

ROLL CALL

REVISE DOLLAR LIMIT FOR SETTLEMENT PAYMENTS PURSUANT TO THE
SYSTEM'S RISK MANAGEMENT PROGRAM

Action: Revise Dollar Limit for Settlement Payments Pursuant to the System's Risk Management Program

Funding: No New Funding Required

In February 1978, the Board of Trustees ("Board") established a Risk Management Program ("Program"), which currently operates under the auspices of the Vice President/Chief Financial Officer and Comptroller ("Comptroller"). Continuing to the present time, the Program provides very broad, occurrence-based liability coverage for the University of Illinois System. That coverage extends to individuals acting on the system's behalf, including current and prior Members of the Board, Officers of the Board, employees, and agents of the University. The insurance aspect of the Program utilizes a combination of self-insurance and commercial excess coverage for workers' compensation claims, general liability, hospital and medical professional liability, employment practices liability, and educator's legal liability.

Over the years, the Board has made various changes to the Program. For example, the Board delegated to the Comptroller the authority to pay out settlements under the Program up to a certain dollar amount; settlements paid from Program funds

above that amount require formal Board action. This dollar limit on settlements paid from Program funds has been modified only rarely. For more than seventeen years, the amount was \$100,000. For approximately the past fifteen years, the amount has been \$250,000.

The Office of University Risk Management has undertaken an analysis of this aspect of the Program in light of inflation and the University's size and organizational structure. During the past ten years, 62 settlements were approved by the Board. Of these, 30 resulted in payments between \$250,000 and \$1.0 million, but represented only 12 percent of the total dollars paid. There were nine settlements between \$1.0 million and \$2.0 million representing 10 percent of paid dollars, while 23 settlements with payments above \$2.0 million represented 78 percent of paid dollars.

As a result of this analysis, it is recommended that the dollar limit be increased to improve efficiency and respect the other time demands on the Board. The recommendation is to increase the settlement authority delegated to the Comptroller from \$250,000 to \$1.0 million. The increase in settlement authority would allow the Comptroller additional flexibility to resolve certain cases without the need for formal Board action. The Comptroller will provide a periodic report to the Board on all settlements above \$250,000 but at or below \$1.0 million.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The Comptroller and University Counsel recommend approval.

The President of the University concurs.