Strategic Enterprise Risk Management and Compliance Committee

Date: June 8, 2017

Presented by:
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Presented to Board of Trustees on June 1, 2017
Enterprise Risk Management versus Organizational Resilience defined

**Enterprise Risk Management**

"a process... designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."

**Organizational Resilience**

“the ability to survive a crisis and thrive in a world of uncertainty."
Enterprise Risk Management Framework

**Leadership**
- Board of Trustees
- President
- Strategic-ERM Committee
- Strategic-ERM Workgroups
- Standing Risk Area Committees
- Units and Departments

**Process**
- Identify Risk Exposures
- Quantify Risk Exposures
- Plan for Risk Reduction
- Respond to Risk
- Monitor & Report Results
- Learn & Improve

**Management & Integration**
- Strategic Planning
- Internal Audit
- Compliance
- Risk Transfer (Insurance)
- Budgeting Process
- Capital Allocation

**Culture**
- Common Language
- Risk Awareness
- Communication
- Information Sharing
- Risk Ownership

**Leadership Process Management & Integration**
How to gauge Organizational Resilience

Resilience Indicators

- Leadership
- Situation Awareness
- Innovation & Creativity
- Decision Making
- Staff Engagement
- Leadership & Culture

Resilience

The ability to survive a crisis and thrive in a world of uncertainty

Change Ready

- Stress Testing Plans
- Proactive Posture

Networks

- Internal Resources
- Effective Partnerships
- Leveraging Knowledge
- Breaking Silos
- Unity of Purpose
- Planning Strategies

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Strategic Enterprise Risk Management and Compliance Committee
Committee’s Charge from the President

1. Develop tools and processes to actively identify, evaluate, and manage university risks.

2. Ensure that systems and processes are in place to provide accountability for compliance with university’s legal and policy obligations.

3. Encourage communications, problem-solving and collaboration across divisions, units and departments.
Strategic Enterprise Risk Management and Compliance Committee Members

• Vice President Finance and Administration and Chief Financial Officer
• Vice President for Research and Innovation
• Vice President and General Counsel to the University
• Vice President for Student Life
• Vice President for Equity and Inclusion
• Vice President for Enrollment Management
• Vice President University Communications
• Vice President for University Advancement
• Director of Intercollegiate Athletics

• Chief Resilience Officer and Associate Vice President for Safety and Risk Services
• Chief Human Resources Officer and Associate Vice President, Human Resources
• Chief Information Officer
• Chief Auditor
• Associate Vice President for Business Affairs and University Controller
• Associate Vice President for Research
• Assistant Vice President for University Initiatives and Collaborations
The Committee’s Network Approach: 
*Link, Leverage, Align*

**Standing Committees (SC):**
UO committees or groups with a charge to address risk or safety

**SERMC Committee:**
Serves as a “Hub” for leadership to understand risks, exposures, and controls

**SERMC Work Group (WG):**
Topic specific work groups charged by and reporting to SERMC Committee
Taking action by Strategic Doing

Where are we going?
Outcomes
Link, Leverage & Align

What could we do?
What should we do?
What's our 30/30?
What will we do?

How will we get there?
Pathways

What could we do?
What should we do?
What's our 30/30?
What will we do?
2017 Risk Assessment Findings

• National trends for higher education
• Campus risk assessment
Emerging Risks: Anticipating Threats and Opportunities Around the Corner
Emergence of Critical Risks for the Education Industry

From which of the areas listed below do you think the next critical risks for your organization will emerge?

- Regulations (73%)
- Cyber-attacks (70%)
- Fiscal crises (48%)
- Talent availability (40%)
- Natural disasters (38%)
- Technological change (36%)
- Customer demands (36%)
- Terrorism/political violence (35%)
- Competitors (32%)
- Social instability (23%)

Source: 2016 Marsh Report titled Emerging Risks: Anticipating Threats and Opportunities Around the Corner
Emergence of Critical Risks for the Education Industry

From which of the following areas do you think the next critical risks for your organization will emerge?

Source: 2016 Marsh Report titled Emerging Risks: Anticipating Threats and Opportunities Around the Corner
2017
Risk Assessment Process Steps

**National Trends**
- Claims and loss reports
- Insurance and risk reports

**Campus**
- Informational interviews
- Risk profile survey
- Risk assessment workshops
## Risk Impact & Risk Likelihood

### Risk Impact

<table>
<thead>
<tr>
<th>Scale</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>Core mission impaired, operationally disabling</td>
</tr>
<tr>
<td>High</td>
<td>Operations must shift significantly to adjust to conditions created by consequences of risk-related incident or control failure</td>
</tr>
<tr>
<td>Moderate</td>
<td>Operational changes are necessary to adjust to conditions created by consequences of risk-related incident or control failure</td>
</tr>
<tr>
<td>Low</td>
<td>Consequences of risk-related incident or control failure are tangible, but operations remain largely intact and maintain status quo</td>
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### Risk Likelihood

<table>
<thead>
<tr>
<th>Scale</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>Very high</td>
<td>Certain to occur</td>
</tr>
<tr>
<td>High</td>
<td>Almost certain to occur</td>
</tr>
<tr>
<td>Moderate</td>
<td>May occur within the year</td>
</tr>
<tr>
<td>Low</td>
<td>Not likely to occur within the year</td>
</tr>
</tbody>
</table>
• **Continuous Review** –
  Risks that have the potential for HIGH or VERY HIGH impact and have a HIGH or VERY HIGH likelihood of occurring.

