuses loss prevention and control activities on identified and realized risks. There is an excellent connection between the risk manager and the agency program managers leading to proactive approaches to address dangerous exposures, areas of potential financial loss, and uninsurable but important business risks such as the public perception of the agency. Ecology effectively utilizes OFM's Risk Management Division, and is an active and valued partner on the state's centralized risk committees.

## FOR INDIVIDUAL ACHIEVEMENT

### Pioneer Award

Acknowledges the agency director or employee who identifies a risk management related need, and takes meaningful action to address it.

### NOMINEES

#### **Dennis Anderson, Risk Manager, Department of Health**

For assisting with the development of an excellent practice model related to risk management budget package development

#### **Harold Clarke, Secretary, Department of Corrections**

For emphasizing the role of risk management in DOC's overall management responsibilities, and making the office of risk management a true partner of the overall enterprise.

#### **Kathy Rosmond, Office of Financial Management**

For including risk management in the state's enterprise approach to "back office" accounting solutions.

#### **Eva Santos, Director, Department of Personnel**

For including risk management in the HR Scorecard, agreeing to institute focused training on employment practices liability prevention as part of the Department of Personnel's management leadership training program, and for making DOP resources available to partner with OFM Risk Management Division on employment practices liability prevention matters.

#### **Rene Tomisser, Senior Counsel and DOT Trial Team Leader, Torts Division, Attorney General's Office**

For providing his clients with analysis of their litigation and claims in terms of risk exposures, and possible proactive measures to prevent future similar occurrences as part of his legal practice.

### FOR INDIVIDUAL ACHIEVEMENT

#### Risk Manager's Award

OFM Risk Management Executive Team's recognition of an agency employee responsible for risk management activities who has effectively and creatively promoted risk management within the agency, and also provided leadership in the state related to risk management.

#### NOMINEES

##### **William Henselman, Department of Transportation**

Is an active participant in both the Risk Management Advisory Committee and the Loss Prevention and Risk Finance Subcommittees, has served as a Loss Prevention Review Team member, and is an effective panel member at state training sessions on risk management. He shares the excellent risk management materials he has developed for DOT with other agencies, and operates an outstanding risk management program.

##### **Larry Keller, Department of Ecology**

Participates actively with the Loss Prevention Subcommittee of the Risk Management Advisory Committee, and has crafted a comprehensive operational risk management program accepted by Ecology in addition to performing other work for the agency.

##### **Carole Matthews, Department of Labor and Industries**

Served as 2004-05 Chair of the Risk Finance Subcommittee. She is always willing to assist with training to other agencies. She has developed a risk management focus on L&I's exposures that did not exist in the agency before her tenure, and if one approach doesn't deliver a result, she consistently develops alternate approaches that do.

##### **Paul Mueller, Western Washington University**

Is a loyal contributor to OFM's Risk Management Division's efforts with advice, input, analysis, questions and attendance at Loss Prevention Subcommittee, Risk Finance Subcommittee and Risk Management Advisory Committee meetings. WWU's risk finance program is as excellent and comprehensive as its loss prevention and control program because of Mr. Mueller's ability to advocate risk management concepts and strategies within the agency.

##### **Linda Ramsey, Military Department**

Has served on the Loss Prevention Subcommittee and on a Loss Prevention Review Team panel. She is a willing volunteer for OFM Risk Management Division projects, with decades of risk management expertise. Ms. Ramsey's disciplined and prioritized approach to assessing and managing risks resulted in excellent outcomes for the Military Department.

## FOR INDIVIDUAL ACHIEVEMENT

### For Directed Daring

Awarded to the agency leader demonstrating a clear commitment to improving the quality and concept of enterprise risk management within his or her agency.

## NOMINEES

### **John R. Batiste, Chief, Washington State Patrol**

For creating nationally recognized risk management initiatives, and fostering an infrastructure that includes the risk assessment cycle as a key part of operations.

### **Joe Dear, Executive Director, State Investment Board**

For viewing every employee as a risk manager, and agreeing to institute the COSO II framework to register and address incidents on an enterprise basis at the State Investment Board.

### **Liz Luce, Director, Department of Licensing**

For putting an enterprise risk management program into place, and including risk management among its performance measures.

### **Gary Robinson, Director, Department of Information Services**

For promoting an enterprise-based business continuity program for the State of Washington, addressing the state's preparedness to offer vital services if a catastrophic or other risk interfered with existing information infrastructures.

### **Brian Sonntag, State Auditor**

For the development of a comprehensive risk management infrastructure within the State Auditor's Office.

# A Risk Management Approach to Employment Disputes: How It Works and Why

## **Introduction**

The University of Washington represents a vital asset for the people of our state. Its delivery of services depends on the growth and protection of its funds as well as the ingenuity, productivity, and commitment of its diverse faculty and staff. A learning and working environment in which all have the opportunity to flourish and excel is thus essential for the University's continued success.

With this in mind, the University redesigned its complaint investigation and resolution process for employment disputes so that risk management principles could be incorporated from the very beginning. In the past, such disputes were viewed as risks to be managed only when they reached the pre-litigation stage of a tort claim. The creation of the University Complaint Investigation and Resolution Office ("UCIRO") in 1994 changed that focus to an integrated approach that manages risk throughout the complaint process and allows any problems to be identified up front, permits quick intervention, and facilitates early, mutually satisfactory resolutions.

### **A. What Is UCIRO?**

The UCIRO program operates as part of the University's internal complaint resolution mechanism, which also includes the University Ombudsman's Office and local investigation and resolution options. UCIRO typically investigates allegations that the conduct of a University employee has violated the University's non-discrimination policy, including allegations of discrimination, harassment, and retaliation. A UCIRO internal investigation may be requested by anyone: staff, faculty, students, or members of the public. An investigation also may be requested by the administrative head of a University unit. In all cases, the subject of the investigation must be a University employee. UCIRO also acts as the University's representative when complaints are filed with external civil rights enforcement agencies.

The UCIRO Investigator acts as a neutral and objective fact-finder. The Investigator will interview the person making the allegations, the employee whose conduct is of concern, and other appropriate persons in order to determine the pertinent facts. The Investigator will discuss resolution options with the interested parties, which may lead to the matter being resolved prior to completing the investigation. Investigations are typically concluded within 60 business days. Generally, when a UCIRO internal investigation is completed, the Investigator prepares a report, which contains a list of persons interviewed and a description of the Investigator's factual findings and conclusions. Typically, copies of the report are provided to the person who requested the UCIRO investigation, the employee or employees whose conduct was the subject of the allegations of concern, and appropriate University personnel.

UCIRO's approach is unique in that it applies a risk management philosophy to the handling of employment-related inquiries and complaints. An employment dispute, even at its earliest stages, carries with it the chance that something has happened or will happen that could impact the University's assets, including its people, finances, and reputation. A risk management approach prioritizes a proactive process to addressing concerns about the behavior of University employees over prior alternatives, such as more polarizing advocacy efforts or fractional efforts to assess or intervene. Beginning to manage risk at the earliest point – at the initial stage of a complaint -- better protects the University, its people, and the environment in which they work, learn and serve.

UCIRO Investigation and Resolution Specialists have law degrees and experience in employment and discrimination matters. They are skilled in evaluating the merits of complaints and, where appropriate, facilitating resolution. To our knowledge, UCIRO is the only program of its kind that is staffed with investigation and resolution specialists that have legal education and experience and that is attached directly to the risk management function of the university or institution.

The creation of UCIRO altered the future course of events for the University of Washington. Instead of keeping step with the national trend of a nearly five-fold increase in the number of discrimination tort claims and lawsuits at universities in the last ten years, total numbers of such tort claims at the University of Washington have decreased substantially. This signifies not the absence of this type of concern, but the effectiveness of the UCIRO process to respond early on and effectively at the initial stages of such complaints.

## **B. What A Risk Management Approach Provides**

### **1. A Process That Identifies and Serves Collective Interests**

UCIRO's goals are to conduct thorough, objective, credible, and timely investigations, to comply with all federal and state laws, regulations and guidelines regarding investigations, and to resolve expeditiously matters where the University has legal responsibilities. This risk management approach serves both the University's fundamental interests in seeing that legitimate complaints of workplace misconduct are quickly and fully addressed and that any ongoing legal responsibility is ended and also the complainant's interest in prompt investigation and a satisfactory resolution of concerns. In fact, this shared interest – having concerns resolved early on and well – unites everyone involved in the chain of a complaint. If concerns are fully addressed and resolved early on, then the time, energy, and money that would have been spent later had the problem not been worked through can be directed toward operational needs or strategic opportunities. Consequently, this approach contributes to the stability, prosperity and progress of the entire University, the University community, and beyond.

### **2. Trend Analysis**

A significant aspect of managing risk is having access to accurate and appropriate historical data from which it is possible to identify trends, reduce negative risks and optimize successes.



To that end, UCIRO maintains data that enables it to identify and report such relevant information to University administrators.

UCIRO staff engages in ongoing data analysis in order to monitor trends, measure the program's performance and to identify program strengths as well as areas that may need improvement. Typically, data is shared with the Human Resources Office, the Office of the Ombudsman, the Provost's Office and other University administrators on an annual basis. This information has been used as the basis for recommendations for institutional improvements as well as for improvements internal to UCIRO. Within the program itself, the information has resulted in an increased emphasis on streamlining the investigation process and reducing the duration of UCIRO complaint investigations.

UCIRO has also engaged in data analysis with other Risk Management programs. By comparing UCIRO's data with other Risk Management data, the University is now able to measure the number of UCIRO complaints and inquiries that are resolved as well as matters that ultimately result in formal liability claims or lawsuits.

### **3. Dissemination of Information to the University Community**

UCIRO was established with input from a number of different University departments: Office of the Provost, Human Resources, Risk Management and the Human Rights Office with advice from the Office of the Attorney General. Since its inception, the program has worked in partnership with each of those areas as well as the University's Training and Development Office, Disability Services Office, Disabled Student Services, Health Sciences Risk Management and other University offices to disseminate information about the University's complaint resolution process and to provide training to managers on how to reduce complaints and better respond to and manage them if and when they are initiated. In addition to information and training, UCIRO collaborates with other University representatives on coordination of complaint resolution services and overall policy development.

In the face of changing needs at the University, additional process partnerships between UCIRO and other entities on campus have emerged. For example, UCIRO now plays a pivotal role in the Office of Scholarly Integrity's investigation of scientific misconduct complaints. Although UCIRO does not investigate patient complaints, UCIRO is available for consultation on them, as well as on employment issues arising in conjunction with compliance complaints. Similarly, UCIRO supports HIPAA compliance officers on request. UCIRO continues to consider how it might help fill any existing gaps in complaint investigation and resolution at the University and to partner with others to help close any such gaps.

One feature of the UCIRO program has been its ability to provide "value-added" information to University departments following its completion of an investigation. This information may relate to information obtained during the course of an investigation that had little or no relationship to the underlying complaint, but which might allow the department to correct a policy, practice or procedure so as to avoid a potential future complaint. UCIRO routinely conducts post-investigation meetings following an investigation so as to impart this type of information to University managers and administrators.

UCIRO also analyzes and provides this type of information to the Training and Development Office so that it can be incorporated into a University-wide mandatory training for supervisors and managers. In fact, this training program was created following a recommendation from UCIRO to the President's Council in 1996.

In addition, UCIRO participates in various training sessions throughout the University community. For example UCIRO has made presentations to departments throughout the University in an effort to disseminate information about its complaint investigation and resolution processes. UCIRO is currently part of a group working to develop a best investigative practices training program for employees who conduct various types of investigations.

