

24.01 Risk Management

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Policy Statement

It is the objective of The Texas A&M University System (system) to manage, control and, where appropriate, reduce or eliminate risk to the end that its employees, students and visitors are protected from hazards, its financial condition is not seriously jeopardized, and its material and natural resources conserved to the maximum extent possible and practicable.

Reason for Policy

This policy establishes uniform programs and approaches in addressing the risks faced by the system. These programs will provide effective ways to manage, eliminate, or transfer these risks.

Procedures and Responsibilities

1. GENERAL

- 1.1 The system and its system members are exposed to risks of loss resulting from injury or death of employees, students, and the public; damage to the environment; and loss, destruction and damage to its own property and the property of others.
- 1.2 Of primary importance in all risk management programs is the protection of the health and safety of students, employees and visitors to any system member.
- 1.3 Strong risk management and safety programs, coupled with safety consciousness and awareness on the part of all system personnel, are of vital importance to the accomplishment of the objectives of the policy statement.
- 1.4 System Risk Management is responsible for the administration of a risk management program within the system. The office will oversee programs in environmental management, health and safety, workers' compensation, risk transfer, and loss prevention. In providing service to the system, System Risk Management will:

- 1.4.1 advise and assist system member chief executive officers (CEOs), or their designees, in regard to managing the risk of the member;
- 1.4.2 facilitate member environmental management and health and safety programs, and other risk management programs through such means as, but not limited to, leadership, specialized knowledge, dissemination of current information, or assistance in securing of specialized expertise or equipment;
- 1.4.3 prepare and submit an annual report on the system's risk management programs to the board, chancellor, and member CEOs;
- 1.4.4 develop and provide professional training opportunities for risk management personnel utilizing system and outside expertise; and
- 1.4.5 consult with the Office of General Counsel on all legal issues pertaining to the administration and operation of the risk management programs.

2. HEALTH AND SAFETY

- 2.1 As provided by Executive Order GWB 95-8 (*Relating to Workplace Safety and Health of State Employees, Citizens Served, and Preservation of State Property*), the system and its members will develop and maintain a comprehensive health and safety program.
- 2.2 System Risk Management will provide oversight and guidance for the members' health and safety programs based on federal and state laws and agency regulations.
- 2.3 As part of the system's health and safety program, System Risk Management will offer assistance as necessary, including training, to foster member compliance.
- 2.4 The CEO will implement and administer a health and safety program and will submit an annual report to System Risk Management on the status of the member's health and safety program.
- 2.5 The chancellor or designee may contract with external providers specializing in health and safety, who will monitor members' compliance with health and safety laws, offer recommendations to the members on how to achieve compliance and report to System Risk Management on the members' progress.

3. INSURABLE RISK

- 3.1 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.
- 3.2 The objective of this policy is to ensure that insurable risks are evaluated and coverage is secured, where applicable. 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 as

authorized in Chapter 51 of the Texas Education Code. In the purchase of insurance, the system 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:

- 3.2.1 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.
 - 3.2.2 Insuring against civil liability that may occur in the carrying out of the mission of the system.
- 3.3 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 will be conducted to determine the expected loss exposure, utilizing external actuarial consultants where appropriate. The assessment will consider the potential financial exposure from:
- 3.3.1 Physical harm to employees, students, visitors, or the general public;
 - 3.3.2 Damage to third party property;
 - 3.3.3 Damage to system property;
 - 3.3.4 Contractual liability; and
 - 3.3.5 Reputation risk.
- 3.4 Management of the impact of these potential risks will utilize various forms of risk avoidance and mitigation with the goal of eliminating or reducing the potential financial exposure to an acceptable level. Management of the impact of the potential financial risk will include, but is not limited to:
- 3.4.1 Reviewing whether the applicable risk is a consequence of the mission of the institution;
 - 3.4.2 Mitigation of the exposure through proper oversight and procedures;
 - 3.4.3 Use of waivers and releases developed by the Office of General Counsel;
 - 3.4.4 Coverage of any potential exposure through insurance requirements on third parties utilizing system facilities or programs, and;
 - 3.4.5 Retention or transfer of the remaining loss exposure.

