We would like to offer special thanks to the following individuals for their guidance over the second year of the Enterprise Risk Management program and for their continued support as we look ahead:

**Audit & Risk Management Committee**
- Thomas Cassady, UC Board Chair 2017–19
- Ronald D. Brown, Committee Chair
- Geraldine Warner

**ERM Executive Committee**
- Robert Ambach
- William Ball
- Mike Bohn
- Beverly Davenport*
- Robin Engel
- Ryan Hays
- Karen Kovach*
- Peter Landgren
- Patrick Limbach
- Bleuzette Marshall
- Debra Merchant
- Santa D. Ono*
- Neville Pinto
- Lori Ross
- Greg Vehr
- Nelson Vincent

**Risk Council**
- Christine Ackerman
- Todd Beekley
- Amanda Bill
- Tamie Grunow
- Juan Guardia
- Joe Harrell
- Tim Hawk**
- Larry Johnson
- Patrick Kowalski
- Chris Lindsell
- Maggie McKinley
- Connor McManis**
- Raj Mehta
- Richard Miller
- Sally Moomaw
- Kathy Qualls
- M.B. Reilly
- Kaz Scrivens
- Jane Strasser
- Cady Short-Thompson
- Jan Arthur Utrecht
- Bo Vykhovanyuk
- Jim Whalen

*former member

**student member
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“Everyone is a Risk Manager and Enterprise Risk Management (ERM) is everyone’s responsibility.” That is the ERM mantra and mindset we have adopted at the University of Cincinnati. It has been just over two years since we embarked on this journey and we have made noticeable strides towards raising the level of risk awareness and building a risk-aware culture at UC. While I recognize that we have a long way to go, the guideposts are set and the goal is clear: to support the university’s mission and achievement of strategic objectives by addressing the full spectrum of risks and opportunities and managing the combined impact of those risks as an interrelated portfolio.

As Chief Risk Officer I often ask myself, “How should we measure and communicate the value ERM is delivering to the university?” It is also not unusual to be asked by others engaged in this process: “How do we track overall progress in the ERM program and program effectiveness?” In response to these questions, in 2016 the UC Department of ERM began measuring and tracking our ERM Risk Maturity as a key performance indicator of total program effectiveness. Using a tool called the Risk Maturity Model (RMM) developed by LogicManager in partnership with RIMS (Risk & Insurance Management Society), we measured and established UC’s initial baseline maturity score. The RMM consists of key readiness indicators that describe 25 competency drivers for seven attributes that create ERM’s value and utility in an organization. The RMM maturity ladder is organized progressively from “ad hoc” to “leadership” and depicts corresponding levels of risk management competency. UC’s ERM program is young and our initial score placed us at the “ad hoc” level. However, we scored higher than “ad hoc” in several of the key competency areas. We intend to use the model as a roadmap to evolve our program, focus our resources, and improve UC’s program effectiveness. For example, the model indicates that by influencing front-line leadership and engagement, building a risk-aware culture and integrating risk communications into the fabric of how we do business we can make measurable strides that significantly influence ERM program effectiveness.

Published studies provide empirical evidence that firms that have reached mature leadership levels of ERM, as defined by the RIMS RMM, exhibit a 25% higher value—regardless of industry.

Paving the road to ERM success at UC also depends upon developing and utilizing effective key performance metrics (KPI) and key risk indicators (KRI) tied to top risks and strategies across the organization, not just within the ERM program. This report includes some of the metrics we are tracking internally. As we look ahead, an important program goal includes working with our risk owners to develop and highlight additional KPI and KRI identified through the risk assessment process.

In 2016, we paid special attention to a number of top risks based on regulations, economic markets, the political climate, actual claims and other internal and external circumstances. The balance of this report provides detailed information on our department’s efforts and programs. Risk Management is a team sport! We can’t do it alone—but together UC can be among other leading organizations who place a priority on understanding and managing risk and opportunity to their planned advantage. We look forward to UC’s continued advancement of its ERM program and hope this report will effectively serve the leadership of University of Cincinnati in their efforts.

Sincerely,

Anita Ingram
Chief Risk Officer
I. Advance Enterprise Risk Management discipline in support of university objectives.

II. Strengthen partnership with UC Health & UC Physicians (UCP).

III. Perform traditional and advanced risk management and insurance activities.

IV. Increase internal office efficiencies and maximize overall value to the university.

**Values:** We are dedicated to the mission of the university. We act with integrity and respect, foster transparent communication, and encourage diverse viewpoints and collaboration. Together with our stakeholders, we are accountable to pursue strategic opportunities and find cost-effective solutions that drive continuous improvement.

**Mission:** We support the University of Cincinnati by promoting a risk-aware culture. Through proactive risk consultation, universal risk assessment, and the selection of optimal risk finance options, we enable the University to evaluate risk as an interrelated portfolio and embrace appropriate risks and opportunities across the enterprise.
Organization

UC’s Department of Enterprise Risk Management (ERM) is now fully staffed. In October 2016, Heather Hewitt joined our organization as Executive Staff Assistant. She brings to her role four years of experience at University of Cincinnati Physicians, Inc. (UCP), where she assisted the program coordinator within the department of Plastic & Reconstructive Surgery. Prior to that, Heather was administrative assistant to several medical device start-up firms.

