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Risk Management Plans for University Athletic Facilities

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RISK MANAGEMENT PLANS

FOR UNIVERSITY ATHLETIC FACILITIES

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Introduction

Researching available literature on the specific topic of risk management planning for athletic facilities indicates that there is a dearth of work in this area[1]. This finding is surprising given the number of people attending college and professional athletic events each weekend and recent history of violent incidents, such as the shootings in Tucson, Northern Illinois University and Virginia Polytechnic Institute (VPI). The limited articles available in this area provide an explanation of risk management processes and methodologies related to controlling campus risks, mostly focusing on the insuring of physical property against the perils of fire, wind, water and liability. The research performed in this thesis will be used to compare two large university's current risk management plans in order to develop the most optimal plan for university's athletic facilities.

Literature Review

For instance, there are a few pieces of literature that address the way to analyze risks associated with athletic facilities, but they do not provide a comprehensive risk management plan for university athletic facilities. In the article, "Introducing a Risk Assessment Model for Sports Venues," by Hall, Marciani, Cooper, and Rolen, the authors identify risks associated with domestic and worldwide athletic events and facilities[2]. These risks include terrorist attacks and other risks that are most dangerous with larger numbers of attendants in one location. Catastrophes from the Olympic games and nationally recognized sporting events, such as football games, are analyzed together with those that took place at college facilities, like the Oklahoma bombing outside the football stadium. John Wolohan discusses the risks associated specifically with recreation centers in his article, "College Recreation Centers Need Risk Management Plans - Athletic Business"[3]. The article specifically showcases problems associated with weight machines, which is relevant to this research because a large number of basketball

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[1] UNI Rod Library, reference search engines used, Proquest, ABI-Inform.

[2] Hall, Stacey, Lou Marciani, Walter E. Cooper, and Robert Rolen, "Introducing a Risk Assessment Model For Sport Venues | The Sport Journal," Volume 13 Number 4 | The Sport Journal, 20 Oct. 2010 <http://www.thesportjournal.org/article/introducing-risk-assessment-model-sport-venues>.

[3] Wolohan, John T, "College Recreation Centers Need Risk Management Plan - Athletic Business," *Athletic Business-the Leading Resource for Athletic, Fitness and Recreation Professionals*, May 2010, 09 Oct. 2010 <http://athleticbusiness.com/articles/article.aspx?articleid=3532&zoneid=33>.

facilities are equipped with full weight areas that could cause potential risks. "Risk Management: Anticipating Your Losses Before They Fall" by Buisman, Thompson, and Cox comes the closest to this research project in terms of which facilities the risk management plan is being applied to because the main facilities addressed in this article are college and high school athletic facilities[4]. The article by Busiman, Thompson and Cox looks at both the pre and post loss risk management planning associated with running athletic facilities on a college campus. Although the authors identify liability issues stemming from hosting athletic events, they do not address violent events like the VPI or Northern Illinois University shootings that occurred after publication of their article.

Another situation where equipment and facility maintenance relates to risk management is when certain chemicals or other cleaning devices are used at a facility. In "Risk Management for Recreational Facilities," Conway and Jones address the issue of cleaning or upkeep chemicals and the dangers they possess, along with the potential financial losses they could cause[5]. With a wide variety of individuals who attend and participate in activities and events at universities, it is important to prepare against human injury and financial loss resulting from effects these materials have on audiences of such events. Harmful materials could include cleaning supplies used to clean the seats in a gymnasium or the salts used to clean snow and ice off the university's premises.

Some articles address the specific types of risks to assess but do not outline where certain risks may be more prevalent in different circumstances than others based on where a facility is located, the size, or the cost of the building. Hall, Marciani, Cooper, and Rolen go so far as to describe categories for each type of risk associated with athletic facilities. In their article, they identify three types of risks that are affected by two types of factors[6]. The first class of risks is those related to mission or function risks. The second class of risks is associated with the asset value of the facilities. The final category is in reference to the security of the building and those who are using the facility. The authors also indicate that these risk categories may be impacted

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[4] Buisman, Kevin, A. Frank Thompson, and Arthur Cox, "Risk Management: Anticipating Your Losses Before They Fall," *Athletic Management*, July 1992.

[5] Conway, Carroll and Robert Jones, "Risk Management for Recreational Facilities", *Risk Management,* 1993.

[6] Hall, Marciani, Cooper, and Rolen, op.cit.

by primary or secondary factors which are essentially daily operations or special circumstances, such as weather, location, or type of event[7].

Also, the unique characteristics of a facility play a role in the risk management process. Wolohan's article, "College Recreation Centers Need Risk Management Plan - Athletic Business," which focuses on weight machines deals with the very specific risk of liability derived from the use of equipment by others and the standard of care imposed on the owner of the machines[8]. Again, the article that comes the closest to research related to the topic of this thesis would be "Risk Management: Anticipating Your Losses Before They Fall"[9]. The risks being addressed in this article are separated into three broad categories: those associated with the facilities themselves, those associated with sporting events in terms of coaching and supervision, and those involving the facilities' use by the general public. These three categories are further broken down by liability versus property damage risks.