### **C. UCIRO Has Measurable Successes**

#### **1. UCIRO's Services Are Used More Frequently**

A measure of UCIRO's success is the frequency with which the University community utilizes UCIRO's services when faced with employment-related complaints. For example, since the program's inception in 1994, the University community has requested an increasing number of institutional investigations from UCIRO.<sup>1</sup> In FY 1994-5, UCIRO received one request for an institutional investigation. However, in fiscal year 2004-2005, UCIRO received 10 requests for institutional investigations.

#### **2. Employment Discrimination Tort Claims Have Significantly Declined**

UCIRO's emphasis on early resolution of employment disputes, its risk management approach to handling such matters, and the education and experience of its staff has lead to a decrease in the number of discrimination-type claims. Specifically, the University's total number of tort claims for damages in discrimination and retaliation cases decreased from 45 claims in 1994 to 8 claims in 2005.

Because of this accomplishment, UCIRO and the risk management approach to handling these claims has been recognized by the University's insurance carrier for employment practices liability coverage as being the most effective program of its kind in the nation.

### **Conclusion**

Under a risk management approach to resolving employment disputes, existing problems are resolved at the earliest possible moment, work practices are changed for the better, and potential areas of concern are looked at and promptly addressed before they become the subject of a tort claim or lawsuit. This approach protects and bolsters all of the University's resources, including both its funds and its people.

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<sup>1</sup> The University's Administrative Policy and Procedures Manual provides that a unit head may request an institutional investigation by UCIRO.



STATE OF WASHINGTON  
**DEPARTMENT OF CORRECTIONS**  
**OFFICE OF THE SECRETARY**

P. O. Box 41101 • Olympia, Washington 98504-1101 • Tel (360) 753-2500  
FAX (360) 664-4056

October 18, 2005

To: Department of Corrections Employees

A handwritten signature in dark ink, appearing to read "H. Clarke", is written over the "From:" line.

From: Harold W. Clarke, Secretary

Subject: **Risk Management**

The Department of Corrections provides vital services to the citizens of the state by:

- Operating correctional institutions and work releases and incarcerates approximately 17,580 inmates;
- Operating field offices all across the state with 29,051 offenders on active supervision in the community;
- Operating correctional industries employing offender workers;
- Operating vehicles, ferries, machinery, and equipment;
- Managing a billion dollar biennial budget;
- Managing thousands of contracts;
- Employing 8,000 employees;
- Managing construction projects worth millions of dollars; and
- Managing assets worth several billion dollars.

The Department faces tremendous challenges in delivering services to an expanding inmate population within increasingly complex systems. These operations bring risk and liability to the Department and the state. It is critical that Department managers and staff be aware of these risks and take necessary steps to mitigate them.

Out of my commitment to risk management and in an effort to integrate risk management into the daily operations of the Department, I am instructing the following:

1. Risk Management is the responsibility of every employee.
  - a) I am instructing that all managers and employees recognize and accept their responsibility to manage risk.
  - b) I am instructing that all programs engage in a risk assessment process using the method and tools developed by the Risk Management Department.
  - c) I am instructing that each division and department work closely with the risk management office in identifying risks, developing mitigation strategies, implementing mitigation programs, and monitoring the impact.

***"Working Together for SAFE Communities"***

2. Risk Management Department.

I have realigned the Risk Management Department to report to me and to allow them to focus exclusively on risk management issues. This realignment positions the Risk Management program centrally within the Department and empowers and authorizes the Risk Management Administrator to take necessary actions to implement a fully integrated Enterprise Risk Management program.

I am also instructing the Risk Management Department to develop an Enterprise Risk Management program that will include:

- a) a risk assessment process to be used by all programs in assessing strategic, operational, compliance, financial, and reputation risks;
- b) a method for conducting incident reviews and communication about loss prevention and risk mitigation techniques and lessons learned from incidents;
- c) a method for interfacing with all agency programs on issues of risk management; and,
- d) a process for implementation of risk mitigation techniques that have been identified through the risk assessment process and post incident reviews.

3. Incident Reporting and Reviews.

As a supplement to the tele-incident reporting system, I am instructing that all programs report serious incidents to the Risk Management Department as soon as they are known.

I am instructing that all programs engage in reviewing incidents using the methods and tools developed by the Risk Management Department.

The risk management process requires that we all work together and remain committed to identifying risks and finding methods to prevent losses. Enterprise Risk Management is a part of doing business and should be incorporated into all our processes. We have always known that good management includes management of all assets to include management of risks.

Thanks for your efforts and I look forward to reviewing our efforts in risk management as we conduct our GMAP sessions.



# Department of Corrections Risk Management Program

December 9, 2005

Secretary Harold Clarke



# DOC Services

The Department of Corrections provides vital public services by operating correctional facilities and supervising offenders in the community.



# Challenge and Complexity

The Department faces tremendous challenges in delivering services to an expanding offender population within increasingly complex systems.



# Areas of Risk

In delivering these services the Department is exposed to a number of areas of risk and liability.





# Areas of Risk

The most significant area of tort liability over the past several years has been in the area of allegations of negligent supervision. Other areas of risk and liability include employment, medical, offender civil rights (1983), construction, and contracting.



# Enterprise Risk Management

The Department of Corrections is taking action in addressing risks and adopting enterprise risk management.



# Back to Basics

- Determine statutory responsibilities & authority
- Develop clear and achievable policies
- Link policy and training
- Establish expectations & accountability:
  - Systemic
  - Staff



# Risk Management

- Develop a Clear Definition of Risk
- Assign Responsibility for Managing Risk
- Realign Risk Management Department
- Communicate Expectations
- Conduct Risk Assessment



# Definition of Risk

Risk is the possibility of suffering a loss that threatens the agency's ability to accomplish its mission or achieve its objective due to action, inaction, or hazard. Generally, the loss is associated with people, property, finances, and reputation.



# Assign Responsibility for Managing Risk

The Department of Corrections has a full time Risk Management Administrator and dedicated staff focusing exclusively on risk management issues.



# Realign Risk Mgmt Department

Aligning the Risk Management Department to report directly to the head of the agency:

- Conveys the importance of risk management
- Directly extends the authority of the agency head
- Centrally positions risk management in agency operations
- Elevates risk management to the executive level



# Communicate Expectations

## Memo of Expectations

- Risk management is everyone's responsibility
- Departments need to work with Risk Management Department to identify risks and develop mitigation strategies
- Report and Review incidents





# Risk Assessment

The Department is currently engaged in a risk assessment which includes

- Identification & Analysis of Risks
- Determination of Probability & Severity
- Establishment of Risk Priority



# Risk Analysis

This process must include a full discussion of the risk or the hazard in context of the organization.

**Determine Probability:** How likely is it that the risk/hazard will occur?

**Determine Severity:** How much of an impact will the risk/hazard make when it does occur?

**Determine Degree of Control:** How much control do you have over the risk?

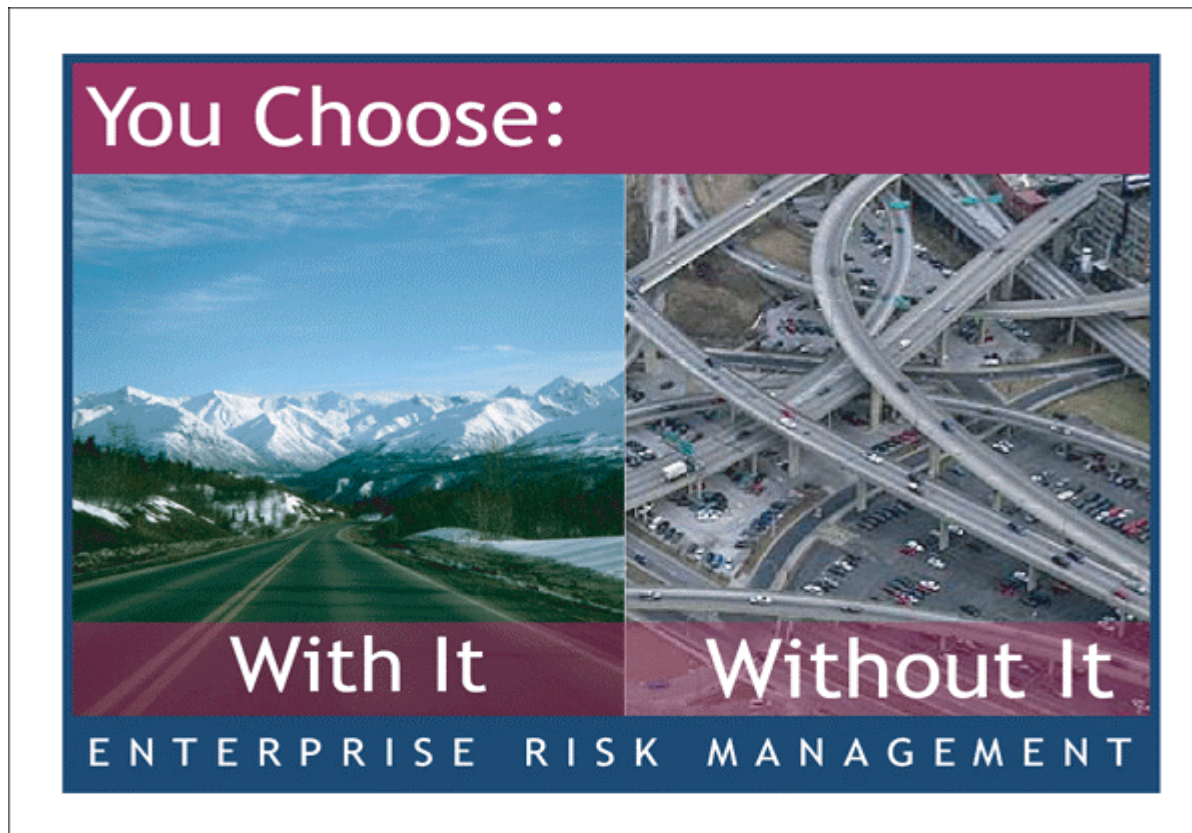


# What's Next?

- Identify highest risks for the Department
- More detailed analysis of highest risks
- Develop & implement risk mitigation strategies
- Measure effectiveness of risk mitigation efforts
- Improve internal incident review process
- Early case assessment & resolution *when appropriate*
- Expressions of Regret



## Managing Risk



## The WSIB Roadmap



## **Risk is a fact of life in the investment business**

### **Risk management is a core competence of the WSIB**

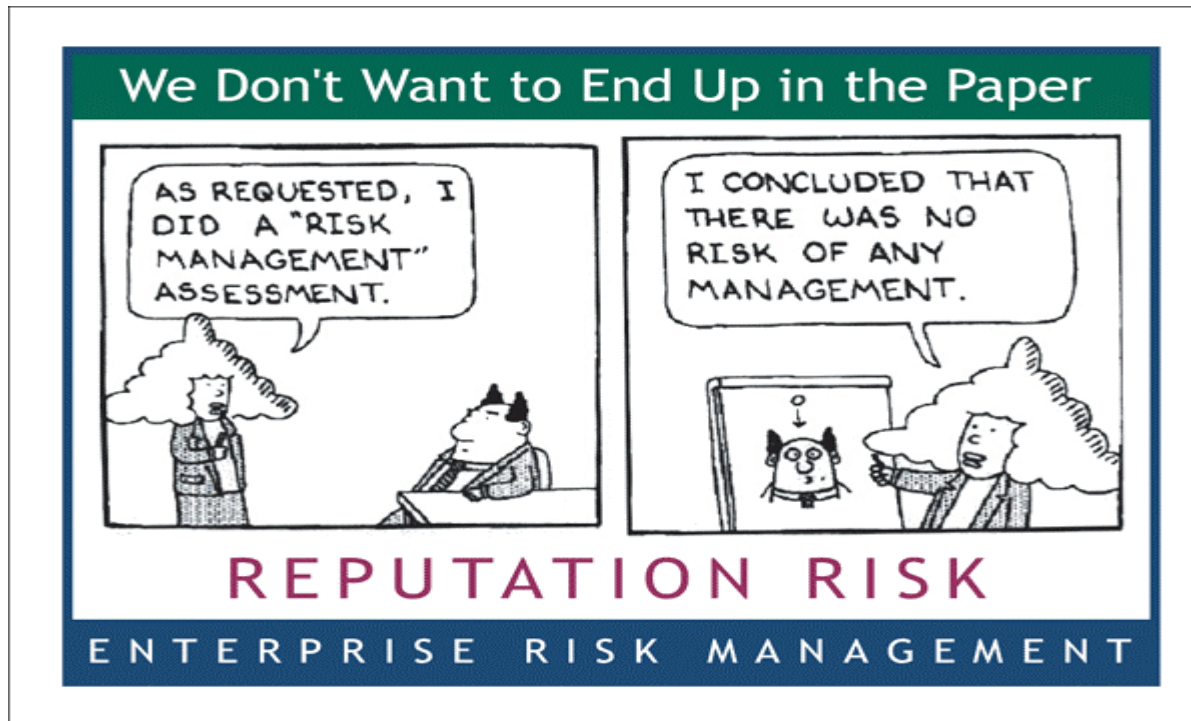
- ◆ **Since risk is inherent in investment management the key is to possess precise knowledge of all risk**
- ◆ **Worst mistake is to take uncompensated risk**
- ◆ **No hidden risk – know hidden risk**

