



Office of  
Risk Management

The University of Texas System

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# Risk Management Annual Report

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Fiscal Year 2007





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





I am pleased to provide the 2007 Annual Report on the activities and financial results of the University of Texas System risk management programs and the Office of Risk Management (ORM).

The day to day activities associated with the risk management programs throughout the UT System are handled by an intricate network of highly qualified and dedicated individuals. This network includes professionals in business affairs, environmental, health and safety, facilities, human resources, security, business continuity, and many others.

A recently formed Risk Management Executive Committee (RMEC) provides oversight, strategic direction, and serves in an advisory capacity for all risk management programs. The Risk Management Advisory Committee (RMAC) and the Environmental, Health and Safety Advisory Committee (EHSAC), comprised of institution representatives appointed by Chief Business Officers, support and facilitate cooperative efforts and make recommendations related to risk management activities that benefit all institutions.

The scope of risk management activities continues to expand. In fiscal year 2007, the total population of the UT System including student, faculty, and staff was approximately 300,000. Building and business income values exceeded \$20 billion and approximately 20,000 students, faculty, and staff traveled internationally. Ongoing and expanding programs in property conservation, disaster response, business resilience and continuity, international risk management, a construction boom, workers' compensation, and business interruption will be among the many issues addressed by risk management in 2008.

ORM, in coordination with all the committees and individuals mentioned above, achieved excellent programmatic and financial results in 2007. Those results and the cost of financing the risks are described in the following report.

I trust this report will be informative and helpful.

Phillip B. Dendy  
Office of Risk Management

### **Mission Statement**

The mission of The University of Texas System is to provide high-quality educational opportunities for the enhancement of the human resources of Texas, the nation, and the world through intellectual and personal growth.

It is the mission of the Office of Risk Management to protect people, property, the community and the environment and to enhance the well being of students, faculty and staff through the development and implementation of cost effective, efficient business operations and compliant risk control and risk financing techniques for the UT System and the fifteen institutions.

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**Executive Summary**

The programs administered by the Office of Risk Management (ORM) had a successful year. Prudent risk control and risk financing activities have resulted in strong financial positions in The University of Texas self-insurance programs. Financial statements (balance sheets and income statements) for all self-insurance programs administered by ORM are included in Appendices A-1 through A-7.

The Office of Risk Management is comprised of five sections with specific areas of responsibility including Risk Control, Risk Finance, Workers' Compensation Insurance, Risk Accounting, and Risk Information Systems. Each section plays an important role in the risk management process and coordination with institutional professionals throughout The University of Texas System.

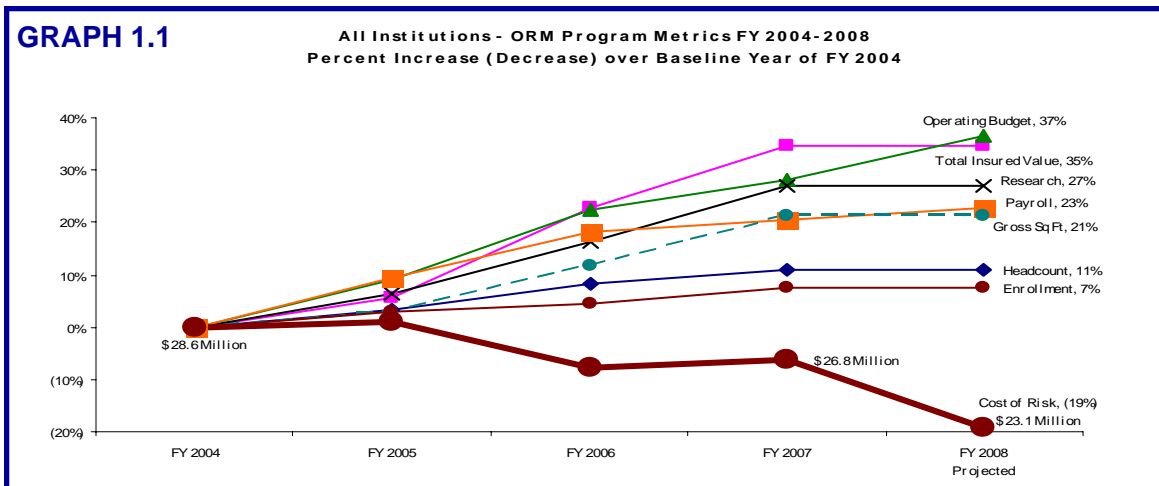
- Risk Control coordinates and supports System-wide activities for loss prevention, environmental, health and safety, property conservation, and business resilience.
- Risk Finance administers System-wide self-insurance, traditional insurance programs, and provides consultative risk identification, analyses, and claim coordination services.
- Workers' Compensation Insurance is responsible for all claim management and cost containment activities on this large self-insurance program.
- Risk Accounting supports actuarial and transactional functions for all programs administered by ORM and the Professional Medical Liability and Directors and Officers/Employer Practices Liability programs administered by the Office of General Counsel.
- Risk Information Systems provides development and support for claim management, accounting, and consolidated data tracking systems utilized by the Office of Risk Management.

An organization chart of the Office of Risk Management is attached as Appendix B-1.

**Cost of Risk**

Cost of risk is a method of measuring 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 Comprehensive Property Protection Plan (CPPP). It does not include variable costs such as deductibles, retained losses, risk control, and institution-specific premiums for policies. Future reports will be enhanced with these factors as they are validated.

In FY 2007, the cost of risk for System-wide insurance programs managed by ORM was \$26.8 million compared to \$28.6 million in FY 2004. In FY 2008, cost of risk is projected to be reduced to \$23.1 million. From a baseline year in FY 2004, System-wide exposure metrics including headcount, payroll, square footage, total insured values, research expenditures, and others have increased significantly. Graph 1.1 illustrates the System-wide cost of risk and applicable metrics as a percentage (increase/decrease) compared to a baseline year of FY 2004.



Since FY 2004, in spite of increased exposure, cost of risk was reduced six percent (6%) in FY 2007 with a nineteen percent (19%) reduction projected in FY 2008. Appendix C-1 provides the details by program for cost of risk. Cost of risk and data related to claim frequency and severity are mechanisms to benchmark the financial performance of a risk management program. However, these data points, while valid indicators, do not always highlight the important loss prevention, risk control, and cost containment activities that are implemented to achieve those results.

**Risk Control**

The Risk Control section provides consultative services including loss prevention, environmental, health and safety, and business resilience and is responsible for administering a number of System-wide contracts that leverage the buying power of the UT System, and provide a level of oversight and control.

Risk Control staff coordinate and represent the UT System in dealing with State agencies and departments including the Governor’s Division of Emergency Management with regard to emergency response and coordination of State-owned property for use during an emergency, and the Texas Commission on Environmental Quality regarding environmental issues. Risk Control works with the Offices of Real Estate, Facilities, Planning, and Construction, General Counsel, and other UT System offices to coordinate efforts with the institutions to facilitate risk assessments for real property, and research and analyze legislation, regulations, and standards.

The Risk Control section provides support and coordination for the Environmental, Health and Safety Advisory Committee (EHSAC) and associated working groups as well as the efforts of the System-wide Disaster Mutual Aid Committee. Environmental, Health & Safety (EH&S) departments conduct a peer review of their institution’s EH&S programs at least every three years. This process is monitored by the chairperson of the EHSAC and administered by the Risk Control section.