Aside from the categories of risks at hand, there are classifications that could be made when determining who is being insured against. A key determinant that affects an insurance program is whether or not the person involved in a claim is considered a participant or a spectator. This type of discrepancy is discussed in "Risk Management for Recreational Facilities" by Conway and Jones[10]. The relevance this situation has on a university's risk management plan is huge. For example, most colleges rely on spectators to participate in a variety of activities during the half-time shows of basketball games. Conway and Jones provide accident insurance as an example of a type of program that relies heavily on the distinction between the teams, participants and spectators[11].

In Hall, Marciani, Cooper, and Rolen's article, the authors consider vulnerability of a facility and which categories of risks should be avoided, assumed, reduced, or subject to loss control and prevention activities[12]. For example, Hall, Marciani, Cooper, and Rolen explain that a risk with moderate severity and normal frequency should probably be transferred using some sort

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[7] Hall, Marciani, Cooper, and Rolen, ibid.
[8] Wolohan, J, op.cit.
[9] Buisman, Thompson, and Cox, op.cit. pg 12.
[10] Conway and Jones, op. cit.
[11] Conway and Jones, ibid.
[12] Hall, Marciani, Cooper, and Rolen, op.cit.

of insurance coverage tool. Buisman, Thompson, and Cox also address the management side of risk planning[13]. Their article uses a diagram to explain essentially the same thought process behind choosing a management plan in terms of frequency and severity. The article also explains how to find the frequency and severity of a risk through different data collection techniques that could further help an athletic association in determining which risks to protect themselves against and how. Taleb, Goldstein, and Spitznagel in "The Six Mistakes Executives Make in Risk Management" reinforce the view that ideally insurable risks are those that represent, "Black Swan" events which have low frequency, yet high severity characteristics.[14].

However, Taleb, Godstein, and Spitznagel find the first mistake in developing a management plan is that most organizations try to plan against specific risks rather than the losses, or consequences, of such risks. The authors argue that focusing on consequences of loss is a more effective way to address risk management planning for organizations. Taleb, Goldstein, and Spitznagel use the examples of health care, home insurance, and car insurance, among others. when considering how we, personally, manage potential consequences rather than planning for specific, individual risks. In doing this, we ultimately avoid targeting some risks while overlooking others that, when unaccounted for, could become detrimental[15]. Taleb, Goldstein, and Spitznagel also claim that analyzing the severity of a risk should go beyond a single number calculation, such as standard deviation or beta, that most finance professionals are accustomed to using. The article outlines the reasons for avoiding the employment of such calculations as being an oversimplified, yet not well understood, technique for identifying and analyzing risks[16].

Rather than using an assumption technique, some pieces of literature stress the importance of preventative maintenance. "College Recreation Centers Need Risk Management Plans" by

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[13] Buisman, Thompson, Cox, op.cit. pg 12.

[14] Taleb, Nassim N., Daniel G. Goldstein, and Mark W. Spitznagel. "The Six Mistakes Executives Make in Risk Management." *EBSCOhost*. Oct. 2009. Web. 17 Jan. 2011. <http://web.ebscohost.com.proxy.lib.uni.edu/ehost/detail?hid=111&sid=4cd00c28-c1ae-4d99-9812-c0a0c50f6cc0%40sessionmgr115&vid=1&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bsh&AN=44284072>.

[15] Taleb, Goldstein, and Spitznagel, ibid.

[16] Taleb, Goldstein, and Spitznagel, ibid.

Wolohan is an example of one of those articles[17]. Because the article is centered on the idea of risks associated with liability claims, more specifically as a result of negligence, preventative maintenance should be a key management technique. Accordingly, Wolohan stresses the need for periodic audits and inspections of facilities[18]. Another article, "Risk Coverage", by Mendel explains the importance of one specific risk management technique, insurance[19]. The idea of requiring certain types of insurance programs for high school and college athletic associations is a key theme in this article. Mendel explains the importance of athletic insurance although it may be difficult.

Although much of the focus in managing risks with athletic facilities deals with the event and participants, there are many other elements that should be considered when a facility is used. In "Risk Management for Recreational Facilities", two important aspects are accounted for that relate to this thesis: alcohol consumption and food liability[20]. Because almost every university provides concession stand services, it is important to manage potential losses from claims such as these. Also, although universities no longer serve alcoholic beverages at their facilities, the risks associated from alcohol are not completely eliminated. Alcohol on the premises might also be a concern to account for. Even though a university may prohibit alcohol within a facility, personal injury from a spectator that has become inebriated off site and is in the stands still may pose a liability risk to the institution.

