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To: Kathy O'Toole  
Writer, News Service  
Press Courtyard

**CONFIDENTIAL**

From: Bob Beth  
Director, Risk Management

Re: Risk Management at Stanford University

Neither fire, flood, earthquake nor thieves in the night deter Bob Beth, Stanford's Director of Risk Management, from his mission. Dealing with calamities is part of his job. "I guess you might call me the institutional worrier," Bob Beth says.

Mark Twain once said, "During my many years of life, I have known a great many troubles, but most of them never happened." Bob Beth said, "During my 28 years at Stanford, I have worried about things that could go wrong and most of them never happened. I finally learned that God is in control (a gentle reminder was received from the earthquake on October 17) and I'm just the servant."

People calling the office often begin with the message: "We have a problem" which means "let me drop this on your desk and you determine how it can be paid or resolved." Under Bob Beth's direction, Stanford has moved substantially into self-insurance programs for property losses, liability, workers compensation and employee benefits. Bob said that these programs are fulfilling all of the functions and services normally provided by insurance companies. In this process, Stanford and the Medical Center are saving in excess of \$28,000,000 per year compared to the cost of fully insured plans covering all risks offered by insurance companies. In addition, Stanford and the Hospital's workers compensation annual costs are reduced by \$10,100,000 because the health and safety programs continue to be four to five times more effective than the average for California Colleges and Universities and even better when compared with industries.

When asked why Stanford is so successful, Bob's response is that the institution, faculty and staff seem to have a real sense of accountability and commitment to prevention of loss and accidents. Professional safety persons agree that 90% or more of all accidents are caused by unsafe acts while the remaining causes are unsafe conditions.

Risk management can be most effective when there are large numbers of repetitive causes of accidents to analyze. Falls and back injuries are by far the most common injury. Other accident causes are so divergent that there is no pattern of identifiable causation or trends.

Bob Beth quoted Yogi Berra who said, "You can observe a lot just by watching." However, Bob said, "From where I sit, looking at the back side of the University, I expect to see some warts and blemishes, but all I've seen is smooth skin and a few freckles. Stanford would win most beauty contests when it comes to safety. For several years we submitted applications to the Campus Safety Association Division of the National Safety Council and repeatedly won their top awards."

Society and cultural changes have taken place that have made significant impact on the field of risk management.

✓ First, people are much more litigious; there are over 115,000 attorneys in the state of California and legal representation is often sought before medical care is obtained when a person is injured. Some people look upon an injury as a good chance at winning the "tort lottery." Shakespeare said, "First we kill all the lawyers" (but not ours). Stanford's legal counsel is of the highest quality and always performs in the most professional way to protect its trustees, faculty and staff when they may be sued for University related activities. The message is being communicated to plaintiff's counsel that Stanford will provide vigorous defense and we will oppose frivolous or groundless suits.

Secondly, the concept of risk assumption is changing. Many people have a phobia to risk of any kind; indeed, no risk or zero hazards seem to be the unrealistic expectation. A safe environment is an objective, not a goal. An unlimited amount of resources applied to accident prevention and no amount of legislation will ever be able to make life risk free. Any attempt to fully control accidents could stifle free will and academic freedoms as well. Society is not ready or willing to pay the price. For example, over 380,000 people die each year from the disease effects of cigarette smoking. This is equivalent to the death of three fully loaded jumbo aircraft each day of the year and yet there is no public outcry to deal with this life and financial crisis. It is interesting to observe the mixed signals that people send. A recent T.V. news item showed a person smoking a cigarette while protesting the EPA for stronger clean air regulations.

Bob said his work often causes him to be the messenger of bad news. He said that he tries to give a "good news/bad news" presentation, but often feels as if he were the patient who was informed by his doctor that he had some bad news and some good news. The bad news was that the patient was slowly dying of an incurable disease; the good news was that he was also losing his mind and wouldn't be able to remember the bad news.

At Stanford, the "bad news" is that the recent earthquake caused considerable damage. The good news is that after the buildings are strengthened and/or rebuilt, Stanford will be much better protected against future earthquakes. The 1906 earthquake released fifty times more energy than the October 17, 1989 earthquake, thus we need to prepare for the "BIG ONE."



There have been some events that will always be haunting me. These include (in the order of occurrence) the arsons, bombings and vandalism which occurred during the 1968-72 social unrest because of the protest against the Vietnam War; the mysterious fire (approximately \$2,000,000 current value) at Encina Hall in June 1972; the water damage to Meyer Library, Green Library and the Law School Library (total damage approximately \$1,000,000 during 1978-79; the accident which caused one of our gymnasts to be paralyzed in 1979; the Storey House fire (approximately \$1,500,000) in March 1980; a ten ton load fell from an operating overhead crane in High Energy Physics in November 1982 and the earthquake of 1989.

Whenever there is a serious injury, a fire or loss of property, I grieve with each person that is suffering. It is difficult to try to separate your feelings from anyone who is hurting. I think that kind of empathy helps Stanford to fairly, compassionately and equitably work with claimants.

