Section 7: Insurance

07.01: ODHE Insurance

07.02: Insurance Fund - Property

07.03: Insurance Fund - Liability

07.04: Commercial Insurance

07.05: Bonds

07.06: Foreign Liability Insurance

07.07: Motor Vehicle Liability Insurance

07.08: Aviation Insurance

07.09: OSU Oceanographic Vessels

07.10: Nuclear Energy Liability Insurance

07.11: Intercollegiate Athletic Insurance

07.12: Non-Employee Health and Accident Insurance

07.13: Worker's Compensation

07.99: Glossary of Terms
07.02 INSURANCE FUND - PROPERTY (Last Revised 08/87)

A GENERAL

The Insurance Fund is a State self-insurance program to cover property losses. It is administered by the Department of General Services, Risk Management Division. The Insurance Fund is supported by an annual assessment on each state agency based on the value of insured property. For further information see ORS Chapter 278, Insurance on State Property, and Department of General Services Policy 125-7-101, Property Insurance.

B PROPERTY INSURED BY THE INSURANCE FUND

The Insurance Fund insures real property owned or controlled by the institution, and personal property owned, leased, controlled or possessed by the institution. Leased buildings are covered only if being acquired by lease-purchase. Buildings leased to others are covered.

[1] Real Property
"Real property" includes land and all buildings, structures, improvements, machinery, equipment, and fixtures erected on, above or under the land, the title to which is vested in the State of Oregon, or which is under the control of the State through a lease-purchase agreement, installment purchase, mortgage or lien. Improvements Other Than Buildings (IOTB) include items which are not a part of the land or building itself. Fencing, antennas, light standards, goal posts, scoreboards, bleachers, bike racks, utility lines, meters, wells, water fountains, statues and similar improvements are covered by the Insurance Fund. Paving, roadways, tunnels, bridges, bike paths, sidewalks, timber, highway signs, traffic signals, or related improvements are not covered. Coverage for landscaping such as lawn, outdoor trees, shrubs and plants is optional. Buildings, other structures, and major improvements thereto are not covered while under construction. See C[8].

[2] Personal Property
"Personal property" is all tangible property owned, leased, controlled or possessed by an institution, except real property. Personal property includes all chattels and moveables such as: merchandise, furniture and goods; livestock; vehicles; aircraft; movable machinery, tools and equipment; general operating supplies; and media. Media includes information processing material such as data, program material and related engineering specifications used in data processing operations. Personal property does not include cash, currency, negotiable papers or securities. The Insurance Fund covers personal property that is:

a. Owned by the institution.
b. Leased or rented and the contract requires the institution to maintain Insurance Fund insurance (see B[3]). Aircraft are covered only when on long-term lease and after approval by Risk Management Division per 07.08A[2].
c. Property of others controlled or possessed by an institution, when the institution has agreed in writing to provide Insurance Fund coverage (see B[3]). In addition, employee-owned property...
can be covered by the Insurance Fund only if it is required to conduct institution business.

[3] Leased, Controlled, or Possessed Personal Property
Non-owned personal property leased, controlled, or possessed by an institution is covered by the Insurance fund for the perils listed in C[4], C[6] and C[7] when there is a lease, rental, or other valid agreement, as defined in 07.01C, between the owner and the Department of Higher Education to provide such coverage. Such an agreement for the protection of the property owner is used only in cases of clear necessity.

If the lease, rental or loan agreement is for 90 days or more, the property must be added to the equipment inventory.

Property on lease or loan to the institution for less than 90 days, for which Insurance Fund coverage is needed, must be reported to the Controller's Division. Reports may be combined and submitted monthly. Vehicle rentals of 30 days or less should not be reported. The report should include:

.... Owner's name and address.
.... Description of each item including, when applicable, manufacturer, artist, age or year, model, serial number, size, type, usage, etc.
.... Estimated value of each item.
.... Period of coverage.
.... Location: Building, floor and room number.
.... Account number to be charged for any expense.