Outside the realm of risk management associated with athletic facilities there are many more pieces of literature regarding the broader aspects of risk management and those that pertain to organizations outside the athletics industry. For instance, Taleb, Goldstein, and Spitznagel, in "The Six Mistakes Executives Make in Risk Management", develop a what-not-to-do treatise on the development and maintenance of a risk management plan[21]. This article develops a rationale for avoiding specific problem areas when creating a risk management plan using different types of organizations, ranging from energy companies to those in the financial services industry, as examples. Taleb, Goldstein, and Spitznagel reiterate a lesson that

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[17] Wolohan, J, op.cit.
[18] Wolohan, J, ibid.
[19] Mendel, B, "Risk Coverage," *Athletic Management*, July 1992, pg 14.
[20] Conway and Jones, op. cit.
[21] Taleb, Goldstein, Spitznagel, op. cit.

investments classes teach which is that the past should never be used as a guideline to what future outcomes will be[22]. The idea here is that losses and "Black Swan" events are very similar to the stock market; there is no definite way to predict what future events will occur or the impact they will have. For this reason, Taleb, Goldstein, and Spitznagel suggest that organizations should avoid looking to the past to develop a plan to manage risks today and in the future.

While it is true that we cannot predict all future potential losses, it may be a good idea to keep past loss exposures in the discussion. Conway and Jones explain the importance of foreseeability in determining whether or not a facility is liable for damages[23]. If an organization has had past experiences with certain loss exposures and has failed to protect against them, they could be liable for damages caused by them. Again, this may be a situation where the best management technique would be preventative rather than an insurance-based technique.

Capitalism itself can also create problems, according to Taleb, Goldstein, and Sptiznagel, when developing a risk management plan[24]. Because individuals are so accustomed to generating efficiency, they sometimes overlook the benefit of redundancy, the authors argue. This means that instead of having back-ups and other ways to avoid severe losses that seem as if they cause idle capacity or inefficient use of space and resources, companies and efficiency-driven individuals find more satisfaction from taking shortcuts that produce higher profits in the short-run. Incentive programs influence these behaviors by rewarding high short-term profits while ignoring possible shortcuts that could result in losses in the future. In the case of university athletic facilities that are used quite often during a season, such as basketball, it would behoove the athletic department to develop a back-up plan for using an alternate site should the facility be incapacitated due to physical damage loss. The consequential loss in terms of lost ticket revenues could be catastrophic if a main facility were unavailable while being rebuilt for an extended period of time.

Using this information will assist in analyzing the risk management plans for two large universities in the Midwest. Again, with the little information on risk management plans

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[22] Taleb, Goldstein, and Spitznagel, ibid.
[23] Conway and Jones, op. cit.
[24] Taleb, Goldstein, and Spitznagel, ibid.

specifically for university-related athletic facilities, the information will merely be a guide as there are many differences in the characteristics of these facilities compared to ordinary recreational facilities or facilities used for worldwide athletic events.

Summaries of Risk Management Plans

This section will analyze two university risk management plans that were found in this study to partially address some athletic risks on the college campus. These universities were chosen because they both provided in-depth risk management plans that were already in place. This information was obtained, in large part, through the universities' websites.

Both summaries will follow in the same order as the actual risk management plans in order to most easily understand them. The summaries will serve as instruments in developing the best practices in formulating a risk management plan for large universities in the Midwest. Following the summaries, an analysis of the two plans will be made using a compare and contrast format.

Summary of University of Minnesota Risk Management Plan

The University of Minnesota (UM) has a detailed outline of their Risk Management Plan posted as a link on its website[25]. The first portion of the plan outlines the mission of the Risk Management Department. The mission states that the department intends to manage potential risks that are inevitable when any productive activity is taking place. The University does this in order to enable and promote those different activities that are essential to the University. Lastly, some techniques to manage these risks are purchasing commercial and captive insurance or using self-insurance, among which the University is responsible for design and implementation of through the amount of premiums and claims made[26].

Outlined next is the organizational structure and where the Office of Risk Management stands in terms of relationships and control. The department acts on the command of the Controller's Office, and from that point has a direct relationship with all insurance providers at

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[25] <http://www.finsys.umn.edu/linked_files/RiskMgmt/UMRiskMgmtAR.pdf>

[26] *Annual Report of the Office of Risk Management*. University of Minnesota, 30 June 2009. Web. 11 Feb. 2011. <http://www.finsys.umn.edu/linked_files/RiskMgmt/UMRiskMgmtAR.pdf>. pg 2.

hand while being responsible for certain relationships with others, such as the University at large, the Environmental Health and Safety Department, and Disability Services among others[27]. This portion of the plan is followed by an achievements section. In this section, recent accomplishments toward achieving a better Risk Management Department and Plan are provided with current and future benefits of each.

Contingencies and Management Techniques

At this point, the actual programs are addressed. The plan says there are two ways they can manage financial risk, retention and transfer. The first of the two can be achieved by a deductible or carrying no insurance at all. The second refers specifically to the use of an insurer as a third party. In terms of liability coverage, the University chooses to use a third party, RUMINCO, as a means of transferring those specific risks while property and other losses are transferred to commercial insurers. Workers-compensation is handled through a risk retention technique where the University insures against such losses without the assistance of a third party. An explanation of the rationale behind choosing each technique follows, saying that retention is the preferred choice in most cases, but risk transfer is in place when the potential loss is unfeasible for the University to cover on its own[28].

