

AGA KHAN UNIVERSITY

Guidelines, Policies and Procedures

Policy Name	Insurance and Insurance Claim Policy
Policy Number	AKU-K/FIN/PL - 008
Approved by	Chief Financial Officer
Date of Approval	4th November 2022
Contact Office	Office of the University Registrar

1. **Purpose:**
 - 1.1. This policy provides broad guidelines and procedure on providing the insurance covers to institution's property and protect the institution against various risks.
 - 1.2. This policy document also provides guidance to raise insurance claims when loss actually accrued.
2. **Scope:**
 - 2.1. The Aga Khan University Kenya (AKU-K); herein referred to as the Institution.
3. **Responsibility:**
 - 3.1. ***All staff of Finance Department, Insurance Section and Entity Head/ Department Heads/Supervisors of User Departments***
4. **Terms and Definitions:**
 - 4.1. **"Risks"** In simple words **risk** is danger, peril, hazard, chance of loss, amount covered by **insurance**, person or object insured. The **risk** is an event or happening which is not planned but eventually happens with financial consequences resulting in loss
 - 4.2. **"Insurance Policy"** a document detailing the terms and conditions of a contract of insurance.
 - 4.3. **"Insurance Premium"** In the simplest terms, the insurance premium is defined as **the amount of money** the insurance company charge for the insurance policy. The insurance premium is the cost of insurance.
 - 4.4. **"Deductibles"** The insurance deductible is **the amount of money institution will pay** in an insurance claim before the insurance coverage kicks in and the insurance company starts paying. When there is a deductible, institution have to come up with the amount of money for deductible before a claim gets paid in circumstances when loss occurs.
 - 4.5. **"Type of Insurance Policies"** There are broadly following insurance policies related to the Institution:
 - 4.5.1. **Institutional Assets Protection policies:**
 - 4.5.1.1. Industrial All Risk Policy (IAR)
 - 4.5.1.2. Machinery Break Down Policy (MBD)

- 4.5.1.3. Computer Equipment/Laptop Policy
 - 4.5.1.4. Furniture Fixture and Equipment Policy
 - 4.5.1.5. Vehicle Policy
 - 4.5.1.6. Cash in hand, Cash on Counter, Cash in Transit Policy
 - 4.5.1.7. Fidelity Policy (to protect against fraud by employee)
 - 4.5.1.8. Terrorism Coverage Policy for Assets
 - 4.5.1.9. Marine Insurance (for Goods in Transit)
 - 4.5.1.10. Specific Grant Related Assets (if it is not covered in any other above policy)
- 4.5.2. **Construction Related Coverages:**
- 4.5.2.1. Contractor All Risk Policy (CAR) (It should cover the total project cost including equipment and Design Defect Liability)
 - 4.5.2.2. Institutional Staff Coverage
 - 4.5.2.3. Marine Policy Related to Goods in Transit for the Project
 - 4.5.2.4. Cash in hand, on counter, in transit related to project
 - 4.5.2.5. Fidelity cover related to staff of the project
 - 4.5.2.6. Third Party Liability related to project both for the Institution and the contractor
- 4.5.3. **Liability Related Insurance Policies:**
- 4.5.3.1. Medical Liability Policy (Malpractice)
 - 4.5.3.2. Third Party Liability Risk Coverage
 - 4.5.3.3. No Faulty Compensation - Research Policy
 - 4.5.3.4. Terrorism related Third Party Liability Risk Coverage
 - 4.5.3.5. Cyber Related Liability (To date institution has not acquired this policy due to lower risk)
- 4.5.4. **Employee/Student Related Insurance Policies:**
- 4.5.4.1. Group Life Policy for Employees
 - 4.5.4.2. Employers Liability Policy
 - 4.5.4.3. Official Travel Insurance Policy
 - 4.5.4.4. Employee/Student Medical Policy
 - 4.5.4.5. Directors Liability (Institution only acquired this policy for the purpose of Grant)
- 4.6. **“Incident Report”** This is a report to explain the events or circumstances surrounding the loss.
- 4.7. **“Technical Report”** This is a report to explain the events or circumstances surrounding the loss that is of technical nature like equipment or machinery

breakdown. This should document the cause and extent of damage and should also make recommended action.

