

## Property and Casualty Coverage

Property and casualty addresses the institutional needs of the University for recovery from loss and damage to a tangible item. This "non-life" class of coverage insures the University against the physical loss or damage to real property and assets and that of others damaged through negligence. Covered property includes fixed items and assets as well as mobile.

### "ALL-RISK" COMPUTER & MISCELLANEOUS EQUIPMENT COVERAGE

The State's "All-Risk" insurance is a blanket policy for the loss of items due to all perils other than those specifically excluded by the policy. The typical items covered by this policy are computer and related equipment (EDP/ADP), and high value research, trades and office equipment.

#### Definitions:

- "All-Risk" coverage is extended only to those departments who request insurance of items in their possession. Each department individually assumes the cost for the coverage. The current number of University departments and schools carrying this coverage and their total coverage value are prescribed in the policy. The rates for the cost of this coverage are established by the State Department of Insurance.
- Although 'all perils' are considered in the coverage, some of the perils excluded are loss due to wear and tear, mechanical breakdown, or nuclear cause.

**Application:** Coverage is requested of the State Department of Insurance annually through the Office of Enterprise Risk Management. The Office of Enterprise Risk Management must rely solely on the each department individually initiating the request for coverage.

- This request must include the following information for each item to be covered: item description, serial number, location of the item, the individual item cost and extended costs. Because the variance between "original cost" and "replacement cost" will grow over time, it is important for each department to adjust the value of the item in the years following the purchase and consider these costs in renewing coverage.
- Although coverage applies when an item is moved or "in the field", it is imperative proper fixed assets accounting be maintained as well as that the item originate from an identifiable location. "All-Risk", thus, provides greater coverage above that afforded by Building and Content.

#### Coverage Limits:

- "All-Risk" coverage provides for the payment of the replacement cost of covered items. In the instance of a computer loss, coverage only provides payment for replacing the lost technology, solely the cost to purchase the capabilities of the lost equipment will be paid and not the full cost of other replacement equipment. The policy limits of coverage and deductible are prescribed in Appendix B.
- Coverage is extended to University-owned. The current premium rates (cost) are prescribed in Appendix B.

### PROPERTY INSURANCE – BUILDING & CONTENTS

All State-owned structures and buildings and their contents are mandatorily insured against loss due under the State's blanket "fire" policy. This replacement-cost coverage is managed through the State Department of Insurance working in concert with the State Property Fire Insurance Fund. The current total value of University buildings insured under this coverage is prescribed in Appendix B.

**Definitions:**

- "Buildings and structures" includes all permanently attached accessories (i.e. HVAC, plumbing, electrical, appliances and attachments). Leased buildings are excluded from building coverage.
- "Contents" includes furniture, fixtures, equipment and books. Excluded are fine arts, musical instruments, employees' property, and vehicles outside of the building. Contents for leased buildings are included.
- University buildings whose construction, operation, and maintenance are supported by the State General Fund are provided "Fire" coverage at no cost to the University. Coverage for buildings constructed, operated or maintained by Special Funds (i.e., funds from other than the General Fund) is paid by the department/division housed in the building. Examples of Special Funded coverage include: Residence Life Halls, Elliott University Center, Gove Health Center, Dining Hall, and Campus Recreation.
- Basic coverage or "Fire" coverage is for loss due to fire and lightning. Extended, Broad Form, and Special Form coverage may be purchased at the departments/divisions expense to address loss due all other perils. Vandalism and Malicious Mischief is optional coverage that may be purchased separately, but is included in Special Form coverage.