To cover each type of insurance in more depth, the management plan devotes an entire section on the background and justification for using each. The captive insurance technique is utilized through RUMINCO, which is a wholly owned subsidiary of the University that has grown over the years[29]. Its growth has enabled the Risk Management Department to employ RUMINCO's insurance over additional liabilities. Initially, the University only used captive insurance to cover general and professional liability but decided to drop its excess lines insurance and begin using RUMINCO for its automobile and non-profit organizational liabilities after 1986. The flexibility and reliability of the captive insurer are the main reasons why Minnesota has continued with this technique over the years.

The first type of liability under Minnesota's captive insurance is general liability. General liability is for third party injury or property damage, and they have determined the

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[27] Ibid. pg 3.
[28] Ibid. pg 5.
[29] Ibid. pg 7.

most frequent exposure is due to ordinary "slips and falls" while the most severe cases are those in concentrated areas that are exposed to things like fires, collapse, etc. In terms of premiums paid to RUMINCO, they increased dramatically from 2004-2005, sharply decreased from 2005-2006, and have continued to increase steadily from 2006-2009. The paid loss in each year resembles the characteristics of the premiums, but IBNR losses from 2006-2009 increase more rapidly with IBNR losses in 2009 exceeding the premiums paid out[30].

The second type of liability covered using the captive insurance is professional liability, the legal liability resulting from professional services provided by the University. Minnesota has found that the primary loss exposure in this category, medical malpractice, is also the most severe in terms of loss. The premiums paid to RUMINCO for professional liability have risen steadily from 2004-2008 and then fell in 2008-2009. The total expected losses, again including paid losses, case reserves, and IBNR losses, follow no such pattern. Only two of the five years showed there were enough premiums paid to cover all the expected losses. Compared to the general liability diagram, the value of covering costs associated with professional liability usually doubled that of the general liability losses and premiums paid[31].

Next under the captive insurance technique is automobile insurance which covers all vehicles owned or otherwise associated with the University and any bodily injury from such vehicles. The highest frequency incidence in this case is covering damages done to third party vehicles, and the highest severity results in multiple passenger accidents. The premiums for auto insurance are much steadier throughout 2004-2008 with a slight decrease in 2008-2009. The total expected losses for 2004-2007 combined equaled less than $250,000 while the total between 2007-2009 exceeded $400,000[32].

Lastly under captive insurance is non-profit organization liability which includes claims not arising from bodily injury or property damage. The most severe and frequent cases of non-profit liabilities are things like sexual harassment and discrimination. The premiums paid to cover this insurance policy hovered around $800,000 throughout the 5 year diagram, but the variability of paid losses, IBNR losses, and case reserves over this time period is extremely

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[30] Ibid. pg 9.
[31] Ibid. pg 10.
[32] Ibid. pg 11.

higher than any of the other types of liabilities covered by the captive insurance. For example, the paid losses in 2005-2006 were just around $15,000. The next year, paid losses exceeded $1,000,000[33].

As mentioned earlier, the University of Minnesota uses a retention method when they believe it is feasible to do so. Workers' Compensation is covered under the University's self-insurance program which covers losses incurred while employees are acting in the scope of their duties. Minnesota retains losses up to $1,800,000, at which point the University uses a reinsurer to cover catastrophic losses above the allotted retention amount. The average cost per claim from 2006-2009 has increased slightly each year, but the number of claims throughout 2004-2009 haven't had any spikes in one direction or another. Throughout the five year period, all expected losses increased from just under $2 million in 2004-2005 to just over $3.4 million in 2008-2009[34].

The last type of insurance used was commercial insurance coverage which was used for direct loss from property damage. The limit on this insurance is $1 billion per occurrence with a $200,000 deductible. Five percent of the deductible is paid by the department filing the claim with the rest being funded by the University's Risk Management Department. The University averaged around $1 million dollars of retained losses per year for the five year period with a little over $2 million average paid above the deductible[35].

The other losses covered under commercial insurance are categorized as Miscellaneous Insurance Coverage. Among the several types of losses covered under this category are Liability dealing with the Metrodome, Intercollegiate Athletics, and Non-Owned Aircraft Liability. RUMINCO covers up to $1 million in third party claims, and the remaining $4 million of coverage is accounted for through this Excess Liability coverage. Intercollegiate Athletics coverage is specifically for the University's athletes who are injured during games, practice, or travel. Non-Owned Aircraft Liability is in place for claims amounting to more than the aircraft owner's individual insurance. The limit is $25 million per occurrence[36].

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[33] Ibid. pg 12.
[34] Ibid. pg 13.
[35] Ibid. pg 15.
[36] Ibid. pg 16.

The last portion of the Risk Management Plan illustrates the cost of risk and the savings the University of Minnesota experiences through retaining a portion of potential risks rather than transferring that risk to commercial insurers. Finally, the plan wraps up with goals for the upcoming year. The University is considering a revised Property Program, but due to a lack of testing on the program in the open market, they will have to do a fair amount of research to decide whether it is best to go with that method or keep the current. UM will continue to purchase extra commercial insurance to protect against uncapped liability claims as well as improving the claim reporting process for Workers' Compensation[37].

