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**Property Self-Insurance Program
References, Funding, Coverage All-Risk
Property, Buy-Down Deductible for Theft**

<http://www.ucop.edu/ucophome/policies/bfb/bus28.pdf>

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Business and Finance Bulletins Home Page: <http://www.ucop.edu/ucophome/policies/bfb/>

I. REFERENCES

- A. The Regents of the University of California Insurance Policies
 - Master Property Policy (All-Risk)
 - Species – Fine Arts and Library Collections
 - Open Cargo
- B. Business and Finance Bulletin BUS-29, [Management and Control of University Equipment](#)
- C. Business and Finance Bulletin BUS-39, [Loss of or Damage to Property of Individuals](#)
- D. Business and Finance Bulletin BUS-49, [Policy for Handling Cash and Cash Equivalents](#)
- E. [University of California Policy on Reporting and Investigating Allegations of Suspected Improper Governmental Activities](#) (“Whistleblower Policy”)
- F. Equipment Useful Life Schedule, Material Management, Office of the President
- G. Business & Finance Bulletin G-13, [Policy & Regulations Governing Moving and Relocation](#)
- G. [Academic Personnel Manual Sections](#) 550, 560 & 561, Moving Expenses

II. INTRODUCTION

The University Property Program consists of both insurance and self-insurance programs which are managed by Office of the President Risk Services. This Bulletin describes the *All-Risk* Self-Insurance Program established to assist in the management of University resources. The Bulletin outlines the types of property and perils covered by the Program.

The All-Risk Self Insurance Program is funded through contributions from each campus and medical center. Office of The President Risk Services manages the funding and administration of the Program. However, since the self-insurance reserve and contingent

funding sources are limited, repair, restoration, and replacement of losses are balanced against the financial objective of maintaining reserves allocated to support the program.

The program also seeks to minimize University property losses through risk analysis, control, and prevention of repeated loss. Ultimately, however, protection from and prevention of direct property loss is the responsibility of individual campuses, departments, and employees.

This Bulletin does not apply to claims arising out of the University-managed DOE laboratories.

Words and phrases that appear in *italics* are defined in Section VIII, Terms and Definitions.

III. COVERAGE

A. GENERAL DESCRIPTION OF PROGRAM

Each year, the University purchases *All-Risk* coverage under a Master Property policy, which includes a self-insured retention. This Bulletin addresses the risks covered under the University's self-insured retention program. The coverage described in this Bulletin is intended to replicate the coverage provided under the Master Property Policy. However, this description is a summary only—it does not include all terms, coverages, exclusions, limitations and conditions of the Master Policy. Contact campus Risk Management and Office of the President Risk Services with specific questions regarding coverage.

B. WHO IS INSURED

The Regents of the University of California (University), all corporations, partnerships, joint ventures, organizations, and other entities, as have existed or as now or may hereafter exist, or for which it is required to or has agreed to maintain insurance, including any affiliated, associated, allied, and subsidiary entities.

C. ADDITIONAL INSURED/ LOSS PAYEE

Any other entity for which the University has agreed to provide insurance under a written contract, or which is specifically added by endorsement is included as an Additional Insured and/or Loss Payee under this Program. Entities to whom Certificates of Insurance have been issued are automatically covered as Additional Insureds and/or Loss Payees.

D. TERRITORY

Coverage under this Program applies worldwide. However, losses exceeding the self-insured retention level are not covered if the loss occurs outside the United States of America, its territories and possessions, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, or Mexico or Canada. Campus Risk Management should be notified in the event property with values higher than the self insured retention will be outside of the territories described above.

E. COVERED PROPERTY

The property covered under this program includes all *Real and Personal Property* owned by the University; in which the University has an insurable interest; in the care, custody or control of the University; for which the University has received instructions or agreed to insure under written contract prior to a loss; or for which the University is legally liable.

