

STATE RISK MANAGEMENT COMMITTEE MEETING MINUTES

May 8th, 2019

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, Mike Anderson, Julie Ouzts, Kristie Rhodes, Jennie Younkin, Gordon Amsbaugh, Kirk Barfuss and Linda Cronholm. Brett welcomed the group. Denise King, Administrator of the Montana Historical Society, introduced herself and gave a brief talk about the new HS building. All in attendance received a C.M. Russell commemorative print. Thank you MHS! Brett gave the new members a chance to introduce themselves and had RMTD staff introduce themselves to the committee as well.

Risk Management Committee Member Attendees: Chelsi Bay, Heidi Sampson, Pat Schlauch, Larry Alheim, Janet Strandberg, Chloe Katsilas, Errolyn Lantz, Valerie Curtain, Ron Muffick, Denise King, Jackie Luhrsen, Jake Sandau, Lenore Adams, Peter Schaefer, Jenifer Alger, Marissa Morgan, Chris Eagan, Dan Archer, Paige Tabor, Ken Bailey, Joe McAnally, David Brammer, Connie Griffith, Rob Virts, Jason Sloat, Mary Dykstra, Joe Beatty, Kirby Fugle, Mark Bruno, Monica Birlut, Kim Peck

[Agenda](#)

[Slide Presentation](#)

[Handout Attachments](#)

Claims Activity-Jennie, Kirk, Gordon

Jennie began with a claims snapshot of FY 2017 through FY 2019 discussing how much was paid out and the number of claims resolved. We have 301 claims that were resolved this year and 298 that were denied. There is a misconception RMTD pays all claims that are received. The top culprits for claims in FY 2019 were comprehensive/collision claims, auto liability claims, lost revenue (business/income interruption) followed by claims due to weather conditions. The number of comprehensive/collision claims is always high due to wildlife incidents and road hazards. Lost revenue due to BI losses was much higher than usual. Surprisingly, the state's "at fault" and the public's "at fault" for claims was 50/50.

The adjusters agreed it was a record high year for snow claims and claims due to ice damage. Jennie reminded the group there are winter mitigation funds available to agencies to alleviate issues that could eventually be a claim because prevention is important. The Toston Dam was Jennie's mayhem. They had to shut the hydro-electric dam down for 15 days in the month of March and cost \$250,000. In May the dam was shut down again and the loss was \$400,000 just in revenue for the electricity it generates. The loss also included \$810,000 for a seal that failed in the main propeller of the dam.

Kirk began by giving contact information for Motor Pool claims, who to call and the various forms to be filled out whether the vehicle is used daily or a fleet vehicle. Kirk discussed statewide issues with ice, snow damage, and other ice hazards. Statistics show 15 people die each year from falling icicles so please have maintenance people keep their eyes out for ice buildup. You may need to close the walkways until the problem is resolved. RMTD is still dealing with the Havre claims that happened two years ago due to a heavy snowstorm. The tree removal and clean up the cost was over \$ 113,000. Now they are in the process of replanting the trees. When replacing trees think of the location, trees need pruning and maintenance so don't plant close to buildings. He reminded the group that some claims will last over several years.

Gordon spoke about a claim at a research lab at MSU Bozeman. They didn't have a temperature alarm and the breaker was tripped on a weekend. Two years of research samples were lost resulting in a \$1 million-dollar claim. If they could have identified what exactly happened, we could have possibly had a 3rd party involved which then RMTD could have subrogated some of the loss and recouped some of the money. In cases like this, it is a good idea to limit access to the facility. Again, contact our office and speak with Aric Curtiss or Mike Anderson to see what we can do to help agencies/universities prevent losses like these.

Gordon discussed the damages of the Marga Hosaeus Fitness Center roof collapse at MSU in March due to the snow load. Fortunately, the occurrence happened when the building was empty so there were no casualties. Structural engineers were brought in to assess other buildings that may need attention. They were able to remove snow from some structures but before they could safely remove the snow from the gym's north roof, it collapsed as well. He discussed the challenges of the campus' flat roofs, but they are economic and the safest design. Over 63,000 square feet of gym was lost and there are 58 academic classes that are held in the fitness center – pool, gyms, rock climbing so they will need to continue classes somewhere. Temporary “gym” structures will be set up. Gordon talked about the challenges of the campus' flat roofs, but they are not a bad design. He also discussed the claim with regard to property coverage. Is it one loss, two losses, three losses, etc.? The commercial property insurance deductible is \$1.5 million per claim which could be very expensive, but we were able to work with the commercial excess carrier and concluded that it was just one loss. This is a very large loss for the University having to cancel classes, community events, etc. The commercial excess carrier is placing a reserve of \$44M on the claim which does not include the pool costs. If there are any questions, please see Kirk, Jennie or Gordon after the meeting.

