

State Risk Management Council
Capitol Building, Room 250

November 29, 2005
9:00 a.m. – 12:00 p.m.

- I. Opening remarks/introductions – Janet Kelly, Director of Administration, or designee.
- II. Insurance renewal '07 Biennium.'
- III. Budget perspectives – Discussion of the state's position on reserves, surplus, and dividends. Please come prepared to share your organization's respective policies.
- IV. Loss trends.
- V. Property loss management update.
- VI. Variable pricing update.
- VII. Auto insurance premium discount update.
- VIII. Cost of risk.
- IX. 15 passenger vans.
- X. Excess liability insurance quotation – Out of state/civil rights coverage.

Aircraft Insurance Renewal Summary 'FY 06'

Insurance Carriers		FY06		Policy Provisions	
<i>Incumbent</i>		XL Specialty Insurance Services		<i>Basic Coverages</i>	
Interargo		Quotation Options		<i>As Expiring</i>	
Yes. Various limits and coverages.		Yes. Various limits and coverages.		FY06	
General Policy Limits					
<i>As Expiring</i>		<i>FY06</i>			
Coverage	Limits	Coverage	Limits		
Liability	\$10,000,000	Same.	Same.	Automatic coverage for new aircraft for 90 days.	
Hull (i.e. Physical Damage) only if requested by agency.	Stated Value	Same.	Same.	Search and rescue	
				Legal liability to others arising from negligent operation of 'non-owned aircraft. Coverage is automatic for aircraft used during in declared states of emergency for less than 90 days.	
				Physical damage liability to 'Non-Owned Aircraft' for use in declared states of emergency under interstate compacts for less than 90 days.	
Deductibles				No waiver of subrogation against the federal government and contract pilots.	
<i>As Expiring</i>		<i>FY06</i>		Exclusions	
Agency (Hull)	\$1,000	Agency	Same.	Pilots not properly certified by FAA.	
State (Hull)	5% of value (in-motion)	Same.	Same.	Airworthiness certificates not in full force.	
State (Hull)	\$1,000 (not-in-motion)	Same.	Same.	Noise pollution	
Agency (Liability)	None.	Same.	Same.	Chemical disbursement	
State (Liability)	\$1,500,000 Occ.	Same.	Same.	Capture, confiscation, seizure	
				Conversion, embezzlement, secretion	
				Aerial photographic equipment unless attached.	
				War, Terrorism, & Hijacking.	
				Pricing	
<i>Comparison</i>		<i>FY06</i>			
				Actual 2005 (as expiring): \$155,350 plus \$95,500 for non-owned liability for a total of \$250,850	
				Budgeted 2006: \$265,059	
				Actual 2006: \$246,107	

Notes: Increased limits to \$20,000,000 per occurrence will increase premiums by \$63,757 annually. Lower limits of \$5,000,000 per occurrence will reduce premiums by only \$11,043 annually.

Decision: Stay with current limit of \$10,000,000.

Boiler & Machinery Insurance Summary 'Renewal FY '06'

Insurance Carriers		Policy Provisions	
<i>Incumbent</i>	<i>FY06</i>	<i>As Expiring</i>	<i>Basic Coverages</i>
Traveler's	Lexington, CNA (Continental Casualty Insurance Company)		<i>FY06</i>
Quotation Options		As Expiring	
Yes: Combine Boiler & machinery insurance under property policy with the added advantage of broader coverage, increased limits, and no 'joint loss' provisions.		Sudden and accidental breakdown of boilers, vessels, refrigerating and air conditioning equip. Sudden and accidental breakdown of mechanical or electrical machine apparatus. Covered losses only apply to objects in use or connected and ready for use at named locations.	
General Policy Limits			
<i>As Expiring</i>		<i>FY06</i>	
Coverage	Limits	Coverage	Limits
Breakdown	\$20,200,000 occ.	Same	\$100,000,000
Expediting Expenses	\$500,000 occ.	Same	Same
Business Income	\$4,200,000 occ.	Same	\$100,000,000
Water Damage	\$100,000 occ	Same	\$ 10,000,000
Hazardous Materials	\$500,000 occ	Same	\$ 1,000,000
Perishable Goods	\$1,000,000 occ	Same	Same
Demolition/ICC	\$1,000,000 occ.	Same	\$ 10,000,000
Building Ordinance	\$ 500,000 occ.	Same	\$ 1,000,000
Consequential Damage	\$1,000,000 occ	Same	\$ 10,000,000
Deductibles			
<i>As Expiring</i>		<i>FY06</i>	
Agency	\$1,000	Same	Nuclear War.
State	\$100,000	Varies by object.	Cranes, hoists, etc.
Business Interruption	360 Hours	Varies.	Earth movement.
			Explosion of gas or unconsumed fuel or other outside.
			Lack of power.
			Testing (i.e. hydrostatic, pneumatic, or gas pressure).
Notes:			
<i>Comparison</i>		<i>Pricing</i>	
Actual 2005 (as expiring) : \$54,000		Budgeted 2006: \$54,149	
		Actual 2006: \$36,623	
<i>FY06</i>		<i>FY06</i>	

Fine Arts Insurance Summary Renewal FY '06'

Insurance Carriers		Policy Provisions	
<i>Incumbent</i>	<i>Proposed FY06</i>	<i>Summary of Significant Coverages</i>	
Lloyd's Of London	AXA Art Corporation	<i>As Expiring</i>	<i>Proposed FY06</i>
		Worldwide Coverage of objects of every description including, but not limited to, paintings, etchings, drawings, sculptures, rare books, manuscripts, and other bona fide works of rare of historic value.	Same.
		Worldwide Coverage ("Wall to Wall")	Same.
		All Risks of Loss	Same.
		Damage arising from Faulty Packing	Same.
		Pairs and Seis.	Same.
		Loss Buy Back.	Same.
Policy Limits			
<i>As Expiring</i>		<i>FY06</i>	
Coverage	Limits	Coverage	Limits
Named Locations	\$60,000,000	Same	\$70,000,000
Transit	\$7,500,000	Same	\$20,000,000
Any Other Location	\$20,000,000	Same	\$20,000,000
Legal Liability	\$7,500,000	Same	\$70,000,000
Registration Papers	\$25,000	Same	\$25,000
Deductibles			
<i>As Expiring</i>		<i>FY06</i>	
Agency	\$1,000	Same	
State	\$100,000	Same	
Actual 2005: \$50,000		Budgeted 2006: \$50,000	
<i>As Expiring</i>		<i>Proposed FY06</i>	
Pricing		Pricing	
Actual 2006: \$36,000		Actual 2006: \$36,000	

NOTES: Higher limits were quoted by Lloyd's of London at \$30,000,000 for unnamed locations and worldwide, however, the lower premiums and terrorism quotatation provided by AXA Art Corporation (i.e. \$38,922 versus \$36,000) made the AXA bid more attractive.

Property Insurance Summary Renewal FY '06'

Insurance Carriers		FY06		Policy Provisions		
Incumbent	Driver Alliant syndicate.	Basic Coverages				
Traveler's	Quotation Options	As Expiring	FY06			
		All Risks of Loss.				Same.
		Tunnels, bridges, roads, dams, streets, sidewalks not provided.				Tunnels, bridges, roads, dams, streets, sidewalks provided (\$250,000 Limit).
		Off Premises Power (\$2,500,000).				Off Premises Power (\$10,000,000).
		Contingent Liability from Operation of Bldg. laws				Same.
		Increased Costs of Construction (\$10,000,000).				Increased Costs of Construction (\$100,000,000)
		Unnamed Locations Not Provided				Unnamed Locations (\$25,000,000).
		Research Animals and Watercraft Not Provided.				Research Animals/ Watercraft (\$1,000,000).
		Vehicle and Watercraft Garaging Extension				Same.
		Valuable Papers				Same.
		Builder's Risk \$1,000,000				Builder's Risk (\$50,000,000).
		Terrorism Not Provided				Terrorism (\$10,000,000).
		Accounts Receivable \$5,000,000				Accounts Receivable (\$500,000,000).
		Debris Removal \$1,000,000				Debris Removal \$500,000,000
		Unscheduled landscaping for tees, sand traps, greens, and athletic fields not provided.				Unscheduled landscaping for tees, sand traps, greens, and athletic fields is now provided.
		Exclusions				FY06
		As Expiring				
		Aircraft, watercraft, vehicles, and rolling stock				Same.
		Land, bodies of water, standing timber, crops.				Same.
		Bills, currency, money, notes, securities, deeds.				Same.
		Property under encumbrance to the state after it leaves the state.				Same.
		Deductibles				
		As Expiring: \$1,000 (Agency), \$250,000 (State), \$1,000,000 (Earthquake), \$500,000 (Flood).				
		FY06: \$1,000 (Agency), \$250,000 (State), \$250,000 (Earthquake), \$250,000 (Flood).				
		Policy Limits				
		As Expiring		FY06		
		Coverage	Limits	Coverage	Limits	
		Blanket Limit	\$ 250,000,000	Same	\$500,000,000	
		Automatic Coverage	\$ 25,000,000 Occur.	Same.	\$100,000,000	
		Earth Movement	\$ 100,000,000 Occur.	Same.	\$200,000,000	
		Extra Expense	\$ 10,000,000 Occur.	Same.	\$ 40,000,000	
		Expediting Expense	\$ 25,000,000 Occur.	Same.	Same.	
		Errors & Omissions	\$ 5,000,000 Occur.	Same.	\$ 40,000,000	
		Service Interruption	\$ 2,500,000 Occur.	Same.	\$ 10,000,000	
		Transportation	\$ 10,000,000 Occur.	Same.	\$ 25,000,000	
		Business Income	\$ 25,000,000 Occur.	Same.	\$100,000,000	
		Electronic Data	\$ 25,000,000 Occur.	Same.	\$500,000,000	
		Flood	\$50,000,000 Occur.	Same.	\$100,000,000 Zone A	
		Debris Removal	\$10,000,000 Occur.	Same.	\$500,000,000	
		ICC	\$25,000,000 Occur.	Same.	\$100,000,000	
		International Limit	\$ 250,000 Occur.	Same.	\$ 1,000,000	
		Pricing				
		As Expiring		FY06		
		Actual 05: \$1,569,712		Budgeted: \$1,966,501		
				Actual: \$949,815 including \$200,000,000 higher limits for earthquake.		

