

RISK MANAGEMENT ADVISORY COMMITTEE (RMAC)

Meeting Minutes

May 29, 2018

A meeting of the state 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 10:30 a.m.

Members Present:

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

Faith Cox, Statewide Risk Manager, Office of Risk Management (ORM)

Travis McGrath, Chief Operations Officer, Idaho Transportation Department

Henry Atencio, Director, Department of Correction

Senator Dean Mortimer (via conference call)

Theresa Chrisman, Assistant to the VP for Finance and Administration, Lewis-Clark State College (via conference call)

Absent and Excused:

Representative John Gannon

Others Present:

Keith Reynolds, Deputy Director and CFO, Department of Administration

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

Tony Eldeen, Analyst, Division of Financial Management

Jill Randolph, Analyst, Legislative Services Office

Kris Coffman, Risk Management Program Supervisor, ORM

Max George, Claims Technician, ORM

Kristie Fields, Technical Records Specialist, ORM

Colleen Tarlas, Claims Technician, ORM

Diane Blume, Program Specialist, Department of Administration

APPROVAL OF MINUTES

MOTION: Mr. McGrath moved and it was seconded by Mr. Atencio that the minutes of the January 9, 2018 Risk Management Advisory Committee meeting be adopted as written. The motion passed unanimously.

FINANCIAL REVIEW

Cash Analysis Spreadsheet as of 4/30/18

A copy of the Risk Management Cash Analysis FY17 – FY19 was distributed to the committee members for an interim look at the budget as of April 30. Mr. Reynolds explained that last summer, agency billings were projected and set at \$9.9 million for FY19. In FY18, agency receipts were \$10.6 million and in FY17, \$8.9 million. For FY18, claims total \$9.2 million to date, and will increase, he said.

Cash Analysis as of 4/30/18

He referred to a document illustrating the actual cash balance as of April 30 compared to the projected June 30 balance. Administrative costs are positive, he said, but the Liability and Cyber Liability lines of coverage have shortfalls and will continue to increase in the negative. For the last five years, agency premiums for Inland Marine have been waived and this line of coverage has an excess balance. Boiler (energy systems) and Auto Property Damage are in the negative due to some significant claims. Employee Bonds, and Property will end the year positively. This would not have been the case, however, if the state had not received such favorable renewal rates, he said.

UPDATE FROM STATEWIDE RISK MANAGER

April Renewals and Upcoming July Renewals

Foreign Liability and Aircraft Liability are two coverages renewed in April. Aircraft Liability includes coverage for state-owned drones, Ms. Cox explained. Two years ago, the state was paying \$1,200 per drone, but the cost under the new blanket coverage renewal averages out at \$290 per drone.

The remainder of the lines of coverage renew in July, and the big one is Property. Last year the state negotiated a \$700,000 savings as well as a rate-lock for two years, which was conditioned on the state maintaining a certain ratio of loss. Unfortunately, she said, there has been a very large fire loss at Idaho State University, so that rate loss is not guaranteed. Recent hurricanes in other areas of the country have caused a nationwide increase in property premiums this year as much as 8% to 12%. However, because Idaho has a long history with Travelers and an excellent loss ratio, she doesn't expect the Idaho's rate will go up more than about 2%.

She said she anticipates a flat renewal amount for Boiler and Equipment Breakdown and Employee Bond and Crime. Comprehensive Liability, Auto Physical Damage, and Inland Marine lines are determined by actuaries and charged accordingly to agencies.

There will be an added charge for the newly-acquired Chinden Campus and normally there would have also been a premium assessed for adding the property to the portfolio. ORM, however, was able to show its total value did not exceed a certain percentage of the state's total value, so about \$50,000 was saved.

While attending the Risk Insurance Management Society conference in April she met with carriers of the state's Cyber Liability coverage and explained to them the creation of Idaho's new Office of Information Technology Services under the Governor's Office, and the state's new generation fire wall. She said she doesn't anticipate an increase in Cyber Liability premiums due to these efforts. Since the state first purchased cyber liability insurance, there have been only a few small breaches. Breach coaches were hired saving the agencies thousands of hours of mitigation.

