

**VII. STANDING COMMITTEES****B. Finance, Audit and Facilities Committee**Portage Bay Insurance Annual Report

On June 30, 2009, the University's captive insurance company, Portage Bay Insurance (PBI), completed its seventh year of operation. It is providing all coverage and services envisioned in its 2002 business plan.

GOVERNANCE AND MANAGEMENT

The PBI Board of Directors includes two outside directors and five University employees having significant responsibilities for risk management, liability management and asset management. PBI contracts with the University for claim and risk management services from the Office of Risk Management and for investment services from Treasury. It contracts with Strategic Risk Solutions, a captive management company located in Phoenix, Arizona, to manage and account for its activities.

FY09 ASSET/LIABILITY GROWTH

PBI provides professional, general, automobile and employment practices liability insurance coverage for the University, its employees and students. Annual premiums are established through an independent actuarial study and are paid by the central administration and self-sustaining units. FY09 resulted in total retained premiums of \$11.6 million (down 1.6% from FY08) while claims incurred were \$9.2 million (down 24.3% from FY08). FY09 ended with total assets of \$69.8 million (down 5.9% from FY08) while total liabilities were \$31.2 million (down 7.7% from FY08). 134 claims were closed in the fiscal year, 42% without any payment to the claimant. Funds are invested in the University's Invested Funds portfolio which had a total return for the year of -5%. Milliman, the University's independent actuary, has opined that PBI is adequately funded to meet its liabilities.

REINSURANCE

PBI reinsures against catastrophic losses with London, Bermuda, Swiss and American reinsurers having A.M. Best ratings of A- or better. On July 1, 2009, coverage with limits of \$100 million was renewed for a \$2.5 million premium, a reduction of 2.97% from the prior year.

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#### REGULATORY AND AUDIT

KPMG Honolulu has completed the PBI annual audit with no findings or issues. Final issuance of its report is pending completion of the Seattle team's audit of the University's investment portfolio. In 2007, a full regulatory review found PBI in compliance with all requirements of Hawaii, its state of domicile. The IRS has ruled that PBI qualifies as a 501c3 tax-exempt corporation and that it is not required to file 990 forms.

#### PROGRAM ACCOMPLISHMENTS

A PBI-funded "Patient Safety Innovation Program" was introduced in UW-Medicine. Its first grant of \$50,000 was awarded for the development of a program to train health care practitioners in appropriate methods for disclosure of errors in care to patients. Five or six more grants for research into new patient safety techniques will be awarded in the coming year. It is anticipated that promising outcomes may result in external grant funding and that all successful new loss prevention techniques will be implemented in UW facilities with the objectives of reducing patient injuries and controlling ultimate liability costs.

#### FY10 Goals

The Board of Directors will be adopting several financial management policies this year, including a confidence level policy and premium/reserve discounting policies.