DAS
DEPARTMENT OF ADMINISTRATIVE SERVICES

PROPERTY SELF-INSURANCE POLICY MANUAL

NUMBER: 125-7-101

EFFECTIVE DATE: 4/1/2018 Effective until cancelled

POLICY OWNER: Risk Management

DIVISION: Enterprise Goods and Services

INTERNAL OR STATEWIDE POLICY: Statewide

LAST REVIEWED DATE: 8/17/2026

SUPERSEDES: Original Version: 7/1/1998, Replacing policy dated July 1, 1998, Replacing policy dated April 1, 2004, Effective September 1, 2008, replacing April 1, 2004, Effective July 1, 2015, replacing September 1, 2008, Effective April 1, 2018, replacing July 1, 2015

PAGE NUMBER: 1 of 31

REFERENCE/AUTHORITY:

- ORS Chapter 278
- OAR Chapter 125, Division 155

APPROVED SIGNATURE:

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Statement

Under Oregon Revised Statutes (ORS) Chapter 278, the state pays, through the Insurance Fund, its cost of restoring most state property that may be lost, damaged, or destroyed. The purpose of self-insuring is to restore property needed for the operation of the state. The Insurance Fund is meant to reimburse for accidental loss, not to substitute for your duty to prevent and reduce loss or to maintain good repair.

Additional property coverage and related information may also be available under:

- Policy 125-7-201, Liability Self-Insurance Policy Manual for State Agencies;
- Policy 125-7-202, Liability Self-Insurance Policy Manual for State Officers, Employees, and Agents;

- Policy 125-7-203, Employee Dishonesty Self-Insurance Policy Manual;
- Policy 125-7-204, Volunteer Injury Coverage Policy;
- Policy 125-7-301, Aircraft and Pilot Standards;
- Policy 125-7-401, Alcohol Risk Control Policy;
- Policy 125-7-501, State Business & Travel Status Policy; and
- OAR Chapter 125, Division 155, State Vehicle Use and Access

Self-Insurance Agreement

This Self-Insurance Policy Manual includes the following lines of coverage for state property and insures against all risks of direct physical loss or damage, unless the cause of the loss is otherwise excluded or limited in this policy manual:

A. Real and Personal Property

B. Equipment Breakdown Coverage

C. Money and Securities

D. Exceptional Items

Changes and exceptions to the terms and conditions of this policy manual are only effective if the Enterprise Goods & Services Administrator or the Risk Management Manager signs a written Amendment or Endorsement. This policy manual is subject to change without prior notice.

Various provisions of this agreement restrict coverage. Read the entire policy manual carefully to determine rights, duties, and what is and is not covered. Words or phrases that appear in boldfaced type have special meanings, per Section III, General Definitions, and elsewhere in this policy manual.

General Definitions and Exclusions

Throughout this policy manual, “you” and “your” refer to the state and its agencies, “we”, “us”, and “our”, refer to the Department of Administrative Services, Enterprise Goods & Services Risk Management (RM). General Definitions and Exclusions apply to all lines of coverage. Other terms have the meanings stated in each respective line of coverage definition and exclusion section.

General Definitions

1. **Actual Cash Value** means a valuation method where the value equals the current replacement cost less proper deduction for depreciation based on age, condition at time of loss, time in use, and obsolescence.
2. **Alternative Use** means a use that could not reasonably be made of the property before the loss. Exception: New equipment may have standard

features that were unheard of when the lost or damaged equipment was acquired. Those are improvements you cannot avoid. They are not alternative uses.

3. **Annual Risk Report** is the yearly report form you must use to report your property and its estimated value. You are required to report all property that you possess on July 1st of each year in which this policy would pay losses.
4. **Betterment** is replacing the property with something better than it was before. It is covered by this self-insurance when new materials must be used, new models must replace discontinued models, or when changes are required by current codes in order to restore a damaged property to functional use.
5. **Business Interruption** means a loss of earnings when normal business operations are temporarily interrupted or suspended. Business interruption can include salaries, taxes, rents, revenue, and necessary continuing operating expenses.
6. **Catastrophe** means a sudden and widespread disaster; a disaster beyond expectations.
7. **Collection** means pieces or items of personal property that are not normally separated, are similar in nature, or are gathered for a single purpose.
8. **Consequential Damages** means damage or destruction of property from a peril that is not the immediate cause of loss.
9. **Contaminants and Pollutants** means any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste, which after its release can cause or threaten damage to human health or human welfare, or causes or threatens damage, deterioration, loss of value, marketability or loss of use to property insured, including, but not limited to bacteria, fungi, virus, or hazardous substances as listed in the Federal Water, Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, and Toxic Substances Control Act or as designated by the U.S. Environmental Protection Agency. Waste includes material to be recycled, reconditioned or reclaimed.
10. **Control** means having the legal ability and responsibility:
    A. To direct the property's use and location;
    B. To direct who may have access to it; and
    C. To take possession of it.
11. **Employee, volunteer, or agent owned personal property** is used for work to accomplish a mission critical function and only with a prior written agreement to accept responsibility.

12. **Fungus** means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents, or by-products produced or released by fungi.
13. **Heavy Mobile Equipment** means heavy-duty machines or devices designed for construction tasks, most frequently involving earthwork operations including constructing or resurfacing roads and are not registered as a motor vehicle. Examples include, but are not limited to: road graders, road scrapers, steam rollers, backhoes, wheel loaders, excavators, front end loaders, bulldozers, all-terrain forklifts and cranes.
14. **Land** means soil, water, rock, timber, and uncultivated plants.
15. **Limited Damage Waiver** means a provision in many passenger vehicle rental contracts charging an extra fee to the person renting a vehicle. In exchange the rental company waives some of its right to recover physical damage and some other types of losses from the renter.
16. **Location** means a single campus or complex of buildings owned by the same state agency or all structures owned by an agency with the same zip code.
17. **Loss of Income** means a loss to income or revenue when normal business operations are temporarily interrupted or suspended.
18. **Market Value** is the likely value of property based on the price a willing buyer would have paid had it been offered for sale immediately before loss.
19. **Mysterious Disappearance** means property is gone, but no one knows for sure when it disappeared or what happened to it. In an office or workspace that is usually occupied, it means the item was not in a known place near the time of its loss. In a vehicle or an area usually unoccupied, it means there is no physical evidence of theft or forced entry.
20. **Occurrence** means an accident, incident, or a series of accidents or incidents arising out of a single event or originating cause and includes all insured losses. Each loss by earthquake, flood, freeze, or windstorm will constitute a single occurrence. If more than one earthquake or flood occurs within any period of 72 hours during the term of this policy, we will determine the moment when the time period began.
21. **One Percent Art** means art purchased as one percent of building cost to fulfill ORS 276.080.
22. **Personal Property** means moveable property including, but not limited to, merchandise, furniture, goods, ordinary farm livestock, fish, crops, heavy mobile equipment, vehicles (including aircraft and boats), non-motorized trailers not being towed by a licensed vehicle, moveable machinery, tools, equipment, and supplies.

