1. PURPOSE

This document sets forth the guidelines for handling claims of loss or damage to physical insurable property of the University of Houston System.

2. POLICY

2.1. System component universities, colleges and divisions should protect System property with a high degree of care. Even with a high degree of care, losses may occur due to a number of occurrences such as fire, theft, or natural disasters. The System maintains insurance and a retention fund that provides financial assistance to help colleges and divisions with replacement of such items. The program only responds to insurable losses, not mechanical breakage, maintenance, upgrades, any excluded peril on the property policy, or wear and tear.

2.1. System component universities, colleges, departments, and divisions should protect System property with a high degree of care. Even with a high degree of care, losses may occur due to a number of occurrences such as fire, theft, or natural disasters. The System maintains insurance and a retention fund that provides financial assistance to help colleges and divisions with repair or replacement of such items.

2.2. The program only responds to insurable losses and not mechanical breakage, maintenance, upgrades, any excluded peril on the property policy, or wear and tear.

2.3. Each component university should designate one representative to report and coordinate claims handling with the System Director, Risk Management department. Claims must initially be reported as soon as possible after they occur. Then, when replacement costs are determined, a supplemental report must be made.

2.4. It is the responsibility of the departments to mitigate potential losses of University owned personal property or contents in their department or area if feasible. For potential weather events that are anticipated (examples: hurricanes, tropical storms, a deep freeze), the department must take all practicable actions to mitigate their potential loss, especially if the department has any high dollar property, equipment, or research that may be impacted.

3. DUTIES IN THE EVENT OF A LOSS
3.1. In the event of a loss to University owned property, duties of the departments, colleges, divisions, or component universities are as follows:

3.1.1. Give written notice to Risk Management of any loss or damage within 48 hours of the incident;

3.1.2. Take all reasonable steps to protect the property from further loss or damage;

3.1.3. Furnish a complete inventory of the lost, destroyed, damaged property, showing quantities, and amount of loss claimed by using the Risk Management Contents Loss Reporting form;

3.1.4. Furnish any and all other documents that Risk Management or the insurance carriers may reasonably require;

3.1.5. Allow Risk Management or the University’s designated insurance representative to access and inspect any of the damaged or undamaged property; and,

3.1.6. Do not remove damaged property from the premises or discard it without approval from Risk Management.

3.1.6.1. In some cases, Risk Management or the insurance carrier may opt to salvage damaged items for insurable property that is being replaced by insurance funds. In that situation, the damaged items will be removed by either Risk Management or the insurance adjuster or their representative.

3.2. Failure to comply with the duties in the event of the loss may result in a denial, in part or in whole, of any financial compensation for the claim. Determination of a claim denial will be determined either by the insurance adjuster and/or the Director of Risk Management.

4. CLAIM REPORTING

4.1. Claims should initially be reported to Risk Management within 48 hours of the incident/event.

4.1.1. If individuals who may have damaged property are not on campus immediately following a property claim event, but will return within five business days of an incident or event, a report of damages must be made to Risk Management within 48 hours of their return to campus.

4.1.2. If individuals will not be on campus for over five business days after a property claim event, someone else in their department or area shall perform an inspection of the affected area and advise Risk Management of all known or potential property damages.

4.2. However, any loss that has the potential to breach $100,000 worth of cost from an insurable event must report the potential loss to Risk Management within 48 hours of the
incident, regardless of whether or not all departmental personnel are on campus. This includes, but is not limited to: research, research equipment, freezers, reagents, consumables, computers, artwork, or other equipment.

4.3. Failure to abide by these prompt reporting standards may result in a denial of insurance coverage or financial compensation.

4.4. Risk Management should be provided all pertinent information pertaining to the damaged items, including:

4.4.1. A completed claim reporting form;
4.4.2. A completed Property Damage Assessment with all applicable items included;
4.4.3. Photos of damaged property;
4.4.4. Any Police or Fire Marshal reports, if applicable; and
4.4.5. If and when requested by Risk Management, any applicable invoices, quotes, receipts, purchase orders, or other related documentation for damaged or destroyed property.

5. DESCRIPTION OF PROPERTY CLAIM REIMBURSEMENT PROGRAM

5.1. The property claim program is administered by the System Director, Risk Management.

5.2. Since insurance is expensive, the System maintains a high $250,000 deductible on its property insurance coverage. The System supplements the insurance with a retention fund that is funded by each component university. The funding is based on each component university’s exposure to loss, as well as its loss experience.

5.3. The first $10,000 of any claim is a component university deductible. Neither insurance nor the System’s retention fund will provide any compensation until the cost of damage exceeds the component university deductible.

5.4. Component universities should determine whether the deductible is passed down to colleges, divisions, or departments.

5.5. If the loss affects more than one department, the deductible may be shared between departments based on the extent of property damage for each department.