F. EXTENSION OF COVERAGE (see also Section VIII, Terms and Definitions)

1. *Accounts Receivable*
2. *Architect and Engineering Fees*
3. *Civil Authority*
4. *Consequential/Sequential Loss*
5. *Debris Removal*
6. *Demolition and Increased Cost of Construction*
7. *Expediting Expense*
8. *Fire Brigade Charges and Extinguishing Expenses*
9. *Library Collections and Unscheduled Fine Arts*¹
10. *Preservation of Property*
11. *Subleased Property*
12. *Tenant Improvements and Betterments*
13. *Valuable Papers and Records*

G. TRANSIT COVERAGE

This Program covers shipments within and between the territorial limits of this Policy, including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purposes of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended for use for any outbound shipment or used for inbound shipment, including during deviation and delay, until safely delivered and accepted at the final destination.

1. Covered property in transit valued at over \$100,000 per shipment and domestic household moves are subject to additional premiums and must be reported to Office of the President Risk Services at least 10 days prior to shipment. Contact the campus Risk Management office for coordination and reporting procedures.

¹ UC purchases a policy covering Library Collections and Unscheduled Fine Arts, which has a \$1,000,000 deductible. Losses below this deductible are covered under the Property Program described in this Bulletin.

Domestic Shipments Valued at Over \$100,000 per Shipment

All-risk coverage may be provided for shipment of goods valued at over \$100,000 per shipment via any common (commercial) transit carrier within the covered territory. Coverage for shipments valued in excess of \$100,000 must have prior approval from Office of the President Risk Services.

Approved coverage will also extend to shipment of goods from a campus Central Receiving Department to the point of final destination via University-owned or operated vehicles, provided that: (1) double-handling is appropriate and is operationally necessary; and (2) an appropriate vehicle is used (i.e., goods requiring specially equipped air-cushioned ride vans for the initial delivery are not subsequently shipped on non-air-cushioned ride vehicles). When shipment of equipment is involved, every effort should be made to arrange for direct delivery to the point of final destination.

Shipment of Employee Household Goods

With respect to domestic household moves including shipping of automobiles, the Program provides protection against all risks except wear and tear; gradual deterioration; insects; vermin; inherent vice; damage sustained from any repairing, restoration, or retouching process; war; and nuclear hazards. Coverage applies to shipments via any common (commercial) transit carrier, and may be arranged and paid for by prior approval from Office of the President Risk Services.

2. Foreign Shipments

This Program does not extend coverage to foreign shipments. The University purchases an open cargo insurance policy to cover marine and air shipments including ground transportation to point of departure and final destination in approved export packing to Alaska, Hawaii, U.S. territories such as the U.S. Virgin Islands and Puerto Rico, and foreign countries. The marine open cargo policy provides coverage on an all-risk basis, subject to customary all-risk exclusions. Campus Risk Management reports the shipments directly to UC's Insurance Broker. Contact the campus Risk Management office for coordination and reporting procedures.

H. PROPERTY NOT COVERED

1. *Real and Personal Property* held in title by The Regents of the University of California and located at one of the University-managed DOE Laboratories
2. Land; water; growing crops; standing timber; mining operations, including property contained therein; rolling stock; aircraft; vehicles licensed for road use except while on premises owned or rented by the University; watercraft; spacecraft; or satellites
3. Buildings in the course of construction (this exclusion does not apply to reconstruction, renovation, or remodeling). This Policy will provide coverage when the University's Builders Risk insurance on any project terminates

4. Money and Securities
5. Nuclear fuel or waste, raw material for nuclear fuel, and yellowcake
6. Oil and gas drilling rigs and production platforms including Personal Property thereon
7. Property which is in due course of ocean transit
8. Any item of Real or Personal Property which is specifically covered by other valid and collectible insurance issued to or on behalf of the University but only to the extent of such other valid and collectible insurance is available to the University
9. *Fine Arts* specifically covered under the University Scheduled Fine Arts Insurance Policy
10. Personal property owned by others, unless it has been loaned to the University for academic or business purposes under a written contract

I. TIME ELEMENT COVERAGE

1. Extra Expense
2. Rental Value and/or Rental Income
3. Leasehold Interest

This Section does not cover Business Interruption and Loss of Tuition Fees.

