

## **Board of Trustees Agenda Item**

**Board Meeting Date:** November 5, 2012

**Title of Item:**

Annual Risk Management Report.

**Background and Analysis:**

Annual update on the Risk Management Program's principal responsibilities.

**Recommendation:**

Information only.

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Is backup provided?	Yes



## 2012 Risk Management Annual Report

The mission of the Risk Management Department is to provide a safe environment conducive to work and learning, and to protect and preserve district property and assets. The responsibilities of the Risk Management Department include purchasing and managing insurance, managing property and liability claims, providing safety training and maintaining compliance with OSHA regulations.

This report again builds on the information reported to the Board of Trustees the previous year (2011).

**INSURANCE:** Insurance costs continue to represent the major part of the Risk Management budget.

**General Liability:** (Chart A, lower section of columns)

In the 2009-2010 FHDA changed liability carriers for the \$5 million of general liability coverage that is purchased on the commercial market. The coverage remained unchanged but significant rate reductions have been achieved. In 2010-2011 a new underwriter was eager to obtain the District's business as the loss history is excellent. That coverage year saw a rate reduced per FTE from \$4.414 to \$4.145, or a 6% savings over prior year. That resulted in a premium reduction from \$152,500 in 2009-2010 to \$140,300 in 2010-2011. The premium was further reduced to \$125,800 in 2011-2012 and the rate per FTE was lowered to 3.912. This lower rate provided a 10% savings over the previous year. The District is a good risk for insurance companies and the broker for the District, Arthur J. Gallagher markets the account aggressively while retaining excellent coverage.

**SELF (Schools Excess Liability Fund):** (Chart A, upper section of columns)

Several changes were effected by SELF for the 2010-2011 year. The most significant change with major impact for FHDACCD stemmed from community colleges being rated separately from K-12 schools. This resulted in a rate decrease from \$2.59 per FTE in the 2009-2010 year to \$2.10 per FTE in the 2010-2011 year. The 2011-2012 rate increased slightly to \$2.16 per FTE. However, due to a lower FTE the premium the District paid actually went down slightly to \$72,156 from \$72,949 the previous year.

**Property:** (Chart B)

The District was able to achieve a lower premium for property insurance in 2010-2011 as well. The insurable values (lower part of Chart B) did not change significantly that year but the rate per \$100 of value went from \$0.0414 to \$0.0377. The result was a premium decrease from \$230,058 to \$211,087 with no reductions in coverage. The limits of insurance per occurrence were increased from \$250,000,000 to \$350,000,000 that year (Upper part of Chart B). The 2011-2012 premium was reduced 6% to \$198,270. The rate per \$100 of value lowered to .0354 again with no alteration in coverage. The lower premium reflects the effective marketing of a very good insurance risk.

**Other insurance:**

In addition to property and liability coverage, Risk Management places insurance for several smaller exposures. These include Crime, Foreign Package and Underground Storage Tank Liability. The coverage and premiums are also carefully monitored. Rates stay quite stable due to the absence of losses. However, there is little opportunity for rate reduction as the premiums are relatively small. For example, the crime premium remained stable for three years at \$6,058. However, the 2011 – 2012 marketing at the end of the three year policy resulted in a premium reduction to \$5700. The coverage remains identical thanks to market conditions, the District's excellent loss history and aggressive marketing by the broker.

**CLAIMS:**

**Litigated Claims:** In 2010-2011 Risk Management began the year with three open claims in litigation against the District. Risk Management, in cooperation with the District's general counsel, and our Third Party Administrator, Alternative Risk Services, LLC, monitors active claims and takes action as appropriate. In the 2010-2011 year, two of these claims were closed and no new ones opened. In the 2011-2012 year three new claims were filed against the District and are at various stages of review and legal response.

**Non-litigated claims: (Chart C)**

This chart illustrates the amount *incurred*, or demanded by the claimant, in red. The actual amount *paid* by the District is indicated in yellow. The difference between the two reflects the effort of Risk Management and the District's third party administrator to minimize the amount the District is actually liable to pay.

These claims against the District typically occur, as an example when someone trips or falls on District property. Therefore it is difficult to completely mitigate such events. However, Risk Management works closely with Plant Services to expeditiously affect any necessary repairs or safety upgrades and diligently strives to pay only a fair settlement. Achieving these settlements is time-consuming but the resulting claim cost savings justify the time spent.

The 2010-2011 year was unusual. Six claims were submitted to Risk Management. Of those six, only \$301.00 was paid in settlement. Although we cannot always expect that claim payments will be that low in succeeding years, the 2010-2011 year illustrates how unpredictable claims against the District can be. Also it was expected that some of the pending claims would be paid in 2011-2012. That proved to be the case causing the claim payments to appear higher in that year. The majority of the claims incurred and paid in 2011-2012 were physical damage and thus not subject to negotiations on the part of the District's Third Party Administrator.

**Emergency Notification System:**

In 2010-2011 the District renewed the final year of a three year contract with Blackboard Connect. The emergency notification system was successfully utilized in several instances throughout the year, including a test that involved the entire District. The report of results, how many voice, email and text messages were successful and how

many were not, from each use are returned quickly. Risk Management is confident that this provider will serve the District well should a large scale disaster occur. The contract was renewed in 2011-2012 for another three year period, with installments paid annually. The cost per year remained stable at \$62,000.