C LOSSES COVERED BY INSURANCE FUND

[1] Deductible
The Insurance Fund will pay all costs in excess of the appropriate deductible, up to the appraised value of the property, of repairing, restoring, rebuilding, replacing and razing any covered property that is lost, damaged or destroyed due to a covered peril.

<table>
<thead>
<tr>
<th>Deduct.</th>
<th>Property</th>
<th>Perils Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 100</td>
<td>Vehicles</td>
<td>All perils.</td>
</tr>
<tr>
<td>$ 100</td>
<td>All</td>
<td>Malicious mischief, vandalism, theft, burglary, robbery.</td>
</tr>
<tr>
<td>$1,000</td>
<td>All but vehicles</td>
<td>All perils except malicious mischief, vandalism, theft, burglary, robbery.</td>
</tr>
</tbody>
</table>

When there is a binding agreement to return non-owned property in as good condition as received and the deductible on the owner's property insurance exceeds $100, the Insurance Fund will cover the deductible minus $100.

[2] Expendable Property
Inventories of expendable property are covered by the Insurance Fund at the replacement cost even if that cost exceeds the amount reported effective April 1st. The maximum amount recoverable in a loss is the total value of all expendable property reported for the institution.

[3] Alternate Use of Funds
The institution may request approval from the Risk Management Division to use the funds for specific purposes other than to repair or replace the property. If the amount exceeds $50,000, approval of the Legislature (if in session) or Emergency Board is required.
[4] **Perils Covered**
Property losses due to the following perils are covered by the Insurance Fund. See General Services Policy 125-7-101, Section VI, for definitions.

- Fire
- Riot
- Smoke
- Storm
- Flood
- Collapse
- Damage by aircraft or vehicles
- Vandalism & malicious mischief
- Burglary, robbery or theft
- Flying objects
- Accidental liquid damage
- Lightning
- Hail
- Explosion
- Earthquake
- Collision
- Riot attending a strike

[5] **Coverage Limitations Include:**

a. The clean up costs of pollution for contamination due to an insured peril is limited to $100,000 per occurrence.

b. Coverage for crops is limited to the perils of hail, wind, fire and storm.

[6] **Perils Not Covered**
Losses due to mysterious disappearance, wear and tear, deterioration, freezing temperatures or inherent defect are not covered by the Insurance fund. When it is uncertain whether a property loss should be classified as mysterious disappearance or due to robbery, burglary or theft, pertinent facts should be presented to Risk Management to determine if the loss is covered.

[7] **Vehicle Coverage**
Vehicle accident coverage applies to State Owned vehicles, to leased vehicles after a valid lease or rental agreement is signed, and to State controlled vehicles when there is a valid signed agreement to return a loaned vehicle in the same condition as received (see FASOM 07.01C[1], second paragraph).

[8] **Vessels -- Additional Coverage (Ref.: ORS 278.022)**
Vessels and property thereon owned, leased, controlled or possessed by an institution, and institution property on other vessels are covered by the Insurance Fund for losses due to the perils listed in C[4] and the following hazards:

- Sinking
- Collision with another vessel
- Striking an object, submerged or not
- Grounding; stranding
- Other perils of the sea

The cost of towing a disabled, covered vessel to the nearest port where repairs can be made is covered by the Insurance Fund.

The Insurance Fund does not cover contracted building or major remodeling projects during construction. Contracts for such projects must require the contractor to be responsible for all damage to property, injury to persons, and loss, expense, inconvenience and delay that may be caused by or result from:
a. The carrying out of the work to be performed under the contract, or
b. Any act, omission or neglect of the contractor, his sub-contractors or employees.

The contract must require the contractor to indemnify, defend, and hold harmless the State of Oregon against any claims arising from damage, injury, loss or expense. Specific contract provisions must be in conformance with FASOM 07.01D, Insurance Provisions in Contracts.

