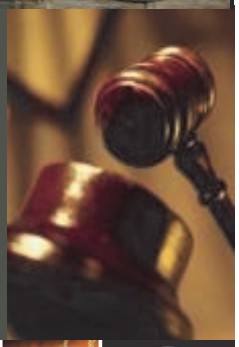
A Publication Dedicated to Risk Management in Montana State Government

Department of Administration

Risk*Matters*



Spring 2011

RMTD

RISK MANAGEMENT AND TORT DEFENSE DIVISION

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Agency Claim Reporting Measures Show Improvement!

For the past 5 years, we have been emphatic about the importance of promptly reporting claims to staff at the Risk Management & Tort Defense Division.

In addition, we have encouraged state agencies and universities to track "incidents" or "near misses" internally, rather than report them to us, as a way to identify potential causal factors associated with claims.

Why is timely reporting important? What difference can a few days possibly make?

The answer quite simply is the more we know early, the better we are able to help you effectuate loss prevention processes and/or mitigate damages.

We congratulate state agencies and universities for their efforts to promptly report claims!

The average time that we receive a claim from the time that it first occurred has declined the past 5 years (days received).

The average time that it takes us to make first payment on a claim once it has been received has also declined (days paid).

Finally, the average time it takes us to resolve a claim (days resolved) from the time the loss first occurred has been reduced.

See the table on page 2 (bottom) for year-over-year comparisons.

Keep Up the Good Work!

Triple Double

Basketball's version of the "Triple Double" is a player that has achieved double digits (i.e. more than 10) in three different categories (points, assists, and steals).

The Risk Management & Tort Defense Division's version of the "triple double" is an agency with three years of reduction in both the frequency (#) and severity ($) of claims.

Congratulations!

- Administration
- Board of Pardons
- College of Technology -Butte
- College of Technology -Missoula
- Environmental Quality
- Helena College of Technology
- Justice, Gambling Control
- MDT Bozeman
- MDT Kalispell
- MDT Missoula
- Montana State Fund
- MSU Bozeman - Extension Services
- MSU Bozeman -Fire Training
- Natural Resources
- Prison Industries

What are the Most Common Causes of State Vehicle Accidents?

- ⇒ Inattentive Driving
- ⇒ Failure to Yield
- ⇒ Failure to Obey Traffic Laws
- ⇒ Excessive Speed
- ⇒ Weather
- ⇒ Negligent Turns
- ⇒ Road Hazards
- ⇒ Negligent Vehicle Maintenance

How Can I Avoid These Accidents?

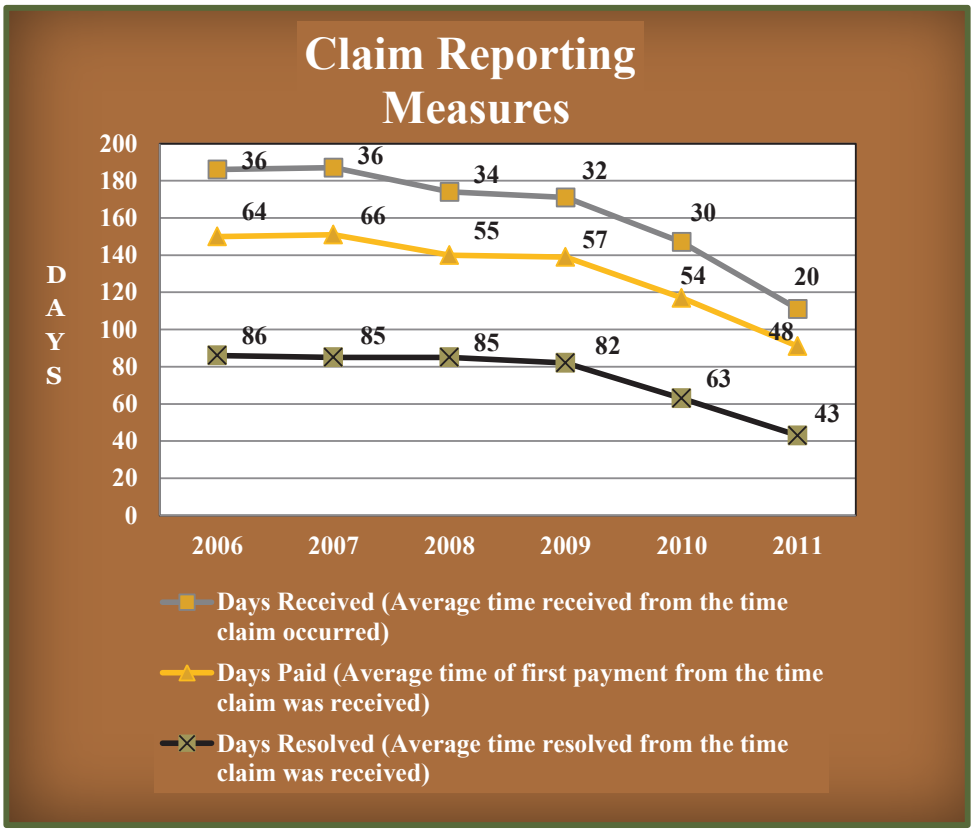
- Slow down.
- Increase your following distance.
- Pay attention.
- Be a courteous driver.
- Don't travel in bad weather.
- Conduct periodic pre-trip vehicle inspections.
- Avoid driving after dusk or before dawn.