In 2007, Risk Control sponsored twenty-nine (29) training sessions that were attended by over 600 people throughout the System. Sessions included:

- Hazardous Materials Operations Refresher
- Hazard Waste Identification & Management
- Shipping Dangerous Goods By Mail
- Plan Review Training based on NFPA 101
- Fifteen Passenger Van Training
- Hazardous Materials Awareness Training

Risk Control manages System-wide non-exclusive contracts for the handling of hazardous, medical, and radioactive wastes as well as services for spill control and emergency response, certification of biological safety cabinets, and disaster recovery. These contracts yield an estimated cost savings of at least \$750,000 a year. Table 2.1 provides a summary of the volume of waste handled and its associated cost.

<b>Medical Waste</b>	<b>Hazardous Waste</b>	<b>Radioactive Waste</b>
4,343,909 lbs	1,317,929 lbs	15,248 lbs
\$824,327	\$1,016,325	\$84,339

The Risk Control section works with UT’s property insurer to coordinate property loss prevention surveys. These include surveys of property protection installations such as sprinklers and fire alarms, and an analysis of an institution’s management programs and how they are implemented to respond to various emergencies such as a fire, flood, or a power outage. The property loss prevention surveys and the management program ratings are compiled into a risk rating score, which is a factor in premium allocation. Since implemented in 2006, thirty-nine (39) campus-wide property loss prevention surveys and seventy (70) plan reviews have been completed.

In 2007, a Business Continuity Coordinator (BCC) was hired to coordinate the System-wide efforts regarding emergency/incident response and business continuity and resilience. The BCC works with the Disaster Mutual Aid Committee (DMAC) to communicate best practices for plan development, emergency response, recovery, crisis management, communication, and testing, as well as review and reporting procedures for business continuity.

The Resource Allocation Program (RAP)

The Resource Allocation Program (RAP) was implemented in 1998 with the goal to maintain a safe physical work environment and encourage reduction in the frequency and severity of employee accidents and injuries. The program provides institutions with funding that allows them to implement risk management initiatives that, while complementing existing efforts, are outside the scope of their budgets.

Funding from the Workers' Compensation fund is allocated to each institution and recommended by the actuary. Each year, eighty percent (80%) of the available funds are allocated based on the institution's 3-year loss ratio of premiums-to-expenditures and ten percent (10%) is distributed equally. The remaining ten percent (10%) is used for System-wide projects and initiatives, which benefit all institutions.

Examples of initiatives at the institutions include but are not limited to: emphasis on material handling; patient lifting; electrical safety; prevention of slips, trips, and falls; wellness; CPR and first aid training; and automated external defibrillators. The program also supports System-wide initiatives such as the annual risk management conference. In FY 2007, almost 600 people from forty (40) institutions attended and participated in sessions ranging from workers' compensation, environmental, health and safety, and construction risks to international travel.

Since inception, over \$27 million has been distributed through this program and the exceptional loss experience in the workers' compensation program is clear evidence of its positive impact at the institutions. There are residual benefits in other program areas by promoting a safe work environment. The distribution of FY 2007 funds is outlined in Table 2.2.

<b>Institution</b>	<b>Allocation</b>
UT Arlington	\$142,627
UT Austin	\$599,936
UT Brownsville	\$90,146
UT Dallas	\$96,964
UT El Paso	\$81,909
UT Pan American	\$79,425
UT Permian Basin	\$59,492
UT San Antonio	\$127,248
UT Tyler	\$35,476
UT System	\$57,552
UT MD Anderson	\$948,894
UTMB Galveston	\$337,931
UTHSC Houston	\$436,100
UTHSC San Antonio	\$159,303
UT SWMC Dallas	\$369,981
UTHC Tyler	\$77,016
System-wide	\$300,000
<b>TOTAL</b>	<b>\$4,000,000</b>

Risk Finance

The Risk Finance section is responsible for placement of property/casualty policies as well as administering the Comprehensive Property Protection Plan (CPPP) and the Rolling Owner Controlled Insurance Program (ROCIP). Risk Finance provides consultative services including risk assessments, contract and lease reviews, issuance of certificates of insurance, and claim management.

An international insurance program was implemented to address a wide range of exposures related to international activity. The first International Claims Guide was created to assist institutions in managing the variety of incidents that may occur while traveling or studying abroad. UT System's international medical and security and evacuation program was enhanced to register and track travelers that use a contracted travel agency.

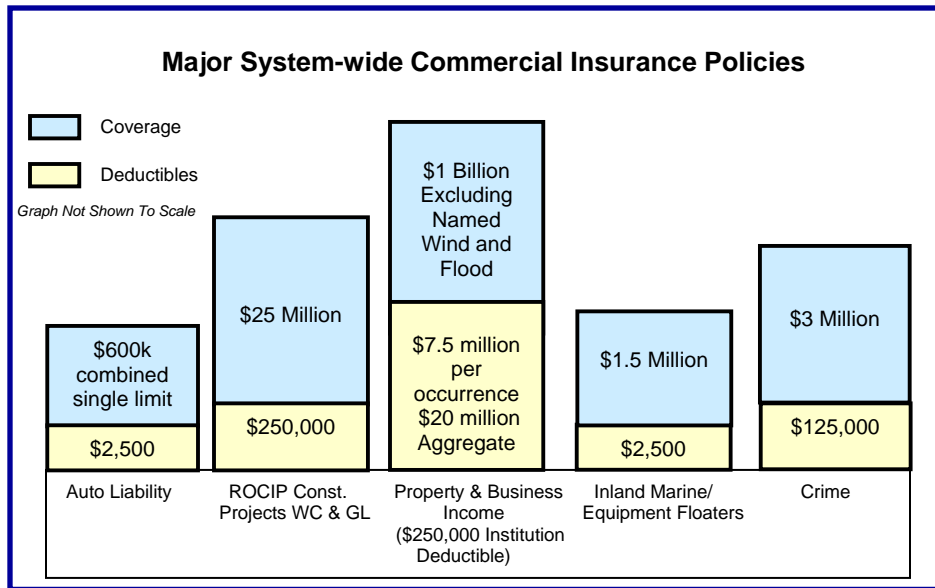
In FY 2007, a survey was conducted to obtain data and information pertaining to government contracts overseas, as well as foreign travel undertaken by faculty, staff, and students. In 2006, over 7,400 international trips were taken to approximately 150 different countries. These trips involved almost 19,000 students, faculty, and staff for a variety of purposes and durations. In addition, the UT System had over 100 contracts with the federal government that involved work outside the United States. Table 3.1 reflects summary data for international travel conducted by UT students, faculty, and staff.

<b>INSTITUTION</b>	<b>TRIPS</b>	<b>STUDENTS</b>	<b>FACULTY/STAFF</b>
UT Arlington	422	182	623
UT Austin	3108	4340	2845
UT Brownsville	89	344	153
UT Dallas	208	211	281
UT El Paso	170	92	154
UT Pan American	119	667	196
UT Permian Basin	23	70	26
UT San Antonio	401	1033	391
UT Tyler	34	0	35
UT MD Anderson	1203	0	1203
UTMB Galveston	209	209	267
UTHSC Houston	347	514	2308
UTHSC San Antonio	561	5	788
UT SWMC Dallas	521	15	615
UTHC Tyler	10	0	12
<b>TOTAL</b>	<b>7425</b>	<b>7682</b>	<b>9897</b>

\*2006 Data - Collected in 2007

In FY 2007, 216 insurance policies were purchased and managed, representing a ten percent (10%) increase over FY 2006. Twenty-six (26) policies were purchased on behalf of multiple institutions with over 190 purchased for the benefit of an individual institution. Total commercial premiums for policies purchased was approximately \$6.7 million. Graph 3.1 summarizes the System-wide commercial insurance policies.