ERM supports the university’s mission by providing students an opportunity to gain practical experience in the risk and insurance industry. With the assistance of a $5,000 grant award from the Spencer Educational Foundation, our office employed one full-time and two part-time student interns. The interns were exposed to various risk management areas including medical professional liability, auto and property claims management, loss control programs, broker and insurer relations, financial analysis, development of key risk and performance metrics, and a myriad of risk management situations that we deal with on a daily basis. We would like to thank our outstanding risk management interns for their individual contributions to our team:

- Annette Echikunwoke, Actuarial Science major, Insurance & Risk Management minor, Outstanding Student Athlete, 2018
- Sarina Schroeter, Accounting & Finance major, 2018
- Erica Zaretsky, Insurance & Risk Management and Finance major, 2017
Underwriters continue to stress the adoption of campus property claims, and protection of privacy issues. Insurance enforcement of FAA regulations, costly liability and property concerns are related to appropriate oversight and entities (drones) used both on and off campus for exceed NCAA compliance standards. The insurance discussion management program is reviewed annually and place to address this risk exposure. UC's Division I concerns (see section on ERM Program).

Continuing the trend of the past several years the property insurance market remained soft, with flat to slight price decreases for good account experience. This was attributable to few catastrophe losses and significant capital in the industry driving competition. UC entered its second year of a three-year property insurance appraisal process. In accordance with the IUC-IC agreement with AIG, our property insurance provider, annual inflationary increases were excluded. The resulting cost savings were directed to the costs for appraisals—representing a satisfactory tradeoff for all parties involved. Professional appraisals help to both ensure reasonable assessment of market value for the university's $4.8 billion property portfolio and proper replacement cost valuation.

There is increasing concern among liability insurers regarding severe Traumatic Brain Injury (TBI) and potential approval of the class action lawsuits pending against the NCAA, individual schools and even helmet manufacturers. Some carriers have placed TBI exclusions in their coverage. While UC's primary and excess liability carriers have not gone that far they have taken additional underwriting and loss control measures to ensure schools have effective risk management programs in place to address this risk exposure. UC's Division I concussion management program is reviewed annually and exceeds NCAA compliance standards.

Underwriters are also scrutinizing unmanned aerial systems (drones) used both on and off campus for teaching, research and recreational purposes. Their concerns are related to appropriate oversight and enforcement of FAA regulations, costly liability and property claims, and protection of privacy issues. Insurance underwriters continue to stress the adoption of campus drone use policies. In response, UC implemented a drone use policy and SOP in late 2016.

As expected, the multi-million dollar settlement of the civil matter related to the July 2015 UC Police officer-involved shooting drove much of this year's casualty program renewal discussions. We were particularly mindful of underwriters concerns regarding law enforcement exposure. To address their concerns we highlighted the comprehensive reform and action plans centralized under the UC Office of Safety & Reform.

FY17 Renewal Highlights

- Primary and first excess general liability covers up to $10 million per occurrence. UC's combined premiums for this coverage increased 6.95%, from $238,208 to $254,757, attributable to UC's 2015 large loss and other exposures discussed above. The IUC-IC works closely with its liability carriers to align mutual goals and achieve positive renewal outcomes; through refinement of its ERM program UC seeks to improve its loss ratio in this area.

- Other casualty insurance lines (e.g. auto, educator's legal, 2nd and 3rd excess liability, etc.) renewed favorably, with premiums remaining flat or decreasing from 3.5% to 6%. As a result, UC's total casualty insurance premium increased just 0.47%, from $553,594 to $556,187.

- Added endorsement for Communicable Disease Interruption and Response, enhancing loss provisions in the event the campus is ever restricted or closed due to an outbreak of a communicable disease such as bacterial meningitis or Avian Flu. Coverage also includes a sublimit for fees payable for the reputation management in the event of such incident.

- Renewed foreign travel policy with WorldSource, an AIG company, for 2 years, and renewed the Special Accident coverage for another 3-year term, both at favorable pricing, terms and conditions.

- Secured an additional $1M coverage for data loss related third party data processing and/or transmission services, as complement to cyber/breach response policy. Reviewed optional quote to increase limit to $10M from UC's current $5M limit. Due to budgetary constraints and pricing UC opted not to increase limits at this time. [Note: currently 8 of 13 IUC-IC schools purchase this coverage; 7 at $1M limit, 1 at $10M limit].

- Sought and obtained special approval from the Ohio Attorney General's Office to remain with the university's existing cyber insurance carrier, under same preferred policy language, coverage and counsel.
For FY17, we asked the market to extend the renewal for the professional liability program beyond the usual 12-month period in order to meet the budgetary and fiscal needs of the College of Medicine (COM) and UCP. The specific issue we were asked to address was the timing of the August 1st insurance renewal, which did not align well with the internal fiscal year budget cycle beginning each July 1. Renewal quotes typically cannot be secured until 30-45 days prior to their expiration. In this case, around mid-to-late June. This timing comes too late in the budget cycle for UCP business administrators to account for the expense, which could significantly impact current year’s fiscal plans. With that issue in mind we changed the future renewal date to March 1st, beginning in 2018. We accomplished this by extending the renewing policy through March 1, 2018, thereby creating a one-time 19-month policy period (8/1/16 to 3/1/18). The excess markets responded favorably and provided appropriate pricing to cover the extension. Finally, the actuarial analysis for Trust Fund X primary premium was adjusted to account for the additional seven months.

UCP’s primary professional liability premium was $2.87 million, funding at the 80% confidence level. This reflects an overall increase of almost 50% over last year’s primary professional premium. This premium included a credit for good performance and fund surplus and an addition resulting from the extension of the policy term to 19 months. Important to note is that this premium increase is almost entirely attributable to the extended policy term. After accounting for credits and rebates, the actual rate for primary coverage decreased by 5.5%.

Lastly, due to UCP’s favorable 3-year loss history with CNA (i.e. no claims paid in the excess layer), UC/UCP received a profit sharing dividend of $47,500, which was appropriately allocated to the practice plans.
In accordance with the shared service agreement between University of Cincinnati and UC Health (formerly Health Alliance of Greater Cincinnati), the UC Department of Enterprise Risk Management is responsible for providing risk management, consulting and legal services for property, general liability and medical professional liability matters for the University of Cincinnati Medical Center (UCMC).

