Administrative Policy No. 09.20

Subject: Commercial Insurance

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Authorizing Source: Department of Enterprise Services
RCW 43.19.760

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Approved By: Original signed by Lori Melchiori
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Purpose

This Commercial Insurance administrative policy addresses insurance coverage of boiler & machinery, cyber liability, electronic data processing, marine vessel, and master property offered by Department of Enterprise Services (DES) to state agencies. Adequate liability insurance ensures continuity of operations and establishes procedures to identify and protect agency assets. The intent of this policy is to establish a uniform process for reviewing capital and lease assets, and purchasing insurance to protect those assets. This policy requires annual asset review by the office of capital programs (OCP) to identify which assets are considered essential for providing care of residents in DSHS institutions and clients served in the community. The central budget office will authorize and determine payment of insurance premiums for each administration.

Scope

RCW 43.19.760 requires that DSHS purchase commercial insurance for all owned and leased facilities and building contents with a cost replacement greater than $250,000. Commercial insurance includes coverage for boilers and machinery, marine vessels, electronic data processing (EDP) equipment damage or loss of data, and excessive cyber liability insurance to further cover and protect losses associated with electronic information assets. This policy requires an annual review to determine if buildings and vessels have been re-purposed, demolished, or de-commissioned. The review should also consider loss risk to the agency and the decision to accept
or transfer the risk to another party through the purchase of commercial insurance.

Definitions

**Policy**: A written contractual arrangement to transfer and distribute risk in exchange for a fixed charge called a premium.

**Policyholder**: Person or other entity protected by an insurance policy.

**Commercial insurance**: Covers replacement value in excess of $250,000 deductible for boiler & machinery, cyber liability, electronic data processing, marine vessels, and master property buildings and contents.

**Cyber liability insurance**: Covers 1st party damage to DSHS and 3rd party damage for any data breach of client personal information.

**Electronic data processing (EDP) equipment**: Software that was developed in-house and sustained damage or loss of data.

**Replacement cost**: Cost to purchase or construct a new item of property to replace an older, used item of property.

**Extra expense**: The cost of temporary services to ensure continuity of operations during replacement or permanent reassignment of services.

**Certificate of insurance**: Proof of insurance from a third party providing goods and services.

**Responsible parties**: Assistant director of capital facilities management, capital asset manager, chief of leased facilities, central maintenance operations managers, operational facility CEOs and superintendents, and the insurance services unit in the enterprise risk management office (ERMO).

**Property value**: Replacement cost or actual cash value.

**Risk transfer**: Pre-determined amount of risk loss that will transfer from DSHS to the insurance carrier.

**Liability**: The persons or agency/business agreeing to accept financial responsibility for the loss.

**Hold harmless**: One party assumes, by contract, the liability of another party.

**Occurrence**: An accident, including continuous or repeated exposure to substantially the same general harmful conditions.

**Occurrence coverage**: Insurance that covers claims that occur during the policy period, regardless of when the claim is made.

Policy Requirements

The assistant director of capital facilities management, capital asset manager, and chief of leased facilities will complete an annual review and evaluation of buildings and content assets for purposes of updating and revising assets to be insured.

This policy does cover extra expenses to continue operations during transition. However, this policy does not cover a continuity of operations plan.

To determine which assets will be covered under an insurance policy and which assets the agency will assume the risk of financial loss:

A. The assistant director of capital facilities or the capital asset manager and the chief of leased facilities must:
   1. Review an annual inventory during January of each new calendar year.
   2. Provide the insurance services unit, by February 15th each year, a current list to include new buildings, buildings no longer in use, and/or buildings that whose purpose has changed.
   3. Make recommendations to ERMO, insurance services unit on cost replacement estimates, considering age of buildings, upgrades, and overall building condition.
   4. Quarterly evaluate inventory and notify ERMO, insurance services unit of any changes and or updates to building use and contents.

B: The Special Commitment Center (SCC) chief executive officer or designee will notify the insurance services unit of ERMO immediately with any changes in vessels used to include adding new vessels and dry docking any existing vessels.

C. The insurance services unit will use known replacement costs and make annual revisions to determine replacement costs and depreciated values of commercial structures and contents.
   1. Insurance services will compile an annual updated inventory of essential buildings and contents required to provide residential care and community services.
   2. During the month of March each year, the insurance services unit will provide an annual inventory with a cost break down by program to the chief risk officer and the chief financial officer with a recommendation for purchasing annual commercial insurance by no later than April 1 of each calendar year.
3. The insurance services unit will notify DES quarterly of any revisions or updates to current year insurance policies.

D. The chief financial officer or designee will authorize the purchase of commercial property insurance.

1. The insurance services unit will provide DES with confirmation of current inventory of assets to be insured that are considered essential to ensure continuity of operations in providing direct resident and patient care.

2. The insurance services unit will request the new or renewal of commercial property insurances from DES by April 1 each calendar year.