**GRAPH 3.1**



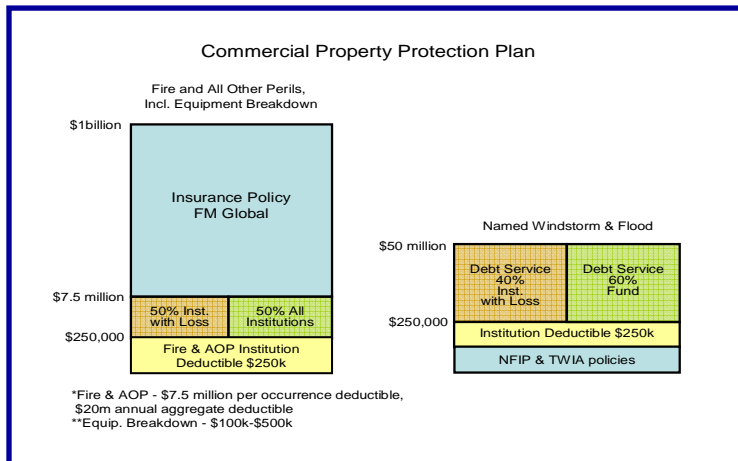
**Comprehensive Property Protection Plan**

UT System's Comprehensive Property Protection Plan (CPPP) covers the System's \$16.5 billion in property values and \$3.7 billion in business income values. This plan is a combination of traditional and self insurance and is comprised of two programs: a large deductible commercial insurance program for fire and other perils, and a self-insurance program for named windstorm and flood.

Each program includes an institutional deductible within a funded reserve and a process for replenishment of the fund when claims are paid. The CPPP structure can be seen in Graph 3.2. Financial statements can be found in Appendices A-1 and A-2.

The Office of Risk Management worked with UT Brownsville (UTB) to cover approximately \$153 million of insured property values (buildings and contents) owned by Texas Southmost College (TSC) in UT System's CPPP. In 2007, TSC would have paid \$1.16 million for property insurance coverage. As agreed, they will continue to purchase underlying

**GRAPH 3.2**



wind and flood coverage from the Texas Windstorm Insurance Association and National Flood Insurance Program. By including TSC in the CPPP, UTB/TSC will save over \$500,000 a year. This is a prime example of how the joint partnership of TSC with the UT System is generating real benefits for the campus and its students.

Business Interruption (BI) losses resulting from physical damage to its facilities during a named-windstorm and/or catastrophic flood event, or from a mandatory evacuation resulting from an impending named-windstorm where no physical damage is sustained by the institution, is not covered under the CPPP. In addition, certain other incidents could arise that may result in a business interruption loss that is not covered by established risk financing programs.

ORM worked with a System-wide work group and an outside risk management service provider to agree on a consistent methodology for reported BI values. ORM will continue to work with the BI work group, Medical Liability Management Committee, the Business Management Council, and the Risk Management Advisory Committee to develop terms, conditions, deductibles, and limits for the BI fund. The initial Board allocation of \$5 million is a limited fund amount, and therefore discussions will include ongoing capitalization and premium allocation methodologies for all institutions.

Rolling Owner Controlled Insurance Program

The Rolling Owner Controlled Insurance Program (ROCIP) is in its fourth phase with Phase V beginning February 2008. The ROCIP provides workers' compensation, general liability and excess liability coverage for all contractors working on designated UT System

construction projects. Benefits include consistency of insurance, enhanced safety and loss control, and cost savings. Since the program's inception, over \$3 billion in construction and over 4,800 contractors have been enrolled into the program. Table 3.2 provides a summary of financial performance for phases I-III of the program. Financial projections for phase IV are premature. Financial statements for the ROCIP program can be found in Appendix A-3.

	ROCIP I	ROCIP II	ROCIP III	Total
<b>Construction Value</b>	\$205,146,369	\$297,504,000	\$1,115,936,997	\$1,618,587,366
<b>Contractor's Ins. Cost</b>	\$5,729,883	\$6,859,240	\$23,347,113	\$35,936,235
<b>Contributions to ROCIP Fund</b>	\$3,497,490	\$5,278,496	\$19,229,490	\$28,005,476
<b>Total ROCIP Cost*</b>	\$4,221,667	\$4,023,849	\$18,889,775	\$27,135,290
<b>Cost Avoided by Projects</b>	\$2,232,393	\$1,580,744	\$4,117,623	\$7,930,759
<b>Savings to the ROCIP Fund</b>	<b>-\$724,177</b>	<b>\$1,254,647</b>	<b>\$339,715</b>	<b>\$870,186</b>
<b>Impact of the ROCIP Program</b>	\$1,508,216	\$2,835,391	\$4,457,338	\$8,800,945

\*Based on actuarial projections of 9/2007

### Workers' Compensation Insurance

Workers' Compensation Insurance (WCI) provides payment of reasonable and necessary medical benefits as well as a portion of recovery for lost wages incurred by an employee injured on the job. In FY 2007, approximately 99,000 employees were covered by the program, an increase of almost eleven percent (11%) since FY 2004. Over the same period, total claim activity (lost time and medical only) decreased by five and one-half percent (5.5%) and total expenditures decreased by almost eighteen percent (18%).

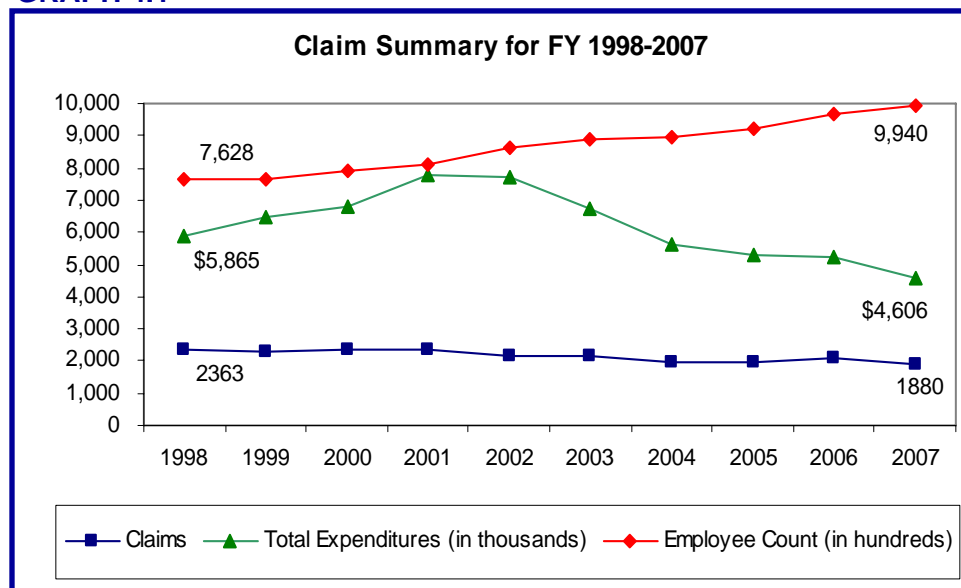
ORM staff administers the program from offices located in Austin, Dallas, Houston, and El Paso. The success of the program is attributed to the efforts of ORM staff and the professionals throughout the institutions who are dedicated to seeing that an injured worker receives all benefits to which they are entitled and returns to gainful employment as soon as possible.

