

OSBHE FINANCIAL ADMINISTRATION STANDARD OPERATING MANUAL

This policy was developed prior to implementation of Banner FIS. Therefore, specific information related to the previous accounting system (FMS) is no longer relevant. This policy is made available on-line since certain general principles are still applicable. If you have questions, please contact the Controller's Division at (541) 737-3636 / cdwebmaster@ous.edu. Applicable sections of this policy will be transitioned to the new Fiscal Policy format as time and resources permit.

07.04 COMMERCIAL INSURANCE (Last Revised 07/87)

A GENERAL

All institution property is insured by the State Insurance Fund (see Section 07.02, Insurance Fund - Property). Institutions, employees, and agents are protected by the State Insurance Fund against loss from liability claims (see Section 07.03, Insurance Fund - Liability).

State agencies are authorized, subject to Department of General Services approval, to obtain necessary commercial insurance on property built with borrowed funds, on certain non-owned property in the agencies' control, when the exposure to risk is outside Oregon, and for liability protection when the State Insurance Fund coverage is not adequate. (Reference: ORS 278.085 and Department of General Services Policy 125-7-501, Purchase of Commercial Insurance.)

B ACQUISITION OF COMMERCIAL INSURANCE

All commercial insurance must be acquired through and approved by the Controller's Division. See paragraph 07.04C, ART OBJECTS/EXHIBITS, for an exception on some art exhibits.

[1] Request for Commercial Insurance

Commercial insurance is requested by letter to the Controller's Division. A copy of the contract or agreement necessitating the insurance, signed by the Contracts Office **and** the owner of the property, must be attached. The contract or agreement should include the following information at a minimum:

- Description of exposure to be covered.
- Requested coverage dates.
- Dollar amount of coverage desired.
- Detail of items to be covered.
- Owner of covered property.

Where applicable, information on the following should also be included:

- Persons to be covered (only employees can be covered).
- Vehicles - type, usage, drivers.
- Boats - type, size, usage.
- Aircraft - type, size, usage.
- Buildings or equipment - location, usage.

Any of the above information not included in the contract/agreement should be covered in the request letter.

For a sample agreement form, see the Office of Administration's Contract, Leasing, and Licensing Manual, Figure 9-1, Personal Property Loan Agreement.

C ART OBJECTS/EXHIBITS

[1] Insurance Fund Coverage

Institutions may insure owned and non-owned art objects via the Insurance Fund. If this coverage method is chosen, it must be in accordance with Section 07.02, Insurance Fund - Property.

[2] "All Risk" Coverage

The State Risk Management Division offers self-insurance coverage for all owned and non-owned art works. This "All Risk" coverage is provided through the Insurance Fund. Coverage is subject to the exclusions listed in paragraph 07.04C[4], Excluded Perils. Coverage is also subject to a \$100 deductible per loss.

[3] "All Risk" art insurance is requested by letter to the Controller's Division. The request must include a completed agreement as described in paragraph 07.04B, ACQUISITION OF COMMERCIAL INSURANCE (ref. Office of Administration's Contract, Leasing, and Licensing Manual, Figure 9-1, Personal Property Loan Agreement).

[4] Excluded Perils

The Risk Management Division lists the following perils as exclusions from "All Risk" coverage:

- Loss or damage due and confined to wear and tear, inherent vice, gradual deterioration, insects, vermin, freezing, atmospheric dampness, temperature extremes, and mechanical or electrical breakdown or failure, unless such damage is the result of other loss covered by the policy.
- Loss or damage caused by or resulting from delay, loss of market, or loss of use in interruption of business.
- Loss or damage caused by or resulting from infidelity and/or dishonesty of the insured whether or not such act(s) occurred during the regular hours of employment or service, or any person(s) to whom the property may be entrusted (carriers for hire excepted).
- Breaking, marring, or scratching of china, glass, marble, earthenware, furniture, or other articles of a brittle or fragile nature, unless directly caused by fire, lightning, windstorm, earthquake, explosion, thieves, collision, upset, or overturn of a transporting vehicle, flood, riot, civil commotion, aircraft or vehicle collision, or an accidental leakage or discharge of water, oil, or steam from a plumbing or heating system.
- Damage sustained due to any process or while actually worked upon and resulting therefrom including any repairing, restoration, or retouching process(es).
- Mysterious disappearance, defined as follows:
 - a. the owner-agency does not know where the item was at the last time it was in the agency's possession.
 - or
 - b. The item is missing in the course of a property inventory.
 - or
 - c. The circumstances suggest that the item was mislaid or lost by an agency employee. (Note: This situation generally applies to small or portable items, e.g., tools., cameras, etc.)

[5] "All Risk" with Breakage

The Risk Management Division offers all risk coverage with breakage for all owned and non-owned art works. The coverage is the same as that explained in FASOM 07.04C[2], [3] and [4] above, except breakage is a covered peril. When requesting this coverage from the Controller's Division be sure your letter states "All Risk with Breakage."

[6] Western Association of Art Museums' Coverage

Member institutions of the Western Association of Art Museums may purchase insurance on temporary art exhibits directly from the Association. A copy of the request for insurance should be sent to the Controller's Division.

[7] Commercial Coverage

Institutions may purchase commercial insurance for art objects and/or exhibits. If this option is chosen, coverage must be purchased in accordance with paragraph 07.04B, ACQUISITION OF COMMERCIAL INSURANCE.

D PROPERTY BUILT WITH BORROWED FUNDS

Commercial insurance may be purchased to supplement Insurance Fund coverage on property built with borrowed funds when required by the terms of the loan agreement. (Ref.: ORS 278.085). The Insurance Fund assessment is discounted at least 40% if the commercial insurance meets or exceeds the following coverage: (Reference: ORS 278.025)

- Fire, lightning, and the hazards included under the Standard Bureau Extended Coverage Endorsement must be covered.
- Average clause of no less than 90%.
- Deductible no greater than \$5,000.

E NON-OWNED PROPERTY UNDER INSTITUTION CONTROL

Non-owned property leased, controlled, or possessed by an institution is covered by the Insurance Fund for loss due to employee negligence (see paragraph 07.03A, SCOPE OF LIABILITY COVERAGE), and when the agreement with the owner requires such coverage (see paragraphs 07.01C, LIABILITY FOR NON-OWNED PROPERTY, and 07.02B[3], Leased, Controlled, or Possessed Personal Property). If the agreement with the owner requires "all risk" coverage, it may be necessary to purchase commercial insurance for perils not covered by the Insurance Fund. Commercial insurance may also be required if the Insurance Fund limits are not sufficient.

Where commercial insurance is required, it must be obtained before taking possession of the property. Commercial insurance is requested as described in paragraph 07.04B, ACQUISITION OF COMMERCIAL INSURANCE. For loaned property, the request must include a written justification signed by the Director of Business Affairs, a complete list of the property, and the value of each item.

F CLAIMS AGAINST COMMERCIAL INSURANCE

Institution Business Officers are responsible for reporting losses covered by commercial insurance to the Risk Management Division. Send your notice of claim letter to:

Commercial Insurance Claims Section
Risk Management Division
Department of General Services
1225 Ferry Street SE
Salem OR 97310

Include the following information in your claim letter:

- Institution name and address (including contact person's name and phone number)

- Cause of Loss: Fire, vandalism, etc. (If theft, attach police report.) Also, explain how the loss occurred.
- Time of Loss: Date and time loss occurred.
- Location: Identify specific building and room number where loss occurred.
- Description of Property: Attach a detailed list of property damaged, destroyed or stolen. Include inventory numbers and reported values.