

RISK MANAGEMENT ADVISORY COMMITTEE (RMAC)

Meeting Minutes

May 18, 2021

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

Members Present:

Keith Reynolds, Director, Department of Administration (DoA) and Committee Chair
Faith Cox, Administrator, Division of Insurance and Internal Support, DoA
Representative John Gannon
Christine Starr, Deputy Director, Idaho Department of Correction (IDOC)
Kip McBean, Boise State University (BSU) (via teleconference)

Members Absent:

Senator Steven Thayn
Charlene McArthur, Idaho Transportation Department (ITD)

Others Present:

Steve Bailey, Deputy Director/CFO, DoA
Kris Coffman, Risk Management Program Supervisor, Office of Risk Management (ORM)
Kristie Fields, Technical Records specialist, ORM
Will Villwock, Claims Adjudicator, ORM
Max George, Risk Management Analyst, ORM
Tracy Whigam, Loss Control Program Manager, ORM
David Hahn, Analyst, Division of Financial Management (via teleconference)
Cari Lautenschlaeger, Grainger (via teleconference)
Diane Blume, Program Specialist, DoA

APPROVAL OF MINUTES

MOTION: Ms. Cox moved, and it was seconded by Mr. McBean that the minutes of the January 19, 2021 Risk Management Advisory Committee meeting be approved as written. The motion passed unanimously.

FINANCIAL REVIEW

FY20 – FY22 Cash Analysis Report, ending 4/30/21

Mr. Bailey provided a cash analysis report highlighting FY22 projections, FY21 actuals, and FY20 actuals. A healthy ending balance is projected for FY22 at just under \$17.5 million, about \$1 million more than the current year's balance with two months left in the fiscal year, he said. The beginning balance for FY21 was about \$1.8 million more than the beginning balance for FY20. Agency receipts, interest, transfers, and miscellaneous receipts this year are about \$140,000 below what they were last year which is partly due to the billing cycle. Expenses, claims, and insurance premiums paid out this year is about \$2.7 million under what was paid out last year. This is largely due to lower expenses for premiums, and the positive variance of claims paid to date for liability (\$1.5 million) and property (\$348,000 million). The variance in auto physical was almost \$127,000 less than last year. Covid has played a large part in the reduction of claims, he explained, because less people have been on the road or utilizing state property, such as university campuses.

He also explained that premiums were less this year because the state self-insured for cyber liability, saving \$558,376. Premiums were also \$285,470 less for out-of-state workers compensation due to a change in carrier.

Cash balance this year is up \$1.54 million over last year, he added, and should all estimated unpaid losses be processed, the ending cash balance for FY21 is estimated at almost \$2.1 million.

Budget to Actual by Line of Coverage, ending 4/30/21

Cash balance projected for all lines of coverage at the end of FY21 is about \$15.5 million, but to date, the balance is a healthy \$16.5 million. This is rare, he said. Last year at this time the balance was \$1.3 million under projections. This year's positive balance is largely due to a \$119,119 balance in administration, \$251,576 in auto physical, and \$505,517 in property.

FY21 Expense Variance Analysis

There is currently a \$798,427 positive variance of projected expenses to actual, he continued. This is despite the fact that \$82,086 for aviation coverage has yet to be billed. Additionally, property expenses are \$465,654 under that projected.

Representative Gannon inquired if insurance companies in general are seeing lower claims because of Covid. Ms. Cox responded that in some cases that is true when it comes to auto liability claims. However, general liability has remained level because despite the fact there is less activity at physical locations due to Covid, there has also been an increase in Covid-related claims.

UPDATE FROM STATEWIDE RISK MANAGER

Origami Update

The new Risk Management information system (Origami) is up and running, Ms. Cox explained. The claims module was rolled out to all agencies in April and feedback so far has been very positive. Still being crafted is the underwriting module that will provide projections and agency billings. The next step is to build reporting templates for agencies, so they have access to their financial and claims data.

