

## **RISK MANAGEMENT ADVISORY COMMITTEE (RMAC)**

### Meeting Minutes

May 25, 2016

A meeting of the Idaho Risk Management Advisory Committee was held on this date in the LBJ Building, Conference Room 155, 650 W. State Street, Boise, Idaho. Chairman Geddes called the meeting to order at 1:00 p.m.

#### **Members Present:**

Robert L. Geddes, Director, Department of Administration and Committee Chair

Faith Cox, Statewide Risk Manager, Office of Risk Management

Theresa Chrisman, Lewis-Clark State College (LCSC) (via telephone)

Josh Tewalt, Administrator of Policy and Budget, Department of Correction (alternate for Kevin Kempf, Director)

#### **Members Absent:**

Senator Dean Mortimer

Representative John Gannon

Jim Carpenter, Idaho Transportation Department

#### **Others Present:**

Keith Reynolds, Deputy Director and CFO, Department of Administration

Kay Christensen, Chief, Contracts and Administrative Law, Office of the Attorney General

Gideon Tolman, Analyst, Division of Financial Management

Robyn Lockett, Analyst, Legislative Budget Office

Kris Coffman, Lead Claims Adjudicator, Office of Risk Management

Joan Compton, Analyst, Office of Risk Management

Glen Goff, Claims Adjudicator, Office of Risk Management

Kathy Adams, Claims Technician, Office of Risk Management

Kristie Fields, Technical Records Specialist, Office of Risk Management

Diane Blume, Program Specialist, Department of Administration

Tanya Hellewell, Senior Financial Specialist, Idaho Transportation Department

#### **APPROVAL OF MINUTES**

**MOTION: Mr. Tewalt moved and Ms. Cox seconded that the minutes of the January 12, 2016 Risk Management Advisory Committee meeting be adopted as written. The motion passed unanimously.**

#### **FINANCIAL REVIEW**

Mr. Reynolds provided a handout and brief update of financials as of April 30<sup>th</sup>. The projected FY16 numbers (at the end of FY15) were utilized to determine FY17 numbers agency billing amounts. Therefore, projected FY17 numbers (based on numbers at the end of FY16) will be utilized to determine FY18 billing amounts. However, in doing so he pointed out some lines of coverage where actual claims paid out in FY16 were more than projected and will thus need to be adjusted in FY18 billings.

For FY16 the projected expense for Liability was \$3,958,219; however, through the end of April \$4,447,166 has already been expended. The state has experienced some substantial payouts that were not projected by our actuary, he said.

Another difference is in Auto Physical where projected expenses was \$541,065, but \$650,758 has been spent through April. Finally, he explained, Property expenses were projected at \$3,485,826 but \$3,733,997 has been paid-out, although property claims have been offset by a recovery that brings net expense in line with protections. Overall, actual FY16 costs are expected to be higher than projected which will require adjustment to FY18 billing rates.

## **INSURANCE RENEWALS**

The state's brokers from Florida traveled to Boise to present renewals to staff, Ms. Cox said. There were no increases in premiums except for instances where there was growth in an agency, she explained. Insurance for FY17 includes Re-Insurance, Bonding and Crime, Property including Earthquake, Auto, Machinery, Inland Marine, and Liability. Things are currently stable in the commercial insurance arena and over the past 10 years the state has been very profitable to its carrier, she explained. To retain the state's business if was in their best interest to keep premiums flat.

## **NEW LOSS RUN REPORT**

For the very first time Risk Management is now able to run loss reports for agencies that include relevant information for them to analyze their loss trends. The report shows an agency's loss history over three fiscal years and is broken out by line of business, number of claims, claim amount, and Statewide Cost Allocation Plan (SWCAP) total (or their amount spent on premiums). She said she will use these plans to work with agencies to identify high trends, and ways to reduce claim costs.

Some agencies will be able to see where their claims exceed premiums, which often occurs with the larger agencies that have the most exposure. Agencies that have paid premiums and not incurred claims will be reassured that what they pay for in coverage is substantially below what they could purchase on their own in the open market.