- 3.5 System Risk Management will make recommendation on the most appropriate manner in which to receive proper coverage of the loss exposure. The loss exposure may be covered through retention by the system member, a shared risk plan, risk transfer through commercial insurance coverage, or some combination thereof. Recommendations will be based on:
- 3.5.1 Financial ability of the system member to retain the exposure and/or meet the deductible obligations for the insurable risk will be determined by the system 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 system member level.
 - 3.5.2 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 economic trade off of current premium paid versus expected loss.
 - 3.5.3 Loss exposure from an insurable risk will be covered at the individual system member level if dictated by the uniqueness of the respective risk to the system member.
 - 3.5.4 Inherent in the shared risk plans covering multiple system members of the system is the sharing of risk through the loss history, exposure profile, mitigation programs, and deductible thresholds of the system members. Agreements must be in place detailing the rights, responsibilities, and financial obligations of the insurable risk plan participants. For all programs where an insurable risk plan is implemented, the following requirements will be met:
 - 3.5.4.1 System Risk Management will develop plan documents, subject to system 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.
 - 3.5.4.2 Premium allocation and shared risk retention funding will be determined by evaluating the risk profile of each system member and by working with insurance underwriters to identify risks which impact the premium charged to the system. All risk sharing will ensure that each system member's participation is equitable to the risk that it brings to the plan.
 - 3.5.4.3 In the event of a loss, any obligations placed on the system members by the covenants will be the liability of that respective system member and will continue even if participation in the risk sharing program ceases.
 - 3.5.4.4 System 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.

3.6 System Risk Management is responsible for applying the processes in this policy to the various insurable risks of the system. All system members are to participate in the following programs as required by the board unless sufficient assets have been designated as restricted reserves to cover the insurable risks in accordance with Section 5.1 of this policy:

3.6.1 Facilities Insurance Plan

The System Facilities Insurance Plan will provide 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.

3.6.2 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 will be applicable for all vehicles and scheduled motor driven equipment submitted by the CFO, or their designee, to System Risk Management. Comprehensive coverage of insured vehicles will be evaluated annually to determine if damage to owned automobiles should be retained or insured commercially.

3.6.3 Medical Malpractice

The system will secure malpractice coverage for potential liability that may occur as a result of system members (1) providing medical and counseling care to students and the general public, and (2) providing educational opportunities to medical, nursing and dental students.

3.6.4 Workers Compensation Insurance

3.6.4.1 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.

3.6.4.2 System 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.

3.6.4.3 The WCI Program will be operated as a fully funded plan, covering not only the current year expenses but the total cost of the claim. 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 will be determined through an annual actuarial review conducted by an external actuarial firm.

3.6.5 Group Health Plans

The system will make group health plan benefits available to its employees, retirees and their dependents in accordance with Chapter 1601 of the Texas Insurance Code. The system fulfills this requirement by allowing enrollment in either a self-insured plan available to all employees and retirees or one of several fully insured HMO plans. The cost of these plans is funded by employer contributions from the State or system member, or a combined employer and employee contribution.

Benefits Administration is responsible for administration of the health benefit plans as well as the rules and procedures relating to enrollment and eligibility.

For the fully insured HMO plans, the Benefits Administration Office will determine the minimum standard benefit and solicit RFP responses from fully insured HMO plans registered in the State of Texas. For the self-insured plan, the Benefits Administration Office will research and recommend plan design changes for the approval of system CFO, taking into consideration the financial performance of the plan, state and federally mandated changes, industry trends, and input from the System Employee Benefit Advisory Committee.

System Risk Management will maintain financial reports and statistics for the plan and coordinate the annual actuarial pricing and determination of the change in the Incurred But Not Reported Reserve by an external actuarial firm. The self-insured plan assumes the risk if the plan should experience a loss. Protection from catastrophic loss will be provided through a commercial stop loss policy and/or sufficient plan reserves as determined by the actuarial review and approved by the system CFO.

3.6.6 Directors and Officers Liability Plan

The system provides coverage for Directors and Officers (D&O) Liability through the system Self Insured D&O Plan. Each system member is responsible for funding all claims up to the liability limit set by the Texas Tort Claims Act. D&O Plan payments made in excess of the liability limit will be repaid to the plan over the subsequent five years by the system member incurring the loss.

