

RISK MANAGEMENT ADVISORY COMMITTEE (RMAC)

Meeting Minutes

June 30, 2022

A meeting of the State Risk Management Advisory Committee was held on this date in the West Conference Room of the JRW Building, Boise, ID

Members Present:

Keith Reynolds, Director, Department of Administration and Committee Chair

Faith Cox, Administrator, Division of Insurance and Internal Support, Department of Administration
Representative John Gannon

Lori Wolff, Administrator, Division of Human Resources (DHR)

Christine Starr, Chief of Staff, Idaho Department of Correction (IDOC)

Kip McBean, Boise State University (BSU) (via teleconference)

Dave Tolman, Idaho Transportation Department (ITD) (via teleconference)

Members Absent:

Senator Steven Thayn

Others Present:

Steve Bailey, Deputy Director, Department of Administration

Tami Humiston, Chief Financial Officer, Department of Administration

Kris Coffman, Risk Management Program Supervisor, Department of Administration

Will Villwock, Claims Adjudicator, Department of Administration

Elaine Noot, Risk Management Analyst, Department of Administration

Frances Lippitt, Budget and Policy Analyst, DFM

Kim Rau, Program Specialist, Department of Administration

Welcome

Chairman Reynolds

Approve the September 21, 2021, Meeting Minutes

MOTION: Ms. Starr moved, and it was seconded by Representative Gannon that the minutes of the September 21, 2021, Risk Management Advisory Committee meeting be approved as written. The motion passed unanimously.

Financial Review

Tami Humiston, CFO

- FY21– FY23 Cash Analysis Report, ending 5/31/22: Ms. Humiston provided a cash analysis report highlighting FY23 projections, FY22 actuals through 5/31/2022, and FY21 actuals.

FY21 Actuals: The FY21 ending balance is \$15,640,629.

A healthy ending balance is projected for FY22 at \$17,399,760 which is 1.25 million higher than recommended reserves. Agency receipts, interest, transfers, and miscellaneous receipts this year are at \$14,955,250. Expenses and claims paid out this year are \$9,191,883 and insurance premiums paid out this year are \$4,004,236.

FY23 Projections: An ending balance of \$19,841,019 is projected for FY23. Agency receipts, interest, transfers, and miscellaneous receipts this year are at \$13,136,730. Expenses and claims paid out this year are \$8,192,230, and insurance premiums paid out this year are \$4,179,069.

- Budget to Actual by Line of Coverage, ending 5/31/22: The agency received about \$14.9 million in FY22 with expenses and claims totaling \$9,191,883. Interest premiums were paid out at \$4,004,236 to date, leaving an ending cash balance of \$17,399,760.
- FY22 Expense Variance Analysis: Actual FY22 expenses were \$9,191,883 leaving a negative variance of \$2,600,859. The Property coverage line saw a large increase in claims due to the Idaho Transportation Building damage.

Updates from Statewide Risk Manager

Faith Cox, Statewide Risk Manager

- Property Renewal Update: Due to the continuation of challenging market conditions, premiums have once again increased. However, for most lines of coverages, the State's premium increases have fallen within the median range of the industry. Travelers was unable to extend an offer to the State for property coverage due to wildfire concerns by their reinsurer. The State has extended coverage through September 1, 2022 with Travelers for both property and equipment breakdown while we continue to negotiate placement of these lines with other carriers in the interim.
- Property Renewal Deductible: Ms. Cox shared with the Committee regarding increased costs for property insurance and the need to adjust property renewal deductibles.

MOTION: Mr. Tolman moved, and it was seconded by Ms. Wolff to set the property renewal deductible at \$5,000 for claims up to \$50,000 and \$10,000 for claims over \$50,000.

The motion passed unanimously.

