STATE RISK MANAGEMENT COMMITTEE MEETING MINUTES
October 3, 2013
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 and introduced the staff.

Risk Management Committee Member Attendees: Christy Aamold, Dan Archer, Mark Barry, Ed Binkley, Natacha Bird, Mark Bruno, Marilyn Cameron, Dave Hamer, George Harris, Barb Kain, Erv Kent, Denise King, Sandy Lang, Jamie McBryan, Brenda Mowers, Tom Nichols, Brandi Pierson, Donna Rae, Caroline Rand, Rhonda Schaffer, Debbie Smithson, Marlys Stark, and Diane West.

Others in attendance as agency representatives: Libbi Lovshin, Angelina Pierson, Carla Trueblood, Mary Hunt, Shelly Grandy, Bruce Giulio, Lance Zanto, Jerry Laughery, Lee Harbour, Leah Tietz, Keith Reeder, Gary Frankforter and Kristy Schaan.

Special Guests: DOA Director, Sheila Hogan and McKinley Gunter, SITSD.

Denise King, Centralized Services Administrator for the Historical Society, thanked everyone for being there and asked that they enjoy the museum during the break and also afterwards.

Property/Casualty Insurance Information (PCIIS) – Kristie   handout

One of the big changes made to PCIIS is that users no longer have to logon with a separate password. Agency users will use the same logon ID and password they use to access their Outlook/computer each day. University users will logon on to Citrix. Kristie pointed out that there are several browsers being used at this time. If you get a message that indicates your compatibility is not right, hit F12 and choose browser mode 9. Another added feature with the new PCIIS is that if a user has multiple entities, they can pick the entity they need without going back out of the system and logging back in. This should greatly help the university system users that have several reporting entities. If anyone is a new user, call to be set up in the system. If someone wants access to look at the data, but not do any changes, that can now be done.

Kristie then did a live presentation to add new data, edit new data and where to go to end coverage on an entry. Any item that is blue will have a drop down feature and the user will choose from the lists (make, model, etc.).

If a Citrix user has not logged on in over 60 days, they need to contact SITSD support. If there are duplicate entries on the system, please contact Kristie or Deb.

Training will be available on October 16th, November 5th and November 7th. You may enroll for the classes from the RMTD website. The training is hands on and users can log on to their own data. There are twelve available seats per session. If you end coverage on an item, you can view it but you cannot make any changes to it. You can export the data to an Excel spreadsheet. From there, it can be sorted any way you need. All lines of coverage can be viewed and exported. As of now, RMTD is the only way to get a pdf file of data, so if one is needed contact Kristie.

January 15th is the deadline to have all updates and changes entered into PCIIS for 2014.
Another feature is the ability to view premium data on a two page pdf file rather than having to go thru a very large report as in the past.

George Harris asked if RMTD looks at property values. Kristie advised we do, and that either Deb or she would contact the agency if something did not look right. We also get reports from A&E and do true ups based on those. Agencies cannot change the value of a building, RMTD does that. They can change the square footage and special contents for properties.

Brett stressed the importance of the role of agency/university PCIIS reporting people to have accurate and timely information on all lines of insurance and thanked them for their hard work.

Insurance Premium Discounts – Kristie   handout

If an agency/university chose the higher deductible, they have 10% lower premiums on their comp/collision, and a lower premium if they participate in Aric's property loss program. Aric and John will cover the auto and property loss discount requirements later in the meeting.

Claims Activity – Jennie, Gordon, and Kirk   handout

Jennie did a synopsis for fiscal year 2013. RMTD received 721 new claims and lawsuits, 673 were resolved and at the end of the fiscal year there were 522 open claims. Amount paid for claims was $35,664,608.

The average number of days for when RMTD received claims was 24 days; it was an average of 45 days to pay claims, and an average of 51 days to resolve claims. From FY10 to FY13, the days for the average claims turnaround time have been trending downward. That is very good news.

