

BUSINESS POLICY LETTER

TO: All Members of the University Community

2004:09

DATE: October 1, 2004

RISK MANAGEMENT AND INSURANCE

I. Purposes of the Risk Management and Insurance Program. The policy of the Board is that the University be protected against fortuitous loss or losses which, in the aggregate during any financial period, would significantly affect the ability of the University to continue to fulfill its responsibilities to its students and to society. The University shall apply to risks of fortuitous loss a logical management process which shall include a systematic and continuous identification of loss exposures, the analysis of those exposures in terms of frequency and severity probabilities, and the application of sound risk control procedures. The objectives of the risk management function are to prevent loss of life and personal injury, to protect and secure University assets, to avoid possible injury to persons using University facilities and to keep to a prudent minimum the cost of managing risk.

II. Administration of the Risk Management Program. The administration of the University's risk management program shall be the responsibility of the Vice President for Administration and Finance or designee. The risk management responsibilities of the Vice President for Administration and Finance shall include the following:

A. Creating an awareness of accidental or fortuitous risks which could cause loss to University assets or impair the University's ability to continue functioning as an educational institution, and making recommendations to the President and the Board with respect to the best techniques for controlling and financing these risks.

B. Investigating and studying risks; searching for potential sources of losses and determining methods of avoiding and preventing their recurrence or minimizing their effects; working with administrative, educational and physical plant personnel to insure proper controls; ensuring proper language in contracts, leases and agreements; setting liability and insurance requirements; working with insurance engineers, agent engineers, and University personnel to maintain a safety and loss prevention program; writing specifications for, securing bids for, and negotiating insurance contracts.

C. Handling insurance audits, claims coordination and supervision, and the collection of insured losses.

D. Reviewing all major undertakings at the University from a risk management point of view, including curriculum changes.

E. Reviewing contracts being signed with external persons, corporations, governmental agencies, and other entities with respect to risk management issues and concerns.

F. Performing such other responsibilities as shall be prescribed from time to time by the Board, and/or the President.

III. Property and Casualty Insurance. The University shall carry general property and casualty insurance to cover the following risks:

- A. Property Insurance:
 - 1. Real property--buildings and appurtenant structures
 - 2. Personal property--furnishings, stock, equipment, etc.
 - 3. Inland marine--fine arts, musical instruments, cameras, etc.
 - 4. Boiler and machinery
 - 5. Electronic data processing.

- B. Casualty Insurance:
 - 1. General liability
 - 2. Trustee liability
 - 3. Professional liability (to include: Student Health Center; College of Allied Health Sciences; College of Pharmacy; Michigan College of Optometry; etc.)
 - 4. Umbrella liability
 - 5. Law enforcement liability
 - 6. Automobile liability.

- C. Workers' Compensation:
 - 1. Statutory benefits.

- D. Crime Insurance:
 - 1. Employee dishonesty
 - 2. Money and securities
 - 3. Depositor's forgery
 - 4. Money orders and counterfeit paper currency.

With respect to said property, casualty and crime risks, the University may retain up to a maximum loss per occurrence of \$150,000 and up to a maximum annual loss of \$500,000 within the applicable insurance coverage, except as otherwise provided in this policy. The University may terminate any insurance coverage where the risk no longer exists. Participation by the University in the Michigan Higher Education Risk-Sharing Facility to cover any of the risks identified in this section shall be deemed compliance with this section as to the risks covered by such participation.

IV. Workers' Compensation. The University shall provide workers' compensation benefits for its employees as prescribed by law. With respect to the provision of such

benefits, the University may retain up to a maximum loss per occurrence of \$300,000 within the applicable insurance coverage with a one-year maximum aggregate of \$800,000. A single work-related “accident” injuring one or more employees shall be deemed an “occurrence” and shall be subject to the retained-amount-per-occurrence limitation with the exception of occupational diseases. In cases of occupational diseases, the per-occurrence retention limit shall apply separately to each individual employee. Excess workers’ compensation insurance shall be maintained to provide for the coverage of claims in excess of the per-occurrence limits.

V. Medical Liability Insurance. The University shall carry medical liability insurance to cover the medical staff and other employees of the Student Health Center ministering to students at the doctor’s direction and the premiums for such coverage shall be paid from the Student Health Center operating budget.

VI. Coverage of Students–Health, Intern Students and Student Teachers. The Vice President for Administration and Finance or his/her designated representative is authorized to require that each student on a practice teaching assignment or non-paying cooperative work assignment as a required course in his/her curriculum furnish proof of personal hospital-medical coverage before beginning such assignment. This shall consist of either enrollment in the optional University student health insurance group plan, if available, or evidence of individual coverage personally or through the student’s family by a recognized health insurer.

VII. Coverage of Students–Travel. The Vice President for Administration and Finance is authorized to obtain a blanket student travel insurance policy covering contingencies involved in official University instructional activity, including University-sponsored off-campus trips.

VIII. Responsibility of the Vice Presidents to Coordinate with the Vice President for Administration and Finance. It shall be the responsibility of the Vice President of the area where an activity is to be conducted, or where an exposure change occurs or is expected to occur, to do the following:

A. Contact the Vice President for Administration and Finance or designee, regarding risk management issues, prior to the University’s engaging in an unusual activity, such as a lengthy field trip, or leasing of any equipment such as automobiles, boats, aircraft, etc.

B. Notify the Vice President for Administration and Finance or designee of all exposure changes, such as additions or deletions of equipment or the storing of hazardous materials.

The responsibility of a Vice President under this section can be delegated in writing by that Vice President to a Dean, a Director, or a Department Head.

IX. Reports to the Board. The Board shall be notified within thirty (30) days with respect to any substantial changes (e.g., major retention changes, limits, exclusions, etc.) in coverage under the University's insurance program. An annual report shall be provided to the Board covering the University's risk management program and insurance. The annual report shall include, but is not limited to, all of the following:

A. A summary of losses and claims made and premiums paid during the reporting period.

B. A summary of amounts paid by the University under the retainage.

C. A summary of the amounts paid by the insurance carrier(s) under the policies.

D. A summary of any claims or losses not covered by insurance.

E. Any recommended changes to this subpart.

X. Intent of this Policy. The provisions of this policy are for the benefit of the University and it is not the intent of this policy to create any rights in third parties.

Cross Reference

Board Policy, Subpart 4-6, *Risk Management and Insurance Policy*

Richard P. Duffett
Vice President for Administration
and Finance

Contact: Risk Management Office