

RISK MANAGEMENT ADVISORY COMMITTEE MEETING

June 20, 2007

Room 250, State Capital

Attendees: Sheryl Olson- Chair, DOA, Brett Dahl- DOA/RMTD, Greg Jackson-Montana Association of Counties, Allen Hulse-Montana Municipal Insurance Authority, Jeff Shada- Montana State University, Tana Wilcox- Northwestern Energy & Jacquie Duhamel-Montana Rail Link

Sheryl Olson:
Introductions by everybody

Agenda

Legislative Order- just another quick look, you should have all received **Policy # 2.03**- You are the brain trust that is brought together at least once if not twice a year to make sure we are up on our insurance for the state. This is a public meeting and must follow the guidelines even though there isn't anybody from the public here. We must post agenda at least 72 hours prior to meeting.

Brett Dahl:

Lyris groups- <http://www.rmtd.mt.gov/advisorygroups/rmac.asp> if you want to read archived messages go to: <http://lists.mt.gov/read/?forum=rmac> or if you would like to send a message to all members click on: rmac@lists.mt.gov. This is a good tool for us to let each know what is going on, there aren't many of us out there.

Jacqui Duhamel: Worried about everything being available to the public. General Consensus: as with any e-mail be careful what you put out there. Pick up the phone if you think it to be sensitive.

Brett Dahl:

Budget Overview '09 Biennium- Funding for insurance is authorized in agency's budgets by the Office of Budget and Program Planning and approved by the legislature each biennium in accordance with §17-7-123, MCA. Proceeds from the property/casualty insurance fund are used to pay claims, purchase insurance, and fund operations. Steps to determine each agency's cost: Step 1, Evaluate historical exposure, losses and premiums. This trend is down significantly. Step 2, Project unallocated expenses through FY09- overhead. Step 3, Project allocated expenses through FY09- expenses attributed to claim or lawsuit. Step 4, Determine an appropriate level of premium to achieve funding objectives- have a target we want to hit, set premium at a level so we can hit target. General and Auto reserve set at 1 ½ times estimated claims payable. For Property the level of premium is set at 10 deductible losses or \$2.5 million. Step 5, Apportion premiums to state agencies and universities based on historical loss experience and exposure (i.e. vehicles, properties, FTEs, etc.). Allocate to agencies by model that takes in historical experiences and exposures. Premiums for 2006-2009:

Auto: 31% reduction (thanks to John's training in Defensive Driving, Preventing Distracted Driving and Van Safety). Still hit target

Jeff Shada: Drivers Training Instructors (for high school) are brought to MSU for hands on training. Classroom than hands on, although the classroom portion is moving towards on-line. Target drivers (about 12 per year) are sent to the Montana D.R.I.V.E. (<http://www.opi.mt.gov/DRIVE/ADEP.html#ldt>) in Lewistown, MT.

Allen: Use Auto Peace for training

Greg: Counties do their own training- last 2-3 years had a few major losses which hurt.

Brett: Aviation: 4% reduction but increases in FY09 due to increased coverage (more aircraft and hull coverage). General Liability: Harder to track accurately from year to year since it is an average of 3-5 years before something is reported. However there are instances where it is much longer. For example the Bromgard case where he was wrongfully incarcerated for 17 years before DNA proved his innocence. This is a potential \$16.5 million lawsuit.

Allen: need to be less reliant on markets, the less reliant on market the better off you will be - they are completely self-insured on liability.

Brett: Across the board there is a 11% reduction in premiums.

Tana & Jacquie: Reserve allocations that are set aside each month.

Allen: No aggregate- stop loss at \$400,000 market condition affects the aggregate- they are building a reserve to be able to move up the aggregate over time.

Brett: State has a \$250,000 deductible

Allen: This is something that should be looked at on a regular basis to see if we can do better.

Brett

Legislative Highlights “09 Biennium” Very quiet session for RMTD- bills tracked though legislative laws. ([handout](#)) Major ones: HB 2: General appropriations act- passed in special session but Governor did do some Line-Item Vetos. This helps in the reduction of premiums. HB 57: Foster parent liability insurance. This is important to RMTD because if we had an instance where a child was neglected (for example) when RMTD is insuring both the Foster Parent and DPHHS who do we defend? SB 62: Increase payment to advisory board members. This will give advisory board members up to \$50 per day on top of their travel expenses. What bills did you track? Greg: purposely stayed away- thrown into Work Comp Arena. Allen: Small Work Comp- small Law Enforcement. Jeff: nothing much

Claim Trends: Greg: Property/Liability manuscript- Subdivisions 4 zoning claims. 1992 fast growth counties have asked for help. Severity is on defense for subdivisions. 38% legislative driving increased to 40%. Law Enforcement (city jails) overall % dropped due to MMIA. Less number of claims but higher in severity. For example: Sex molestation case in Powell County were an officer molested 8 boys. Law Enforcement chases 2-3 a year. Employee Practices: high in frequency but low in severity. New exclusion on policy for any claim because of political practices. Auto: 3-4 accidents that resulted in fatalities that were the fault of the county employee. Employee Dishonesty: Surprisingly these are not so much a result of drugs and alcohol but due to lifestyles. Property: really don't have any, wind/hail damage, fire or sewer backups occasionally.