Jennie also did trends reports for FY10 thru FY13 breaking it down by the four major lines of insurance: Auto Liability, Comp/Collision, General Liability and Property. Auto liability claims have been trending downward. Jennie explained that auto liability claims are when a citizen files a claim against the state (state employee/motor pool car hits other vehicle, snowplow accidents, etc.). The total paid on the claims took a huge jump in 2012. That was a very large claim that involved six people. The driver fell asleep and hit a tree. One passenger was seriously injured. The claim ended up over $800,000.00.

Comp/collision claims are ones that involves state vehicles and state employees driving them. From FY10 thru FY13 the number of claims has been relatively stable. The cost of claims has been consistent the past four years.

General liability claims include slip/falls, wrongful discharge, pot holes, etc. These have been trending downward, for 2013 the total paid for general liability was $138,854.00.

Property claims for the past four years have also been fairly consistent with number of claims, but cost of the claims have went down quite a bit. FY13 was a very good year for lower paid amounts. Jennie said thanks to agencies/universities doing a good job of managing property risk. Jennie said FY14 is going to be quite different, there have already been quite large claims. Gordon will talk about the recent Bannack State Park flash flood. This has the potential to be over $2.5M.

Bannack State Park Claim – Gordon had a video of the flash flood from a news cast.   handout

The newscaster talked about the boardwalk being torn out and the major damage to the assay office. It was a terrible, natural event. Gordon said the assay office was an important historical property. Miners would bring their gold to the office to be weighed. The walls and the roof of the assay office were washed across the street.

The Rayburn house had 2 ½ feet of water on the inside. The back of the Meade Hotel had 3 feet of mud and debris built up and inside had up to 2 feet of mud. Inside the Skinner Saloon were hailstones mixed in with the mud and debris. The hail stayed inside until it was cleaned out.

Gordon praised Dale Carlson with Fish Wildlife & Parks and being hard working and he called Risk Management and Tort Defense right away. Belfor was called right away. They are a disaster restoration company that RMTD has insurance with. They arrived with semi loads of equipment to dry buildings out. Belfor not only clean up, they also did re-building. The assay building was restored and the boardwalks were put back in place. Six weeks after the flood, Bannack State Park was ready to be opened to the public.

Gordon said the lessons to be learned from this incident is that there should be an established incident reporting procedure in place before disaster strikes and be sure and call RMTD right away. He stressed that working together as a team is crucial. Gordon said Fish Wildlife & Parks was great to work with. Civil and structural engineers, architects, archeologists and historical preservation specialists were on the site. The reconstruction of the channel will not be done until the first part of next year. Engineers and scientists are looking at several options.

The flood was considered a 1,000 year flood.

Brett mentioned that there was flooding in Billings and because RMTD received a call about it, we were able to call Belfor. They went from Bannack to Billings. RMTD was a "red alert" contract with Belfor and that ensures they are on a site within 24 hours. At one time, there were over 60 people working at Bannack doing clean-up/restoration. There are 80 structures and 60 were damaged.

Belfor hired a lot of local college students from Butte, Anaconda, Missoula and Dillon.

Claims Activity Reports – Kirk advised if anyone needs a password or needs theirs reset to call RMTD and one of the claims adjustors can take care of that.   handout

There are standard and customized reports. The standard report is the one most users look at. The reports show how much is paid on a claim, a description of the claim, etc. You can run auto, general liability and property reports. You can customize reports using loss codes. The claim reports need to be ran and reviewed for property and auto loss premium discounts. John and Aric will talk about that in a bit.

FY 2014 Property/Casualty Renewal – Brett   handout

Brett told the group that RMTD administers property/casualty insurance programs for 57 agencies, 8 universities and hundreds of boards, councils and commissions.

There are around 4700 properties, 22,000 state and university employees and 6,000 vehicles. There are a lot of assets that RMTD is responsible for. We also cover $220 million in revenue streams (state parks, tuition, bookstores, etc.). The property values exceed $4.7 billion. Fine art values are over $385 million.