**Application:**

- The initial valuation of structures is based on the University's report of construction and associated costs. This report originates at the University's Office of Engineering and Construction Management and is released to the State Department of Insurance and Property Office through the Office of Enterprise Risk Management. In the case of new construction, the Office of Engineering and Construction will file a "Newly Acquired Buildings" report following acceptance (to include beneficial occupancy) of the building. Projects which are considered 'maintenance' efforts and add no (replacement cost) value to the building or structure are not typically reported to the State. Annual updates are made to this valuation by the State Property Management Division in coordination with the Department of Insurance, i.e. building values increase yearly as structures appreciate. The replacement cost of buildings and structures will be evaluated by the Office of Enterprise Risk Management periodically and be updated accordingly by the State Department of Insurance.
- The initial valuation of contents is similarly based on the University's report following construction and/or occupancy. As well, the contents valuation is derived from the University's real property and fixed assets records, and updated annually by the Office of Enterprise Risk Management. Accordingly, it is imperative that each department report and maintain accurate records with the Office of Enterprise Risk Management as well as the University's Fixed Assets Office. Replacement cost is based on actual cost at time of loss.
- The following factors should be considered in determining the level and type of coverage required: cost of debris removal, cost of business interruption, extra expenses to keep a function operating after a loss, loss of rental income, loss of value in improvements and betterments made since initial construction, reduction in value if reconstruction is fiscally limited. Coverage for some of these factors may not necessarily be included in the State policy (e.g., business interruption) but may be purchased separately by request of the State Department of Insurance through the Office of Enterprise Risk Management.

**Coverage Limits:**

- Replacement cost coverage is provided subject to the deductibles.
- Basic "Fire" coverage deductible for losses due to fire and lightning is prescribed in Appendix B.
- Extended Form, Broad Form and Special Form coverage may be purchased at the expense of the requesting department/division.
- The deductibles are limited as prescribed in Appendix B.
- The perils covered by each form can be found in Appendix C.
- "Vandalism and Malicious Mischief" may be purchased for acts of vandalism against building and contents. This is included in Special Form coverage.

## **LEASED COMPUTERIZED BUSINESS EQUIPMENT**

Very similar to the "All Risk" coverage, the State's Leased Computerized Business Equipment insurance is a blanket policy for the loss of items due to all perils other than those specifically excluded by the policy. The typical items covered by this policy are reported leased computerized business equipment.

### **Definitions:**

- "All-Risk" coverage is extended only to those departments who request insurance of items in their possession. Each department individually assumes the cost for the coverage. The current number of University departments and schools carrying this coverage and their total coverage value are prescribed in the policy.
- Although all perils are considered in the coverage, some of the perils excluded are loss due to wear and tear, mechanical breakdown, or nuclear cause.

**Application:** Coverage is requested of the State Department of Insurance annually through the Office of Enterprise Risk Management. The Office of Enterprise Risk Management must rely solely on the each department individually initiating the request for coverage.

- This request must include the following information for each item to be covered: item description, serial number, location of the item, the individual item cost and extended costs. Because the variance between "original cost" and "replacement cost" will grow over time, it is important for each department to adjust the value of the item in the years following the purchase and consider these costs in renewing coverage.
- Although coverage applies when an item is moved or "in the field", it is imperative proper fixed assets accounting be maintained as well as that the item originate from an identifiable location.

### **Coverage Limits:**

- This coverage provides for the payment of the replacement cost of covered items. The policy limits of coverage and deductible are prescribed in Appendix B.

## **BOILER & MACHINERY**

The State provides "master" (or, blanket) policy coverage for damage to loss of the University's boilers (at the Physical Plant complex) and related machinery (individual fired and pressure vessels across the campus).

**Definition:** Damage or loss must result from: accident, explosion of a steam boiler, piping, engine, earth movement, accidents resulting from flood. Excluded from coverage are: explosion damaging or causing loss but not originating in a boiler, fire or explosion occurring at the same time as or following an accident and resulting from a pressure test, corrosion, wear and tear, leakage, cold weather, ice, snow, sleet or wind.

**Application:** Coverage is extended to the University for those boilers and related machinery listed with the State Department of Insurance. Changes to coverage are affected by Physical Plant through the Office of Enterprise Risk Management.