Funding for the WCI Program comes from the collection of premiums from each institution based on a variable rating process, which factors the institution's loss history, payroll, and claims frequency into the rate calculation. In FY 2007, the average premium rate was \$.22 per \$100 of payroll. The average rate dropped to \$.12 per \$100 of payroll for FY 2008, a forty percent (40%) reduction.

This compares very favorably to the FY 2007 average rate assessed by the State Office of Risk Management (SORM) of \$.72 per \$100 payroll. The average SORM rate for higher education institutions was \$.35 per \$100 payroll.\*

Even though the UT System's WCI program covered more employees in FY 2007 than at any time in its history, the total number of claims (lost time and medical only) and benefit expenditures (indemnity and medical) were the lowest in at least the last ten years. Graph 4.1 summarizes the total employee count, expenditures, and claims each year from FY 1998-2007.

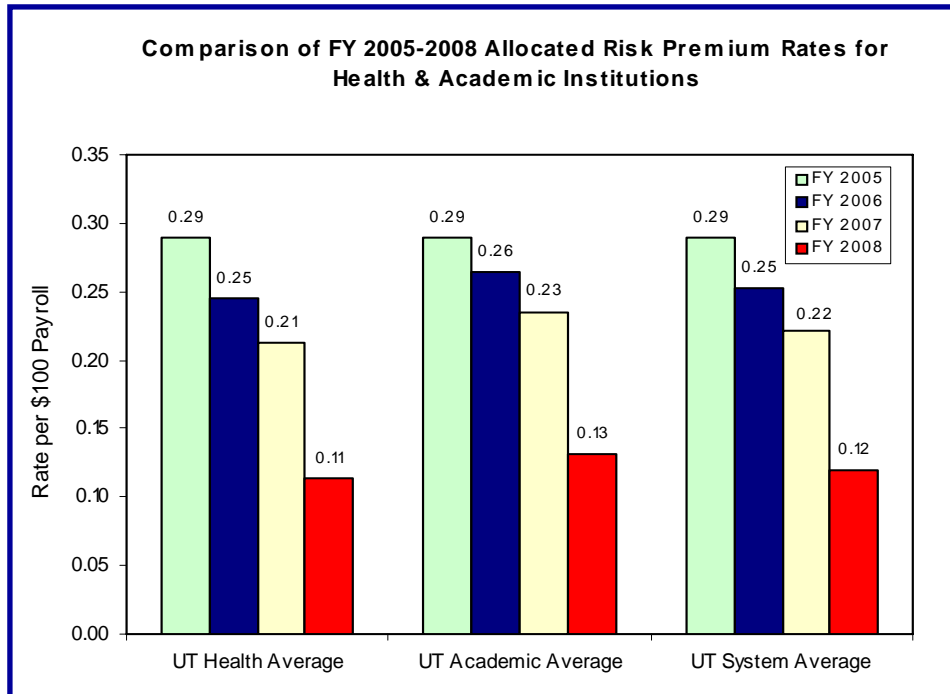
**GRAPH 4.1**



\*State Office of Risk Management Fiscal Year 2007 Assessments

Graph 4.2 shows the average premium rate for health and academic institutions. Based on a gross payroll of \$4,775,355,114 in FY 2007, the WCI fund valued at \$59,732,124 is within the statutory limit of two percent (2%) of gross payroll. Financial statements can be found in Appendix A-4.

**GRAPH 4.2**



In FY 2007, medical and income benefit payments totaled \$4,606,248 or \$46.34 per covered employee for the fiscal year, a decrease of 13.43% from \$5,225,048 in FY 2006. WCI benefit payments per employed person are illustrated in Graph 4.3.

**GRAPH 4.3**

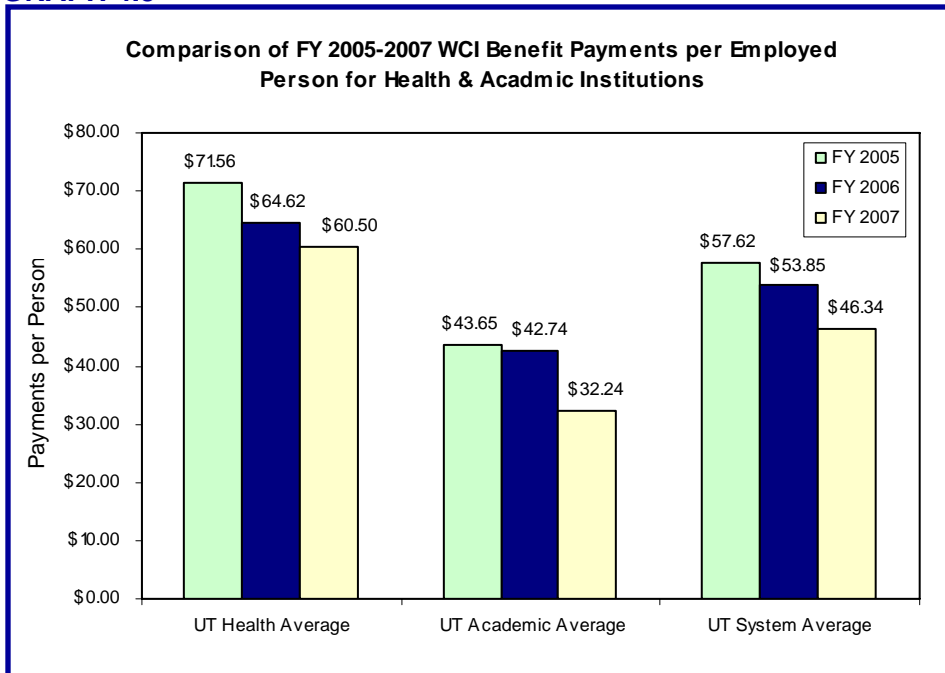


Table 4.1 shows the allocated premium rate and benefit payments per employee for each institution since 2005.