Notes: Broader coverage, higher limits, lower deductibles and significant premium savings were realized.

***Financial Ratios Used
By Commercial Insurance Carriers
And Public Entities in
Setting Rates***

- Risk Margin¹/Estimated Liabilities² (or Premium) – Ratio typically ranges from 1 (i.e. less conservative) to 3 (more conservative).
- Estimated Claims Liabilities/Risk Margin <1.5
- Risk Margin/Retention³ between 10 – 20.

¹Risk Margin = Funding excess of Estimated Claims Payable.

²Estimated Liabilities = Actuarially projected estimates of loss costs as of 06/30.

³Retention = Deductible.

**RISK MANAGEMENT & TORT DEFENSE DIVISION
INSURANCE FUND BALANCE ANALYSIS BY LINE OF INSURANCE**

MODELING

as of 6/30/05

Description	Auto		
	FY2006	FY2007	FY2008
Beginning Cash Balance	86,542	854,146	1,528,931
Premiums Collected	1,668,644	1,671,416	1,571,416
Interest Earnings/Insurance Proceeds	54,873	54,873	54,873
General Fund Loan	-	-	-
Total Revenue	1,723,517	1,726,289	1,626,289
Operations (org 2401, 2406) less LAE	131,586	144,744	144,744
Commercial Premiums (org 2405)	-	-	-
Operating Expenses	131,586	144,744	144,744
Loss Adjustment Expenses	259,684	285,652	285,652
Loss Expenses	564,643	621,108	621,108
General Fund Loan Repayment	-	-	-
Total Expenses	955,913	1,051,504	1,196,248
Trial Fund Balance	854,146	1,528,931	1,958,971
Offbalance	-	-	-
Ending Cash Balance	854,146	1,528,931	1,958,971

Estimated Claims Payable as of 06/30/2004	985,363	985,363	985,363
% of Estimated Claims Payable Funded	86.68%	155.16%	198.81%

Funding Objective 2008: Risk Margin to Premium ratio of 1 to 2. \$100,000 reduction in premiums.

**RISK MANAGEMENT & TORT DEFENSE DIVISION
INSURANCE FUND BALANCE ANALYSIS BY LINE OF INSURANCE**

MODELING

as of 6/30/05

Description	Property		
	FY2006	FY2007	FY2008
Beginning Cash Balance	596,261	3,064,167	5,261,463
Premiums Collected	5,385,295	5,412,047	3,412,047
Interest Earnings/Insurance Proceeds	56,225	56,225	56,225
General Fund Loan	-	-	-
Total Revenue	5,441,520	5,468,272	3,468,272
Operations (org 2401, 2406) less LAE	128,188	141,007	141,007
Commercial Premiums (org 2405)	1,992,581	2,191,839	2,191,839
Operating Expenses	2,120,769	2,332,846	2,332,846
Loss Adjustment Expenses	268,668	295,535	295,535
Loss Expenses	584,178	642,596	642,596
General Fund Loan Repayment	-	-	-
Total Expenses	2,973,615	3,270,976	3,270,976
Trial Fund Balance	3,064,167	5,261,463	5,458,759
Offbalance	-	-	-
Ending Cash Balance	3,064,167	5,261,463	5,458,759

Estimated Claims Payable as of 06/30/2004	1,183,330	1,183,330	1,183,330
% of Estimated Claims Payable Funded	258.94%	444.63%	461.30%

Funding Objective 2008: Risk Margin to Premium ratio of 1 to 3. \$2,000,000 reduction in premiums.

**RISK MANAGEMENT & TORT DEFENSE DIVISION
INSURANCE FUND BALANCE ANALYSIS BY LINE OF INSURANCE**

MODELING

as of 6/30/05

Description	General		
	FY2006	FY2007	FY2008
Beginning Cash Balance	10,492,787	11,791,063	12,517,318
Premiums Collected	7,203,992	7,242,383	9,342,383
Interest Earnings/Insurance Proceeds	198,410	198,410	198,410
General Fund Loan	-	-	-
Total Revenue	7,402,402	7,440,793	9,540,793
Operations (org 2401, 2406) less LAE	1,033,903	1,137,293	1,137,293
Commercial Premiums (org 2405)	-	-	-
Operating Expenses	1,033,903	1,137,293	1,137,293
Loss Adjustment Expenses	1,597,248	1,756,973	1,756,973
Loss Expenses	3,472,975	3,820,273	3,820,273
General Fund Loan Repayment	-	-	-
Total Expenses	6,104,125	6,714,538	6,714,538
Trial Fund Balance	11,791,063	12,517,318	15,343,572
Offbalance	-	-	-
Ending Cash Balance	11,791,063	12,517,318	15,343,572

Estimated Claims Payable as of 06/30/2004	18,158,781	18,158,781	18,158,781
% of Estimated Claims Payable Funded	64.93%	68.93%	84.50%

Funding Objective 2008: Premiums sufficient to fund 85% of claims payable.

RISK MANAGEMENT & TORT DEFENSE

Property/Casualty Statistics

Agency: All Agencies

Line of Coverage: GENERAL LIABILITY Classification: All

As of 11/28/2005

Fiscal Year	Number of Claims Occurred	Number of Claims Resolved	Indemnity \$ Paid (Claims Occurred)	ALAE \$ Paid (Claims Occurred)	Total \$ Paid (Claims Occurred)	Total \$ Incurred (Claims Occurred)	Average \$ Paid (Claims Occurred)	Average \$ Incurred (Claims Occurred)
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SUMMARY

FY Prior 1992	402	79	14,459,326.42	5,695,643.11	20,154,969.53	20,939,969.53	50,136.74	52,089.48
FY1992	281	99	2,625,356.62	3,875,303.87	6,500,660.49	6,133,403.48	23,134.02	21,827.06
FY1993	283	111	3,057,224.19	1,754,804.20	4,812,028.39	4,812,028.39	17,003.63	17,003.63
FY1994	361	166	1,688,681.19	1,562,748.63	3,251,429.82	3,251,429.82	9,006.73	9,006.73
FY1995	349	176	3,123,928.32	1,868,119.93	4,992,048.25	5,204,048.25	14,303.86	14,911.31
FY1996	518	276	2,393,189.56	2,284,269.85	4,677,459.41	4,768,459.41	9,029.84	9,205.52
FY1997	399	202	1,511,177.66	791,963.13	2,303,140.79	2,364,140.79	5,772.28	5,925.16
FY1998	505	179	1,415,634.85	1,066,197.63	2,481,832.48	2,646,832.48	4,914.52	5,241.25
FY1999	537	259	1,007,890.60	1,192,122.21	2,200,012.81	2,179,012.81	4,096.86	4,057.75
FY2000	740	507	4,122,907.32	1,690,426.13	5,813,333.45	6,006,833.45	7,855.86	8,117.34
FY2001	914	600	742,096.13	1,385,546.57	2,127,642.70	2,514,710.70	2,327.84	2,751.32
FY2002	419	220	429,033.57	975,642.14	1,404,675.71	1,769,321.71	3,352.45	4,222.72
FY2003	346	184	1,170,895.71	288,087.36	1,458,983.07	1,630,973.33	4,216.71	4,713.80
FY2004	328	208	140,779.91	216,985.37	357,765.28	712,965.28	1,090.75	2,173.67
FY2005	223	135	36,799.93	15,193.61	51,993.54	79,406.74	233.15	356.08
FY2006	78	48	2,991.95	785.37	3,777.32	7,156.32	48.43	91.75