23. **Property** means real and personal property reported on your Annual Risk Report or acquired since the last report.
24. **Property of Others** is real property or personal property that is rented, leased or borrowed by a state agency, other than employee, volunteer, or agent owned personal property.
25. **Possession** means having the exclusive use of property.
26. **Real Property** means your buildings, structures, and fixtures erected on, above, or under your land within the U.S., its territories, or Canada. Real property includes artworks permanently erected on and affixed to state-owned lands or buildings. If reported in your risk report, real property includes outdoor lighting, ornamental trees and shrubs, or fencing. It includes a residence to which you hold title or possession or that you control as landlord, due to default on a direct loan or sales contract that you made.
27. **Replacement Cost** is the cost to replace damaged property with property of like kind and quality; the cost to replace property at its current price without a deduction for depreciation.
28. **Reproduction Value** is the cost of duplicating building materials or techniques. However, repair of one percent art or of some property damage may call for some repairs that, by their nature, approach reproduction. Example: Restoring a damaged building of historical significance to its pre-loss state.
29. **Research Data and Products** means property that cannot be replaced except by repeating all or part of the projects, research, breeding, or other work that produced them.
30. **Restoration Cost** means the lower of necessary and reasonable cost to repair or the cost of replacing with property of equivalent function and reasonably similar to the old.
31. **Security Property** means real or personal property you own or have a financial interest in, if it is for the purpose of generating an investment gain. It does NOT include:
    A. Buildings in which at least 51 percent of the floor space is occupied by state employees or agents conducting state business;
    B. Single family residences or personal property in which legal ownership has defaulted back to you from your loan program borrower and you are working to dispose of it or seek new borrowers; or
    C. Other property you own and are holding for eventual sale.

32. **Substantial Completion** means the date certified by the Owner when construction is sufficiently complete, in accordance with the contract documents. The Owner can occupy or utilize the work for which it is intended, as expressed by the contract documents.
33. **Surplus Property** means property no longer needed by the owning agency that is either:
    A. Intended for re-sale by or on behalf of the owning agency; or,
    B. Designated as disposal or salvage.
34. **Terrorism** means a violent act that is dangerous to human life, property, or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion.
35. **Valuable Papers** means papers that prove, or represent rights or which contain records or data that cannot be readily replaced. A few examples include mortgages, deeds, title transfer documents, business records, and surveying or engineering field notes.
36. **Vehicles** are conveyances designed to move passengers or cargo on public roads. For the purpose of this policy means:
    A. **Passenger vehicle** means cars, trucks and vans, with a weight carrying cargo capacity of less than one ton designed to carry two or more passengers, and licensed under state law for highway use, including non-motorized trailers being towed by a licensed vehicle.
    B. **Other vehicles** mean large vehicles, including sanders, snowplows, trucks with cargo capacity of one ton or more, boats, airplanes, and trains. Note that off-road vehicles, golf carts, front end loaders, and other heavy mobile equipment are personal property, but not defined as vehicles.
37. **Vessel** means a boat, ship, craft or structure made to float or travel upon the water which may or may not be powered by a marine engine

General Exclusions

1. Hostile, warlike action or terrorism of any kind by persons other than those held in physical state custody including action in hindering, combating, or defending against an actual, impending, or expected attack.

2. Due to nuclear reaction, nuclear radiation, or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) insured against in this policy; however, subject to the foregoing and all provisions of this policy, direct loss by fire resulting

from nuclear reaction or nuclear radiation or radioactive contamination is insured against by this policy.

3. Any loss or damage caused by, resulting from, contributed to or made worse by actual alleged or threatened release, discharge escape or dispersal of contaminants or pollutants, all whether direct or indirect, proximate or remote or in whole or in part caused by, contributed to or aggravated by any physical damage covered by this policy. Nevertheless, if fire is not excluded from coverage, and a fire arises directly or indirectly from seepage or contamination or pollution, any loss or damage covered under this policy arising directly from that fire is covered, subject to the provisions of this policy.

   This exclusion shall not apply when loss or damage is directly caused by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm, hail, vandalism, malicious mischief. This exclusion shall also not apply when loss or damage is directly caused by leakage or accidental discharge from automatic fire protection systems
4. To property you possessed on July 1st preceding a loss, but you failed to report it on your Annual Risk Report.
5. Arising directly out of a cause that is within your knowledge and power to correct.
6. Intentionally caused by action officially taken or withheld by you
7. Due to mysterious disappearance. This exclusion is by law, per ORS 278.050. It is not waived or accepted.
8. Losses due to employee dishonesty are not paid under this policy manual. See our Employee Dishonesty Policy Manual 125-7-203. Losses due to employee dishonesty are subject to the terms of that policy and any bond or crime policy we may carry. However, this policy manual does insure acts of direct insured physical damage intentionally caused by a state employee and done without the knowledge of the State.
9. To intellectual property such as trademarks, trade secrets, copyright, or patents.

Real and Personal Property

A. Insuring Agreement

This agreement covers property, as described within, against all risks of direct physical loss or damage to the State's real and personal property.

