

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: General Administration

NUMBER: 01.C.01

AREA: Risk Management

SUBJECT: Risk Management Policy

1. PURPOSE

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

2. POLICY

2.1. A major responsibility of the System is the preservation and safekeeping of the assets and financial resources of the institution. Each component university is responsible for a 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:

2.1.1. 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.

2.1.2. The chief financial officer and the risk manager liaison at each component university shall evaluate component university insurance needs and consult with the System Director, Risk Management.

2.1.3. All risks of loss and needs for insurance are to be reviewed and evaluated by the System Director, Risk Management.

2.1.4. 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 component university to offset the cost.

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

- 2.1.5. The Senior 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 System Director, Risk Management and the component universities' financial officers.
- 2.1.6. Self insuring risks should be considered if the amount of potential loss would not significantly affect the financial position of the System.

2.2. Coverage Under Texas State Law

- 2.2.1. [The Texas Tort Claims Act \(Chapter 101 of the Texas Civil Practice and Remedies Code\)](#) provides a limited waiver of sovereign immunity in certain situations related to operation or use of a motor-driven vehicle or motor-driven equipment and the condition or use of component university property. The component university may elect to purchase insurance to cover such liability, but must pay for such insurance out of non-appropriated funds. [System Administrative Memorandum \(SAM\) 01.C.09](#) provides further information on tort liability.
- 2.2.2. Civil liability may arise out of the acts or omissions of component university representatives, and liability is covered under [Texas Civil Practice and Remedies Code, Chapter 104](#), which provides for indemnification by the component university for its representatives, up to certain dollar amounts. The component 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 component university will not insure or indemnify its representatives who are found to have acted in bad faith.
- 2.2.3. The System is covered by the Texas Workers' Compensation insurance plan. [System Administrative Memorandum \(SAM\) 01.C.03](#) provides further information regarding Workers' Compensation.

3. RESPONSIBILITIES OF THE SYSTEM DIRECTOR, RISK MANAGEMENT (OR DESIGNEE)

The System Director, Risk Management will be responsible for:

- 3.1. The administration and coordination of purchases of all System insurance programs;
- 3.2. Evaluating campus input and analyzing coverage options and costs;

- 3.3. Preparing coverage recommendations as requested for presentation to the Board or chief financial officers;
- 3.4. Developing and implementing risk management programs, in cooperation with the component university risk management liaison, as appropriate;
- 3.5. 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;
- 3.6. Coordinating with the System Office of General Counsel regarding negotiating adjustments and settlements of uninsured tort liability losses;
- 3.7. Notifying the Chief Audit Executive and the System Office of General Counsel in matters involving losses which may significantly affect the financial position of the System, 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
- 3.8. 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

Certain criteria should be established and followed in the purchase of insurance:

- 4.1. At least every fifth calendar year, the Senior Vice Chancellor for Administration and Finance, based upon recommendations from the System Director of Risk Management, retains the option to re-examine existing broker relationships by soliciting competitive bids.
- 4.2. Selection should be based primarily on the quality of protection and services provided. The ultimate cost is an important secondary concern.

5. INSURANCE CLAIMS

When reporting a claim, certain guidelines should be followed:

- 5.1. 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 Chief Audit Executive and the System Office of General Counsel on what actions to take concerning the report.
- 5.2. Any incident that may be covered by insurance must be reported to the System Risk Management Department so that the incident may be evaluated and reported to the appropriate insurance carrier. Additional information regarding liability

claim reporting is contained in the [SAM 01.C.09, Tort Liability](#) and information regarding property claims is contained in [SAM 01.C.11, Property Loss Claims](#).

- 5.3. The System 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: Senior Associate Vice Chancellor for Finance

Review: Every two years on or before June 1

7. APPROVAL

Approved: Jim McShan
Senior Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: February 23, 2017

REVISION LOG

Revision Number	Approval Date	Description of Changes
1	09/04/1990	Initial version
2	12/14/1990	Changed title from "Policy Statement" to "Risk Management Policy." Rewrote policy to reflect current operating practices
3	06/17/1992	Change to Section 1 addressing the University of Houston System. Added responsibilities for the System Risk Manager in Section 3.1. Added information to Section 5, Insurance Claims, regarding incident reports and notification of University Counsel
4	12/10/1993	Added Section 3.1.h on notification to components of types of insurance currently in effect and coverage prior to renewals. Added Section 4.1.b on re-examination of insurance purchase by soliciting competitive bids

Revision Number	Approval Date	Description of Changes
5	01/28/1998	Added references to System Administrative Memoranda documents as needed throughout the document. Added information to Section 4.1.b that a change in broker or carrier can be made prior to the fifth year should the service and/or coverage not meet university's requirements
6	07/10/2001	Applied revised SAM template. Reformatted the information in Section 2.1.d, and added that insurance will not be purchased if state or federal law prohibits it. Removed exceptions to the guidelines of probable amount of loss. Section 3 was changed to the UHS Executive Director, Safety and Risk Management; responsibilities include coordination with Legal Counsel regarding negotiating adjustments of uninsured tort liability losses and giving dollar amounts for significant insurance claims in Section 3.1.g. Changed review period from annually on or before May 1 st to every two years on or before May 1 st .
7	10/16/2007	Applied revised SAM template. Section 4.1.a was eliminated, which described the invitation to bid process for the selection of insurance companies. Information on the liability claim reporting and property claim processes was added to Section 5.1.b. Changed the responsible party to AVC for Plant Operations
8	12/01/2010	Applied revised SAM template. Changed references of "Environmental Health and Risk Management" to "Risk Management" throughout the procedure as a housekeeping revision. Changed the responsible party to AVC for Finance. Changed the review period from every two years on or before May 1 st to every two years on or before June 1 st
9	12/03/2012	Added new Revision Log. Made revisions to Section 2.2.1 on the Texas Tort Claims Act providing a limited waiver on use of motorized vehicles on component university property. Added "Designee" to Section 3. Removed requirements on competitive bids in Section 4.1
10	02/23/2017	Updated links and titles as applicable throughout document. No other changes were made by the Subject Matter Experts (SMEs)