These loss reports will identify specific problem areas to target. For example, in FY14, FY15 and FY16-to-date the state had 927 automobile accidents and 340 of them were preventable, such as drivers backing into other vehicles or some other item. Defensive Driving classes will be offered, she said, and hopefully everyone involved in the preventable accidents will attend. Ms. Chrisman noted that LCSC has cutting-edge defensive driving training equipment that can simulate what it is like to drive on black ice, for example. She said this equipment is available for use by other agencies for training purposes.

## **BUILDING APPRAISALS**

At its last meeting, the committee asked staff to investigate options for entering into a phased approach for regularly appraising state buildings so the state is within industry standards, and they asked that a recommendation for funding be proposed.

Ms. Cox said the last time appraisals were completed on state facilities was in 2006. The state's brokers presented an analysis completed recently for Idaho which identifies 900 buildings as significantly under-insured. The broker wanted to increase property insurance premiums in FY18 because of some large losses we had, she said, but they agreed not to if the state implemented a regular appraisal process.

She said after she conducts her own review of some of those under-insured buildings, the state will solicit four bids from vendors with experience in public entities. One will be chosen to conduct on-going appraisals where about 25% of state facilities will be appraised annually so that all facilities are continually appraised about every four to five-years. As a result of this process there may be buildings identified as over-insured, and in that case their values will be reduced.

## **CYBER INSURANCE**

Agencies and institutions of higher education have been very concerned about exposure to cyber threats, Ms. Cox explained. Quotes have been received for phasing in this coverage. For FY17 agencies will have the option to opt in for coverage at a price. However, in FY18 coverage will be automatic for those agencies that qualify. Agencies considered not eligible would most likely have IT gaps that would need correction before the coverage can be applied.

The cost is \$570,000 annually for \$25 million of coverage (which would cover all Idaho state government), and when divided amongst agencies is very minimal. The concern is that there is a \$1 million retention and because we have not had cyber liability before the insurance carrier was not willing to offer anything less, she said. However, once all applications for coverage is submitted there is a chance the retention amount may be reduced. Should a claim come in less than \$1 million, the state would still have access to remediation services provided at a reduced rate.

## **AGENCY VISITS**

Several agencies have requested visits and training from staff, she said. Some have been made but more will occur now that loss reports are available to share with them. Next week, she said, she is scheduled to travel north to visit with both LCSC and the University of Idaho with the goal that she will visit every agency by the end of the year.

Along with agency visits/training, she has negotiated with the state's broker to offer a 2-day training in October each year with one day focused on topics specific to higher education, and the other day addressing issues specific to agencies in general. Experts will be brought in to address topics that the state chooses.

## **PREVIEW OF NEW RISK WEBSITE**

Ms. Cox said she is proud to show members the new internal Risk Management website which will serve as a one-stop shop for state agencies. It was created in-house by Kristie Fields. Included is a What's New section and information on training opportunities—in fact, the recent ADA training was video-taped and is available for viewing on the website. The defensive driving and broker training sessions will also be video-taped and accessible on-line.

From the menu, agencies can find information about staff, enabling statutes, mission and vision of the Office of Risk Management, information about the RMAC, and descriptions of the insurance programs that agencies purchase. Various information of interest will be posted, as well as forms, and an explanation what to do when filling a claim. There are guidelines, FAQ's, a method for relaying comments back to staff, and a direct link to the information system that agencies use to update their information.

## **NEXT MEETING**

The Committee agreed to meet again sometime during the first week in October.

## **ADJOURNMENT**

Mr. Tewalt moved and Ms. Cox seconded that the May 25, 2016 meeting of the Risk Management Advisory Committee be adjourned at 1:45 p.m. The motion passed unanimously.

A handwritten signature in cursive script that reads "Diane K. Blume".

Diane K. Blume, Program Specialist  
Department of Administration