Upcoming Training (next three months)

- Large Vehicle Safety
- Defensive Driving
- Preventing Distracted Driving
- Contracts
- Workplace Violence Prevention

To register for training, please visit our website at http://rmtd.mt.gov/training/default.asp.

Claims Reporting Measures - Cont'd Page 1



When Excess Isn't "Too Much"!

"Excess" is usually defined as immoderate, an abnormal amount, or a state of too much!

That definition may apply to some circumstances but not to commercial "excess" insurance programs administered by RMTD.

In fact, commercial excess insurance has saved state agencies and universities $10 million over the past 5 years.

Commercial excess insurance sits above high deductibles (typically $500,000 per occurrence) and protects state agencies and universities from catastrophic events.

Common Questions & Answers

Q1: What are some of the state's catastrophic risks?

A1: Most of the state's catastrophic losses the past 5 years involve hail, tornadoes, flood, and fire.

Q2:Where do catastrophic events occur?

A2: Most losses occur in Montana's major cities where there are high concentrations of state and university assets.

For example, in May of 2010, golf ball sized hail struck MSU Bozeman causing $4 million in damages to numerous structures.

Q3: How are catastrophic losses funded?

A3: Each agency/university typically pays a $1,000 deductible. RMTD pays $499,000. The state's commercial excess insurance carriers pay the remainder of each loss above $500,000 until the policy limits have been reached.

Your agency/university may never experience a catastrophic loss. But then again….it might!

What is certain is that your agency/university will survive a catastrophe and continue to be a viable concern in part because of excess insurance!

Flood Alert!

According to the National Weather Service, many of Montana's river basins are at double their average snowpack.

Weather officials predict that the state could see one of its heaviest flood seasons in recent memory. Of particular concern are the upper Yellowstone and Livingston areas, Great Falls, and Missoula.

The Department of Administration purchases flood insurance for all state and university properties; however, a $1,000,000 deductible is in effect for each occurrence. Every step that is taken to mitigate flood damage represents a true savings to the taxpayer.

The state's property insurance may pay for the cost to protect and preserve state assets from the threat of imminent flood damage provided that such costs are reasonable and prior approval has been obtained from the Risk Management & Tort Defense Division.

Recent studies of state properties indicate that very few properties are in 'known' flood corridors.

However, if flood damage is imminent, to any of your agency's properties please take the following steps:

1) Notify Aric Curtiss of our office at (406) 444-3486. He may be able to assist you with pre-disaster planning and mitigation assistance.
2) Take advantage of local flood mitigation efforts such as 'sandbagging'.
3) Building contents and equipment can often be moved to higher ground to mitigate damage.
4) Report flood claims to us immediately! We will work with you to cleanup the mess and prevent mold.

Call us at (406) 444-3687 if you have additional questions.

Question: Does the state buy flood insurance?

Answer: Yes!

