

## Procedure – Payment & Reallocation of Insurance Premiums

### **Initial Payment of Insurance Premiums**

UH Risk Management (UHRM) is responsible for obtaining most of the insurance for all University of Houston System campuses and departments.

To help ensure that UHRM can easily identify the costs of insurance for the system, insurance premiums are initially paid from the UH Risk Management insurance premium cost center (00730 2064 H0263 G0596 NA). Premiums paid are recorded using GL Expense Account 54701 – Insurance-Property & Liability.

Premiums paid from this cost center include:

- All University System insurance policy premiums with the exception of :  
Athletics Intercollegiate Sports: UH – Main & UHV – NAIA; UH Law Center’s Lawyer’s Professional; College of Business Foundation D&O and excess D&O; Cougar Investment Fund E&O; and Builder’s Risk.

### **Reallocation of Insurance Premium Expenses**

Although UHRM makes initial payment on all insurance premiums for the System, actual costs of most policies are allocated out to other campuses and/or departments. Transfer of expenses is done prior to the end of the fiscal year and the calculation of the value of Prepaid Insurance premiums. UHRM requests an annual review of insurance expenses from their Broker, who provides a schedule to identify the amount of each premium by policy, campus, and department.

Allocation of expenses may be done in multiple transactions. Certain policies, such as Automobile Insurance, may be reallocated within the University of Houston earlier in the fiscal year, while Property coverage and other policies for other campuses are generally reallocated at the end of the fiscal year after the Broker review schedule is received.

When requesting reallocation, UHRM personnel review the insurance premium amounts paid in their cost center for the fiscal year and their Broker schedule to prepare their Insurance Allocation Worksheet. This worksheet identifies the campus, department, cost center (UH/UH System only), and amount to be charged. This information is forwarded to Accounting Services, along with signature approvals from campus departments (UH/UH System only) for the reallocation.

Accounting Services reconciles the Insurance Allocation Worksheet and the Broker schedule to the General Ledger expenses, obtains approvals and cost centers for items being reallocated to other campuses, prepares the reallocation journals for all campuses, and requests relevant cash transfers. All reallocations of insurance premium expense use GL Account 54740 – Insurance-Prop/Liability Expense Transfer. Note that this journal is generally combined with the Property Claims Fund transfers for the fiscal year.

## Procedure – Insurance Claims Expenses Paid By Campuses

### **Insurance Claims Expenses Paid By Campuses**

Occasionally, a campus may be required to pay a claim to an external party. This is generally for minor damage to property that is the result of something that occurred on one of the campuses (theft, parking lot gate damages) that falls well below the deductible. To help ensure that these payments are not identified as insurance premium costs, GL Account 54741 – Insurance Claims Expense is used.

## Procedure – Annual Prepaid Insurance Expenses

### **Annual Prepaid Insurance Expenses**

The University of Houston System fiscal year runs from September 1 to August 31. While most insurance policies cover a year, the year covered is generally not identical to the fiscal year. When an insurance policy paid in one fiscal year provides coverage for a future fiscal year, that portion of the cost is essentially “unused” at the end of the fiscal year, so is recorded as a Prepaid Expense (asset). Accounting Services calculates the Prepaid Expense for insurance premiums for all System campuses, and records same for the University of Houston and the University of Houston System Administration.

Prepaid Expenses cannot be calculated until the reallocation of premium expenses from UH Risk Management to the UH/UHSA departments and other campuses is complete. Not all premium expenses are reallocated. UHRM cost centers at UH and UHSA pay for all Property policies and Broker fees, as well as all or a portion of many other policies.

Prior to calculation of Prepaid Insurance Expense, Accounting Services:

- Reconciles insurance premium expenses per the General Ledger to Insurance Allocation Worksheet and the Broker schedule.
- Requests and reviews the UHRM schedule of insurance coverage with coverage date and FY15 annual premium.
- Prepares a schedule of insurance expenses by campus, policy, coverage date, and identifies prepaid amounts.

The schedule of prepaid expenses is sent to all campuses Chief Accounting Officers for recording. UH Accounting Services prepares the journals to record the prepaid expense for UH and UHSA in the campuses insurance premium cost center (00730 2064 H0263 G0596 NA; 00783 2080 S0027 G0253 NA).

## Procedure – Insurance Claims For Campus Departments

### Notification of Potential Claim

If a UH or UHSA campus department incurs a property loss that may be insurable or related to a federally declared disaster, they should immediately contact UH Risk Management.