D   PROPERTY APPRAISAL

[1] Appraised Value
An appraised value must be declared for all property covered by the Insurance Fund. The appraised value is used to calculate the Insurance Fund annual assessment. It also limits the amount that may be paid from the Insurance Fund to repair or replace property when there is a covered loss.

[2] Real Property Appraisal
Real property is appraised on the basis of present day replacement cost. The following are excluded when determining the appraised value of real property for Insurance Fund purposes:

- Land, paving, roads, bike paths.
- Building foundations.
- Bridges, tunnels, sidewalks.
- Timber, highway signs, traffic signals.
- Machinery or equipment which is below the surface of the ground or below the undersurface of the lowest basement floor, or if no basement, below the surface of the ground inside the foundation walls of the building.
- Other related improvements.

[3] Personal Property
Personal property other than vehicles (see D[4]) and media (see E) is appraised at present day replacement cost. The appraised value of property acquired in a prior year is the product of the original cost times the Non-Vehicle Factor in D[5]. These factors are based on the year acquired and the durable goods component of the Consumer's Price Index. The Controller's Division notifies institutions of the current factors each fiscal year. Report EQ408-01, Annual Insurance Fund Appraised Value Summary by Account Number, is prepared each April to inform institutions of personal property appraised values for the next fiscal year. Institutions review the report and notify the Controller's Division, Property Control, of items with current replacement costs significantly above or below the calculated amounts.

Coverage is limited to $1,000 per item for articles of exceptional value or rarity unless it has been appraised by a qualified person prior to a loss. Such items would include art objects, artifacts, antiques, rare books or objects. (See General Services Policy 125-7-101, V, C).

[4] Vehicles
Vehicles are appraised at current market values. The appraised value is the product of the original cost times the Vehicle Factor in D[5].

[5] Replacement Factor Table
The following table lists fiscal year 1989-90 replacement factors. These factors are not valid for any other year.

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Non-Vehicle</th>
<th>Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970 &amp; Prior</td>
<td>2.58</td>
<td>.05</td>
</tr>
</tbody>
</table>
[6] **Appraisal Expenses**
Institutions pay for outside appraisals, including any by Risk Management.

[7] **Property Appraisal Reports**
As of June 30 each year the Controller's Division provides Risk Management the following data on institution property covered by the insurance Fund:

---

**The current replacement cost of each covered building** as indicated on the Building Valuations report. Valuations are adjusted annually using the Marshall and Swift construction index. Buildings under construction are reported at actual value on the report date. Buildings covered by contractor builder's risk insurance are identified by "C" in the LSD column.

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**The current replacement cost of improvements other than building.** This data is obtained from records maintained by the Controller's Division. The recorded values are adjusted annually using the Marshall and Swift inflation factors.

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**The appraised value of equipment by account number** listed on report EQ408-01, Annual Insurance Fund Appraised Value Summary by Account Number. The recorded values are adjusted annually using the durable goods component of the Consumer Price Index.

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**The total value of supplies on hand** from the Estimated Supplies report ES363. The recorded values are adjusted annually using the Consumer Price Index.

[8] **Property Acquisitions**
Property purchased, constructed or otherwise acquired after the property appraisal report is submitted is covered by the Insurance Fund for its "appraised value." Property acquisitions are not reported to the Risk Management Division until the following June 30. No Insurance Fund premium is paid until the subsequent annual assessment. There is no refund of premiums on property that is lost or razed between reporting dates.

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**E DATA PROCESSING MEDIA**

[1] **Definition -- Media**
For Insurance Fund purposes, "media" includes all data, program material and related
engineering specifications used in data processing operations.

[2] **Insuring Media**
Institutions may elect to insure or not insure media. An annual inventory and appraisal is required for media to be insured. The inventory should specify the type, name and description of media, logical or machine address, building location, quantity and replacement value. A loss control program is required for media to be insured. The loss control program must include:

- Off-site storage of duplicated media.
- Facility safety features.
- Facility and data security procedures.
- A comprehensive inventory.

