



# RISK SERVICES TODAY

## Workers' Compensation at UC – in California and Beyond

*What do you do when a University of California employee is injured while working or on University business in Des Moines, Iowa?*

Workers' compensation benefits are available to all University employees regardless of what state they are located in at the time of injury. The University is self-insured for workers' compensation in the State of California, but for all other states the University purchases workers' compensation insurance through the Employers Insurance Company of Wausau (EICW).

The California Labor Code states that California workers' compensation law applies to all industrial injuries occurring within this state. It also applies to any injury occurring outside the state if the contract of employment was made in California. A contract of employment is deemed to be

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## The Highlights of 2005

In the 15 months since Grace Crickette joined the University of California as Chief Risk Officer, the Office of Risk Services (OPRS) has set new goals and made significant progress in accomplishing them. Grace recently met with the Vice Chancellors of Administration and provided them with an overview of the accomplishments of 2005, including these highlights:

- At the Risk Summit held in March 2005, Grace challenged all attendees with the goal of reducing the Cost of Risk by 15% in 24 months. A significant impact towards the goal has been achieved in only 12 months.
- A strategy was developed to close a targeted number of Workers' Compensation claims, which has had a significant impact short-term in reducing liabilities. Through increased claims closure and the accelerated claims process, the Workers' Compensation Deficit has

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## Letter from the Editor

March 2006

This issue of *Risk Services Today* will provide you with some of the highlights of 2005 in our efforts to reduce the cost of risk. You'll also find a wealth of information included in this newsletter that needs to be communicated to the rest of the University community.

For 2006, the greater focus will be on safety and loss prevention. To give you more insight into 2006, a large part of this newsletter is dedicated to Environment, Health, and Safety (EH&S). In particular, a new policy has been adopted by President Dynes and programs are being implemented throughout the University that will create greater employee awareness of safety issues and contribute significantly towards reducing the cost of risk.

Protecting faculty, staff, students, visitors, the public, and the environment is a top priority whenever activities are planned and performed. Every member of the University community is directly responsible for ensuring his or her own safety and for promoting a safe, healthy, and environmentally sound workplace and community. Therefore, the Policy on Health, Safety and Environment must be clearly communicated to all members of the University community, including contractors. This newsletter will serve as one way to communicate this new policy, and we ask that you do your part to assist with the communication effort. Remember, "Everyone is a Risk Manager" and we are all responsible for maintaining an awareness of and helping control risks in the University environment.

Other features in this issue include:

- "Get on board the OPRS Enterprise: Forging the New Frontier", as the University embarks on a journey moving towards an enterprise approach to identifying and managing risks.
- 2006 marks the fourth anniversary of the largest chemical lab fire in University history—this issue has a recollection of events and discussion of how a third party administrator can assist you with your property loss, no matter how small or large.
- What do you do when a University employee is injured while working or on University business in Des Moines, Iowa? Workers' Compensation benefits are available to all University employees regardless of what state they are located in at the time of injury.
- Why "Incident Reporting" matters—it is essential that the University be aware of any working conditions that may contribute to workplace injuries so we can take prompt and appropriate measures to correct or improve any unsafe conditions.
- The University of California hosts an annual California EH&S Academy that brings together EH&S personnel from colleges and universities throughout the State of California—a great opportunity to get informed about what other colleges and universities are doing, hear from other experts in the field, and learn what's new in the EH&S arena.

This issue of *Risk Services Today* will also introduce you to the Aon Bond Service Team. Ever have a request for a surety bond? What is a surety bond? Why is a surety bond needed? This Aon Team is at your service.

We'd like to hear what's happening at your location—if you have suggestions for future articles, please send them to the newsletter editor.

Until the next issue,

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

# “Out of the Frying Pan and...”

- *A Recollection*



*January 2006 marked the fourth anniversary of one of the largest fire losses at the University of California. On January 11, 2002, UC Santa Cruz experienced a severe fire in one of their chemical laboratories. UC Santa Cruz Risk Manager Saladin Sale describes the experience.*

I was only about five minutes from an early Friday morning appointment for a haircut when my pager went off. Calling the number, I was told there had been a fire in one of the labs, it was now out, and they had been instructed to notify me. The situation didn't sound especially urgent, so I figured I could spare fifteen extra minutes to keep my appointment with the barber.

