

## STATE RISK MANAGEMENT COMMITTEE MEETING MINUTES

April 14, 2010  
9:00 a.m. to 12:00 p.m.  
MDT Auditorium  
Helena, MT

Risk Management and Tort Defense Division Attendees: Brett Dahl, Aric Curtiss, John Duezabou, Cathy Meidinger, Kristie Rhodes, Jennie Younkin and Deb Lopuch. Brett thanked everyone for coming to the meeting. The staff introduced themselves and told what their functions were for RMTD.

Risk Management Committee Member Attendees: Christy Aamold, Mark Bruno, Marilyn Cameron, Julia Dilly, Carleen Green, Ray Eby, Teri Juneau, Sandy Lang, Carleen Layne, Staci Litschauer, Judy Little, Amber McLane, Tom Nichols, Donna Rae, Mick Robinson, Jeff Shada, and Marlys Stark.

Other Attendees: Dan Archer, Elizabeth Bergstrom, Matt Chambers, Cathy Doyle, Shelly Grandee, Lee Harbour, and Kristen Jacobson.

### **Introductions – New Members**

Carolyn Rand, Justice Department

### **New Member Orientation** – Deb Lopuch

Brett does a new member orientation for Risk Management Committee Members. He goes over the roles and responsibilities and also the PCIIS database. Please contact Deb at 444-9843 to schedule a time to meet with Brett.

### **FEMA Hazard Mitigation Grants** – Tim Thennis, Department of Military Affairs

There are five different programs that provide mitigation funding help. Their office deals with two programs: The pre-disaster mitigation and the hazard mitigation grant. The other programs are handled by the Department of Natural Resources.

The pre-disaster mitigation program is a competitive national program. One of the requirements is that entities have a PDM plan and the state has one in place. The maximum amount per project is 3M and it is a match program of 25 percent the state has to match. Part of the match can be a soft match, does not have to be cash.

Tim said the projects do not have to be new ones; projects can be for acquisition/demolition, elevation of structures on flood plains, relocation or retrofitting. Retrofitting can be structural or non-structural.

Some things that are not covered are studies and costs not directly related to the project, response communication equipment and buildings that are owned by the Federal Government.

Applying for a grant is done electronically and Kent Atwood can meet with people to set them up on the system and walk them through it.

The grant period opens the first of June every year with a closing date of December first. Grant determinations are the first of spring. If there needs to be an environmental review, that will take longer.

Military Affairs also runs the post-disaster program after a presidential declaration of a disaster event. FEMA sets aside 15 percent of monies for mitigation projects. This funding is more flexible because they can be used statewide, if one area does not want the money it can be moved to another jurisdiction. Tim said they did get funding for the 2008 severe snow storm in Carter County.

Brett said with the budget cuts, these grants may help with the long range building program for the state. Aric will be working with Architecture and Engineering and the General Services department for new buildings and existing buildings to possibly do some seismic hazard mitigation projects. A few months ago, RMTD met with FEMA and learned about these grants.

[http://rmtd.mt.gov/content/advisorygroups/files/fema\\_slides.pdf](http://rmtd.mt.gov/content/advisorygroups/files/fema_slides.pdf)

### **Property/Casualty Insurance Fund** – Brett Dahl

Brett stated that RMTD runs the insurance program much like an insurance company. There are targets and benchmarks that he tries to meet every year. He views the agencies as clients. Brett said RMTD's world is largely centered on large, unpredictable losses. He said the state is self-insured for liability but not for excess catastrophic insurance because it is not readily available and expensive to purchase.

Catastrophic event losses lead to unexpected commercial reinsurance premium increases. Brett said the September 11, 2001, catastrophic event led to large commercial insurance premium increases across the board. So many commercial insurers were involved in covering the losses; it caused a domino effect on the industry. The State's insurance tripled after the event.

For auto insurance, RMTD is fully funding all auto claims; there is no unfunded liability on auto. Every year an actuarial evaluation is conducted on the fund and that helps RMTD determine what the premium rates will be. Five years ago, that was not the case.

Brett said there is a reserve factor built into the property and auto premiums for losses that may exceed actuarial estimates and may be catastrophic in nature. The auto reserve is four tort damage caps (750K per claim). The tort cap for auto has been in place since 1986 and was set by legislation.

For general liability, RMTD wants to make sure that the total estimated claims payable is no more than 1.5 times the reserve position. General liability is the largest insurance program the state has and it is up a bit. Right now, the program is fully funded. General liability covers claims and lawsuits filed because of negligent acts or omissions by state employees in the course and scope of employment.

For property reserve the goal is to maintain reserves sufficient to fund ten deductible losses. Last year the property deductible increased to 500K. There had been significant property claims in 2008 and 2009. The primary property carrier for the state said the deductible had to be raised because of the large losses. Property is the second largest insurance program the state has. Some of the reserves have been used to cover large losses.