Printed 11/28/2005

1 of 1

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**Note: (1) Loss adjustment expenses equal legal fees, court costs, adjuster fees, and other miscellaneous expenses.
 (2) Indemnity equals expenditures for judgements and settlements.
 (3) Incurred losses equal indemnity paid plus loss adjustment expenses plus reserves.**

RISK MANAGEMENT & TORT DEFENSE

Property/Casualty Statistics

Agency: All Agencies

Line of Coverage: PROPERTY INSURANCE Classification: All

As of 11/28/2005

Fiscal Year	Number of Claims Paid	Number of Claims Resolved	Indemnity \$ Paid (Claims Paid)	ALAE \$ Paid (Claims Paid)	Total \$ Paid (Claims Paid)	Total \$ Incurred (Claims Paid)	Average \$ Paid (Claims Paid)	Average \$ Incurred (Claims Paid)
SUMMARY								
FY Prior 1992	4	0	10,087.16	1,059.26	11,146.42	11,146.42	2,786.61	2,786.61
FY1992	32	18	582,099.80	38,206.50	620,306.30	620,306.30	19,384.57	19,384.57
FY1993	46	27	274,839.62	30,611.68	305,451.30	305,451.30	6,640.25	6,640.25
FY1994	39	26	523,611.89	8,712.50	532,324.39	532,324.39	13,649.34	13,649.34
FY1995	41	32	298,723.84	6,069.54	304,793.38	304,793.38	7,433.98	7,433.98
FY1996	39	26	124,890.59	6,071.55	127,962.14	127,962.14	3,281.08	3,281.08
FY1997	56	31	157,749.67	13,106.92	170,856.59	170,856.59	3,051.01	3,051.01
FY1998	61	40	533,417.49	13,224.77	546,642.26	546,642.26	8,961.35	8,961.35
FY1999	63	40	620,546.71	13,884.05	634,430.76	634,430.76	10,070.33	10,070.33
FY2000	51	31	804,565.56	22,944.72	827,510.28	827,510.28	16,225.69	16,225.69
FY2001	73	49	503,492.04	23,432.35	526,924.39	526,924.39	7,218.14	7,218.14
FY2002	90	59	984,372.25	21,484.46	1,005,856.71	1,005,856.71	11,176.19	11,176.19
FY2003	71	47	417,071.56	33,024.37	450,095.93	451,169.81	6,339.38	6,354.50
FY2004	64	41	747,289.47	26,920.17	774,209.64	924,559.31	12,097.03	14,446.24
FY2005	51	31	494,386.69	9,203.75	503,590.44	679,104.51	9,874.32	13,315.77
FY2006	22	13	237,790.90	869.25	238,660.15	479,381.78	10,848.19	21,790.08

Printed 11/28/2005

1 of 1

stats

*Note: (1) Loss adjustment expenses equal legal fees, court costs, adjuster fees, and other miscellaneous expenses.
 (2) Indemnity equals expenditures for judgements and settlements.
 (3) Incurred losses equal indemnity paid plus loss adjustment expenses plus reserves.*

RISK MANAGEMENT & TORT DEFENSE

Property/Casualty Statistics

Agency: All Agencies

Line of Coverage: AUTOMOBILE LIABILITY Classification: All

As of 11/28/2005

Fiscal Year	Number of Claims Occurred	Number of Claims Resolved	Indemnity \$ Paid (Claims Occurred)	ALAE \$ Paid (Claims Occurred)	Total \$ Paid (Claims Occurred)	Total \$ Incurred (Claims Occurred)	Average \$ Paid (Claims Occurred)	Average \$ Incurred (Claims Occurred)
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SUMMARY

FY Prior 1992	61	11	1,047,685.56	817,309.39	1,864,994.95	1,864,994.95	30,573.69	30,573.69
FY1992	256	217	161,441.96	10,969.41	172,411.37	172,411.37	673.48	673.48
FY1993	240	204	184,141.69	11,415.35	195,557.04	195,557.04	814.82	814.82
FY1994	248	215	230,027.62	57,749.30	287,776.92	287,776.92	1,160.39	1,160.39
FY1995	304	254	463,774.00	65,073.82	528,847.82	528,847.82	1,739.63	1,739.63
FY1996	296	183	762,436.03	114,186.29	876,622.32	876,622.32	2,961.56	2,961.56
FY1997	363	298	579,087.29	81,665.48	660,752.77	660,752.77	1,820.26	1,820.26
FY1998	256	193	426,539.77	106,751.21	533,290.98	538,290.98	2,083.17	2,102.70
FY1999	310	231	417,453.56	57,812.96	475,266.52	477,766.52	1,533.12	1,541.18
FY2000	313	200	323,462.19	71,144.85	394,607.04	405,313.07	1,260.73	1,294.93
FY2001	366	255	703,973.93	83,277.38	787,251.31	787,251.31	2,150.96	2,150.96
FY2002	371	264	297,181.88	49,061.95	346,243.83	348,243.83	933.27	938.66
FY2003	320	239	1,012,077.43	46,299.96	1,058,377.39	1,053,851.26	3,307.43	3,293.29
FY2004	263	216	238,957.66	27,804.58	266,762.24	259,050.11	1,014.31	984.98
FY2005	233	189	322,287.61	22,511.47	344,799.08	363,647.35	1,479.82	1,560.72
FY2006	47	26	30,958.26	2,454.54	33,412.80	53,442.39	710.91	1,137.07

**Note: (1) Loss adjustment expenses equal legal fees, court costs, adjuster fees, and other miscellaneous expenses.
 (2) Indemnity equals expenditures for judgements and settlements.
 (3) Incurred losses equal indemnity paid plus loss adjustment expenses plus reserves.**

State of Montana
Department of Administration
Risk Management & Tort Defense Division

Notice of Election
FY2006 Property Loss Management Program

Purpose & General Provisions

Effective July 1, 2007, the Risk Management & Tort Defense Division (RMTD) proposes a property insurance premium discount of 10% for agencies that have established a comprehensive and effective 'Property Loss Management Program.'

The purpose of the 'Property Loss Management' premium discount is to give agencies and universities opportunity to realize property insurance premium savings through their proactive and comprehensive management of vital physical assets and resources. Premium savings realized through this program are intended to further fund Property Loss Management programs within recipient agencies.

The discount shall be applied against your agency's budgeted premium for property insurance coverage in FY07; therefore, agencies receiving the discount will be billed less than they are budgeted for the fiscal year FY07.

In order to be eligible for the FY07 premium discount, during FY2006 your agency must:

- Make reasonable attempts to implement and follow up on recommendations made by the state's property loss consultants, where appropriate.
- Submit a schedule of proposed preventative maintenance completed on key buildings. Documentation should support this. RMTD may verify through audit at any time.
- Submit criteria for proposed self-inspections on key buildings. Criteria must be approved by RMTD and documentation of the same may be verified by RMTD.
- Develop and submit to RMTD, policies and procedures for 'hot works,' 'impairment testing of fire protection equipment,' 'pre-fire emergency planning,' and 'cold weather precautions.'
- Submit to RMTD blueprints, plans, and modifications for major renovations and new construction. Review by RMTD and/or the state's property loss consultants will encompass blueprints for sprinkler density and design, to occupancy relations, as well as any other loss control particulars regarding key construction projects. Property loss management recommendations may be made.

The Risk Management & Tort Defense Division is looking to establish 'best practice' guidelines, checklists, and criterion in all of the areas mentioned above based upon the policies, procedures, guidelines, and checklists that you submit. Submit only a short specific summary of your satisfying the above criteria. Maintain supporting documentation, which may be verified as needed. Please DO NOT send us boxes of inspections, documentations, results of tests, etc.

Termination

An agency may terminate its participation by providing written notice to the Risk Management & Tort Defense Division. The termination is effective on the date of the written notice.