It turns out the barbershop was located in what was at the time a “no coverage” area for my paging company, so the haircut was uneventful. Driving towards campus, however, as I crested the hill above the village of Soquel my pager came to life. Five stored pages arrived back to back, suggesting something out of the ordinary might be happening. My level of suspicion further increased when I arrived outside Sinsheimer Labs and saw what turned out to be over a dozen fire engines deployed around the building – definitely a bad sign, I concluded. Breakfast that morning was only the first of a number of meals I would be skipping over the next few days.

A pre-dawn fire on the fourth floor of a biology lab was to disrupt the lives of many people for months to come. After checking in with Cindy Low at Office of Risk Services, I was soon talking with an adjuster from the excess insurance carrier and obtaining authorization for outside disaster recovery services. We opted for Belfor, an international firm that had recent experience at another UC campus. Within hours, Belfor representatives were on scene, sizing up the resources that would be needed to prevent further damage as well as to clean and dry the building.

Over the next two days, Belfor brought in crews and a fleet of trucks from Southern California to set up the cleaning and drying operation. Campus EH&S meanwhile arranged for local contractors with campus expertise to perform testing on the liquid slurry on the floors of the building – ultimately leading to removal of small amounts of radioactive and chemically hazardous materials. As soon as the building was declared safe to enter, the recovery crews started pulling out damaged equipment and materials from the fire areas.

One of the greatest needs felt by all was the need for information. The Dean of the Division, Dave Klinger, set up inclusive briefing

meetings at scheduled times to advise staff on what was happening and how soon they could get into their labs to rescue work in progress. I introduced Belfor, explained something about how the insurance program worked in a case like this, and just answered questions along the lines of, “Who's going to pay for this mess?” Risk Management actually set up a table outside the building where we provided some forms to track equipment losses but mostly just served as a place where people could come by individually to talk and ask questions. Folks seemed to appreciate having someone who could explain how the entire recovery effort would unfold.

Meanwhile, Department staff were doing everything possible to preserve products of research that were undamaged by fire but at risk due to the absence of heat and power within the building. Especially problematic were a number of minus 80 degree freezers containing virtually irreplaceable biological materials. Thousands of pounds of dry ice were brought in to keep the freezers cold until they could be moved to where they could be plugged in to working outlets. Also, undamaged equipment was draped with plastic tarps for protection from the water that seemed to be steadily dripping from every ceiling.

By the end of the first week, the recovery was well underway. Warm drying air was being pumped through the building; waterlogged documents and books had been taken away for freeze-drying and restoration; a complete electronics disassembly and cleaning area had been set up to wash corrosive soot from electronic components before they were dried and tested. Thousands of photos were taken of everything, and obviously un-repairable equipment was documented and cataloged before disposal. Lastly, many of the undamaged labs in the affected wing of the building were relocated so their work could resume.

Over the following months we shifted to rebuilding mode, with the aim of getting everyone back to normal in the shortest possible time. On the insurance side, we worked with a forensic accounting firm and a number of insurance carriers who made up the coverage package for this loss. Some claims for damage to individually-owned personal property took considerable time to resolve, but ultimately just about everyone affected by the fire had their material losses addressed. The reconstructed building was outfitted with fire sprinklers, which had not been required at the time of the original construction. Though their installation was considered an “upgrade” and not covered by insurance, it seemed to all to be the right thing to do.