Brett said there are 19 commercial insurance programs and two self-insured programs. The self-insured programs are auto (includes comp/collision) and general liability. For general liability, there is a cap to

what is paid out. This limit was set by legislation and is capped at $750,000 per claim and $1,500,000 per occurrence. For property, we have purchased excess insurance. Unfortunately, the property deductible has been increased to a $2 million as of this years' renewal. This is because of large catastrophic events worldwide, such as hurricane Irene.

He said we are always looking for ways to do things better.

Some of the insurance renewal highlights include the cyber (excess) insurance just bid for and purchased effective July 1, 2014. This is above the free cyber liability protection through Beazley Insurance and PEPIP (Public Entity Property Insurance Program). So far, there have been 16 breaches and Brett wanted to add excess insurance above the primary. If you have a cyber-breach, the program is set up to do the notifications of the breach and also credit monitoring for one year. The agency is responsible for 20% of a cyber-breach loss.

Sheila Hogan then asked Brett to talk about the award he recently received from the State Risk and Insurance Management Association (STRIMA). This was the organization annual AFIRM (Award for Innovative Risk Management). Brett said Montana is the first state to have a cyber-data breach comprehensive program in place. Brett sat on the panel at the annual conference and was able to share with other members how the program works and how it was put in place. He said there was a breach in Utah that is now a $12 million dollar claim and South Carolina had a breach that cost $20 million. Neither state had cyber insurance policies.

The bid for fine art has better coverage and a 6% rate reduction with a new carrier, Huntington Block. Foreign insurance remained the same, no rate increase. The HIPAA insurance was also renewed with better terms and conditions, with a 43% increase. The property renewal did bring a higher deductible and a 13% rate increase. Professional liability (student interns) remained the same with no increase and there was a new insurance program added for professional liability (doctors) that work with the universities. They are interns and hopefully they will stay in Montana to become preferred providers.

For the 2014 renewal, Alliant did look for other property insurance carriers. All of the carriers declined to even offer a quote because they were not able to meet the state's low premium and also the state has too many risks (flood, earthquake, etc.).

Several insurance alternatives for the property renewal were looked at. The option we went with was the higher deductible and a zero aggregate stop loss per year.

Loss Prevention – John   handout

John said for the loss mitigation grant there has been a large increase in the request for grants. Usually he gets about 40 requests awards about 25 grants, and so far he has gotten 52. The dollar amount requests have also gone up. To date, 34 grants have been approved for a total of $535,000.00.

Based on that, John said awarding more grants is not very likely, even though he is still accepting requests. Those will probably have to wait until next year. The grants that may be covered would fall under loss protection in case of extreme cold weather (i.e. extra staff to patrol during cold weather to make sure windows are closed and pipes are not burst), or a grant that would potentially avoid a lot of claims. They will be looked at on a case-by-case basis.

Grant projects that reduce the likelihood or potential size of future claims are eligible. We do not cover Workers' Compensation claims, they fall under State Fund. John said if you have any questions, to call

him or email him. The loss grant form is on the RMTD website:
http://rmtd.mt.gov/content/safetylosscontrol/files/loss_mitigation_grants_form2011.pdf

After the form is completed send it to John by fax, email, or deadhead/mail. John said he will get with Brett to review them for approval or not.

Upcoming Training

John said he recently added a two hour winter driving class. He had presented the class last year on a test basis and then re-wrote the booklet. There are 33 scheduled sessions in ten different cities/towns. Within three days over 600 people had registered. http://rmtdweb.doa.mt.gov/rmtd/RMTD_CTIS_TRAINING.training_list

He said if the weather is bad, the class will be cancelled, so please keep that in mind. Starting in spring, John will do the four hour driving class.

Auto Discount Program

There are three requirements to be eligible for a 10% premium discount for auto insurance. The first step is to complete the auto discount form
http://rmtd.mt.gov/content/insurance/files/autoinsurancepremiumdiscount14.pdf. This needs to be completed and submitted by the director, agency head, chancellor, or regency. That needs to be done by June 15th.

The second requirement is to do a claims review by October 1st. One reviewer must be management. Kirk had went over how to run the claims reports. Notify him when the review has been completed, there is no form to complete. Thirdly, 5% of your FTE employees must attend training.