**Risk management creates opportunities to unite an agency's view across all of its functions, necessarily cutting through silos and fiefdoms**

**All agencies can benefit from paying attention to the risks they face**

## Background

- ◆ The WSIB launched its Enterprise Risk Management initiative in 2003
- ◆ The first year we didn't have a clue what ERM was all about





# What is Enterprise Risk Management?

We got help - visits to corporate firms and attendance at risk management seminars provided tools and starting point to develop Enterprise Risk Management for the WSIB.

In short, we adopted the COSO\*Framework:

- ◆ Aligning risk appetite and strategy
- ◆ Enhancing risk response decisions
- ◆ Reducing operational surprises and losses
- ◆ Identifying and managing multiple and cross-enterprise risks
- ◆ Seizing opportunities
- ◆ Improving deployment of capital

Simple definition but a lot tougher to implement

*\*Committee of Sponsoring Organizations of the Treadway Commission*



## Putting ERM to Work at the WSIB

The WSIB approach includes:

- ERM Team – reps from every unit
- Annual risk assessment survey filled out by every employee for their work area
- On-line incident and error reporting for staff
- Risk report to executive management
- Risk management education for all staff





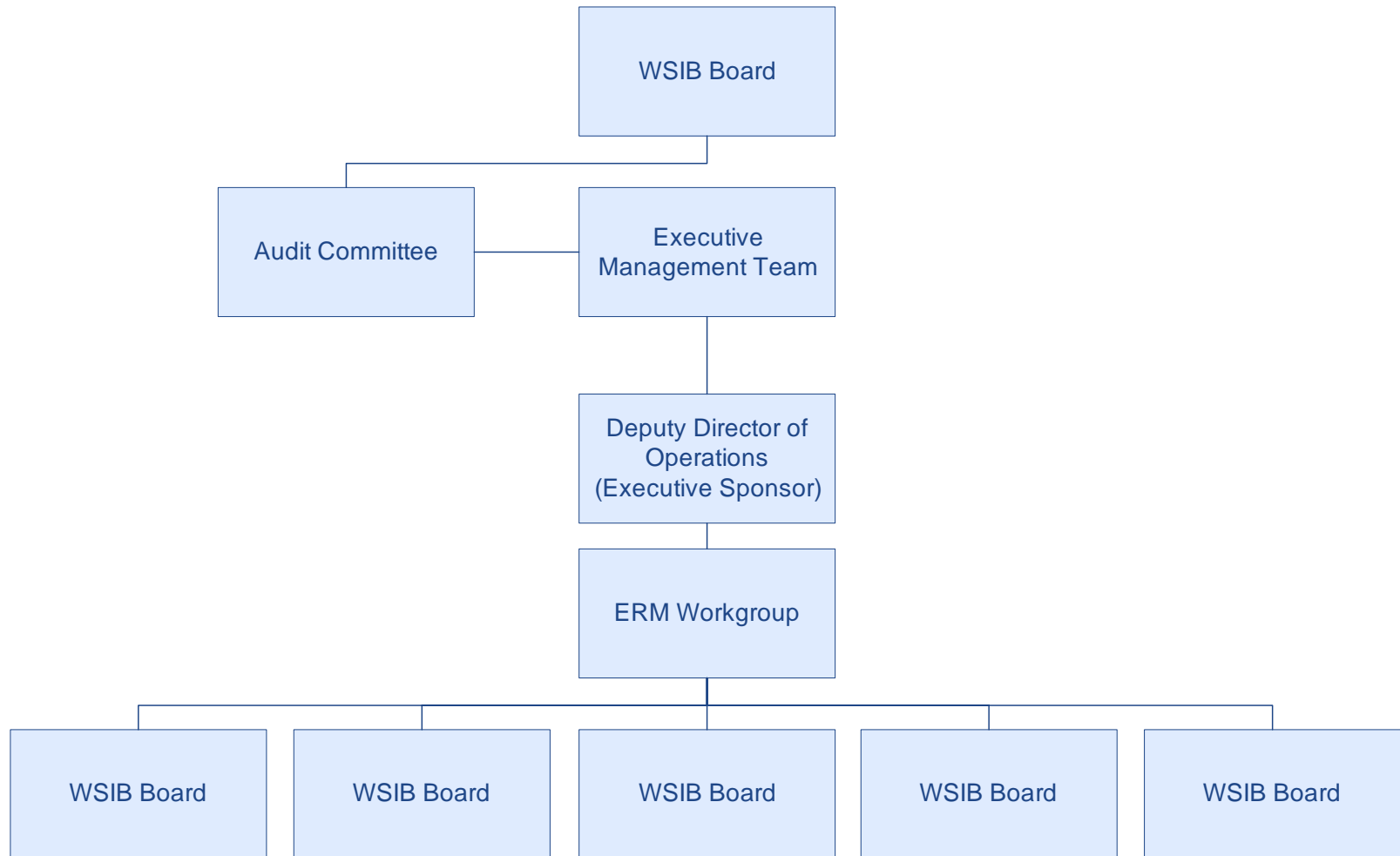
## Enterprise Risk Management (ERM) Continued

**Enterprise Risk Management is a process, not a product or bundling of solutions.**

- ◆ **Staff identify relevant risks in the organization.**
  - Through annual survey
  - Using incident reporting system
  - Sending an e-mail to a risk team member
  
- ◆ **The ERM team maps and scores the risks for management action.**
  - Discuss each risk at monthly meetings
  - Suggests courses of action to mitigate
  
- ◆ **Management evaluates risks given the agency's overall risk appetite and business strategy.**



# Enterprise Risk Management Group Reporting Responsibilities





## Changing the Culture

- ◆ **ERM is a holistic, agency wide effort. It is the responsibility of EVERY employee**
- ◆ **ERM is based on risk self-assessments at EVERY level of the organization**
- ◆ **EVERY process must be identified and evaluated for potential risks: impact, probability, and mitigating controls.**
- ◆ **It is NOT a bad thing to identify risks**
  - **ERM Team gives awards for the “best” errors or incident filed using the on-line system**



WE CAN'T DO OUR JOB  
IF YOU DON'T HELP US.



ENTERPRISE RISK MANAGEMENT

# Risk Management Database

Microsoft Access - [Risk Management]

File Edit View Insert Format Records Tools Window Help Adobe PDF

Type a question for help

Submitted Date: 8/11/2005 Submitted By: Phone:

Business Unit: Supervisor:

Supervisor Notified: Method of Submission:

Incident/Error Description:

Response/Resolution:

Risk Rating: Impact to Agency/Likelihood of Reoccurrence (Severity):

Save and Exit Exit Without Saving

Form View NUM

Start Drafts - Micro... Microsoft Word Microsoft Pow... Risk Managem... Risk Manage... CONSPEC CONTR 8:50 AM



## Types of Incidents / Risks

- ◆ **Risk Grade One - (Normal Day-to-Day Situations)**
  - Daily processes deal with on a routine basis.
  
- ◆ **Risk Grade Two- (Known Incident/Error)**
  - Root cause is known; temporary workaround or a permanent alternative has been identified
  
- ◆ **Risk Grade Three (Major Incident/Error)**
  - High impact, or potentially high impact
  - Requires response beyond that given to normal incidents.
  - Require cross-section coordination, management escalation, and increased communications
  - Requires immediate attention



## Examples of Risks Identified by Staff

### Risk Grade One

- ◆ **Manual cash rebalancing process**
  - Manual process
  - Opportunity for input error
  - Wasted staff resources
  - Key person risk – dependent on one person to do it daily
    - at 4 a.m.!
- ◆ **Staff identified risk and put in to data base**
- ◆ **ERM team discussed**
- ◆ **Cross divisional Team put together to automate process**



## Examples of Risks Identified by Staff

### Risk Grade Two

- ◆ **Fraudulent Wire instructions – request for \$500 million capital call**
  - Caught by staff because instruction poorly worded and from company not in our database
  - Discussed by risk committee
- ◆ **Risk team realized instructions are not shredded; just recycled**
  - Dumpster divers could get real wire instructions, making it much harder for WSIB staff to detect fraud
  - Action: recommended to management use of an on-site document shredding service for all WSIB documents





## Examples of Risks Identified by Staff

### Risk Grade Three

- ◆ **Securities Lending Income on International Portfolio**
  - Our custodial bank pulled a portfolio off the securities lending program during a money manager transition and failed to put them back into the program upon completion of the transition
- ◆ **Resulted in \$453,000 in lost lending income to WSIB over one year**
- ◆ **Bank reimbursed WSIB full amount plus interest**
- ◆ **Staff and bank have put controls in place to ensure all portfolios are checked monthly for securities lending income and investigated where income is not reported**

## Management and Staff Working Together



"There's always an element of risk. No one has a crystal ball. OK, I have one, but no one knows how it works."



"We've considered every potential risk except the risks of avoiding all risks."

Washington State Investment Board

ENTERPRISE RISK MANAGEMENT



*Washington State Department of*  
**Information Services**

# Managing Risk with Enterprise Business Continuity

Gary Robinson, Director  
Department of Information Services

Risk Management Conference  
December 9, 2005



# What is Enterprise Business Continuity?

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Ensuring the public continues to receive vital state services in the aftermath of disasters or disruptions.

