

STATE RISK MANAGEMENT COMMITTEE MEETING MINUTES

May 17, 2012

9:00 a.m. to 12:00 p.m.

Historical Society Auditorium

225 North Roberts

Helena, MT

Risk Management and Tort Defense Division Attendees: Brett Dahl, Aric Curtiss, John Duezabou, Cathy Meidinger, Kristie Rhodes, Jennie Younkin, Gordon Amsbaugh, Deb Lopuch, and Kirk Barfuss. Brett thanked everyone for coming to the meeting. Brett introduced Kirk Barfuss, the new claims adjustor.

Risk Management Committee Member Attendees: Dan Archer, Mark Barry, Kathy Battrick, Kathy Benson, Ed Binkley, Natacha Bird, Mark Bruno, Marilyn Cameron, Kelly DaSilva, Julia Dilly, Ray Eby, Daniel Faught, Carleen Green, Angelina Hall, Dave Hamer, Lee Harbour, Barb Kain, Erv Kent, Joe Lamson, Sandy Lang, Carleen Layne, Brenda Mowers, Tom Nichols, Ryan Norwood, Donna Rae, Caroline Rand, Becky Schlauch, Debbie Smithson, Marlys Stark, Heather Voeller and Diane West.

Special Guests: Sheryl Olson and Michael Sweeney.

Special Presentation: McKinley Gunter, ITSD

Claims activity:

Gordon Amsbaugh went over the number of claims that are opened and resolved, as well as the amount of the payout on claims. He indicated that the number of claims opened in a fiscal year may not actually be resolved in the same year. Some claims can take several years to complete (hail damage, earthquakes, torts etc.)

Kirk Barfuss talked about the claims turnaround timeframe. For the 2012 claim year, the average turnaround time is 45 days. This is from the day RMTD receives a claim to when the claim is resolved. He stated that RMTD would like to be notified within five business days unless it is a catastrophic event. The employee involved in an accident is the one that needs to complete the incident report. There is information on how report a vehicle accident in the glove box of state vehicles.

Jennie Younkin said the open/resolved claims reports also help the claims adjustors to know how they are doing in resolving claims. Again, some claims take more time to have a final resolution. She said the four main claims categories are auto, general liability, property and comp/collision. Auto claims are claims that involve state motor pool claims, snowplows, highway patrol vehicles, snowmobiles, etc. All motor vehicles have liability coverage. Agencies choose to have comp/collision coverage and also choose a \$250.00 or \$500.00 deductible. If a motor pool vehicle is in an accident, the agency pays the deductible and RMTD pays the remainder of the claim.

For auto claims, striking an object/animal is the most frequent occurrence. These claims are typically low in dollar amount paid out. The number one auto collision claim is because a state vehicle strikes a parked vehicle. These claims are auto liability claims; a third party is involved and files a claim with RMTD. Striking an animal is a comp/collision claim, not auto liability. Currently in fiscal year 2012, there have been 136 auto claims. People have two years after a loss happens to file a claim.

General liability claims include slips/falls, potholes, wrongful discharge, hail, wind, construction claims, etc. A wide variety of claims fall under general liability. Total amount payout on claims depends on the fiscal year the payout occurred. Torts can take years to resolve and be paid out.

For property insurance, the number of claims is down, but they end up costing more. The agency will pay the deductible and then RMTD pays the first million dollars. Then the excess carrier steps in. Water damage is usually the most common property damage cause. This can be from frozen pipes that break, or pipes that just break. Each agency and look at their loss runs to determine if there is anything that can be done to mitigate damages/claim. Agencies can run their own loss reports. If anyone has any questions, please feel free to call RMTD. [Claims Activity Handout](#)

Jennie said to see Deb and Kristie at the break or after the meeting to get the individual agency loss run reports.

Property/Casualty Insurance Information System (PCIIS) makeover preview

Kristie Rhodes introduced McKinley Gunter with Administration ITSD.

McKinley said PCIIS was developed in 2001 to assist agencies to report their insurable assets. It was a web based application that has become out of date. It has become difficult to do any enhancements or updates to the system. About one year ago, ITSD and RMTD began working together to rewrite the application in newer technology. Under Netscape, PCIIS had reached the maximum of its capabilities and an update was needed. The new version of PCIIS will have a modern java-based user interface. It will have improved search capabilities and simpler navigational tools. The new PCIIS will adhere to the World Wide Web Consortium international standards.

The new login does not require a separate user name and password; the user can use the one they do to log onto the state system. Another enhancement is that users will not need to log into each of their separate entities. Also, menu for navigation is always present no matter what page a user is on.