Wayne Brown, Director of Risk Management x3-0414 [wwbrown@Central.uh.edu](mailto:wwbrown@Central.uh.edu)  
Ally McDonald, Risk Management and Insurance Specialist x3-5218 [amcdona4@Central.uh.edu](mailto:amcdona4@Central.uh.edu)

### Claims Process

Property claims should be reported to UHRM within 48 hours of the loss.

- The department that sustained the loss should go to [www.uh.edu/risk-management/claims-reporting/](http://www.uh.edu/risk-management/claims-reporting/) and complete the Property Loss Notification form
- UHRM will confirm receipt of the notification
  - Additional information could be requested depending on the extent of damages
- If a loss is over the property insurance deductible
  - UHRM will submit the claim to the insurance broker, insurance adjustor, and the State Office of Risk Management
  - UHRM will be the point of contact between UH and the insurance adjustor, and may request additional information from the department(s) if necessary
  - Once a claim is accepted by the insurance carrier and all parties agree to a settlement, the insurance carriers will forward payment to UH Business Services
    - Funds are deposited into the Insurance Claims Recovery Fund
  - Once all insurance payments have been received, UHRM will send the appropriate documentation to UH Plant Accounting for a fund transfer
- If a property loss is less than the deductible
  - UHRM will gather information from the department
  - UHRM will determine if this loss would be an insurable loss
  - If this a covered loss, UHRM will report the loss with all necessary documentation for approval and fund transfer to Plant Accounting
- UHRM will request the transfer of funds from Plant Accounting.
  - Payments less than the insurance recovery yet greater than the departmental deductible will be taken from the Property Loss Fund
    - The departmental deductible is \$10,000

### Receipt of Insurance Funds

All funds received from insurance claims for UH, UHSA, or federally declared disasters for any campus are the responsibility of UH Risk Management or UH Plant Accounting. As such, all payments are directed to those offices. Departments that receive any such payments should contact UHRM immediately for handling of payments received.

## Procedure – Insurance Claims For Campus Departments

Insurance claim payments received, with the exception of those related to federally declared disasters, are deposited as follows:

- UH Business Services will receive the check(s), and will deposit them into an account as instructed by UHRM personnel
- UHRM personnel forward the Deposit Detail By Account report to UH Business Services, who prepares the journal by recording the funds in the UHRM Insurance Claim Recover cost center 00730 2080 H0679 G0705 NA using GL Account 30999 – Insurance/Other Settlements.

### **Disbursement of Insurance Funds – Non Federal Disaster Related**

Insurance funds are disbursed on receipt of proof of payment for repairs, replacement materials, and other costs. All funds received in excess of expenses will be transferred to the Property Loss Fund and will be used to offset deductible amounts and shortages on other claims.

### Non Facilities (fund group 7 project cost center) Departmental Costs

Campus departments obtain repairs, replacement goods or materials. If campus departments have budgetary constraints that prohibit them from obtaining repairs or replacement items, they should contact Risk Management. Risk Management will work with the Controller's Office to obtain approval for budgetary overrides that will allow the department to procure and pay for goods and services.

Once costs are complete, the department submits the following to UHRM via email:

- 1074 report with the relevant costs clearly identified
- Copies of all related Purchase Orders, Vouchers, and Invoices.
- The cost center that should receive the funding.

UHRM will review the documentation and prepare a request for equity transfer. Equity transfers are processed by Plant Accounting.

### Facilities Projects

If the recovery will require a Facilities Planning & Construction (FP&C) or Facilities Management (FM) project in plant funds (fund group 7):

- The Risk Management Director must approve the Project Funding Agreement (PFA) for any amounts designated as to be paid by insurance. Risk Management cannot approve PFAs for insurance proceeds that exceed the actual or estimated recovery.
- If the project costs exceed the actual or estimated recovery, or if the project exceeds the scope of what is covered by the policy (improved projects, non-covered items), campus departments will be required to provide an alternate source of funding. Alternate sources of funding will be transferred to the project cost center following standard university business practices.

## Procedure – Insurance Claims For Campus Departments

- When the project is complete, FP&C or FM Business Services will notify UHRM and provide them with the project cost center 1074 report, requesting close-out. UHRM will review the documentation, and prepare a request for equity transfer. Equity transfers are processed by Plant Accounting.
- In the event that the actual insurance is less than the initial estimate, UHRM will review whether the claims fund can be used. If the claims fund cannot be used, the campus department will be responsible for the difference.

### **Disbursement of Insurance Funds – Federal Disaster Related**

Disbursement of insurance and other funds related to recovery from federally declared disasters is addressed in the UH Plant Accounting Disaster Recovery Financial and Documentation Guidelines, located at <http://www.uh.edu/office-of-finance/accounting-services/plant-accounting/>