Summary of University of Wisconsin Risk Management Plan

The University of Wisconsin's athletic department is also insured under a campus-wide program which is posted on their Risk Management website. The page begins with an overview of the department's purpose, the techniques to achieving their responsibilities, and a basic definition of risk management and what it entails. An emphasis is put on departmental assistance to ensure that problems are prevented, corrected, and/or brought to the attention of the Risk Management Department in order to be dealt with in a proper and timely fashion[38].

Contingencies and Management Techniques – Risk Assumption

The substance of the website is a list of the areas in which the Risk Management Department is involved. These areas include a property program, automobile coverage, special events liability insurance, camps and clinics, campus facilities use policies and guidelines, and aircraft pilot programs among a few others. Each area is written as a link which directs the reader to a more detailed description of what the program entails.

The first area the University of Wisconsin Risk Management Program deals with is the Property Program. This aspect of their management program uses a self-insurance technique against losses that arise from damage of campus property and contents. All losses are subject to a deductible ranging from $500-$2500 with the exception of vehicle glass breakage that assumes no loss. Outlined next are specific instructions on how to ensure the Risk

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[37] Ibid. pg 19.

[38] "Risk Management Home Page." *Risk Management*. University of Wisconsin-Madison, 29 Jan. 2009. Web. 20 Feb. 2011. <http://www.bussvc.wisc.edu/risk_mgt/risk_mgt.html>.

Management Department is up-to-date with coverage values. These instructions cover property in transit, borrowed property, art exhibits, and off-campus property and the information needed by the department in order to provide accurate coverage[39].

Property claims from theft or vandalism must be reported to the police, and claims in excess of $10,000 are said to be reported immediately to the Risk Management Department so, if needed, the department can notify State Risk Management. Again, there are a number of reports that need to be filed containing details of the cause and consequences of a property claim. Claims must be filed within a 120 day timeframe, but can be extended if additional time is needed. A request for extension must be done by the 90 day point. Lastly, any property claims due to negligence will result in an attempt to receive recovery from that party[40].

Automobile coverage is the next on the list of liabilities and is covered by a combination of the state of Wisconsin's liability and property programs. As in the aforementioned property program, the deductibles are the exact same. All occupants in a University vehicle must be on "official University business". Any occupants who are not employed with the University are not eligible for compensation for loss unless damage is caused by a University driver. This program takes a preventative measure in saying that there is no coverage for "medical payments" so any relatives of University employees are not permitted to ride in the vehicles. Another preventative measure that is discussed under automobile coverage is that when group travel is taking place, there will be no use of a single lane convoy in order to prevent a double damage situation[41].

Like the property coverage section, there are a number of measures taken to ensure accurate and complete documentation has been made regarding a loss. For example, the claimants must notify the department of the damage within 24 hours, and a local law enforcement agency is supposed to be notified. A step to ensuring timeliness and accuracy is an "Auto Accident Report" that is placed in all University vehicles' glove boxes. When a vehicle is rented, to guarantee the vehicle is covered, there is a list of contract providers the University

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[39] "Property Program." *Risk Management*. University of Wisconsin-Madison, 29 Jan. 2009. Web. 20 Feb. 2011. <http://www.bussvc.wisc.edu/risk_mgt/property_program.html>.

[40] Ibid.

[41] "Automobile Coverage." *Risk Management*. University of Wisconsin-Madison, 29 Jan. 2009. Web. 20 Feb. 2011. <http://www.bussvc.wisc.edu/risk_mgt/automobile_coverage.html>.

of Wisconsin deals with, in which case the insurance is provided in the rental rate. As a control feature of the automobile coverage, the University requires all drivers be approved by the Risk Management Department. This process includes background vehicle checks and other evaluations that go above the requirements of the DOA[42].

Again, the Liability Program covers automobile related damages but is specifically for insuring losses to property or third parties due to negligence from the University's employees and those working as the University's agents or volunteers. This, as are all the loss programs up to this point, are funded by the State's self-funding. Along the lines of liability coverage, Wisconsin has a Special Events Program that can be purchased for organizations who use the facilities and are not covered under the regular University programs. Premiums are determined by the University of Wisconsin System Board of Regents and are based on the type of event, number of participants, and the number of days[43].

Another liability that is protected through commercial insurance or, more desirably, a preventative technique is contractual liability. The University has a very strict policy on which contracts are okay to enter into and those with which the wording could cause severe potential loss. Contracts where the other party has worded a contract in a way that they are not liable for any damages are contracts the University attempts to avoid. In cases where that type of wording is unavoidable, the Risk Management Department can consider buying commercial insurance to protect against losses that the University is susceptible to[44].

Camps and Clinics Liabilities are covered by a $7500 accidental insurance program. This type of liability is for youth programs run by a University of Wisconsin department. In order to have this coverage for that department's youth program, a list of members and other information are required by the Risk Management Department immediately after the event has

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[42] "Driver Authorizations." *Risk Management.* University of Wisconsin-Madison, 29, Jan. 2009. Web. 20 Feb. 2011. <http://www.bussvc.wisc.edu/risk_mgt/drivetable.html>.