Allen: Overall trends flat to down. Costs due to defending land use issues. Law Enforcement is a huge issue always has been and always will be. Employment- we exclude liability for employment practices- last 10 years as very limited on endorsements, everything has to be approved. Property- couple of big claims, law enforcement auto physical- crash cars into property etc. Work Comp.- sprains, strains, knees and backs, the usual. Employee dishonesty- last 2 years 5 claims, only had one claim in the first 7 years. Most are from small operations where one person wears many hats.

Greg: Flat & reduced also 85% across all lines.

Jeff: Employment practices- now many expect some from the athletic department now. Set up a reserve for this instance. Some may follow coach down the road. Work Comp. – severity decreasing, more claims filed but no cost paid out, flat lined out. Auto liability has decreased. Auto physical (comp/collision)- don't insure all vehicles. Finding they don't have the funds to replace vehicle so more and more are finding the comp/collision insurance worth it. Not a high frequency of auto claims but loss control is helping. Property- 2 fires at Agriculture Research Center related to farmers not doing general up-keep.

Greg: Student athletes suing MSU or victims of the crimes suing?

Jeff: Victims not suing YET. Hope the change in coaching staff will have affect in the recruits. Student athletes are covered under Athletics Injury Insurance, MSU self insures 1st \$10,000, purchase insurance for \$10,000-\$75,000 then the NCAA Insurance picks up after \$75,000.

Greg: Do the students sue the professors over anything?

Brett & Jeff: No

Jeff: Foreign exposures- it is hard to prevent faculty from traveling abroad but can restrict students. Neither will listen to restrictions. Right after invasion of Iraq a student wanted to go film there using school equipment. Student wouldn't give up until finally gave them a number and said they had to get permission from them. It was the number for the Army Recruiter.

Brett: Every club thinks everything they do is part of their course to graduate.

Sheryl: Work Comp decreasing?

Jeff: Loss history dropping due to internal funding mechanisms (or pools) pay 1/10 of 1% into an alternate pool, 3rd year this is in place. If someone gets hurt & you find them a job (alternate work assignment) their wages will be paid out of the alternate pool. If you don't have a place they will get work somewhere else on campus and your department will be charged for their wages. Very few have to pay wages and they find the recovery time is shorter and returning to work easier. 4th year as self-insured on work comp.

Tana: Do you have a TPA?

Jeff: Yes, for claims- new person hopes to be able to do some loss prevention and to have a claims administrator soon.

Tana: Work comp. increased due to aging work force and dynamics. With the sale of Northwestern Energy to an out of state company and everything going on the overall moral is down. They have a new stretching program where there is 10 minutes of stretching first thing each morning. Some fought a first but after 2 weeks they are looking forward to the stretching time. Property- don't have many- insured through FM Global, \$1 million but don't remember last claim. Auto down, over 4,000 vehicles between the 3 states (Montana, South Dakota and Nebraska), however sold all vehicles to leasing company and then we lease from them. Work comp., different in that we pay 100% of pay, people will take a full 6 months to recover from a knee injury. Very dictated by unions. South Dakota and Nebraska are "Right to Work" states.

Greg: Work Comp is medical driving and lack of safety conscience. Next Legislature going to go for larger fines for companies who don't follow Safety Guidelines. Work Comp is very challenging.

Tana: Involve HR, doesn't matter if hurt at work or on own time they will work with the individual's doctor to get the person back to light duty.

Jeff: Finding that some employees who have a history of employment problems end up as a work comp claims. Need to have supervisors better trained so the problems get handled sooner.

Allen: establish an environment of safety to keep them out of the medical realm.

Brett: Look at it as if it is our own company (Montana Inc) and how to take care of it so it can succeed.

Tana: General Liability for the end of 2006 and the first few months of 2007 down. 210 claim total, power surges, power polls damaged by weather, damage to property etc. For all claims we have about 600 a year.

Jacquie: all above, alive & well in generalization. Not in work comp. system but it is a huge issue, find there is a disconnect. Spend a lot of time on safety. Safety record pretty good, meeting goals, not worst but not the best either. Finding some people work all week without seeing supervisor plus aging workforce, younger supervisors. It takes 1 ½ years to evaluate and create a new system then it takes another 3 years to see if it worked. Claims down- dependant on current agenda of trial lawyers. **BIGGEST ISSUE IS THE AGING WORK FORCE.**

Jeff: Do you have a Fitness for Duty requirement?

Jacquie: For on duty injuries and anything medical. Return to duty process: 60 days-UA, DOT 30 days. Off duty for medical reasons need to go through a Return to Duty Exam. Don't wait until they are hurt or worse before you do something. A big problem is getting people comfortable enough to go up to someone and ask what is going on. "You can't fix management problems with a medical opinion".

Jacquie: Have a lot of private crossings that are not permitted or insured. An old farmer owned the property and had the crossing to move his cattle from one pasture to another. Now that same property has been sold and subdivided, so you had one farmer and his cattle crossing once in a while you now 50 people are using that crossing on a daily basis with out the proper permits or insurance. RML get sued for everything. Complex picture due to it being a Land Grant Railroad.

