



Department of Administration

# Risk Matters

Winter 2010



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## A New Client Service Notary Bonds Now Available

State law requires all notaries to purchase a 4 year notary bond with a value of \$10,000. The bond protects the public from a notary's failure to correctly validate the identity of parties to an agreement/contract.

We are pleased to announce that effective January 1, 2011, the Risk Management & Tort Defense Division will offer a new, low cost notary bond alternative.

State agency or university notaries with new commissions or expiring bonds may obtain a notary bond through the state's insurance broker, Alliant Insurance Services, at rates provided in Table 1 (next column).

Since the notary bond protects the public, not the notary, it is recommended that notaries obtain at least \$10,000 in additional errors & omissions coverage.

Table 1

| 4 Yr Notary Bond of \$10,000 = \$40<br>(Additional Recommended)<br>Errors & Omissions |       |
|---|-------|
| \$10,000.....   | \$52  |
| \$15,000.....   | \$65  |
| \$25,000.....   | \$78  |
| \$50,000.....   | \$156 |
| \$100,000.....  | \$312 |

To apply for notary bond coverage, please complete the notary bond application found on our website at <http://rmtd.mt.gov/insurance/notarybond.asp>.

For information about how to become a notary or to renew your notary commission, please visit the Secretary of State's website at [http://sos.mt.gov/notary/Become\\_Notary.asp](http://sos.mt.gov/notary/Become_Notary.asp).

# Hailstorm Hammers Bozeman

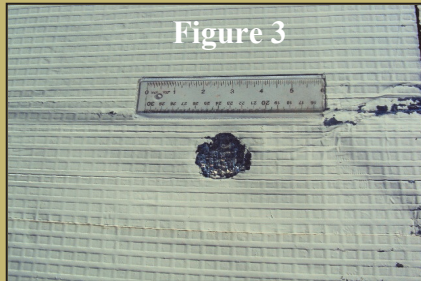
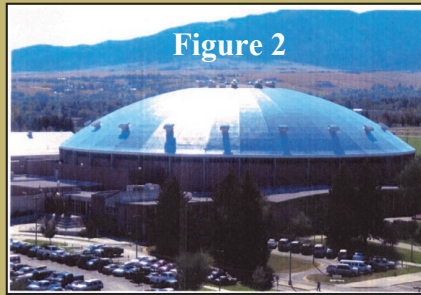
On the heels of a tornado in the Billings area, state properties sustained extensive damage from a severe hailstorm that struck the Bozeman area on June 30, 2010, at 6:00 p.m.

Golf ball size hail stones were driven with such force, that in a few instances, broken glass shards flew across rooms creating holes/scratches on computer monitor screens (Figure 1).

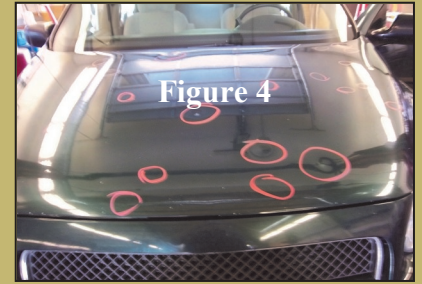


The Montana State University Bozeman (MSU) campus was hardest hit with most building roofs damaged to some degree.

The MSU Fieldhouse roof sustained extensive damage (Figures 2 and 3).



The state motor pool, Fish, Wildlife, & Parks, and other agencies also had vehicles that were damaged and required repair (Figure 4).



This loss is estimated to cost over \$3 million and could well prove to be the largest state government property loss ever.

Hundreds of buildings and vehicles were damaged, and approximately 1,700 windows were broken.

Over \$500,000 was expended last summer to meet immediate urgent repairs, such as broken glass, water leaks, and clean up.

State experts are busy writing projects to repair buildings and roofs to be completed during the 2011 construction season.

## Refrigeration Implications!

*Insect larva, blood, cheese, DNA, petri dish, milk, flu vaccine, eggs, snake venom, food, worms, heat sensitive chemicals, butter, research animals, hamburger, cancer research drugs, and plasma. What do all these have in common?*

The need for refrigeration! Refrigeration is a critical factor in many state and university operations from food services to laboratory research.

The state property/casualty insurance program covers 46 commercial refrigeration units and their diverse contents. What happens when one of these units malfunctions?