[43] "Liability Program." *Risk Management.* University of Wisconsin-Madison, 29, Jan. 2009. Web. 20, Feb. 2011. <http://www.bussvc.wisc.edu/risk_mgt/liability_program.html>

[44] "Contractual Liability." *Risk Management.* University of Wisconsin-Madison, 29, Jan. 2009. Web. 20, Feb. 2011. <http://www.bussvc.wisc.edu/risk_mgt/contractual_liability.html>.

finished. At this point, the premiums will be paid and any potential claims would be reported to the Risk Management Department[45].

Furthermore, if students are interested in running a campus event, such as a concert or other special event, there can be insurance purchased through the University's management department where the cost is calculated using information about the length of the event, the number of attendants, and the type of event. The insurance protects students involved in running the program from being held liable and suffering the financial consequences themselves. There is no medical coverage provided for students or visitors of the University who suffer an injury or loss unless that loss was the consequence of the University's negligence[46].

Campus Facilities Policies are provided through the Risk Management Department link and provide the primary and other uses for such facilities. The University of Wisconsin's athletic facilities are primarily used for athletic events for the Division Intercollegiate Athletics. Permitted uses are sponsored events, invited events, and revenue producing events. Each of these takes second priority to the primary use and can be rescheduled or moved to another facility if not sponsored by or invited by Wisconsin's Athletic Department. Costs of extra services needed for an event will be billed to the sponsor of the event. These costs include security costs incurred from the use of these facilities among other things[47].

A Statements of Alcoholic Beverages is used to lay out the appropriate places and times when alcoholic beverages may be permitted. For example, the University's athletic facilities may be an appropriate location for these types of beverages. Another point made in this document is that situations where a large portion of the student body, most of which is under the legal drinking age, is present may not be an appropriate time or place for the consumption of alcoholic beverages. For that reason, in most cases, the University's policy on alcoholic beverage consumption and services is that they are prohibited. An exception to this policy is during football games in University-owned parking lots with the purchase of a Special Events

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[45] "Camps and Clinics" *Risk Management.* University of Wisconsin-Madison, 29, Jan. 2009. Web. 20, Feb. 2011. <http://www.bussvc.wisc.edu/risk_mgt/camps_clinics.html>.

[46] Ibid

[47] *University of Wisconsin-Madison Facilities Use Policy*. Rep. no. P-9. Athletic Board, 12 July 2002. Web. 22 Feb. 2011. <http://www.union.wisc.edu/meetings/policies/pdfs/P-9.pdf>.

Parking Permit. Another exception is with the purchase of an Alcohol Beverage Service Permit with certain rules and requirements[48].

As a measure of insurance use and certificates issued by the Risk Management Department categorized by the facility, vendor name, or affiliates is posted as a link on their website. The list helps in giving a record of insurance use to those considering using a facility or a vendor and so on. The link shows which types of insurance are being used and when they were previously used. The record of certificates and insurance use is a way for members of the University to see who is currently meeting the risk management requirements for the University[49].

[48] *University of Wisconsin-Madison Facilities Use Policy*. Rep. no. P-7.1. Athletic Board, 1 June 2003. Web. 22 Feb. 2011. <http://www.union.wisc.edu/meetings/policies/pdfs/P-7-1.pdf>.

[49] "Certificates of Insurance." *Risk Management.* University of Wisconsin-Madison, 29, Jan. 2009. Web. 20, Feb. 2011. <http://www.bussvc.wisc.edu/risk_mgt/certificate_insurance_overview.html>.

Contingencies, Limits and Deductibles For Both Universities			
	Contingency	Limit/Amount	Deductible
University of Wisconsin	Property Loss	$2,500,000 aggregate Excess Insurance up to $300 mil	$500 $2,500 if theft with no sign of force
	Automobile Coverage		$500 $2,500 if theft with no sign of force
	Negligence Claims	$250,000 per claim Substantial excess insurance	
	Special Events Liabilities		
	Accident Injury Resulting from Youth Programs	$7,500	
	Aircraft Damage		
University of Minnesota	General Liability	$1,000,000 each claim $3,000,000 each occurrence $5,000,000 aggregate	
	Professional Liability		
	Automobile Coverage	$400,000 each claim $1,200,000 each occurrence $600,000 extra (jurisdictional)	$1,000
	Non-Profit Organization Coverage	$1,000,000 each claim $3,000,000 aggregate	
	Workers' Compensation	Self-insured up to $1,800,000	
	Property Damage	$1,000,000,000 each occurrence	$200,000 for University $10,000 for Department
	Miscellaneous Intercollegiate Athletics Aircraft Metrodome	 $25,000,000 each occurrence $5,000,000 total	 $1,000,000

Comparison

Minnesota and Wisconsin both determine the limits on their insurance programs based on each state's laws and statutes rather than a preferred method by the University. For example, the University of Wisconsin's insurance programs are essentially funded through the state. Therefore, the school's liabilities that are covered and the limits for each are established through state law. The University of Minnesota's RUMINCO program establishes its limits in relation to the Minnesota Tort Cap Statutes. Increasing the limits of insurance above the maximum amount of the Tort Cap Statute for the state of Minnesota waives the University's protection under that statute.