- Reinsurance Renewal Update: The State secures a reinsurance policy for unique exposures and business conducted outside of Idaho. Despite the hardening market, the State renewed reinsurance with a 3.6% increase in premium. The ability to achieve a lower increase in current market is in large part to diligence in contract negotiation, claims acumen, loss control, and Agency participation in Risk services resulting in transfer of risk, reduced exposure, and mitigated claims losses. We will continue to track and allocate charges to individual Agencies for additional premium related to contract negotiations and events that require higher liability limits. The increased charge will be allocated on the FY24 Premium Allocation. The charge per additional certificate is \$8,547 which is reflective of the higher premium as a base.
- Risk Forum Topics (Nov): Ms. Cox shared a summary of proposed topics for the upcoming Risk Forum, which will be held on November 1st in the Lincoln Auditorium of the Idaho State Capitol building.

Move into Executive Session:

MOTION: Ms. Starr moved, and it was seconded by Ms. Cox to move into Executive Session to consider records exempt from disclosure pursuant to Idaho Code § 74-107(1) as trade secrets based upon the independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value for its disclosure or use; and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. **Cyber Liability** – Idaho Code § 74-206(1)(d) and (i). The motion passed unanimously. The Committee moved into Executive Session at 2:05 PM, discussion ensued.

MOTION: Ms. Starr moved, and it was seconded by Representative Gannon to return to public session. The Committee voted unanimously to return to Public Session at 2:18 PM.

- **Cyber Insurance Recommendations:** The State is now self-funded for this coverage; however, the program is based on the expiring policy conditions and terms of the FY20 policy. The agency deductible remains at \$10,000. Risk continues to monitor the market conditions for Cyber coverage to evaluate retained risk vs. insured. Due to an adequate reserve balance, premiums will continue to be waived in FY23.

MOTION: Ms. Cox moved, and it was seconded by Ms. Starr to approve the removal of cyber ransom coverage from Risk Management’s cyber self-funded document effective July 1, 2022. The motion passed unanimously.

- **Cyber Insurance Allocation Methods:** Beginning FY24, Risk will establish premium rating criteria based on PII (personally identifiable information), PHI (protected health information), PCI (payment card information), and MFA (multi-factor authorization), with data expansion and tracking in Origami.

MOTION: Ms. Cox moved, and it was seconded by Ms. Wolff to consider the cyber insurance allocation methods as presented, with the caveat that the Committee will be presented with the results of the impact of the changes in order to make a final determination going forward. The motion carried unanimously.

- **Loss Control Update:** A new loss control position was added about a year ago. At that time, there were 240 outstanding loss recommendations. Since then, 106 of the outstanding loss recommendations have been resolved, leaving 134 open items which are being diligently worked on. Additionally, over 2100 pieces of machinery were inspected throughout the state using infrared scanning technology. There were 7 serious recommendations. Out of those, 4 of the recommendations are resolved and work continues on the remaining 3.
- **Rental Car Guidelines:** Ms. Cox presented a summary sheet outlining the details of the rental car guidelines. The State has contracts with Hertz and Enterprise Car Rental Services. It is state law that all Agencies obtain rental vehicles through these contracts. Physical damage coverage and liability coverage is provided under the statewide contract. When leasing a vehicle under the

contract, it is not necessary to select the physical damage coverage or liability coverage waiver. If a vehicle is not available through Hertz or Enterprise Car Rental Services, and an Agency must use a different car rental service, the employee must select physical damage coverage and liability coverage waivers. If an employee fails to select these coverages, a \$2,500 Physical Damage deductible and \$10,000 Liability deductible will apply in situations where an accident has occurred while the rental vehicle is in use.

MOTION: Ms. Cox moved, and it was seconded by Representative Gannon to accept the rental car guideline summary as written. The motion passed unanimously.

- **Potential Legislation:** This agenda item was tabled until the next meeting
- **RMAC Meeting Frequency:** Discussion ensued regarding changing the frequency in which the RMAC meets annually. The group decided that meeting two times a year instead of three is sufficient to conduct the business of the RMAC.

Other Business: Next Meeting of the Committee: January 26, 2023

Adjournment

MOTION: Representative Gannon moved, and it was seconded by Ms. Cox that the June 30, 2022, meeting of the Risk Management Advisory Committee be adjourned at 2:30 pm. The motion passed unanimously.

Kimberly Rau, Program Specialist
Department of Administration