Outdoor Property Coverage

There is a big change in property reporting for renewals involving outdoor property such as fences, she explained. In the past, agencies were required to list all outdoor property on their schedules which was very labor intensive. Consequently, a blanket coverage, based on a flat percentage, much like what a homeowner might have was requested and approved by Travelers.

Auto Property Damage Deductible

As supported by this committee, a change will be made for auto property deductibles for the July renewal. The \$500 deductible will be increased to \$1,000 bringing the plan more in line with a commercial auto policy deductible. It will also bring awareness to agencies about the importance of good safety programs.

She provided a list of agencies with 200 or more vehicles and their accident frequency rates. The average statewide accident frequency is less than 5%, she said. Out of the 270 accidents listed, 40% were preventable meaning that the driver backed into a stationary object, or similar. She found in one agency, most accidents were caused by temporary employees.

Claims Litigation Seminar

Risk Management is hosting a claims litigation seminar the following week for state deputy attorneys general and outside counsel. Arthur Gallagher, the state's broker, agreed to provide a professional speaker with broad litigation management experience. There have been some large judgements against the state recently, she said, and education for identifying ways to offset new trial methods used by claimant counsel has become necessary. Attorney General Wasden is kicking off the event, and credit will be available for the attorneys. The session will also be videotaped and posted to the Risk Management website.

New Risk Management Information System

The existing risk management information system is antiquated and it's very difficult to extract data for analytical purposes. The Request for Proposal for the new system, which is funded in FY19, is anticipated to go out July 1. One of the main features is that agencies will be able to pull their own reports and analysis.

October Agency Training

Each October, ORM offers agency training, and this year will be the third annual session, she said. Agencies have expressed the desire for state-specific training; consequently, she distributed a list of recommended topics to members for consideration. They include: How to Decrease Workers Compensation Costs; The Idaho Human Rights Commission Process, What an Agency Should Expect; Risk Management 101-Working with Risk Management and Best Practices; Idaho Cyber Coverage, What's Covered and What's Not—What to Expect When a Loss Occurs; The State Rental Car Contract; Auto Claims Process—How to Submit Claims, Total Loss Processes and Subrogation; and, Idaho Claims Trends—How to Keep you Agency Out of Trouble. In addition, the state's broker indicated it will have its safety managers provide training on starting a driver's safety improvement program.

Because these topics cannot all be covered in one day, she asked the committee to prioritize their importance. Lower priorities were given to the Rental Car Contract and Auto Claims Process; the topics on Cyber Liability and Workers Compensation were rated high. Ms. Cox indicated she will craft a full-day agenda with that input.

List of Recommended Training for New Employees

At the last meeting, Mr. McGrath asked that a list of recommended training for new employees be provided for agencies. Ms. Cox explained she hasn't moved forward but is waiting until after the training on starting a driver's safety improvement program, discussed earlier. It may be possible to tag into other training components and tie them all together, she said.

Risk Insurance Management Society Conference

Ms. Cox described a conference she attended in April for risk managers where she met the state's cyber liability underwriters from England. The more they know about Idaho's risk management program and the more familiar they are with staff, she said, the more they will trust us and the better the options for renewal. Idaho is the only state that has coverage for every single agency, including the institutions of higher education. Most state policies do not include universities because their exposures are so high. While at the conference she negotiated \$5,000 for training from the underwriters, she added. Agencies have expressed a desire for a cyber breach tabletop exercise.

State Risk Insurance Managers Association (STRIMA)

STRIMA has been wanting to hold its annual conference in Idaho for some time, she said, and it's finally going to happen in 2020. It's a great organization to share knowledge with the 30 other state members. Chairman Geddes noted a conference can be hosted with very little cost to the state because underwriters pay to participate, as do state members. It's a good selling point for the state's Risk Management Program and to introduce people to Idaho.

NEXT MEETING SCHEDULE

The next committee meeting will be held in September.

Chairman Geddes adjourned the meeting at 11:20 am



Diane K. Blume, Program Specialist
Department of Administration