

STATE RISK MANAGEMENT COMMITTEE MEETING MINUTES

June 2, 2011

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 and Deb Lopuch. Brett thanked everyone for coming to the meeting. Brett also thanked Denise King for the use of the Historical Society Auditorium. Brett then introduces Gordon Amsbaugh. Gordon is the new claims adjuster. Gordon replaced Marjie Adams who retired in February.

Risk Management Committee Member Attendees: Christy Aamold, Kathy Battrick, Kathy Benson, Ed Binkley, Mark Bruno, Marilyn Cameron, Ray Eby, Carleen Green, Dave Hamer, Erv Kent, Denise King, Tracy Morano for Sandy Lang, Carleen Layne, Angelina Hall, Tom Nichols, Donna Rae, Caroline Rand, Dan Archer for Jeff Shada, Marlys Stark, Diane West, Susan Gendreau, Natacha Bird, Joe McAnally, Debbie Smithson, Cathy Doyle, Kristy Schaan for Julia Dilly, Gary Frankfurter filling in for Russ Fillner.

Claims: Jennie Younkin

Jennie went over the FY2011 open claims and lawsuits for Auto, Comp/Collision, General and Property.

Currently, there are 733 open claims. RMTD received 830 claims and has resolved 741. Jennie said the report shows any claim and also any open lawsuits. Risk committee members can access and run their own reports.

Jennie went over the auto claims for the past four years. There are three major categories for auto liability. These are objects, which includes rocks (someone claims a rock came off a vehicle owned by the state). Collisions, where a state vehicle strikes another vehicle and then miscellaneous. As an example, miscellaneous would include where a state plow crosses over a center line and this causes a vehicle to swerve and then it hits a guardrail. The state vehicle did not strike another vehicle, but it caused another vehicle to sustain damage.

The report shows that there may be a large number of claims that are based on vehicles being struck by an object, but the money spent is low. The number of collision claims is lower, but the dollar amount spent is higher. Jennie said the number one claim filed is a state vehicle striking a parked vehicle. This has continued to be the number one reason for auto liability claims.

Most agencies do have comp/collision coverage. These claims remain about the same every year. The most frequent claim is striking an animal (deer, coyote, even birds), followed by striking an object other than another vehicle.

Jennie stated that general liability claims include slip and falls, wrongful discharge, hitting a pothole, etc. These claims are trending upward. The dollar amount for each year fluctuates quite a bit. Jennie explained that is because some of the tort/general liability claims can be filed 4-5 years prior to having any settlement/payment on them.

Jennie said property insurance is the only line of insurance for which we carry excess liability. The state pays the first \$500,000.00 on a property claim. After that, the excess carrier pays. The most common

property claim damage comes from water damage. This includes leaking roofs, broken sprinklers and pipes, etc. Jennie said there has been some major hail damage in the past couple of years.

Jennie went over how to access claim reports. If anyone needs to be set up with a password or needs to have their password reset, please don't hesitate to call Jennie. There are two reports, standard and a customized report.

Jennie ran the agency loss trend reports and Kristie and Deb will hand them out at the break.

Brett noted that the number of claims is down, but the severity of claims up.

[Accessing Claims Reports Handout](#)

New member orientation: Deb Lopuch

Please call Deb at 444-2421 and she will schedule a meeting for Brett to go over what the duties and responsibilities are for Risk Management Committee members. Brett will also go over our systems/databases. Usually takes an hour to an hour and a half.

Property/casualty insurance renewal updates 2011: Brett Dahl

There are 14 commercial insurance programs RMTD administers. Brett reminded everyone State Fund handles Workers' Comp., not RMTD. There are high retention deductibles of \$500,000 and RMTD collects enough premiums to fund our portion of the claim. Brett also does benchmarking studies to compare RMTD's rates against other state's rates. All commercial policies renew on July 1st of each year.

The benchmark for where renewal insurance rates might be is typically January. This past January, the commercial insurance renewal rates increased on average about 10-11 percent. Brett stated that worldwide events drive the cost of insurance. In addition, in the past, commercial insurance brokers had made money from stock investments. The recent Japanese earthquake, the tornadoes in Joplin and other large catastrophic events have played a role in the rise in insurance rates.

Renewal rates last year increased between 5 and 10 percent. Brett said we are coming off what is called a soft market cycle; the pricing has been good and the rates competitive and low. The market is pricing upward due to worldwide events/losses. Brett stated hurricane season has just begun and we do not know how that will be or affect insurance rates because of losses.