New Loss Control Program Manager Position

She announced this new position has been filled with the promotion of Tracy Whigam, previously a claims adjudicator with Risk Management. He has a background as a Risk Manager with underwriting and loss control experience. This position will play a key role in gathering data necessary for reinsurance, and for obtaining insurance in general. The position was initially approved for FY21 but because Covid reduced face-to-face interactions, the position was not immediately filled.

Litigation Roundtable Update

This past year Risk Management engaged the services of a trial consultant to help prepare for litigation, Ms. Cox noted. This individual has offered to provide two free webinars for the state including one scheduled for the following day entitled "Best Practices Defending Law Enforcement Cases". The second webinar on June 9th is "Defending Education: Juror Perceptions and Plaintiff Tactics in Public School and Higher Education Cases". CLE's will be available for attendees.

July 1st Renewals and Market Update

All major lines of coverage renew in July, including property coverage. By last year, Travelers had been the sole provider of property coverage for the state for 17 years. It was decided at that time to split the contract with another carrier. Travelers has recently indicated it would like to have the entire account back for this year. Renewals will be reviewed to see if the numbers reflect that possibility, but splitting the account adds for competition, she proposed.

She said she expects an increase in premiums for all lines of coverage next year due to catastrophic events that have occurred around the country. In addition, litigation expenses are up significantly due to some large jury awards across the country over the past couple years.

Reinsurance Renewal

Because of these large lawsuits, Ms. Cox pointed out, such as one involving a wildfire in Nevada and a large jury award in Utah, the market used by the state in the past for reinsurance will no longer cover public entities. Reinsurance is most likely the most important line of coverage because the state has so many exposures such as medical malpractice and university events, for example. Some exposures have tort cap limits but for those where there is no tort cap, it is important to have reinsurance in the case of a large loss. Another key use of reinsurance is to be able to provide proof of insurance for big state events that require a high level of coverage. If the state has no reinsurance, it will have to put up its own cash rather than a proof of insurance, which in some cases could amount to \$10 million or more.

Procuring reinsurance requires providing a lot of data about medical malpractice and other exposures to the potential carrier, which is very difficult to get from agencies. That is why the new Loss Control Specialist will be so instrumental. He will understand how to gather that information and what questions to ask to get the needed data.

She explained this year the state sent eight requests out for reinsurance quotes and six have declined to quote, with two pending. States that are unable to obtain reinsurance many times travel overseas to negotiate with Lloyds of London, the primary market for this line of coverage. Ms. Cox related that her colleagues from other states spent two to four weeks there going from syndicate to syndicate to get multiple amounts of coverage in smaller denominations. It requires making a case why they should do business with the state. She said she could argue a good case for Idaho because it has never made a claim against its reinsurance, plus it has good tort cap protection. If she could acquire as much as \$3 to \$5 million in coverage it would allow the state to continue to conduct business and maintain tort cap protections, she said.

TIERED DEDUCTIBLE FOR EMPLOYMENT CLAIMS

Chairman Reynolds explained that awards for employment claims can include both moneys for salary and wages, and moneys that are for emotional distress. Prior to July 1st of this year, Risk Management had not provided coverage for salary, wages, and benefits. If salary and wages were awarded as part of a settlement, the agency involved in the lawsuit had to come up with that portion of the settlement amount. Many times, it was difficult for agencies to pay-out or find the funds from set budgets. A change was made to now include salary and wages in the coverage. This change will make settlements easier to negotiate, he added. With the advice of this committee, beginning July 1, 2020 Risk Management now covers salary, wages, and benefits with a \$25,000 deductible.

When this arrangement was first contemplated, there was discussion to implement a tiered deductible schedule as an incentive to agencies to follow due diligent practices on employment actions. Risk Management has been working on the best way to handle the tiers, and a framework will be presented to the Committee at its next meeting.

OTHER BUSINESS

The next meeting of the Risk Management Advisory Committee has been scheduled for Tuesday, September 21, 1:30 pm.

ADJOURNMENT

Representative Gannon moved and it was seconded by Ms. Cox that the May 18, 2021 meeting of the Risk Management Advisory Committee be adjourned at 2:07 pm. The motion passed unanimously.

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

Diane K. Blume, Program Specialist
Department of Administration