5.6. Insurance and/or the System’s retention fund will pay covered losses that exceed the component university deductible. Retention fund coverage determinations will be
the same as the ones used for insurance coverage. The System Director, Risk Management will coordinate the claim investigation and, if appropriate, settlement with insurance companies.

5.7.3.4. Losses covered by insurance coverage will pay replacement cost for items requiring repair or replacement, but will only pay actual cash value (replacement cost less depreciation) for items not replaced. The System’s retention fund will only provide coverage for items requiring repair or replacement.

5.7.1. If any upgrades to existing property are made during the course of recovery, they will not be compensable by insurance or by the retention fund.

5.7.2. Items that are insurable will be replaced with property that are like, kind, and quality of the damaged property.

4. CLAIM REPORTING

4.1. When a loss occurs, the System Director, Risk Management should be contacted and provided a description of the loss using the University of Houston System Property Loss Claim Report Form. The description should include an explanation of what happened, what was lost or damaged, whether any persons were injured, and any known facts that contributed to or caused the loss. Measures taken to protect damaged property and those to prevent reoccurrence should also be included. Preliminary estimates of replacement cost and digital photographs should also be provided.

4.2. Any damaged or undamaged property should be protected from further damage, but damaged materials must not be removed from the premises without permission from the System Director, Risk Management.

4.3. When replacement cost is determined (like kind and quality), it should be provided along with original purchase cost.

6. SETTLEMENT AUTHORITY

6.1. Settlement authority for loss or damage to university property is as follows:

6.1.1. a. The System Director, Risk Management may settle claims up to $25,000.

6.1.2. b. The Senior Associate Vice President for Finance must approve settlements above $25,000 up to $50,000.

6.1.3. c. The Senior Vice President for Administration and Finance must approve settlements above $50,000 up to the insurance deductible.
6.1.4.  d. Losses above the insurance deductible will be coordinated through and settled by insurance companies since these losses will exceed the System’s deductible. The System Director, of Risk Management or their representative will work with the insurance company adjuster to facilitate an appropriate settlement.

7. REVIEW AND RESPONSIBILITIES

Responsible Party: Senior Associate Vice Chancellor for Finance

Review: Every three-five years on or before June 1.

8. APPROVAL

Approved: 

Jim McShan—Senior Vice Chancellor for Administration and Finance

Renu Khator—Chancellor

Date: February 23, 2017

9. REFERENCES

University of Houston Risk Management Website

REVISION LOG

<table>
<thead>
<tr>
<th>Revision Number</th>
<th>Approval Date</th>
<th>Description of Changes</th>
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<tbody>
<tr>
<td>1</td>
<td>11/30/2006</td>
<td>Initial version</td>
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<tr>
<td></td>
<td>Date</td>
<td>Changes</td>
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<td>2</td>
<td>05/17/2011</td>
<td>Applied new Revision Log. In Section 4.1, a statement was added to document measures to be taken to protect damaged property and prevent reoccurrence of similar loss. Throughout the text, the group was changed from Environmental Health and Risk Management to Risk Management per current organizational structure. The responsible party changed from AVC for Plant Operations to AVC for Finance. Made changes to Exhibit A, emphasizing action taken to protect damaged property and preventing reoccurrence of similar loss, to reflect current operating practices. Increased the component university property claim deductible from $5,000 to $10,000. The EVP for Finance and Administration approves settlements from $50,000 to $100,000; losses above $100,000 are coordinated through and settled by insurance companies.</td>
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<td>3</td>
<td>02/23/2017</td>
<td>Updated titles as applicable. Removed Exhibit A, and added Section 8, References, with link to University of Houston System Property Loss Claim Report Form. No additional changes were made by the Subject Matter Experts (SMEs).</td>
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<tr>
<td>4</td>
<td>08/16/2021</td>
<td>Increased the component University deductible from $10,000 to $25,000 and indicated that this deductible may be shared if property damage affects more than one department. Amended policy to reflect that Risk Management processes claims, not one individual in the department. Added the Risk Management website link to several places within the document. Clarified that upgrades and maintenance are not insurable causes of loss. Changed the reporting period should be 48 hours after the loss, and not just as soon as possible. Added clarification that the responsibility of mitigating personal property losses falls to the departments if it is feasible. Added to the claim reporting process to reflect current operating practices. Changed format of section 4.1. Added claim reporting standards.</td>
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<tr>
<td>5</td>
<td>09/22/2021</td>
<td>Added Duties in the Event of a Loss section. Amended property to insurable property in lieu of physical property. Changed order of document to ensure the more urgent information is at the top. Added that the insurance adjuster or Risk Management has the authority to salvage items if deemed necessary or prudent. Added information to clarify that any loss over $100,000 must be reported within 48 hours of an incident, whether or not personnel are on campus.</td>
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