We pay for all direct physical loss or damage to state real and personal property occurring during the policy period of this self-insurance policy unless the loss is excluded or limited in this policy manual. Subject to the terms of this policy

manual, we will pay to restore real and personal property that is lost, destroyed, or damaged.

Changes and exceptions to the terms of this policy manual are only effective if the Enterprise Goods & Services Administrator or the Risk Management Manager signs a written amendment or endorsement. This policy manual is subject to change without prior notice.

B. Definitions

All definitions relating to Real and Personal Property are included in Section III, General Definitions.

C. Exclusions

We will not pay for loss or damage caused directly or indirectly by any General Exclusions under III, General Exclusions or any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

1. Directly caused by laws, ordinances, or administrative rules being enforced, unless resulting from direct physical loss or damage to property which requires that the property being rebuilt be brought up to new code requirements.
2. Intentionally caused by action officially taken or withheld by you.
3. To contracted new building construction prior to substantial completion.
4. To septic tanks, wells, or underground tanks.
5. To roads, streets, highways, paving, bike paths, trails, sidewalks, guardrails, supports, culverts or related improvements to real property not involving buildings or structures.
6. To temporary or permanent, fixed, or movable property related to highways, roads and streets including, but not limited to, computer controlled or electronic programmable message reader boards, variable message signs, highway signs, road signs, and traffic signals.
7. To land or land values, orchard trees, timber, uncultivated plants, earth berms, terraces, landscaping, dams, dikes, ditches, lagoons, or other earthen forms and structures.
8. To bridges, trestles, viaducts, tunnels and ramps unless owned by the state, immediately adjacent or attached to covered property, and used for maintenance or access to a covered building.
9. Due to mysterious disappearance. This exclusion is by law, per ORS 278.050. It is not waived or accepted.

10. Directly due to poor care or lack of maintenance, wear and tear, or condition inherent in any type of property that causes it to deteriorate or destroy itself; including loss due to rust, corrosion, fungus (including mold, mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi), or decay that is reasonably discoverable; or caused by insects or vermin, gradual rise of ground water, underwater or underground electrolysis, continuous or repeated seeps, or leaks occurring over time.
11. To cash and negotiable securities except as provided under the Money and Securities line of coverage Section VI.
12. Due to:
    A. Mechanical breakdown, including rupture or bursting caused by centrifugal force, of machinery or equipment unless physical damage not excluded by this section results, in which event, this section shall cover only such resulting damage;
    B. Artificially generated electrical current, including electrical arcing, that damages electrical devices, appliance or wires, unless physical damage not excluded by this section results, in which event, this section shall cover only such resulting damage;
    C. Explosion, rupture, bursting, breaking, cracking, burning or bulging of steam boilers, pressure vessels, steam turbines, gas turbines and steam engines, or piping or apparatus attached to any of the foregoing; except that the following are covered under this section,
        (1) Direct physical loss or damage resulting from explosion of accumulated combustible gases or unconsumed fuel within the furnace of a boiler or pressure vessel, or within the flues or passages which conduct the gases of combustion therefrom; including damage to steam boilers, pressure vessels and steam engines;
        (2) A combustion explosion outside of any of the above equipment even though such combustion explosion may have been the direct result of the explosion of such equipment.
13. Due to loss of electric power or electrical spikes, surges, arcs, drops, or fluctuations not caused by lightning, unless a covered loss to property not otherwise excluded under this policy ensues, and then the ensuing property loss is covered.
14. Due to water which backs up through sewers or drains or water below surface of the ground including that which exerts pressure on or flows, seeps, or leaks through doors, window openings in such, sidewalks, driveways or other foundations, walls or floors, unless a covered loss to property not otherwise

excluded under this policy ensues, and then the ensuing property loss is covered.

15. Due to normal settling, cracking, shrinkage, or expansion in foundations, walls, floors or ceilings; subsidence, unless a covered loss to property not otherwise excluded under this policy ensues, and then the ensuing property loss is covered.
16. Due to landslide unless caused by a peril insured against.
17. Due to freezing where you unreasonably fail to provide heat or other protection from freezing.
18. To real property due to flood if we previously paid for loss due to flood. We will not pay losses from subsequent floods unless you complied with local flood plain ordinances, state building codes, or other remediation officially required at the time of first flood loss, unless a covered loss to property not otherwise excluded under this policy ensues, and then the ensuing property loss is covered.
19. Of consequential or indirect nature. A loss arising indirectly from an insured peril.
20. Caused by asbestos, PCB's, indoor air contaminants, or other contaminants in the materials from which your property is built or in items brought onto the property. This exclusion applies to releases caused by abatement efforts, repairs, moving, remodeling, demolishing, or disposing of property. It applies to illegal drug manufacturing and to industrial or domestic chemicals and processes. Loss due to contaminants is paid for property we do not exclude when caused by some other loss that we pay.
21. Cost of repeating research upon loss of research product including recreation of all or part of the project, research, or experimentation.
22. To property intended for salvage, demolition or disposal, other than losses to individual or single items of property valued above the agency deductible and intended for re-sale by or on behalf of the owning agency.
23. Loss of income.
24. Losses due to business interruption.
25. Equipment that is placed and left submerged in a body of water for more than 24 hours.
26. Property procured secondary to accomplish a mission related purpose when the property is not purchased for use as a state facility.
27. Loss to Property of Employees, Volunteers, or Agents, unless prior to the loss, you lawfully agreed in writing with the owner to be responsible for the loss or

damage. Except:

A. Pursuant to ORS 292.250(2), we cannot cover vehicles of employees, agents, or volunteers, used by their owners. Mileage reimbursement rates cover all costs, including insurance. Vehicles include cars, boats, and airplanes.

B. Typical residential household items will not be covered.

28. Loss to Property of Others, unless prior to the loss, you lawfully agreed in writing with the owner to be responsible for the loss or damage. Except, we will not cover:

A. Typical residential household items.

B. Vehicles, which include but are not limited to cars, boats, airplanes, and trains of contractors used by their owner or entity.

