

**WVU ROBERT C. BYRD HEALTH SCIENCES CENTER  
PROFESSIONAL LIABILITY INSURANCE AND RISK MANAGEMENT FUND**

**INVESTMENT POLICY**

**April 10, 2012**

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# **I. PURPOSE AND PHILOSOPHY**

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## **A. Purpose**

1. The purpose for which the WVU Robert C. Byrd Health Sciences Center (“Health Sciences Center”) established a Professional Liability Insurance and Risk Management Fund (the “Fund”) was to implement a self-insurance retention program for medical professional liability insurance as allowed by WV Code §18B-5-10 and to facilitate prudent asset management and to achieve optimal investment performance. The provisions, terms and conditions of this Investment Policy govern the Fund.
2. §18B-5-10 provides that upon the agreement of the West Virginia State Board of Risk and Insurance Management (BRIM), the health professionals school under the jurisdiction of the governing board of WVU (“the Board”), may participate in a self-insurance retention program and that such Code further provides that the Board has the authority to administer, manage and settle its own medical professional liability insurance claims.
3. This document provides the framework for the investment, the maintenance, and the enhancement of the Fund.
4. It is expected that this policy will be reviewed annually and updated or modified as necessary to reflect changes in the needs of the Health Sciences Center as it relates to the Fund.

## **B. Investment Philosophy**

The Board believes that Health Sciences Center Fund assets should be managed in a manner that is consistent with the philosophy of the Board and that reflects the unique purpose for which the Fund was established. The Board recognizes that in any economy, over an appreciable time period, unsupervised assets will be subjected to an inflationary loss of purchasing power as well as market risk. The Board also recognizes that over the long term the risk of owning equities has been, and may continue to be, rewarded with a somewhat greater return than that available from fixed income investments. The role of fixed income investments within the Fund is to reduce risk in the overall investment portfolio of the Fund.

As a matter of philosophy, given the Health Sciences Center’s position as a healthcare provider, the Board believes that the investment of the Funds in the stocks or bonds of corporations which sell tobacco and/or alcohol should be limited, to the extent possible.

## **II. RESPONSIBILITIES**

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### **A. General Responsibility of the WVU Board of Governors**

The Board has general responsibility for the management of University business affairs. In a Resolution dated February 8, 2002, the Board delegated certain responsibilities to the President as it was “prudent for the Board to delegate certain power and control over the University’s affairs to the president of the University. Also, in making this delegation of authority, this Board authorizes the President, in turn, to make such further delegations of authority to others as the President may deem necessary and appropriate for the day to day management of the business affairs of the University.”

As such, the President has delegated certain responsibilities to the Professional Liability Insurance and Risk Management Fund Investment Committee (“the Investment Committee”), comprised of members of the WVU University Planning Committee and chaired by the Provost.

### **B. Specific Responsibilities of the Investment Committee**

1. Develop and promulgate a sound and consistent portfolio strategy, addressing items such as financial and investment objectives, asset allocation, and general maintenance guidelines; e.g. diversification and quality guidelines;
  - a. Reviewing the written portfolio strategy at least annually.
2. Communicating clearly the major duties and responsibilities of those qualified Agents accountable for achieving investment results and to whom specific responsibilities have been delegated;
3. Monitoring and evaluating results to ensure that the portfolio strategy is being adhered to and that policy objectives are being met;
4. Supervising the Investment Agent and / or taking action directly, under appropriate circumstances, to discharge an investment manager or advisor for failing to perform in terms of stated expectations or to abide by the Investment Policy;
5. Undertaking such work and studies as may be necessary to keep the Board adequately informed as to the status of the Professional Liability Insurance and Risk Management Fund; and

6. Communicating with the Board on an annual basis about the portfolio strategy and investment activity.

### **III. FUNDS**

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#### **A. Financial Objective**

The Board has established the Fund for the purpose of facilitating prudent asset management to provide a source of investment income from the funds that are set aside for its professional liability insurance and risk management, and from earnings thereon, for the current and future support of professional liability insurance and risk management. Implicit in this objective is the financial goal of preserving and enhancing the Fund's inflation-adjusted purchasing power through investment performance, measured on a total return basis over a market cycle vis-a-vis a Blended Benchmark.

The Fund is maintained to provide self-insurance against medical malpractice and comprehensive general patient liability losses in combination with purchased insurance.

#### **B. Investment Objective**

In meeting the financial objective of the Fund, the Board seeks to achieve a high level of total investment return consistent with a prudent level of portfolio risk. As such, the investment objective of the Fund is to attain an average annual real total return (net of investment management fees) of at least 3.0% as measured over rolling five-year periods. It is recognized that the real return objective may be difficult to attain in every five-year period, but should be attainable over a series of five-year periods. This objective should be attainable within reasonable risk levels given the purpose and availability of these funds.

The Policy Portfolio allocation provides a reasonable expectation that the Investment Pool's objectives can be achieved based on historic relationships of asset class performance. It represents the Investment Agent's assessment of the optimal asset allocation and expected return. It should not be regarded as a rigid set of rules regarding asset allocation or required rates of return. The Investment Agent will review the structure annually and make adjustments as may be appropriate in light of changing market conditions.