Notice of Election

_____ (agency) elects to participate in the state Property Loss Management Program.

Agency Signature _____

Date _____

Note: Each state agency will be notified of their eligibility for the discount by June 1, 2006 as indicated below:

Discount Approved by:

Discount Disapproved by:

Comments:

2006 PROPERTY LOSS MANAGEMENT PROGRAM PREMIUM DISCOUNT						
AGENCY	2006		2006		2006	
	EARNED	DISCOUNT	PROPERTY PREMIUM	EARNED DISCOUNT	UNEARNED DISCOUNT	
ADMINISTRATION	10%		478,810		47,881	
COMMERCE	10%		61,063		6,106	
FISH, WILDLIFE & PARKS	10%	X	98,012	9,801		
MSU BILLINGS	10%	X	314,855	31,486		
MSU BOZEMAN	10%	X	1,334,861	133,486		
NATURAL RESOURCES	10%	X	76,475	7,648		
NATURAL RESOURCES-SWAN RIVER	10%	X	6,249	625		
PUBLIC HEALTH & HUMAN SERVICES-MMHNCC	10%	X	17,074	1,707		
PUBLIC HEALTH & HUMAN SERVICES-EMVH	10%	X	15,357	1,536		
PUBLIC HEALTH & HUMAN SERVICES-MSH	10%	X	112,413	11,241		
PUBLIC HEALTH & HUMAN SERVICES-MDC	10%	X	44,343	4,434		
PUBLIC HEALTH & HUMAN SERVICES-CFVH	10%	X	22,746	2,275		
SUPREME COURT	10%		1,086		109	
TRANSPORTATION	10%		213,943		21,394	
UM HELENA COT	10%		34,586		3,459	
UM MISSOULA	10%	X	1,044,057	104,406		
UM MT TECH	10%		199,877		19,988	
UM WESTERN	10%	X	117,285	11,729		
TOTAL DISCOUNT AWARDED				320,373	98,937	

State of Montana

Risk Management & Tort Defense Division

Notice of Election High Deductible Premium Discounts

Purpose & General Provisions

Effective July 1, 2005, the Risk Management & Tort Defense Division (RMTD) proposes high deductible insurance premium discounts on auto comprehensive/collision coverage as well as property coverage for state agencies and universities.

The purpose of high deductible premium discounts is to give state agencies and universities the opportunity to realize insurance premium savings through cost sharing and loss prevention. Deductibles are currently fixed at \$250 per occurrence for auto comprehensive/collision coverage and \$1,000 per occurrence for property insurance.

The division proposes the following discounts for FY2006. The discounts shall be applied against each agency's budgeted premium for automobile comprehensive/collision and property insurance; therefore, agencies receiving the discount will be billed less than they are budgeted for the fiscal year.

Auto Comprehensive/Collision

	<u>Proposed Deductible</u>	<u>Proposed Discount</u>
Option #1	\$500	5%
Option #2	\$1,000	10%
Option #3	\$2,500	20%

Property

Option #1	\$2,500	5%
Option #2	\$5,000	10%

In order to qualify for these discounts agencies must promptly report all auto comprehensive/collision claims above \$250.00 and all property claims above \$1,000.00. These claims will continue to be evaluated by the Risk Management & Tort Defense Division as in the past in accordance with policies and procedures established by the division (see our website) and specified in statute (2-9-305, MCA).

It is anticipated that this discount will be offered during FY2006. Your agency's deductible will remain at \$250.00 per occurrence for auto comprehensive/collision insurance and \$1,000.00 per occurrence for property unless you select one of the following options: (Please place a check mark in the box by the desired option that corresponds with the deductibles and discounts above.)

Auto Comprehensive/Collision	Option #1	<input type="checkbox"/>	Option #2	<input type="checkbox"/>	Option #3	<input type="checkbox"/>
Property	Option #1	<input type="checkbox"/>	Option #2	<input type="checkbox"/>		

Termination

An agency may terminate its participation by providing written notice to the Risk Management & Tort Defense Division. The termination is effective on the date of the written notice.

Agency Signature _____ Date _____

Agency Name _____

Discount Approved by:
Discount Disapproved by:
Comments:

2006 HIGH DEDUCTIBLE PREMIUM DISCOUNT										
AGENCY	ELECTED COVERAGE	ELECTED DEDUCTIBLE	2006 EARNED DISCOUNT	2006 C/C PREMIUM DISCOUNT	ELECTED COVERAGE	ELECTED DEDUCTIBLE	2006 EARNED DISCOUNT	2006 PR PREMIUM DISCOUNT		
ADMINISTRATION					PROPERTY	\$ 5,000	10%	47,799		
ADMINISTRATION-PERD					PROPERTY	\$ 5,000	10%	76		
ADMINISTRATION-APPELLATE DEF.					PROPERTY	\$ 5,000	10%	6		
COMMERCE					PROPERTY	\$ 5,000	10%	3,933		
COMMERCE-MHC					PROPERTY	\$ 5,000	10%	2,173		
FISH, WILDLIFE & PARKS	C/C	\$ 500	5%	\$ 276	PROPERTY	\$ 2,500	5%	4,901		
TRANSPORTATION					PROPERTY	\$ 2,500	5%	10,697		
UM HELENA COT	C/C	500	5%	\$ 29	PROPERTY	\$ 2,500	5%	1,729		
CORRECTIONS	C/C	2,500	20%	\$ 8	PROPERTY	\$ 5,000	10%	750		
CORRECTIONS-BD OF PARDONS	C/C	2,500	20%	\$ 29	PROPERTY	\$ 5,000	10%	13		
CORRECTIONS-EASTMONT	C/C	2,500	20%	\$ -	PROPERTY	\$ 5,000	10%	1,158		
CORRECTIONS-STATE PRISON	C/C	2,500	20%	\$ 157	PROPERTY	\$ 5,000	10%	11,424		
CORRECTIONS-PRISON INDUSTRIES	C/C	2,500	20%	\$ 64	PROPERTY	\$ 5,000	10%	3,248		
CORRECTIONS-WOMENS PRISON	C/C	2,500	20%	\$ 22	PROPERTY	\$ 5,000	10%	3,205		
CORRECTIONS-TREASURE STATE	C/C	2,500	20%	\$ 21	PROPERTY	\$ 5,000	10%	547		
CORRECTIONS-RIVERSIDE	C/C	2,500	20%	\$ 5	PROPERTY	\$ 5,000	10%	1,082		
CORRECTIONS-PINE HILLS	C/C	2,500	20%	\$ 17	PROPERTY	\$ 5,000	10%	4,542		
TOTAL DISCOUNT AWARDED				\$ 628				\$ 97,283		

State of Montana

Risk Management & Tort Defense Division

Notice of Election Automobile Insurance Premium Discount

Purpose & General Provisions

Effective July 1, 2006, the Risk Management & Tort Defense Division (RMTD) proposes an automobile insurance premium discount of 5% for state agencies and universities that participate in defensive driving training sponsored or approved by the division and make a 'good faith effort' to implement and maintain the state vehicle use rule (see link below) within their agency. All state agencies and universities are eligible for the discount.

<http://www.discoveringmontana.com/doa/rmtd/content/01aboutrmtd/files/vehicleuseruleadopted.pdf>

In order to qualify for the 5% premium discount, each agency must send 3% of their employees to defensive driving training between June 15, 2005 and June 15, 2006. In addition, each agency must provide documentation that it has made a 'good faith effort' to implement the state vehicle use rule by having its employees sign a vehicle use agreement acknowledging that they will comply with the rule (sample form provided by the Department of Administration or similar form may be developed by each agency). Each agency is responsible to maintain a copy of the agreement in the employee's personnel file or other secure location.

In determining which employees to send to training, priority should be given to any state employee who has been responsible for an accident, and to employees who drive the most miles per year. Any state employee who has been responsible for an accident between June 15, 2003 and March 15, 2006 in which a claim resulted, must participate in the training in order for the agency to be eligible for the discount.

Risk Management & Tort Defense Division Responsibilities:

- 1) The Risk Management & Tort Defense Division will notify the agency (Risk Coordinator) of the dates, times, and locations of training sponsored by RMTD between June 15, 2005 and June 15, 2006. The training is free of charge and the number of employees in your agency to be trained during this time, to be eligible for the discount, is indicated on the back of this election form.
- 2) The Risk Management & Tort Defense Division will maintain a list of all agency employees who have attended defensive driver training during the period June 15, 2005 through June 15, 2006.
- 3) The Risk Management & Tort Defense Division will determine how many agency employees have attended training for the prior year.
- 4) RMTD will notify each agency of approval of the discount by checking the box 'discount approved' or 'discount disapproved' on the back of this election form and returning it to the agency contact by July 1 2005.