Institution	Allocated Premium Rate*				Benefit Payments per Employee		
	2005	2006	2007	2008	2005	2006	2007
UT Arlington	.298	.278	.204	.124	\$30.30	\$32.51	\$28.48
UT Austin	.271	.228	.212	.120	\$38.55	\$36.69	\$26.74
UT Brownsville	.245	.227	.223	.155	\$19.38	\$21.55	\$19.89
UT Dallas	.221	.238	.230	.114	\$48.07	\$17.15	\$43.62
UT El Paso	.416	.474	.430	.239	\$101.21	\$120.57	\$61.29
UT Pan American	.525	.513	.389	.198	\$72.16	\$65.29	\$19.32
UT Permian Basin	.367	.206	.151	.079	\$11.11	\$3.48	\$102.60
UT San Antonio	.269	.259	.224	.114	\$34.22	\$26.71	\$32.54
UT Tyler	.144	.123	.113	.055	\$10.80	\$38.49	\$21.78
UT System	.134	.110	.101	.125	\$7.70	\$57.47	\$37.42
UT MD Anderson	.167	.136	.114	.070	\$28.28	\$35.20	\$18.41
UTMB Galveston	.439	.384	.346	.160	\$116.15	\$95.33	\$86.67
UTHSC Houston	.236	.174	.162	.091	\$38.51	\$44.24	\$43.91
UTHSC San Antonio	.255	.266	.248	.126	\$77.96	\$72.60	\$67.87
UT SWMC Dallas	.294	.243	.199	.132	\$81.39	\$68.38	\$99.55
UTHC Tyler	.427	.406	.452	.170	\$130.70	\$102.90	\$74.30
<b>System Average</b>	<b>.289</b>	<b>.252</b>	<b>.221</b>	<b>.120</b>	<b>\$57.62</b>	<b>\$53.85</b>	<b>\$46.34</b>

\*Rate per \$100 payroll

In FY 2007, the UT System experienced a ten percent (10%) decrease in the total number of reported claims from FY 2006. This continues a general trend of decreasing frequency since FY 2000. Table 4.2 describes WCI claims for the last three years.

	FY 2005	FY 2006	FY 2007
<b>Medical Only</b>	1203	1286	1148
<b>Lost Time</b>	740	797	732
<b>TOTAL</b>	1943	2083	1880

### Risk Accounting

Risk Accounting manages all the transactional and financial reporting responsibilities for the risk financing programs administered by ORM and the Office of General Counsel (OGC). In FY 2007, over 45,000 indemnity, medical, claim, legal, and income transactions were processed on these programs.

Balance sheets and income statements are prepared for the Director of Risk Management, the Risk Management Executive Committee, and the Professional Medical Liability Committee. The financial statements, along with a brief synopsis of plan details for the self-insurance programs administered by ORM and OGC, are included as Appendix A-1 through A-7.

Accounting staff deal directly with actuaries providing historical loss data for reviews and recommendations of ultimate losses, rates and rating strategies, and capitalization targets. In FY 2007, a relevant set of risk exposure metrics were assembled with which to evaluate the cost of risk.

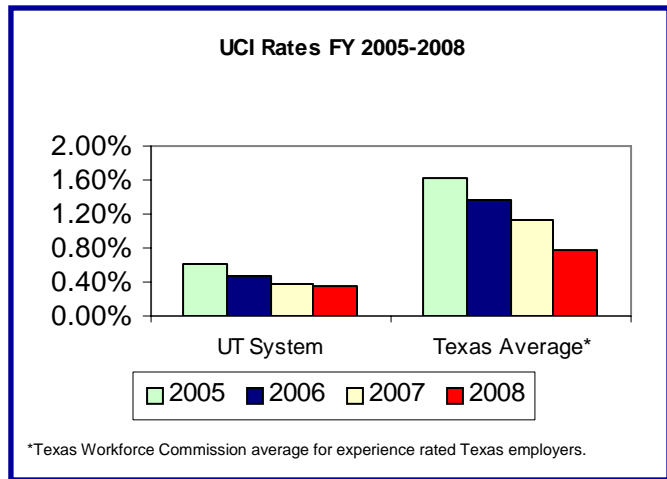
### Unemployment Compensation Insurance (UCI)

The UT System reimburses the State Unemployment Trust Fund for claims paid by the Texas Workforce Commission (TWC). ORM is responsible for the accounting and financial aspects and human resource professionals at each institution manage claims that are filed with the TWC.



The UCI plan collected \$3.4 million in premium during 2007, a twenty-three percent (23%) decrease from 2006. UCI claim expenses increased fourteen percent (14%) from the previous year. In FY 2007, UT institutions paid an average rate of 0.35 per \$100 of payroll, compared to a statewide average of 0.77 per \$100 of payroll for experience rated Texas employers. Graph 5.1 summarizes the UCI rates for FY 2005-2008. Financial statements of the UCI plan are found in Appendix A-5.

**GRAPH 5.1**



### **Risk Information Systems**

The Risk Information Systems staff supports technology and programming services for all areas of ORM to ensure that automated systems are developed and maintained to effectively manage ORM business functions. Risk Information Systems staff manage data exchanged with contracted third parties to ensure that it is accurate, timely, and secure. They also provide software application support to risk management professionals at System Administration and the Institutions. ORM technology needs are managed through software application development on site and a Risk Management Information System (RMIS).

The Risk Information Systems staff initiated major upgrades of two ORM legacy software applications. The new Professional Medical Liability Insurance web-based system replaces a 20 year old mainframe system that requires multiple points of data entry and several auxiliary subsystems to meet all business requirements. The new Professional Liability Action Network (PLANet) system is being developed in two phases. Phase I, completed in August of 2007, utilizes greater integration of data and provides enhanced participant enrollment and billing capabilities.

The transition of the WCMENU claims management system to the web continues. The requirements that were established by the joint application development group are now being implemented. The WCMENU upgrade includes a complete change of infrastructure, security, data files, and business flow, while maintaining current business functionality and incorporating new statutory requirements.

### **On The Horizon - 2008**

The Office of Risk Management is committed to providing value added services to the UT System and all institutions. A significant focus will be placed on enhancing business resilience programs including emergency planning, response, recovery, and continuity of core missions of the institutions. This will include System-wide coordination efforts including interaction with federal, state, and local authorities.

Implementing ROCIP V and enhancing the commercial insurance policy within the CPPP to include an option for named windstorm and flood coverage will be explored. Shared services for enhanced environmental property assessments and accident and forensic investigations will be developed and a process for property valuations will be identified.

Development of a medical network for workers' compensation is ongoing. Staff continues to rewrite the antiquated medical liability and workers' compensation claim management systems. Training and professional development opportunities for UT System and institutional personnel will be an ongoing service provided by ORM.

These important initiatives and the ongoing activity and interaction are critical to maintaining and enhancing the effective risk management programs throughout the UT System.



# **APPENDICES**



# **COMPREHENSIVE PROPERTY PROTECTION PLAN (CPPP)**

## **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 that insures the institutions against property claims including fire and other perils. A funded reserve is in place to cover the policy deductible.
DATE OF INCEPTION	The CPPP Fire & AOP Program was established in 1995.
PREMIUM ALLOCATION METHODOLOGY	80% - Institution's Total Insured Values (TIV) 20% - Institution's Premium Allocation Model (PAM) score

<b>CPPP Fire &amp; AOP</b>			
<b>Balance Sheet</b>			
		at 8-31-2007	at 8-31-2006
<b>Assets</b>			
Operating Cash	\$	17,744,882	\$ 14,974,787
Interest Income Receivable		46,071	37,963
Accounts Receivable		3,219	7,062
Total Assets		17,794,172	15,019,812
<b>Liabilities</b>			
Accrued Expenses		639,631	42,100
IBNR		967,000	1,736,416
Total Liabilities		1,606,631	1,778,516
Net Assets		16,187,541	13,241,296
Total Liabilities and Net Assets	\$	17,794,172	\$ 15,019,812

<b>Income Statement</b>			
		Year Ended 8-31-2007	Year Ended 8-31-2006
<b>Revenue</b>			
Premium Income	\$	5,835,460	\$ 4,609,510
Interest Income		443,767	438,738
Claim Settlement		1,620,954	-
Total Revenue		7,900,181	5,048,248
<b>Expenses</b>			
Claim Expenses		1,127,364	678,694
Premium Expenses		4,447,009	2,760,425
Administrative Expenses		148,979	134,612
Total Expenses		5,723,352	3,573,731
Change in IBNR		(769,416)	1,707,722
Net Expenses		4,953,936	5,281,453
Change in Net Assets		2,946,245	(233,205)
Beginning Net Assets		13,241,296	13,474,501
Ending Net Assets	\$	16,187,541	\$ 13,241,296

## **COMPREHENSIVE PROPERTY PROTECTION PLAN (CPPP)** **WIND AND FLOOD**

**DESCRIPTION OF COVERAGE**                      The CPPP Named Windstorm and Flood Program (Wind and Flood) is a self-insured plan that insures the institutions against direct physical loss and damage resulting from named-windstorm and/or flood perils in the 100-year flood zones. A funded reserve is in place and is 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 & Flood Program was established in 2003.