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## Out of the Frying Pan *continued from previous page*

While losses of this severity are far and few between, when they occur the local Risk Management offices are in need of assistance and expertise. In October 2005, the Office of Risk Services contracted with a third party administrator, Sedgwick CMS, to provide claims administration services for losses to University property, no matter how small or large the loss is. Sedgwick can assist with securing repair, recovery, and remediation services. They will work in conjunction with local Risk Management offices to bring a claim to resolution so campus departments can be promptly reimbursed for their losses. Sedgwick will guide the claims process to keep it moving along and on the right track. The addition of Sedgwick provides many benefits to the University, such as:

- brings systemwide uniformity to the claims administration process;
- allows more time for local Risk Management offices to focus on loss prevention;
- enables prompt claim resolution to bring the University back to its pre-loss condition and continue its mission with minimal disruption;
- provides a centralized source of property claims data that will enable risk analysis; and
- increases the ability to pursue subrogation, all of which will contribute to reducing the cost of risk.

Office of Risk Services is proud to introduce to you the new Property Program Manager, Gary Leonard, who joined our office on December 1, 2005. He has over 16 years of experience in the insurance and claims industry. For over 10 years, he worked at CNA Insurance handling property claims both in-house and in the field. Gary will be responsible for managing the University's property program, monitoring the claims process, and promoting loss prevention to protect University property assets.



If you have any questions or issues relating to the property program and administration of property losses, you can contact Gary Leonard at 510-987-9824 or [gary.leonard@ucop.edu](mailto:gary.leonard@ucop.edu)

## Highlights *continued from front*

- been reduced from \$111 million as of December 31, 2004 to \$15 million in the latest actuarial study.
- To improve Safety and Loss Prevention, OPRS has partnered with Environment Health and Safety and Human Resources to develop strategies to prevent losses from occurring in the first place, which will reduce liabilities going forward. This was accomplished by incorporating EH&S as an integral part of OPRS with the addition of the EH&S Director to OPRS; working with EH&S Directors to enhance safety programs; developing the *Be Smart About Safety* program initiative to not only reduce the cost of risk, but also provide a safe and healthy workplace environment; and implementing an "Incident Reporting" program at each location to promote prompt notification of any unsafe workplace conditions and enable prompt remedial action to be taken. For more information on EH&S initiatives and activities, see "Why Incident Reporting matters to you", "New Health, Safety and Environment Policy" and "Join the California EH&S Academy" in this issue of the newsletter.
- An Enterprise Risk Management approach is being initiated to identify risks and controls systemwide, resulting in reduced costs and improved efficiencies. See "Get on board the OPRS Enterprise" in this issue of the newsletter.

Our goal is to continue driving the Cost of Risk lower and to create efficiencies and greater opportunities. By continuing to improve and refine the claims processing we will reap some continued gains, but for the impact to be long term, our focus must be on reducing the frequency of losses. In 2006, we will place greater focus on Safety and Loss Prevention and on identifying and monitoring risk exposures through Enterprise Risk Management, which is where greater long term gains are to be had.

We will continue to bring you more information about our programs in future issues of this newsletter. Visit our website at <http://www.ucop.edu/riskmgmt/welcome.html> for more information.

## Join the California EH&S Academy

Colleges and Universities are complex workplaces with a broad range of health, safety, and environmental hazards. Managing Environment, Health and Safety (EH&S) programs at a university presents unique challenges, including hiring and retaining professionals with a comprehensive awareness of all EH&S programs. To keep informed of the latest developments in this arena and to create a greater awareness of health and safety issues, the Office of Risk Services will be hosting the California EH&S Academy—a 40-hour training workshop held

annually. The Academy is attended by EH&S personnel from Colleges and Universities throughout the State of California. The second annual Academy is scheduled to take place April 10-14, 2006 in Sacramento. This program will provide an overview of various EH&S issues, including physical, chemical, radiation and biological safety, as well as hazardous waste, emergency response and environmental responsibilities. Instructors from various California Colleges and Universities who are experts in their fields will speak at the California EH&S Academy.

For more information, contact Sharon Culpepper at 510-987-9713 or [sharon.culpepper@ucop.edu](mailto:sharon.culpepper@ucop.edu)



## New Health, Safety and Environment Policy

In October 2005, the University of California, under the administration of President Dynes, adopted a new policy on Management of Health, Safety, and the Environment along with guiding principles for implementation of the policy. This policy and the guiding principles were developed by the Environment, Health and Safety (EH&S) Directors in consultation with the campuses, Academic Senate, Office of Research Policy, Administrative Vice Chancellors, Office of General Counsel, and numerous other University functional offices.