- The public expects government to lead and deliver in these circumstances
- Business continuity embodies risk management
  - Preparation
  - Response
  - Recovery and resumption



# What is the state doing?

---

- **Preparing** to respond in emergencies
  - Assessing risks, threats, vulnerabilities
  - Prioritizing services, strategies
  - Identifying mitigations, responses, recovery strategies
  - Proposing investment options
  
- **Establishing** enterprise technology systems to support resumption of services



# Why an Enterprise approach to business continuity?

---

- Establish common understanding and approach to identifying and mitigating risk
- Prioritize and mitigate the primary risks across the Enterprise
- Account for dependencies across agencies
- Capitalize on economies of scale and avoid duplication of cost and effort



# What is the DIS role?

---

- Establishing a common framework for agency programs
- Working with agencies to identify services that must continue following an emergency
- Providing a software tool to document agencies vital services and responses
- Providing disaster recovery and business continuity services for agency technology systems

# How are agencies addressing business continuity risks?

## Identifying and categorizing vital services

Group A	Group B	Group C	Group D
Mission Critical	Essential	Important	Marginal

## Developing strategies, implementing operational changes, and securing resources

- Strategies for different disaster and disruption scenarios
- Operational changes necessary to carry out strategies
- Resource requirements



# What is the implementation timeline for business continuity?

Apr-Jun 2005	Jul-Sep 2005	Oct-Dec 2005	Jan-Aug 2006
<ul style="list-style-type: none"> <li>■ Project workplan developed</li> <li>■ Business continuity tool acquired</li> </ul>	<ul style="list-style-type: none"> <li>■ Charter written</li> <li>■ Project workplan reviewed</li> <li>■ Setup and approach to common processes completed</li> <li>■ Governance model drafted</li> <li>■ Business continuity tool installed</li> <li>■ Agency business continuity management development began</li> </ul>	<ul style="list-style-type: none"> <li>■ Common tools and templates established</li> <li>■ Work sessions developed and facilitated</li> </ul>	<ul style="list-style-type: none"> <li>■ Populate and provide agency access to business continuity tool</li> <li>■ High-level inventory, business process modeling</li> <li>■ Business impact analysis</li> <li>■ Risk mapping</li> <li>■ Response</li> <li>■ Recovery</li> <li>■ Supplemental budget request</li> <li>■ Pursuit of service offerings</li> </ul>



# Current participants

---

- Department of Corrections
- Department of Ecology
- Department of Health
- Department of Information Services
- Department of Licensing
- Department of Personnel
- Department of Social and Health Services
- Department of Transportation
- Employment Security
- Health Care Quality Authority
- Labor and Industries
- Liquor Control Board
- Military Department
- Office of Financial Management
- Office of the State Treasurer
- Public Disclosure Commission
- Retirement Systems
- Washington State Patrol
- City of Seattle
- Clark County
- King County



# Contact information

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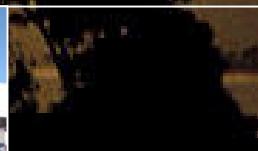
- Dave Kirk, Department of Information Services

902-3561

DaveK@dis.wa.gov



# Enterprise Risk Management



**The University of California  
Graduates to ERM**  
Shifting the Odds —December 9, 2005





Risk

Integration

Services

Knowledge

# Risk Services' Mission and Vision



Our mission is to enable the University faculty, staff, and students to identify and manage risks associated with their activities, consistent with the University's missions of teaching, research, and public service. By strategically managing risk we can reduce the chances of loss, create greater financial stability, and protect our resources.



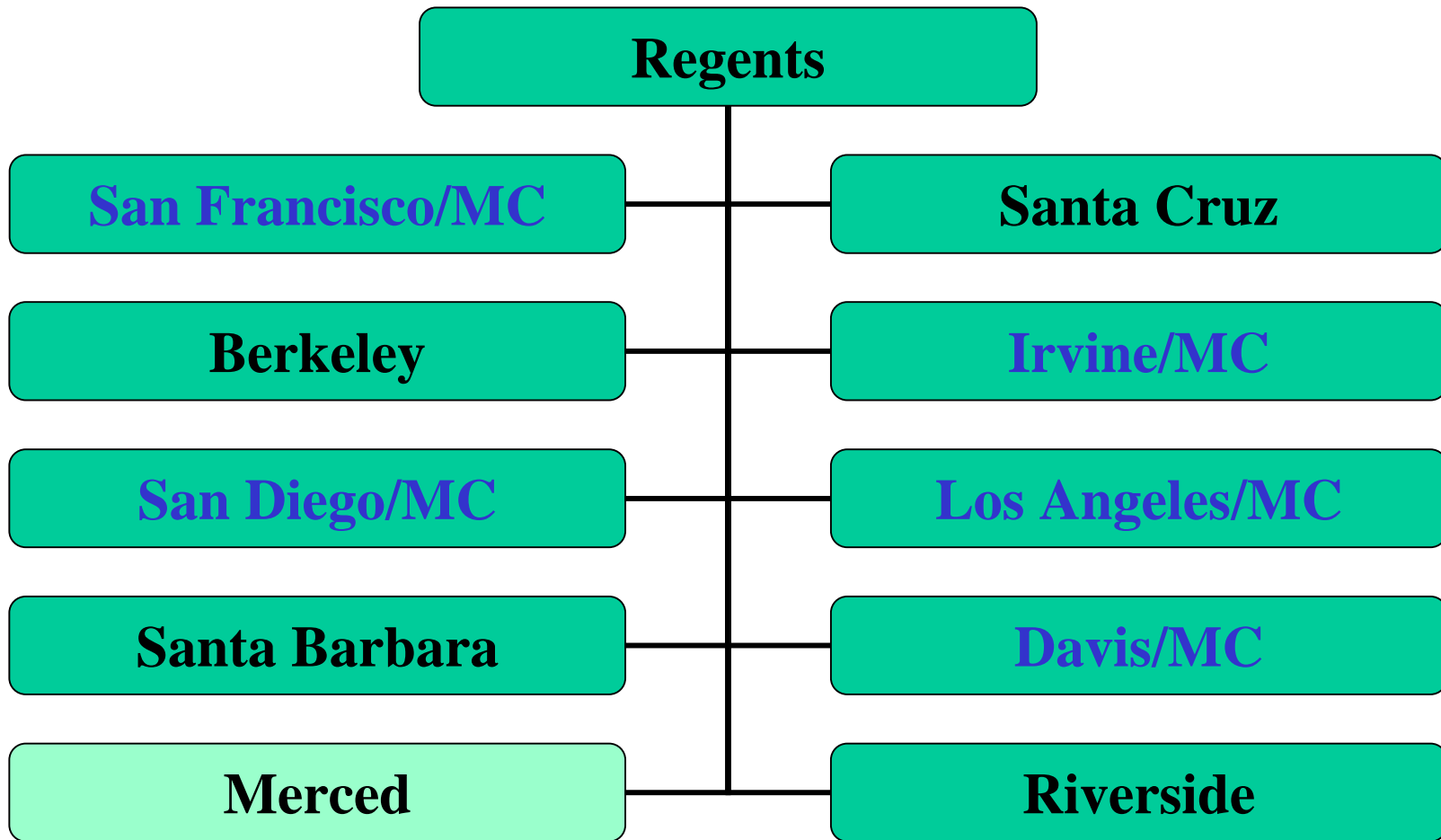
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# University of California Risk Management Structure







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# Goals of the CRO

- To create a risk-aware culture
- To formally bring consideration of risk into strategic decision-making
- To develop a center of excellence for managing risk, drawing on the expertise of highly skilled individuals
- To communicate to stakeholders and be an advisor to other executives and managers





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# Agenda

- ERM framework
  - History of ERM
  - ERM models
  - ERM at UC
- Tools for shifting the odds: controls and remediation
  - Tone at the top – senior management buy-in
  - Communications
  - Risk bearing & sharing







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# Before Enron

- October 1987, the Committee of Sponsoring Organizations (COSO) issued the Treadway report
- COSO was a private-sector initiative
- The Treadway report identified corporate governance principles that would significantly reduce the potential for fraudulent financial reporting
- The commission itself was formed in response to several high-profile financial frauds, primarily at savings and loan institutions
- Treadway report standards do not carry the force of law





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# Corporate Scandals

Indicted:

Ken Lay

Chairman/CEO

Sold 1.8 million shares  
for more than  
\$101.3 million



Scott Sullivan

former WorldCom CFO



photo: CNNfn

ARTHUR  
ANDERSEN

- Enron paid this accounting firm with a troubled past \$1 million a week to keep their books.
- As soon as the accounting firm found out there would be an investigation of Enron, they destroyed thousands of documents. Now, it's come out that Enron was shredding documents, too.





Risk

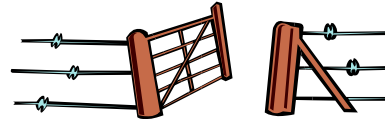
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# U.S. Sarbanes-Oxley Act of 2002

- Section 404 requires management's development and monitoring of procedures and controls - adequacy of internal controls over financial reporting



- Section 302 requires management's quarterly certification

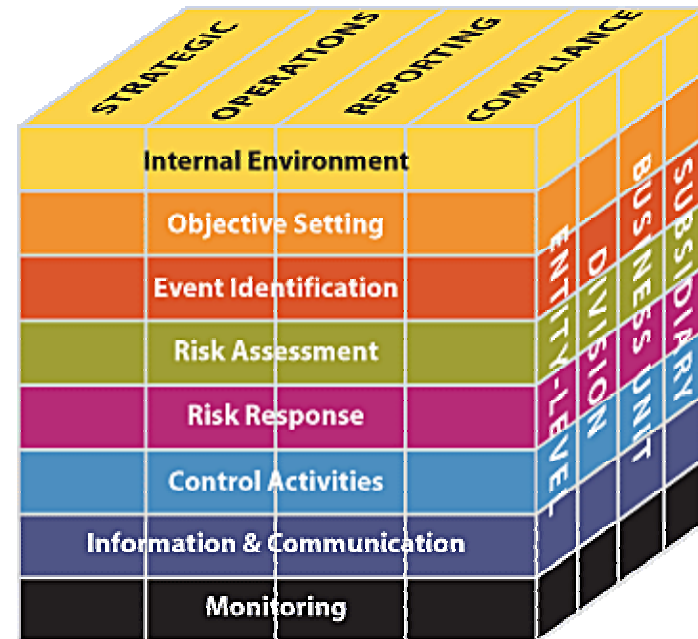




# The ERM Framework

Entity objectives can be viewed in the context of four categories:

- Strategic
- Operations
- Reporting
- Compliance



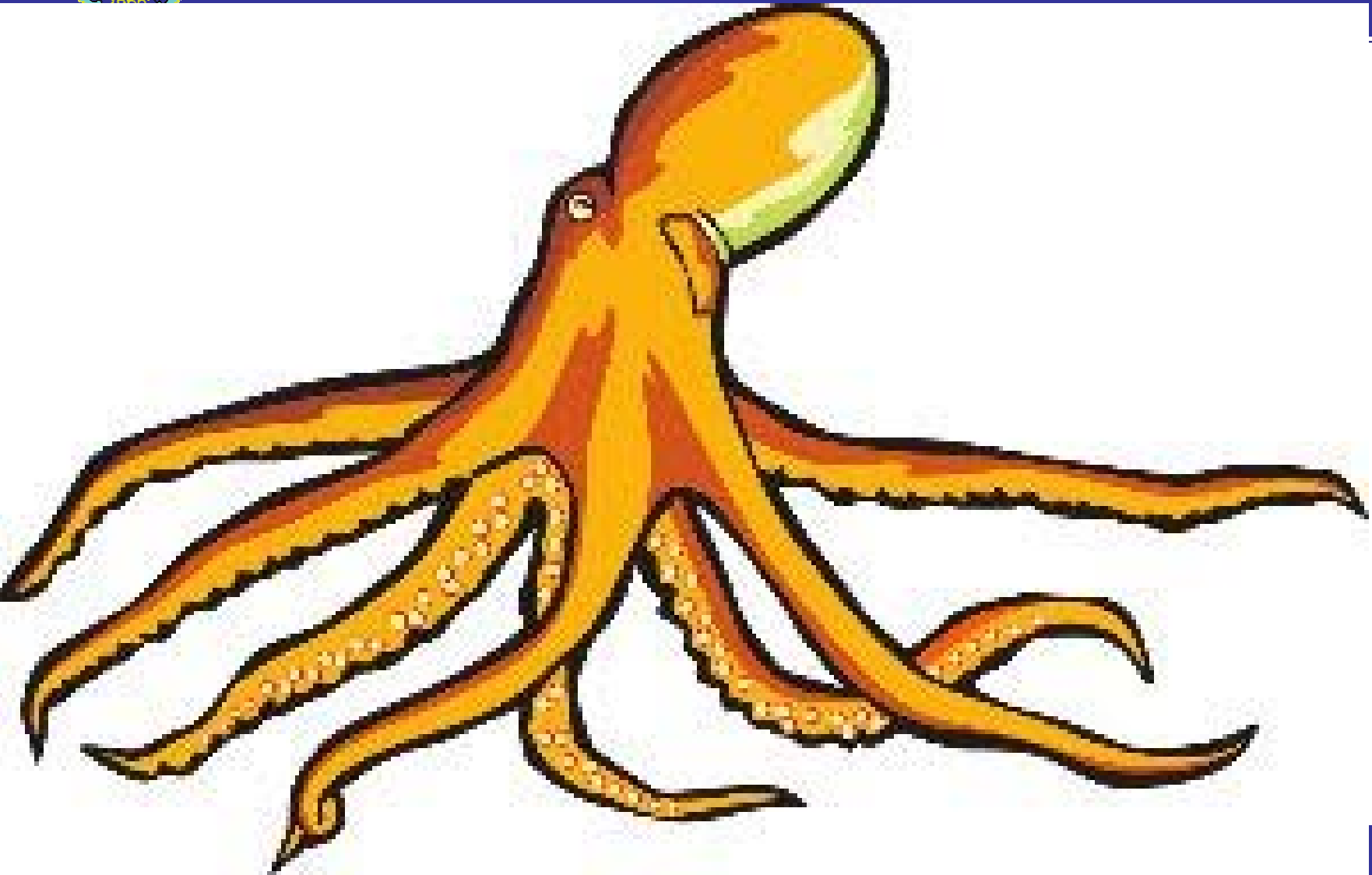


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# ERM Framework



*Identify Risk*

*Invent Solutions*

*Integrate*

*Inspire*





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# Control Environment



- Although not covered by the Sarbanes-Oxley Act, UC has implemented many of the principles set forth in the Act:
  - Audit committee has existed for 30 years – oversees Internal and External Audit
  - External and Internal Auditors hold annual private meetings with the Audit Committee
  - Regents Committee on Audit named outside expert to advise Committee as of July 1, 2005
- UC adopted COSO Internal Control Framework in 1996
- Primary objectives of UC's Internal Control Framework:
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with applicable laws and regulations



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# Risk Assessment Activities

- Currently three centrally-directed risk assessment activities:
  - Internal Audit
  - Financial Management
  - Safety
- Campuses perform own risk assessments
  - Management-lead assessment activities conducted by Controllers and Director of Control and Accountability





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# Context of Change



## Risks:

- High level of expectation by Regents and the public regarding integrity of ethics, business activities, and processes
- Reductions in funding for many administrative functions
- Decentralization of many financial and administrative processes

## Challenges:

- Little room for error
- Reliance on self-control
- Culture of self-support, self-discipline





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# Current Risk Management Efforts

- ERM implementation is in its early stages
- Current risk management activities revolve around insurable risks (property, general liability, professional and hospital liability, workers' compensation)
- Each campus has local risk management activity – reports to campus management
- Policies and guidelines for campus risk management programs established & overseen by OP Risk Services
- OP Office of Environmental Health & Safety has been incorporated into OP Office of Risk Services to improve safety & loss prevention programs





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# ERM at OP Risk Services

- Risk Summit attended by 143 attendees
  - Claims Managers
  - Risk Managers
  - Budget Officers
  - Vice Chancellors
  - EH&S
- 10 Work Teams established

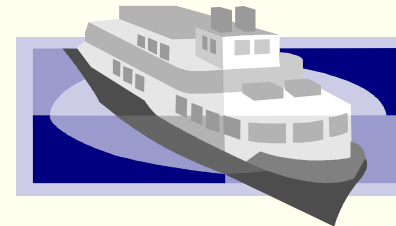


## 2005 UCOP Risk Summit

March 16, 17, 18, 2005  
Sheraton San Diego

Hotel & Marina

SAN DIEGO, CALIFORNIA



*All hands on deck*

Join over 100 of your  
UC colleagues who  
are committed to  
Managing Risk

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Identify Risk

Invent Solutions

Integrate

Inspire



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# Enterprise Risk Management at UC - Overview

- ERM Panel formed – members include management representatives from OP and the campuses
- Panel mission: develop a Request for Proposal (RFP) for consulting services relating to implementing ERM initiatives at UC
- RFP issued – proposals received from three consulting firms
- Panel members currently reviewing proposals. Consulting firms will be invited to present to the Panel in person.



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*Identify Risk*

*Invent Solutions*

*Integrate*

*Inspire*



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# ERM Consultant



## ■ Scope

- How can we take a more integrated approach to how we manage our traditional (funded) risk exposures?
- How can we take the programs we already have in place and use the data collected to analyze our risk in an enterprising manner?
- How could we begin to implement a COSO-modeled ERM program at UC?

## ■ Services

- Affirm what we already know we want to do
- Advise us what to do
- Assist us with just the tasks we cannot do



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# Scope of Services

- Strategy:
  - Develop data warehouse that can manage information already being collected
  - Use data with COSO framework
    - Analyze processes, risks, controls
    - Develop further strategies
- Services to provide:
  - Review ERM & Risk Assessment efforts already underway
  - Assess data already being collected
    - Determine value for input into Risk Management Information System (RMIS)







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# Expected Outcome

- Produce reports on regular basis to raise awareness of risks
- Create risk-aware culture
- Formally bring consideration of risk into strategic decision making
- Develop center of excellence for managing risk
- Communicate results:
  - Dashboard of risks and related responses (visual status of where key risks stand relative to risk tolerances)
  - Flowcharts of processes with key controls noted
  - Narratives of business objectives linked to operational risks and responses
  - List of key risks to be monitored or used
  - Management understanding of key business risk responsibility and communication of assignments





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# ERM at UC Today

1. Looking at how we can take our current IT platform and move it to an ERM platform
2. Reviewing best strategy for ERM at UC
3. Encouraging participation in ERM (Risk Assessment) activities
4. Encouraging use of ERM Framework in analyzing “traditional” risks



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*Identify Risk*

*Invent Solutions*

*Integrate*

*Inspire*



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# About UC Davis



- **Ranked:**
  - 11th among public universities nationwide by *U.S. News & World Report*
- **Research Funding:**
  - \$421 million in 2003–2004
- **Colleges/schools/divisions:**
  - 3 colleges: Agricultural and Environmental Sciences, Engineering, Letters and Science
  - 5 professional schools: (Education, Law, Management, Medicine, Veterinary Medicine)
  - 1 division: Biological Sciences
- **Student Enrollment:**
  - 30,065
- **Employees:**
  - 17,229
- **Acres:**
  - 5,300





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# Enterprisewide Risk Work Group Charge

- Promote collaboration on risk assessment and management activities to ensure coordinated efforts
- Advance risk awareness
- Identify risks associated with UC Davis objectives
- Ensure mitigation efforts are effective in managing risks to an acceptable level of exposure





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# Top 5 UC Davis Risks

- Insufficient facilities (space) to continue to meet the growing demands for education, research and service
- Noncompliance with policies and procedures
- Losses of research funding assets from noncompliance, non-accountability, and high-risk partnership
- Inability to recruit and retain staff
- Building safety declining due to deferred maintenance and unsafe practices



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Risk

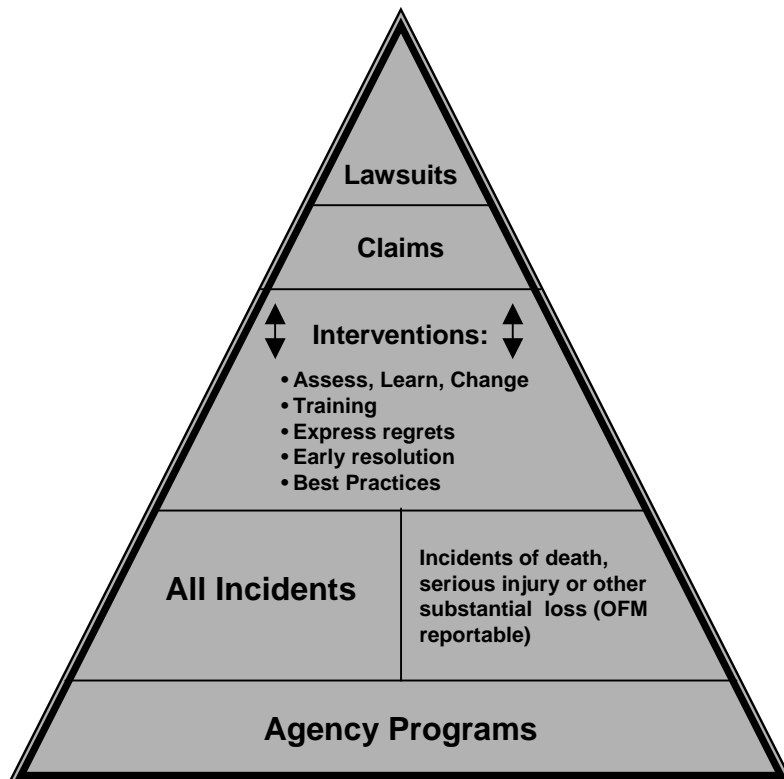
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# Risk Management: Taking Deliberate Actions to Avoid Loss Across Multiple Functions

## Risk Management Continuum



## Enterprise Risk Management Model





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# Example Risk Framework

Risk is defined as “any event that can prevent your organization from achieving its objectives”.

**Objectives** - *What is your organization trying to achieve and what are the desired outcomes?*

**Risks** - *What risk can keep your organization from accomplishing this objective?*





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# GLOBE Risk Assessment for International Programs



## GLOBE Objectives:

- Provide oversight, reasonable care and administration of international programs
- Provide high-quality international services and programs for students and scholars that foster a positive reputation of UC Davis
- Foster an environment of learning/discovery/engagement in an international context
- Foster an environment that promotes health and safety domestically and internationally
- Foster collaboration within the campus community to promote and sustain international programs and activities





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# “Big Bang” Risk Assessment

## Cell Storage Technologies (CST) Objectives:

- Provide culture media optimal for stem cell growth
- Provide proprietary stem cell storage and delivery technology
- Provide licenses for the use of this technology as a peripheral therapy for leukemia treatment





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# Washington State Department of Social and Health Services Risk Assessment



## DSHS Objectives:

- Improve quality of life for those in need
- Create partnerships with families, community groups, religious organizations, private providers, other government agencies and citizens of Washington
- Integrate services for citizen ease of use and reduction in administration costs



# Assess Impact and Likelihood of Each Risk

- What would be the **impact** on your organization's ability to achieve its objectives if this risk occurred?
- What is the **likelihood** of this risk occurring considering what you are doing today to prevent it?
  - 1: Very Low (no significant impact)
  - 2: Low (inconvenient)
  - 3: Medium (disruptive)
  - 4: High (serious)
  - 5: Very High (catastrophic)







