

RISK MANAGEMENT ADVISORY COMMITTEE (RMAC)

Meeting Minutes
June 25, 2013
9:00 a.m.

This meeting of the Risk Management Advisory Committee was called to order in the LBJ Building, Conference Room 155, Boise, ID.

Members Present: Director Teresa Luna, Department of Administration, CHAIR
Kit Coffin, Risk Program Manager, Risk Management Program
Jim Carpenter, Idaho Transportation Department
Tanya Hellewell, Department of Lands
Representative John Gannon
Senator Dean Mortimer (participated by phone)
Theresa Chrisman, LewisClark State College (participated by phone)

Others Present: Jennifer Pike, Department of Administration
Keith Reynolds, Department of Administration
Kris Coffman, Risk Management Program
Joan Compton, Risk Management Program
Glen Goff, Risk Management Program
Kathy Adams, Risk Management Program
Kristie Field, Risk Management Program
Kay Christensen, Office of the Attorney General

CALL TO ORDER by Director Luna at 9:05 a.m.

WELCOME & INTRODUCTIONS – *Teresa Luna*

Director Luna welcomed the committee members and other attendees to the first meeting of the reconstituted Risk Management Advisory Committee. All of the meeting attendees then introduced themselves and briefly stated their role in either RMAC or the state's Risk Management Program.

WHY ARE WE HERE? – *Teresa Luna*

Director Luna explained that RMAC was reconstituted in light of the increased interest into how the state's Risk Management Program operates, formulates billings and communicates. Idaho Code 67-5773 enumerates the powers and duties of the state's Risk Management Program, provides for a Risk Management Advisory Committee, and directs the Director of the Department of Administration to consult with RMAC on coverages administered by Risk Management.

Historically, RMAC met on an ad-hoc basis, but has not met for several years. The reconstituted Committee has a more formal membership and meeting schedule to ensure that the Risk Management Program is providing the best service and coverage to agencies.

The RMAC membership includes: an employee of higher education, an employee of a small-medium sized agency, an employee of the Idaho Transportation Department, a Senator, a Representative, the Risk Management Program Manager and the Director of the Department of Administration.

The Department of Administration (Admin) proposed a possible committee composition to JFAC during the 2013 legislative session. The original proposal included a representative from private sector legal, a private insurance carrier and a private insurance agent. The Attorney General's Office had some concern with those three positions and what their relationship with the state would be since serving on RMAC would preclude them from doing business with the state. Admin and the AG's Office will continue to explore the options for including those groups, but for now, representatives from those three areas have not been included as part of RMAC.

The Committee will not be discussing or providing consultation on specific cases, providing legal advice, or advising on settlements. The RMAC members will not be privy to confidential information on claims or lawsuits.

RISK MANAGEMENT 101 – *Teresa Luna*

Director Luna presented an overview of the many aspects of the Risk Management Program including types of coverage, billing, claims processing, and defense of claims. See Attachment 1 – Presentation Slides.

- The Risk Management Program manages the state's property and casualty insurance with six (6) employees. They place and maintain commercially insured and self-insured coverages, with the exception of Workers' Comp and the employee group benefits; adjust tort claims made against the state, its agencies or employees, adjust claims for commercially insured coverages within the state's retention; and act as a consultant to agencies to manage/limit exposures.
- Agencies are billed through the SWCAP process; projections are given to the Division of Financial Management (DFM) prior to each fiscal year to work in to the SWCAP process.
- Risk is self-funded for most liability and retained portions for commercially insured coverages. Risk works with an actuary and Admin's Chief Financial Officer to establish liability at the beginning of the year and to determine the appropriate amount to be held in the Retained Risk Account. The Retained Risk Account is treated as a dynamic reserve account; there is no contractual minimum for this account.
- The claims process for liability claims are governed by the provisions of the Idaho Tort Claim Act and risk management statutes. Risk provides defense for state employees within course and scope of employment, providing they acted without malice or criminal intent; the Idaho Tort Claims Act mandates this duty. Risk also manages defense for litigated tort claims, and defends and pays damages for covered causes of loss for which the state is legally liable or which were settled by a negotiation or compromise settlement such as auto accident claims.
- The Risk Management Program is a collaborative process between the Risk Management staff and the AG's Office.
- All billings are heavily scrutinized by multiple people at the Risk Management Program and the AG's Office.
- For FY2012, Risk provided liability coverage for over 8000 state-owned or leased vehicles, liability coverage for the actions of over 21,000 state employees, and placed property coverage in excess of \$6.27 Billion.