The state's master property insurance policy offers a limit of $100 million per occurrence for flood. Note: State properties in Flood Zone A (100 year flood plain) and V (500 year flood plain) have a limit of $20 million per occurrence.

Drowning Doesn't Look Like Drowning!

With the arrival of warmer weather, citizens, tourists, and recreation aficionados throughout Montana will take to state parks and other recreational access sites to swim, water ski, fish, or cool down.

Remember, drowning is the number two cause of accidental death in children age 15 and under (just behind vehicle accidents). **In ten percent of those drownings, the adult will actually watch them do it, having no idea it is happening** (source: CDC).

The Instinctive Drowning Response, so named by Francesco A. Pia, Ph.D., is what people do to avoid actual or perceived suffocation in the water.

And it isn't what you expect! There is very little splashing, no waving, and no yelling or calls for help of any kind.

1. Except in rare circumstances, drowning people are physiologically unable to call out for help or move towards a rescuer.

2. Drowning people's mouths alternately sink below and reappear above the surface of the water.

3. Drowning people often cannot wave for help. Nature instinctively forces them to extend their arms laterally and press down on the water's surface.

Here are some other signs of drowning:

- Head low, mouth at water level.
- Head tilted back with mouth open.
- Eyes glassy unable to focus.
- Eyes closed.
- Hair over forehead or eyes.
- Not using legs - vertical.
- Hyperventilating or gasping.
- Trying to roll over on the back.

If you see any of these distress signals in a swimmer, call for expert help, and/or use appropriate rescue protocol.

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"It's All About Me"!

"It's All About Me" was the perfect employee!

He was never sick, hardly late, and always willing to "go the extra mile". "It's All About Me" performed his job diligently and gained the trust of his supervisors and co-workers.

The department that he worked for was part of a large university. The department collected student tuition/fees and processed student loans.

Because he was so trusted, "It's All About Me's" supervisor never questioned the job he was doing. Unfortunately, "It's All About Me" ran into some financial difficulty. His gambling losses were getting out of control.

He rationalized that if he "borrowed" a few dollars in cash from his employer, he would one day 'win it big' and pay back the loan.

Before long, "It's All About Me" was accustomed to the extra cash. After all, using someone else's money was a lot more fun than using his own.

The extra cash that he took was "only peanuts", he argued, and no one would even notice.

As "It's All About Me" became more experienced, he became even more brazen.

Hand in the Mouse Trap!

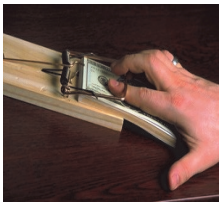
Because "It's All About Me" issued checks, made bank deposits, and "cooked the books" he could issue employer's checks to pay "ghost vendors" at his fictitious company.

When "It's All About Me" was away on one of his rare vacations, the office accounting technician noticed an invoice that had been approved for payment. However, there was no address or phone number.

The accounting technician brought the suspicious invoice to her supervisor who searched the internet and phone books but found no record of the company.

When they pulled copies of canceled checks, they were shocked to see the signature of "It's All About Me", their trusted employee! Hand in the mouse trap!

Upon return from his vacation, "It's All About Me" admitted to fraud. He pled guilty to embezzling over $250,000, was sentenced to jail, given probation, and ordered to pay restitution.



Lessons Learned

- "It's All About Me" had a motive (i.e. gambling debts).
- "It's All About Me" had opportunity (i.e. no supervision or separation of duties for financial transactions).
- "It's All About Me's" employer did not have good internal controls (i.e. vendor's should have been approved by accounting system before invoices could be paid).

State agencies and universities are the stewards of financial assets that are entrusted to them by the citizens of Montana.

"White Collar Crime" is approaching epidemic proportions. Do NOT assume that it can't happen to your agency!

Learn more about fraud prevention and basic internal controls at http://rmtd.mt.gov/training/stateemployeefraud.asp.

IMPORTANT REMINDERS!

- **Employees with prior convictions are NOT covered for theft/embezzlement by the state's fidelity insurance.**
- **"Leased" or temporary service firm employees are not insured unless reported to Kristie Rhodes at RMTD.**

If you have additional questions, please contact Kristie Rhodes at RMTD (406) 444-4509.

Risk Managers Network

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