[3] **Appraised Value of Media**
Establishing a value for data processing media should include:

- Equipment replacement cost.
- Tape, disk and software replacement costs.
- Estimate of time and expense to redevelop and recreate media.

[4] **Coverage**
Insurance Fund coverage includes the cost of replacing or recreating lost or damaged media, up to the reported appraised value, including:

- Media reproduction.
- Temporary service and equipment rental costs.
- Shipping and installation charges for replacement equipment.
- Other directly related expenses.

[5] **Exclusions**
The Insurance Fund does not cover losses due to:

- Business interruption costs.
- Revenue lost due to property losses.
- Equipment or power failure not caused by a covered peril.

**INSURANCE FUND PREMIUMS**

All State agencies contribute annually to the Insurance Fund on the basis of the value of property insured by the Fund. The Risk Management Division assesses all agencies each November for the amount of their premiums. The purpose of the assessment is to maintain a balance in the Fund of from 0.5% to 2% of the appraised value of all insured property.

[1] **Premiums**
The annual premium is based on the following factors:

- Appraised value of covered property.
- Type of property covered.
- Relative risk of loss for each type of property.
- Institution's loss experience over the preceding four fiscal years.

If the fund balance is below 0.5% of the value of insured property, an additional premium of up to
0.1% of insured property may be assessed. The maximum assessment on vessels and property on vessels is 2% of replacement cost.

[2] **Premium When Commercial Insurance is Purchased (Ref.: ORS 278.025)**
A discount of at least 40% of the Insurance Fund assessment is allowed for buildings that are also insured commercially with a standard "full coverage" policy. See section 07.04, Commercial Insurance.

[3] **Premium Payments**
The Risk Management Division sends an assessment notice for each institution to the Controller's Division annually in November. The Controller's Division pays the premiums and charges them to the appropriate accounts.

- a. Premiums on -050- Accounts: The Controller's Division debits the total premium to XX-050-8230 accounts.

- b. Premiums on -06X- and -16X- Accounts: The Controller's Division prepares lists showing the distribution of the premium to -06X- and -16X- accounts, and sends the lists to institutions.

- c. Institutions enter adjustments, if any, to the list and return it to the Controller's Division.

- d. The Controller's Division debits the appropriate accounts.

**G CLAIMS AGAINST THE INSURANCE FUND**

[1] **General**
Institution Business Offices are responsible for reporting losses covered by the Insurance Fund and processing claims against the Insurance Fund.

[2] **Filing Claims**
A claim must be filed within 60 days of a loss or discovery of loss, or it will not be accepted. A claim should not be filed unless the loss exceeds the applicable deductibles amount indicated in paragraph C[1]. A repair or replacement cost estimate must be included on the claim. To file a claim, prepare an Insurance Claim form in accord with paragraph G[9] and send it to:

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

When a claim includes equipment losses, attach to the claim form for each item of equipment either:

- .... A copy of the equipment inventory form, or
- .... A copy of the page from the Annual Account List, report EQ313-01, showing the item.

Report the following to Risk Management Division as soon as possible:

- .... A description of the circumstances causing the loss.
- .... A list of the names, addresses and telephone numbers of any employees involved, and of witnesses.
- .... Two repair or replacement estimates. If the work is to be performed by institution personnel, the institution estimate and one outside estimate are required. for
replacement of single-source equipment, one estimate from a local supplier will suffice.

[3] **Recording Costs**
All repair and replacement costs are charged to the Miscellaneous Casualty Loss Account XX-560-6950 or to the special loss account for the claim. Special loss accounts are requested by submitting to the Controller's Division an Account Request Form CO-165 (see FASOM 01.04, Account Request).

[4] **Supplemental Claim**
If total costs exceed the original claim after all costs associated with a claim have been charged to the loss account, a supplemental Claim form may be filed for the excess up to the appraised value of the property. A copy of the approved supplemental claim is returned.

