

24.01.02 Risk Transfer

Revised [November 6, 2024](#)

Next Scheduled Review: November 6, 2029

[Revision History](#)



Regulation Statement

It is the objective of The Texas A&M University System (system) to manage, control, and, where appropriate, reduce or eliminate risks so that its employees, students and visitors are protected from hazards, its financial condition is not seriously jeopardized, and its material and natural resources are preserved. This regulation establishes uniform risk transfer programs and strategies to address these financial risks.

Regulation

1. INSURABLE RISK

- 1.1 The board, as fiduciary of the assets of the system, recognizes the importance of mitigating risks that may impact the system's resources. These risks can come in many forms, including potential loss of property, financial liability, and reputation risks.
- 1.2 The objective of this regulation is to ensure that identified risks are evaluated and insurance coverage is secured, where applicable. As authorized in Chapter 51 of the Texas Education Code, institutions of higher education may purchase insurance protecting the institution and its employees against liability, risk, or exposure and covering the losses of any institutional property, utilizing funds from the institution. All insurance protecting the system or its members must be purchased through System Risk Management after a risk assessment has been completed to determine both the necessity and type of coverage best suited to cover the targeted risks. By utilizing this central process the members will benefit by leveraging their collective purchasing power.
- 1.3 System Risk Management is responsible for assessing the various insurable risks that may impact the system. This assessment will consider the potential financial consequences of the risks together with the potential likelihood of an occurrence that would result in financial consequences. Actuarial analysis may be conducted to determine the expected loss exposure, utilizing external actuarial consultants where appropriate. The assessment will consider the potential exposure from:
 - (a) Physical harm to employees, students, visitors, or the general public;
 - (b) Damage to third-party property;
 - (c) Damage to system property;
 - (d) Contractual liability; and

(e) Reputation risk.

1.4 Management of the impact of these potential risks will utilize various forms of risk transfer, avoidance, and mitigation, to eliminate or reduce the potential exposure to an acceptable level. Management of the impact of the potential risk will include, but is not limited to:

- (a) review of whether the applicable risk is a consequence of the mission of the member;
- (b) Mitigation of the exposure through proper oversight and procedures;
- (c) Use of waivers and releases developed by Office of General Counsel (OGC);
- (d) Coverage of any potential exposure through insurance requirements on third parties utilizing system facilities or programs; and
- (e) Retention or transfer of the remaining loss exposure.

1.5 System Risk Management will make recommendations on the most appropriate manner in which to properly insure the loss exposure. The loss exposure may be covered through retention by the member, a shared risk plan, risk transfer through commercial insurance coverage, or some combination thereof. Commercial coverage is secured through an approved broker in the System Broker Pool.

Recommendations will be based on:

1.5.1 The financial ability of the member to retain the exposure and/or meet the deductible obligations for the insurable risk. This can be determined by the member chief financial officer (CFO) and confirmed by the system. Unrestricted assets committed to funding insurable exposures will be moved to restricted reserves at the member level.

1.5.2 In determining the decision to retain or transfer the exposure, the likelihood and severity of the potential loss exposure will be evaluated along with an analysis of the economic trade-off of the current premium paid versus expected loss.

1.5.3 Loss exposure from an insurable risk will be covered at the individual member level.

1.5.4 Self-Insured plans, which can cover multiple members, are determined by the shared risk through the loss history, exposure profile, mitigation programs, and deductible thresholds of the members. Agreements must be in place detailing the rights, responsibilities and financial obligations of the self-insured plan participants. In all programs where a self-insured plan is implemented, the following requirements will be met:

1.5.4.1 System Risk Management, in conjunction with OGC, will develop plan documents, detailing the covenants that will govern the self-insured plan to include applicable coverage, definition of loss, premium allocation, and shared risk retention funding where applicable.

1.5.4.2 Premium allocation and shared risk retention funding will be determined by evaluating the risk profile of each member and by working with an actuary to identify risks that impact the premium charged to the system. Risk sharing will ensure that each member's participation is equitable to the risk that it brings to the plan.

1.5.4.3 In the event of a loss, any obligations placed on the members by the plan documents will be the liability of that respective member and will continue even if participation in the risk-sharing program ceases.

1.6 System Risk Management is responsible for applying the processes in this regulation to the various insurable risks of the system. All members, including the System Offices, are to participate in the following programs as required by the System Board of Regents unless sufficient assets have been designated as restricted reserves to cover the insurable risks in accordance with Section 1.5 of this regulation:

1.6.1 Commercial Property Insurance Plan

The System Property Insurance Plan provides coverage for both member selected buildings and personal property of the system. Coverage will provide for the repair or reconstruction of covered facilities with like-kind construction.