J. PERILS INSURED AGAINST

The Policy insures against all risks of direct physical loss or damage to covered property including salvage and all other charges on shipments covered hereunder except as herein excluded.

K. EXCLUDED PERILS

1. Loss or damage caused by inherent vice, latent defect, wear and tear or gradual deterioration, rust, wet or dry rot, mold, dampness of atmosphere or extremes of temperature, loss or damage by normal settling, shrinkage or expansion in buildings or foundations unless direct physical loss or damage by an insured peril ensues and then this Policy insures only such ensuing loss or damage
2. Earthquake (i.e., movement due to seismic activity), landslide or subsidence
3. Nuclear reaction or nuclear radiation or radioactive contamination.
4. War, invasion, acts of foreign enemies, hostilities or warlike operations (whether or not war has been declared), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or any act of terrorism
5. The cost of making good on errors, omissions or deficiencies in designs, plans or specifications; or faulty or defective workmanship

6. Delay, loss of use or loss of market or other indirect loss unless specifically insured elsewhere in this Bulletin
7. Infidelity or any dishonesty on the part of the Insured or any of its employees or others to whom the property may be entrusted
8. Inventory shortage or unexplained disappearance of any property, except that this exclusion shall not apply to property in the care, custody or control of others
9. Asbestos removal. However, the Program will cover the removal of that portion of asbestos that is physically incorporated in a building or structure, which has been physically damaged during the policy period by one of these Listed Perils: fire; explosion; lightning; windstorm; hail; direct impact of vehicle; aircraft or vessel; riot or civil commotion; vandalism or malicious mischief; or accidental discharge of fire protective equipment
10. Loss, damage, cost, claim or expense arising out of or relating to the calculation, comparison, differentiation, sequencing or processing of data involving the date change to the year 2000, or any other date change.
11. Loss, damage, destruction, distortion, erasure, corruption or alteration of electronic data or any resulting loss of use, reduction in functionality, cost or expense.
12. Loss, damage, cost or expense resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials.
13. Loss, damage, claim, cost, expense or other sum directly or indirectly arising out of or relating to mold, mildew, fungus, spores or other microorganism of any type, nature, or description.

IV. VALUATION

- A. Unless otherwise stated below, losses for real and personal property will be adjusted at an amount equal to the cost to repair or replace the damaged or destroyed property with material of like kind and quality at the time and place of loss whether or not such damaged or destroyed property is actually repaired or replaced.
 1. For valuable papers and records including data processing media: the cost of blank materials plus the cost incurred for actually transcribing or copying them, with the exception of the business records of The Regents of the University of California. This does not include the cost of gathering or assembling information or data for such reproduction (see *Extra Expense* entry in Section VIII, Terms and Definitions).
 2. On leased equipment that is not repaired or replaced, the value at time of loss as stipulated by the lease agreement.
 3. On property of others in the Insured's care, custody or control, and property leased by the Insured, at one of the following:

- Actual Cash Value;
 - the amount stipulated in the lease agreement;
 - The University's contractual or legal liability.
4. Library contents will be valued per scheduled values established by the Library Counsel.
 5. Unscheduled Fine Arts will be valued at current market value.
 6. Special Equipment and Machinery: Equipment and machinery that have no identifiable replacement or market value may be valued at the cost to reconstruct or replicate the item.
 7. Trees, shrubs, plants and lawn are valued at replacement cost, up to \$2500 per item.
 8. Domestic Shipments over \$100,000, Domestic Household Moves and property on the Theft-Buy Down Deductible Schedule will be covered on a replacement cost basis up to the declared value submitted on the application for coverage.