Each page will have a built in online help feature to explain how to use each page. McKinley said that user training will be set up. [PCIIS Makeover Handout](#)

Emerging cyber risks/insurance

Brett told the group that state and federal laws require state agencies to notify people if their personal information has been breached. There are fines that can be levied if a notification is not done. In 2009, Montana passed a law that defines what a breach is. There are two components. The first one is that unauthorized acquisition of data that materially compromises the security or confidentiality/integrity of personal information maintained by the state or a third party vendor the state uses and secondly, the release of the information causes or reasonably causes harm or injury to a person. Personal information is the first name or initial and last name along with a person's Social Security number, tribal identification, bank account, driver's license, etc. A breach does not include publicly available information that the state may have. If you are notified or discover there has been a breach, it needs to be reported to the RMTD claims staff. An incident report must be completed within two business days and sent to RMTD. The incident report now has a box to check for the security breach.

Brett said RMTD now has insurance to cover security breaches. Breaches can occur when there are not adequate IT security systems, people do not change passwords or give their passwords to others, computers are left on and not locked and also the fact people take laptops home, hard copies of work, disks and thumb drives. Quite a few state agencies have personal information on employees and citizens.

This year, Risk Management participated in a National Cyber Data Insurance program. Montana is one of the few states that has cyber breach insurance. The program provides basic insurance coverage. Part of the insurance coverage includes notification letters. There are vendors that send out the privacy notification

letters to alert people their personal information has been breached. It also covers credit monitoring for one year and forensic investigation that helps discover where/how the breach happened. The agency pays twenty percent co-pay up to a maximum of \$20,000.00 towards the \$100,000.00 deductible. After that, catastrophic insurance takes over. Brett said insurance does not cover everything. With the program RMTD has, there is a 2M aggregate each year. The coverage also includes any regulatory fines. Brett talked about the Utah data breach of 800,000 individuals and the cost of that breach. D.A. Davidson in Montana also had a breach. [Cyber Insurance Handout](#)

Loss Prevention-Training

John Duezabou said the training system is not going thru a major change right now. What has changed on RMTD's website is some online training. Another change on the website is that it now lists which agency has requested him to do a class just for them. Before it did not indicate which agency had requested a restricted class. Another improvement is that automatic email sent to the person that is registered for the class. Prior to now, a person could print out the confirmation of registration. He stated that if the email address is incorrect, the person will not get the notification.

John went over where agencies are at with their employees attending driving classes in order to be eligible for the auto discount. It also showed which agencies did not choose to participate in the discount program and how many employees an agency needs to attend a class to be eligible. Kristie Rhodes will run a report after June 15th. In order for Kristie to run the report, he does not schedule classes the last few weeks of the fiscal year. Keep checking the website for upcoming classes.

There are other courses that count towards an agencies headcount for employees taking driver safety courses. These are AARP, the course in Lewistown and the Rocky Mountain Driving course at the Helena airport. It is up to the agency to let John know and keep track of their employees that may have taken one of these alternative courses. He said RMTD does not accept any online driving courses. The courses he teaches are meant to change driving behaviors and online courses do not do that. [Auto Insurance Discount Handout](#)

Loss Prevention-Property

Aric Curtiss told the group there is a free course Monday, May 21, 201, to walk people thru how to develop a disaster plan. It is an all day course held at the Crow Agency presented by Randy Silverman and Westpas. Another class will be held on Wednesday in Livingston. Aric sent the information out to the Risk Management Committee group. It is a two part course. The second part will be a month later. The course helps identify what resources are available for water or fire damage and what can be done for water/fire damage.

Aric went on to talk about the appraisal evaluation matrix. Nevada and Virginia cities have had historical appraisals done recently. In about three years, over 700 state owned buildings valued at \$500,000.00 or over, have had appraisals done. This is about 88 percent of state owned properties. These are field appraisals with Aric and an appraiser. The state has a lot of properties valued under \$25,000.00 (over 1,200). These include storage sheds, latrines, picnic tables, etc. About 2,800 properties were not appraised. The cost to conduct field appraisals is prohibitive. RMTD now has an evaluation matrix for the mid-range properties valued at about \$100,000.00- \$500,000.00 to establish a replacement for the contents and structure of state owned buildings. The matrix will be updated annually to take in account inflation factors. The company that developed the matrix is an appraisal firm that has done about 75 percent of the appraisals for the state. They are also familiar with our system and properties. Special contents and historic buildings will not be evaluated by the matrix. The system will allow RMTD to factor in remoteness of a building, the shape of the building (corners cost more) and the fact that perhaps

a building is part office and part laboratory. RMTD will enter new values as needed and keep the agency informed.