D. Limits of Insurance

1. Payments will be made under terms of this policy manual and under terms of any other insurance we may purchase. We presently buy excess commercial insurance with terms similar to this policy manual. However, excess commercial or other insurance purchased may not cover all real property or personal property covered by this policy manual. Loss payments not covered by this policy manual:

   A. Any deductible;

   B. Any gap between the self-insured retention and the loss amount where commercial excess property insurance coverage begins;

   C. Amounts covered by any other applicable insurance;

   D. Amounts above the self-insured retention that are excluded from or limited by commercial excess property insurance coverage;

   E. Any amounts above the commercial excess property insurance limit.

2. Extra expense payments are limited to the lesser of an amount equal to the paid property loss that caused the extra operating costs or $1,000,000.

E. Deductibles

1. All other real and personal property of agencies with Legislatively Approved Budgeted FTE of more than 20, $2,500.

2. All other real and personal property of agencies with Legislatively Approved Budgeted FTE of 20 or fewer, $1,000.
3. We will apply one deductible per location per occurrence.
4. If we declare an event a catastrophe, we may waive deductibles for each loss arising from the event when the loss exceeds the deductible amount.

F. Conditions for Coverage

1. An Annual Risk Report must be filed by July 1 each year which includes the following:

   A. Estimated Restoration Cost, Replacement Cost, or Actual Cash Value as specifically requested in the risk report must be reported for:

      1) All owned property;
      2) All borrowed, rented, or leased property for which you have agreed to be responsible in writing for loss or damages.

   NOTE: Accurate reporting of property is important. The value of what you report can affect loss settlement (see H. Loss Settlement 2. D.).

   B. Loss to property acquired after your report will be paid subject to the conditions of this policy manual.

   NOTE: Timely reporting of your property is important. It is recommended you update the risk report immediately upon acquiring new property. It provides additional assurance of coverage being available for your property under this self-insured policy manual and the commercial excess loss policy (see III. General Exclusions #4).

   C. We reserve the right to exclude personal property valued at $1,000,000 or more that presents an adverse exposure to loss. We will review your agency's Annual Risk Report each year. If we determine that your agency's personal property presents an adverse exposure to loss, we will notify your agency of the exclusion of coverage within 90 days after you submit the report.

2. Loss to Property of Employees, volunteers, or agents may be paid only if, prior to the loss, you lawfully agreed in writing with the owner to be responsible for the loss or damage.

   A. When you agree in writing to cover another's property this self-insurance is primary. Losses will be adjusted and limited to the valuation

methods described in Section IV. H., Loss Settlement, of this Manual.

B. The agreement must contain:

1) A detailed description of the property, including the property's current condition.

2) The current replacement value of the property.

3) The purpose of the use.

4) A limited time period of coverage.

C. The property must be deemed as necessary to accomplish a mission critical use by an appointing authority (or delegate) within your agency.

D. The property must be reported on your agency's Annual Risk Report.

3. Loss to Property of Others may be paid only if, prior to the loss, you lawfully agreed in writing with the owner to be responsible for the loss or damage.

A. When you agree in writing to cover another's property, this self-insurance is primary. Losses will be adjusted and limited to the valuation methods described in Section IV. H., Loss Settlement, of this Manual.

B. You must have possession or control of the property at the time of loss.

C. The property must be deemed as necessary to accomplish a mission critical use by an appointing authority (or delegate) within your agency.

D. The property must be reported on your agency's Annual Risk Report.

4. Only loss to covered property you include in the Annual Risk Report will be paid, subject to the terms and conditions of this policy manual.

5. Property losses must be reported to us as soon as possible and not later than 90 days after you discover it. Failure to report your agency's loss to us within this timeline may result in denial of the claim.

6. You must cooperate fully with us in investigating your claim and documenting the loss. Coverage may be forfeited if you fail to cooperate fully and honestly in the investigation and documentation of your claim.

7. You must comply with this policy manual.

G. Reporting Losses

1. The ***State Self-Insurance Claim Report Form*** should be used for all property losses.

It is an all-purpose, self-insured loss and lawsuit report form. Do not use for workers' compensation and inmate injury claims. The documentation we will

require for claims is:

A. Evidence of state ownership or responsibility;

B. Copy of the DMV traffic accident and insurance report, if applicable;

C. Copy of any police or fire department report, if applicable;

D. Repair estimates, photographs, other data on cost of damages;

E. Information on any adverse party's insurance; and

F. Evidence you complied with any conditions of coverage specified for real or personal property

2. Property losses under the deductible do not need to be reported to Risk Management. We do not handle or adjust these losses.

3. Property losses caused by others that are above the deductible need to be reported to Risk Management as soon as possible and no later than 90 days after you discover it. We will assist your agency in recovering from the other party.

4. All losses to commercially rented vehicles shall be reported. However, losses to commercially rented vehicles under the deductible will be handled by the agency.

Loss report form can be found on the Risk Management website:
http://www.oregon.gov/das/Risk/Documents/Form_StateOwnedPropertyLoss.pdf

H. Loss Settlement

All loss settlements are subject to Section IV. D., LIMITS OF INSURANCE.

1. In the event of a loss, we will require you to provide documentation proving your loss. This may include records verifying any extra expense being claimed, your ownership or control and/or responsibility for property damage or loss being claimed. We may also need to know how you determined your reported value. Also refer to item 6 under section F. Conditions of Coverage.

2. Payment for losses will equal our finding of restoration cost, actual cash value (ACV), or other valuation method as described in this Manual. The deductible will reduce our payment. Restoration cost is the lesser of the cost to repair or replace in conformance with state purchasing rules or state price agreements. To find the restoration cost, we may use:

A. Appraisals by our staff or our contractors;

B. Competitive bids;

C. Published cost services or your purchase price;

D. The same method you used to determine values for Annual Risk Reports; or

E. Other data.

3. For the following types of property, loss payment is determined by:

A. Unless otherwise described within this section H. Loss Settlement, all Personal Property will be paid on an actual cash value basis.

B. **Passenger Vehicles**:

1) Owned by you qualify for:

a. Actual cash value (ACV) loss payment; or

b. If surplus, the declared value at the time sent; or

c. The cost to repair the vehicle, whichever is lower.

