POLICIES AND PROCEDURES

CORPORATE POLICIES

Subject: Risk Management and Property and Casualty Insurance Policy

Last Revision Date: 02/27/01

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A. Purpose

This policy defines the steps to be taken for risk management. Risk Management guidance is designed to identify and evaluate risks to which Cal Poly Pomona Foundation may be exposed, reducing or eliminating losses from injury to persons, damage to property and costs incurred in the defense of lawsuits through appropriate management action. Risk Management is also concerned with preservation of assets and protection against loss of earning power. The Foundation risk management policy includes identification and evaluation of risk factors: 1) property (i.e., crime, earthquake, fire, and flood) and 2) casualty, (i.e., D&O professional, liability, general and excess liability). Insurance coverage is purchased to establish a framework within which the Foundation's services, programs and activities, can be effectively managed.

B. Background

The Foundation 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 integrated into the Foundation's operations. 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. On October 27, 1999, the Chancellor issued Executive Order No. 715, which recognized risk management as an essential program of the CSU system. This Executive Order defines the subject of Risk Management on a broad policy statement for the CSU system.

C. Policy

The Foundation recognizes its role of stewardship over physical assets, which are used to establish trusts, as well as stewardship of Foundation resources. This responsibility requires due concern for the safety of members of the public who make use of Foundation services, projects, or programs.

I. Loss Prevention

The Foundation recognizes its responsibility to ensure appropriate deductibles are determined by the Executive Director with due consideration of insurance market conditions.

II. Insurance Acquisition

The Foundation practice is to bid insurance on an annual basis. The Foundation is not obligated 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 Foundation will continue to purchase insurance from insurers, which are financially sound with superior industry administrative ratings. Premium costs are an essential element in the evaluation of any proposal for insurance coverage.

III. Cooperative Programs

The Foundation will remain alert to opportunities for cooperative action with other entities when such cooperation is mutually beneficial in treatment of risks requiring special consideration, cost and service. Any such cooperative activity shall be evaluated by the Foundation Chief Financial Officer (CFO) and other Foundation staff as necessary. The final determination for the course of action shall be reviewed and approved by the Executive Director.

IV. Management of Risks

The management of risks of loss to the Foundation under the above policy shall be the responsibility of the Chief Financial Officer (CFO). It is the duty of the CFO to identify risks, determine the means of eliminating, abating, transferring, or accepting these risks and advise the Executive Director on these considerations. It is expected that the CFO will evaluate recommendations of the Foundation’s insurance broker and present them to the Executive Director as needed.

When the Foundation cannot eliminate or economically withstand a risk of loss, insurance shall be purchased to cover the risk. The form and sufficiency of various policy limits for protection of the Foundation shall be determined by Chief Financial Officer (CFO) in concert with the Executive Director.

V. Management Standards/Guidelines

The Risk Management program is implemented consistent with this policy statement. Written program guidelines include criteria to identify hazards and risks for analysis such as the following:

1. Annual review of scope of coverage and the limits of insurance policies in relation to activities and liability exposure; including annual review of Insurance Survey endorsed by broker and Insurance Committee;

2. Quantification of activities, services, and support activities in which the Foundation is involved;

3. Minimum insurance coverage and limits by types of authorized activities;

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 Foundation and or other entity; and

5. The exclusion of risks or activities which the Foundation is clearly unwilling to undertake under any and all conditions, including those which 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 Foundation.

The following program elements for risk management are integrated into the Foundation's operations:

1. Annual review of scope of coverage and the limits of insurance policies in relation to activities and liability exposure;

2. The ability to partially or entirely self-insure risks, as areas of risks are discovered or determined;

3. Monitor and maintain insurance coverage as assets are acquired or disposed of and claims are processed;

4. Conduct of routine inspections and inventory of physical assets;

5. Identification of areas and activities involving joint/shared risk, (i.e. pooling of risk);

6. Conduct of ongoing safe practice/risk avoidance training and reinforcement effort with employees covering all risks;
7. Observe implementation of safe practices;
8. Institute disciplinary measures to insure implementation of risk management.

VI. Program Practices

1. Foundation management shall establish and maintain documented risk management practices such as:

2. Analysis of new activities (especially assumption of contractual liability) in terms of risks; Periodic review of risks, exposures, activities, and properties;
3. Assessment of risk exposure on and off premises, in operations, through contracts, and with avoidance/prevention efforts;
4. Accident/loss monitoring;
5. Submission of civil law suits or potential ligation issues to insurance company for bodily injury, property damage, personal injury, contractual disputes or advertising injury to investigate and defend for which excess and umbrella liability insurance coverage apply;
6. Systematic claims assessment to insure claims are properly administered;
7. Information dissemination to Foundation projects related to risks;
8. Assessment of risk management as a component of management performance evaluations; and
9. Develop disaster preparedness plan.

VII. Program Organization

The Executive Director in concert with the Chief Financial Officer (CFO) may periodically identify how the Risk Management Program is to be organized including:

Appropriate delegation of authority;

1. Performance of program duties and task assignments;
2. Role of risk management counsel; and
3. How risk management program/staff interacts with the safety, security, legal, and employee relation functions