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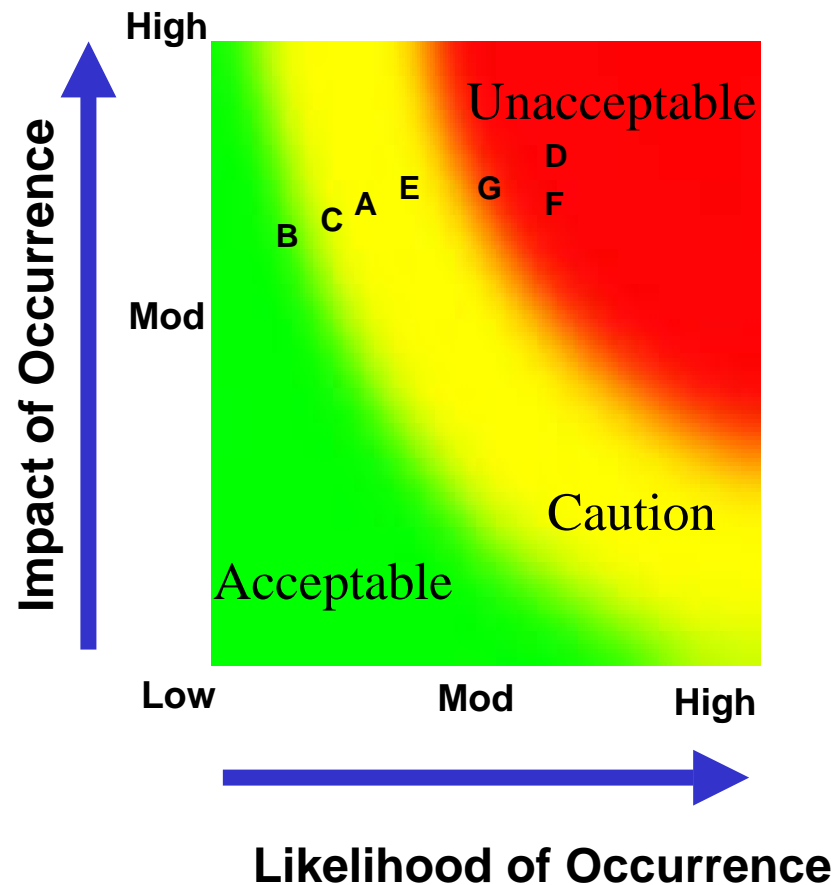
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# Assessing Risks

## Example Risks:

- A:** Non-compliance with funding policies and conditions
- B:** Ineffective environmental health & safety
- C:** Loss of revenues
- D:** Ineffective planning and resource allocation system
- E:** Lack of integrity of financial support system
- F:** Lack or loss of coherent vision and values of the unit
- G:** Inability to attract and retain key administrative staff



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# Framework For Facilitated Discussions



## Risk – *One risk that can prevent achieving objectives*

### Contributing Factors:

*Discuss and review each contributing factor that can affect this risk either positively or negatively.*

### Current Mitigating Business Practices:

*Describe and assess effectiveness of what you are CURRENTLY doing to mitigate each contributing factor.*

## Consequences

*Identify consequences which currently exist or may surface in the future due to this risk*

## Additional Actions *that could improve the management of this risk.*

### ACT:

*What can you do to improve the way this risk is being managed?*

### ELEVATE:

*What do others need to do to improve the way this risk is being managed?*



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# Tools: Loss Allocation Standard Models

- 3 Component Model
  - Deductible Component
  - Experience/Exposure Weighted Component
  - Risk Pooling Component
- Allocation down to Unit level
- Promotes loss prevention and claims cost reduction
- Model is very flexible
- Data must be timely





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**Tools:**

# Accountability – Loss Allocation

A Deductible Model is timely and meaningful to owners

- Look back at only 12 month period of claims
- Up to first \$5,000 (\$x) of each claim is allocated back to the unit
  - Promotes loss prevention – management more likely to require safe behavior in order to avoid \$ impact
  - Promotes loss reduction – management more likely put controls in place minimize cost of claim
- Facilitates communication – it is recommended that you schedule a meeting with the unit manager and provide detailed information on the losses in the 12 month period that impacted the deductible and assist them in developing a loss prevention strategy





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Tools:

# Accountability – Loss Allocation

- Best Practice includes a compliance component, such as
  - Contractual controls
  - Safety initiatives
  - Training initiatives
  - Equipment certification
  - HR issues
  - Legal issues
- Documented through certification and sampling audit
- Allocation is decreased for performance of compliance items
- Allocation is increased for lack of performance







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# UC Davis General and Employment Liability Loss Allocation Program



## 1997:

- Cost of programs becomes a campus cost
- UC Davis “socialized” costs per \$100 of payroll. One campus-wide rate applies to all units

## 2000:

- Allocation methodology changes to a differential rate incorporating past claims experience
- Units now assessed an experience-adjusted rate
- Units with poor claims histories pay more than units with few or no claims



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# UC Davis General and Employment Liability Deductible Program

**2000:**

Program includes:

- Incentives for loss reduction
- Exceptions that encourage a change in management practices/safety/loss prevention and control programs
- Incentive for high standards in management practices triggers complete waiver of the maximum \$50,000 deductible
- Removal of the element of surprise



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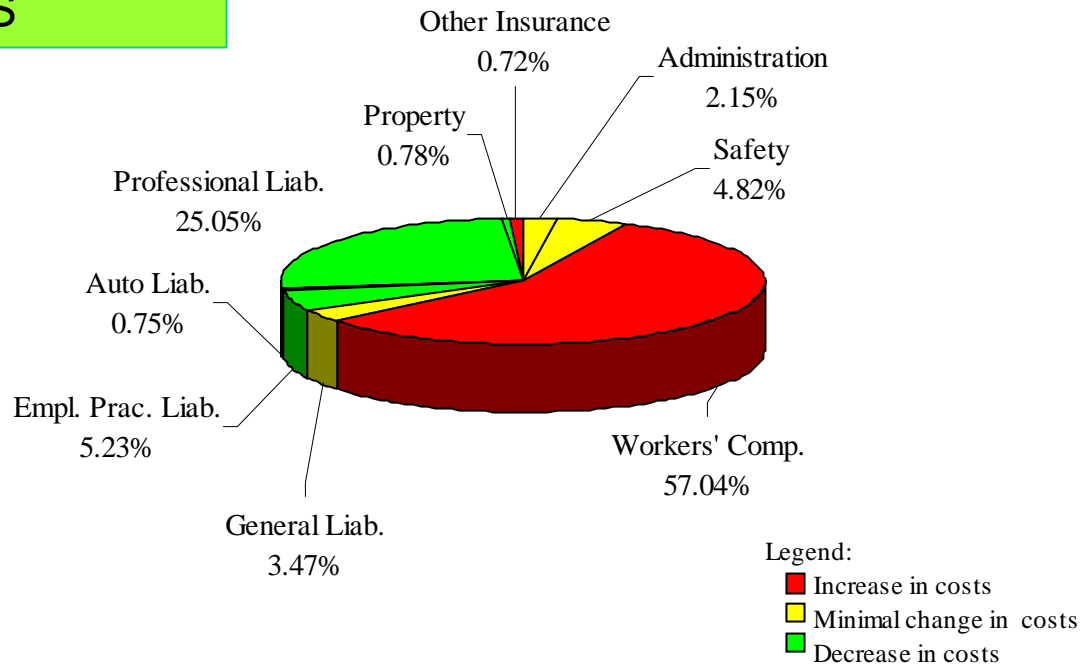
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# Tools: Data – 2004/2005 Cost of Risk



**MISSION: REDUCE  
COST OF RISK BY 15%  
IN 24 MONTHS**







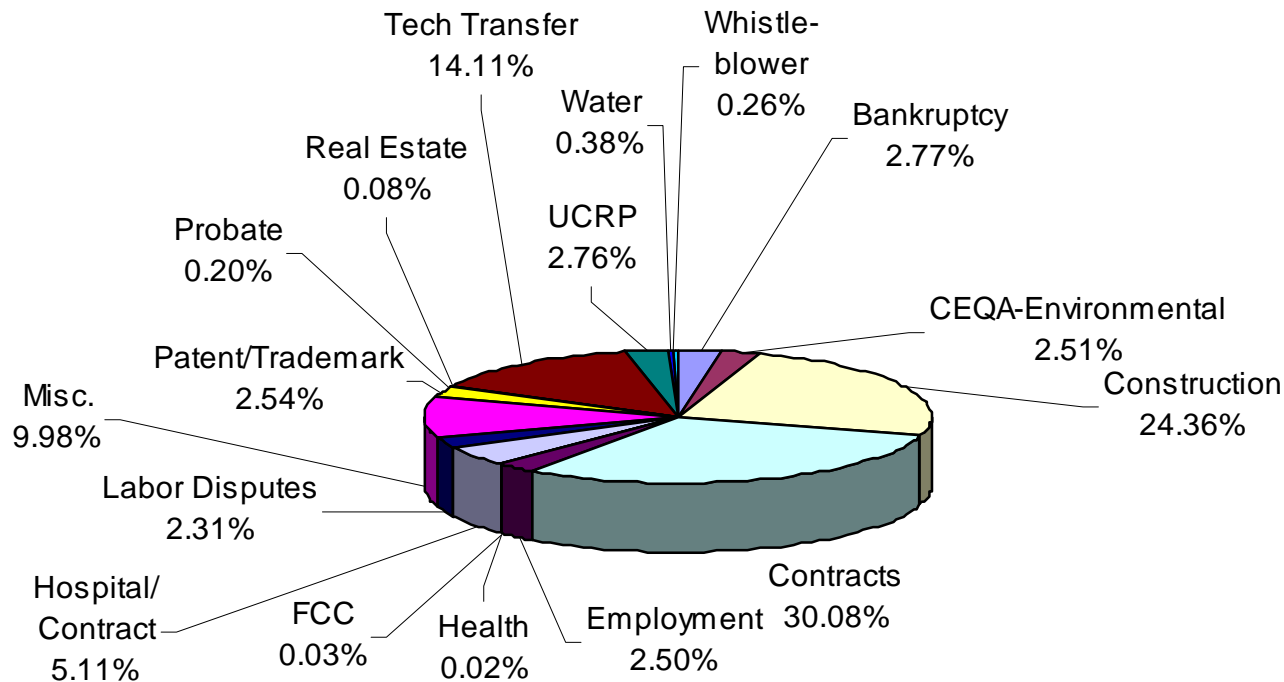
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# Tools: Data – Risks Outside Traditional Program – 2003 & 2004





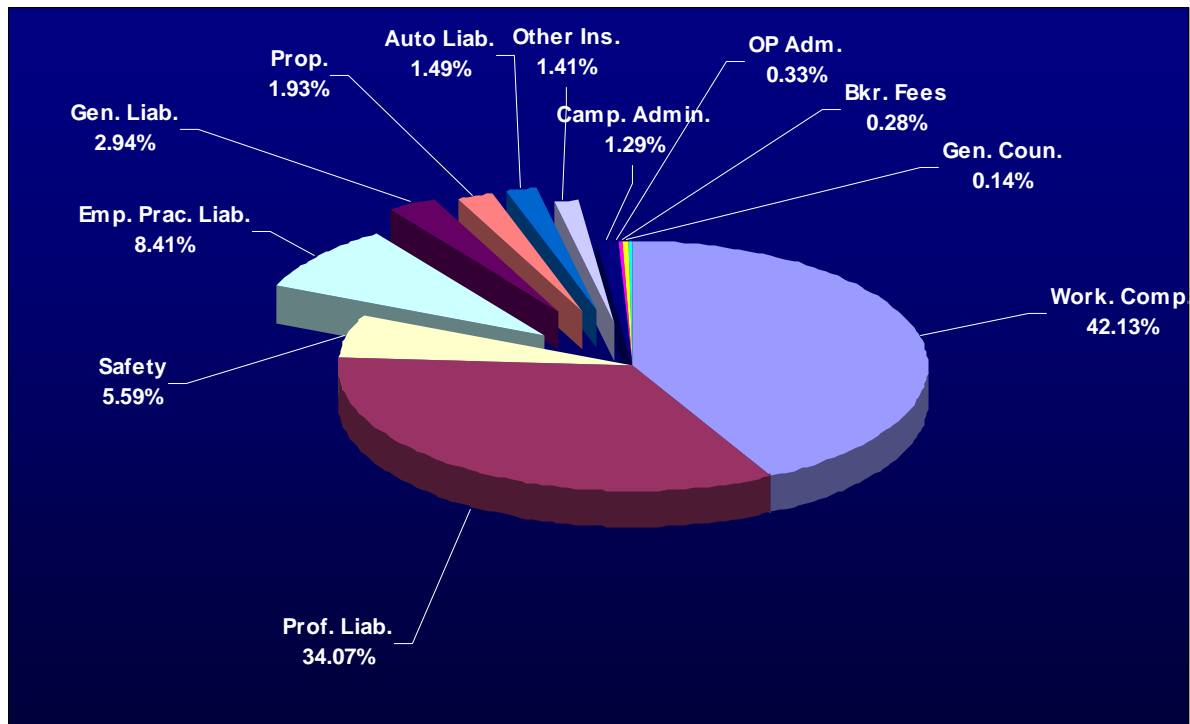
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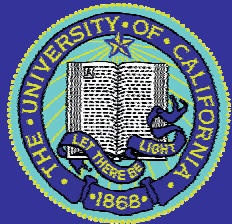
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# UC Davis Cost of Risk





