

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

### Meeting Minutes

January 9, 2018

A meeting of the 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 3:30 p.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 (ITD)

Representative John Gannon

Henry Atencio, Director, Department of Correction

Senator Dean Mortimer

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

#### **Others Present:**

Keith Reynolds, Deputy Director and CFO, Department of Administration

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

Kris Coffman, Senior Claims Adjudicator, Office of Risk Management

Joan Compton, Analyst, Office of Risk Management

Max George, Claims Technician, Office of Risk Management

Kristie Fields, Technical Records Specialist, Office of Risk Management

Colleen Tarlas, Claims Technician, Office of Risk Management

Tim Erickson, Claims Adjudicator, Office of Risk Management

Diane Blume, Program Specialist, Department of Administration

#### **APPROVAL OF MINUTES**

**MOTION: Mr. McGrath moved and it was seconded by Senator Mortimer that the minutes of the October 4, 2017 Risk Management Advisory Committee meeting be adopted as written. The motion passed unanimously.**

#### **FINANCIAL REVIEW**

##### **Cash Analysis Spreadsheet**

Mr. Reynolds distributed a copy of the Risk Management Cash Analysis for an interim look at the budget. The projected budget in FY19 shows that agency receipts which are yet to be billed, are slightly less than FY18 receipts. Receipts for FY18 have been collected, premiums for all lines of coverage paid, and the ending balance as of December 31, 2017 was \$13,795,828. These are funds retained to pay claims and expenses. Unpaid claims and administrative expenses over the next 6 months are estimated at \$2.2 million, which will make the beginning balance for FY19, \$11,610,898.

Property coverage began FY18 at negative \$543,023. That balance is now nearly \$600,000 in the positive after successful renegotiation of the property policy this year, which saved the state about \$800,000.

The Estimated Unpaid Losses represents liability of the program should it shut down at the end of the fiscal year, he explained. It is cash on-hand required to satisfy all liabilities. This is the basis used to determine a reserve amount, he added. The reason the beginning balances and the Estimated Unpaid Losses columns do not balance is largely because of two lines of coverage—Inland Marine, and Employee Bonds. They are voluntary coverages, they pay out very little, and there is no premium collected. Therefore, their balances remain high.

Senator Mortimer complimented the committee and staff on the positive changes made and the good work being done in the ORM. There was a 15-year period when there was not an advisory committee at all, he said.

## **EXPOSURE AND TREND UPDATE**

### **Auto Property Damage Deductible**

Over the past couple of years, a trend has become evident in the auto property line of coverage, Ms. Cox pointed out. About 40% of automobile accidents by state employees are preventable, such as backing into stationary objects, for example. The auto property line covers damage to our state vehicles, but not others, she explained.

She pointed out that in FY16 the state paid out nearly \$970,000 in claims and about \$266,000 was recovered through subrogation efforts during part of the year, leaving a total of about \$704,000 paid out in total. In FY17, about \$831,000 was initially paid out in claims but because of one full year of subrogation efforts, \$331,000 was recovered leaving the total pay-out at about \$501,000. Six months into FY18 the state has already paid out a total of \$426,000 after subrogation efforts, which shows an increase in claims cost over last year by about 20%. Moneys recovered from subrogation are returned to the agency affected by the claim.

It's very difficult to get agencies to be concerned about these claims because they pay such a low deductible of \$500, she said. This amount has not changed in about 20 years, and she proposed raising it to \$1,000. This amount is closer to a commercial auto property policy and it may engage agencies to participate in safety training. She also proposed that state employees are automatically assigned training upon being involved in an accident.

Senator Mortimer inquired how agencies would be impacted by an increase in deductible. Ms. Cox responded that immediately upon this committee's approval, correspondence would be distributed to agencies informing them of the change, that would not become effective until FY19. The correspondence would include a history of agencies' auto property damages so they can address potential costs going forward and perhaps offer safety training to their drivers in the interim. Some agencies, like ITD, have good loss experience because it has instituted a loss prevention program.

Senator Mortimer also inquired whether driving records are checked before state employees drive state vehicles. Ms. Cox noted that although it is not required, there is a free service through the state's website for agencies to check records of their drivers. It will also notify the agency if one of their employees is in an accident or has driving privileges revoked outside of work. ORM does not currently inform the national Insurance Services Office when a state employee has an at-fault accident in a state vehicle. 99% of all insurance carriers and self-insured employers use this service. That way the driver's private insurance company is aware of the infraction.