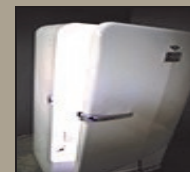
According to the risk manager of a nearby state, the university lost ALL research experiments! It is anticipated that this loss could reach \$50 million dollars!

Only a few years ago, an ammonia connection line failed on a unit containing the food for the Montana school lunch program.

A total of 8,599 cases of food were tainted and had to be destroyed at a total cost to the state of \$350,000. The loss of refrigeration can have major financial implications.

There is also the potential for business income loss. The cause of most breakdowns is electrical power supply outages and mechanical failure of refrigeration equipment.

Losses can be prevented through periodic inspection and a reliable tamper resistant method to continuously monitor temperatures and notify you whenever conditions indicate loss of refrigeration.



The alarm system should be tested at least monthly. Emergency planning procedures should include names and numbers of equipment suppliers, refrigerated truck sources, and/or alternate cold storage facilities.

# Congratulations, Discounts, and CERTS!

## CONGRATULATIONS!



Declining revenues and lower profits usually mean bad news! However, that isn't necessarily true for insurance premium discount programs administered by the Risk Management and Tort Defense Division.

Our loss is your gain! Yes, we're happy to offer insurance premium discounts to those agencies who establish effective risk management programs. Why, you ask? Experience tells us that sound risk management practices often result in fewer claims and lower claims costs.

There are three discount programs currently offered by RMTD:

- ◆ Auto Insurance Premium Discount.
- ◆ High Deductible Premium Discount.
- ◆ Property Loss Management Premium Discount.

In FY 2011, RMTD awarded approximately \$500,000 in discounts. Agencies earned \$15,000 more in discounts this fiscal year than last fiscal year.

We congratulate the top five earners:

- ◆ University of Montana-Missoula,
- ◆ Montana State University-Bozeman,
- ◆ Department of Transportation,
- ◆ Department of Administration,
- ◆ Montana State University-Billings.

For a complete list of all agencies who earned a premium discount in FY 2011 please visit <http://rmtd.mt.gov/insurance/noticeelectionforms.asp>.

## Higher Deductible Discount = Lower Insurance Premiums!

State revenues are down; therefore, we must all 'tighten our belts' and find ways to cut costs.

To that end, the Risk Management and Tort Defense Division offers an insurance premium discount for agencies who choose a higher deductible for auto comprehensive/collision and property insurance.

The amount of the discount is based upon the deductible level chosen. For example, the standard property insurance deductible is \$1,000 per claim.



An agency can choose to increase that deductible to \$5,000 per claim in exchange for a 10% discount on their annual property insurance premium.

While this discount program isn't for everyone, those agencies with a discount base large enough to cover potential losses and/or agencies that have effective loss management programs in place can benefit financially.

The Department of Transportation, Department of Administration, and the Montana University System have taken advantage of the program and have realized significant insurance premium savings through cost sharing and loss prevention.

For additional information on high deductible discounts, please visit our website at <http://rmtd.mt.gov/insurance/noticeelectionforms.asp>.

## Have You Tried Our New CERTS Lately?

NOT referring to breath mints! Rather, our new 'certificates of insurance' or CERTS!

What is a certificate of insurance? When will I need a certificate of insurance? Where do I obtain a certificate of insurance? Fortunately, there are answers!

First, a certificate of insurance is a document issued by an insurance carrier or self-insured entity that provides evidence of insurance for a particular event.

Quite often, state agencies enter into leases or other arrangements where they are asked to provide proof of insurance or a certificate of insurance.

In other words, the other party wants to know that if you burn their building down there is a financial mechanism in place to pay for the claim.

Remember to check your state vehicle before leaving for your next trip to make sure that you have a certificate of auto insurance <http://rmtd.mt.gov/insurance/certifins1.asp> in the glove compartment.

Effective July 1, 2010, all other certificates of insurance must be requested online at [http://rmtd.mt.gov/insurance/files/COI\\_requestform.pdf](http://rmtd.mt.gov/insurance/files/COI_requestform.pdf), and forwarded to Cathy Meidinger.

Try our new CERTS! You'll like them!