4. ENVIRONMENT

- 4.1 In line with our historical mission of environmental education, research and extension, our goals as servant leaders are to ensure system-wide protection of assets, respect for the health and safety of individuals, strict accountability for the resources entrusted to the system and integrity throughout the organization. In so doing, we will take an aggressive approach to being exemplary environmental stewards.

- 4.2 It is the objective of the system that our operations and persons associated with our operations shall cultivate environmental performance and model good practices wherever our facilities and activities interface with the natural and built environments. The scope of these practices shall encompass, but is not limited to, providing clean and safe settings for learning and inquiry, factoring the environment into our planning, acquisitions, designs, construction, operations, maintenance and activities, creating learning opportunities for our campus communities, conserving renewable and natural resources, preventing pollution and fostering compliance with applicable environmental laws.
- 4.3 The system and its members shall realize this environmental policy by means of environmental management systems (EMS) that identify significant environmental interfaces and manage these on a priority basis with appropriate resources within the context of our mission. Each EMS shall be based on the performance cycle as outlined below.

EMS Performance Cycle

The EMS performance cycle shall consist of four core functions that provide the framework for managing existing activities and any new activity that could potentially affect the environment.

Plan – The *planning* process shall define objectives and performance requirements, establish controls, and select and develop personnel. It shall include defining the scope of the activity and identifying and analyzing the associated environmental interfaces, potential impacts and regulatory requirements.

Act – The *action* process shall consist of performing the planned activity within established controls. It shall provide resources, training, and communication to fulfill the plan, and it shall include implementing operational controls to prevent or mitigate environmental impacts and to comply with applicable regulations and procedures.

Verify – The *verification* process shall measure and assess results and progress and take corrective actions. It shall include monitoring or measurement of environmental performance, assessment of the adequacy of controls and opportunities for improvement and performance of corrective actions as needed.

Adjust – The *adjustment* process shall review and adjust the systems as necessary to achieve intended results without unacceptable environmental impacts. It shall include management reviews of activities and outcomes and communication of review findings and recommendations to activity planners who then continue the EMS performance cycle.

- 4.4 The system policy on the environment applies to and must be clearly communicated to all members of the system community and its contractors. Responsibilities for communicating and implementing this policy are as follow.

- 4.4.1 The chancellor is responsible for implementing this Environmental Policy with the objective of achieving affirmative environmental management systems throughout the system.
- 4.4.2 The chancellor and each member CEO shall affirmatively endorse this environmental policy, designate a person responsible to be the contact for environmental matters, designate environmental liaisons for key departments and implement the policy through developing and administering an environmental management system and conducting other environmental activities as appropriate. The chancellor and CEOs shall also establish an advisory council to guide and assess policy implementation.
- 4.4.3 System Risk Management shall guide members to establish, implement and update environmental controls, consisting of short-term and long-term environmental objectives with specific targets that can measurably indicate performance.
- 4.4.4 System Risk Management shall (a) implement a system offices EMS, (b) act as facilitator for each member EMS, offering oversight and guidance, and (c) offer other environmental support services to the system and its members as necessary.
- 4.4.5 The CEO shall submit an annual report to System Risk Management on the status of the member's EMS and environmental activities, including measured progress toward achieving environmental objectives and targets. System Risk Management shall assess member reports and include a summary report in the annual risk management report.

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](http://www.lrl.state.tx.us/scanned/govdocs/George%20W.%20Bush/1995/GWB95-8.pdf)
<http://www.lrl.state.tx.us/scanned/govdocs/George%20W.%20Bush/1995/GWB95-8.pdf>

Tex. Educ. Code § 51.966

<http://tlo2.tlc.state.tx.us/statutes/docs/ED/content/htm/ed.003.00.000051.00.htm#51.966.00>

System Policy *51.01, Capital Planning*

<http://tamus.edu/offices/policy/policies/pdf/51-01.pdf>

Texas Tort Claims Act, Tex. Civ. Prac. & Rem. Code, Chapter 101

<http://tlo2.tlc.state.tx.us/statutes/docs/CP/content/htm/cp.005.00.000101.00.htm>

Tex. Lab. Code, Chapter 502

<http://tlo2.tlc.state.tx.us/statutes/docs/LA/content/pdf/la.005.00.000502.00.pdf>

Tex. Ins. Code, Ch. 1601

<http://tlo2.tlc.state.tx.us/statutes/docs/IN/content/htm/in.008.00.001601.00.htm>

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