Automobile insurance for both schools obviously has some stipulations before obtaining it. For the University of Minnesota, the only authorized drivers are University faculty or staff, students over the age of 19, visiting faculty, and staff under the direction of a University responsible authority. All drivers must have a United States or Canadian driver license and in using larger vehicles, specific class licenses are required. These requirements are designed for vehicles owned or leased through the University, and the University of Minnesota does not insure vehicles unaffiliated with the school.

In order to use the University of Minnesota's vehicles, drivers must fill out a "Vehicle Use Authorization" form which explains the purpose of vehicle usage and a signature indicating that the driver will only use the vehicle for the purposes stated on the form. Depending on their designation, drivers are either required or urged to attend the National Safety Council course every two years. As with the additional license requirements for vehicles with passengers in excess of fifteen, there is a training program for vehicles of this size that needs to be completed before they are used. Another measure taken by UM is the designation of "Responsible Authorities" who are assigned responsibility of their subordinate's driving and their training prior to the use of University vehicles. Drivers are not permitted to carry passengers who are not assisting in University business. Drivers' authorization can be revoked given a misuse of the vehicle, and vehicle inspections occur every twelve months to ensure the safety of the University's vehicles.

The University of Wisconsin also has specific regulations to reduce the risk of damage involving a University vehicle. Again, valid driver's licenses are required, and potential authorized drivers are expected to complete a "Vehicle Use Agreement" or a "Student, LTE, & Volunteer Driver Authorization" form. These documents prove that the driver is aware and accepts the policies in place by the University. The school goes even further into preventative maintenance by performing vehicle record checks, and developing rules to follow while driving a University vehicle. For example, when traveling with other University vehicles, the drivers are asked to avoid a single file line while driving because the U of W has been subject to "double damage" in the past. Just as with the University of Minnesota, there should be no passengers in the vehicles used who are not there for a University purpose.

In order to prevent record from being out of date, the University of Wisconsin only allows drivers to be authorized for a short period of time before having to renew their authorization. Students who are allowed to drive University vehicles are kept in the database for a year at most and must resubmit a driver request form if they wish to become authorized again. Inactive drivers are removed from the database on a monthly basis. Faculty members do not have expirations to their driver authorizations, but upon termination of employment, the Risk Management department should be contacted to remove that driver from the database. "Fleet Drivers and Management Policies" is a detailed document outlining the rules and stipulations of using a state vehicle, and all drivers are expected to read and understand these regulations prior to use.

As with the University of Minnesota, the University of Wisconsin has campus use policies to prevent against potential losses. The use of the athletic facilities is only available to specific groups on a priority basis. For example, the University's campus departments are able to use the facilities first, followed by recognized groups of students, faculty or staff, and finally can be used at the request of a government agency. Although facilities can be used by organizations not affiliated with the University, stricter requirements are in place for such use. Unassociated groups must receive sponsorship from a University department or use the facilities at the invitation of Chancellor or the Division of Intercollegiate Athletics. In the latter case, that non-University organization is responsible for administrative and financial costs

associated with its use. In essence, the University forces the use of their athletic facilities to be under their direct control which helps to limit the ambiguity of use and exposure to risk. The amount and type of security needed at all events, including those from groups not affiliated with the University, is at the discretion of the University Police Department.

In terms of facility use regulations and restrictions, G-13 "Facilities Use Guidelines" lays out each and transfers some of the risks associated with use to the organization. These regulations include a limit on the number of facility occupants in accordance with local fire codes, alcohol may only be served by University personnel and can be restricted given certain circumstances, and the party using the facility assumes all costs of replacement if damages occur.

In case of emergency, the University of Wisconsin has an Event Alert System to, again, help prevent or reduce losses from possible risks. Special alert is provided for events that have the potential to cause the most damage. An example of such an event would be political rallies during re-election time[50]. The University has exerted more effort toward a campus wide protection against emergencies since the 2001 terrorist attacks and multiple university crises that have occurred over recent years. Wisconsin uses a "Continuity of Operations Plan Manual" called COOP to respond to a multitude of crises that occur on campus in order to assure business operations are returned to normal quickly and with minimal loss. As with many critical incident plans the U of W designates a chain of command for when disasters occur and stresses the importance of the timely documentation of events that take place before, during, and after a critical incident situation.

The COOP coordinator is responsible for one of the most essential aspects of developing a critical incident plan. Testing, training, and exercises are under the control of the COOP and are followed by maintenance of the plan. This maintenance is performed regularly throughout the year by a review team who is responsible for any necessary revisions within two weeks of the review. Although the plan will be reviewed quarterly, the COOP plan provides a three-year outlook and is updated annually to include the present year and the two subsequent years.

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[50] *Event Alert System*. Rep. Facilities Use Committee, July 2007. Web. 6 Mar. 2011. <http://www.union.wisc.edu/meetings/policies/pdfs/G-14.pdf>.

