

SECTION: **POLICY STATEMENT - GENERAL AND ADMINISTRATIVE**

SUBJECT: **RISK MANAGEMENT, PROPERTY, AND CASUALTY INSURANCE**

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PURPOSE: To formalize policy guidance designed to reduce or eliminate losses to which the Cal Poly Corporation ("CPC") may be exposed through the process of risk identification and evaluation, and appropriate risk management action.

EFFECTIVE DATE: **December 8, 1989**

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## **RISK MANAGEMENT, PROPERTY, & CASUALTY INSURANCE**

### **I. BACKGROUND AND PURPOSE**

- A. **Background.** The CPC has long practiced a conservative approach to risk management and has transferred risk of identifiable hazards to insurers through purchase of comprehensive insurance coverage. This approach, and the practices to implement it, are fairly well integrated into the CPC's operation.

Section 8.7, "Risk Management," of the Manual of Policies and Procedures for Auxiliary Organizations of the California State University identifies the need for clarification of risk management policy and practices on the campus by and between the university and its auxiliary organizations, especially in the case of joint programs or activities. Manual Appendix M.2, "Internal Compliance Review Check List," question 41, asks whether the auxiliary has developed a risk management policy, as suggested in Section 8.7.

On August 1, 1988, the Chancellor issued Executive Order No. 533, recognizing risk management as an essential program of the CSU system and adopting a broad policy statement on the subject for the system.

The Auxiliary Organizations Association has also adopted "model" risk management guidelines and has encouraged its member auxiliary organizations to develop and adopt formal policy statements that include suggested minimum standards.

- B. **Purpose.** The Board of Directors, having reviewed this matter with management within the context described above, has adopted this policy document. It formalizes a basic policy of risk management, including procurement of property and casualty insurance coverage, and establishes a framework within which the CPC's services, programs and activities, together with those operated on joint basis with the University, can be effectively managed, while identifying and evaluating risk and determining the most advantageous method of treatment.

This policy document is intended to complement Executive Order No. 533 and campus policy/practices adopted to implement that Executive Order. Its primary objectives are to reduce or eliminate risks and losses from injury to persons or damage to property, help preserve assets and protect earning power from loss, while fulfilling its support mission to the University.

## II. POLICY

- A. **General.** The Board of Directors recognizes its role of stewardship over CPC and trust assets. This responsibility requires due concern for the safety of the public, those involved with CPC services, projects, or programs with CPC sponsorship or participation, combined with a need to protect CPC resources.
- B. **Limited Loss Retention.** The CPC recognizes its ability to budget and self fund limited and predictable risks of financial loss. It shall not attempt to insure such foreseeable losses and bearable expenses if alternatives are available consistent with sound business practice. Self insuring certain risk and/or purchase of property and casualty insurance with appropriate deductibles shall be determined by the Executive Director on the recommendation of the Director of Financial Services and Risk Management Counsel, with due recognition of insurance market conditions.
- C. **Insurance Acquisition.** The CPC is not obliged by operation of any statute or regulation to award contracts for insurance to any insurance underwriter, broker, agent, risk retention group or other similar group or organization. The CPC will continue to purchase insurance from insurers that are financially sound, with proven administrative ratings. Premium costs are an essential element of evaluating any proposal.
- D. **Cooperative Programs.** The CPC will remain alert to opportunities for cooperative action with other entities that promote mutual benefit in treatment of risks that may require special consideration. Any such cooperative activity shall be evaluated by the Executive Director and an appropriate report submitted to the Board of Directors for consideration.

## III. POLICY IMPLEMENTATION

- A. **Management of Risks.** The management of the risks of loss to the CPC under the above policy shall be the responsibility of the Executive Director. It is his duty to identify risks, determine the means of eliminating, abating, transferring, or retaining these risks after consultation with appropriate staff, counsel, and University personnel.

When the CPC cannot eliminate or economically retain a risk of loss it shall be transferred by purchase of insurance. The form and sufficiency of various policy limits for protection of the CPC shall be determined by the Executive Director in consultation with the Director of Financial Services and Risk Management Counsel.

- B. **Management Standards/Guidelines.** The Executive Director is authorized to implement a comprehensive risk management and insurance program consistent with this policy statement. Written program guidelines may include criteria to identify hazards and risks for analysis:

1. quantification of activities, service, and support in which the CPC is involved;
2. minimum insurance coverage and limits by types of authorized activities;
3. activity relationships in which there is or may be joint or shared responsibility and liability with respect to contracts, employment, occupancy of premises, or oversight of facilities, programs or services between the CPC and the University or other entity; and
4. the exclusion of risks or activities that the CPC is clearly unwilling to undertake under any and all conditions, including those that may be prohibited or pose such a high degree of risk as to jeopardize the feasibility of the activity, or constitute a threat to the corporation.

The guidelines shall also formalize the CPC's Risk Management and Property/Casualty Insurance Coverage Program by integrating the following program elements into the organization's operations:

1. reviewing scope of coverage and the limits of insurance policies in relation to activities and liability exposure;
2. evaluating the ability to partially or entirely self fund risk;
3. monitoring insurance coverage and claims;
4. conducting routine inspections;
5. identifying areas and activities involving joint/shared risk;
6. conducting an ongoing safe practice/risk avoidance training and reinforcement effort with employees covering all risks;
7. observing safe practices; and
8. instituting disciplinary measures to insure that the practice of risk management is faithfully observed.

**C. Program Practices.** CPC management shall establish and maintain documented risk management practices as an essential part of the program, including:

1. analysis of new activities (especially assumption of contractual liability) in terms of risks;
2. a periodic review of risks, exposures, activities and properties;
3. review process for assessing risk exposures on premises, in operations, through contracts, and with avoidance/prevention efforts;

4. an accident/loss monitoring process that identifies where accidents and/or losses are occurring or will likely occur;
5. a systematic claims assessment process to insure that claims are being properly administered and that the activity is fully aware of the types of risks being assumed;
6. a practice of including risk management as a component of management performance evaluations; and
7. development of preparedness plans for disasters.

**D. Program Organization.** The Executive Director, through management guidelines, shall identify how the Risk Management Program is to be organized, including:

1. appropriate delegation of authority;
2. performance of program duties and task assignments;
3. role of risk management counsel; and
4. how risk management program/staff interacts with the safety, security, legal, and employee relation functions.