STATE RISK MANAGEMENT ADVISORY COUNCIL
MINUTES OF THE JULY 16, 2002 MEETING
Commissioner of Higher Education Conference Room
9:00 a.m. to 12:00 p.m.

Members present: Vince Justice and Mary Taylor, **MGSLP(???);** Jeff Shada, **MSU-Bozeman**; John Huth, **State Auditor's Office**; Teri Juneau, **Commerce**; Joe DeFilippis, **Secretary of State;** Devin Garrity, **Administration;** Larry Delaney, **Higher Education;** Kathy Battrick, **DPHHS;** Diane West, **Labor & Industry**; Kerry Schneckloth (for Virginia Cameron, **DEQ;** Ray Eby and Mike Buckley, **Transportation;** Diana Wyatt, **MSU COT-GF**; Jeff Weldon, **OPI;** Marilyn Cameron, **MT Tech of UM;** Doug Denler; **FWParks;** Patti Forsness, **Justice;** Linda McKinney, **Agriculture;** Ken Willett, **UM-Missoula;** Barbara Duke, **State Library;** Debby Hansmann (for DJ Whitaker), **UM COT**-**Helena;** Pete Donovan, **Board of Public Education;** and Donna Wrubel, **Military Affairs.** Attending from **RMTD** were Brett Dahl, Aric Curtiss, Kristie Rhodes, Marjie Adams, Jennie Younkin and Carol Berger.

Absent were members from Corrections, Historical Society, Judiciary, Legislative Branch, Livestock, MSU-Billings, MSU-Northern, DNRC, Political Practices, Public Service Commission, Revenue, and Western MT College of UM.

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Brett welcomed everyone to the meeting and asked the new members to introduce themselves. Teri Juneau, John Huth, Devin Garrity and Joe DeFillipis responded.

The minutes of the December 6, 2001 meeting were approved as written.

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Montana State Fund – Mike Glass presented the Rate Classification System for Workers' Compensation, prior to July 1, 2002 and for the present.

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He explained that loss costs are calculated by the National Council on Compensation Insurance (NCCI) for use by all carriers writing workers compensation insurance in Montana, except for state agencies and 12 selected classes. State Fund does not use NCCI data for state agencies because the loss and payroll data is credible.

Prior to July 1, 2002 the State Fund used three rate tiers – select, preferred, and equitable, but most all businesses were placed within the select tier, and there was only about 5% price difference between tiers. Historically, there were two criteria for rate tier placement: loss ratio and delinquency rate. The relevant statute was MCA 39-71-2341 (a), and directed the State Fund to "*implement variable pricing within individual rate classifications to reward an employer with a good safety record and penalize an employer with a poor safety record. The timeliness of an employer's payroll and reporting and premium payments and other relevant factors may be considered in the placement of an employer within the variable pricing levels.*" The statute was repealed effective July 1, 2002.

Effective July 1, 2002, MCA 39-71-2330 (3) states, "*The board may implement multiple rating tiers for classifications that take into consideration losses, premium size, and other factors relevant to placing an employer within a rating tier.*" The new plan makes use of five rate tiers: MSF1, MSF2, etc. MSF1 represents the lowest cost tier and MSF5, the highest at 40% above MSF1. Non-experience rated employers are placed within a rate tier based upon the frequency of claims greater than $250 and the number of policy years of continuous coverage with Montana State Fund. Experience rated employers are placed within a rate tier based upon their experience rating modifier, which range from less than or equal to 0.79, up to greater than or equal to 1.75. The new system reduces the magnitude of scheduled rating that State Fund would have to do otherwise, and rates each agency on it's own merit. Mike stated that for the majority of state agencies, it works out to about the same as the old 3-tier system.

Draft Legislation (Dividends) – Brett explained that draft legislation would provide state agencies receiving dividends from State Fund with the opportunity to request that the dividends be used for safety-related activities. He asked the members to forward any comments they may have concerning this proposed legislation to him.
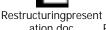

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Consulting and Training Information System – Aric apprised the group about the new system and the information that can be derived from it. In addition to information concerning the many courses that are offered and a method to register for them, the system now contains four years of information that is useful for finding out who attended what classes at any time within this timeframe and obtaining other related reports. At the present time agencies must call for a list of employees attending courses, however, in the future they may be able to access this information themselves.

Upcoming Training – Training scheduled for the next couple of months includes a Virtual Seminar entitled, "Risk & Recreation" on July 24, a Defensive Driving course in Helena on September 23, and Fire Safety Training on September 16 (restricted). Fraud Awareness/Prevention for Managers and Fraud Detection (Accountants & Auditors) will be given on August 26, and Fraud Investigation is on August 27. An Audio Conference on "Slips, Trips and Falls" will be held August 8. Van Safety Training, restricted to the University of Montana, will be given on August 1 and August 28. To access the training

schedule and register for a class, go to the RMTD web site, Safety and Loss Control , and click on Training.

