

RISK MANAGEMENT ADVISORY COMMITTEE (RMAC)

Meeting Minutes
September 17, 2019

A meeting of the State Risk Management Advisory Committee was held on this date in Room WW17, Statehouse, Boise, Idaho. Chairman Mooney called the meeting to order at 1:30 p.m.

Members Present:

Bryan Mooney, Director, Department of Administration (DoA) and Committee Chair
Faith Cox, Statewide Risk Manager, Office of Risk Management (ORM)
Travis McGrath, Chief Operations Officer, Idaho Transportation Department
Theresa Chrisman, Assistant to the VP for Finance and Administration, Lewis-Clark State College (via conference call)
Representative John Gannon
Susan Buxton, Administrator, Division of Human Resources

Absent and Excused:

Senator Dean Mortimer
Josh Tewalt, Director, Department of Correction

Others Present:

Tami Humiston, Chief Financial Officer, DoA
Andy Snook, Chief, Contracts and Administrative Law, Office of the Attorney General
Kris Coffman, Risk Management Program Supervisor, ORM
Max George, Program Specialist, ORM
Kristie Fields, Technical Records Specialist, ORM
Colleen Tarlas, Claims Technician, ORM
Tim Erickson, Claims Adjudicator, ORM
Joan Compton, Risk Analyst, ORM
Trooper Joe Lewis, Idaho State Police
Diane Blume, Program Specialist, DoA

APPROVAL OF MINUTES

MOTION: Ms. Cox moved, and it was seconded by Ms. Buxton that the minutes of the May 14, 2019 Risk Management Advisory Committee meeting be approved as written. The motion passed unanimously.

FINANCIAL REVIEW

Cash Analysis Report

Ms. Humiston distributed a *Budget to Actual report* by line of coverage for FY19. The report illustrated projections at the beginning of the year for each of the lines and then compared them to actual expenses. She pointed out that actual expenditures for administration of the program was \$318,315 less than projected. This was due to the delay of the Risk Management Information System into FY20.

She referred the committee to a Risk Management *Cash Analysis* sheet showing FY19 actuals and FY20 and FY21 projections for each line of coverage and the basis for figuring premium amounts. In FY21, she said, the department is requesting a 3% increase in agency premiums.

MOTION: Ms. Cox moved, and it was seconded by Representative Gannon that the committee approve an increase in agency risk premiums by 3% for FY21. The motion passed unanimously subsequent to the following discussion.

Representative Gannon inquired about the cause of the increase and Ms. Humiston explained most of it was a result of some large employee-caused liability claims. Projected costs for liability payout are driven by known costs and actuarial reports.

Ms. Cox added that the aggregate premium costs are evenly spread across agencies but also considered are the number and dollar amount of losses per agency. Consequently, there are sur charges when an agency sustains a liability loss. If there is an award for damages, Risk Management pays; when there is a combination of covered and non-covered claims, such as wages and benefits for example, the agency pays. Projected expenses include reinsurance as well.

UPDATE FROM STATEWIDE RISK MANAGER

July Renewals

July is the biggest renewal month with property being the largest line for renewal, Ms. Cox pointed out. Originally, Travelers had projected a 47% rate increase in property premiums for FY21 from \$1.9 million to \$2.97 million with only a 2% increase in the state's values. This was a surprise, she said, because the state does not have exposure to catastrophic losses. Travelers is not insuring with their own dollars, she pointed-out, but insuring through reinsurance and reinsurance policies and because of all the national catastrophic losses over the years the premiums have gone up substantially. After negotiations, however, the broker came down to \$2.1 million for the FY21 renewal with an increase in deductible from \$250,000 to \$350,000. Considering the market, she said, it was an 8% increase which is below what other states are experiencing.

Because Idaho's property loss ratio has been very good in the past, it is being considered whether the state should self-fund in the future. At the same time, she suggested, the deductible could be increased significantly from \$2 to \$5 million that the state would retain. She shared a document illustrating that the state has paid \$22 million in premiums to Travelers over the past 10 years to insure \$71 billion in values. The losses over that timeframe were \$9.3 million and Travelers losses were \$3.1 million. Out of the \$22 million that was paid to Travelers in premiums, they only paid out \$3.1 million.

A significant number of states self-fund for property coverage in low catastrophe areas, she said. Chairman Mooney recommended that staff continue to research the possibility of self-funding for property coverage and return to the committee with a recommendation based on collected data.

Other policies renewed in July were Boiler and Machinery at a minimal increase of 2.92%, and the Terrorism policy which remained flat, Ms. Cox continued. Reinsurance increased slightly at 4.35%. The carrier is visiting Idaho in October to perform an audit as a result of some of the larger liability settlements. The all-state workers comp coverage decreased by 3.5%, and the cyber insurance policy went down 2%. Overall premiums went from \$3.5 million last year to \$3.7 million even with the rate increase on property. Therefore, the department is asking for a 3% increase in premiums from agencies for next year.