**PREMIUM ALLOCATION METHODOLOGY**                      20% - Institution's total insured values reported  
40% - Values in Tier 1 & 2 based on loss estimates  
40% - Values in Tier 1 & 2 & 100 Yr. Flood Zone

<b>CPPP Wind &amp; Flood</b>			
<b>Balance Sheet</b>			
		at 8-31-2007	at 8-31-2006
<b>Assets</b>			
Operating Cash	\$	12,075,416	\$ 9,180,815
Interest Income Receivable		31,307	24,205
Accounts Receivable		679,516	64,282
Total Assets		12,786,239	9,269,302
<b>Liabilities</b>			
Accrued Expenses		83,008	7,214
IBNR		-	-
Total Liabilities		83,008	7,214
Net Assets		12,703,231	9,262,088
Total Liabilities and Net Assets	\$	12,786,239	\$ 9,269,302

<b>Income Statement</b>			
		Year Ended 8-31-2007	Year Ended 8-31-2006
<b>Revenue</b>			
Premium Income	\$	3,598,621	\$ 3,004,463
Interest Income		292,101	293,264
Total Revenue		3,890,722	3,297,727
<b>Expenses</b>			
Claim Expenses		-	892,723
Premium Expenses		300,600	895,746
Administration Expenses		148,979	134,612
Total Expenses		449,579	1,923,081
Change in Net Assets		3,441,143	1,374,646
Beginning Net Assets		9,262,088	7,887,442
Ending Net Assets	\$	12,703,231	\$ 9,262,088

## ROLLING OWNER CONTROLLED INSURANCE PROGRAM (ROCIP)

DESCRIPTION OF COVERAGE                      The ROCIP provides Workers' Compensation, General Liability, and Excess Liability insurance coverage for all contractors working on designated UT System construction projects. The 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              \$3,211,233,323 at August 31, 2007

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

	<b>ROCIP Balance Sheet</b>	
	at 8-31-2007	at 8-31-2006
<b>Assets</b>		
Operating Cash	\$ 27,050,043	\$ 16,681,422
Interest Income Receivable	67,823	54,248
Accounts Receivable	335,826	261,474
Total Assets	27,453,692	16,997,144
<b>Liabilities</b>		
Accrued Expenses	17,684	434,664
IBNR	7,136,948	6,506,654
Total Liabilities	7,154,632	6,941,318
Net Assets	20,299,060	10,055,826
Total Liabilities and Net Assets	\$ 27,453,692	\$ 16,997,144
<b>Income Statement</b>		
	Year Ended 8-31-2007	Year Ended 8-31-2006
<b>Revenue</b>		
Premium Income	\$ 13,687,627	\$ 7,861,710
Interest Income	658,544	670,680
Total Revenue	14,346,171	8,532,390
<b>Expenses</b>		
ROCIP I Expenses	347	186,510
ROCIP II Expenses	-	(29,915)
ROCIP III Expenses	559,240	1,951,607
ROCIP IV Expenses	2,693,728	2,377,679
Administrative Expenses	201,644	135,147
Total Expenses	3,454,959	4,621,028
Change in IBNR	630,294	(619,783)
Net Expenses	4,085,253	4,001,245
Excess Revenue Over Expenses	10,260,918	4,531,145
Other Transfers & Adjustments	(17,704)	52,806
Change in Net Assets	10,243,214	4,583,951
Beginning Net Assets	10,055,846	5,471,895
Ending Net Assets	\$ 20,299,060	\$ 10,055,846

## WORKERS' COMPENSATION INSURANCE (WCI)

DESCRIPTION OF COVERAGE	WCI is a self-administered/self-insurance plan that provides necessary and reasonable medical coverage and income benefit payments to UT System employees who sustain injuries or occupational disease while in the course and scope of employment. An all-states policy is purchased for employees who work in states outside of Texas. In addition, commercial workers' compensation coverage is provided for employees who work under federal contracts and in foreign countries.
DATE OF INCEPTION	Statutory authority embodied in Chapter 503 of the Labor Code 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 8-31-2007	at 8-31-2006
<b>Assets</b>		
Operating Cash	\$ 139,283	\$ 390,042
Investments	58,284,171	53,324,896
August Premiums Receivable	913,755	974,285
Investment Income Receivable	5,738	532,962
Accounts Receivable	389,177	311,153
Total Assets	59,732,124	55,533,338
<b>Liabilities</b>		
Accrued Expenses	234,413	235,758
IBNR	13,296,000	15,901,000
Total Liabilities	13,530,413	16,136,758
Net Assets	46,201,711	39,396,580
Total Liabilities and Net Assets	\$ 59,732,124	\$ 55,533,338

### Income Statement

	Year Ended 8-31-2007	Year Ended 8-31-2006
<b>Revenue</b>		
Premium Income	\$ 10,734,661	\$ 11,588,897
Investment Income	1,809,945	1,706,179
Total Revenue	12,544,606	13,295,076
Less RAP Funds Transfer	(4,000,000)	(3,000,000)
Net Revenue	8,544,606	10,295,076
<b>Expenses</b>		
Claim Expenses	4,606,248	5,225,048
Claim Management Expenses	1,888,806	1,949,819
Out of State Insurance	145,122	119,159
Administrative Expenses	1,060,255	938,725
Total Expenses	7,700,431	8,232,751
Change in IBNR	(2,605,000)	(1,236,000)
Net Expenses	5,095,431	6,996,751
Excess Revenue Over Expenses	3,449,175	3,298,325
Other Transfers & Adjustments	6,901	33,972
Investments Market Value Increase	3,349,054	428,551
Change in Net Assets	6,805,130	3,760,848
Beginning Net Assets	39,396,580	35,635,732
Ending Net Assets	\$ 46,201,711	\$ 39,396,580



## **UNEMPLOYMENT COMPENSATION INSURANCE (UCI)**

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

### **Unemployment Compensation Insurance Balance Sheet**

	at 8-31-2007	at 8-31-2006
<b>Assets</b>		
Operating Cash	\$ 7,500	\$ 13,649
Investments	4,776,193	4,273,130
August Premiums Receivable	43,563	218,119
Investment Income Receivable	392	33,464
Accounts Receivable	23,642	30,257
Total Assets	4,851,290	4,568,619
<b>Liabilities</b>		
Claims Accrued	852,545	746,684
Total Liabilities	852,545	746,684
Net Assets	3,998,745	3,821,935
Total Liabilities and Net Assets	\$ 4,851,290	\$ 4,568,619