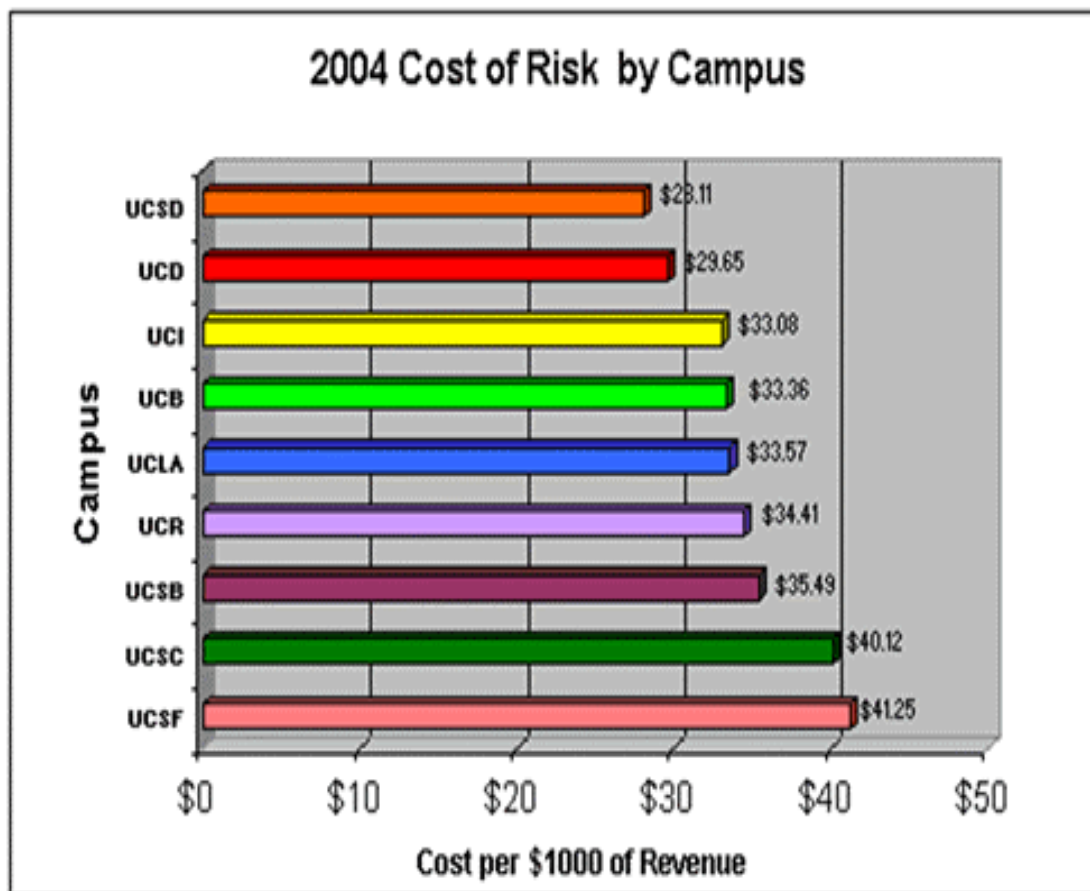
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# 2004 Cost of Risk by Campus





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# Tools: Loss Prevention

- Variety of Loss Prevention and Loss Control Programs at each location
- EH&S Directors Work-Groups
  - Ergonomics
  - Safety Training (STEW)
  - Haz-Mat (HWAG)
  - IH & Lab Safety
  - Radiation Safety
  - Bio-Safety
  - Emergency Management
  - Environment
  - Field Safety
  - Fire Marshals
  - Environmental Health





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# Tools: Loss Prevention

- Loss Prevention should include an array of techniques
  - Hiring practices
  - Management and supervision
  - Contractual risk transfer
  - Credibility
  - Communication
  - Accountability
  - Culture
- Loss Prevention should be delivered in a variety of ways
  - Controls – prevent and detect
  - Policies and procedures
  - Training
  - Safety programs
  - Loss allocation
  - Culture





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UC Davis

# General and Employment Liability Retrospectives (aka “Post mortems”)

Litigation “retrospectives” held to allow:

- Outside defense counsel to discuss risks to defending The Regents
- Defense team to brainstorm controls (policy/procedure/practices) needed to eliminate or mitigate risks in the future
- Defense team to develop action plans, assign responsibility for implementing controls and create metrics to measure **culture** change
- Risk Management Services to monitor **culture** change progress and reports on metrics







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# UC Davis Enterprisewide Risk Awareness Certificate



Risk Management is everyone's business!

- **Risk assessment and mitigation process**
  - Managing Risk – An Assessment Model
- **Financial risks**
  - Accountability, Ethics and Internal Controls
  - How to Survive an Audit
- **Compliance risks**
  - Confidentiality of Records
  - Disability Management for Supervisors
  - Workers' Compensation Awareness
  - Workers' Compensation: Supplemental Benefits
- **Reputation risks**
  - Conflict of Interest
- **Operational risks**
  - E-mail Liability
  - Liability for Public Property
  - Transferring Liability
  - Incident Reporting: Just the Facts



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# Tools: What Works?



## UC Davis Provost Funded Programs

**\$337,125**

Violence Prevention (Hazard/Strategic/Operational Risk)	\$ 25,000
Campus-wide discrimination seminar (Hazard/Strategic/Operational Risk/Compliance Risk)	\$ 25,000
Campus-wide sexual harassment seminar (Hazard/Strategic/Operational Risk/Compliance Risk)	\$ 25,000
Precipitating conditions for EPL claims (Strategic/Operational Risk)	\$ 12,000
Employee Practices Liability Training (Hazard/Strategic/Operational Risk/Compliance Risk)	\$ 60,000
Training for newly-appointed dept. chairs (Strategic /Operational Risk)	\$ 50,000
Investigator Training for Academic Administrators (Strategic/Operational Risk)	\$ 4,500
Leadership Training for Faculty (Strategic/Operational)	\$ 52,000
Facility Safety Audits (Strategic/Operational)	\$ 32,625
Option Technologies Interactive System All ERM	\$ 18,000
On-going funding for permanent analyst All ERM	\$ 33,000

45

*Identify Risk*

*Invent Solutions*

*Integrate*

*Inspire*





Risk

Integration

Services

Knowledge

# Tools: Communication

## Risk Services Annual Report:



### UCOP Office of Financial Management Risk Services Annual Report 2004/2005

## Risk Services Today newsletter:



**RISK SERVICES TODAY**  
University of California

**Letter from the Editor**  
September, 2005

Welcome to the first issue of *Risk Services Today*. We hope this newsletter will serve as a communication tool to inform you of risk management issues, whether it be trend developments, best practices, successfully implemented programs, case reviews (win or loss), unique risks others may not think about, helpful hints on reducing the cost of risk, or what's new in Risk Services. We would like to reach beyond local campus and medical center risk management offices because in reality it's up to everyone to be aware of and help control the risks in the University environment. "Everyone is a Risk Manager".

The Office of the President, Office of Risk Services would like to introduce you to the University's Chief Risk Officer, Grace Cichotte. She is new to the University and her featured article will lead you on a path to reduce the cost of risk.

A new addition to our office is Director of Environmental Health and Safety (EH&S) Joe Adams, who will provide you with an introduction to EH&S at the University. The primary goal of EH&S is loss prevention because when you prevent an accident from happening "everyone wins".

Other features in this issue include:

- Implementation of a successful program at UC Davis Health System emphasizing that our employees are the most important customers – a best practice brought to you by Risk Management. Maybe this can work at your location as well.
- An ongoing concern for employees is Workers' Compensation fraud – a waste of monetary and administrative resources. The key to fighting fraud is timely communication.
- A synopsis of a case recently taken to trial – yes, the University can be successful in taking cases to trial even when up against the toughest opponent. And when successful, the plaintiff may be ordered by the court to pay the University.

We're also introducing a new *Ask* service team to help answer your questions about insurance requirements and certificate of insurance issues. Their services are being provided in response to requests for assistance needed in this area. We encourage you to use the services of this new *Ask* team.

If you have programs and success stories to share, something of interest happening in your Risk Management world, or suggestions for future articles, please send them to the newsletter editor.

Until the next issue,

*Cindy Low*  
Cindy Low, Editor  
Risk Services Today  
cindy.low@ucop.edu

**The Cost and Rewards of Risk**  
By Grace M. Cichotte

Every day we make choices in our personal and professional lives that involve risk. We usually associate risk as being negative; something that could go wrong – a choice with a downside. Often, the biggest risk that we take is the decision not to do something and then we have a missed opportunity. Taking on the role of Chief Risk Officer at the University required personal and professional risks; leaving a job I had enjoyed for over 13 years, moving my family to a new city, going from operating in the private sector to the public sector. With great risk comes great reward, and although it has only been 9 months since my arrival, I am certain I made the right choice and I'm grateful for the opportunity I have here at UC.

UC is constantly in motion, choices are being made, and risk is inherent in everything the University does or does not do. As the Chief Risk Officer my goal is to:

- Create a risk aware culture.
- Formally bring consideration of risk into strategic decision-making.
- Develop a center of excellence for managing risk, drawing on the expertise of highly-skilled individuals throughout the University.