Automobile premiums will not increase in 2012 and 2013.

Aviation is not self-insured. The state purchases a commercial policy. There are very few claims for aviation losses.

The goal has been to maintain/retain a stable reserve for all lines of insurance through 2013 and that seems to be happening.

For the 2013 Biennium budget, there are four lines of insurance that will go into House Bill 2. They are auto, aviation, general liability and property. The total level of allocation for each line will not go up and rates will remain the same. The rate each agency will be responsible for based on experience and exposure has not yet been determined.

Brett said RMTD uses NAIC (National Association of Insurance Commissioners) data, even though the state is not an insurance company and does not do underwriting. He wants to know how the state ratios compare with the national insurance industry. He said the risks and exposures are different than other insurers which makes it harder to do benchmarking to compare with the industry.

The loss ratios for general liability are typically a bit higher than the national ratio. That is because the state can't qualify the risks, partly because we insure all the highways and prison inmates.

The auto and property ratios are favorable in comparison to the industry.

[http://rmtd.mt.gov/content/advisorygroups/files/pc\\_ins\\_fund\\_2013.pdf](http://rmtd.mt.gov/content/advisorygroups/files/pc_ins_fund_2013.pdf)

### **Claims** – Jennie Younkin

There are sixteen lines of commercial insurance RMTD administers and five lines are self-insured. Jennie will discuss four of the insurance lines because these lines count for 80 to 90 percent of the claims RMTD receives. Jennie said there has been a decrease in claims. Auto claims are filed against the State of Montana where an auto is involved. They can be collisions, rocks from a mower, rocks from other vehicles, and a variety of things. The claims are submitted by a third party. Auto claims are trending downward. Jennie said collision related claims are the ones with high dollar amounts. There are more claims filed for being struck by an object (rock, snow/ice, etc.), but the dollar amounts spent are less because there is not as much damage.

Under comp/collision, these are state agency claims for vehicles each agency reports for coverage. Most agencies do carry comp/collision. These are trending down also. Animal claims are the highest comp/collision type of claim. Jennie said for the agencies that don't cover their vehicles under the insurance, she has no idea of how many claims they incur, or what the cost of repairs is for the damages.

Jennie did a report to show what time of day and what days of the week most animal strike incidents happen. The study revealed that 8:00 a.m. to 9:00 a.m. is when most animal collision occurred.

The struck by object category includes things like hitting a sign post or other object. Hail damage is also under this coding.

Jennie stated that with the auto claims trending down, she has asked one agency that had a large drop in auto claims what they were doing to have that happen. They told her they are sending their employees to John Duezabou's driving classes. Jennie believes John's classes to make a difference because they make people more aware of how they drive.

Property claims are usually low in numbers but high in dollar amounts. Jennie ran a report for water related claims and weather related ones. She pointed out that it seems water claims are higher one year and the next year it is weather related claims that are higher. Missing property claims are down and she credits the efforts of the risk management members.

General liability claims are the highest dollar amount for claims. Jennie said if a claimant has an attorney, the tort staff attorneys handle the claim, otherwise Marjie and Jennie take care of the claim. Jennie said

because the claims filed are so diverse, it is hard to determine trends for general liability. Contractor claims are large in numbers, but they are zero dollars for the state, since the claims are sent to the contractor to handle. Risk management staff has the most ability to affect the number of general liability claims filed by maintaining floors and sidewalks so there are less slip and falls due to ice, water and other hazards. Jennie ran individual agency loss run reports and they can be picked up from Deb at the end of the meeting.

[http://rmtd.mt.gov/content/advisorygroups/files/claim\\_activity.pdf](http://rmtd.mt.gov/content/advisorygroups/files/claim_activity.pdf)

### **24 Hour Answering Service** – Jennie Younkin

RMTD is now available 24 hours a day, seven days a week. Jennie advised just call the main line after hours and press 1 for Marjie, 2 for Jennie, and 3 for Brett. She said she will listen to the message prior to calling back, so do leave a message.

Brett told members that what Jennie showed them today was a brief look at what was available from the claims report system. If someone needs password access, call Jennie. There are twenty reports RMTD can run and five reports risk management staff can run these themselves. They are: Loss Trends, Cause of Loss Trends, General Trends and Specific Claims Detail. Brett urged members to take advantage of looking at these reports.

### **Loss Prevention** – John Duezabou

John said RMTDD has offered loss mitigation grants for the past two years and will offer them again for FY2011. As of today, he does not know how much money will be set aside for the grants. The grants are given to reduce the severity of what could happen for the lines of insurance RMTD has. The grant form is simple to complete; put down what the project is and the amount requested.