V. DEDUCTIBLES

A. The deductible is \$1,000 for all perils with the following exceptions:

1. \$5,000 per occurrence for water damage (90% of claim funded for losses in excess of \$50,000)
2. \$5,000 per occurrence for fire
3. \$1,000 per occurrence for *forced-entry theft*
4. \$5,000 per occurrence for *non-forced-entry theft*

B. Buy-Down Deductible for Theft

A department may reduce the deductible for forced-entry theft to \$250 and for non-forced-entry theft to \$1,000 by purchasing additional coverage in advance. This program is designed to insure property that is more susceptible to theft because of its value and the ease with which it can be stolen (e.g., laptop computers, cameras, etc.).

Such coverage may be obtained in accordance with local campus procedures. Each Fiscal Year, the Campus Risk Management Office must submit an annual report of property to be included in the Buy-Down Deductible program to Office of the President Risk Services by September 1.

C. Transit

No deductible shall apply if payment is made in excess of carrier's payment of loss. If the University's coverage is primary, then a \$250 deductible applies.

VI. CONDITIONS

A. Responsibilities after a loss

1. All losses should promptly be reported to the Campus Risk Management Office.
2. Immediately notify by telephone Office of the President Risk Services of catastrophic events.
3. Notify the local police department in the event of a loss caused by theft or vandalism.
4. Take reasonable measures to mitigate the loss, to protect property from further damage, and to assure public safety.

B. Other Insurance

If the loss is covered by other valid and collectible insurance, the self insurance program will be secondary and will not contribute with the other insurance.

C. Deferred Maintenance

The Program will cover the first occurrence of direct physical loss or damage resulting from a covered peril caused by a condition of deferred maintenance. Any subsequent loss or damage caused by continued or repeated exposure to the same deferred maintenance condition will be the responsibility of the Campus and/or applicable department(s).

D. Misuse/Gross Negligent Acts

Payment and/or reimbursement of all costs associated with damage to any University property resulting from misuse or negligent acts by a University employee is the personal responsibility of the employee or his or her department. The University insurance program will not assume the costs in such cases.

VII. RESPONSIBILITIES

A. THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

To protect University assets through restoration of property loss/damage, risk analysis, control and prevention.

B. CHIEF RISK OFFICER, OFFICE OF THE PRESIDENT RISK SERVICES

1. To review the Property Program on a continuing basis and determine the most effective manner by which to manage this risk
2. To assist Chancellors in the applying the Program and in coverage of specific situations
3. To act as the University's representative to the insurance industry

4. To maintain and administer the Property Fund
5. To secure and manage services of the Third Party Claims Administrator
6. To maintain and manage the University Risk Management Information System

C. CHANCELLORS AND HOSPITAL DIRECTORS OR DESIGNEES

To manage and implement local Property Programs to reduce operational risk including, but not limited to:

1. Ensuring that campus personnel are informed of the Property Program and the coverage available under the program.
2. Establishing campus procedures for identification and reduction of risk exposures.
3. Promptly reporting all incidents to the Third Party Claims Administrator
4. Assisting the Third Party Claims Administrator in investigating and adjusting losses, including but not limited to, directing campus personnel in efforts to mitigate damage, securing and collecting any documentation necessary to support the loss or damage, and coordinating appointments with campus personnel.

D. THIRD PARTY CLAIMS ADMINISTRATOR

1. Receiving and reviewing file materials to determine appropriateness of coverage under The Regents' self insurance program
2. Planning and completing an independent preliminary case investigation and establishing a strategic claim action plan, in accordance with Program standards. Pursuant to the contract with Office of the President Risk Services, reporting and recommending adjudication of every claim submitted to the Program
3. Coordinating resolution of claims with Campus Risk Management.

VIII. TERMS AND DEFINITIONS

Accounts Receivable: In the event of loss, damage or destruction to records or accounts receivable from customers by the perils insured herein, this Program will indemnify the campus as follows:

- (1) All sums due the University from customers, provided the University is unable to effect collection thereof as a result of loss or damage to records of accounts receivable by a peril insured by this Program;
- (2) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage;
- (3) Collection expenses in excess of normal collection costs made necessary because of such loss or damage;

- (4) Other expenses, when reasonably incurred by the University in reestablishing records of accounts receivable following such loss or damage.