**Coverage Limits:** The policy's limits of coverage and deductibles are prescribed in Appendix B.

## **AUTO (VEHICLE) LIABILITY & PHYSICAL DAMAGE**

Vehicle liability insurance coverage is mandatory for all University State-owned vehicles per

North Carolina General Statute 58-31-50. The University's risk management policies and practices endorse and enforce this requirement. Comprehensive and collision insurance is optional coverage which is purchased separately at the discretion of each department.

**Definitions:**

1. The State's vehicle liability policy provides coverage for "Bodily Injury" and "Property Damage" for State-owned vehicles and selected rental automobiles operated by State employees while on official business.
2. The State's vehicle comprehensive and collision policy provides coverage for:
  - 'comprehensive' - fire, lightning or explosion, theft, windstorm, hail or earthquake, flood, mischief or vandalism,
  - 'collision' with another object or overturn, and
  - Towing and transportation, and garage keepers (in the case of theft) expenses, and glass breaking.
3. A State employee is an individual working for the State for wages or salary paid through the State Treasury.
4. State-owned vehicles include those vehicles operated on public and University roads as well as off-road, whether gasoline, propane or electrically powered.
5. State-owned vehicles encompass the vehicles of both State funded and self-supporting University operations.
6. State-owned vehicles leased from State Motor Fleet Management are provided insurance coverage through Fleet Management. Employees operating these vehicles are to follow Motor Fleet Management guidance.

**Application:**

- Vehicle liability insurance is procured for all University/State-owned vehicles through the University's Office of Enterprise Risk Management. This action is taken based on the reports of vehicles from each affected University department. These reports are updated with the State Department of Insurance on an annual basis by the Office of Enterprise Risk Management. Premiums for coverage of all University vehicles are paid from a State appropriation account. Self-supporting University department accounts, however, must be debited at the State assigned rate basis to reimburse the University's State account.
- Vehicle comprehensive and collision insurance is procured only at the request of the University department. Premiums for this coverage are billed to the affected departments and collectively paid to the State through the Office of Enterprise Risk Management. This action takes place in concert with the annual vehicle liability renewal process.
- To benefit from this coverage, the University restricts the operation of all its vehicles to licensed State employees on official business. Where loss or damage occurs in the operation of a State-owned vehicle for unauthorized purposes or in unauthorized locations, the employee's personal insurance is the primary coverage.
- Student drivers must have employee status to drive. Non-State employees and students may travel as passengers in State-owned vehicles when their presence is related to official State business or as part of officially sanctioned travel.
- The State vehicle liability is limited when employees lease rental vehicles for official travel from the State contracted vehicle rental companies. The rental companies' insurance policy provides primary coverage up to the State's accepted limits of coverage; thereafter, the State's insurance policy assumes the liability. State employees, therefore, are not required to sign any "Collision Damage Waiver" when renting a vehicle. Any acceptance of this waiver may be reimbursed by the State.
- Any requests for additional endorsements or increased limits of coverage for rental vehicles are to be referred to the Office of Enterprise Risk Management before any commitment is made by the employee. These types of requests are typically made when large groups and team travel are involved. It is University practice not to purchase or present proof of this additional coverage; rather, the needed vehicle should be rented from another company.

**Coverage Limits:**

- The State vehicle liability coverage is limited for "bodily injury" and "property damage" within the State of North Carolina as well as outside the state as prescribed in Appendix B. For all locations, medical payments are purchased at the discretion of the individual department/division and limited per Appendix B.
- Medical payments offset expenses for non-State employees traveling as passengers. Medical expenses for State employees injured while operating a State-owned vehicle are addressed by the Workmen's Compensation Program.
- The State's liability for automobile physical damage liability (comprehensive and collision) is limited under the State's vehicle rental contract as specified in Appendix B. Protection is additionally afforded for "bodily injury" and "property damage" per Appendix B caused by rented or leased vehicles under the State's insurance policy.
- The State's comprehensive and collision policy provides the lesser of (1) actual cash value of the damaged or stolen property or (2) cost of repair or replacement in kind. Excluded from this coverage is wear and tear, mechanical or electrical breakdown, and damage to tires. The policy deductibles for "comprehensive" and "collision" are prescribed in Appendix B.
- Because the State's vehicle insurance policy is a "retroactive policy", the University's premium amounts are established based on actual loss history in the year preceding the premiums' invoice, i.e. as reported losses and damages increase so do the premiums. The University, therefore, strongly encourages all vehicle operators to adhere to the proper and safe operation of all State-owned vehicles.