• **Periodic Review** –
  Risks that have the potential for HIGH or VERY HIGH impact and a LOW or MODERATE likelihood of occurring.

• **Periodic Monitoring** –
  Risks that have the potential for LOW or MODERATE impact and a LOW or MODERATE likelihood of occurring.

• **Continuous Monitoring** –
  Risks that have the potential for LOW or MODERATE impact and a HIGH or VERY HIGH likelihood of occurring.
2017 University Institutional Risk Profile

**Continuous Monitoring**
- Federal Research Funding
- Int'l Programs Safety and Support
- Academic Quality
- HR Procedures and Standards
- Sexual Assault Prevention & Response
- Campus Safety and Security

**Continuous Review**
- Budget – Tuition Dependency
- Facilities & Infrastructure Conditions
- Cyber Security
- Recruitment of Key Talent
- Student Admissions and Retention
- Equity and Inclusion – Campus Climate
- IT Infrastructure

**Periodic Monitoring**
- Athletics Regulatory Compliance
- External Relations - Community Relations

**Periodic Review**
- Research Compliance and Accounting
- Compliance and Business Operations
- Research and Lab Safety
- Financial Conflicts of Interest
- Disaster Response - Earthquake
Top Risk Areas for 2017-18

• Budget – Tuition Dependency
• Facilities and Infrastructure Conditions
• Cyber Security
• Recruitment of Key Talent
• Student Admissions and Retention
• Equity and Inclusion – Campus Climate
• IT Infrastructure
Establishing the University Risk Matrix

Risk Overview
- Risk Area
- Risk Description
- Risk Impact
- Risk Likelihood
- Relative Risk Score

Risk Tracking
- Risk Steward (or owner)
- Accountable Parties
- Campus Partners
- Controls / Mitigation Summary
- Controls / Mitigation Effectiveness Rating
- Residual Risk Rating
Moving from Risk Identification to Action

- Identifying gaps or cross-disciplinary needs
- Establishing work groups or team
- SERMC Committee:
  - Provides work group or team with specific charge
  - Sets expected outcomes
  - Determines membership
  - Provides a timeline (90-120 days)
- Committee reviews work group recommendations and determine next steps or action plan
Current Committee Initiatives

Examples of current cross-disciplinary groups actively working on risk related issues:

- Research Electronic Compliance System Work Group
- Contracts and Insurance Waiver Work Group
- IS Security Committee and Work Group
- Export Control Work Group
- College of Arts and Sciences Scenario Planning
UO Insurance Program

Overview of the new independent insurance program
Insurance Overview

• The UO reduced its risk exposure by switching from PURMIT (Public Universities Risk Management and Insurance Trust) to an independent insurance structure.

• Over the past two fiscal years, the cost savings to the UO generated by switching to an independent insurance structure totaled $285,945.

• UO has increased its amount of coverage and procured additional policies to increase UO’s overall assets protection.
UO Partnership with Marsh

A network of 650 colleagues. More than 1,500 education clients.

More than 50 years dedicated to delivering education solutions.

$300 million in US education premium annually.

4,000 education policies as the base of our education sector benchmarking and analytics.

1,000 institutions in diversely structured consortia programs.

300+ primary/secondary school clients.

Education Practice Knowledge Base and Resources:

- Network inquiries
- Academy of Risk Publications
- Educational Webinars
- Benchmarking Reports
- Monthly updates on educational and market trends
- Webcasts
Coverage Overview

**Property:** Increased aggregate limit of $1 billion coverage for UO’s $3.8 billion in assets. Under PURMIT, seven campuses shared an aggregate limit of $500 million.

**Fine Arts:** Expanded UO $125 million policy to cover Jordan Schnitzer Museum of Art and Knight Library’s Special Collections. Previously only $100 million in coverage existed for OUS universities.
Coverage Overview Continued

**General Liability:** Added Police and Security Endorsement and coverage for UAS/drones and liquor liability.

**Excess Liability Policy:** Added coverage for athletic traumatic brain injury. $40 million in annual aggregate limit in excess of underlying liability.
Coverage Overview Continued

**Excess Layer:** Added Excess Liability Insurance policy that provides additional $15 million coverage to guard against large unexpected events; total $65 million; $50 million was previously shared.

**Professional Liability Insurance:** Added coverage against negligence claims for the Speech and Language, Athletic Training and Psychology departments.
Coverage Overview Continued

**Cyber Security and Liability:** Purchased a more robust insurance policy that sufficiently addresses complex and rapidly changing cyber threats.

**Study Abroad** (International Travel Medical and Evacuation): The Independent Insurance Structure has generated a cost savings of approximately $12,500 per year.

**Kidnap, Ransom and Disappearance:** Broadened coverage to include UO Alumni.
UO Insurance Portfolio Summary

• Aligning of our insurance portfolio with the changing dynamic risks across the university.
• Actively identifying and controlling risk exposures caused by gaps in insurance coverage.
• Defining risk stewards and campus partners helps mitigate against a variety of potential risks.
• Working with internal and external partners to prioritize, manage and forecast a range of risk areas with an eye towards insuring against loss.