Architect and Engineering Fees: fees for architectural and engineering services, inspections, superintendents and all other expenses incidental to the repair or replacement of the property arising from perils not otherwise excluded.

All Risk: all losses are covered except for those specifically excluded.

Civil Authority: acts of destruction, by order of any civil authority, at the time of and for the purpose of preventing the spread of fire or damage by other causes, provided that such fire or damage by other causes did not originate from any of the perils otherwise excluded.

Consequential/Sequential Loss: damage caused by or resulting from the change of temperature or humidity or by interruption of power, heat, light, air conditioning, refrigeration, telephones, supply water or telecommunications resulting from damage by the perils insured against hereunder to property/equipment or plants used to provide refrigeration, cooling, humidifying, dehumidifying, air conditioning, heating, generating, converting power, or telephones, or telecommunications including all connections and supply from transmission lines and pipes, power generating equipment, utility plants, or sources, whether or not such equipment is on or off the premises of the University.

Debris Removal: In the event of a direct physical loss or damage that is not otherwise excluded, the Program will pay the necessary and reasonable costs to remove debris from the property Insured herein from the premises of the University; and/or the cost of clean up, at the premises of the University, made necessary as a result of such direct physical loss or damage.

Demolition and Increased Cost of Construction: If a direct physical loss or damage to insured Real Property caused by an insured peril causes the enforcement of any law or ordinance that requires the demolition of parts of the undamaged Real Property; regulates the construction or repair of damaged Real Property or is in force at the time of loss or damage; the Program will pay the cost of demolishing or clearing the site of the damaged and undamaged Real Property and/or the increased cost of repair or reconstruction of the damaged and undamaged Real Property on the same or another site and limited to the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged Real Property on the same site or another site. However, the Program will not pay for any increased cost of construction loss unless the damaged Real Property is actually rebuilt or replaced. This coverage excludes the demolition or increased cost of repair or reconstruction, debris removal or loss of use caused by the enforcement of any law or ordinance regulating asbestos material and any governmental direction or request declaring that asbestos material present in or part of or utilized on any undamaged portion of insured property can no longer be used for the purpose for which it was intended or installed and must be removed or modified.

Expediting Expense: the reasonable extra cost of temporary repair or replacement and of expediting the repair or replacement of damaged property insured hereunder, including overtime and express freight or other rapid means of transportation.

Extra Expense: Expenses incurred during the period of recovery that would not have been incurred if there had been no physical loss or damage (not otherwise excluded) to covered property. This includes fixed charges and expenses plus any related overhead charges to the extent necessary to resume such research and development activities as existed preceding the loss. Any salvage value of property obtained for temporary use during the period of restoration, which remains after the resumption of normal operations, shall be taken into consideration in the adjustment of any loss hereunder.

Fine Arts: Works of art, including paintings, etchings, pictures, statuary, tapestries, and other bona fide works of art or rarity, historical value or artistic merit.

Fire Brigade Charges and Extinguishing Expenses: When insured property is damaged or destroyed by a covered peril, the Program shall pay fire brigade charges and other related expenses for which the University may be assessed, including the cost to replace any expended fire-extinguishing materials.

Forced Entry Theft: Any of the following tests will be applied to determine evidence of forced entry sufficient to support loss reimbursement:

- (1) Evidence verified by police report that force was employed;
- (2) Property damage resulting from use of force;
- (3) Reasonable security arrangements or devices manifestly violated;
- (4) Forced entry criteria contained in approved campus property theft prevention and security programs; or
- (5) Prosecution and conviction of person(s) charged with theft, other than University employees, will constitute proof independent of forced entry requirements. (With regard to University employees suspected or charged with theft; see Business and Finance Bulletin G-29).