In support of the College of Medicine, faculty physicians engage in research, teaching and clinical activities. Along with the benefits these activities represent in terms of the university’s mission, including educational and research opportunities, patient care/community service and faculty development, these activities also carry the risk of third-party liability. UC’s Department of Enterprise Risk Management provides medical professional liability risk management and legal services to the UC College of Medicine and to UCP.

Both University of Cincinnati and UC Health each maintain separate self-insurance programs for professional medical malpractice and general liability. In our role, we provide underwriting support, legal and claims management, secure professional actuarial analysis on the trust funds, risk management expertise, as well as a host of transaction processes and services in support of the UCMC and UCP professional liability programs. Due to favorable loss experience in Trust Fund X, the successful handling of professional liability claims, and good management of the commercial excess liability program, the self-insurance trust has grown to more than $25M and is currently funded at a 90% confidence interval.

In FY16, the UC Department of ERM:

- Continued responsibility for management and placement of UCP’s insurance program, including other states workers’ compensation, employer’s liability, management liability, and medical professional liability;
- Scheduled and met with UCP department chairs, faculty and UCMC residents, to educate them about UCP’s insurance and risk management program, claims management, and risk mitigation and treatment strategies;
- Counseled physicians, nurses and others on medical legal issues;
- Verified coverage, provided quarterly claim reports and claims history letters for current and former physicians and residents;
- Worked closely with UCMC and UC Health on a myriad of patient safety issues, including impromptu patient care root cause analyses, system wide review of safety events, and other privileged peer review situations as requested;
- Participated as standing and “ad hoc” members on multiple and various UC Health and UCP committees and teams, including the UCP Risk & Compliance Committee of the UCP Board and UC Health Patient Relations Committees;
- Managed the investigation, review, disposition of all UCMC property claims >$10,000, and all patient property claims; and
- Managed all medical professional liability claims for UC, UCMC and UCP (see Figure 3).

Figure 3: Disposition of UCP and/or UC Health Claims
UC and Education Industry
Total Cost of Risk

To evaluate the success of our risk finance and loss control programs it is essential to measure and benchmark the university's total cost of risk (TCOR) against other institutions in the education industry. Among fourteen industries tracked, the education industry had the fifth highest average TCOR\(^1\). As of 2015, the most recent year for which we have available data, the average TCOR decreased 3% for the education industry (which includes K-12 as well as for-profit institutions), the first decrease in three years. The decrease is attributable to lower worker’s comp, property, liability, management liability and professional liability costs. Below are additional findings comparing UC’s cost per $1000 revenue (from FY16 data) to that of similar entities in the education sector (category <$1B Revenues):

- UC’s TCOR was $5.18M, or $6.29 per $1000 of revenue. This compares favorably with an average TCOR of $10.62 for all higher education enterprises, and very favorably with an average TCOR of $12.48 for other industries.

- UC incurred (net basis) $388,721 in combined claims costs and premium for general liability in FY16, which reflects an increase of 32% over FY15. UC’s general liability and automobile liability insurance premium was $0.26 per $1000 of revenue, which compares favorably to $1.87 for the education industry.

- When considering total property costs, UC incurred $1,752,970 in property premium and retained losses, which represents $2.13 per $1000 of revenue, compared to $4.23 for similar entities.

- For Educator’s Legal Liability, UC’s cost was $0.13, compared to $0.37 average for similar entities.

- UC incurred $1,232,645 in workers’ compensation (WC) premium and claims costs (see explanatory footnote below Figure 5). This represents a 112% increase in workers’ compensation premium from FY15 to FY16. Nonetheless, UC’s WC cost of $1.50 compares favorably to average total workers’ compensation costs of $3.15 for similar entities.

- UC’s internal and external administrative costs was $1.55, which compares unfavorably to $0.82 for similar entities. The higher cost is related primarily to the one-time purchase and implementation cost of a new risk management information system, Riskonnect, and to the increase to 100% staffing since FY15. [Note: ERM generates income from its provision of professional services to UC Health and UCP, and had some funded reserves to help offset nearly 80% of its internal /external costs in FY16. These costs are expected to normalize in FY17.]

Total Cost of Risk

Naturally, a goal of senior administrators is to manage costs, and this includes UC’s total cost of risk (TCOR). ERM has implemented a system to track TCOR, enabling a year-on-year comparison and identification of significant variances. ERM considers TCOR to be a key risk indicator (KRI) for the university. However, it is a lag indicator meaning it is output oriented, easy to measure, but difficult to measurably improve or influence. The institution is best served when its risk exposures are identified, assessed, and managed using effective loss treatment and mitigation, and being able to handle any loss it does sustain in an efficient manner. This reflects favorably on both insurance premiums and losses, as insurers look for robust risk management programs when negotiating costs. Fundamentally, total cost of risk includes:

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\(^1\) 2016 RIMS Benchmark Survey
UC experienced a $1.1 million, or 27%, increase in Total Cost of Risk from FY15 to FY16. Primary factors contributing to this increase include:

- A $650K, or 112%, increase in workers’ compensation premium/claim costs from FY15 to FY16. Much of this can be explained because the FY15 workers’ comp premium of $907,964 reflects credits/reductions for an accrual of $25,544 and premium refund of $375,000, thereby reducing total FY15 premium to $507,420. There was also a FY16 premium increase of almost $100,000.
- A $383K, or 43%, increase in internal/external expenses. See FY17 Internal/External expenses for details.
- $154K, or 40% of expenses relate to replacement of the legacy risk management information systems and transition to the integrated RMIS and GRC software platform.
- $200K or 52.2% relate to transition to 100% staffing in FY16.
The table above shows FY15 as the baseline, and compares the percent change in each category to FY16. Noteworthy changes since FY15 include: employee headcount decreased 18%—figures are taken from Ohio Board of Regents report and may lag by up to 12 months. (The decrease reflects a change in methodology of reporting—from “all active employees” to “paid employees.”) Operating Revenue increased $25.9M, or 3%; Automobiles (“fleet”) increased 4%, 12 vehicles; research operating expenditures increased 3%, and total cost of risk increased 27%. Changes less than 1% will not reflect well on this chart due to scale.