Effective Date

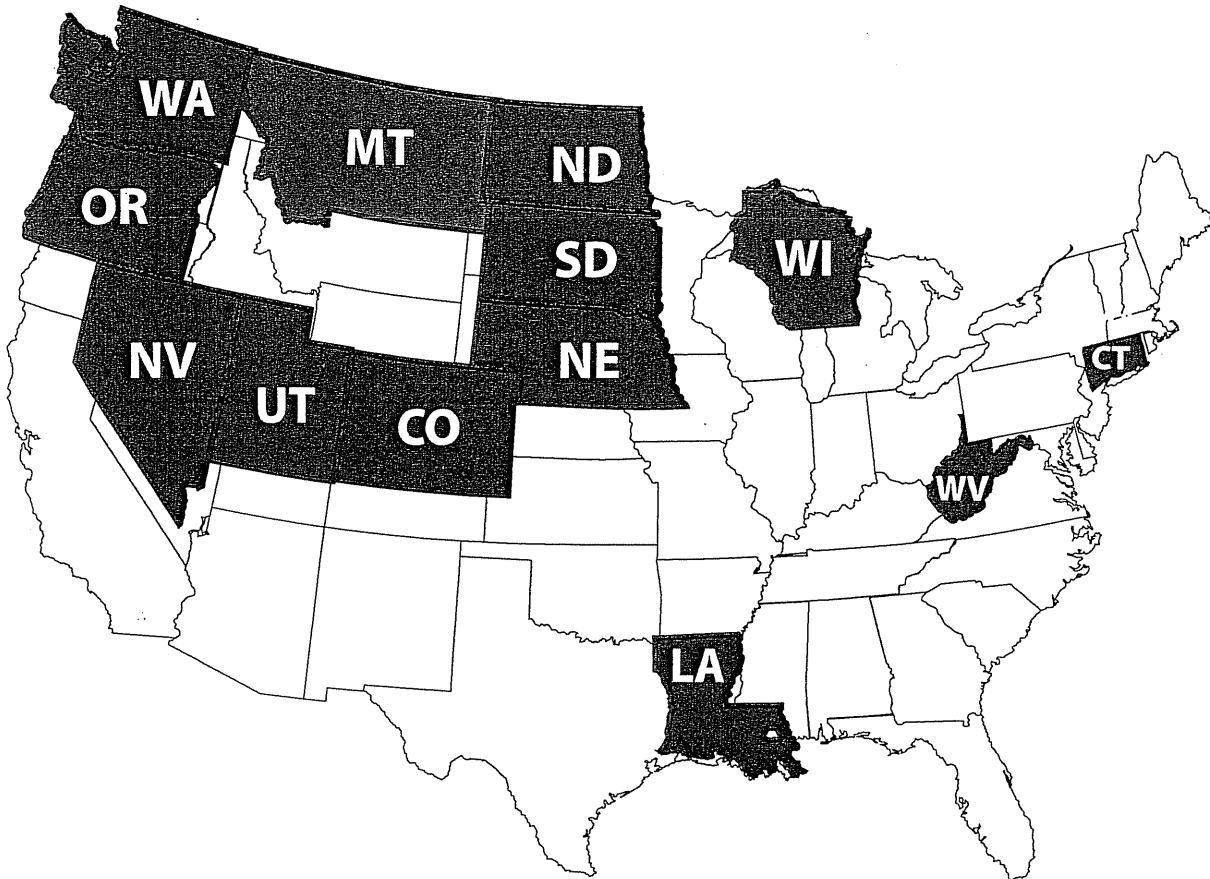
Participation in the training will commence on June 15, 2005. The discount will be provided to eligible agencies beginning July 1, 2006. The 5% discount shall be applied against each agency's budgeted premium for automobile liability and comprehensive/collision coverage; therefore, agencies receiving the discount will be billed less than they are budgeted for the fiscal year. It is anticipated that this discount will offered between July 1, 2006 and July 1, 2007.

Termination

The Risk Management & Tort Defense Division may terminate this program if agencies fail to participate and adhere to the guidelines. An agency may terminate its participation by providing written notice to the Risk Management & Tort Defense Division. The termination is effective the date of the written notice.

2006 AUTO PREMIUM DISCOUNT							
2005 AGENCY AUTO ELECTORS	# OF FY2005 PARTICIPANTS	FY2005 FTES	% OF PARTICIPATION	EARNED FY2006 DISCOUNT			
Administration	14	525.95	3%	\$ 302			
Agriculture	7	119.29	6%	\$ 318			
Commerce	6	194.00	3%	\$ 76			
Environmental Quality	19	420.78	5%	\$ 852			
Fish, Wildlife & Parks	46	722.28	6%	\$ 2,988			
Justice	123	805.35	15%	\$ 4,618			
Livestock	8	146.57	5%	\$ 552			
MSU Billings	12	586.22	2%	\$ -			
Natural Resources	29	504.86	6%	\$ 6,569			
Public Health & Human Services	33	2,789.33	1%	\$ -			
Public Service Commission	2	39.00	5%	\$ 50			
Supreme Court	-	386.81	0%	\$ -			
Transportation	150	2,308.92	6%	\$ 41,590			
UM Missoula	227	2,671.95	8%	\$ 4,735			
UM Montana Tech	76	463.18	16%	\$ 913			
UM Western	55	187.36	29%	\$ 241			
TOTAL DISCOUNT AWARDED	807	12,871.85	6.27%	\$ 63,804			

State Risk Cost Survey for Fiscal Year 2004



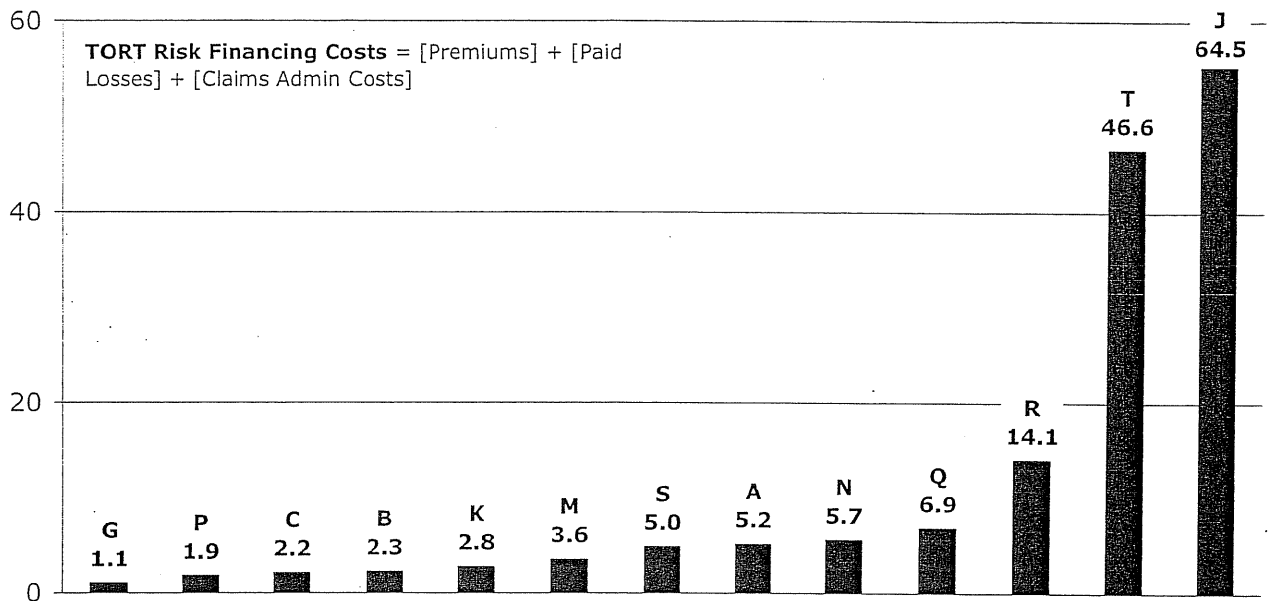
Compiled by:



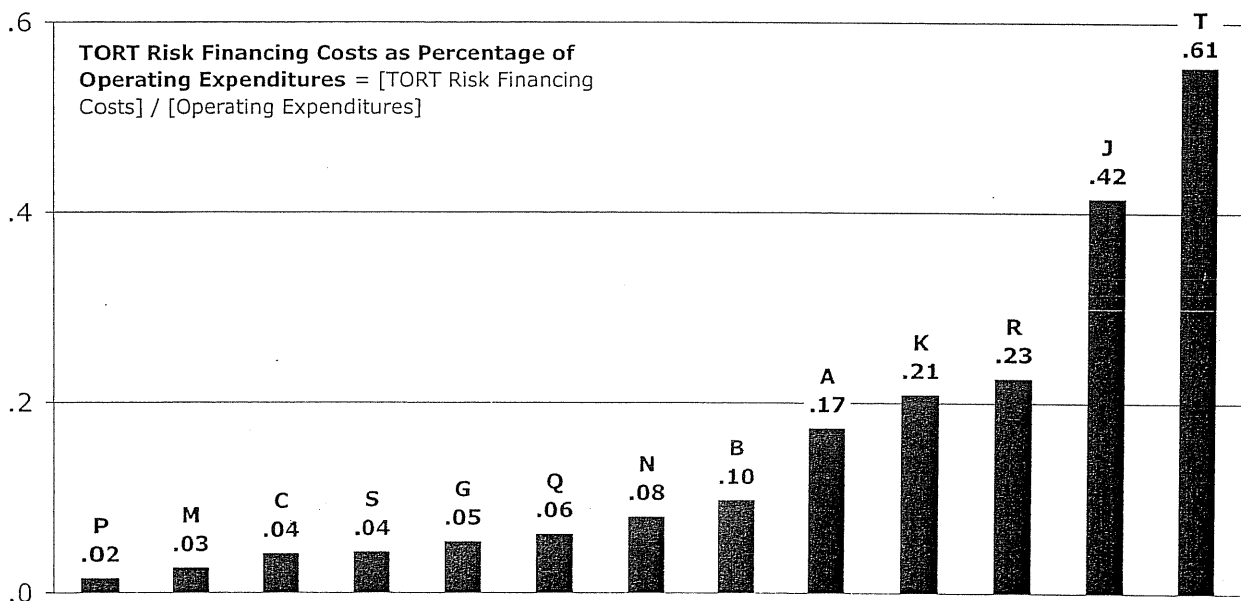
An Aon Company

23701 Birtcher Drive
Lake Forest, CA 92630-1772
michael_kaddatz@armtech.com
paul_cross@armtech.com

TORT Risk Financing Costs (in Millions \$)