[5] **Request for Reimbursement**
To request reimbursement for costs incurred, prepare and mail to Claims Section, Risk Management Division:

... A cover letter (see G[11]).
... An invoice to the Insurance Fund (see G[12]).
... Explanations of costs in excess of the original estimate.
... Two copies of appropriate supporting documents such as Journal Vouchers, invoices, etc.

Include the following when applicable:

a. List on the invoice the vendor, the check or Journal Voucher number, and the amount paid.

b. When labor is performed by Physical Plant or other institutional employees, the cost should include both the wages paid and OPE charges.

c. If the total charges invoiced are less than the approved amount allowed by the Insurance Fund, state on the invoice and in the accompanying letter that the difference is to revert to the Insurance Fund.

d. For a claim for a large amount of money and extending over several months, such as when a construction contract is involved, invoices for partial payments should be submitted.

[6] **Payment**
When payment is received from the Insurance Fund by the institution, the State Warrant is deposited with the proper credit to the loss account. Payments are made on a reimbursement basis, less the applicable deductible, up to the appraised value reported to Risk Management Division on a property appraisal report. The following costs are reimbursed:

... Actual cost of repair or replacement.
... Clean up of debris up to 10% of the appraised value.
... If institution personnel are used for clean up and/or repairs, reimbursement for indirect costs or overhead charges are **not** covered.
... Necessary vehicle towing and storage charges. No storage charge is allowed for storage on State owned, leased or rented property.

[7] **Replacement Cost**

... Vehicles - Market value at time of loss.
... Buildings - The lesser of the cost to repair or replace, or the actual value of the building at the time of loss if not repaired or replaced.
... Non-expendable Personal Property - The cost of repairs, or the new acquisition cost if
not repairable.

... Expendable Property - The cost of acquiring new property.

[8] **Documentation**

It is essential that institutions reconcile the loss accounts on the General Ledger monthly to apply each charge to the proper claim and resolve the status of each claim. Charges should be documented on a current basis so the Insurance Fund claim can be promptly invoiced when the work is complete and all charges are of record. If repair work, or replacement equipment or supplies have been charged to an account other than the loss account, the charges must be transferred by Journal Voucher.

[9] **Property Loss Claim Form**

Complete the form as follows:

1. **Agency:** Enter the institution name.

2. **Address:** Enter the institution address.

3. **Claim No.:** Leave blank. Assigned by Risk Management Division.

4. **Cause, Location and Description of Loss:** Specify the cause of the loss, such as fire, vandalism, etc. Explain how the loss occurred, when it happened, what was damaged and the extent of damage. Enter the building name, number and location, or equipment inventory number, inventory value, cost to repair and location. Attach a detailed list of property damaged or destroyed (see G[10]).

5. **Date of Loss:** Date loss occurred.

6. **Value Reported to Insurance Fund:**

   ... **Building** - The appraised value shown on Building Valuations report BV462-01.

   ... **Non-Expendable Property** - The present day replacement cost of damaged or destroyed equipment. This is either the original cost of each item times the non-vehicle or vehicle replacement factor for the year of acquisition from the table in paragraph D[4], or the appraised value reported for Insurance Fund coverage.

   ... **Expendable Property Supplies & Materials** - The current replacement cost of supplies and materials damaged or destroyed.

[9] **Property Loss Claim Form:**

(Note: This form is not available in the on-line version. Contact the Controller’s Division for a copy).

... **Vessels** - The present day replacement cost of damaged or destroyed vessels and property on vessels. This is either the original cost of each item times the non-vehicle replacement factor for the year of acquisition from the table in paragraph D[4], or the appraised value reported for Insurance Fund coverage.

7. **Estimated Cost of Replacement or Repair:** Enter the total for each classification shown on the Estimate for Repairs or Replacements (see G[10]).