While each of the College's senior staff members (including the public information officer) have been trained to activate the Emergency Notification System (ENS), the most likely individual to make the notification is the District Police Chief. Working with the appropriate college administrator, the Police Chief will send out a message via SMS (text message), e-mail and phone call to notify the college community in case of an emergency or other significant event. The ENS can be configured to send any combination of SMS, e-mail or phone calls to a specific audience (e.g. - a specific college, District employees only or all registered users). If the event does not require a police response, the college can initiate the ENS message on their own. One of the advantages of the Blackboard Connect ENS is that it can be activated from any computer with an Internet connection. Additionally, voice messages and voice-to-text messages can be sent from any telephone via an "800" number.

### **Emergency Operations Plan**

The Foothill - De Anza Community College District has in place an "all-hazards" Emergency Operations Plan (EOP), to provide a safe and coordinated response to emergency situations. The EOP covers a wide range of contingencies, including natural disasters and human-caused emergencies. The plan complies with the requirements of the State of California's Standardized Emergency Management System (SEMS) and the Federal National Incident Management System (NIMS). Any response to an emergency situation will be conducted utilizing the Incident Command System (ICS), which is mandated by both SEMS and NIMS. This is to ensure a coordinated and interoperable response with any allied agency or jurisdiction. Both colleges and the District train on the EOP annually and maintain their own Emergency Operations Center. The EOP is reviewed on an annual basis to ensure the plan is current and meets with any regulatory changes that may have been enacted.

### **OSHA:**

Risk Management conducts OSHA training classes primarily for Plant Services and Custodial crews. The training is carefully monitored so that state and federal requirements are met. As OSHA promulgates new regulations, Risk Management updates existing training or institutes new training to meet Cal-OSHA requirements. The Risk Management OSHA Safety Committee meets every other month to assess the allocation of budget with training needs. This committee is comprised of leads from the various trades as well as management. Courses are added or deleted from the training matrix as the committee deems appropriate and feasible.

Training is trade-specific to allow our workers to perform their jobs safely and promotes safe and effective work practices such as the District's Trenching and Shoring program. Numerous activities within Foothill/De Anza Community College District require excavation and penetration, including repairing existing utilities, installation of new utilities, preparing the foundation for new construction, opening of walls in buildings, environmental remediation, and others. The Trenching and Shoring program has been

prepared to ensure that employees or contractors who may conduct trenching, boring, structural investigation and excavation work are able to: recognize, evaluate and control trenching and excavation hazards; protect employees from injuries and illnesses; comply with pertinent laws and regulations and promote safe and effective work practices.

Another program is Hearing Conservation, instituted to protect employees from harmful noise levels. This program includes identification of individuals in trades who use equipment that exceeds the Cal/OSHA Permissible Exposure Limit and requires the implementation of noise-reducing engineering and administrative controls where possible. It also requires the use of hearing protection as well as annual audiometric testing.

These are two examples of numerous programs the District trains annually or as required by Cal/OSHA. Risk Management also continues to perform biannual safety inspections of the trade shops, in conjunction with OSHA consultant specialists.

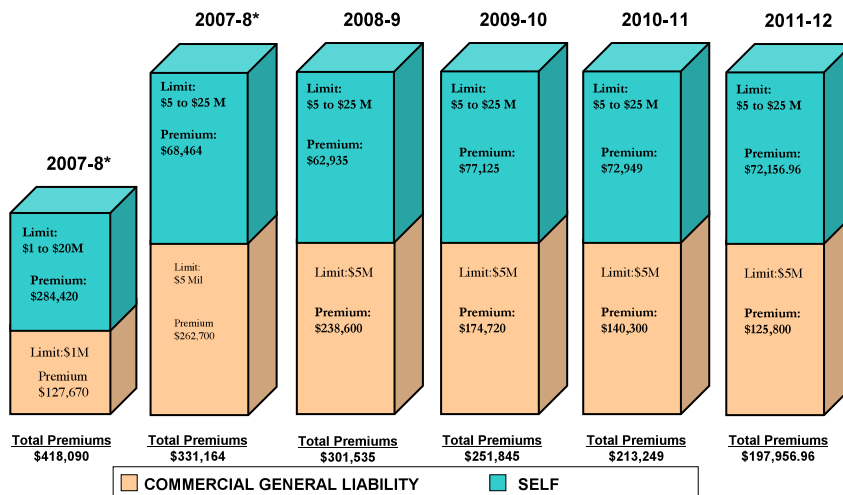
Starting in the 2011-2012 year, Risk Management began evaluating training to see which programs could now be accomplished online. Where applicable, online training is more cost effective. One example is Bloodborne Pathogens training, which requires an annual update meaning every person who needs the training must take it every year. In 2011-2012 Bloodborne Pathogens was taken online rather than in a classroom. This delivery method is not only less expensive but can be taken when it fits conveniently into the student's schedule rather than when a specific class is offered. It also removes the necessity of offering several classes due to varied schedules. Other training will be evaluated for online implementation in the 2012-2013 year.



CHART A

## General Liability Historical Premiums

*Schools Excess Liability Fund (SELF) VS. Commercial Insurance*



\*In 2007-8 an analysis was completed for the district's \$1MM to \$5MM limit of Liability insured with SELF, versus the commercial insurance marketplace. It was concluded that by insuring this layer with a commercial market, as opposed to SELF, would reduce the total premium by 26% (\$86,926).