2) Paid losses to vehicles will be paid to the owning agency and charged to the agency in possession and control of the vehicle at the time of the loss.

3) We pay reasonable and necessary towing and storing charges for your damaged vehicles. We do not pay fees for storage on any state-owned or state-rented property or land.

C. **Other Vehicles**:

1) Owned by you qualify for:

a. The lower of necessary and reasonable cost to repair or the cost of replacing it with property of equivalent function and reasonably similar to the old; or

b. If surplus, the declared value at the time sent.

c. We will pay replacement cost when the cost to repair exceeds 80 percent of NADA book (retail value) or similar depreciated value as determined by us or our contractors.

d. Any vehicles that are defined as “other vehicles” you do not own, did not purchase new, or will not replace with a new vehicle, qualify only for the lower of:

i. Depreciated value; or

ii. If surplus, the declared value at the time sent.

2) Paid losses to vehicles will be paid to the owning agency and charged to the agency in possession and control of the vehicle at the time of the loss.

3) We pay reasonable and necessary towing and storing charges for your damaged vehicles. We do not pay fees for storage on any state-owned or state-rented lands.

D. **Commercially Rented Vehicles and Property of Others**:

At the time of rental, State agencies should purchase the Limited Damage Waiver, if applicable. We will pay:

1) Loss or damage that is in excess of the Limited Damage Waiver (purchased by agency) that you become obligated to pay according to the terms of the agency's rental contract. The Limited Damage Waiver will be applied against or satisfy the Agency's deductible, depending on the amount of coverage purchased.

2) Losses we pay will be paid on an actual cash value at the time of loss.

E. **Aircraft and Vessels used principally in the ocean**:

Qualify for the lower of the cost to repair to its pre-loss condition or actual cash value. If we determine the hull a total loss, settlement is limited to actual cash value, or market value, prior to the loss, whichever is lower. We will take into account any depreciation for age, wear and tear, condition of hull at time of loss, and/or obsolescence factors.

F. **Buildings and Structures**:

Qualify for the lower of necessary and reasonable cost to repair or construct a new building that will functionally replace the old building.

1) Cost to replace includes the necessary use of modern construction materials and techniques; one percent art; and cost to comply with current minimum building codes.
2) It does not include, even if required by current building codes:
    a. Adding or replacing parking, paving, sidewalks, or utility pipes or conduits not destroyed in the loss;
    b. Items excluded from the definition of real property; or
    c. Any increased cost caused by new or expanded functions or intended use.

G. **Surplus Property**:

1) Losses to individual or single items valued above the agency

deductible and intended for re-sale by, or on behalf of, the owning agency qualifies for the declared value of the property at the time designated as surplus, Actual Cash Value (ACV), or the cost to repair the property, whichever is lower.

2) Sent to DAS Surplus Property or other state surplus property operations for the purpose of disposal or salvage is considered as disposed property and will not quality for loss payment.

3) Transferred to DAS Surplus Property, or other state surplus property operations, without an agency expectation of payment, are considered to be a Loss of Income and are excluded from payment under this Policy Manual.

4) Paid losses to surplus property will be paid to the owning agency and charged to the agency in possession and control of the property at the time of the loss.

H. **Research Products and Valuable papers:**

Qualify only for the cost of replacing the property with common, everyday materials similar to those of which the item was composed, unless covered by Equipment Breakdown coverage.

I. **One Percent Art**:

Qualify for the reasonable and necessary cost to replace the work of art with a similar piece by the same artist. When that is not feasible, we pay for a reasonably similar work of art. Non-artistic elements, such as a storm window covering a work of stained glass, will be valued as any ordinary structure or personal property.

Before taking any action on one percent art, except that necessary to immediately protect the damaged piece, you must contact the Oregon Arts Commission. The Oregon Arts Commission will review the contract for the specific art piece and advise on the best course to repair, replace, or restore the artwork. We will only authorize payment for repair, replacement, or restoration expressly authorized by the Oregon Arts Commission at an amount approved by us

J. **Debris Removal**:

1) We will cover the necessary and reasonable expenses actually incurred by you for removal of debris of property covered resulting from damage to covered property by a covered peril. This coverage

does not apply to costs to:

a. Extract contaminants or pollutants from the debris; or

b. Extract contaminants or pollutants from land or water; or

c. Remove, restore or replace contaminated or polluted land or water; or

d. Remove or transport any property or debris to a site for storage or decontamination required because the property or debris is affected by pollutants or contaminants, whether or not such removal, transport, or decontamination is required by law or regulation.

2) Before recovery under this extension we will have paid or agreed to pay for direct physical loss or damage to the property covered and that you give written notice to us of intent to claim for cost of removal of debris or cost to clean up not later than 180 days after the date of such physical loss or damage.

3) This coverage does not increase the Limit of Liability as specified in Section IV. D, Limits of Insurance.

K. **Extra Expense Payment**:

Extra expenses we pay are the necessary costs of operating that exceed the normal operating costs, had the loss not occurred. This payment is limited to the lesser of an amount equal to the covered property loss or $1,000,000.

We do not pay the following extra expenses:

A. Expenses that are not the result of a covered property loss.

B. Expenses beyond the time we conclude you are able to resume normal operations.

C. Loss of income.

D. Increased payroll and personnel expenses due to labor dispute or strike.

E. Costs to reconstruct, re-input, or replicate data or programs on media, valuable papers, research products, data, or records.

F. Expenses caused by your failure to use due diligence and dispatch all reasonable means to resume business at the described location.

G. Any other costs expressly excluded by this policy manual.

L. **Alternative Use of Funds**:

ORS 278.050(2) allows you to apply loss payments to alternative uses. If you will apply payments to an alternative use, we will decide the payment for loss at the lowest reasonable amount in accord with this self-insurance policy. A loss approved for restoration may be reduced for an alternative use. Example: We will not pay the costs of meeting new code or legal requirements or providing one percent art on a building that will not be rebuilt. (Cont.)

