

Prepared by Procurement and Property Management Office
This is a NEW Executive Policy

UNIVERSITY OF HAWAI'I

EXECUTIVE POLICY - ADMINISTRATION

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E2.202--RISK AND INSURANCE MANAGEMENT POLICY

I. INTRODUCTION

Section 2-2, Chapter 2 (Administration) of the University of Hawai'i Board of Regents Bylaws and Policies delegates authority to the President for the protection and advancement of the University, in its educational and business aspects.



During the past ten years, the economic, social, and legal environment changed with a profound effect on all government entities. Cost for everything has increased sharply and the pace of change, itself, has accelerated. The demands of the public for services continue, as well as the requirements to comply with regulation. Added to this financial burden is the erosion of the ancient legal doctrine of sovereign immunity which traditionally protected governments from legal liability and lawsuits.

The State of Hawai'i, of which the University is part of, has been no exception. In the recent past, judgments have not always been in favor of limited government liability and awards have been in excess of a million dollars.

For these reasons, the University must make every reasonable effort to protect the health and safety of members of its own community and the public from hazards incidental to operation of the University and to protect its resources against financial losses arising out of injuries, accidents, destruction and damages. Accordingly, the following objectives and policies for risk and insurance management are hereby established.

II. OBJECTIVES

The object is to strive to preserve and protect the resources of the University of Hawai'i against financial losses arising out of any occurrence thereby enabling the University to carry out its programs and purpose of providing quality education, research, and other related services. Specifically, risk management is the acceptance of the responsibility for recognizing, identifying, preventing, and controlling the exposures to loss and injury which are created by the activities of the University.

III. POLICIES

1. Risk shall be defined as financial risk or uncertainty of financial loss. Loss may occur in many ways, such as by destruction, confiscation (theft), and negligence (claims for damages). Losses reduce revenues, reduce assets, increase expenses and increase liabilities.
2. Risk shall be avoided and prevented, if possible. Risk may be avoided by not accepting or entering into the event which contains the exposure; taking such steps as, requiring stricter supervision of an activity; having a restrictive use policy; or, taking greater precaution in carrying out the activity.
3. Risk shall initially be identified and appraised by each program head before being brought to the attention of the Risk Manager for disposition.
4. Risks are to be assumed or self-insured whenever the amount of the potential loss would not be financially significant to the University. For the purposes of this section, the guidelines shall be \$100,000 in any single occurrence or \$300,000 in the aggregate for any one year where there are multiple occurrences with losses for any one year. This guideline is not applicable:
 - a. When insurance is required by law or contractual agreement;
 - b. When it is desirable to buy special or expert services, such as claims handling, adjustors, engineering, etc., as a part of or separate from an insurance contract; and
 - c. When the cost of insurance is consequentially less expensive than the degree of risk which the University must assume.
 - d. When experience indicates a high degree of probability of accidents - high risk activities.
5. Insurance shall be purchased after all means of controlling or preventing loss have been considered; and when the amount of potential loss would be significant, as stated above in Paragraph 4. Exceptions may be made when:
 - a. Insurance is not available at any cost;
 - b. The cost of insurance is consequentially prohibitive compared with the risk which the University must assume as justified by the program head, concurred in by the Chancellor and PPMO. Should PPMO recommend otherwise, the matter will be handled in accordance with Paragraph 9;

- c. The University is covered by an insurance policy of the State of Hawai'i, or another person;
 - d. The University has analyzed the risk and has decided to be uninsured for reasons to be stated in a report to the Director of Finance.
6. Insurance shall be purchased according to the laws of the State of Hawai'i. Whenever feasible, acquisition shall be competed and award made on what the University deems to be in its best interests. Selection shall be based on quality of protection, the services provided, and the ultimate cost.
 7. Recognizing the fact that bulk purchasing of insurance is less expensive than individual policies, every effort shall be made to coordinate and group programs and activities with similar risks under one insurance policy. If feasible and practical, the possibility of adding new programs and activities to an existing policy shall be considered first.
 8. The Director, PPMO, under the direction of the Director of Finance, is appointed Risk Manager to develop and implement a risk management program according to this policy. The duties are as follows:
 - a. Identifies risk to the University and recommends how risks are to be handled;
 - b. Establishes contact with the insurance market and represents the University of Hawai'i in dealing with insurance brokers and companies;
 - c. Coordinates with Department of Accounting and General Services with regard to state-wide insurance coverage;
 - d. Establishes a loss prevention program which includes training of staff on becoming aware of risk and eliminating risk, a reporting system for collection of data on loss and a review of contractual obligations involving risk.
 9. Should a dispute develop over the Risk Manager's recommendation of how risk should be handled, the dispute will be referred to an advisory committee composed of the Director of Finance, the Budget Director, an appropriate Program Head designated by the Vice President for Administration, the Deputy Attorney General assigned to the University of Hawai'i, the Vice President for Academic Affairs or his designee, and the Risk Manager, who shall act in an ex officio capacity. The committee will review the facts surrounding each case and make appropriate recommendations to the Vice President for Administration.