Loss Prevention Position Update

A request has been submitted with the FY21 budget to hire a Loss Prevention Manager, which is mandated by statute, she explained. Requested was \$91,300 and a conservative projection of the reduction in losses and other expenses as a result of having this position is \$362,000 annually. The manager would help agencies identify losses and exposures, conduct file audits to identify vendor overcharges, and negotiate prices for services. Premium decreases could be realized because insurance companies are concerned when there are no fulltime loss prevention efforts. This will allow for the negotiation of better pricing for insurance policies. Work place injuries could also be identified and reduced.

Drone Use Policy Update

Ms. Cox reminded the group that the state does not have a statewide drone use policy and this committee had asked that she research the possibility of one. She discovered there is a task force in Idaho for unmanned aircraft headed up by the Idaho Transportation Department that includes hundreds of public and private stakeholders. She has asked to be part of this group to come up with policies and procedures that work for everyone.

Statewide Driving Policy

Ms. Cox noted the proposed driving policy was designed to be flexible to not exclude too many drivers, and it will be implemented first at the Department of Administration. The idea is to provide this policy as a model and encourage agencies to modify it for their own needs. In designing it, she reached out to about a dozen states and the private sector to gather examples of policies taking into consideration the minimum requirements of insurance companies.

Ms. Buxton indicated she would like to have a statewide policy and said she will post the finalized version on the Division of Human Resources website for agencies to access.

MOTION: Ms. Cox moved, and it was seconded by Representative Gannon, that after minor changes suggested by Ms. Buxton are made that the Office of Risk Management move forward with implementation of the Safe Driving Policy, modifying and improving as needed in the future. The motion passed unanimously subsequent to the following discussion.

Mr. McGrath suggested that the term “hands-free” devices be defined more clearly. He also inquired whether there would be any liability should an agency have a policy that is more restrictive or less restrictive. Ms. Cox replied that the Board of Examiner’s policy is the one that all agencies must abide by. It states that all drivers must have a driver’s license and not allow non-state employees to ride in the vehicles. Agencies can only implement a more restrictive policy than that if they choose and this model is an example of one such policy. It’s hard to take action if there is no policy in place.

New Risk Management Information System

A contract will be signed early October with Origami Risk, which is the number-one provider of risk management software. Implementation will take six months, Ms. Cox said.

The system will be very robust allowing agencies to pull their own reports and load spreadsheets into the system rather than entering the data by hand. This will save employee time and position the agency to keep staff count down as the state grows and realizes more claims. There is also a root case analysis tool built into the system so agencies can pull a report that provides ideas to prevent a reported loss from happening in the future. She said results from this tool alone will eventually pay for the system.

New Cyber Incident Reporting Tool

Over the last year and a half, Risk Management along with the Offices of Emergency Management (OEM) and Information Technology Services (ITS) have been working on a web-based cyber incident reporting tool. The tool uses common language for agencies as they report their cyber losses to Risk Management. Therefore, ITS will be able to develop metrics to determine how best to meet the needs of the state for technology services going forward.

In the past, agencies were only able to report their cyber losses on a platform located behind the network so a lot of the larger agencies that are not behind the state network did not have access to the tool. Cyber security insurance requires that cyber incidents be reported within 30 days. Should an incident be reported late and turn into a breach in the future, the potential for denied coverage is great, she said. The programming costs were incurred by the OEM and placed on an existing platform. All agencies will be required to take training on its use.

3-Year Loss Trend Update

Ms. Cox distributed statistical information to the committee describing the number of claims and costs for FY19 compared to FY18 and FY17. For FY19 there have been 835 claims to date. This is not the final count as liability claims can come in six months after the fact. It has been a year since the auto physical damage deductible was increased from \$500 to \$1,000 as an incentive to reduce auto claims; however, the claims remain basically the same over the past two years. More than half of these auto claims are preventable, she added. In October, as part of the annual Risk Management Forum, there will be a presentation on Defensive Driving. The first assignment for the new Loss Prevention position, she said, will be to set up a defensive driving course.

Another trend she pointed out is that more liability claims are going straight to litigation faster than before rather than working with Risk Management to resolve.

October Risk Forum

October 22nd is the next annual Risk Management forum, she said. Topics will include Defensive Driving presented by the Idaho State Insurance Fund, Active Shooter Training, Creating an Effective Safety Committee, New Incident Response Cyber Reporting Tool, Best Practices, and what's new with Risk Management.

OTHER BUSINESS

The proposed 2020 meeting schedule for the Risk Management Advisory Committee is as follows:

January 14th, 1:30
May 12th, 1:30
September 8th, 1:30

ADJOURNMENT

Ms. Cox moved that the September 17, 2019 meeting of the Risk Management Advisory Committee be adjourned at 2:25 pm. The motion passed unanimously.



Diane K. Blume, Program Specialist
Department of Administration