John went over where agencies are at with their employees attending driving classes in order to be eligible for the auto discount and which agencies have submitted their claims review and auto discount form. It also showed which agencies did not choose to participate in the discount program.

Auto claims have been going down the past several years.

Brett told the group that the agenda has been done out of order and after Aric does his presentation, Brett will go back to agenda item number three.

Loss Prevention – Aric   handout

The property loss management program has been in place for eight years now. Aric reminded everyone the property loss binders are due soon. There are nine different requirements in the binders that will need to be reviewed and scored by the panel. 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.   The total potential premium discount is over $478,000 if every agency participated in the program. Aric said the program is working as the property claims reflect.

There are 56 entities that could opt to participate, right now, 28 entities participate. The elections were due June 15th. Contact Aric if you would like to participate and he can work with you. The person that signs the election form is the person Aric will be in contact with.

The binder details what is needed for each property loss management section (boilers, fire suppression, etc.).

By October 1st, entities need to run their property loss claims for the past four years and review them and submit a written plan on how to address them. This needs to be submitted by October 31st. Binders with documentation need to be submitted by June 1st. June 1st is on a Sunday, so Aric encouraged folks to mail them in mid-week before the first since the review of the binders will begin that week. The review panel will have four people reviewing the binders, so meeting the date is very important.

Inspections/Surveys/Appraisals – Aric   handout

There are boiler inspections that are done by state inspectors. They will work with agencies if there are boiler deficiencies. RMTD will pay the invoices. Elevators are not covered under the insurance plans.

Aric said there are also fire inspections for properties. A consultant will work with Aric on the inspections and these are done about four times a year. If recommendations come from the inspections, the agency needs to come up with a plan to follow the recommendations.

Another property inspection is infrared studies on buildings. These show if there are electrical problems within a building (hot spots).

For now, active field appraisals are on hold since the insurance carriers are satisfied with the values that they have been provided on state owned properties. In place of onsite appraisals there is property valuation matrix RMTD uses. An agency/university can request a matrix evaluation be done by completing the form located at http://rmtd.mt.gov/safetylosscontrol/propertyvaluationmatrix.mcpx. Instructions to complete the form are also on that site. The building information must be specific (name, construction type, occupancy, etc.) The matrix can also evaluate a building if there is more than one type of occupancy in a building (office for part and a warehouse for the other part). When the form is completed, fax it in, the results will be sent back. If an agency is satisfied with the values, RMTD can change the values in PCIIS, the agency cannot change values.

Property/Casualty Insurance Fund – Brett   handout

The insurance fund is an internal service fund. What RMTD charges agencies are fixed costs and legislation approves those costs. The costs are then added to everyone's budgets. RMTD collects the monies as premiums. There are four HB 2 rates: Auto, Aviation, General, and Property.
All of the nineteen lines of insurance fall into one of the above lines. Brett said large unpredictable losses made a huge impact on the operational costs (Bozeman hail loss, the data center loss as examples).

Catastrophic worldwide events have had an impact.

Legislation reduced the agencies appropriation from $26.8 million to $13.4 million. Typically, RMTD can recoup funds through the premiums. The Libby settlement took most of the reserves and legislation only gave half of the funding back. In addition the premium rates increased. The funding rates were not set at the level the actuaries wanted. Brett stated RMTD wants a buffer zone so rates don't keep going up. As it turned out, auto rates went up 10% and general liability was set at a 20% increase rather than the 12% Brett had requested. Aviation insurance was actually reduced by 20% and it has better coverage. Overall, there was about an 18% increase in insurance rates.

Brett then went over the changes in revenues, expenses and reserves as of June 30th from FY2011 thru FY2014. There are now unfunded liabilities. Brett said our target reserve is approximately $13 million.

RMTD does participate in the STRIMA cost of risk survey. This includes benchmarking to measure losses, operational costs, and expenses against other states. The benchmarking showed losses for Montana is down, severity in dollars is up.

Brett again thanked everyone for attending this year's meeting.