- 4.8. **“Investigation Report”** This is a report to probe the loss to obtain necessary information to evaluate the incidence.
 - 4.9. **“Insurance Claim”** This is a formal request to an insurance company asking for the compensation.
 - 4.10. **“Personal Statement”** This is detailed evidence from person who witnessed or involved in the incidence.
 - 4.11. **“Credit Rating”** An insurance company credit rating is the opinion of an independent credit rating agency regarding the financial strength of an insurance company indicating its ability to pay policyholders’ claims in case of loss.
 - 4.12. **“Book Value”** Represent value of an assets represent the historical value of assets reflected in the books of accounts.
 - 4.13. **“Replacement Value”** Represent value of an assets, require to replace the assets at current date in case of loss of the particular asset
 - 4.14. **“User Departments”** Represent those departments for which property insurance or liability insurance have been arranged.
5. **Process / Procedure:**
- 5.1. **Observations and limitations**
 - 5.1.1. The primary aim of the coverage should be to provide protection against risks faced by the institution looking at the risk exposure, cost and risk appetite of the institution.
 - 5.1.2. The management shall annually compare the existence and adequacy of the institutional insurance coverages. The purpose of this review is to ensure that institution, its properties and its personnel are properly protected against risks. The management shall document the results of its review and recommendation to timely bring the institution into appropriate cover.
 - 5.1.3. The general administration of the insurance program rests with the Finance Department Insurance Section. However, all relevant departments such as Clinical Quality Assurance, Facilities Management Division, Purchasing and Supply Chain Management Division, Legal Counsel and all the user departments should provide necessary timely information and input to enable Finance Department to acquire and maintain appropriate coverage and to raise claims.
 - 5.2. **Process for acquiring and renewing the insurance policies**
 - 5.2.1. In order to acquire an insurance policy coverage first step is to identify the risk exposure. This means the value of assets to be covered, value of third party liability risk and how much institution is willing to take risk that is deductible in case of loss and even not to get insurance policy for some aspect of risks.

- 5.2.2. Next step is to invite bids from at least top three insurance companies where possible with at least A credit rated insurance companies. Insurance brokers may also be involved to help in this exercise.
- 5.2.3. Rates acquired from insurance companies be compared with the rates of similar insurance policy acquired by other entities of AKU/AKDN.
- 5.2.4. Based on the comparative statement, meetings with the insurance companies be arrange to clear the queries related to term and conditions including reason of prices differences to arrive at the most appropriate value for money.
- 5.2.5. While recommending the final company/ies following factors need to be considers:
 - 5.2.5.1. Credit Rating of the company
 - 5.2.5.2. Credit Rating of Reinsurer
 - 5.2.5.3. Size of the company as compared to the value insured
 - 5.2.5.4. Responsiveness
 - 5.2.5.5. Quality of Service
 - 5.2.5.6. Timely payment of claims
 - 5.2.5.7. Premium Quote
- 5.2.6. Based on the final negotiation; final recommendation is prepared to allocate business to insurance company/ies to be approved by the authorized person based on institutional authority matrix.
- 5.2.7. Once approved the final letter of acceptance for effecting the policy is sent to the insurance company by the Director Finance/CFO.
- 5.2.8. Insurance Policies to be issued by the insurance companies within one week of such communication to the insurance company
- 5.2.9. All original insurance policies should be kept in safe custody of insurance section of Finance Department and a scan copy of such policy should be maintained on institutional data base of Finance Department.
- 5.2.10. Finance Department should ensure that the compliance of all the term and condition of the policies is ensured.
- 5.2.11. These policies should be renewed on timely basis by asking for revised quotes for the policies 90 days before the anniversary or expiring date of insurance policies.
- 5.2.12. If the revised rates for renewal are same or less than the original cost; the policy is renewed otherwise revised quotation from other companies is invited to evaluate the best terms.
- 5.2.13. However at least once every three years' full exercise of inviting bids/selection as mentioned in 5.2.2 should be conducted to select the insurance company/ies.

- 5.3. **Amendment/modificaiton to the existing policy**
- 5.3.1. Modification to the base data provided to the insurance company for insurance quote should be monitored on quarterly basis to ensure appropriateness of the insurance coverage.
 - 5.3.2. While renewing the policy on annual basis data should be updated for current book value and current replacement value so that appropriate coverage is always available. Quote is always invited based on current replacement value.
 - 5.3.3. Some policies required regular update of information to effect the insurance such as addition of assets, goods in transit for orders (Marine Policy), staff group life and staff medical cover etc.; hence mechanism should be in place to regularly provide relevant information to the insurance companies.
- 5.4. **Payment of premium**
- 5.4.1. Payment of premium would be affected based on invoice (as per agreed term) and based on the approval of authorized representative of Finance Department.
 - 5.4.2. Efforts should be made to break the payment in to quarterly interval as much as possible.
 - 5.4.3. Payment term should be 30 days after receipt of invoice.
- 5.5. **Procedure for claims:**
- 5.5.1. Reporting of Incidences within the Departments
 - 5.5.1.1. The process of reporting will be provided to the Finance Department by the insurance company based on the nature of the claim. Finance Department will then communicate this to the user departments on the information required within 3 days.
 - 5.5.1.2. Upon the occurrence of an accident e.g. theft, machinery breakdown or malfunctioning, fire, breakage etc. the in charge of the affected department immediately shall inform Finance and Security Departments. In case the in-charge don't inform the two departments immediately, he/she shall be held responsible.
 - 5.5.1.3. The Finance Department will notify the insurers on the incident immediately or as per the policy terms and conditions. Security Department will commence investigations and Purchasing and Supply Chain Management (PSCM) department will obtain quotation for tangible assets.
 - 5.5.2. **Information required for the purpose of the Insurance Claim:** General documents/information required by insurer are as follows:
 - 5.5.2.1. **Incidence Report:** This report will be prepared by the responsible staff of the department and approved by the Manager/Director of the department within 24 hours of the incidence and be submitted to security department who should submit to Finance