Coastal members are required to strategically identify key facilities and purchase windstorm/hail and flood coverage on these buildings.

1.6.2 The System Property Loss Investment Program

The System Property Loss Investment Program is a self-insured plan that reduces the self-insured retention of each member participating in the Commercial Property Insurance Plan (1.6.1).

1.6.3 Virtual Captive – Alternative Risk Funding (“ARF”) Program

The Virtual Captive ARF Program provides property coverage for insured property covered by the Commercial Property Insurance Policy for the named perils of hail, all other wind, and named windstorms.

1.6.4 Automobile Insurance Program

Coverage for liability arising out of the operation of automobiles or motor-driven equipment will be covered up to the liability limits of the Texas Tort Claims Act. Coverage is applicable for all scheduled vehicles and scheduled motor-driven equipment submitted by a member designee to System Risk Management. Comprehensive coverage of insured vehicles is also offered and may be procured by each member, at their discretion.

1.6.5 Medical Malpractice

Through the use of commercial insurance and a self-insured plan, malpractice coverage is secured for potential liability that may occur as a result of members

- (1) providing medical and counseling care to students and the general public, and
- (2) providing educational opportunities to undergraduate/graduate students.

1.6.6 Programs for Minors Insurance Program

A commercial general liability and accident medical insurance program is procured for use by members as outlined in System Regulation 24.01.06, *Programs for Minors*.

1.6.7 International Travel Security and Medical Evacuation Insurance Program

An international security and medical evacuation insurance program is secured to provide security and medical evacuation insurance for students and employees traveling overseas who are participating in educational or employment opportunities.

1.6.8 Workers Compensation Insurance

1.6.8.1 State of Texas Labor Code, Section 502, authorizes the system to administer the Workers Compensation Insurance Program (WCI Self-Insured Program) to provide reasonable and necessary medical coverage and disability payments to employees who sustain injuries or occupational disease in the course and scope of their employment.

1.6.8.2 Members are responsible for compliance with state WCI regulations for employers and procedures instituted by System Risk Management for the administration of the WCI Self-Insured Program.

1.6.8.3 The WCI Self-Insured Program is operated as a fully funded plan, covering not only the current year's expenses but the total cost of the claim. The minimum funding level must be sufficient to cover current year expenses and the Incurred But Not Reported Reserve requirement with the maximum reserve set by Section 502 of the Labor Code. The Incurred But Not Reported Reserve is determined through an annual actuarial review conducted by an external actuarial firm.

1.6.9 Directors and Officers Liability Plan

Coverage is procured for Directors and Officers (D&O) Liability through a commercial insurance program. Each member is responsible for the respective deductible per claim and member allocated premium.

1.6.10 Crime Insurance

Coverage for crime exposures is procured through a commercial insurance program. Each member is responsible for the respective deductible per claim and member allocated premium.

1.6.11 Sports Accident Medical

The System Sports Accident Medical insurance program provides a commercial insurance plan for NCAA sports-related injuries for all members who participate in NCAA sports.

1.6.12 Daycare Liability

The system secures coverage for Daycare Liability coverage through a commercial insurance program. This program is only a requirement for those members who operate/manage or administer a daycare. Each member is responsible for paying its allocated yearly premium.

1.6.13 Builders Risk

Builders risk coverage is procured through a master commercial insurance policy for all capital construction projects. At the discretion of System Risk Management, capital construction projects must be enrolled in the system builders risk program.

1.6.14 Rolling Owner Controlled Insurance Programs (ROCIP)

General liability, workers compensation and excess liability coverage are procured through a commercial insurance program for all capital construction projects. At the discretion of System Risk Management, capital construction projects must be enrolled in active ROCIP.

Related Statutes, Policies, or Requirements

[Executive Order GWB 95-8, *Relating to Workplace Safety and Health of State Employees, Citizens Served, and Preservation of State Property*](#)

[Tex. Educ. Code § 51.966](#)

[Texas Tort Claims Act, Tex. Civ. Prac. & Rem. Code, Ch. 101](#)

[System Policy 24.01, *Risk Management*](#)

[System Regulation 24.01.06, *Programs for Minors*](#)

Member Rule Requirements

A rule is not required to supplement this policy.

Contact Office

System Office of Risk Management
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