### **Income Statement**

	Year Ended 8-31-2007	Year Ended 8-31-2006
<b>Revenue</b>		
Premium Income	\$ 3,396,743	\$ 4,168,883
Investment Income	193,339	153,171
Total Revenue	3,590,082	4,322,054
<b>Expenses</b>		
Claim Expenses	3,410,180	2,986,736
Actuary Expenses	2,500	1,875
Administrative Expenses	123,389	94,506
Total Expenses	3,536,069	3,083,117
Change in Prior Year Accrual	105,861	(13,783)
Net Expenses	3,641,930	3,069,334
Excess Revenue over Expenses	(51,848)	1,252,720
Investments Market Value Increase	228,658	47,456
Change in Net Assets	176,810	1,300,176
Beginning Net Assets	3,821,935	2,521,759
Ending Net Assets	\$ 3,998,745	\$ 3,821,935

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

DESCRIPTION OF COVERAGE	D&O/EPL is a self-insurance plan that provides coverage to board members, employees, faculty, and other covered individuals, as well as to the UT System itself for claims arising from actual or alleged wrongful acts performed by the Plan beneficiaries. The Plan also provides coverage for Employment Practices Liability claims, such as wrongful termination, failure to promote, and wrongful discipline.
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 &amp; Officers Balance Sheet</b>			
		at 8-31-2007	at 8-31-2006
<b>Assets</b>			
Operating Cash	\$	10,201,656	\$ 8,849,878
Interest Income Receivable		26,466	22,187
Accounts Receivable		52,420	13,057
Total Assets		10,280,542	8,885,122
<b>Liabilities</b>			
Accrued Expenses		13,327	-
IBNR		3,069,532	3,369,378
Total Liabilities		3,082,859	3,369,378
Net Assets		7,197,683	5,515,744
Total Liabilities and Net Assets	\$	10,280,542	\$ 8,885,122

<b>Income Statement</b>			
		Year Ended 8-31-2007	Year Ended 8-31-2006
<b>Revenue</b>			
Premium Income	\$	1,444,673	\$ 1,458,649
Interest Income		273,372	258,568
Net Revenue		1,718,045	1,717,217
<b>Expenses</b>			
Excess Insurance Policy Expense		208,958	-
Actuary Expenses		1,625	5,523
Administrative Expenses		125,369	110,908
Total Expenses		335,952	116,431
Change in IBNR		(299,846)	500,692
Net Expenses		36,106	617,123
Excess Revenue Over Expenses		1,681,939	1,100,094
Other Transfers & Adjustments			
Change in Net Assets		1,681,939	1,100,094
Beginning Net Assets		5,515,744	4,415,650
Ending Net Assets	\$	7,197,683	\$ 5,515,744

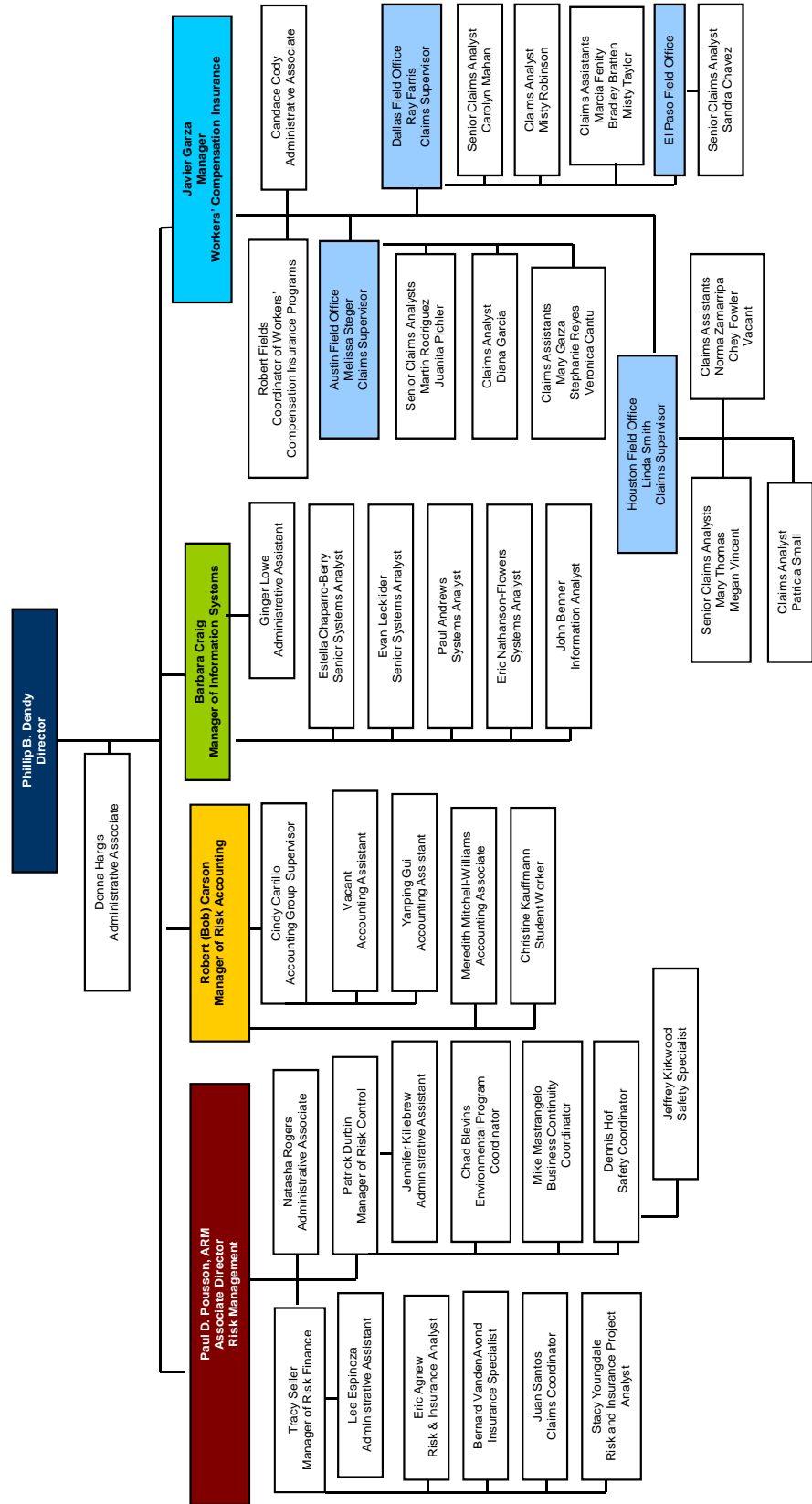
## **PROFESSIONAL MEDICAL LIABILITY PLAN (PMLI)**