### Loss History/Claims
Loss history data is central to forecasting the ultimate value of claims and determining how future losses might be prevented. It is also a key component in determining the university’s total cost of risk (TCOR) and provides a basis to evaluate the success of the university’s loss control efforts. Efficient claims’ management can lower both the amount and frequency of losses and minimize disruption to the university’s mission. The tables and charts below provide greater detail about UC’s property and casualty claim trends. We look forward to full implementation of our new information system, which will allow for more complete data collection and analytics in each line of coverage. This report provides data for the lines of coverage and years for which data has been compiled.

*Since 7/1/2013, Casualty loss penalty is based on loss amount between $100K to $350K. The maximum penalty for a claim is $75,000, paid back at $25,000 a year. (Previous years’ penalty amount was on loss amount between $100K-$250K. Max penalty was $45K, paid back at $15K/year.) In addition, a Member can incur no more than $90K/year in penalties.
## UC GENERAL LIABILITY

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>UC Paid</th>
<th>Insurance Paid</th>
<th>Expense</th>
<th>Loss Penalty</th>
<th>Reserve</th>
<th>Total Incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>$10,497</td>
<td>$0</td>
<td>$152</td>
<td>$45,000</td>
<td>$100,000</td>
<td>$155,649</td>
</tr>
<tr>
<td>FY15</td>
<td>21,332</td>
<td>0</td>
<td>116</td>
<td>45,000</td>
<td>16,000</td>
<td>82,448</td>
</tr>
<tr>
<td>FY16(^1)</td>
<td>102,369</td>
<td>4,750,000</td>
<td>358,003</td>
<td>45,000</td>
<td>26,500</td>
<td>5,281,872</td>
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<tr>
<td>Totals</td>
<td>$134,199</td>
<td>$4,750,000</td>
<td>$358,271</td>
<td>$135,000</td>
<td>$142,500</td>
<td>$5,519,969</td>
</tr>
</tbody>
</table>

\(^1\)FY16 data includes the large loss related to the officer involved shooting and subsequent settlement of the civil matter.

\(^2\)Loss penalty applied in the same manner as described above for ELL claims.

## UC AUTO LIABILITY & AUTO PROPERTY DAMAGE

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>UC Paid</th>
<th>Insurance Paid</th>
<th>Expense</th>
<th>Reserve</th>
<th>Total Incurred(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>$20,275</td>
<td>$74,780</td>
<td>$600</td>
<td>$24,700</td>
<td>$120,355</td>
</tr>
<tr>
<td>FY14</td>
<td>15,115</td>
<td>67,329</td>
<td>1,591</td>
<td>20,267</td>
<td>104,302</td>
</tr>
<tr>
<td>FY15</td>
<td>18,524</td>
<td>33,503</td>
<td>14,305</td>
<td>14,929</td>
<td>81,261</td>
</tr>
<tr>
<td>FY16</td>
<td>12,806</td>
<td>24,977</td>
<td>12,499</td>
<td>18,534</td>
<td>68,816</td>
</tr>
<tr>
<td>Totals</td>
<td>$66,720</td>
<td>$200,588</td>
<td>$28,995</td>
<td>$78,430</td>
<td>$374,733</td>
</tr>
</tbody>
</table>

\(^1\)Amounts do not include recoveries (subrogation) from accidents involving third parties (see Figure below)

## UC AUTO LIABILITY & AUTO PROPERTY DAMAGE CLAIMS

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>UC Paid</th>
<th>Insurance Paid</th>
<th>Expenses</th>
<th>Total Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>$120,355</td>
<td>$104,302</td>
<td>$81,261</td>
<td>$68,816</td>
</tr>
</tbody>
</table>

![Chart](chart.png)

**Figure 9: Claims History—General Liability**

**Figure 10: Claims History—Auto**

**Figure 10.1: Claims History—Auto**
The number of claims reported remained relatively constant, while average claim cost has consistently decreased since FY13. Overall, the average cost per claim decreased by 20%, from FY13 to FY16.

Figure 11: Claims History—Property

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>UC Paid</th>
<th>Insurance Paid</th>
<th>Loss Penalty</th>
<th>Reserve</th>
<th>Total Incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>$313,929</td>
<td>$329,022</td>
<td>35,048</td>
<td>$0</td>
<td>$677,999</td>
</tr>
<tr>
<td>FY14</td>
<td>265,092</td>
<td>346,405</td>
<td>51,476</td>
<td>0</td>
<td>662,973</td>
</tr>
<tr>
<td>FY15</td>
<td>531,305</td>
<td>473,196</td>
<td>75,241</td>
<td>0</td>
<td>1,079,741</td>
</tr>
<tr>
<td>FY16</td>
<td>205,339</td>
<td>0</td>
<td>44,416</td>
<td>677,000</td>
<td>926,755</td>
</tr>
<tr>
<td>Totals</td>
<td>$1,315,665</td>
<td>$1,148,622</td>
<td>$206,181</td>
<td></td>
<td>$3,347,468</td>
</tr>
</tbody>
</table>

1Members having a claim in the IUC-IC pool layer must repay 30% of pool loss over 3 years. The penalty is applied on the loss amount between $100K to $350K. The maximum penalty for any single claim would be $75,000, paid back at $25,000/year.