8. **Invoices Attached/Invoices to Follow:** Check appropriate box.

9. **Signature and Title:** Signature, typed name and title, and telephone number of person
certifying the accuracy of the claim.

10. **Date Submitted:** The date the claim is actually sent to Risk Management Division. Must be within 60 days of the loss or discovery of loss.

11. **Claimant:** Identify anyone who has or may file a tort liability claim in connection with this incident.

[10] **Sample List of Property Damaged or Destroyed, and Estimated Repair/Replacement Cost**

**ESTIMATE FOR REPAIRS OR REPLACEMENTS**

<table>
<thead>
<tr>
<th>Inv. No.</th>
<th>Building</th>
<th>Equip.</th>
<th>Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Distiller</td>
<td>75000</td>
<td>695.0</td>
<td></td>
</tr>
<tr>
<td>3 Lab Table</td>
<td></td>
<td>90.00</td>
<td></td>
</tr>
<tr>
<td>3 Aquaria</td>
<td></td>
<td>60.00</td>
<td></td>
</tr>
<tr>
<td>4 Lab Stools</td>
<td></td>
<td>57.80</td>
<td></td>
</tr>
<tr>
<td>1 Blackboard</td>
<td></td>
<td>45.00</td>
<td></td>
</tr>
<tr>
<td>1 Lot Chemicals</td>
<td></td>
<td>300.00</td>
<td></td>
</tr>
</tbody>
</table>

**Total** 4,200.00 695.00 552.80

**Grand Total** 5447.80

Enter estimated cost to repair or replace.

** Enter these totals on the Claim Against Insurance Fund form (see G[9], item 8).

[11] **Sample Cover Letter for Invoice for Reimbursement**

A cover letter should accompany each invoice to the Insurance Fund (see G[12]). The following format would be appropriate for a request for a partial payment other than the final payment.

__________

(Date)

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

Enclosed is an Invoice to the Insurance Fund to reimburse the (Name of Institution) for expenses incurred in repairing the (Hazard Causing Loss) damage to (Building Number and Name, or Equipment Name).

This invoice is for a partial payment on Claim Number ____________.

Please review this claim and forward the warrant to this office.

Very truly yours,
Business Manager  
Institution  

The following format would be appropriate for a request for full payment or for the final payment when the actual repair/replacement cost is less than the approved Claim Against the Insurance Fund.

________________________  
(Date)  

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

Enclosed is an Invoice to the Insurance Fund to reimburse the (Name of Institution) for expenses incurred in repairing the (Hazard Causing Loss) damage to (Building Number and Name, or Equipment Name).

Claim Number _______ was approved for $____. The actual cost to repair the damage was $_____; therefore, please revert $____ to the Insurance Fund.

Please review this claim and forward the warrant to this office.

Very truly yours,

Business Manager  
Institution  

[12] Sample Invoice to Insurance Fund

(NAME OF INSTITUTION)  

INVOICE  

To: Claims Section  
Risk Management Division  
Dept. of General Services  
125 Ferry Street SE  
Salem OR 97310  

From: Business Manager  
Institution Address  

For reimbursement of costs incurred in repairing (Hazard Causing Loss) damage of (Date of Loss) to Building No. (Building No. - Building Name) and repairing or replacing non-expendable equipment or expendable supplies located at (Name of Institution) in (City). The General Services Claim Number is (Claim Number), which was approved (Date) in the amount of (Amount).
<table>
<thead>
<tr>
<th>Vendor</th>
<th>OSBHE Claim</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Plant</td>
<td>JV</td>
<td>$</td>
</tr>
<tr>
<td>Name of Vendor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Amount of Claim</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Amount reverted to Insurance Fund</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Pay this amount</td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

Enclosed are duplicate copies of the documents showing the charges enumerated above.

I certify that the amount indicated above has been expended from funds under the control of the Oregon State Board of Higher Education

Business Manager

Enc. -