**FINE ARTS**

Because the State's building fire and contents insurance policy does not provide coverage for fine arts, the University has purchased fine arts insurance to address the needs of the Weatherspoon Art Gallery, Library, School of Music and the Elliott Student Center.

**Definition:** Fine arts insurance is written for works of art, insuring for all risks (with exception of the listed exclusions) on a 'valued' basis. The University's fine arts insurance is specifically written for the specified recognized collections. Other departments which are considering the display of outside artists' or student art will (1) first approach the artist for him/her-self to assume any risks associated with the art's display and (2) only after artist's refusal to do so, request the Office of Enterprise Risk Management to purchase insurance through the State.

**Application:** The University's fine arts insurance policy provides for the property damage and loss of art collections and exhibitions, as well as the legal liability (i.e., defend in a suit for loss or damage), which are (1) part of the permanent collections and loan collections of the University, (2) special exhibitions at the University, and (3) collections and exhibitions in transit and at other locations worldwide. This policy is renewed annually based on the book value of the inventoried collections of these University galleries.

- The University has prescribed that it is in its best interest to purchase one (master) fine arts insurance policy for the art collections of the University which includes the collections of the Weatherspoon Art Gallery, the Library, the School of Music and the Elliott Student Center.
- Responsibility for payment of the Weatherspoon Art Gallery of the policy's premium is paid from a University State account based on the January 1990 "Agreement Between the University and the Weatherspoon Arts Foundation." The Elliott Student Center and the School of Music assume and pay the cost share of the premium from their operating funds.

**Coverage Limits:**

- Because of the unlikelihood of a total loss of both collections, coverage has been purchased at an 80 percent assessment rate for each of the collections. That portion of all collections insured is recorded in Appendix B 'total at "Named Locations".' The policy provides the limits of coverage prescribed in Appendix B for "Named Locations", "Worldwide Locations", and "Worldwide Transit."

- The settlement of claims is based on the "fair market value" of the art at the time of the damage or loss.
- The deductibles in Appendix B are imposed on permanent collection claims by the policy with a restriction prescribed for claims which may be filed for loan collections and permanent collections at other locations or in transit.
- Among the perils excluded from the University's fine arts insurance policy are: wear, deterioration inherent nature, inventory shortage, loss as a result of repair, restoration or retouching, mail, on-deck shipments.

## **MUSICAL INSTRUMENTS & RELATED EQUIPMENT**

Similar to the University's fine arts coverage, a separate musical instruments and related equipment insurance is required as the State's building fire and contents policy does not provide coverage. This musical instruments policy addresses the needs of the University's School of Music.

**Definition:** The musical instrument policy is written to provide 'commercial articles coverage' for musical instruments, related equipment, and accessories. Coverage is 'value' based and is derived from the reported inventory.

**Application:** The University's musical instrument policy provides replacement-cost coverage for the loss of instruments, equipment and accessories based on their inventoried listed value at the time of annual renewal. This inventory is generated by the School of Music.

### **Coverage Limits:**

- The current value of coverage is prescribed in Appendix B. As the policy is written in a "replacement cost" format, property is valued at the full cost to repair or replace the property (without depreciation) at the time of loss. If not repaired or replaced, the property is valued at its 'actual cash value.'
- Excluded from coverage is: wear and tear, voluntary parting with property, dishonest acts by employees, faulty, inadequate or defective planning, design, materials or maintenance.
- Because the policy imposes a deductible (see Appendix B), the University may elect not to insure property under this threshold when it is not considered profitable.