## *Driver Records Verification Training*

Picture this! A state employee is involved in a severe motor vehicle crash in a state vehicle. People are injured and property is damaged. The state driver has a very poor driving record and the driver is negligent!

A scenario like this is not unlikely. However, the chance of a poor driver operating a state vehicle is greatly reduced by periodically checking driving records.

Because it used to be difficult to check employee driving records, many agencies relied on the self-reporting provisions of the State Vehicle Use Rule (ARM 2.6.201 – 2.6.214).

The rule required state employees to self-report driving infractions to their supervisor when accumulated points exceeded 12 or more in the last 36 months, or when a single driving infraction met or exceeded five conviction points.

In a recent audit, the Legislative Audit Division found a need for more independent verification of driver records.

Your agency can now do that online at a reasonable cost through the Department of Justice, Driver History Records Service.

For an annual fee of \$75, your agency can designate up to ten users to check unlimited records.

Agencies can gain access to the service by establishing an ePass account through the state's mt.gov website. RMTD has created two self-paced, on-line, training modules to guide you through the process.

The first lesson teaches how to establish an ePass account, why an agency should check driver records, and whose records to check.



The second lesson explains how to access the system once an account is established, how to check and interpret a driver record, and how to utilize the results. The driver records check lessons may be found at <http://rmtd.mt.gov/training/driverrecordschecks.asp>.

State Human Resource Officers are typically designated by each agency head to check driver records. Call your HR officer if you have questions about a driver record. Contact John Duezabou of our office at (406) 444-0195 if you have additional questions about the training.

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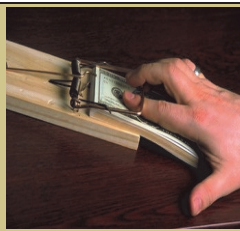
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# Wire Transfers



Earlier this year, a state agency sought and obtained approval from the state accounting division to transfer funds from a local bank to foreign national bank.

Bank wire transfers are among the most expedient and secure ways to move money between bank accounts.

However, given the size and distance of the transfer we agreed to insure this transaction through the state's crime insurance carrier, Great American.

Great American also agreed to cover fraudulently transmitted instructions at a nominal cost.

In the event that your agency needs to make a bank wire transfer, first obtain approval from the state accounting division then contact us with insurance related questions.

We're confident that we can tailor a solution to suit your unique circumstances while protecting your financial resources.

# Fraud Prevention Awareness

You only have to pick up the daily newspaper to read about employee fraud and its impact on employers nationwide.

According to Traveler's insurance, organizations lose an estimated 6% of their revenue (\$400 billion) annually to white collar crime. Internal controls and training are the most important tools in your arsenal of preventative measures to combat white collar crime.

In September of 2008, the Risk Management & Tort Defense Division sponsored 'Fraud Prevention Awareness' training statewide through teleconference technology.

You may view that recorded seminar on our website and learn more about internal controls and prevention at <http://rmtd.mt.gov/training/stateemployee fraud.asp>.



# Every Action, Every Person, Every Decision!

What is self-insurance? How are my agency's insurance rates determined? What are some of the state's risks?

These are just a few of the many questions that we receive almost daily! Fortunately, there are answers to these important questions!

First, self-insurance means that the state sets aside money to pay for its own claims, lawsuits, and associated expenses.

The amount of insurance premium collected each year is based upon actuarial projections of liabilities and the state's funding objectives.

Second, highway maintenance, state institutions, law enforcement, corrections, and the operation of state vehicles are just a few of the state's key risks.

State business is risky business! The state is self-insured in most cases because there are no other viable alternatives.

Finally, your agency's insurance premiums are driven by its own loss history and exposure (i.e. FTEs and vehicles).

Claims that are prevented represent 'money in the bank' and a true savings to the taxpayer.

**EVERY Action,  
EVERY Person,  
EVERY Decision  
makes a difference!**



# Risk Management Advisory Council

## Winter 2010

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Alternative accessible formats of this newsletter will be provided on request. Persons who need an alternative format should contact the Risk Management & Tort Defense Division, Department of Administration, 1625 11th Ave., Helena, Montana 59620-0124. Phone: (406) 444-2421. Those using a TTY may call through the Montana Re-lay Service at 711.

Visit us on the web at <http://rmt.d.mt.gov>.



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