The University's first Presidential policy on EH&S was established in 1963 and subsequently revised in 1969 and 1986. This new 2005 policy is a dramatic departure from the prior years. The 2005 policy not only updates, but also abbreviates the EH&S policy to present the essential elements concisely and reflect current University business practices. The policy does not dictate specific responsibilities or tasks to individuals, but establishes an overarching umbrella of responsibility and authority. Compliance with this new policy will significantly contribute to reducing the cost of risk.

The goal of the new policy is to provide a tool with which to implement Integrated Health, Safety, and Environmental Management (ISEM) systems while allowing each campus the flexibility to tailor their own program to their campus activities. The ISEM system provides an organized process for planning, performing, assessing and improving University activities. The policy establishes high standards for systemwide EH&S activities and for meeting the requirements of the California Environmental Protection Agency (Cal-EPA) Environmental Management System and of the California Occupational Safety and Health Administration (Cal/OSHA) Illness and Injury Prevention Program.

This policy applies to all members of the University community and also to contractors whose work is directed on a day-to-day basis by University employees. To maximize the goal of protecting the University, the community, and the environment, the policy must be systematically integrated into all aspects of University operations throughout the UC system. This will be accomplished by making the overall management of safety and environmental principles and functions an integral part of everyday activities and by seeking the involvement of faculty, staff, and students.

### UC Policy on Management of Health, Safety and the Environment

The University of California is committed to achieving excellence in providing a healthy and safe working environment, and to supporting environmentally sound practices in the conduct of University activities. It is University policy to comply with all applicable health, safety, and environmental protection laws, regulations and requirements.

To meet this standard of excellence, the University implements management initiatives and best practices to systematically integrate health, safety, and environmental considerations and sustainable use of natural resources into all activities. All University activities are to be conducted in a manner that ensures the protection of students, faculty, staff, visitors, the public, property, and the environment.

The University's goal is to prevent all workplace injuries and illnesses, environmental incidents, and property losses or damage. Achieving this goal is the responsibility of every member of the University community. Supervisors have particular responsibility for the activities of those people who report to them.

University activities should be considered from the very beginning of planning an activity to wrapping up after the actual performance of the activity. This means evaluating the associated hazards and environmental impacts associated with an activity and then identifying the appropriate protective safety and environmental measures that need to be taken to assure that faculty, staff, students, visitors, members of the public, and the environment are all protected from adverse affects of the activity. Local EH&S offices are available to provide assistance and consultation.

The Policy and Guiding Principles for Implementation are available at [http://www.ucop.edu/ucophome/coordrev/policy/PP102805\\_HSE\\_principles.pdf](http://www.ucop.edu/ucophome/coordrev/policy/PP102805_HSE_principles.pdf)

*Questions about the new Policy and implementation guidelines may be directed to Joe Adams at 510-987-0170 or [joe.adams@ucop.edu](mailto:joe.adams@ucop.edu)*

## Why Incident Reporting Matters to You...and to UC

The University of California's mission is to provide a safe working environment for all employees and to minimize the adverse impact of work-related injuries. For us to accomplish this mission, it is essential that the University be aware of any working conditions that may contribute to workplace injuries so we can take prompt and appropriate measures to correct or improve any unsafe conditions in the workplace. To achieve this, the Office of Risk Services has implemented "Incident Reporting" at all University locations to ensure prompt notification of unsafe work conditions.

When a safety-related incident occurs, Incident Reporting ensures there is a record on file with the employer. If the incident



results in an injury, First Aid may be appropriate in some cases. "First Aid" means any one-time treatment of minor scratches, cuts, burns, splinters, or other minor industrial injuries which do not ordinarily require medical care. It also includes any follow-up visits required for observation of the treated injury. This one-time treatment and any follow-up visits for the purpose of observation are considered First Aid even if they are provided by a physician or registered medical professional.

Filing an incident report is not the same as filing of a workers' compensation claim. Filing an incident report does not affect an employee's right to file a workers' compensation claim at a later date.