2Amounts do not include recoveries (subrogation) from accidents involving third parties (see Figure 12).

Figure 11.1: Claims History—Property

Total incurred amounts of property claims has trended up since FY13. In FY15, UC experienced three large property losses, including a significant water damage loss due to pipe failure in a building, and two critical research freezer losses totaling in excess of $600,000 combined. A third research freezer loss was incurred in FY16 and is reserved at $770,000.
The number of claims reported increased by 26% from FY13 to FY16 (Avg. % change between FY).

Overall, the cost per claim decreased by 3% from FY13 to FY16 (Avg. % change between FY).

**Subrogation and Other Insurance Recovery**

ERM will pursue 3rd parties at fault for damages sustained to university vehicles and property, and where successful, reimburse our internal stakeholders. UC’s third-party administrator and ERM have aggressively pursued potential subrogations (recoveries). The successful results are reflected below.

In addition to what’s shown above, over the past year, UC ERM obtained total recoveries from our insurance carriers of $5,450,301 under both general liability and educator’s legal liability coverages. Notably, in addition to traditional payment of claims by our carriers, our recovery also included a crisis response reimbursement of $50,000 under the excess carrier United Educator’s ProResponse coverage feature. ProResponse, a supplemental benefit endorsement, does not have to be tied to a liability occurrence or wrongful act by the institution and can be used for crisis communications, trauma/grief counseling and other services.
Enterprise Risk Management (ERM) is a professional discipline that attempts to manage all of the organization’s [university’s] risks as an interrelated portfolio and to enable the organization [university] to better understand and manage its risks. ERM supports the mission and strategic objectives and seeks to optimize value by identifying, assessing, treating and monitoring risks to within the university’s risk appetite. An institutional risk is defined by the International Standards Organization, ISO3100, as:

“Any issue that impacts an organization’s ability to meet its objectives.”

UC’s ERM program uses the term “risk” to contemplate both adverse impact as well as opportunity. The formal Enterprise Risk Management program is spearheaded by the Chief Risk Officer in partnership with Internal Audit. At the end of its second year much progress has been made, yet there remains much to be done on this road to full implementation. Hallmarks of the program’s success to date include strong engagement and buy-in from senior-level administrators and other key leadership involved in ERM governance, along with great Board support and oversight of the program. ERM committees and governance structure help to identify risks and opportunities and manage the ERM program. (See Figure 13).

Working under the guidance of senior leadership, campus wide there are hundreds of risk owners. These are the individuals at the front line—the optimal location for risk mitigation and monitoring. Risk owners’ management of risks under their own purview in and of itself is nothing new. What has been introduced through the ERM process is the explicit delineation of risk mitigation and control activities and the cross-communication and sharing of those risks and activities beyond the risk owners’ specific department or division in a very deliberate, consistent and structured manner. ERM enables the university to better understand and manage its risks and opportunities as an interrelated portfolio. Furthermore, if the risk index (i.e. likelihood *impact), velocity—how quickly the impact will be felt, and/or direction of risk, are deemed to be of particular significance or concern then the risk can be elevated for additional oversight, potentially to one or more of the UC Board of Trustee Committees.
The result of the detailed baseline risk assessment conducted from FY15-16 yielded the following enterprise-wide index of top risks and opportunities, which have been modified slightly since last year’s report:

Figure 14: Top Enterprise-wide Risks (red) and Opportunities (green) Index for FY15 to FY16

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>FY15 Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title IX Compliance</td>
<td>24</td>
</tr>
<tr>
<td>Safety &amp; Reform (incl. Policing &amp; Crime Reporting)</td>
<td>21</td>
</tr>
<tr>
<td>Information Technology (Operations &amp; Security)</td>
<td>19</td>
</tr>
<tr>
<td>Diversity &amp; Inclusion</td>
<td>19</td>
</tr>
<tr>
<td>Capital &amp; Financial Planning, Budgetary Control</td>
<td>19</td>
</tr>
<tr>
<td>Communication</td>
<td>19</td>
</tr>
<tr>
<td>Athletics Funding Model</td>
<td>17</td>
</tr>
<tr>
<td>Alcohol/Substance Abuse</td>
<td>17</td>
</tr>
<tr>
<td>Talent Management &amp; Succession Planning</td>
<td>17</td>
</tr>
<tr>
<td>Enrollment</td>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>FY15 Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner with Corporate Entities</td>
<td>18</td>
</tr>
<tr>
<td>Grow Enrollment via E-Learning</td>
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<tr>
<td>Increase Research Initiatives</td>
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<td>Explore New Revenue Streams</td>
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<td>Conduct Wider Marketing Efforts</td>
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<td>Develop Community Engagement</td>
<td>16</td>
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<td>Obtain National Cancer Institute Designation</td>
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<td>Out-of-State Recruitment</td>
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<tr>
<td>Improve Talent Acquisition</td>
<td>15</td>
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<tr>
<td>Diversity &amp; Inclusion in Hiring</td>
<td>15</td>
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</tbody>
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Communication and development of a risk-aware culture will continue as a key focus area next year, building a broad understanding of risk (both the upside and downside), identifying and assessing risk, and connecting resources across the enterprise to manage risk and opportunity. To assist us in the accomplishment of this objective the ERM Communications subcommittee, a key component of ERM governance, has developed a written Communications Plan which outlines strategies, goals and metrics. The strategy includes a multi-level, multi-channeled approach to reach as many constituents as possible, as demonstrated below.