Leasehold Interest: If a Lessor cancels a lease held by the Insured after loss caused by covered perils, the Program shall be liable for the Actual Loss Sustained by the Insured. The cancellation or statutory requirements must be caused by either of the following:

- (1) Physical loss or damage by covered perils to leased property within the territory covered by the Program;
- (2) Physical loss or damage by covered perils to property of the Lessor within the territory covered by the Program.

Leasehold Interest means:

- The unrecoverable unamortized value of any bonus paid by the Insured for the acquisition of the described lease;
- The advance rental paid by the Insured and not recoverable under the terms of the lease;

- Improvements and betterments to buildings leased by the Insured and/or the Insured's liability imposed by law or assumed by contract, and not recoverable elsewhere under this Policy;
- The excess rent payable plus cash bonuses or advance rent paid for the same or similar replacing premises (including any maintenance or operating charges) during the unexpired term of the described lease;
- The actual rent which remains payable for the unexpired lease term of the lease if such property becomes wholly untenable or unusable and the lease agreement requires continuation of the rent payment.

Library Collections and Unscheduled Fine Arts: All forms of *Fine Art* of any nature and description (excluding those pieces specifically scheduled on the purchased Fine Art Policy) and Library Collections of any nature or description.

Non-Forced Entry Theft: Disappearance of property from known place at known time with no evidence of force.

Personal Property: all property that is not considered Real Property and is not excluded from coverage.

Preservation of Property: Reasonable and necessary costs incurred for actions to temporarily protect or preserve insured property, provided such actions are necessary to prevent actual or immediately impending insured physical loss or damage to such insured property. This shall include fire department fire fighting charges imposed as a result of responding to a fire in, on or exposing the insured property; costs incurred for restoring and recharging fire protection systems following an insured loss; and costs incurred for the water used for fighting a fire in, on or exposing the insured property. This coverage is subject to the deductible provisions that would have applied had the property incurred the physical loss or damage.

Real Property: All buildings and appurtenant structures on University premises. These include physical structures identified by University asset numbers and contained in University Reports of Values; also any permanent construction or real improvement upon University premises enclosing a space within its walls and usually, but not necessarily, covered with a roof, and built to support or sustain University teaching, research, resource management, loss prevention, or safety activities, including permanent fences (except if property is specifically excluded elsewhere in this Bulletin.)

Rental Value and/or Rental Income: The rental income derived by the University or for whom the University has agreed to provide rental income insurance, from property insured hereunder determined according to bona fide leases, contracts or agreements in force, plus fair rental value of any property insured hereunder which is occupied by the Insured or which is without any occupant.

"Rental Value" means the sum of:

- (1) The total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the Insured; and
- (2) The amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Insured; and

(3) The fair rental value of any portion of said property that is occupied by the Insured.

In determining Rental Value and/or Rental Income, the Program will consider the rental experience before the date of damage or destruction and the probable experience thereafter had no loss occurred.

Subleased Property: Real Property which the Insured at one time leased and occupied, and which was subsequently vacated and subleased to others. The Program is extended to cover the Insured's residual responsibility to provide property damage insurance on such Real Property for an amount and against perils required by the original lease, except for perils which are otherwise excluded. In the event of physical loss or damage, the Program will pay any deficit between the amount of such loss or damage recoverable under specific insurance carried by the sublessee and the amount of such loss or damage which would have been recoverable in the absence of any such specific insurance.

Tenant Improvements and Betterments: Improvements or betterments installed by or at the expense of the University in buildings owned by others are covered as Personal Property of the University under this Policy, whether or not the improvements have or will become a permanent or integral part of the building(s) or the property of the building owner or lessor. However, the Program shall not contribute to the payment of any loss to such improvements and betterments covered under any policy or policies issued in the name of the owner of said building(s) or of other than the University.

Valuable Papers and Records: The Program covers valuable papers and records lost or damaged as a result of covered perils. Valuable papers and records comprise written, printed or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, manuscripts, tapes, discs, drums, cells or other data processing, recording or storage media, but not money or currency.