What will affect our rates are the program specific loss histories. Brett went over some of the major catastrophic losses: The August 2007 state prison fire for \$750,000. We paid \$250,000 and the carrier paid the remainder. Last year the deductible was raised to \$500,000. Last year's hail damage in Bozeman occurred on June 30th, the very last day of FY2010. This was historically the largest claim we have had for property. It could be as high as \$7M. The earthquake in Dillon and the burst pipe in Billings at the Military Affairs building are other large catastrophic claims/losses.

Brett stated that it is good that we have a broker like Driver Alliant and also belong to the Public Entity Property Program. He said agency rates will not go up, they have already been approved through legislation. However, RMTD rates may go up. There is also a new risk model being used by actuaries and underwriters to predict losses. As an example, there has been a change in the Montana flood plain mapping.

Commercial insurance premiums have increased and net earned premiums have gone down. Currently, there are a lot of unknowns for the program moving forward. Rates by agency have not yet been decided based on experience and exposure.

The states reserves dropped about 23 percent in 2008 because of a number of large claims. Loss ratios for general liability are typically higher because RMTD can't quantify the risks. The property loss ratio is favorable, around 12 percent.

Ray Eby brought up the fact that he sees all of the Department of Transportation claims for autos and wondered if RMTD plans on any awareness training. Brett stated that John Duezabou does focus on and does training for defensive driving. John will even conduct classes for an agency if they request it. Brett said RMTD relies on agencies to let us know how we can help. He stated that he expects agencies to look at their loss reports to note if there are trends for accidents and to work with RMTD and their management team to see what needs to be done.

[Insurance Market Conditions Handout](#)

Upcoming training: John Duezabou

John stated that a lot of the training he does is aimed at saving agencies money. He conducts a 4-Hour Defensive Driving and the Large Vehicle Safety course taught at the universities. John will also periodically teach a 2-Hour Preventing Distracted driving course.

The classes are aimed at keeping employees and others safe, as well as saving money. John said these classes will not be offered on-line; they are meant to change driving behaviors and that is best done in a classroom setting. Auto claims are gradually trending down which indicates employees are driving more safely.

There is an on-line class for Human Resource employees to check driving records; and there will also be an on-line class for fraud prevention.

John went over how employees can register for classes on the website. John said the Risk Management Committee members can access and view which employees have taken training during the year. John can also run reports for the agency.

[Training Schedule and Registration Handout](#)

Site inspections: Aric Curtiss

Given the recent flooding, Aric said people can check the DES (Disaster Emergency Services) website to check on flood updates. Military Affairs has FEMA people at their office per Erv Kent. In Yellowstone County and the Billings area there are also FEMA employees to assist.

On May 22, 2011, the governor signed an executive order stating there is an emergency situation in Montana and also sent a letter to President Obama.

There are currently two claims with RMTD because of the flooding. One is from groundwater saturation and the other one is from a leaking roof in a leased building. The one building has paper records with client information and the papers were not removed from the file cabinets for over 72 hours. The best thing to do is to freeze wet papers.

As a reminder, there are free disaster preparedness and response workshops for collections of documents. Registration is through WESTPAS at <http://tiny.cc/ZePOL>. If employees had attended these workshops, the paper documents in the DPHHS office would have been taken care of immediately.

Aric said for FY2011, at this time, there have been 159 property inspections conducted. This is a record. He said property appraisals are not being conducted this year unless an agency has a specific building they need to have appraised. The insurance carriers have been satisfied with the values of the state properties. This also helps to keep the insurance rates lower.

Aric said he is still offering the infrared thermograph surveys if an agency wants them. Aric said the building maintenance staff are with him and the consultant during the surveys so they know immediately if there is something wrong. The report is sent along with pictures about a month after the testing.

[Flooding, WESTPAS, IR Thermography & 2012 PLMP Discount Handout](#)

Property/casualty insurance fund: Brett Dahl

Brett said the net premiums earned are the budgeted premiums set and authorized by the legislature, less the discounts RMTD gives to agencies. The net premiums earned have declined since FY2007 to FY2010. FY2008 was a watershed year. There was a \$3M payout for liability settlement and some large property losses. Since FY2008, the paid losses have declined.