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

<b>Professional Medical Liability Plan</b>			
<b>Balance Sheet</b>			
		at 8-31-2007	at 8-31-2006
<b>Assets</b>			
Operating Cash	\$	13,669,420	\$ 691,456
Investments		132,039,289	145,956,188
Total Assets		145,708,709	146,647,644
<b>Liabilities</b>			
Accounts Payable		27,075	101,018
IBNR		35,678,697	82,298,019
Total Liabilities		35,705,772	82,399,037
Net Assets		110,002,937	64,248,607
Total Liabilities and Net Assets	\$	145,708,709	\$ 146,647,644
<b>Income Statement</b>			
		Year Ended 8-31-2007	Year Ended 8-31-2006
<b>Revenue</b>			
Premium Income	\$	20,691,975	\$ 20,555,289
Investment Income		5,125,218	6,007,045
Total Revenue		25,817,193	26,562,334
Less Premium Refund		(25,000,000)	(17,000,000)
Net Revenue		817,193	9,562,334
<b>Expenses</b>			
Legal Expenses		2,529,933	4,499,104
Claim Liability Expenses		2,232,303	6,082,513
Medical Examiner Expenses		146,523	191,235
Administrative Expenses		1,243,850	950,093
Other Expenses		56,400	49,039
Total Expenses		6,209,009	11,771,984
Change in IBNR		(46,619,322)	(9,297,560)
Net Expenses		(40,410,313)	2,474,424
Excess Revenue Over Expenses		41,227,506	7,087,910
Other Changes in Net Assets			
Transfer to Special Funds		(5,000,000)	(8,000,000)
Investments Market Value Increase		9,526,825	6,265,585
UTIMCO - Compliance Fee Refund			67,809
Total Other Changes		4,526,825	(1,666,606)
Change in Net Assets		45,754,331	5,421,304
Beginning Net Assets		64,248,607	58,827,303
Ending Net Assets	\$	110,002,937	\$ 64,248,607

*Note: The Income Statement for Fiscal Year 2006 has been restated to show premium refunds as a negative revenue item, the change in IBNR as an expense and to provide a more detailed allocation of expenses.*

# The University of Texas System Administration Office of Risk Management Organizational Chart

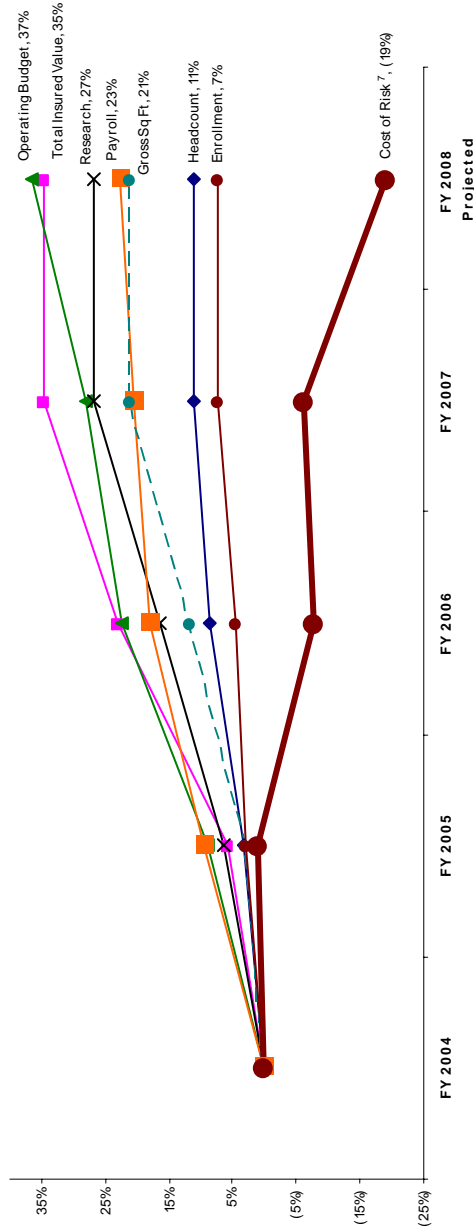


**Cost of Risk - System-wide Programs Managed by the Office of Risk Management  
University of Texas System - All Institutions**

FISCAL YEAR	TOTAL	WCI	UCI <sup>2</sup>	CPPP AOP	CPPP W&F	Crime	Fine Arts <sup>8</sup>	Equip	D&O	Auto	Int <sup>9</sup>
2008 (projected) <sup>1</sup>	\$ 23,105,935	\$ 6,181,665	\$ 3,492,535	\$ 6,432,992	\$ 3,578,545	\$239,000	\$11,871	\$392,667	\$1,458,000	\$835,394	\$ 483,266
2007	\$ 26,805,624	\$ 9,960,930	\$ 3,396,743	\$ 6,432,992	\$ 3,578,545	\$239,000	\$11,871	\$392,667	\$1,458,000	\$835,394	\$ 499,482
2006	\$ 26,363,708	\$ 11,593,314	\$ 4,168,881	\$ 4,620,394	\$ 3,043,086	\$239,000	\$10,427	\$338,761	\$1,458,649	\$785,413	\$ 105,782
2005	\$ 28,839,565	\$ 12,286,028	\$ 4,406,008	\$ 6,335,871	\$ 2,946,482	\$239,000	\$11,355	\$275,895	\$1,469,125	\$787,817	\$ 81,984
2004	\$ 28,573,306	\$ 12,257,158	\$ 4,399,915	\$ 6,324,091	\$ 3,012,619	\$248,669	\$13,764	\$293,173	\$1,380,125	\$643,792	\$ -

ALL INSTITUTIONS	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 Projected
Headcount (hundreds) <sup>3</sup>	8,945	9,228	9,703	9,940	9,940
TIV (millions) <sup>4</sup>	\$ 15,504	\$ 16,401	\$ 19,058	\$ 20,869	\$ 20,869
Gross Sq Ft <sup>5</sup>	59,801,861	61,625,715	66,852,074	72,507,927	72,507,927
Operating Budget <sup>6</sup>	\$ 7,799,000,000	\$ 8,500,700,000	\$ 9,558,900,000	\$9,997,500,000	\$10,653,949,717
Enrollment <sup>5</sup>	177,676	182,752	185,816	190,903	190,903
Research Expenditures <sup>6</sup>	\$ 1,450,368,399	\$ 1,541,503,481	\$ 1,687,014,239	\$1,840,364,140	\$ 1,840,364,140
Payroll (millions) <sup>4</sup>	\$ 3,966	\$ 4,341	\$ 4,682	\$ 4,775	\$ 4,871
<b>Premium - Cost of Risk<sup>7</sup></b>	<b>\$ 28,573,306</b>	<b>\$ 28,839,565</b>	<b>\$ 26,363,708</b>	<b>\$ 26,805,624</b>	<b>\$ 23,105,935</b>

**All Institutions - ORM Program Metrics FY 2004-2008  
Percent increase (decrease) over baseline year 2004**



1 Projected premium amounts for WCI and UCI. All others are projected using 2007 premium.  
 2 Includes UCI premium paid to System-wide program in 2004 and 2005 plus claims reimbursed directly to the TWC by the Institution.  
 3 Statistical Handbook, Texas Higher Education Board.  
 4 Values reported to ORM by Institutions for CPPP and WCI programs.  
 5 UT System Accountability & Performance Report 2004-2007.  
 6 UT System Fast Facts, 2004-2007.  
 7 Does not include deductibles, retained losses, individual policies purchased for institutions or Professional Medical Liability Plan.  
 8 Does not include individual Fine Arts policy for UT Austin.  
 9 International includes the International package, SOS, Special Crime and DBA policies and are paid by UT System funds and not allocated to institutions.