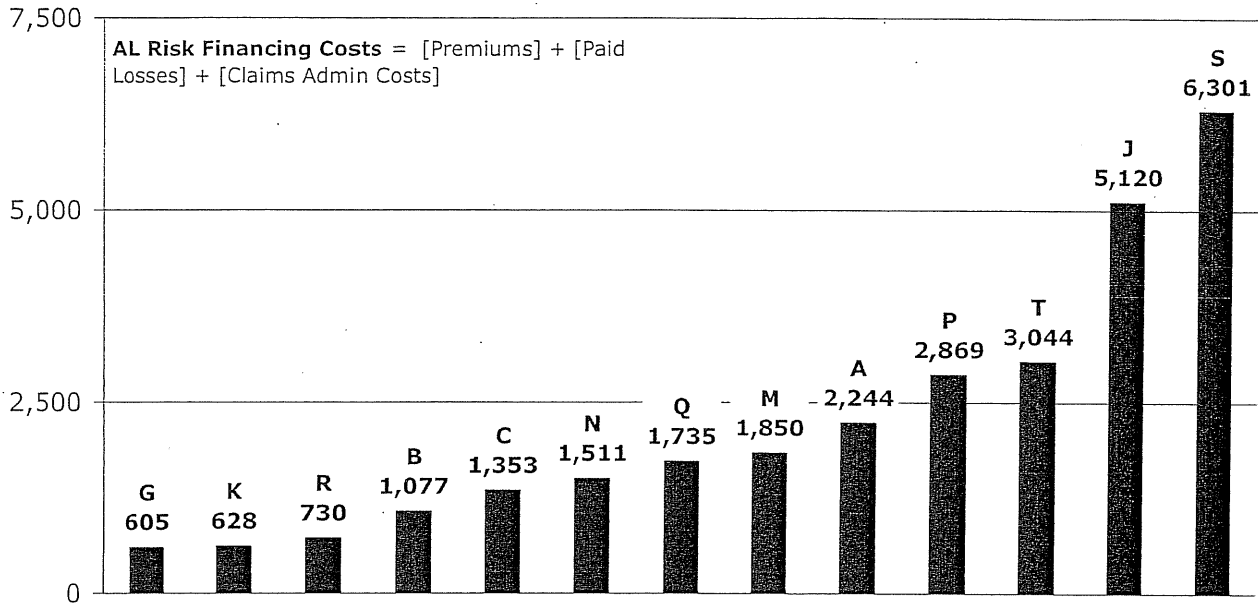


TORT Risk Financing Costs as Percentage of Operating Expenditures (%)

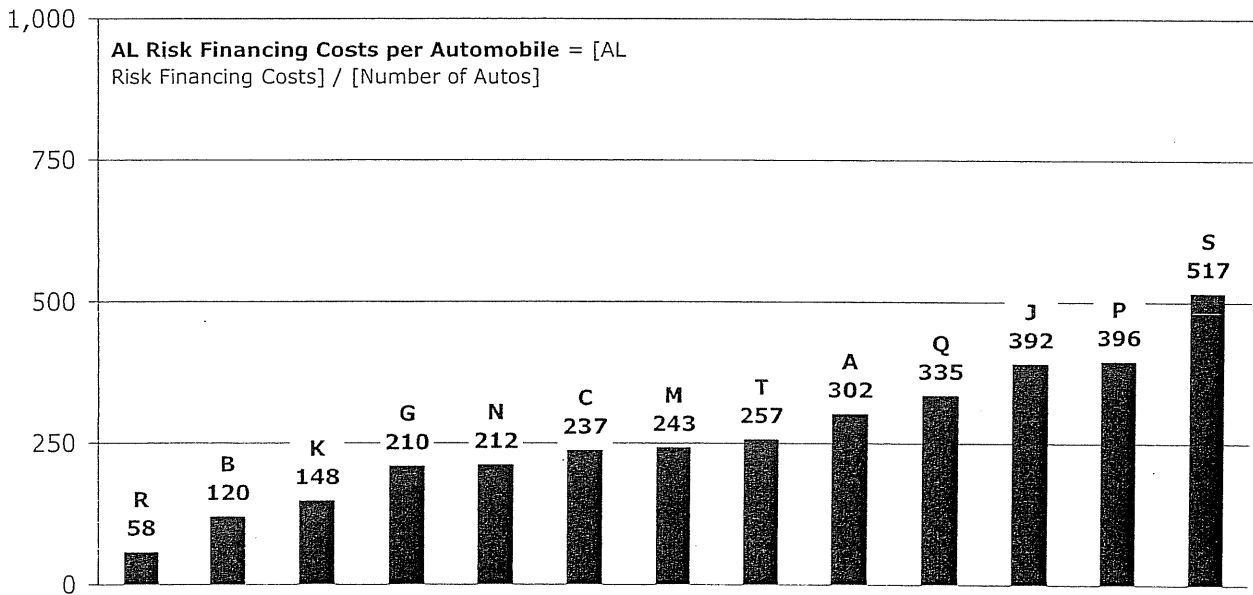


Note: TORT costs include EPL and MM except for A.

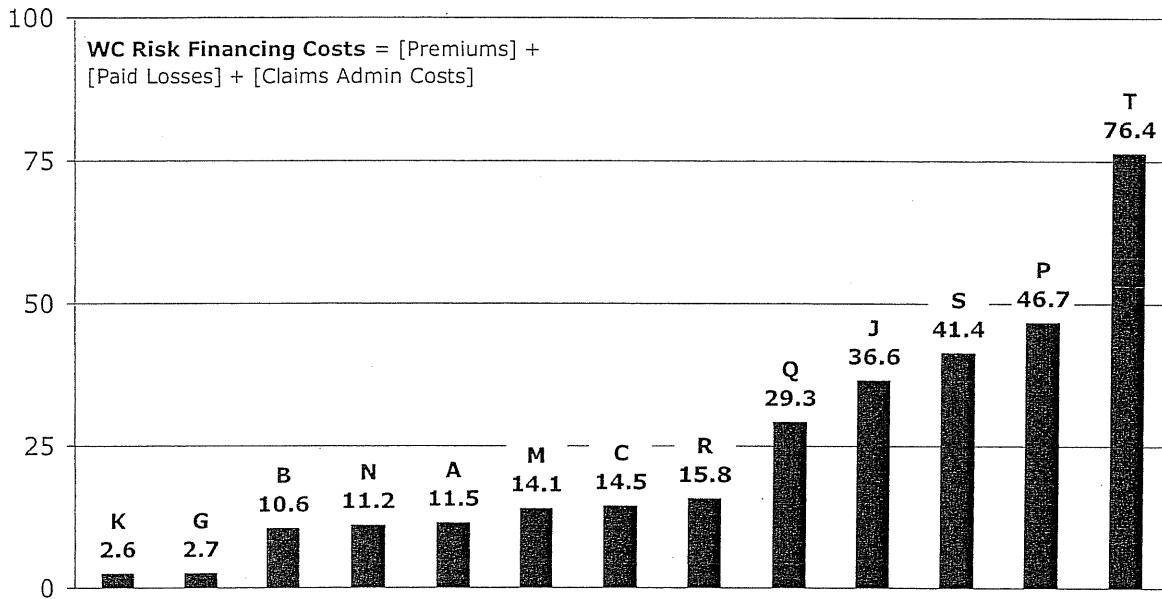
AL Risk Financing Costs (in Thousands \$)