One thing that has been spelled out on the form is if funding is approved, it is up the agency receiving the grant to comply with all the regulations on requesting bids and requiring contracts. Even if an agency has not had any claims, they can still request a grant if they think there is a possibility of a claim (broken sidewalks, etc.) John said there was a grant for the Veteran's home in Columbia Falls to fix some sidewalks and they had not had a claim for the sidewalks. If there is a cost estimate from a contractor, do attach it to the form. If all of the requested money is not used for a project, it is returned to RMTD, it cannot be used for other projects. John said another thing needed is timely submission of bills for the project because RMTD pays the contractor bills.

John went over RMTD's training access on the website. It lists all upcoming classes and indicates if the class is full or restricted. Classes are listed by type of class, Van Safety, 4-Hour Defensive Driving, etc. By clicking on the date of the class, employees can then register themselves. For the 4-Hour Defensive Driving classes, they will need to have their driver's license number to register. Once they hit submit, they can print a confirmation page. There is no cost for any of the classes. Restricted classes are for a particular agency that has requested a class for their employees. Contact John if a class is restricted and he will ask the requesting agency to see if other employees can attend. To check what classes are being scheduled and to register go to [http://rmtdweb.doa.mt.gov/rmtd/RMTD\\_CTIS\\_TRAINING.training\\_list](http://rmtdweb.doa.mt.gov/rmtd/RMTD_CTIS_TRAINING.training_list).

A new course being added is for training on how an agency can check their employee's driving records. If an employee has over 12 conviction points in the past 36 months, they are not supposed to drive a state car until they have their license restored. Per the vehicle use rule, the employee is to advise their agency if they have a suspended license. Agencies can set up an E-pass account and pay \$75.00 per year and for

each account, and up to ten people can check an unlimited number of driving records during the year with no extra charge. This is only for Montana records and it will not reflect any convictions from other states.

There will be a new division bulletin in the near future. John said if anyone has any suggestions they want an article on, let Brett or John know. It will be an electronic bulletin.

[http://rmtd.mt.gov/content/advisorygroups/files/loss\\_prevention.pdf](http://rmtd.mt.gov/content/advisorygroups/files/loss_prevention.pdf)

### **Premium Discounts** – Auto Premium Discounts – John Duezabou

The auto premium discounts are applied to cabinet level agencies and individual university campuses. As an example, for Public Health and Human Services, the auto discount is not offered to a specific area or facility. The discount is for DPHHS as a whole entity. The discount is now 10 percent.

The Notice of Election forms are due to John by June 15<sup>th</sup> of each fiscal year. A new requirement and change is that the form must be signed by a deputy agency director, director or administrator. For universities it would be the equivalent of a deputy agency director.

The other change requires agencies to look at their auto claims and look for trends or particular drivers that have more than one accident. These reports are listed on the new form. One of the reviewers must be a deputy director or higher. By October 1<sup>st</sup>, the reviewer must send something in writing to John to advise the claims have been reviewed and what they have decided on as a plan to reduce auto accidents. It can be done by email or a letter/note. This will take place for FY2012. To print the form go to <http://rmtd.mt.gov/insurance/autoinsdisc.asp>.

Brett stressed every agency should take advantage of the discount and take reviewing the reports seriously.

### **Property Loss Management Discounts** – Aric Curtiss

This is the fifth year RTMD has had the program. There are a couple of changes to the form. One of the changes is the person that must sign the form. In the past, anyone could sign the form. Now, a director, deputy director or administrator needs to sign. The property program deals with entities instead of agencies. As an example, the Department of Corrections has numerous facilities (State Prison, Pine Hills, etc.) Each individual entity can apply for the discount. The second change is that by October 1<sup>st</sup>, the deputy director or equivalent, the facility manager, and anyone else the entity feels needs to be included, need to run the property report and review it. The report will show what the losses were and what kind of losses need to be prevented or mitigated. The report needs to be signed and Aric will have a tab in the property loss binders to file the report behind the tab.

The form needs to be returned to Aric by June 15<sup>th</sup> and the form is on RMTD's website at <http://rmtd.mt.gov/insurance/proplossmgmtdisc.asp>

[http://rmtd.mt.gov/content/advisorygroups/files/property\\_loss\\_mgmt.pdf](http://rmtd.mt.gov/content/advisorygroups/files/property_loss_mgmt.pdf)

Aric stated that for the 10 percent discount agencies receive, the intent is that the monies are used for property loss management efforts, to enhance and maintain buildings and properties.

Aric said if agencies are participating in the current program, the binder is due to him by June 1<sup>st</sup>. He stated he is available if anyone needs assistance completing the binder. By June 15<sup>th</sup> Aric will notify agencies if they are approved or not.

Another thing coming up is thermo graphic surveys. The surveys are meant to detect and identify any electrical hot spot in buildings. This will be done in May in the Kalispell and Columbia Falls area for about ten buildings.