Brett: Trends looking good- trends down.

Commercial Insurance Renewals: Greg: Due to the Powell County \$2.8 million lawsuit exceeding state limits (purchase excess on Federal and out of state) limited all counties (self insurance) to \$3 million for multi-claims. Couldn't find someone for excess coverage. Liability, increase loss fund by 10%. Excess for out of state and Federal stayed the same. Property increased by 5% because all increase in property overall, upgraded, updated, even good renewal. Loss ratio average credits (variable credit) tier.

Allen: Overall Work Comp. down 6% this year even with the increased salaries. Property down 12.8% but going to keep level in order to build up equity (reserve). Increase aggregate to \$400,000 and increase vehicle deductible. Employee benefits up 4.4% (only 3 years old). Overall one of the better years we've had.

Jeff: State Agency- Work Comp. slight increase to beef up reserves while other insurance remained flat.

Tana: Property 2% increase, work comp. down- excess above \$1 million, self insured. Average umbrella down 8%. Basically a decrease in everything except property.

Jacquie: Property, \$500,000 Standard. Two derailments in the last 3 years, however no increase in property or auto. Employee increased (because had some claims) to \$25,000 deductible that includes defense expenses to \$2,500.

Brett: ([commercial insurance handout](#)) Bottom line reductions in premiums. Aviation is the only increase and that is due to increased coverage (hull and overall). Never had a claim for an airport. Auto (no commercial excess) is down 31% with a reserve of \$2 million. General Liability \$11-\$12 million in reserve but that can be depleted fast with the Bromgard. Libby Asbestos is part of the Federal Super Fund. Claim trends: speeding, failing to yield, backing, distracted driving. 70% of accidents are preceded by a distracting event. John Duezabou has won a National Award for creating a course called Preventing Distracted Driving. Cell phone use is very hard to regulate.

Jeff: They have found there is no difference in using a cell or a hands free device. For example you can eat and watch TV but if you get a phone call you will not remember the program.

Brett: General Liability- Professional, student interns either medical or non-medical, no increase in prices. HIPAA, UofM Pharmacy Interns can't work at Western Montana Clinic with out HIPAA insurance. Reserves: general liability \$12 million, property \$5 million, auto \$2 million. Insured values increased by 4.14 %

Greg: Increased earthquake from \$25 million to \$50 million aggregate. Used \$120,000 savings to increase limits.

Brett: Offered off premises (on premises covered under property) premiums under comp/coll. Off premises values were at \$90,000. Increased in Terrorism from \$10,000-\$100,000

Loss Prevention- Training Calendar for the 1st 6 months of 2008. Asked to update the training course "Playing it Safe" before the Virginia Tech murders now we have "Preventing Workplace Violence" Training will run from mid-July to mid-September. Since the nature of services provided by state employees, coupled with complex psychological, social, and interpersonal issues, may result in an angry or violent encounter with a co-worker, citizen, or client. This is a guidebook that is intended to help state employees to recognize and respond to aggressive or threatening behaviors to prevent hostility from escalating to violence. The State has zero tolerance for violence in the workplace. This class is not offered to small groups from the same office because there is role-playing. **Defensive Driving (6 hour course)** - John will continue to teach this course for at least another year then he will look into going to a 4 hour course. Defensive Driving is offered from October till June. This course qualifies you for your Auto Discount and in some instances will get you a discount on your personal auto insurance (check with your company). **Preventing Distracted Driving- 2 hour course**

that John designed and is getting the national award for now. This class also qualifies you for the Auto Discount (but not necessarily your personal auto). Statistics show 80% of all accidents were preceded by a distracted driving incident. This course is recommended if you have taken the DD-6 class in the last 2-3 years but will give to anyone who needs the course. **Cover your Assets-** Was taught last fall for the first time, good reviews from the few who took it. This course, provides an in-depth review of insurance protection offered through the state property/casualty insurance program, assists state agencies and universities in identifying potential coverage gaps, offers valuable tools to help state agencies and universities properly report their assets, helps state agencies and universities save insurance premium through loss prevention and premium discount programs, explains how insurance premiums are determined. This is a 2 hour course that will give you the information and support you need to make sure you have everything entered into PCIIS correctly. **Employee Fraud** - We are seeing more and more of this both in the Government and private sector. In 1998 the state lost its bond coverage because of too many claims. **Reducing Risk Exposures in Contracts-** this is given twice a year. A class will be offered this fall.

Future Issues

Greg: Identity Theft, HIPAA info stolen from Florida county employee. Cyber Coverage, very expensive and policy limits low. You can get Business Interruption to cover Identity Theft and Cyber Coverage but it is too expensive \$10,000 for \$100,000 coverage. Pandemic coverage- bird flu

Tana: If one person gets it 50% of the workforce will be down because of it. Crisis Intervention Team

Jeff: Campuses have access to them

Allen: Something that we need to look into is the information discussed with the crisis intervention teams is discoverable.

Brett: Are these meeting beneficial?

Everyone: yes

