

UNIVERSITY OF HAWAI‘I SYSTEM ANNUAL REPORT



REPORT TO THE 2021 LEGISLATURE

Annual Report on
University of Hawai'i Risk Management Special Fund

HRS 304A-2151
(Act 186, SLH 2003)

December 2020

University of Hawai'i Risk Management Special Fund HRS § 304A-2151 (Act 186, SLH 2003)

Background

Act 186, SLH 2003, amended Chapter 304, Hawai'i Revised Statutes, by: (a) creating the University of Hawai'i risk management special fund (RMSF) effective July 1, 2003; and (b) providing the Board of Regents with the authority to approve the indemnification of persons, companies, and government entities, as necessary, to receive research and other funds for educational purposes.

This special fund was initially established when the University of Hawai'i ("University") became responsible (in 2001) for paying its own legal claims, including settlements and judgments. Prior to that time, the payment of legal claims against the University were made via an appropriation by the Legislature through what is commonly referred to as the "Claims Bill."

Over the years, the University developed its own program to finance its risk-related expenses, including but not limited to external attorneys' fees, legal claims, judgments and settlements. The risk financing program is a combined program of self-insurance and excess insurance to cover its losses and liabilities in the following areas:

- **General Liability Program:** The University's general liability program covers claims made by third parties for various exposures, including but not limited to bodily injury, property damage, products and completed operations, personal and advertising injury, incidental medical malpractice injury, and automobile accidents. Full coverage is achieved through various insurance platforms, including participation in the Department of Accounting and General Services, State of Hawai'i ("DAGS") general liability program, a University funded self-insurance retention, and purchasing excess general liability insurance.
- **Management Liability Program:** The University's management liability program covers claims made by third parties for various exposures, including: employment-related misrepresentation, discrimination, sexual harassment, retaliation, education-related claims and claims of breach of duty by officers or directors. The University covers these claims through a self-insurance retention and purchasing a primary insurance policy.
- **Other Liabilities:** The University's risk management program also covers any other claim-related expenses not covered by insurance, including breach of contract, wrongful discharge, and any collective bargaining matters.

The University's risk management program described above is funded exclusively by the University through assessments against all 10 campuses for contribution into the risk management special fund. The allocation for each campus is based on calculations which consider both exposure information (number of employees, students, vehicles, facilities, etc.) and loss experience, with more weight given to loss experience than exposure. The total assessment is designed to adequately cover any annual risk management expenses like insurance policies, any and all external legal fees and expenses associated with open and ongoing claims against or involving the University, and any judgements or settlements involving the University. Additionally, to finance the self-insurance portion of the program, the risk management program is designed to sustain a standing reserve balance of \$5 million - \$7 million in the event of an unusual or catastrophic incident.

Since its inception, the University has used the RMSF to finance and operate its insurance program to finance all external legal fees and expenses, claims, settlements and judgments against the University.

Account Summary

Beginning Balance: \$6,780,118.02

Revenue

Revenue Type	Amount
Assessments	\$1,905,924.00
Reimbursements	\$507,553.79
Fringe Reserve Reimbursement	\$2,232.72
Interest Income	\$73,425.97
Total Revenue	\$2,489,136.48

Expenditures

Expenditure Type	Amount
Settlements	\$59,640.00
Insurance Premiums	\$1,087,716.00
Legal Expenses	\$471,633.82
Workers' Compensation Replenishment	\$103.00
POST Building Recovery Expenses	\$579,648.39
Total Expenditures	\$2,198,741.21

Ending Cash Balance: \$7,070,513.29