Loss expenses include court and attorney fees, the cost to investigate, evaluate and resolve claims. These expenses have declined slightly from FY2007 to FY2010. The operating expenses are up a bit. Part of the reason is because RMTD has been giving loss mitigation grants for agencies to help take measures to prevent losses. Commercial insurance premiums are significantly higher in FY2010 from FY2007. Net premiums earned, less total losses and expenses, is the net income before investments earned. For FY2010, the net income was about \$1.9M.

Brett said investment income has gone down substantially. RMTD also collects monies (subrogation) from other insurance companies when their insured is liable for damages. That has been down in FY2010, but that is not something RMTD has a lot of control over. Total assets for FY2010 are \$26,670M. The total liabilities for FY2010 were \$18.1M; which is non-claims liability (i.e. payable absences, accounts payable).

The total reserve for FY2010 is \$8.5M. Brett said by having a reserve if there is a year with large claims losses, the agencies still maintain the current rate for insurance premium; rates do not go up and down they remain stable.

Brett also does benchmarking with other insurance pools to compare premium rates and losses. Brett said he uses the Tillinghast Touchstone survey. This lets him know how RMTD compares and how we are doing managing the program.

[Financials and Benchmarking Handout](#)

Newsletter and risk exposure reporting: Kristie Rhodes

Kristie asked the group to send her any success stories they may have had through a loss mitigation grant, or anything else they have done for loss prevention or put in place using monies from the discounts offered on insurance premiums.

Kristie went over the free auto insurance if employees use their pro card when they need to use a rental car. Also, the state contract with Hertz and Enterprise includes free liability coverage. This does not apply to out of state car rentals. Employees should not purchase the extra insurance for a rental. Kristie said the best way to get a rental car is to use the state pro card.

[Free Auto Insurance Handout](#)

Kristie had the current risk exposure contact list and she wanted everyone to check their agency contact to make sure that is still the correct person. If anyone needs to add someone, just let her know. She thanked everyone for doing a great job on risk exposure reporting. PCIIS is now open for agencies to add their vehicles.

[2011 Risk Exposure Contact List](#)

One item not on the agenda, is a short questionnaire that asks how the information RMTD sends out is disseminated through each agency, and is the information helpful.

FY12 insurance premium discount eligibility changes: John Duezabou – Auto Loss management reports

John said with auto premium discounts, the discounts have not changed; they are still 10 percent. What has changed is what an agency must do to qualify for the discount. For the auto program, an agency that meets the requirements listed on the form will be eligible for the discount the following fiscal year. There are three basic things an agency must do: 1. Sign up for the program by June 15th of each year. 2. Management must buy into the plan and be aware of what is going on with auto losses. That means the director, administrator or deputy director level must sign the form. For the university systems, the chancellor or equivalent must sign. By October 1st, agencies must review their auto claim trends for the past four years. John stated the discount for auto encompasses and ENTIRE agency unlike the property discount where entities within an agency can apply on their own. The third requirement is that 5% of FTE's must attend an approved driving class. The best way is for employees, temps or students to attend one of his classes since RMTD's database tracks attendees. This must occur by June 15th. Kristie will be running the reports within the next two weeks. If someone attends a class that is not given by RMTD, the agency must keep track of that internally. If an agency does not meet the 5 percent FTE attendance, John will call and check to see if there were other classes that employees attended.

[2012 Automobile Insurance Premium Discount Program Notice of Election Form](#)

FY12 property loss insurance premium discount program: Aric Curtiss

Aric said it is comparable to the auto discount program. The property discount is 10 percent of an entities commercial property premium if they meet the requirements of the program. The requirements of the program are based on requirements of building/safety codes. After July 1st, agencies need to print out their property loss report and review it. Management needs to sign off on the election form. The property loss binders need to be sent to RMTD by June 1st. In the past, Aric was the only person that reviewed the binders to determine if the agency met the requirements to qualify for the property loss discount. Starting this year, there will be a panel to review the binders. Kathy Benson from the University of Montana, Carl Nelson with Corrections, Montana State Prison, Sandy Lang with Revenue and Eakle Barfield with MSU Billings will be on the panel with Aric for this year.

[2012 Property Loss Management Program Insurance Premium Discount Notice of Election Form](#)

Brett ended the meeting by stating RMTD is planning on conducting client visits this year through June 2012 and went over the agenda.

[Client Visits Handout](#)