*For more information on Incident Reporting, contact your local Workers' Compensation office.*

# Get on board the OPRS Enterprise

*Forging The New Frontier*

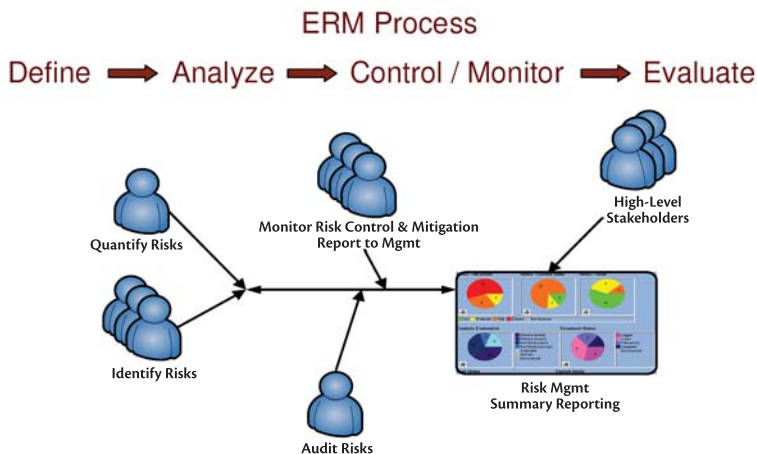
Office of Risk Services is embarking on a journey towards Enterprise Risk Management (ERM). The University is moving towards an enterprise approach to identifying and managing risk, including financial, business, operational, and governance risks. This will result in reduced cost and improved efficiencies.

As a leading institution of higher education and financial practices, the University is planning to implement the Enterprise Risk Management framework advocated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO website (<http://www.coso.org>) has a wealth of information about ERM, including an executive summary explaining the basics of ERM (available for no charge at [http://www.coso.org/Publications/ERM/COSO\\_ERM\\_ExecutiveSummary.pdf](http://www.coso.org/Publications/ERM/COSO_ERM_ExecutiveSummary.pdf)).

- The Regents adopted COSO framework (1996)
- Controller positions established at each campus (late 1990s)
- Several campuses develop ERM initiatives (2004-present)
- Chief Risk Officer position established (December 2004)
- ERM Panel formed to develop an ERM strategy (June 2005)



**ERM Framework**



The overall strategy of this mission would be to develop a data warehouse that can manage information that is currently being collected by various groups, existing programs, and initiatives throughout the University. This data can then be used to analyze processes, risks, and controls systemwide. The current expenditure for the existing Risk Services claim information systems will be shifted to building the data warehouse.

*To learn more about the “OPRS Enterprise” journey, please visit the Office of Risk Services website at <http://www.ucop.edu/riskmgt/welcome.html> and follow the “Enterprise Risk Management” link or contact Grace Crickette at 510-987-9820 or [grace.crickette@ucop.edu](mailto:grace.crickette@ucop.edu)*

## What else is OPRS working on?

In addition to the “OPRS Enterprise” journey and focusing on safety and loss prevention, a few of the other projects in the works are:

- OPRS is working with Aon Risk Services on a Risk Bearing Capacity report that will assist in determining what measure of risk exposure would best define a “significant” risk for the University.
- A Captive Feasibility Study is being conducted to develop long-term strategy for the University’s insurance and self-funded programs.
- OPRS has issued a Request for Proposal seeking to contract with a provider for an outsourced insurance compliance management services and system (ICMSS). The electronic, paperless, web-based ICMSS will be used to obtain, evaluate, track, retain, and report our vendors’ certificates of insurance to ensure compliance with University requirements, as well as being used to receive, track, and report certificates of insurance issued by the University.

Look for more information on these projects and their results in future issues of this newsletter.

## Workers' Compensation *continued from front*

made in California if the employee is a resident of California and the offer of employment is made in person or a telephone conversation during which the employee accepts the offer in this state. These facts give California jurisdiction to provide California benefits, including a death benefit, even though the injury in the course of that employment takes place in another state. Similarly, if an employee receives a contract of employment in California, signs it, and mails it back to the employer, the contract is considered as made in California.