Property/Casualty Insurance Fund-Brett

Brett encourage the new members to call our Risk Management team members for an orientation. We would rather put money into prevention such as how the Department of Public Health & Human Services installed bollards to protect their generators and heating equipment with so the forklifts couldn't drive in that area. He discussed the risk map on our website which categorizes claims and risks by frequency and severity. Some types of losses don't happen often but when they do, they hit hard.

The Risk Management & Tort Defense Division operates an internal service fund. There are four HB 2 rates: Auto, Aviation, General Liability, and Property.

The Montana Legislature authorizes funding for insurance in agency budgets each biennium. Insurance proceeds are used to pay claims, purchase insurance and fund other operational expenditures.

Large, unpredictable losses (current and historical) impact the division's operational costs. (Examples: MSU Roof Collapse; MSU Lab Equipment loss; Libby Asbestos Settlement and Eastern Montana Hail Losses). In addition, catastrophic events worldwide and the state's own high loss experience has resulted in commercial insurance rate increases and higher deductibles (\$1,500,000 vs \$1,000,000) for the division.

The Montana legislature approved the division's HB 2 rates which remained constant from last biennium to \$23.7 million each year of the 2021 biennium. The past couple years we have experienced some unpredictable losses. MSU experienced a historic loss. There was another Libby Asbestos settlement, but we hope to see some of the funds returned. We have a \$2M deductible on catastrophic property losses.

Brett discussed the predicted changes in revenues, expenses and reserves that would result from the rate increases. As of now, there would be unfunded liabilities but with the rate increase in FY 2020 there will no longer be unfunded liabilities. We do not know at this time if there will be rate increases after the 2021 biennium.

Loss Cost Information by Agency/University-Kristie

Kristie asked those in attendance to look at the handout along with her. She explained what each line meant and how to view the sheets. The worksheets will be posted on our website along with the minutes so they can view them online.

Kristie presented her "Top Five" claims for the past 4 years in the categories of Auto Comprehensive/Collision & Liability, General Liability and Property. She informed the group if some agencies have higher losses, it could be based on the fact they also have higher risks and a larger agency. For example, auto liability for MDT and MSU Bozeman were the highest followed by Justice, FWP and DPHHS. MDT is high due to their mission of maintaining state highways and their service to the public means they are on the roads. She went over top agencies for each coverage. It is the mission of the agency that drives the numbers.

Please call Kristie if you have questions on rates. They are posted on the RMTD website.

Loss Prevention-Mike and Julie

[Loss Mitigation Expense Program Application](#)

Julie reminded the group they serve every agency and will travel around the state to train. Their mission is prevention. Julie reviewed the Loss Mitigation Expense Program and explained it is no longer called a grant program, it is an expense program. The LME forms must be filled out and submitted to Julie no later than May 1st. There are two categories of expenses. Category one is for emergencies where a loss is imminent, or the risk may be catastrophic. Category two is for

non-emergency situations. Julie gave several examples of what some agencies did using the funds for mitigation. The programs goal is for agencies to take preventative measures to avoid losses. Mike gave another example of using bollards to protect equipment. Each year a committee will review the requests and either approve or deny based on funding and potential loss prevention. Julie cited examples of loss and liability and what options could be available for mitigation. There were 33 applications submitted for FY2019 totaling \$201,210 funds requested. Agencies will be notified the second weekend of June if their application was approved or denied.

Training Classes - Mike and Julie

Mike discussed the five classes RMTD offers free to State of Montana employees and University System faculty, staff and students. All the driving courses are from the National Highway Safety Council. He encourages the winter driving class which is a two-hour course and covers ice, traction and defensive winter driving among other topics. Many attendees have relocated from out of state and have never driven in the snow. It is also good refresher course for those who have always lived in Montana. If you must drive in the winter, be prepared. Also, the 2-hour Drivers Safety for campuses is excellent. The emphasis is on operating the larger vehicles that the campus' use for transportation. Julie went over viable tips for defensive driving, they are not there to teach you how to drive but to drive defensively because vehicles can be replaced, lives cannot. They had the group watch a short video they show at their defensive driving classes.

They offer classes for workplace violence prevention. Julie noted they will probably be changing "workplace violence prevention" to "situational awareness". Julie and Mike can work with each agency to design appropriate training for each agency's needs by completing assessments and evaluations of the agency's sites.

5% FTE must attend the driving classes to be eligible for the discount program. Some agencies can save several thousand dollars by taking advantage of the discount program. Julie went over the basis of the discount program and what to review before sending in claims and paperwork to her. What constitutes if you must take the training class? If you create a claim, you need to take the 4-hour defensive driving class in that fiscal year to be eligible for the program. Contact Mike or Julie to set up training.

Loss Prevention-Mike

Mike went into detail on the Property Loss Management Discount program and the submittal of program binders before June 1st. To participate in the program, the form must be completed by June 15th every year and any agency allocated a property insurance premium is eligible to participate in the program. Some might also know it as the Binder Program. This has been in place for several years, so agencies should be aware of the program and deadlines. The binders contain things that each agency should be doing anyway to maintain and improve their buildings. If any questions or issues, contact Mike or Aric. The form for the discount for FY2020 is already available and it is not too early to turn it in. Agencies can earn up to a 10 percent discount on their property premiums based on nine different sections, but all may not apply to

every agency or university. Make sure the contact person is available because they will be the key point of contact.

