

24.01.02 Risk Transfer

Approved August 13, 2019
Next Scheduled Review: August 13, 2024



Regulation Statement

It is the objective of The Texas A&M University System (system) to manage, control and, where appropriate, reduce or eliminate 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 risk that may impact the system resources. These risks can come in the form of potential loss of property, potential financial liability, and potential reputation risks.
- 1.2 The objective of this regulation is to ensure that insurable risks are evaluated and coverage is secured, where applicable. As authorized in Chapter 51 of the Texas Education Code, institutions of higher education may purchase insurance covering the institution and its employees against liability, risk, or exposure and covering the losses of any institutional property, utilizing funds from the institution. In the purchase of insurance, the members will benefit from leveraging the collective purchasing power of the combined members. 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. There are two primary types of insurable risk:
 - (a) Insuring the physical assets against financial consequences of property loss is essential in ensuring that the mission of the system is carried out with as little interruption from property loss or damage as possible.
 - (b) Insuring against civil liability that may occur in the carrying out of the mission of the system.
- 1.3 System Risk Management is responsible for assessing the various insurable risks which face the system. This assessment will consider the potential financial consequences of the risk together with the potential likelihood of an occurrence which would result in financial consequence. 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 with the goal of eliminating or reducing the potential exposure to an acceptable level. Management of the impact of the potential risk will include, but is not limited to:

- (a) Reviewing 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 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. 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 will 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 if dictated by the uniqueness of the respective risk to the member.
- 1.5.4 Inherent in the shared risk plans covering multiple members is the sharing of 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 insurable risk plan participants.

In all programs where an insurable risk plan is implemented, the following requirements will be met:

- 1.5.4.1 System Risk Management will develop plan documents, subject to member approval, detailing the covenants which will govern the shared risk 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 insurance underwriters to identify risks which 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 covenants will be the liability of that respective member and will continue even if participation in the risk-sharing program ceases.
- 1.5.4.4 Member CFOs will be required to provide an annual certification of inventory or programs covered by the respective risk sharing plan and execute an annual participation agreement agreeing to the covenants of the risk-sharing plan.

1.6 System Risk Management is responsible for applying the processes in this regulation to the various insurable risks of the system. All members 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 Facilities Insurance Plan

The System Facilities Insurance Plan provides coverage for both Auxiliary and Educational and General Facilities, and related furnishings, of the system. Coverage will be secured on a replacement cost policy which 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 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 vehicles and scheduled motor driven equipment submitted by the CFO or designee to System Risk Management. Comprehensive coverage of insured vehicles is evaluated annually to determine if damage to owned automobiles should be retained or insured commercially.

1.6.3 Medical Malpractice

The system secures malpractice coverage 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 medical, nursing and dental students.

1.6.4 Programs for Minors Insurance Program

The system secures a commercial general liability and accident medical insurance program for use by members as outlined in System Regulation *24.01.06, Programs for Minors*.

1.6.5 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 opportunities.

1.6.6 Workers Compensation Insurance

1.6.6.1 State of Texas Labor Code, Section 502, authorizes the system to administer the Workers Compensation Insurance Program (WCI 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.

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

1.6.6.3 The WCI Program is operated as a fully funded plan, covering not only the current year 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.

1.6.7 Directors and Officers Liability Plan

The system provides coverage for Directors and Officers (D&O) Liability through a commercial insurance program. Each member is responsible for the respective deductible per claim and is required to pay a premium.

1.6.8 Crime Insurance

The system provides coverage for crime through a commercial insurance program. Each member is responsible for the respective deductible per claim and is required to pay a yearly premium.

1.6.9 Sports Accident Medical

The System Sports Accident Medical insurance program provides a baseline insurance plan for NCAA sports-related injuries for all members who participate in NCAA sports. Commercial coverage is secured through an approved broker in the System Broker Pool. A member can only self-insure this exposure if the member meets the requirements outlined in System Policy *24.01, Risk Management*.

1.6.10 Daycare Liability

The system provides 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.

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](#)

The August 8, 2019 version of this regulation supersedes the following regulation:
24.01.02, Workers' Compensation Insurance Program

Member Rule Requirements

A rule is not required to supplement this policy.

Contact Office

Risk Management
(979) 458-6330