

Risk and Insurance Management

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Note

- This presentation isn't a Silver Bullet solution.
- Each agency has its own risk appetite, management structure and procedures.



Indemnification vs. Insurance

- Indemnification and Insurance contractual provisions are two sides to the same coin.
- Analyzed separately, yet, very much interdependent.
- Insurance is the financial mechanism that backs-up indemnity promises/obligations.



Suppliers' Insurances

Insurances to be carried by **your** contractors, consultants, vendors and third-party providers, **“Suppliers”**.

1. **Commercial General Liability (CGL)** - Covers BI & PD, products & completed operations, advertising, libel/slander, copyright/trademark infringement, etc.
Example: All Suppliers, -- universally applicable. (\$1Mil/3Mil)
2. **Liquor Liability** *Example: Caterers/Bartenders. (\$1Mil/3Mil)*
3. **Commercial Auto Liability** *Example: Charter Buses. (\$5Mil/5Mil)*
4. **Worker's Comp/Employers Liability** *Example: Suppliers' Employees. (statutory)*
5. **Professional Liability (E&O)** *Example: Professional Consultants. (\$1Mil/3Mil)*

Suppliers' Insurances

Continued.... Insurances to be carried by your contractors, consultants, vendors and third-party Suppliers.

6. **Pollution Liability** *Example: Hazmat, Asbestos Contractors. (\$1Mil/3Mil)*
7. **Crime** *Example: Suppliers who have access to your funds. (based on exposure)*
8. **Property** *Example: Suppliers using high-valued equipment. (based on exposure)*
9. **Aviation (Aircraft Liability)** *Example: Helicopter services. (\$1Mil minimum)*
10. **Bonds.** *Example: Contractor's bid bond/performance bonds. (based on exposure)*

Common Provisions/Endorsements

Suppliers' insurance endorsements protect **your** Agency and RISK:

1. **Additional Insured** - Protects for injuries/damages caused by Suppliers. *Example: Contractors performing dangerous operations.*
2. **Waiver of Subrogation** - Disallows Supplier's insurer from pursuing your agency. *Example: Installers', tools and equipment.*
3. **Primary and non-contributory** - Resolves standard "other insurance" clause by making your Suppliers' insurance apply on a primary basis.

Other Entities' Insurance Requirements

Responding to Other Entities' technical insurance requirements – example - entities for whom your agency provide services.

- **Challenges of complying with Other Entities' insurance requirements:**
 - RISK is a Risk Pooling Arrangement, not a licensed, rated insurance company.
 - RISK typically can't provide high limits and certain types of coverage.
 - RISK's coverage has exclusions and limitations, common in the industry.
- **Advantages of being a State Agency insured by RISK:**
 - RISK's commercial excess insurers *are* licensed and A rated.
 - RISK's coverage is automatically renewed.
 - RISK's insurance certificates are on industry standard ACORD form.
 - RISK provides competent loss control services for Agencies.
 - RISK's claims adjusters are prompt and fair and look for ways to cover claims.
 - RISK understands the Act, Statute of Limitations, Notice of Claim requirements.

Risk Analysis and Loss Prevention

- It starts by you determining if your departments engage subs, use vehicles, work out of state, provide a product, etc.
- Loss control/prevention should be considered before insurance.
 - “Is it covered?” - the wrong question to ask and the worst place to begin.
 - Even if risks are insured, you’re still faced with the reputational/public relations impact.
- Initiate essential loss prevention methods. *Example: Art exhibition - review lighting, security, fire prevention, humidity/temperature control, etc.*
- What If RISK doesn’t cover the risks you identified in your risk analysis?
 - Outline to your Director (risk owner) the consequences
 - Develop and explain options
 1. Cancel contract, program or activity
 2. Procure commercial insurance from a State Broker
 1. Not required to use a State Broker, but it avoids RFP process
 2. Both AON and Moreton are great to work with.
 3. Assume any uninsured risk
 - Regardless of which option is chosen, be sure to practice loss prevention.

Working w/ Other Governmental Agencies

- Federal government wont provide indemnity or insurance.
 - Suggestion – focus on loss control (Military exercise)

- Entities not covered by RISK but are subject to the Act. Example – *Salt Lake County, Salt Lake City Corp, City of St. George, etc.*
 - Suggestion – during contracting process, propose simplified insurance requirements, “each party is self-insured” or delete insurance requirements.

- Entities who are also insured by RISK. Example – *UDOT, Corrections, Higher Ed., Natural Resources, Parks and Recreation, etc.*
 - Suggestion – easiest to just delete contractual insurance requirements.
 - Still O.K. to leave insurance requirements in the contract.

Educational Resources



<https://utah.cpcusociety.org/>
utahcpcu@gmail.com

- Local luncheons, local classes and trainings, annual national conference.



<http://www.utahprima.org/>
benelson@utah.gov

- Local luncheons, trainings, and annual national conference.



<http://utah.rims.org/>
kgriffin@jasdeaston.com

- Local luncheons, trainings, annual national conference, annual local conference.
- Spring Workshop – June 3rd.



<http://www.theinstitutes.org/>
1-800-644-2101

- Online Courses leading to professional designations: ARM, CPCU, CIC, AIC, AINS, AIS



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