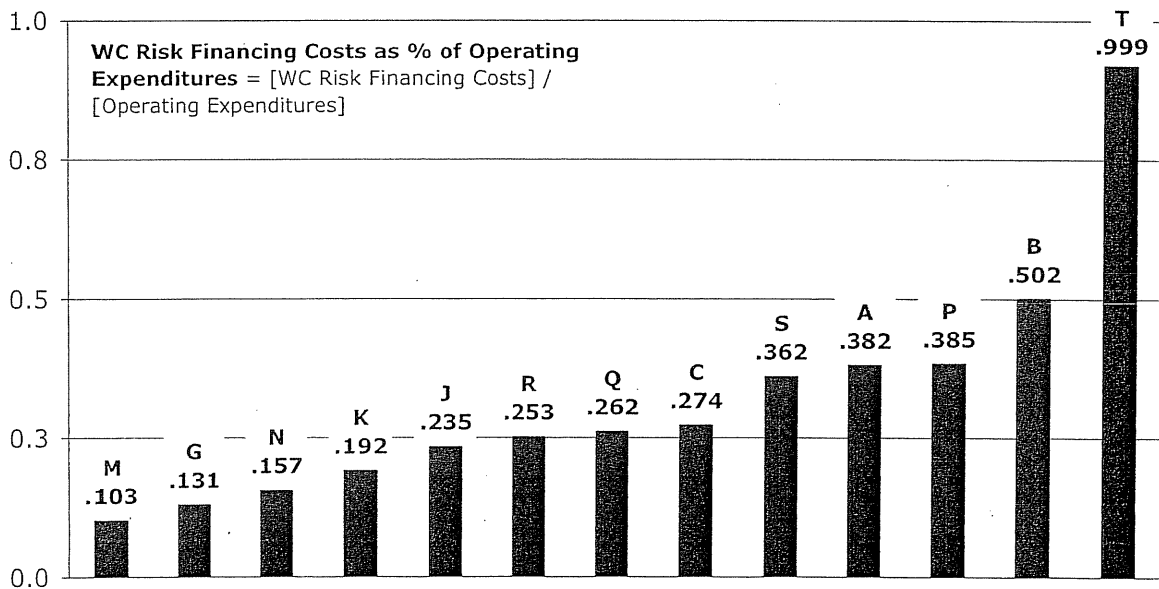
AL Risk Financing Costs per Automobile (\$)



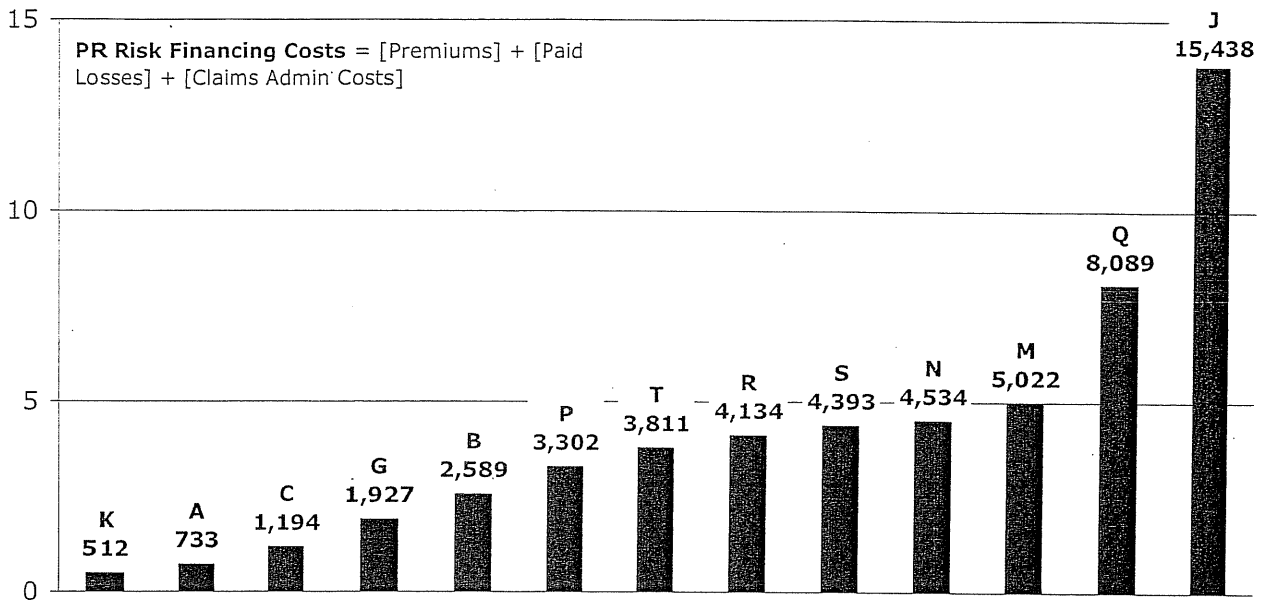
WC Risk Financing Costs (in Millions \$)



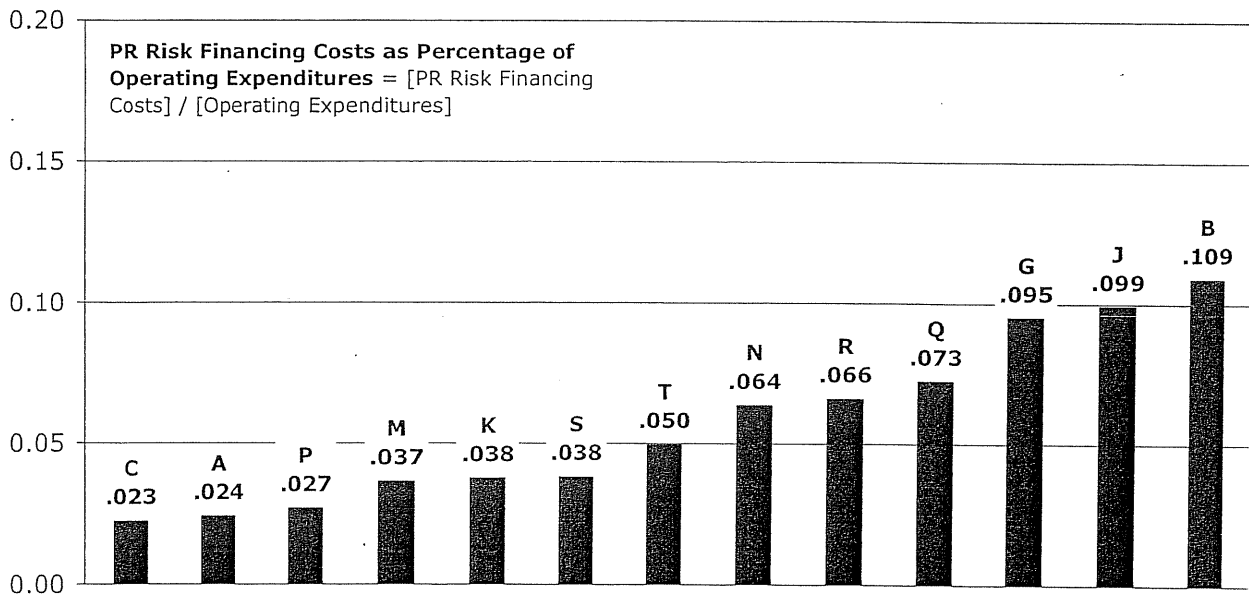
WC Risk Financing Costs as Percentage of Operating Expenditures (%)



PR Risk Financing Costs (in Thousands \$)



PR Risk Financing Costs as Percentage of Operating Expenditures (%)



15-Passenger Vans: State Government Risk

In May 2005, the National Highway Traffic Safety Administration (NHTSA) issued its third consumer advisory in the last four years warning users of 15-passenger vans of their risks.

Prior NHTSA research has shown that 15-passenger vans have a rollover risk that increases dramatically as the number of occupants increases from fewer than five to more than ten. In fact, 15-passenger vans with 10 or more occupants had a rollover rate in single vehicle crashes that is nearly three times the rate of those that were lightly loaded (with fewer than five occupants).

While Federal law prohibits the sale of 15-passenger vans for the school-related transport of high school age and younger students, no such prohibition exists for vehicles to transport college students or other passengers.

In a new research report, NHTSA states that tire under-inflation significantly increases a 15-passenger van's likelihood of rollover. In a related study, the NHTSA study found that 74 percent of all 15-passenger vans had significantly mis-inflated tires.

Nearly 80 percent of those who died in 15-passenger van rollovers nationwide between 1990 and 2003 were not buckled up. To reduce the risks associated with 15-passenger vans, NHTSA's safety advisory recommends that drivers of 15-passenger be trained and experienced; that they insist all occupants wear safety belts at all times; that they check tire pressure at least once a week; and that they place no loads on the roof of the vehicle.