At any given time the University may have employees working in any or all of the 50 states. These are the most common kinds of scenarios that arise related to out-of-state workers' compensation issues:

1. An employee who was a California resident at the time of hire, was hired in California and was injured while working in Texas: this employee is entitled to California benefits and this incident should be reported to your local Workers' Compensation office for reporting to our Third Party Administrator, Octagon Risk Services, for benefit administration.
2. An employee who was a California resident at the time of hire, was hired in California and works in California, but was injured while attending a conference in Minnesota: this employee is entitled to California benefits and this incident should be reported to your local Workers' Compensation office for reporting to Octagon Risk Services for benefit administration.
3. An employee who was an Iowa resident at the time of hire, works in Iowa, and was injured in Iowa: this employee is entitled to Iowa benefits and this incident should be reported to the EICW for benefit administration.
4. An employee who was an Idaho resident at the time of hire, but the offer of employment was made in California and the employee both works in California and was injured in California: this employee is entitled to California benefits and this incident should be reported to your local Workers' Compensation office for reporting to Octagon Risk Services for benefit administration.

So back to our original question—what do you do about an injury that happens in Des Moines, Iowa? Well, if the facts of the case fit scenarios #1, #2, or #4, the incident should be reported to your local Workers' Compensation office for reporting to Octagon Risk Services. The claim would be coordinated in the same manner as a claim that occurred on your local campus, medical center or laboratory. If the facts of the case fit scenario #3, the incident should be reported to EICW by using their toll-free injury reporting line at 800-266-2800.

*If you have any questions regarding whom you should report an incident to or which state has jurisdiction, please contact your local Workers' Compensation office or Kevin Confetti at 510-987-9868 or [kevin.confetti@ucop.edu](mailto:kevin.confetti@ucop.edu)*

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## Aon Bond Service Team

### What's a surety bond? Why are surety bonds needed?

Surety bonds are a form of financial guarantee. A surety bond ensures performance or payment of some kind to a third party which one has contracted with. A surety bond may also be utilized to meet State or Federal requirements to ensure one's financial obligations are met.

The Office of Risk Services would like to introduce you to the Aon Bond Service Team. This team can assist you with obtaining surety bonds to meet the University's obligations and with any questions you may have, including bond form wording and analysis of requirements. The team can be consulted on the University's bonding requirements for contractors, such as with construction contracts.

The main contact person for the Aon Bond Service Team will be **Sharon Davidson**.

**These services should be coordinated through local Risk Management offices who will contact the Aon Bond Service Team.**

#### Initial Contact Person

##### Sharon Davidson

415-486-6273

[Sharon\\_Davidson@ars.aon.com](mailto:Sharon_Davidson@ars.aon.com)

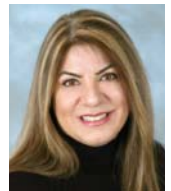
Sharon will be your main contact person for bond requests, approval and execution. Direct all inquiries and information concerning any new bonds and renewal of existing bonds, and invoice inquiries to her. Sharon will obtain any additional information necessary and ensure that any bond need will be addressed in a timely fashion. She will also be able to provide any underlying detail concerning outstanding bond liability.

##### Katherine Zerounian

415-486-7239

[Katherine\\_Zerounian@ars.aon.com](mailto:Katherine_Zerounian@ars.aon.com)

Katherine will assist as backup should Sharon not be available when a bond is needed on a rush basis. She will provide all of the services that Sharon primarily provides when Sharon is not available.



##### Mark Roppo

415-486-7233

[Mark\\_Roppo@ars.aon.com](mailto:Mark_Roppo@ars.aon.com)

Mark is responsible for managing the University of California surety bond program. This includes negotiation of limits and premium. In addition to program management, Mark will provide bond form wording and underlying requirements analysis concerning any UC bond needs. Mark can also provide feedback to UC Construction personnel concerning the financial adequacy of bonding companies for those bonds being provided to UC, and consult on UC contractual provisions relating to contractors bonding requirements.

