

Policy 114

Risk Management Program Policy

Section: 100 – General Administration
Responsible Executive: Executive Director
Responsible Department: Executive Office
First Effective Date: December 8, 1989
Last Reviewed: March 2018
Next Scheduled Review: June 2021

1.0 PURPOSE

- 1.1. To establish guidance designed to reduce or eliminate losses to which the Cal Poly Corporation (“CPC”) may be exposed through the process of periodic risk identification and evaluation and appropriate risk management action.

2.0 BACKGROUND

- 2.1. In various Executive Orders, the Trustees of California State University require auxiliaries to formalize risk management policy, including procurement of property and casualty insurance coverage, and establish a framework within which CPC's services, programs and activities, together with those operated on joint basis with the California Polytechnic State University (“University”), can be effectively managed, while identifying and evaluating risk and determining the most advantageous method of treatment.
- 2.2. 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. CPC practices a conservative approach to risk management and transfers risk of identifiable hazards to insurers through purchase of comprehensive insurance coverage.

3.0 POLICY

3.1. Management of Risks.

- 3.1.1. The management of the risks of loss to CPC shall be the responsibility of the Executive Director. It is the Executive Director’s duty to identify risks, determine the means of eliminating, abating, transferring, or retaining these risks after consultation with appropriate staff, counsel, and University and California State University personnel.

3.2. Risk Management Program Practices.

- 3.2.1. CPC management shall establish and maintain documented risk management practices as an essential part of the program, including:
 - 3.2.1.1. Analyze new activities, especially assumption of contractual liability, in terms of risks;
 - 3.2.1.2. Provide periodic review of risks, exposures, activities and properties;
 - 3.2.1.3. Analyze any property purchases totaling \$50,000 or more, though it is automatically covered under the CPC property policy, for inclusion in the CPC property schedule as a specific line item;
 - 3.2.1.4. Provide periodic review of risk avoidance, mitigation and prevention processes and efforts;
 - 3.2.1.5. Maintain an accident/loss monitoring process that identifies where accidents and/or losses are occurring or will likely occur;

- 3.2.1.6. Maintain a systematic claims assessment process to ensure that claims are being properly administered and that the activity participants are fully aware of the types of risks being assumed;
 - 3.2.1.7. Maintain a process whereby appropriate documentations of any third party coverage and/or waivers of liability by third parties are documented in a timely manner;
 - 3.2.1.8. Maintain a process that includes risk management as a component of management performance evaluations; and
 - 3.2.1.9. Develop preparedness plans for disasters.
- 3.3. Periodic Review of Risks and Activities. The periodic review of risks, exposures, activities and properties of CPC shall include, but not be limited to:
- 3.3.1. Criteria to identify hazards and risks for analysis;
 - 3.3.2. Quantification of activities, service, and support in which the CPC is involved;
 - 3.3.3. Minimum insurance coverage and limits by types of authorized activities;
 - 3.3.4. 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
 - 3.3.5. 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.
- 3.4. Insurance. When CPC cannot eliminate or economically retain a risk of loss it shall be transferred by purchase of insurance. The form and sufficiency of various insurance policy limits for protection of CPC shall be determined by the Executive Director in consultation with the Lead Financial Administrator or his/her designee.
- 3.4.1. Limited Loss Retention. 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 Lead Financial Administrator or his/her designee, with due recognition of insurance market conditions.
 - 3.4.2. Cooperative Insurance Programs.
 - 3.4.2.1. CPC is a member of California State University Risk Management Authority (“CSURMA”), which is a joint powers authority that creates this quasi-public entity that provides pooled group insurance and related risk management functions to stabilize risk cost for the benefit of all who elect to join the CSURMA and to participate therein. CSU and all auxiliary organizations may be members.
 - 3.4.2.2. 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 prior to agreement.
 - 3.4.3. Insurance Acquisition. 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. 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.

3.4.4. Periodic Review of Insurance. CPC shall periodically review the following aspects of the casualty insurance program and revise and integrate as necessary within CPC's or an activity's operations:

- 3.4.4.1. Reviewing scope of coverage and the limits of insurance policies in relation to activities and liability exposure;
- 3.4.4.2. Evaluating the ability to partially or entirely self-fund risk;
- 3.4.4.3. Monitoring insurance coverage and claims;
- 3.4.4.4. Conducting routine inspections;
- 3.4.4.5. Identifying areas and activities involving joint/shared risk;
- 3.4.4.6. Conducting an ongoing safe practice/risk avoidance training and reinforcement effort with employees covering all risks;
- 3.4.4.7. Observing safe practices; and
- 3.4.4.8. Instituting disciplinary measures to insure that the practice of risk management is faithfully observed.

3.5. Reporting. The Executive Director or his/her designee shall submit an annual report to the Board of Directors related to accounts receivable, workers compensation, and liability insurance losses, or filed claims, in excess of \$25,000.

4.0 DEFINITIONS

4.1. None.

5.0 PROCEDURES, GUIDELINES AND FORMS

5.1. The Lead Financial Administrator or his/her designee is authorized to establish, procedures, guidelines and forms consistent with and in implementation of this policy, as approved by the Executive Director.

6.0 COMPLIANCE

6.1. All CPC units, departments and personnel and must comply with this policy.

7.0 REFERENCES AND RELATED POLICY

- 7.1. CSU Executive Order 715 California State University Risk Management Policy (1999) (superseded Executive Order 533)
- 7.2. CSU Executive Order 849 California State University Insurance Requirements (2003)
- 7.3. CSU Executive Order 1041 California State University –Student Travel (2009)
- 7.4. CSU Executive Order 1051 California State University Use of Approved Waiver of Liability (2010)

Technical and administrative change updates

7-26-12 for title and organization structure changes.