Aric reminded everyone the property loss binders are due soon. There are nine different requirements in the binders that will need to be reviewed. On June 6th after the binders had been submitted, there will be a panel to review each binder. The binders will be scored on a 1-10 grading. Panel individuals will review every binder and then the panel as a group will review the binders. Agencies can get up to a 10 percent discount on the property premiums. [Loss Prevention Handout](#)

Property/Casualty Insurance bid results FY12

Brett thanked the panel members for their work for the bid renewal process for FY12. Phase one of the renewal process was to find an insurance agent licensed in the state of Montana. The agent will help the state find the appropriate coverage to cover the state's risks. The risks are quite varied and there are a lot of different business functions and purposes to be covered. Brett assembled a panel of six different employees from state agencies and the university system to meet with and assist with the evaluation of the insurance bid proposals. There were also two outside consultants on the panel. The panel chose four brokers to market the state and university programs worldwide. There are 14 commercial insurance programs that were up for bid. Property is the largest insurance program. There is also fine arts, boiler/machinery, aviation, etc. Contracts were awarded to Driver Alliant, Hub International out of Missoula, IMA and Mountain Air Aviation. Driver Alliant was awarded most of the insurance lines from the bidding. Hub International was awarded crime, Mountain Air Aviation airport/aircraft insurance and IMA Colorado has the security bonds. Phase two of the bidding is when the brokers market the lines of coverage to insurance companies worldwide for the best possible coverage for the best price. Commercial excess insurance is high deductible insurance and RMTD has a 1M deductible for each loss before the commercial excess insurance pays on any claims. Investment income is down and insurance companies rely on investment income. Except for property insurance, Brett expects the rates to be stable for the July 1st renewal. There have been some large worldwide catastrophic losses with earthquakes, tornados, etc. For the past five years, agencies and universities have experienced record losses. Our insurance carrier, Lexington, has had to pay out more than the state has, so, this means the property rates will probably go up. There have been hail losses, a large data center loss which was expensive, the prison fire, etc. The 2008 Bozeman hail loss was a 1.2M claim and RMTD paid was \$250,000.00 for the deductible and commercial insurance paid the difference. The 2010 Bozeman hail loss claim was doubled and the estimated cost is about 7M and out deductible was \$500,000.00. The carrier will pay the remainder of the loss. We now have a 1M deductible and may have to go to 2M deductible. The investment future is uncertain. Brett said aviation insurance is stable, but there have not been any large losses. He said to expect some rate increases. [Insurance Bid Handout](#)

Montana University System accidental death & dismemberment insurance (volunteers)

Kristie said universities are asked to report how many volunteers they have during the year. The AD&D insurance policy applies to volunteers who provide direct service to the University System for sponsored events/activities. This can be difficult to determine for larger universities. [Volunteer Program Handout](#)

Client Visits

Brett said that RMTD tries to get out and meet with their clients every two years. It is an opportunity to discuss RMTD's services and see what clients may need from us. He feels it is important to touch bases and go over claims and ways to mitigate risks. These are done typically between August and November. There are three teams and the team leaders are Kristie, John and Aric and one of them will be contacting clients to set up times for the visits. [Client Visits Handout](#)

State vehicle use rule changes

The vehicle use rule has been in effect since 2001 and has not undergone any changes. Brett said the most common question from clients is: We have a contractor that we are taking to a state site. Is it okay to take the contractor in a state vehicle. The answer is yes, if the contractor is on official state business and if the agency head approves it. The main key is that the person must be on official state business.

The possible changes being looked at are changing the measurable amount of alcohol from .02 or more to a **zero** level of alcohol.

Another big change would be to remove 2.6.203 (i). There has been broad use and misuse of agencies letting independent contractors drive state cars. The original intent of adding the language to allow independent contractors was under limited/exceptional circumstances. The state has no control over non-state employees and the insurance does not cover them under the state statute. Brett said if an agency or university feels they have an exceptional circumstance for an independent contractor to drive a state vehicle, call Brett for any approval. There will be a hearing held prior to the changes. Brett does not know when that will occur.

John said the best thing to do is to have the contractor rent a car and then reimburse them.

There are two temporary agencies that cover their temporary workers when they drive state vehicles. It is better to have the temporary agencies have the insurance company name the state of Montana as an additional insured. [Vehicle Use Rule Changes Handout](#)

RMTD's external policies and procedures

Kristie wanted to remind people that our website has our policies and procedures. She said the department of Administration is going thru and reformatting policies for the MOM's manual. One policy that folks may want to look at is the Risk Management Committee policy that outlines the responsibilities and what our role is to the committee.

Brett thanked everyone for attending.