within 2 days from the date of occurrence. Refer Annexure 1 for template.

- 5.5.2.2. Before the claim is raised the loss must be justified i.e., if there is negligence the staff will be held responsible and accountable; the damage will be recovered from his or her salary.
- 5.5.2.3. **Police Abstract:** The security department shall obtain the police abstract for cases of theft by employee or third party, motor accidents and any other incident criminal in nature. The original police abstract will be submitted to the Finance within 2 days from date of occurrence and a copy retained by the department.
- 5.5.2.4. **Technical Report:** The technical report will be prepared by a person with expert knowledge of the asset. This can be submitted to Finance by Manager/Director of the department affected within one week from date of occurrence. Refer to template in Annexure II.
- 5.5.2.5. **Investigation Report:** The investigation report will be prepared by Security Department or an expert for all cases. The report should be submitted to Finance by Security Manager within one week from the date of occurrence. Refer to template in Annexure III.
- 5.5.2.6. **Quotation:** PSCM will be responsible for providing the original quotation within 3 days to the Finance Department.
- 5.5.2.7. **Relevant Support Documents:** These are additional/information that may be requested on a case to case basis for purpose of supporting the claim. Such information should be provided to Finance within 3 days upon request.
- 5.5.2.8. **Submission of Insurance Claim to Insurers:** Finance Department shall submit the claim to the insurers within 3 days after receiving all the relevant insurance claim support documents.

5.5.3. **Claim Record:**

- 5.5.3.1. Finance Department Insurance Section shall maintain a register of claims and provide updates to the General Ledger Coordinator for review before sharing the same with Finance Manager every two weeks.
- 5.5.3.2. At the time of raising insurance claim Finance Department will prepare Claim Receivable entry in the General Ledger System.
- 5.5.3.3. Finance Department should follow up the claim and ensure that claim receivable is defended properly and it is recovered from insurance company within 60 days of the claim.
- 5.5.3.4. Delay should be reflected as red flag item in the claim register and to be escalated to next level for follow-up in Finance as well as in the insurance company.

6. **Review of Policy**

6.1. This policy document shall be reviewed every three year or as required.

7. **Reference(s):**

7.1. N/A

8. **Annexures:**

8.1. Incident Report

8.2. Technical Report

8.3. Investigation Report

**The Aga Khan University Kenya
Incident Report**

Department: _____ Date: _____

Date of Occurrence: _____

Time of Occurrence: _____

Asset/Item lost or Damaged: _____

Nature of Incident: _____

Discovery Made by: Name: _____

Staff ID: _____

Signature & Date: _____

Brief Details of the Incident: _____

Incident Confirmed by: Department In- charge: _____

Signature: _____

Date: _____

Finance Department: Original; Security Department: Copy; PSCM: Copy

The Aga Khan University Kenya
Technical Report

Department: _____ Date: _____
Date of Occurrence: _____
Time of Occurrence: _____
Equipment Damaged: _____
Serial No: _____
Asset Code: _____

Diagnosis by Engineer: _____

Recommendation: _____

Engineer's Name: _____
Signature: _____
Date: _____

**The Aga Khan University Kenya
Investigation Report**

General Details

Department: _____ Date: _____

Location: _____

Description of Stolen/Damaged Property: _____

Incident Timings

Incident Date: _____ Incident Time: _____

Police Abstract No: _____ Police Station: _____

Finding/Observations: _____

Recommendation: _____

Name of Investigation Officer: _____

Signature of the Investigation Officer: _____

Name of Supervisor of Investigation Officer: _____

Signature of Supervisor of Investigation Officer: _____

Date: _____