There have been several occasions when I was younger and innocent when I placed my life in jeopardy for the University. During the riots and attacks on Stanford property during the Vietnam War, people wearing ski masks broke into Encina Hall when several of us spent nights "guarding" the building. Bricks, stones and lead pipes were thrown through the windows and nearly hit us; then they entered the buildings and were wearing ski masks to cover their faces -- they threatened to hit us with pipes and iron bars unless we agreed to leave the building while they smashed everything. We stood our ground, they broke several windows and left the building.

On another occasion, thieves impersonating <sup>work-</sup>men stole paintings valued at \$100,000 which were on loan from the museum to student dorms. I received a "tip" from an informant that the paintings were at a home in East Palo Alto. The local police could not get a search warrant for lack of evidence, so several people from the museum and my office visited the home. We knocked on the door and when it was opened, we observed one painting hanging on the living room wall. Anita Mosley, pushed herself into the room and said, "We are from Stanford University and we are here to retrieve our paintings." The occupants mouths dropped open and the rest of us followed brave Anita into the room. The paintings and our entourage returned safely to the campus.

Once a workman had made veiled threats to cause his supervisor bodily harm and hinted that he might have a gun. The employee was fired and was immediately referred to my office as he wanted to file a workers compensation claim. Needless to say, we set a world's record in completion of the paperwork after he arrived in my office. We tried to get counseling for him and he refused; a few days later we read that he had been arrested for shooting at a passing vehicle.

There have been some light moments. (a.) One day I observed a "hit and run" accident on campus in which the driver fled the scene but his license plate fell off. I returned to my office with the evidence and called the police department. The investigating officer arrived and in his most efficient way proceeded to go down his check list:

"Did you get the description of the car?" answer: "No"

"Did you get the description of the driver?" answer: "No"

"Did you get the license no. of the car?" At that point I reached into my desk drawer and produced the license plate.

(b.) A piano was stolen from the rest room in the Women's Club House by the Old Union. A reporter called and asked why there was a piano in the rest room. I said it was probably used to go tinkle by or perhaps had something to do with Beethoven's second movement.

(c.) I always receive calls when no one knows where else to inquire. A caller reported that a lady was eating lunch at Tresidder patio with a boa constrictor snake around her neck. I told him that as long as the snake was not having lunch too that there wasn't any problem.

Lastly, I would like to share some corollaries to Murphy's Law (if anything can go wrong, it will) which have been borrowed from various risk managers:

#### Computations

1. In any given calculation, the figure most obviously correct will be incorrect.
2. All constants are variable.

#### Loss Prevention

1. A foolproof system injures only wise people.
2. An accident will not happen until all testing of a system has passed final inspection.

#### Insurance

1. The availability of any particular kind of insurance is inversely proportional to the need for it.
2. An adjuster won't adjust.
3. An insurance policy sent back for correction will be corrected incorrectly.

#### Legal

1. The attorney you work with took an "incomplete" in the insurance course at law school.
2. Federal and state regulations (OSHA, EPA, ERISA, etc.) will always change after you have gone to great expense to conform with existing standards.

#### General

1. A word easy to spell will always be misspelled (sic).
2. An understanding will always be misunderstood.

In September 1989, Bob received the Distinguished Risk Manager award from the University Risk Management and Insurance Association in recognition of his professional accomplishments, contributions and dedicated service to higher education, URMIA and the risk management and insurance industry. He was ~~the~~ founding president of URMIA in 1970. Its membership represents all of the major public and private schools of higher education. He was also the founding president of the Greater San Jose Chapter of the American Society of Safety Engineers and continues as a professional member of the organization. For fifteen years, he served as chairman of the



Insurance/Risk Management committee of the association of independent (private) California Colleges and Universities and three years on the insurance committee for the National Association of Colleges and University Business officers. He co-founded the Stanford Help Center and is currently serving as the chairman of the Advisory Board. In addition, he serves on the board of the Stanford Health Improvement program and has actively supported the Child Care Center at Stanford. He has served on the Board of Directors of the California Hospitals and Health Affiliates Insurance Services, Inc. For ten years, he served as an academic advisor to students. Fifteen years were served on the Presidential Panel for Health and Safety, five of those years as chairman. He has served in the formation and support of HELM (Higher Education Liability Mutual Insurance Company) and United Educators, a Risk Retention Group. In his work with the Treasurer's office, he was a major participant in the issuance of the first four California Education Facilities Authority tax exempt bonds for Stanford.

He was educated at San Jose State University with a major in Business Administration and minor in Engineering. Graduate work was conducted at Golden Gate University and the University of California. He earned his CPCU (Chartered Property and Casualty Underwriter) professional certification and has on occasion lectured in the School of Education and the Graduate School of Business.

Bob's parting comment was, "I hope when my work is done, people will not remember the millions of dollars that have been saved, the quality of insurance and risk management programs or the service rendered. Instead I pray that people whose lives were touched will remember the fruits of the spirit; these are love, joy, peace, patience, kindness, goodness, faithfulness, gentleness and self-control. The first of these is love, but on more than one occasion I have had to move "self-control" to the top of the list only to be reminded that I'm not in control anyway."

I'm blessed to have co-workers who are supportive and are the ones who really make the office responsive to those we serve.

Happy New Year!

RMB/jt.