

POLICY CONCEPT FORM

Name and UO Title/Affiliation:	Andre Le Duc, Chief Resilience Officer, Safety & Risk Services Kassy Fisher, Assistant Vice President, Finance & Administration
Policy Title/# (if applicable):	Risk Fund Policy-- OUS Board Policy 44
Submitted on Behalf Of:	Safety & Risk Services
Responsible Executive Officer:	Andre Le Duc, Chief Resilience Officer/AVP

SELECT ONE: New Policy Revision Repeal

Click the box to select

HAS THE OFFICE OF GENERAL COUNSEL REVIEWED THIS CONCEPT: Yes No

If yes, which attorney(s): Submitted to Doug Park, March 21, 2017

GENERAL SUBJECT MATTER

Include the policy name and number of any existing policies associated with this concept.

The Risk Fund policy addresses the pooled insurance program run by OUS for all of its member institutions and based in the OUS treasury office. Specifically, it outlines the fund's composition of sub-funds, definitions related to the pooled insurance program, and the committee in place to oversee the pooled insurance program and make determinations about how each campus is assessed financially.

The UO no longer participates in this program and, instead, procures and manages its own insurance program.

RELATED STATUTES, REGULATIONS, POLICIES, ETC.

List known statutes, regulations, policies (including unit level policies), or similar related to or impacted by the concept. Include hyperlinks where possible, excerpts when practical (e.g. a short statute), or attachments if necessary. Examples: statute that negates the need for or requires updates to an existing policy; unit level policy(ies) proposed for University-wide enactment; or existing policies used in a new, merged and updated policy.

This is one of two policies proposed for repeal at this time. The other is the Risk Management policy, OUS Board Policy 45.

STATEMENT OF NEED

What does this concept accomplish and why is it necessary?

We propose repealing this policy because the UO no longer participates in the pooled insurance program described by the policy. Instead, the UO procures and manages its own insurance.

The UO originally participated in the Public Universities Risk Management & Insurance Trust (PURMIT) through June 30, 2015 as mandated by SB 270 after the Oregon University System was dissolved. Beginning in FY 2016, the UO transitioned to management of its own risk program, which is more tailored to the needs of the UO campus.

AFFECTED PARTIES

Who is impacted by this change, and how?

Repealing this policy has no impact because its contents are obsolete and no longer apply to the UO. The UO insurance program, which is more cost-effective and more customized to the needs of the UO campus includes various types of insurance to cover the different risks the institution faces such as general liability, property, fine arts, international travel, day care, camps and clinics, athletics, and workers compensation.

The Risk Management program on the Safety and Risk Services website outlines a variety of resources for university community members, including insurance: <http://safety.uoregon.edu/content/insurance-program>

CONSULTED STAKEHOLDERS

Which offices/departments have reviewed your concept and are they confirmed as supportive? (Please do not provide a list of every individual consulted. Remain focused on stakeholders (e.g. ASUO, Office of the Provost, Registrar, Title IX Coordinator, etc.))

Name	Office	Date
Flo Hoskinson	Risk Management	March 2017
Kelly Wolf	Business Affairs	March 2017
Doug Park	General Counsel	March 2017

TEXT OF POLICY-- PROPOSED FOR REPEAL

Risk Fund Policy

Enactment & Revision History:

Summarization and addition of this policy to the Fiscal Policy Manual was approved by the vice chancellor for finance and administration on February 14, 2013

Oregon State Board of Higher Education Committee on Finance & Administration on February 15, 2013

Became University of Oregon policy by operation of law on July 1, 2014

Former Oregon State Board of Higher Education Policy

Policy:

POLICY/PURPOSE

In order to maintain a self-insurance program and provide cost benefits from a pooled insurance program a financially sustainable fund must be in place. This Fund must be sufficient enough for insurer confidence when providing excess insurance over a large self-insured retention (SIR), knowing that the underlying SIR will be adequately managed without unnecessary impact to the insurer. In addition, this Fund provides flexibility to the OUS Risk Program regarding types of potential hazards or perils that the System wishes to self-insure as well as the terms and conditions for managing claims within the SIR. The Fund shall be maintained exclusively for the purpose of programs that incentivize a culture of risk for the participants, and for the purpose of providing property, casualty, specialty, allied health, financial surety bonds, ORM program operations' needs, and other related expenses as outlined in this document, otherwise known as "Insurance Purposes."

The Fund shall be located within the OUS Treasury with transactions conducted by OUS Risk Management and OUS Business Services in a transparent and segregated manner. The Risk Oversight Committee may designate a regular reporting schedule for review as needed.

POLICY RATIONALE

This policy is provided as the guiding framework for the OUS Risk Fund (Fund), subject to the Risk Charter as approved by the Oregon University System Chancellor and the Oregon State Board of Higher Education.