A. Advise your claims adjuster in writing if you want to apply loss payments to alternative use.

B. We must approve your plan for alternative use. Our approval is hereby given for all lawful alternatives, provided:

1) Total cost is under $50,000;

2) You have sufficient spending authority for the proposed use; and

3) The proposed use was not removed from your requested budget by DAS or the Legislature.

C. Proposed alternative uses that do not meet all of the above conditions require our written approval as specified in ORS 278.050(2).

M. **Subrogation:**

If we make payment on your loss, we will handle any recovery actions against third parties. Our recovery will reduce your losses used in determining future risk charges.

N. **Sensitive Claims**:

It is our policy to consult with you on our actions on sensitive claims. You should alert us in writing if a loss is of a sensitive nature.

O. **Salvage**:

We may decide that damaged property can be sold for salvage. If so, we will request your title or evidence of ownership. These must be assigned and transferred to us upon our request. We will arrange for any disposal of the property.

Funds recovered will be credited against your losses and used in calculating your future risk charges.

P. **Other Insurance or Funding Source for Restoration**:

1) If we purchase primary commercial property insurance, or

delegate the purchasing authority to you, for your specific property (real or personal), that coverage is your sole remedy for indemnification of loss and subject to the policy terms and conditions of the commercial property insurance policy.

2) There is no coverage under the Insurance Fund even if the specific policy is not as broad as Insurance Fund coverage.

3) If your agency has other funding sources for the restoration of the same loss or damage, other than that described in A. above, we will only pay for the amount of covered loss or damage in excess of the amount due from that other funding source, subject to the terms and limitations of this policy manual. However, we will not pay more than the applicable limit as described in Section IV. D., Limits of Insurance.

Q. **Partial Payment of Loss**:

We may make a partial payment of claims subject to the policy provisions and the normal policy adjustment provisions. You must submit a claim form with all supporting documentation to obtain the partial payment of claim.

Equipment Breakdown Coverage

A. Insuring Agreement

We purchase commercial Equipment Breakdown insurance with a deductible of $100,000. This Policy Manual will provide coverage for an equipment breakdown loss up to a limit of $100,000 subject to a $25,000 agency deductible. A covered loss under this policy manual will be determined by and subject to the terms and conditions of the commercial insurance policy.

For additional information on the commercial Equipment Breakdown policy, see the Equipment Breakdown coverage policy summary (click here for link to policy).

B. Reporting Losses

1. The State Self-Insurance Claim Report Form should be used for all equipment breakdown losses.

It is an all-purpose, self-insured loss and lawsuit report form. Do not use for Workers' Compensation and Inmate Injury Claims. The documentation we will require for claims is:

A. Evidence of state ownership or responsibility;

B. Copy of the DMV Traffic Accident and Insurance Report, if applicable;

C. Copy of any police or fire department report;

D. Repair estimates, photographs, other data on cost of damages;

E. Information on any adverse party's insurance; and

F. Evidence you complied with any conditions of payment specified in applicable Equipment Breakdown coverage.

2. Equipment losses under the $25,000 agency deductible do not need to be reported to Risk Management. We do not handle or adjust these losses.

3.Equipment losses caused by others that are above the deductible need to be reported to Risk Management as soon as possible and not later than 90 days after you discover it. We will assist your agency in recovering from the other party.

4.All losses to commercially rented or leased equipment shall be reported. However, losses to commercially rented or leased equipment under the deductible will be handled by the agency.

Money and Securities

A. Insuring Agreement

We will pay for direct loss of money, negotiable papers, and securities, at reported locations occurring during the policy period, unless the loss is otherwise excluded or limited according to the terms of this policy manual.

B. Definitions

Additional definitions relating to Money and Securities are included in Section III, General Definitions.

1. Dual Controls means measures which require cross checking or accounting by at least two people, which restrict access of funds to no less than two individuals, which segregate duties or money handling procedures with checks and balances.

2. Reported Location means a separate structure, a building, or a stadium, and each unrelated money center in any single structure, building, or stadium.

3. Related money center means a part of the same program so that they are subject to the same procedural and management controls and purposes. For instance, two or more admission gates at a stadium would be related. A snack bar and the office where students pay tuition are unrelated even though they are in the same building.

4. Securities means all negotiable and non-negotiable instruments or contracts representing either “money”; defined as currency, coin, bank notes and bullion; or other property including revenue and other stamps in current use, tokens, coins and tickets.

C. Exclusions

We will not pay for loss or damage caused directly or indirectly by any General Exclusion under III, General Exclusions, or any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss:

1. We do not cover any loss due to mysterious disappearance as defined under III, General Definitions (18).

2. Direct loss of money or securities caused by theft, forgery, alteration, and/or dishonesty by any officer, employee or agent acting alone or in collusion with others is excluded under this policy manual. See our Employee Dishonesty Policy Manual 125-7-203. Losses due to employee dishonesty are subject to the terms of that policy and any bond or crime policy we may carry.

3. There shall be no coverage under this policy manual to any officer, employee, or agent immediately upon discovery, by DAS Risk Management, of a dishonest act committed by that employee whether before or after becoming employed by the State.

D. Limits of Insurance

1. Payment for loss of Money and Securities may not exceed $750,000 for each loss at any location or building.

2. Payments will be made under terms of this policy manual and under terms of any other insurance we may purchase. However, commercial insurance purchased may not cover all money and securities covered by this policy manual. Loss payments not covered by this policy manual include:

A. Any deductible;

B. Any gap between the self-insured retention and the loss amount where commercial insurance coverage begins;

C. Amounts covered by any other applicable insurance;

D. Amounts above the self-insured retention that are excluded from or limited by commercial insurance coverage; and

E. Any amounts above the commercial insurance limit.

E. Deductibles

One deductible applies to each loss as follows:

1. Money and Securities is $5,000 unless we agree in writing before a loss to a lesser amount.

F. Conditions for Payment

1. You should maintain a written loss control plan for each location and be able to demonstrate it is being followed. Your loss control plan should include at least the following items:

A. Dual Control Measures such as: physical safeguards for cash, limits to amount of funds on hand, secure storage and transport of funds, immediate posting and receipts of cash, daily balancing by at least two people, procedure for correcting and confirming correction of ledger or recording errors, regular verification of stored items.