Aside from the students' and faculty's safety, the COOP plan takes into account the safety of University staff's family members. This concern about the safety of loved ones could potentially affect the performance and focus on the employee's specific function during an emergency situation. For that reason, there are recommended family emergency plans that should be in place in order for the employee's to have complete focus on their function that is essential to the University's COOP plan to be carried out effectively.

In the first phase of the COOP plan, the activation and alert process begins. The second phase is for the time period after the first twelve hours of the crisis and includes the activities that need to be performed to reduce the severity of the critical incident. These activities will either be performed at the primary location or be moved to an alternate operating location. The last phase is the "Reconstitution" phase and entails returning to the primary location or a long-term temporary location to resume daily business operations. An important thing to point out with the University of Wisconsin's risk management plan, being the pre-risk process or post-risk process, is that it is very well-organized in a way that is easy for the entire campus to understand. The COOP plan is designed so that each campus department has an amount of flexibility to alter the process to fit their specific needs but have a format to follow. This format is designed to keep a similarity among each department's individual plans.

The University of Minnesota has a similar risk avoidance plan called their "Emergency Operations Plan" which is tested on an annual basis. The very first part of the emergency plan outlines the communication methods to be used in case of an emergency. Sirens are located outdoors and within University facilities, but other methods such as phone, email, and pagers will be used if necessary. As in the Wisconsin COOP plan, the Emergency Operations Plan explains a chain of command and the responsibilities those entail. Within the plan is a map showing evacuation routes in case of an emergency that calls for such. For that reason, it is important to have a system describing how dangerous or how large of an impact an emergency will have. There are four levels ranging from one to four, four being the emergency situation affecting the largest area.

The University of Minnesota's pre-risk management plan organizes their functions and who is responsible in a very organized way. Each task is laid out in a table with the primary

person in charge and any support or a coordination of different departments. For example, damage assessment is a function that should be carried out by the Building Official as the primary personnel and should be supported by Facilities Management, Environment Health and Safety, and Risk Management. Any necessary comments regarding the function or groups responsible are made in the adjacent cell of the table. More detailed descriptions of each function are laid out in "annexes" that supplement the Emergency Operation Plan. All medical situations are handled by outside medical respondents, but for smaller-scale situations, medical services through the University may be available.

Following the deactivation process in Level 3 or 4 emergency operations, there will be surveys and opportunities to improve the Emergency Operation Plan as the Emergency Management Policy Committee sees fit. Again, documentation of any damages or losses should be prepared to provide the most accurate information in case of a claims process that could potentially follow.

Conclusion

Both plans resemble one another in different aspects but are of different formats and have subtle differences that should be considered. One of the biggest similarities between the plans is that they are both designed for campus-wide operations and risk management. The University of Minnesota's Emergency Operation plan pertains to multiple campuses. Having a universal format to guide each department in their critical incident plan, like the University of Wisconsin does, makes it a more cohesive plan for the entire University in case of a wide-spread emergency. Things could become complicated with campus departments providing their own emergency response plans without a universal layout. Wisconsin's plan allows for some flexibility in the overarching plan to suit each individual department but maintains synchronization throughout the campus.

Again, both universities stress the importance of a chain of command and proper communication methods that ensure all individuals are aware of the crisis at hand and their responsibilities at that time. The University of Wisconsin recognizes that employee's responsibilities are difficult to carry out if emotional distractions get in the way. For example, the University recommends all employees prepare communication methods for reaching family

members and loved ones in times of emergency. The reason here being that, until faculty members know their loved ones are safe, they cannot focus entirely on their responsibilities for keeping the students and others at the University safe. This is a precaution that could easily be overlooked but could significantly impact the sequence of events in a critical incident plan.

Without understanding why certain risks were accounted for and why others were not, it is difficult to criticize what loss exposures are insured against or prevented. Researching why and how universities of such large populations actually develop and determine the risks to be managed would give more information on how appropriate the school's management plan is for their loss exposures. There are very serious losses that could occur when audiences of such great size gather. These losses can range from very serious attacks, like terrorist attacks, or smaller matters, like slips and falls that occur very frequently. Because the range of potential loss exposures and the variability of the losses from university to university, it would be impossible to know the best risk management techniques to apply without knowing the severity and frequency of each.

Furthermore, because the characteristics of a university's facilities are dissimilar to other types of athletic facilities, such as recreational or professional facilities, it is not suitable to only engage in the risk management techniques used by those organizations. That being said, all organizations must decide whether to avoid, assume, reduce or transfer their specific risks. These decisions should be based on their individual circumstances, loss exposure frequencies and severities, and organizational needs.

Having completed my research on this topic, I have found that the processes for developing a risk management plan can be optimized by using similar techniques, but to have a universal risk management plan is unwise. On the other hand, a general format for all the separate departments on campus to use could be beneficial in wide-spread emergency situations because it maintains cohesion in times of extreme chaos. But, there is no plan that is suitable for all schools. Every university is susceptible to a number of different risks, and the optimal risk management plan should analyze and protect against their own collection of risks in order to address the greatest loss potentials to that university. All schools should analyze their loss exposures and develop their unique plan given their circumstances.