

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: General Administration

NUMBER: 01.C.01

AREA: Risk Management

SUBJECT: Risk Management Policy

1. PURPOSE

- 1.1. This administrative memorandum describes procedures to minimize the adverse effects of physical or financial events on the University of Houston System (UHS).

2. POLICY

- 2.1. A major responsibility of the UHS is the preservation and safekeeping of the assets and financial resources of the institution. Each component university is responsible for Risk Management policy pertaining to its personnel, as well as the safekeeping of its property. In order to meet this objective, the following guidelines have been established:
- a. Existing and potential risk that may cause loss or injury to personnel, damage to component university property or loss of revenue should be eliminated modified, transferred or insured, if possible.
 - b. The chief financial officer and the campus risk manager liaison at each campus shall evaluate campus insurance needs and consult with the UHS Director, Environmental Health and Risk Management.
 - c. All risks of loss and needs for insurance are to be reviewed and evaluated by the UHS Director, Environmental Health and Risk Management.
 - d. Insurance shall be purchased if:
 - Required by law,
 - The cost of insurance is judged to be preferable to leaving the risk uninsured,
 - Required by contractual agreement,

- Special services such as legal defense, claims handling, adjusters, engineering or loss control services, offered as part of the insurance contract, are of sufficient benefit to the university to offset the cost.

However, insurance will not be purchased if state or federal law prohibits the purchase of insurance.

- e. The Vice Chancellor for Administration and Finance shall determine the probable amount of loss the component university is able to economically assume, based on recommendations from the UHS Director, Environmental Health and Risk Management and the component university's financial officers.
- f. Self insuring risks should be considered if the amount of potential loss would not significantly affect the financial position of the UHS.

2.2. Coverage Under Texas State Law

- a. Civil liability may arise out of the condition or use of university property, and liability is covered under the Texas Tort Claims Act, Texas Civil Practice and Remedies Code Chapter 101. The university may elect to purchase insurance to cover such liability, but must pay for such insurance out of non-appropriated funds. UHS Administrative Memorandum 01.C.09 provides further information on tort liability.
- b. Civil liability may arise out of the acts or omissions of university representatives, and liability is covered under Texas Civil Practice and Remedies Code Chapter 104, which provides for indemnification by the university for its representatives, up to certain dollar amounts. The university may elect to purchase insurance to cover this indemnity, as well as to cover liability in excess of the amounts indemnified under such statute. However, the university will not insure or indemnify its representatives who are found to have acted in bad faith.
- c. The UHS is covered by the Texas Workers' Compensation insurance plan. UHS Administrative Memorandum 01.C.03 provides further information regarding Workers' Compensation.

3. RESPONSIBILITIES OF THE UHS DIRECTOR, ENVIRONMENTAL HEALTH AND RISK MANAGEMENT

- 3.1. The UHS Director, Environmental Health and Risk Management will be responsible for:

- a. The administration and coordination of purchases of all UHS insurance programs;
- b. Evaluating campus input and analyzing coverage options and costs;
- c. Preparing coverage recommendations as requested for presentation to the Board or chief financial officers;
- d. Developing and implementing risk management programs, in cooperation with the component university risk management liaison, as appropriate;
- e. Filing timely Notices of Loss and Proofs of Loss with the appropriate insurers seeking recovery for insured losses, and otherwise involving insurers where necessary or appropriate;
- f. Coordinating with the Office of General Counsel regarding negotiating adjustments and settlements of uninsured tort liability losses;
- g. Notifying the Director of Internal Auditing and the Office of General Counsel in matters involving losses which may significantly affect the financial position of the university, component university or department and/or significant insurance claims (property claims with a dollar amount greater than \$100,000 or liability claims with a dollar amount greater than \$50,000); and
- h. Notifying annually all component universities of the type of insurance(s) currently in effect and coverage(s) provided prior to renewals.

4. PURCHASE OF INSURANCE

- 4.1. Certain criteria should be established and followed in the purchase of insurance:
 - a. At least every fifth calendar year, the Vice Chancellor for Administration and Finance, based upon recommendations from the UHS Director of Environmental Health and Risk Management, retains the option to re-examine existing broker relationships by soliciting competitive bids from the incumbent broker(s) and at least one other insurance broker.
 - b. Selection should be based primarily on the quality of protection and services provided. The ultimate cost is an important secondary concern.

5. INSURANCE CLAIMS

- 5.1. When reporting a claim, certain guidelines should be followed:

- a. The parties involved should complete a report of the incident and submit it to the appropriate campus administrator. The campus administrator will then coordinate with the Director of Internal Auditing and the Office of General Counsel on what actions to take concerning the report.
- b. Any incident that may be covered by insurance must be reported to the UHS Environmental Health and Risk Management Department so that the incident may be evaluated and reported to the appropriate insurance carrier. Additional information regarding liability claim reporting is in the Tort Liability System Administrative Memorandum 1.C.9 and information regarding property claims is in the Property Loss Claims System Administrative Memorandum 1.C.11.
- c. The Office of General Counsel must be notified of all claims and consulted for guidance if the claim involves bodily injury, personal injury and/or losses which may significantly affect the financial position of the System, component university or department.

6. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice Chancellor for Plant Operations

Review: Every two years on or before May 1

7. APPROVAL

Approved: Jim McShan
Interim Vice Chancellor for Administration and Finance

John M. Rudley
Interim Chancellor

Date: October 16, 2007

8. INDEXING TERMS

Indemnity
Insurance
Liability
Risk Management
Tort Claims