B. Measures for prompt reporting to police after a loss, then to us without delay.

C. Measures for prompt recovery from loss.

D. Periodic internal audits.

E. Periodic verification that loss control plan is being followed

2. Annual Risk Report.

You must include the total estimated value of covered money and securities at all covered locations on the Annual Risk Report. You also must maintain and provide upon request:

A. Name and description of each covered location;

B. Description of the money and securities to be covered at each location;

C. Amount of money and securities at each location; and

D. Summary of applicable seasonal variations.

3. Property losses must be reported to us as soon as possible and not later than 90 days after you discover it. Failure to report your agency's loss to us within this timeline may result in denial of the claim.

4. You must cooperate fully with us in investigating your claim and documenting the loss. Coverage may be forfeited if you fail to cooperate fully and honestly in the investigation and documentation of your claim.

G. Reporting Losses

1. The State Self-Insurance Claim Report Form should be used for all property losses.

It is an all-purpose, self-insured loss and lawsuit report form. Do not use for Workers' Compensation and Inmate Injury Claims. Attach supporting documentation, such as:

A. Evidence of state ownership;

B. A copy of any police or fire department report;

C. Information on any adverse party's insurance; and

D. Evidence you complied with any conditions of payment specified in the applicable Money and Securities coverage Section.

2. Property losses under the deductible do not need to be reported to us. We do not handle or adjust these losses.

3. Property losses caused by others that are above the deductible need to be reported to Risk Management as soon as possible and no later than 90 days after you discover it. We will assist your agency in recovering from the other party.

Loss report form can be found on the Risk Management website:
http://www.oregon.gov/das/Risk/Documents/Form_StateOwnedPropertyLoss.pdf

H. Loss Settlement

All loss settlements are subject to Section VI. D., LIMITS OF INSURANCE. Subject to the terms of this policy manual:

1. Money and Securities loss payment will be determined based on Replacement Cost. We will pay documented losses. Proof of amount of loss must be made from your accounting and security records. Incomplete or unclear records will not support a report of loss.

2. Subrogation: If we make payment on your loss, we will handle any recovery actions against third parties. Our recovery will reduce your losses used in determining future risk charges. Funds recovered will be credited against your losses and used in calculating your future risk charges.

3. Sensitive Claims: It is our policy to consult with you on our actions on sensitive claims. You should alert us in writing if a loss is of a sensitive nature.

4. Other Insurance or Funding Source for Restoration:

A. If we purchase primary commercial property insurance, or delegate the purchasing authority to you, for your specific property (real or personal), that coverage is your sole remedy for indemnification of loss subject to the policy terms and conditions.

There is no coverage under the Insurance Fund even if the specific policy is not as broad as Insurance Fund coverage.

B. If your agency has other funding sources for the restoration of the same loss or damage, other than that described in A. above, we will only pay for the amount of covered loss or damage in excess of the amount due from that other funding source, subject to the terms and limitations of this policy manual. However, we will not pay more than the applicable limit as described in Section VI. D. LIMITS OF INSURANCE.

Exceptional Items

A. Insuring Agreement

Subject to VII. D. Limits of Insurance, we will pay for repair, restoration, or loss, up to market value for loss to artwork or other exceptional items. If loss is total or cost to repair exceeds the agreed value, we will pay the lesser of the reported appraised value or market value as determined by a recognized appraiser whom we may retain.

Exceptional Items refers to three kinds of personal property. These items have market value caused by collectors desiring to possess them. The state's need for them can often be met by having access to or information about them rather than owning them.

Exceptional items include:

A. **Historic Items**: Original papers, artifacts, and memorabilia. Their high market value comes from their authenticity, rarity, and age.

B. **Collectibles**: Their high market value is due to their popularity. People hold them for appreciation and transfer of wealth.

C. **Works of Art**: These include art owned by the state and art on loan to the state for display

Subject to Section VII, D, LIMITS OF INSURANCE, 1 (A) and (B), highly valued individual items and highly valued collections have special appraisal and/or written coverage endorsement requirements that must be met.

B. Definitions

Additional definitions relating to Exceptional Items are included in Section III General Definitions.

A. **Appraisal** means a documented valuation conforming to normal or recognized standards for commercial appraisals of similar items. An appraisal must include a description of the item, its market value, date of valuation, identification of the appraiser, his or her qualifications, and the appraiser's signature.

B. **Item** means pieces that are normally separated from similar items. Example: A chess set is an item within a collection of chess sets. A chess piece would not normally be an item.

C. **Collection** means pieces or items of personal property that are not normally separated, are similar in nature, or are gathered for a single purpose.

D. **Recognized Appraiser** means an expert who appraises similar items in the course of his or her state employment or in private practice. It does not include the owner of the item.

C. Exclusions

We will not pay for loss or damage caused directly or indirectly by any General Exclusions under Section III, General Exclusions, or any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss:

All market value payments for loss to exceptional items exclude:

A. Loss or damage due to gradual deterioration or due to damp, dry, hot, or cold air, unless such damage is the result of some other paid loss.

B. Results of delay or loss of market.

C. Loss or damage from acts of dishonesty of any person to whom you may entrust these items.

D. Damage due to any repair, restoration, or retouching. But we will pay reasonable cost to repair or restore damaged items or to make reproductions of lost parts of a pair, set, or collection.

E. We will not pay diminished market value due to repaired damage or due

to loss of a piece, item, or unit from a pair, set, or collection.

F. Items on loan to you are still covered by our liability policy manual, but only to the extent the loss or damage was due to your negligence.

D. Limits of Insurance

1. Payment for Exceptional Items is limited to $250,000 per occurrence and $50,000 per item unless we consent by written amendment or endorsement to a larger amount. In addition:

   A. An item valued over $10,000 or a collection valued over $50,000, must be valued in writing by a recognized appraiser.

   B. An item valued over $50,000 or a collection valued over $250,000, requires our approval by written endorsement. We may elect to purchase commercial insurance on your behalf and at your cost.