RMTD also reviews building plans, blueprints, specifications and other materials related to the construction or renovation of state building involving or affecting fire suppression systems. Designs, densities, components and other features are reviewed with recommendations potentially provided to more efficiently and effectively protect state assets. We conduct appraisals of state-owned buildings to establish and maintain accurate estimates of replacement cost values. Surveys of 111 building were performed over the past year. If you would like a building appraised or values reviewed, contact Aric. They are surveying all the buildings and are finding a lot of unreported buildings most being storage sheds. They should be reported so there will be a recommendation to include them. Fire extinguishers should be inspected as well.

There is \$800,000 in discounts available for the PLMP. Be preventative. Mike also discussed appraisals and their purpose. In FY 2019, 86 appraisals were performed. PCIIS has been updated with revised values. Identical buildings get one appraisal and the value is applied to each building which is an estimate of a building's replacement cost which insurance carriers require. The appraisals need to be on buildings worth over \$1,000,000 and not appraised within the past 5 years. If you would like a building appraised contact Aric. Contact Aric with any questions.

FY2020 Property/Casualty Insurance Renewal-Brett

Brett is always looking at long term preventative measures for managing risks and ways to mitigate expenses we incur due to the large catastrophic events. The \$100 billion losses worldwide from the earthquakes, wildfires and hurricanes will affect the market for our policy holder rates. We work with very large, competitive and best rated insurance companies.

The insurance program covers 57 agencies and 8 universities as well as boards, councils and commissions. We work with underwriters after collecting extensive data from all agencies/universities for properties and vehicles. There are more than 5,500 properties, 23,000 state and university employees and over 6,600 vehicles. We cover \$350 million in revenue streams at state and university properties. Examples being parks, tuition, fees, bookstores and cafeterias. RMTD insures property values exceeding \$5.7 billion. Fine art values that are insured exceed \$500 million. He spoke about replacement value and market value and strategic ways to ensure we have the best programs. We administer 21 commercial insurance programs and four self-insured programs, many of which people are not aware we administer.

Fortunately, the property/casualty insurance industry set aside additional capital in preparation for future catastrophes. Market conditions are not hard, however, decisions about insurance rates are more 'geocentric' (related to geological) and 'client loss specific' than in the past. The industry outlook is fair to poor with more limited financial capacity and upward pressure on rates, so the underwriters are more circumspect about risk taking. We have taken a higher deductible – "more skin in the game". We haven't had commercial excess policy losses over the three years until this spring so that may help mitigate excess rate increases.

Brett let the group know that the bidding is out for a new commercial insurance broker. There are 21 commercial insurance programs. The interested bids have all been very competitive and highly rated. Of course, we will be looking at the best coverage for the lowest rates for the State of Montana and the University System. It is difficult because of the large losses the state has incurred these past months. We are looking at Aviation, Auto, General Liability and Property. Currently, Alliant is our brokerage firm. This is the first time we had to go to the 2nd level of insurance due to the roof collapse at MSU Bozeman. We should be okay this year but do foresee our premiums going up, possibly with a higher deductible as well.

Insurance Premium Discounts-Kristie

There are four discount programs. Kristie discussed the differences and similarities and gave an overview of each program and reminded the group that it is all voluntary. SANS training is the same for cyber discounts as the driving courses are for the auto discounts and must be completed every year.

There is auto, general (cyber) liability, property, and high deductible discount forms. There is a separate form on the general (cyber) liability program for the university system.

[Automobile Insurance Premium Discount Programs](#)

[General Liability/Cyber Premium Discount Programs](#)

[High Deductible Premium Discount Programs](#)

[Property Loss Management Premium Discount Programs](#)

All forms need to be sent in by June 15th to participate, and they need to be signed by management. Please read the forms carefully to understand what the requirements are to get the discounts. All agencies are eligible for a premium discount if they choose to participate and meet the requirements.

For the high deductible discount program, the agency assumes more monetary responsibility. Kristie indicated smaller agencies with fewer vehicles and properties may not want to opt for a higher deductible. This discount program is the only one that is effective for the upcoming fiscal year (FY 2020). Each form indicates the RMTD staff member they need to be returned to. There is a separate Notice of Election for State Agencies and the Montana University System for the GL/Cyber premium discount program. This is because state agencies must have 75% participation and the universities only need 50% participation. Even at 50% there are very few campuses that qualify for the discount.

Before adjourning the meeting, Brett briefly spoke of the “transparency” bill in legislature, HB532, that our agency has kept an eye on as it will affect the Division in how we report certain claims against the state that result in settlements. Brett thanked the staff and committee members for attending and the meeting was adjourned.