In spite of repeated warnings and increased training of van operators, severe crashes continue to occur:

November 14, 2005 (Superior, Montana): Four Montana State University-Northern women's basketball players were injured when their 15-passenger van crashed. Two were ejected when it flipped onto its side.

September 2005: (Tremonton, Utah): Eight Utah State University students & their instructor killed when 15-passenger van rolled on a rural road. All 11 occupants were ejected from the van.

November 2004 (Tyler, Texas): A 15-passenger van carrying mostly teenagers from a birthday party flipped over and crashed when its driver swerved along an East Texas highway, injuring 14 passengers.

July 2003 (Kankakee, Illinois): Two children were killed over the weekend when the 15-passenger van they were riding in rolled along I-57.

Summer 2002 (Central Ohio): One University of Montana student was killed and another was seriously injured when the Drama Department's 15-passenger van rolled.

Draft Position Statement

In May 2005, the National Highway Traffic Safety Administration (NHTSA) issued its third consumer advisory in four years warning users of 15-passenger vans of hazards associated with driving these vehicles.

NHTSA research has shown that 15-passenger vans with 10 or more occupants had a rollover rate in single vehicle crashes nearly three times the rate of those that were lightly loaded (i.e. fewer than 5 occupants).

In September 2005 (Tremonton, Utah), 8 Utah State University students & their instructor were tragically killed when a 15-passenger van rolled on a rural road. All 11 occupants were ejected from the van.

On November 14, 2005 (Superior, Montana), 4 Montana State University-Northern women's basketball players were injured when their 15-passenger van crashed. Two were ejected when it flipped on its side.

Due to the frequency and severity of these kinds of accidents, among hundreds that have occurred nationally, the Department of Administration strongly encourages state agencies, universities, boards, councils, and commissions, to eliminate 15 passenger vans from their respective fleets within 4 years.

Acceptable alternatives include steel-frame mini-buses, mini-vans, or alternative forms of transportation. Voluntary compliance assures that your insurance premiums and coverages remain stable and are cost-effective.

THANK YOU for your cooperation and assistance.

Out-of-State Liability Insurance Premium Quotation

Proposed FY '06'

Insurance Carriers		FY06		Policy Provisions	
<i>Incumbent</i>	Munich American Risk Partners	<i>As Expiring</i>	<i>FY06</i>	<i>Basic Coverages</i>	
N/A		N/A		<i>FY06</i>	
Options		N/A		Bodily injury, personal injury, property damage.	
		N/A		Legal fees, court costs, etc.	
		N/A		Federal Acts.	
		N/A		Out-Of-State coverage.	
Policy Limits		FY06			
		N/A			
As Expiring		Coverage		Limits	
Coverage	Limits	Coverage	Limits		
N/A.	N/A	Bodily Injury	\$10,000,000 occ.	N/A	
N/A	N/A	Personal Injury	\$10,000,000 occ.	N/A	
		Property Damage	\$10,000,000 occ.	N/A	
		N/A		N/A	
Deductibles					
As Expiring		FY06			
N/A.	N/A	Agency	None	N/A	
		State	\$750,000 claim/\$1,500,000 occ.	N/A	
				N/A	
				N/A	
				N/A	
				N/A	
				N/A	
				N/A	
				N/A	
				N/A	
Exclusions					
				Liability arising out of the Montana Tort Claims Act.	
				Property damage.	
				Eminent domain, condemnation.	
				Faulty preparation of bid specifications.	
				Medical, dental, surgical services etc.	
				Punitive damages, relief or redress other than monetary, civil fines, penalties, enforcement actions.	
				Employee benefit plans (i.e. fiduciary).	
				N/A	
Pricing - 05		Pricing - FY06			
Budgeted FY05: N/A		Budgeted FY06: N/A			
Actual FY05: N/A		Actual: \$350,000			
		Note: Premium w/o. Federal Acts coverage is \$222,000.			

- Notes:** This coverage applies anywhere in the world.
- 1,000 (out-of-state day leases for state agencies and the u-system annually based upon 2005 study).
 - State agencies and universities own an estimated 50, 15 passenger vans. Many of these are used to transport athletic teams, faculty, and state employees out of state.
 - 800 motor pool vehicles.
 - Public Entities who purchase this insurance (MACCO, MMIA, Missoula County, Nevada, Wyoming, Oregon, Washington, many others).

CLAIMS VALUED AT EXCESS OF \$100,000 -- AS OF 06.30.05							
Date of Accident	Claim or Incident Description	Closed/Open File Status	SIR	Total Open Reserves*	Total Paid*	Total Incurred*	(* Exclusive of SIR or Primary Cover)
10/1/91	At-fault Auto Liability	C	\$1,000,000		\$5,000,244	\$5,000,244	
10/24/91	Excessive force arrest-shooting	C	200,000		175,106	175,106	
8/31/91	Motorcycle accident	C	350,000		128,238	128,238	
11/5/92	At-fault Auto Liability	C	1,000,000		901,446	901,446	
10/25/90	Road maintenance	C	100,000		263,172	263,172	
12/9/92	Wrongful termination	C	250,000		245,990	245,990	
7/21/95	At-fault Auto Liability	C	1,000,000		3,155,423	3,155,423	
12/15/97	At-fault Auto Liability	C	250,000		272,528	272,528	
11/28/94	Fair Labor Standards Act (FLSA) claims	C	2,000,000		693,961	693,961	
4/13/98	At fault auto-Prop. Dmg. only	C	200,000		108,890	108,890	
7/21/99	Road maintenance	C	250,000		293,806	293,806	
9/9/98	Road maintenance	C	250,000		406,243	406,243	
12/10/98	At-fault Auto Liability	C	1,000,000		5,962,039	5,962,039	
9/15/97	At-fault Auto Liability	C	250,000		2,065,154	2,065,154	
11/7/99	Auto-questionable liability	C	250,000		613,868	613,868	
4/6/00	At-fault Auto Liability	C	100,000		5,983,005	5,983,005	
6/1/00	Pollution-coverage issues	O	1,000,000	500,000		500,000	
9/5/00	At-fault Auto Liability	C	100,000		158,978	158,978	
5/27/00	Excessive force arrest	C	1,000,000		490,256	490,256	
11/7/01	Excessive force in jail-fatal	C	100,000		357,447	357,447	
10/11/01	At-fault Auto Liability	C	1,000,000		6,648,678	6,648,678	
7/17/01	Excessive force arrest-shooting	O	250,000	885,000	15,000	900,000	
5/17/02	Excessive force arrest-shooting, fatal	O	1,000,000	1,225,000		1,225,000	
6/10/01	Inadequate supervision-youth facility	O	100,000	256,540	18,897	275,437	
8/1/99	Racial discrimination; coverage issues	C	500,000		518,892	518,892	
8/13/01	Tree fell on passing auto-in insured's ROW	C	1,000,000		3,490,602	3,490,602	
1/16/03	At-fault Auto Liability	C	250,000		954,877	954,877	
2/9/03	Excessive force arrest	O	1,000,000	125,000		125,000	
5/9/01	Excessive force arrest-shooting	O	100,000	115,000		115,000	
1/14/02	At-fault Auto Liability	O	350,000	1,045,000	5,000	1,050,000	
5/2/03	Auto, questionable liability	O	1,000,000	125,000		125,000	
3/3/03	Jail death	O	250,000	110,000		110,000	
12/5/02	Jail suicide	O	150,000	110,000		110,000	
6/13/00	Malicious prosecution	O	100,000	125,000		125,000	
2/6/04	Inadequate supervision at ballgame	O	250,000	275,000		275,000	
7/7/03	At-fault Auto Liability	O	350,000	105,000		105,000	
9/3/04	Inadequate maintenance-floodgate	O	250,000	1,330,526	21,709	1,352,235	
1/12/05	Bus-inadequate supervision	O	1,000,000	150,000		150,000	
4/27/05	At-fault Auto Liability	O	350,000	450,000		450,000	
Totals:				\$6,932,066	\$38,949,449	\$45,881,515	

Date of Accident	Claim or Incident Description	Closed/Open File Status	SIR	Total Open Reserves*	Total Paid*	Total Incurred*	(* Exclusive of SIR or Primary Cover)
				Open File Count:		16	
				Closed File Count:		23	
				Total File Count:		39	
				File Count, auto related:		24	
				Total Incurred, auto related:		\$39,914,863	
				% of Total Incurred, auto related:		87.0%	
				% of total file count, auto related:		61.5%	
				File Count, at fault auto:		14	
				Total Incurred, at fault auto:		\$32,816,262	
				% of Total Incurred, at fault auto:		71.5%	
				% of total file count, at fault auto:		35.9%	
				6 of 7 largest claims - at fault auto:		\$28,814,543	
				9 of 12 largest claims - at fault auto:		\$31,720,866	