2. Payments will be made under terms of this policy manual and under terms of any other insurance we may purchase. However, excess commercial or other insurance purchased may not cover all real property or personal property covered by this policy manual. Loss payments not covered by this policy manual:

   A. Any deductible;

   B. Any gap between the self-insured retention and the loss amount where commercial excess property Insurance coverage begins;

   C. Amounts covered by any other applicable insurance;

   D. Amounts above the self-insured retention that are excluded from commercial excess property Insurance coverage; and

   E. Any amounts above the commercial excess property insurance coverage.

E. Deductibles

One deductible applies to each loss as follows:

1. All other real and personal property of agencies with Legislatively Approved Budgeted FTE of more than 20, including Exceptional Items, $2,500.
2. All other real and personal property of agencies with Legislatively Approved Budgeted FTE of 20 or fewer, including Exceptional Items, $1,000.

3. We will apply one deductible per location per occurrence.
4. If we declare an event a catastrophe, we may waive deductibles for each loss arising from the event when the loss exceeds the deductible amount.

F. Conditions for Payment

A. You should follow a written loss control plan for exceptional items valued over $10,000 or collections valued over $50,000 and be able to demonstrate it is being followed. Your loss control plan should include at least the following:

1) How the property will be appropriately protected from loss or breakage with reasonable precautions to protect fragile items while on display, in storage, and during shipping.
2) How the property will be appropriately protected from theft and vandalism.

B. If on loan to you, you must have a written agreement with the owner-lender that makes you responsible for loss or damage. The agreement must be signed before any loss or damage and name the agreed upon market value. It is your duty to assure agreed upon values do not exceed reasonable market values.

C. You must inventory items or collections on loan each time the item or collection changes location.

D. **Annual Risk Report**. You must include the estimated total value of covered property on the Annual Risk Report. You must maintain and provide upon request details supporting the summary which includes:

1. Name and description of each exceptional item or collection;
2. Building location of exceptional item or collection;
3. Total value of covered items at each location;
4. Estimated market value; and
5. Maintain a separate list of items whose individual value exceeds $50,000 or collections valued over $250,000.

E. Property losses must be reported to us as soon as possible and not later than 90 days after you discover it. Failure to report your agency's loss to us within this timeline may result in denial of the claim.

F. You must cooperate fully with us in investigating your claim and documenting the loss. Coverage may be forfeited if you fail to cooperate

fully and honestly in the investigation and documentation of your claim.

G. Reporting Losses

1. The ***State Self-Insurance Claim Report Form*** should be used for all personal property/ Exceptional Items losses.

It is an all-purpose, self-insured loss and lawsuit report form. Do not use for Workers' Compensation and Inmate Injury Claims. Attach supporting information, such as:

A. Evidence of state ownership or responsibility;

B. Copy of the DMV Traffic Accident and Insurance Report, if applicable;

C. Copy of any police or fire department report;

D. Repair estimates, photographs, other data on cost of damages;

E. Information on any adverse party's insurance; and

F. Evidence you complied with the conditions of payment specified in this coverage Section for Exceptional Items

2. Exceptional Items losses under the deductible do not need to be reported to Risk Management. We do not handle or adjust these losses.

3. Exceptional Items losses caused by others that are above the deductible need to be reported to Risk Management as soon as possible and not later than 90 days after you discover it. We will assist your agency in recovering from the other party.

Loss report form can be found on the Risk Management website:
http://www.oregon.gov/das/Risk/Documents/Form_StateOwnedPropertyLoss.pdf

H. Loss Settlement

All loss settlements are subject to Section VII. D., LIMITS OF INSURANCE.

1. The documentation we will require for claims is provided above under REPORTING LOSSES. Incomplete or unclear records will not support a report of loss.

2. In the event of a loss, we may require records of your ownership or your control and/or responsibility for damage. We may also need to know how you determined your reported value.

3. For Exceptional items, loss payment is determined by the cost of replacing the property with common, everyday materials similar to those which the

item was composed.

4. Payment for losses will equal our finding of restoration cost, actual cash value, or other valuation method as described in this policy manual. The deductible will reduce our payment. Restoration cost is the lesser of the cost to repair or replace in conformance with state purchasing rules or state price agreements. To find the restoration cost, we may use:
   A. Appraisals by our contractors or a recognized appraiser;
   B. Competitive bids;
   C. The same method you used to determine values for Annual Risk Reports; or
   D. Other data.
5. **Subrogation**: If we make payment on your loss, we will handle any recovery actions against third parties. Our recovery will reduce your losses used in determining future risk charges. Funds recovered will be credited against your losses and used in calculating your future risk charges.
6. **Sensitive Claims**: It is our policy to consult with you on our actions on sensitive claims. You should alert us in writing if a loss is of a sensitive nature.
7. **Salvage**: We may decide that damaged property can be sold for salvage. If so, we will request your title or evidence of ownership. These must be assigned and transferred to us upon our request. We will arrange for any disposal of the property.
8. **Other Insurance or Funding Source for Restoration**:
   A. If we purchase primary commercial property insurance, or delegate the purchasing authority to you, for your specific property (real or personal), that coverage is your sole remedy for indemnification of loss subject to the policy terms and conditions.

      There is no coverage under the Insurance Fund even if the specific policy is not as broad as Insurance Fund coverage.
   B. If your agency has other funding sources for the restoration of the same loss or damage, other than that described in A. above, we will only pay for the amount of covered loss or damage in excess of the amount due from that other funding source, subject to the terms and limitations of this policy manual. However, we will not pay more than the applicable limit as described in Section VII. E. LIMITS OF INSURANCE.

Special Services

1. If you need coverage for something not mentioned, something excluded or limited by this self-insurance policy, please tell us. We may be able to form a plan of self-insurance to meet your needs. Any plan we develop must be consistent with ORS Chapter 278 and be actuarially sound. We may have to obtain legislative approval for the plan. We may be able to obtain commercial insurance to meet your needs.

2. We may be able to help you develop a risk control plan that will remove or reduce your need for coverage.

3. Our staff may be able to help you pursue a claim against your contractor's insurance company. How much help we provide depends on your need, our expertise, and available resources. There is no charge for this help.