### **Defending against Claims**

Ms. Cox reported on a tactic being used largely by plaintiffs' attorneys in trial that is making it difficult for the state to settle claims. It's called the Reptile Theory and involves a line of questioning that speaks to and frightens the primitive part of jurors' brains. Questions are designed to pull out any small deficiency that may be occurring in a state agency, for example, and then focus on that deficiency rather than the actual injury. It demonstrates to jurors the immediate

danger posed by actions of the defendants and advocates the jury's power to improve the community's safety. As a result, there has been some large awards made against the state and other governmental entities in Idaho.

The state's broker will be bringing in an expert this spring to help our outside counsel, as well as our state deputy attorneys general, defend against this practice, she said.

### **STATE RENTAL CAR CONTRACT**

Our Division of Purchasing has done a remarkable job negotiating statewide rental car contracts with Enterprise and Hertz, she continued. The contracts include full coverage, not just liability, which is especially important for travelling in surrounding states that do not have tort caps, causing unlimited exposure to our state. It's very important that agencies rent cars under the contract so the state is protected, but staff has noticed a trend of agencies renting outside the contract. The reason is typically that it saved a few dollars, or the employee gained mileage on a credit card, for example.

She recommended to the committee that agencies that go outside of the contract, and have an accident, be required to pay a \$2,500 deductible rather than the typical \$500.

**MOTION: Representative Gannon moved and it was seconded by Senator Mortimer that deductibles for auto property damage be increased to \$1,000, and deductibles for rented vehicle accidents outside of the state contract be raised to \$2,500, beginning FY19. The motion passed unanimously.**

### **BRIT TRAINING PLATFORM DEMO**

One of the state's insurance carriers, Brit Insurance, has offered the state use of its online training platform, Ms. Cox announced. Each agency can have an administrator to assign training modules to any and all employees at no cost. Besides short video courses, there are also live training opportunities, thousands of articles on multiple topics, and checklists. General topics include employment practices, law enforcement, human resources, and loss control and safety, for example. She then provided a demonstration of a defensive drive module.

Mr. McGrath asked risk staff to put together a list of recommended training for new employees, for example. Mr. Geddes indicated that a demonstration package will be consolidated for committee members to see what's available, and to demonstrate the quality of the training.

### **PROPERTY APPRAISAL UPDATE**

ORM has just completed the second year in its endeavor to appraise all state property, and the process is about half way complete, Ms. Cox reported. Most recently, she and the state's insurance company, Travelers, visited the newly-acquired Chinden Campus. All eight facilities were visited, and specifications acquired to make sure the property is properly covered. Travelers did not have many concerns from a life-safety perspective, it appears to have been a well-managed campus, she said.

### **OCTOBER AGENCY TRAINING FEEDBACK**

When the committee met last, she continued, staff was getting ready for the second annual agency training forum. Feedback was positive, and seven law credits were approved for attending which attracted some deputy attorneys general. Courses were offered on employment law and contracts--next year there will be a session on the state's cyber security insurance and practices of the ORM.

## **NEW RISK MANAGEMENT INFORMATION SYSTEM**

One of the department's line item requests for FY19 is new information system. This is a mission-critical need, Ms. Cox stressed. The current obsolete and unstable system is basically a data warehouse with no reporting or analytical capabilities. A new system will greatly improve the way the ORM manages loss and enhances its ability to make sound recommendations to agencies. Universities and agencies will have access to the system, and have expressed their need for such a resource, she said. Initial implementation will be about \$200,000 and ongoing expenses about \$75,000 annually, using existing cash.

## **RISK RATING PREMIUMS**

At its last meeting, Ms. Cox recalled, committee members were provided with recommendations for billing agencies using a risk rating model. The most equitable way for property premiums to be assessed is to base them on experience and exposure. The recommended billing scale, she said, is designed not to cause hardship on any agency. The maximum an agency will be affected is 30%. Agencies that have the most loss will pay higher premiums.

When communications are sent addressing premium changes, as discussed earlier, agencies can also be informed about this potential change in property premiums. They would receive current statistics and premium rate versus how their premiums might change. This should give them plenty of time to budget for the increase since the change would not be implemented until FY20.

Mr. McGrath indicated the cost to agencies would not be great, but it would reinforce a sense of fairness. It's a policy decision, Mr. Reynolds said. Some agencies inherently have higher exposure and loss in auto coverage. Property has a bigger financial impact, and there are groups that have significantly worse histories, mainly due to a lack of proper facility maintenance. A decision does not need to be made today, Ms. Cox said. In the meantime, she will start to communicate intent of the billing change to agencies.

## **PROPOSED 2018 MEETING SCHEDULE**

The committee will meet next on the following dates: May 29th at 10:30 am; and, September 11th at 1:30 pm.

**MOTION: Senator Mortimer moved that the January 9, 2018 meeting of the Risk Management Advisory Committee be adjourned at 4:45 pm. The motion passed unanimously.**



Diane K. Blume, Program Specialist  
Department of Administration