

Insurance Strategy for UNSW

Preamble

The procurement of commercial insurance is a noteworthy expense of UNSW and a significant component of the University's Total Cost of Risk. By Total Cost of Risk we refer to all financial expenditures which UNSW makes over the year because it operates in an environment of both risk and opportunity. Commercial insurance is recognized to be an important mechanism through which a portion of the financing of UNSW's risk is achieved.

UNSW's Insurance Objective

A key objective of the Risk Management Unit is to minimize the Total Cost of Risk to the University over time. Insurance is a large component of the Total Cost of Risk for UNSW, along with legal/consulting costs, loss control costs and self-funding mechanisms.

Guiding Principles of the Policy

The Insurance Strategy has 4 Guiding Principles which form a framework for commercial insurance purchasing decisions. They include: Value for Money, Promoting a Risk Management Culture, Upholding UNSW's Reputation and Centralised Procurement.

Strategies for Meeting Each Objective Are as Follows:

1. Value for money regards finding the optimal risk financing balance between UNSW's use of internal and external financial resources to fund risk. We recognize:
 - There are hidden costs in commercial insurance.
 - UNSW can under insure or over insure its risk.
 - The insurance market is variable and opportunities occur as the market changes over time.

Strategies in Place to Meet This Objective:

- Annual insurance market reviews with broker.
- Seeking out of multi-year premiums when market conditions dictate, to stabilize insurance costs over time.
- The RMU works closely with the CFO to ensure alignment with internal funding appetite.
- Strongly marketing UNSW to insurance industry on a global basis.
- Performance monitoring by the Insurance Committee to ensure UNSW obtains the benefit of past and current risk management performance.

2. Promoting a risk management culture regards ensuring the University community recognizes insurance as a tool for managing risk and not only an administrative overhead.

Strategies in Place to Meet This Objective:

- Ensuring risk financing is a prominent component of UNSW's Business Risk Management Framework, as appears in the **Risk Management Plan, Vol 2 Guidelines**.
- Employ a \$10,000 per incident business unit "excess" to promote the control of risk in UNSW business units.
- Operate a sub-deductible fund in a way which promotes good risk management practice, i.e. raising the excess level to \$50,000 for business units with poor willingness to manage their risk.

- As the market allows, seeking higher excess levels for commercial insurance to promote risk management accountability across the organisation.
 - Regular business unit risk reporting of insured and self-insured losses.
 - Regular reporting to UNSW risk committees on insurance matters.
3. Promoting UNSW's image with internal and external stakeholders regards our reputation as an informed, innovative user of insurance and risk financing products.

Strategies in Place to Meet This Objective:

- Employing experienced insurance professionals to guide the University's commercial insurance procurement process.
 - Operating a claims process which is viewed by stakeholders as friendly, helpful and "value adding".
 - Ensuring UNSW maintains a reputation in the insurance market as a "customer of choice" by working closely with brokers and underwriters in the global insurance market.
 - Seeking insurance markets which reflect our positioning in Australia, with a preference for domestic placements, seeking financing in the Singapore market and then pursuing additional overseas markets.
 - Tendering for insurance broker services on a routine basis, ensuring that UNSW always receives value for money from insurance intermediaries.
4. Holistic but consultative solutions regards the belief that commercial insurance procurement at UNSW should be centralized, but also reflects the unique needs of various business units and stakeholder groups.

Strategies in Place to Meet This Objective:

- The annual review process conducted by the UNSW Insurance Committee.
- Annual meetings by the Risk Management Unit with key business unit stakeholders.
- The Risk Management Unit's purchasing of "specialized" policies on behalf of business units.