VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Portage Bay Insurance Annual Report

On June 30, 2008, the University’s captive insurance company, Portage Bay Insurance (PBI), completed its sixth 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 as well as its captive manager 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.

FY08 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. At the end of FY08, retained premiums and earnings were $57 million (up 18% from FY07) and liabilities were $33 million (up 24% from FY07). 99 claims were closed in the fiscal year, 45% 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 5.3%, underperforming its benchmark by 110 basis points. 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, 2008, coverage with limits of $100 million was renewed for a $2.5 million premium, a reduction of 7.64%.

REGULATORY AND AUDIT

KPMG has issued its FY08 audit report with no findings. 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.
B. Finance, Audit and Facilities Committee

Portage Bay Insurance Annual Report (continued p. 2)

PROGRAM ACCOMPLISHMENTS

The Self-Insurance Revolving Fund (SIRF) was established in 1976 and covered claims arising through June 30, 2002. By 2007, only eight SIRF claims remained open. Due to Medicare and state law restrictions on the distribution of self-insurance funds, accrued SIRF assets not needed to cover the remaining claims were transferred to PBI as additional capital. Earnings on this amount were used to reduce premiums from UW Medicine and the central administration for the current year. This premium stabilization benefit will be available in the future depending on investment returns.

FY09 GOALS

This year, a PBI-funded “Patient Safety Innovations Program” will be introduced in UW Medicine. Six to eight grants of approximately $40,000 will be awarded to faculty and staff for research into new methods of reducing the risks associated with patient care. Promising results may bring in external grant funding and any successful new loss prevention techniques will be implemented in UW facilities.