Figure 15: ERM Multi-Level Communication Strategy
In November 2016, we issued our first annual Risk Awareness Survey, designed as both a risk assessment tool and a means to measure and raise risk awareness among UC faculty and staff. The brief 5-question survey included just one open-ended question: “What do you think are the greatest risks and opportunities at UC?” For survey purposes, and otherwise we define “risk” as anything which can impact UC’s mission. Over 1,800 faculty and staff responded, providing us with valuable insight. Our plan is to issue the survey annually. A few baseline conclusions drawn from the survey include:

- Risk identification and assessment results are largely consistent among various constituent stakeholder groups, whether student, academic, staff and executive leadership, or Board of Trustees, revealing the current processes used to assess and prioritize risk and opportunities are effective (e.g. interviews, surveys, observations, reporting);
- On average, slightly less than half of survey respondents rate themselves as “risk-aware”;
- Less than half believe they are properly equipped to manage risk in their own areas or departments; and

- Many risks (and perceived risks) arise out of situational contexts, such as the July 2015 officer involved shooting of Samuel Dubose and the subsequent trial, the presidential transition—both at UC and at the national level, and new and changing laws and regulations such as FLSA and Title IX.

While the milestones and accomplishments of the last year are notable, the work of implementing a sustainable Enterprise Risk Management program that adds value and net worth to the university’s balance sheet is an ongoing process. This next year should bring an even more structured approach and meaningful dialogue about ERM at every level of the institution. The specific focus will be to continue to identify those risks and opportunities with the biggest potential impact to UC, to ensure effective management of those risks are within UC’s risk appetite, and to provide reasonable assurance regarding the achievement of strategic objectives and greater collaboration among all stakeholders. UC’s ERM Business Process has been refined and will be further integrated into business operations at every level. See Figure 16 below for further description.

**Figure 16: UC ERM Business Integration Process Flowchart**
Loss Control

Training/Workshops

As part of creating a risk aware culture, ERM seeks to engage stakeholders in a dialogue about how to be good stewards of university assets. In FY16, we had multiple opportunities to work with our partners in this fashion. One focus area was the development and implementation of the Minors on Campus Policy. ERM, working very closely with Human Resources and Office of General Counsel, had the opportunity to increase awareness of this policy across campus through in-person training and the launch of a robust online training program that has been used to train hundreds of individuals to date.

ERM also advanced the culture of risk awareness through the Campus Connexion and TULIP portal on our web page, which facilitates the purchase of insurance for special events held on campus, such as summer camps. As part of our effort to highlight this resource, ERM presented on issues facing summer camps and athletic camps on campus, especially as many of these risks impacted minors.

We were privileged to speak with a number of Departments in the College of Medicine on ways to mitigate professional liability risks. In speaking before the Department of Internal Medicine, Pathology and others, such as OR nurses, we discussed important considerations in disclosing medical misadventures, compliance with Ohio's Apology Statute, and proper use of both electronic medical records and incident reporting systems.

Among risks facing our faculty, staff and students, unique risks from Hoverboards, a battery operated self-balancing scooter, were reviewed and in collaboration with EH&S and Housing and Residence Education and Development, the devices were banned from residence halls on campus. Evaluation and consideration of unmanned aerial vehicles, aka “Drones,” also began during this time, with more to follow in next year's report.

Last May 2016, Janice Abraham, president and CEO of United Educators Insurance, trustee at two renowned universities, former senior administrator at Whitman College and Cornell, and author of the book, Risk Management: An Accountability Guide for University and College Boards, was invited to campus by ERM to conduct a 2-hour workshop involving the UC Board Trustees and UC senior leadership. Participants were provided an in-depth overview about the role and responsibility boards have to explore, with institutional leaders, those risks and opportunities that can be anticipated as well as those that are unknowns. The workshop was well-attended and well-received. UC's board members and senior leaders have each been provided a copy of Janice's book, which encourages board oversight of enterprise risk management activities at the institution.

Student, Faculty & Staff Services

Several international emergencies, including the Paris and Belgium attacks, prompted “After Action” meetings with key stakeholders at the university. As a result, UC International, Emergency Management, Communications, and ERM partnered to develop an international emergency response plan and team, with the safety and wellbeing of international travelers in mind. The plan outlines what to do and who to contact in the event of an incident, as well as identifying a support network of campus resources if decisions impacting travel need to be made quickly. The plan was piloted with winter programs and will continue to evolve to meet the needs of UC’s study abroad program leaders and participants.

Critical Research Freezers

The loss of precious research through unexpected events, including the failure of research freezers continues to be a significant source of property claims at universities with research programs, including the University of Cincinnati. Our last significant research freezer loss was in November 2015, which totaled $770,000. That loss payment by the insurance provider remains outstanding to date. The university’s insurance carries a $100,000 per claim deductible. Each claim is further subject to an additional loss penalty passed through from the Inter-University Consortium Insurance Council (IUC-IC), of up to
$75,000. These types of claims in particular create an adverse impact on UC’s status within the IUC-IC, making UC a greater risk to the pool of state universities. To mitigate the impact of these losses, Enterprise Risk Management is collaborating with the Office of Sponsored Research to develop a research freezer program. Risk management plans for loss control in this area are designed to protect critical research by addressing the areas of freezer alarms, greater collaboration with appropriate departments on procurement of research freezers that meet a certain standard, and shared financing of loss deductibles with the departments experiencing such losses who have opted not to participate in the loss control program.

Our department assisted with molecular and cellular biology to alarm key research freezers. The biology department, using guidelines outlined on ERM’s freezer research webpage, drafted a plan to protect their research in key research freezers in their department. ERM reviewed and approved the plan, and agreed to assist in the cost of procuring a web-based freezer alarm system.

Visit uc.edu/gencounsel/rmi/Training/freezers for more information about the program.