Responsible risk financing requires adequate funding of all program incentives and costs through campus financial assessments. The Fund may also provide a risk rate stabilization buffer as appropriate and determined by the Risk Oversight Committee (ROC). The ROC shall provide guidance for fair and transparent financial assessments for the campuses in order to allocate sufficient resources for a sustainable Fund and continued advantages of the risk pool. These financial assessments are calculated through insurance and actuarial best practices and standards including the time value of money and GASB (General Accounting Standards Board) regulatory requirements. The OUS Risk Fund is evaluated using a combination of unique exposures by campus, experience modifications based on loss history, and credits provided for improvements in risk mitigation or other metrics as designated by the ROC.

The Risk Fund Pool may consist of the following Sub-Funds:

1. Casualty Fund

a. This is defined as the fund that will address incentives for risk mitigation, and costs associated with premiums and claims for general liability, excess liability, automobile property damage and automobile

liability, educator's legal liability, and specialty lines of coverage including crime and fiduciary coverage or others as needed.

2. Property Fund

a. This fund will pay incentives for risk mitigation, and costs associated with premiums and claims regarding the OUS and campus general property or real property as defined in our property insurance policy, or other costs as needed.

3. Workers' Compensation Fund

a. The workers' compensation fund will pay costs associated with workers' compensation premiums and claims as well as any incentives associated with this policy, or other needs as required.

DEFINITIONS

- **Expected Claims** – Through actuarial analysis and considerations of historical claims frequency and severity, an entity's future expected claims costs and frequency can be estimated based on those considerations.
- **Indemnification** – The costs or effort associated with making one "whole" after a claim.
- **Incurred But Not Reported (IBNR)** – Those claims that have been incurred, but not yet reported to an entity. There is generally a lag time for certain types of claims to be reported such as employment claims. From a long-term loss history, actuaries can provide an estimate of how many claims may be incurred but not yet reported at a certain valuation date and these considerations are included as part of the total incurred or expected claims. (See definitions).
- **Loss Ratio** – The total cost of claims (total incurred) divided by the premiums paid. This percentage is considered favorable if less than 1, and unfavorable if greater than 1.
- **Loss Reserves** – The best estimate of the total costs of a claim including the indemnification, legal, or other expenses associated with the loss.
- **Risk Fund** – The financial instrument used to manage the Risk Pool. The OUS strategy is to have a risk fund that is at a minimum amount to pay for actuarially expected claims with a goal to have a buffer amount above expected claims over time in a manner that provides contingent financial resources in the event of catastrophic losses as determined by the Risk Oversight Committee (ROC).
- **Risk Pool** – a group of entities that provide financial assets to a fund in proportion to their size of loss exposures and loss experience with a goal of lowering costs for premiums and operating costs on balance for each.
- **Total Incurred** – Claims reserves plus amounts paid or the "total" incurred amount of a claim. The reserves and paid counter-balance throughout the duration of a claim and ultimately the reserves zero out when closed.

KNOWLEDGE AND OVERSIGHT

All persons involved in the financial applications of this policy shall be notified and made aware of this policy, including the Risk Oversight Committee (ROC), the Finance & Administration Committee of the Board, OUS Treasury, the vice chancellor for finance & administration, all vice presidents of finance & administration, risk managers, Risk Council, and the OUS Office of Risk Management.

RESPONSIBILITIES

- Through the recommendation of the ROC, each participating campus vice president for finance and administration shall provide adequate budgets for funding the necessary assessments and loss deductibles as required on an annual or regular basis as determined by the ROC.
- The ROC shall provide approval for the final assessment each year. The assessment shall be conducted and approved in the first quarter of the calendar year to allow sufficient time for budget planning by the campuses for the following fiscal year.

- Assessments will be made by the OUS Business Services Office on a quarterly basis or as needed and recommended by the ROC.
- An annual reporting of the Fund shall be provided to the Finance and Administration Committee of the Board, or as requested.
- Regular reporting shall be provided to the member campuses as designated by the ROC.
- The ROC shall establish a constitution and by-laws for the Fund and maintain and update these as necessary on a regular basis.

RISK FUND STRATEGY

- The ROC determines the formula for determination for the campus financial assessments for the fund annually, using the exposures, losses and incentive considerations or other considerations as noted earlier.
- The ROC shall assess the campuses in a manner that adequately funds the Fund. Consideration should be based on actuarial recommendations and judgment of the ROC.
- The Risk Fund Adequacy shall be at a confidence level to pay all claims that have been incurred or incurred but not reported (IBNR) and premiums. The recommended fund adequacy considerations may reflect an appropriate interest rate that is comparable to the consumer price index, or CPI, and at a confidence level that the expected losses will actually occur.

Related Resources:

Senate Bill 242

Oregon State Board of Higher Education

Risk Oversight Committee (ROC), led by the OUS Vice Chancellor for Finance & Administration

Original Source:

OUS Board Policy