Property inspections will be done later in May in the Helena and Bozeman area. This involves 37 buildings. Agencies will be given an official report with recommendations when they are completed.

In June, there will be a contractor that will look at buildings just to familiarize themselves with the facility in case a disaster occurs.

Aric said for FY11, there will be more inspections and building familiarization tours, as well as the property loss forms and binders.

### **Insurance Update** – Brett Dahl

There are two key timeframes for re-insurance. January 1<sup>st</sup> is a key date because a lot of companies have that as their renewal date and the industry looks at how the market conditions are at that time. The market was stable as of January 1<sup>st</sup>.

There have been losses on investment assets because of the national economic situation. The insurance industry is looking carefully at risks and loss histories. The two earthquakes in Haiti and Chili will not have much impact on the state's renewal since there was not a lot of infrastructure damage and costs. The rates are predicted to be stable on July 1<sup>st</sup> when the state has their re-insurance.

In FY07, there were no property losses. In FY08 the state had three large property losses and the deductible at that time for each loss was 250K. In FY09 there was one loss. There are no losses so far for FY10. The current deductible is 500K. For the upcoming insurance renewal, by keeping the deductible at 500K, rates will remain the same.

For the renewal for next year, 2012 biennium, Brett is looking at increases in business interruption limits (loss of revenue streams – stadium is flooded, etc.) He is also looking at increasing the limits in contingent business interruptions (if there is a massive earthquake and suppliers cannot deliver goods to the state and we lose income).

He would like to have an aggregate of \$2M-\$5M deductible in place.

Brett said he would like to be able to offer a 2-5 percent discount to agencies with zero losses.

[http://rmtd.mt.gov/content/advisorygroups/files/insurance\\_update.pdf](http://rmtd.mt.gov/content/advisorygroups/files/insurance_update.pdf)

Brett gets a lot of questions on Telework insurance for employees working from their homes. Employees are covered for liability while working at home and if someone comes to their house and they are injured, they are covered. For additional information go to <http://rmtd.mt.gov/insurance/tortliability.asp>.

For property, the program covers computers, software, and other state property at the Teleworker's residence. For additional information go to <http://rmtd.mt.gov/insurance/propertysummary.asp>. The employee has a responsibility to safeguard state equipment. If the home has a flood, the homeowner's

insurance would pay first and the state would be the excess insurance. The insurance does not cover personal property. At this time, there is not a telework policy in place.

As a reminder, Brett said if employees have valuable personal items in their state office and if there is damage or theft of personal items, the loss is not covered under the state insurance program.

If an employee is traveling in a foreign country, they can download an insurance card at <http://rmtd.mt.gov/insurance/foreigninsurance.asp>. The plan covers auto accidents, general liability, and kidnap and ransom.

Kristie Rhodes went over several changes for insurance program requirements. The changes were done for clarification purposes. One was on the auto policy, for personal vehicle use for state business. If an employee uses their own vehicle, the state auto insurance does not apply if there is an accident. This is outlined in section G. at <http://rmtd.mt.gov/content/insurance/files/tortliability09abstract.pdf>.

Another change was under the fine arts policy and the valuation. Language was added for valuation in the event of a loss for fine art that is on loan to the state. This is under VII. Valuation, C. and D. at [http://rmtd.mt.gov/content/insurance/files/fineart\\_abstract10.pdf](http://rmtd.mt.gov/content/insurance/files/fineart_abstract10.pdf).

The last change involves personal property. As Brett stated earlier, loss of personal property is not covered as outlined at [http://rmtd.mt.gov/content/insurance/files/property\\_abstract10.pdf](http://rmtd.mt.gov/content/insurance/files/property_abstract10.pdf).

Kristie advised that there is a new form for agencies to complete to request a Certificate of Insurance. An agency may be asked to provide a certificate from an outside entity to prove there is liability insurance. A lot of times, school districts and cities require them for use of their buildings for meetings or use of city parks for events. The form can be printed off or it can be completed online. The form outlines all the required information for RMTD to be able to issue a certificate. The form can be found at <http://rmtd.mt.gov/insurance/certofins1.asp>. Return the form to Kristie by fax, mail or email.

### **Insurance Exposure Reporting** – Kristie Rhodes

Kristie said the reporting went very well again and thanked everyone for their assistance and hard work. For the next reporting year, there will be a summary about the line of coverage so people in the field can look at that and determine if they do or do not need coverage and step by step instructions to complete. It should make it easier to the risk exposure reporting person to collect information from people in the field.

### **Client Visits** – Brett Dahl

Brett said this is the year client visits should be conducted and will probably be done in the fall. Clients can have any staff members they feel need to attend be part of the visit. He told the members if they have any suggestions for the visits, please let him know.

Brett thanked everyone for attending the meeting.