Fleet Safety
The University of Cincinnati owns and operates a fleet of over 300 vehicles ranging from police cruisers to box trucks to passenger vans. Due to the number and variety of motor vehicles in use, fleet safety remains a top priority. Working with Transportation, Environmental Health & Safety (EH&S), and other key stakeholders, the university has established a fleet safety program to provide information and guidelines to employees, students and volunteers regarding responsibilities for the safe operation of university-insured vehicles. What we accomplished over the last year includes:

- Historically, all accidents involving UC vehicles were scheduled for in-person review with the UC Motor Vehicle Accident Review Committee. This year the decision was made to handle minor incidents by sending letters containing recommendations to the driver and their supervisor. The formal committee review process was reserved for more serious accidents, and/or for drivers experiencing multiple incidents over a 24-month time period. This will minimize the time burden of our stakeholders involved in reviews and maximize time with drivers reviewing significant incidents and developing mitigation recommendations.
- With the help of the IUC-IC and university purchasing services, the university was able to secure and renew the Vehicle Rental Services Agreement with our preferred vendors for FY17.
- The driver’s record retrieval program completed in FY16 revealed our drivers are in good standing. ERM was allocated an additional $6,500 to implement the record retrieval program for FY17.
- Motor Vehicle Use Policy, a policy that addresses automotive risk and liability in both owned and non-owned vehicles was moved forward for approval through the shared governance process.

Risk Business Week
The 2nd annual Risky Business Week was packed with activities designed to engage the campus community and build a more risk-aware culture. The message was simple: Everyone is a Risk Manager! The primary goal of the week was to educate and empower the campus community to do just that. The Guinness World Record attempt for the longest selfie chain held in Nippert Stadium showed our collective commitment to protect the people and interests of the university. Title IX and College of Medicine programming raised awareness about key resources on campus. Risky Business Week also recognized the achievements of three award recipients who demonstrated excellent leadership and commitment to ERM principles:

- Sarah King, UCATS Donor Events, for “Best ERM Engagement Award”
- Division of Hematology Oncology for “Best Practice in Loss Prevention Award”
- UC Foundation for “ERM Champion Award”

We would also like to offer special thanks and recognition to undergraduate student body president, Mitchell Phelps. His leadership, partnership and spirit of collaboration, along with the entire Student Government’s, is what made not only this event successful, but several other key initiatives we worked together on. Next time we intend to break the record—Go Bearcats!
A major initiative was undertaken by the department of ERM to replace multiple legacy risk management information systems (RMIS), the primary one which was DOS-based and no longer supported, with a single, more robust, integrated RMIS solution called Riskonnect. Riskonnect also introduces a new Governance and Regulatory Compliance (GRC) component for the ERM-specific program functions. Like any change from one major system to another it was not without its hiccups and delays to overcome. Currently, the system is in active use for both the RMIS and GRC platforms. We are entering the last stages of development and implementation, managing data feeds and exports, and looking forward to exploiting the system’s full capabilities for a more robust analytics and management reporting capability.

Through a collaborative effort with Internal Audit, we also automated the Annual Compliance Survey of more than 150 compliance risks involving more than 50 individual risk owners via the new GRC platform on Riskonnect. This data is used by the Compliance Board to help monitor ongoing progress and change in compliance risks.

Risk Engineering

Annually, ERM assists with the coordination of a loss control survey conducted by Paragon. Paragon is a risk engineering and consulting service, retained by the IUC-IC to complete a comprehensive review of UC buildings, grounds, and associated activities. This survey improves both our understanding of the university’s physical assets and how to protect them, as well as helps us work with stakeholders to improve our loss control and risk reduction efforts.

ERM could not accomplish this monumental task without the help and support of our internal stakeholders. We would like to take this opportunity to thank key stakeholders who play a critical role in this process each year:

• Facilities Management
• Utilities
• Fire Safety
• Planning, Design and Construction
• Real Estate
• Environmental Health and Safety
• UC Libraries

Contributions include:
• Provide a fresh look at property valuations, exposures and overall risk reduction efforts;
• Play an integral role in the annual visit of the IUC-IC’s risk engineer;
Commit time and resources for annual visits that extend over an entire week; and
Provide supporting documents to the assessors.

Enterprise Risk Management Website
The purpose of our web pages is to share information about key issues impacting the university, including proactive loss control measures to prevent and reduce the frequency or severity of claims. Additionally, we have provided links to campus resources, policies, and other tools to enable cross collaboration and support in managing risk. We have content related to:
- Drones
- Minors on Campus
- Research Freezers
- Special Events
We have also streamlined forms and routine business processes. Now, at the click of a button, you can:
- Request a Certificate of Insurance
- File a Claim for Auto or Property Damage
- Request Claims History/Proof of Insurance (for Medical Professionals)
Visit [uc.edu/gencounsel/rmi](http://uc.edu/gencounsel/rmi) for more information.

Culture and Communications
Most organizational effectiveness models indicate culture as a critical component to achieving objectives. UC’s ERM program seeks to foster leadership support, collaborate with front line management, and drive broad awareness and engagement across the university, including students. The strategy is maturing over time, leveraging multiple channels and methods to build a risk aware culture at all levels.

One of many efforts already undertaken is a short informational video aimed at making a complex topic (ERM) easier to understand, and empowering everyone on campus to identify and manage risk. The video was submitted to United Educators Pearls of Wisdom Contest, and recognized for its innovation and important message. This was a great honor and has motivated our team to build upon this success. Expect to see more communication like this over the coming year. The 2-minute video called “What is ERM?” can be viewed on the ERM website under this link: [uc.edu/gencounsel/rmi/about](http://uc.edu/gencounsel/rmi/about)
A Look Ahead

While the milestones and accomplishments of the last year are notable, the work of implementing a robust Enterprise Risk Management program at UC will be an ongoing, evolutionary process. The next year should bring an even more structured approach and meaningful dialogue about risk at every level of the institution. The intent is to focus on the risks and opportunities with the biggest potential impact and to facilitate greater collaboration among all stakeholders to ensure sustainable solutions are in place. Enterprise Risk Management looks forward to leading this charge and partnering with all colleges, departments, and units to make UC’s ERM program a best-in-class model for other institutions to benchmark.