RMTD Restructuring – Brett explained that, effective January 1, 2003, RMTD will be restructured with the objectives of developing multi-line claims expertise and improving communications and services to agencies. These services will be delivered by teams, with a team liaison/lead assigned to each team. Team clients include agencies, universities, and institutions. Resource leads on the RMTD staff will assist teams with issues pertaining to their expertise. For purposes of claims handling, agencies are assigned to two teams (see attachment). A third team is to be announced, depending on what happens when the Legislature meets (hiring freeze, etc.). For purposes of insurance, safety, and loss control, agencies are assigned to three teams (see attachment). Team liaisons/leads are Aric Curtiss, Kristie Rhodes and Brett Dahl. Agency contacts will be the RMTD claims staff assigned to your respective teams, and RMTD resource leads or team leads for questions on insurance, loss control, safety, premium allocation, and other.

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Certificates of Insurance (Auto Liability) – Kristie pointed out that in the "In Case of Accident" form, there is a section intended to be used as a certificate of auto insurance when one is required. However, this is sometimes not accepted by law enforcement officials. On the RMTD web site, Insurance section, agencies can print out their own certificates of auto insurance. However, any other certificate of insurance may only be obtained by completing the information highlighted in yellow on the 'Certificate of Insurance Form' and then sent to the Risk Finance Specialist at RMTD so it can be approved, signed and dated.

Volume Discounts – Brett reported that HB2, Section 7 will include workers' compensation volume discounts in the category that can be transferred from personal services and expended by agencies.

"HB2, Section 7.doc"

Auto Liability Premium Discounts – Kristie gave a PowerPoint presentation (below), which explained how premium discounts are derived and quoted statistics that showed the success of the program. If an agency wishes to sign up they should contact RMTD for the election form, which must be signed and submitted to RMTD. A 5% discount on Auto Liability, Comprehensive, and Collision Coverage for FY2003 insurance premium was awarded to agencies with 3% participation in the 2002 Defensive Driver Training program. Even though numbers of participants in defensive driving training and numbers of vehicles added to programs have increased, claims have decreased. She was happy to report that for the 2004-2005 biennium, the premiums will decrease.

FY2002 Auto Ins Prem
Discount....

Property/Casualty Insurance Renewal

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Brett reported that since the September 11, 2001 terrorist attacks, there has been a decline in the stocks and bonds markets, there were losses of 10 billion dollars in property and aviation, and debris removal costs were 9 billion dollars. According to Federal Terrorism Re-insurance Legislation, the Federal Government will only pick up expenses over $10,000,000.

Premiums on Aviation insurance will increase 42% next biennium, and airports will have a $5 to $10 million increase in coverage. Boiler and Machinery insurance increased slightly this year and will have a 35% increase in the next biennium. Crime insurance increased $10,000 this year and there will be a 25% increase next biennium. General Liability insurance rates will rely on tort damage caps of $750,000 per claim and $1.5 million per occurrence. Property insurance rates went up nominally this year, mainly due to building values going up, but prepare for a big change next biennium. On Workers' Compensation insurance, there were just some minor changes in language.

Brett stated he got a quote on Cyber Terrorism insurance, but found it was marginal coverage ($100 million limit) and extremely expensive ($567,000), and decided it was not feasible.

RMTD's Fixed Cost Presentation for FY2003 for allocated expenses (that are attributed to certain claims and lawsuits) and unallocated expenses (overhead) was presented by Brett recently, and is funded at just enough to cover losses. This is due to the change in insurance markets, increase in exposure, and the increase in cost per claim. Tables on costs and premiums for the FY2005 biennium are included in the attachments below.

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A binder containing each individual agency's Property/Casualty Insurance Renewal for FY2003 was handed out to the RMAC members who were present.

Property/Casualty Insurance Information (Web Access) – Kristie explained how to access the PCIIS on the web and how to access individual agency premiums (see attached instructions). She said that premiums are calculated 3 years in advance by reporting year.

PCIIS access
instructions.doc

Claims Reports (Web Access) – Jennie reminded everyone that to access the claims reports you would go to the RMTD web site, select Safety and Loss Control, then State Agency Loss Reports. Jennie provided all members with passwords and told them to contact her if others needed restricted access or if there were problems.

Claim Reports (Web Access) – Brett explained that there are six reports that agencies can access, going from more specific to more general in nature. He demonstrated how to use the report system. Agencies are now able to run their own reports. The Database User's Guide is attached.

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Safety Day 2002 – Aric reported that Safety Day will be held Wednesday, October 9th this year at the State Capitol Building. He stressed that now is the time to begin promoting Safety Day '02, and asked RMAC members to scout for ideas of how their agency can be represented as a participant this year. Booths are available, activities are being planned, and ideas are being sought. Please contact Aric Curtiss at RMTD (444-3486) with any ideas, questions, or to reserve your booth or presentation time slot!

Miscellaneous – Kristie stated that new mailing labels have been prepared for RMTD's use in sending out the *Risk Matters Bulletin*, flyers, and any other mass mailings. She asked RMAC members to help update the labels by letting RMTD know when an incorrect name or address appears in a mailing for anyone in their agency.

State of Montana Employee Safety Program Self-Assessment Report – Due to lack of time, this topic was not discussed. Information on this subject will be disseminated through an RMAC e-group message.

The meeting was adjourned at 12:00 noon.