*continued on page 3*

**"Does the University ever try cases or do we just settle?"**

*Risk Services manages and funds the defense of employment practice liability claims. Employment practice claims are claims or lawsuits alleging wrongdoing that University employees or applicants of employment bring against the University. These claims can be difficult. Often each side is extremely polarized, each believing that their view of the case is right.*

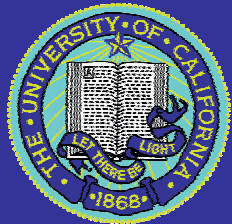
*Risk Services is often asked, "Does the University ever try cases?" The short answer is "yes." Sometimes we win and sometimes we lose. We learn how to improve our service and operations from all cases.*

*Below, you will find a synopsis of a case recently taken to trial where the University prevailed.*

The law firm of Gordon & Rees, LLP recently earned a defense verdict in a sexual orientation, age discrimination and retaliation lawsuit. Californian politician and nationally prominent plaintiff's attorney Angela Altono represented the plaintiff, a prominent physician who had been employed at UC for over 20 years. The plaintiff claimed that beginning around 1994 he began experiencing

*continued on page 2*

both available at UCOP Risk Services website: <http://www.ucop.edu/riskmgmt/welcome.html>



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# UC Davis Annual Risk Management Report Online

## UC Davis 2005 Annual Report of Risk Management Results

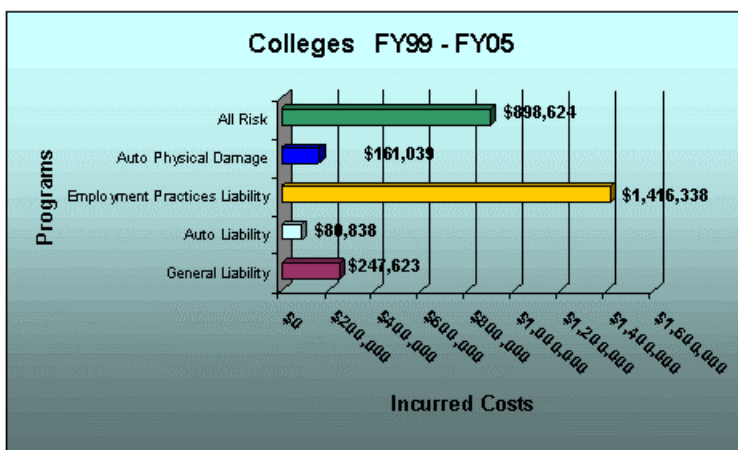
[INTRODUCTION](#) [EXEC SUMMARY](#) [DEPT RESULTS](#) [RISK FINANCING](#) [ACTIVITIES](#) [FINDINGS](#) [RECOMMENDATIONS](#) [LINKS](#)

### COLLEGES

Program	Number of Claims	Incurred Costs
Auto Physical Damage	<a href="#">109</a>	\$161,039
Auto Liability	<a href="#">41</a>	\$80,838
All Risk	<a href="#">38</a>	\$898,624
General Liability	<a href="#">24</a>	\$247,623
Employment Practices Liability	<a href="#">10</a>	\$1,416,338
	<b>222</b>	<b>\$2,804,463</b>

Program	Frequency	Severity
Auto Physical Damage	49.1%	5.7%
Auto Liability	18.5%	2.9%
All Risk	17.1%	32.0%
General Liability	10.8%	8.8%
Employment Practices Liability	4.5%	50.5%

**Frequency** is something over which management has some control. **Severity** is usually pure chance. However, some programs tend to have only "severe" claims such as Employment Practices Liability.



HOW DO YOUR RESULTS COMPARE TO OTHER CAMPUS ORGANIZATIONS?

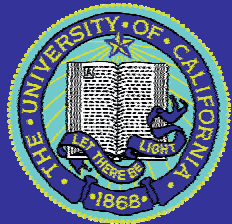
[CLICK HERE TO FIND OUT!](#)

### Gael Rate History: COLLEGES

FISCAL YEAR	2003	2004	2005	2006
GAEL RATE	\$0.46	\$0.30	\$0.28	\$0.24

### RECOMMENDATIONS

<a href="#">General Liability</a>	<a href="#">Auto Liability</a>	<a href="#">Employment Practices</a>	<a href="#">Auto Physical Damage</a>	<a href="#">All Risk</a>
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# UC Davis Annual Risk Management Report Online



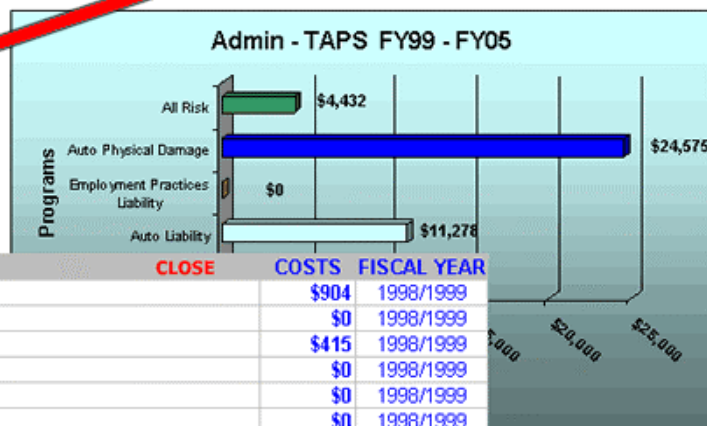
UC Davis  
2005 Annual Report of Risk Management Results

INTRODUCTION	EXEC SUMMARY	DEPT RESULTS	RISK FINANCING	ACTIVITIES	FINDINGS	RECOMMENDATIONS	LINKS
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OOA - TAPS

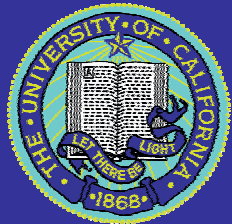
Program	Number of Claims	Incurred Costs
General Liability	33	\$18,892
Auto Physical Damage	19	\$24,575
Auto Liability	8	\$11,278
All Risk	4	\$4,432
Employment Practices Liability	0	\$0
	64	\$46,177

[Click on claims to see details.](#)



INCIDENT	CLOSE	COSTS	FISCAL YEAR	
Roof Scraped In Parking Structure Cross Beam		\$904	1998/1999	
While Parking Clmt Hit A Sharp Part Of Meter		\$0	1998/1999	
Rebar Allegedly Damaged Clmt. Vehicle		\$415	1998/1999	
		\$0	1998/1999	
Clmt Veh Vandalized While In Parking Garage		\$0	1998/1999	
Clmt's Window Broken By Vandals, Car On Uc		\$0	1998/1999	
Clmt Locked Keys In Car, Lock Damaged		\$0	1998/1999	
Clmt Rode Over Debris In Roadway Left By Uc		\$0	1999/2000	
CLAIMANT BACKED OUT OF PARKING PLACE, THE REBAR CAUGHT UNDER		\$1,503	1999/2000	
Parked car in designated parking spot. Could feel bumper graze over cement sl		\$740	1999/2000	
While pulling out of parking space, front bumper/fender ripped and dislodged out		\$750	1999/2000	
bike disappeared		\$145	1999/2000	
Valet Twisted Key On Client's Vehicle And Broke Lock		\$0	1999/2000	
Tipped curb damaged rim		\$0	2000/2001	2006
REBAR STICKING UP DMG VEHICLE		\$0	2000/2001	\$0.35
Stake sticking up, pulled bumper from car.		\$0	2000/2001	
TAPS used wrong connection to battery		\$331	2000/2001	
Rebar ripped underside of vehicle.		\$0	2000/2001	All Risk
rebar ripped underside of claimant's vehicle		\$0	2001/2002	
TAPS official put jumper cables on backwards		\$0	2001/2002	
Driver's door lock damaged with TAPS attempted to open.	NEXT	\$0	2002/2003	





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# UC Davis Annual Risk Management Report Online

## LINKS

### Federal Government

[FIRSTGov](#)  
[OSHA](#)  
[Center for Disease Control](#)  
[NIOSH](#)  
[NHTSA](#)  
[FEMA](#)  
[Homeland Security](#)  
[Consumer Product Safety Commission](#)  
[HazMat](#)  
[RECALLS](#)

### State Government

[BUREAU OF AUTOMOTIVE REPAIR](#)  
[CAL-OSHA](#)  
[CAL-OSHA STANDARDS BOARD](#)

Address [http://www.rims.org/Content/NavigationMenu/PR/ContactUs/RIMS\\_ERM\\_Initiative.htm](http://www.rims.org/Content/NavigationMenu/PR/ContactUs/RIMS_ERM_Initiative.htm)

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**ERM**

**RIMS Enterprise Risk Management (ERM) Center of Excellence**

*Intelligent Risk Taking is the Current World Class Organizations*

Papers & Studies | Articles | Web Sites

**ERM PAPER AND STUDIES**

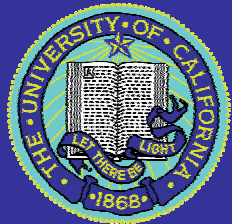
- [Australian Standard /NZS 4360: 2004 Risk Management Standard](#)
- [2002 Risk Management Standard](#), The Institute of Risk Management (CIRMA)
- [2004 COSO Enterprise Risk Management - Integrated Framework](#), Cor Sponsoring Organizations
- [7th Annual Global CEO Survey, "Managing Risk: an Assessment of CEO Preparedness,"](#) PricewaterhouseCoopers, 2004
- [Keynotes of the Corporate Guidance for Internal Control](#), Turnbull Report

### Professional Organizations

[RISK AND INSURANCE MGMT SOCIETY \(RIMS\)](#)  
[PUBLIC AGENCY RISK MANAGERS ASSOCIATION \(PARMA\)](#)  
[UNIVERSITY RISK MANAGEMENT AND INSURANCE ASSOCIATION \(URIMA\)](#)  
[AMERICAN SOCIETY OF SAFETY ENGINEERS \(ASSE\)](#)

### ERM (Enterprise Risk Management) [\(What is it?\)](#)

RISK AND INSURANCE MGMT SOCIETY ERM Center of Excellence



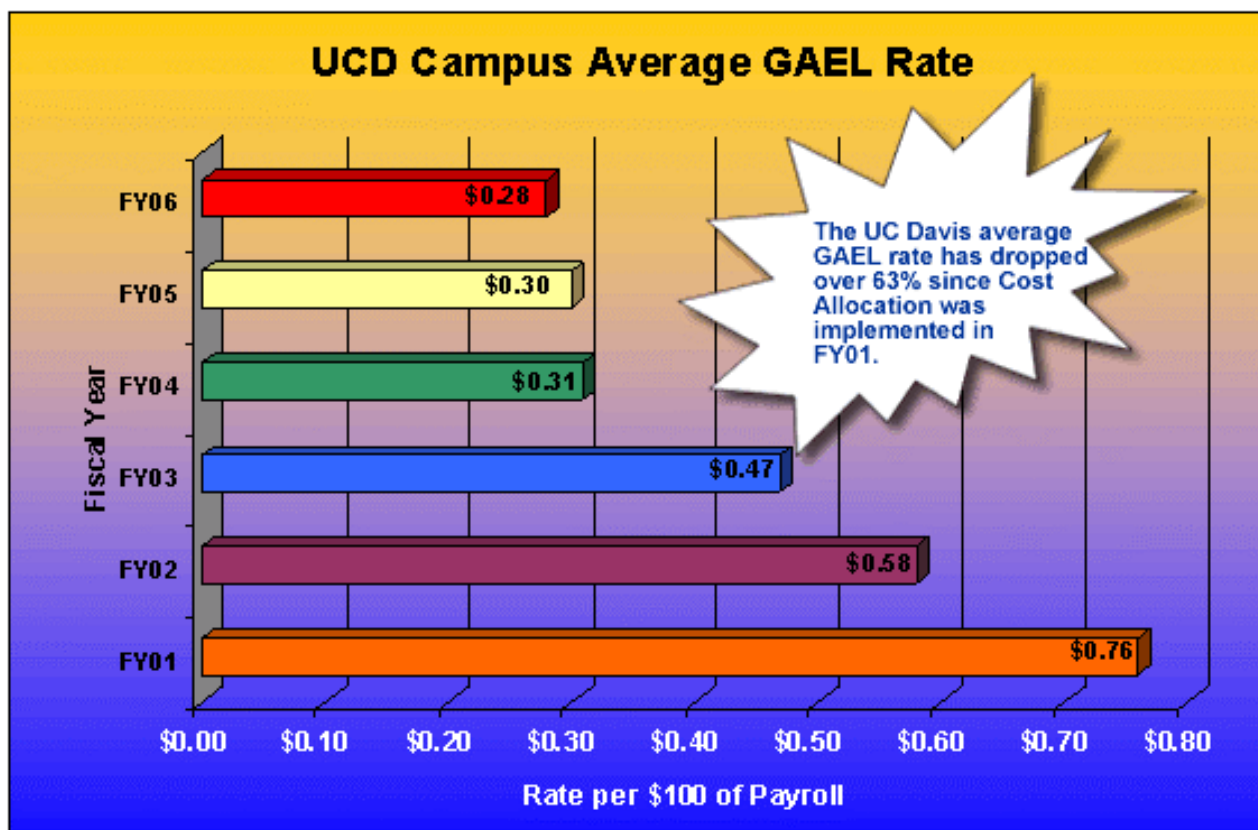
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# What's the payoff?



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Identify Risk

Invent Solutions

Integrate

Inspire