We anticipate enhancing our efficiency and responsiveness by developing a Risk Management Procedures Manual. Realizing that implementation of Riskonnect would dramatically impact our day to day operations, we delayed the completion of our Procedures Manual. We know it will prove to be a valuable resource as it will communicate ideas and clarify practices that were previously contained in numerous letters and memos, stated verbally, or contained in outdated manuals. This manual will cover topics such as:

- Claims’ management, evaluation and reserving
- Use of actuarial services
- Accident reporting and investigation
- Risk management for risk exposures and opportunities
- Purchase of insurance

Property Insurance Program

On behalf of the thirteen IUC state schools the broker representatives at Marsh negotiated a 3-year agreement with Lexington/AIG effective July 1, 2014, which allowed for rate stabilization in relation to program losses. While the program has been able to meet the terms of the agreement, it is set to expire July 1, 2017. In anticipation of that expiration the program has been put out for bid. Several carriers have expressed interest. UC’s property and business interruption values total in excess of $4.8 billion and represent roughly 20% of the total IUC-IC exposures. By request, ERM is visiting departments across campus to review the current property insurance program and answer questions about coverage and the claims management process. This will raise greater awareness around the importance of accurate underwriting information, coverage limits, deductibles, the resources available in the event of a loss, and highlight the overall importance of effective loss control. Contact us at ERM@UC.EDU for more information or if you would like a risk assessment or walkthrough of your building or department.

Drone Use Program

With the increase in public access to drones, quick advancements in drone technology, requests to fly drones on campus and the changing regulations implemented by the Federal Aviation Administration (FAA), universities around the country have brought drones to the forefront of discussions. There are many opportunities presented with the use of drones, in fact, the College of Engineering and Applied Sciences (CEAS) is heavily involved in drone research. Understanding the opportunities and potential risks involved, ERM collaborated with faculty experts in CEAS, the insurance broker, the IUC-IC, Office of General Counsel, and Safety & Reform to grasp the current environment around drones. In FY16, we:

- Created a webpage dedicated to drones;
- Drafted a policy and approval process for drone use on campus.

We look forward to finalizing implementation of the approval process and moving the policy through the shared governance process to formal adoption in 2017. Visit uc.edu/gencounsel/rmi/Training/drones for more information.

Risk Maturity Model (RMM)

We utilized the Risk & Insurance Management Society (RIMS) Risk Maturity Model for ERM to get a baseline measurement of the university’s ERM program effectiveness and efficiency. The Risk Council rated seven core attributes on the maturity scale from an informal “ad hoc” level to a fully realized “leadership” capability level. The results are an indication of the organization’s understanding about how to implement key risk management activities, whether our risk management activities are proactive or reactive, the breadth and depth of risk management reach within our organization, and the value and impact our ERM program has made on the organization and mission.

With our program still in its “ad hoc” phase, there is plenty of opportunity to improve and mature the program. To that end, we have committed to several key focus areas for FY17, including:
• Business Process Definition and Risk Ownership by Business Area
• Front Line Support and Process Owner Participation
• Risk Culture, Accountability and Communication
• ERM Information and Planning

We will continue to assess our progress annually and use the RMM score to benchmark against other ERM programs. This serves as an important metric for our Board, executive officers, and all our partners addressing risk across the university. The Journal of Risk and Insurance study revealed that successful ERM processes result in strong return on investment. Mature risk management practices could realize 25% value growth.

2017: Forecasters Predict A Risky Year for Higher Education (Finch, 2017)

When Risk Managers look ahead at the risks they will be managing in 2017, they can't help but consider how challenging and time consuming unpredictable risks can be. The top 10 risks lurking on the higher education industry horizon include the following:

1. Campus Violence
2. International Travel
3. Natural Catastrophes and Disaster Response
4. Network Security and Cyber Threats
5. Athletic Injuries (serious brain trauma)
6. Sexual Misconduct
7. Regulatory Compliance and Associated Fines
8. Epidemic Outbreaks in Residence Halls: Flu, MRSA, Norovirus, Meningitis
9. Fire in Residence Halls/Classrooms/Laboratories
10. Reputation and Brand Management

Emerging Risk Challenges and Opportunities

A risk/opportunity is emerging when one or more of the conditions, situations, or trends that could significantly impact the organization’s financial strength, competitive position or reputation within the next five years is not clearly understood and/or involves a high degree of uncertainty. For example, though nanotechnologies have been around for some time now we do not yet know what, if any, significant health effects might result from the use of nanotechnologies in the engineering of new processes. And while opinions vary about when driverless cars will take over, the proposition itself is profound in terms of both risks and opportunities. Below are just a few examples from an exhaustive list.

• Autonomous Vehicles (Driverless Cars)
• The Internet of Things (IoT)
• Nanotechnologies in Research and Development
• Telemedicine
• Political and Social Unrest
• Young People and Noise
• Current U.S. Administration Policy

While constantly scanning for emerging risks that can impact the organization is very important, sound practices for managing these risks include establishing procedures for assessing and defining appropriate response and notification. Continuous learning will be important to the look ahead.

RIMS & Logic Manager, Risk Maturity Model for ERM
Contact Us

Thank you again for taking the time to read this publication. We welcome your feedback and encourage you to reach out to us with any risk management concerns or issues in the year ahead!

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