Kit Coffin, Risk Program Manager, provided additional details on how the State places and maintains coverages through their work with an actuary.

The largest premium every year is for the \$6.27 Billion in property coverage. Risk works with an outside broker to place that coverage. Risk was able to negotiate a significant rate decrease for the upcoming year, keeping premiums and coverage levels about the same, despite an increased amount of property covered and market trends showing increases of 4% – 10%.

The liability coverage is completely self-funded while some of the other coverages are commercially insure with a retention. Risk handles all claims within the retention. Claims are reviewed on an individual basis.

Several of the committee members expressed sentiments about the diligent and skilled work that is performed by the six employees at the Risk Management Program. The expertise and effort on the part of the Risk Management Program have directly resulted in stronger relationships of trust with the cases the State is defending compared to those a few years ago. The behind the scenes efforts are shaping the recoveries against the state and minimizing loss.

COMMUNICATIONS AND WEBSITE – *Teresa Luna*

Director Luna asked the members to weigh in on how the Risk Management Program can better serve agencies, highlight areas that could be improved, or share thoughts on improving communication. The goal of improving these efforts is to communicate what Risk does and the necessity for it, and to have as many resources available to agency personnel responsible for submitting claims on behalf of their agency. [The current Risk Management Program website can be found at www.adm.idaho.gov/risk/. A website has been established for RMAC at www.adm.idaho.gov/risk/rmac/.]

Committee members asked for a more user-friendly website that would include templates and forms, and procedures for filing claims.

While the Risk Management Program has contacts in each agency, often times the issues arise from lack of communication within the agency about the protocol for filing claims. Employees in each agency need to know who their Risk person is and utilize them as a resource to mitigate risk within their agency.

Ms. Coffin offered to provide on-site training or informational sessions to agency personnel, not just those in Risk, to talk about risk mitigation as it pertains to that particular agency.

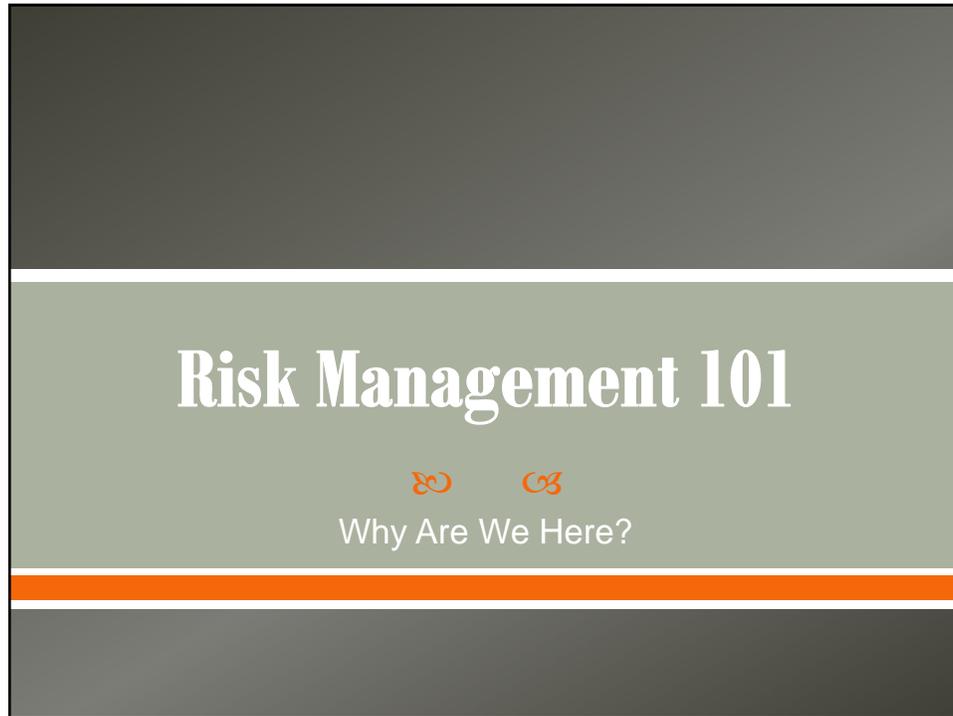
Sen. Mortimer asked the Risk Management Program to bring to the next meeting a breakdown of new claims by category and a breakdown of current claims by category.

ADJOURNMENT

The meeting was adjourned at 10:10 a.m.

Jennifer Pike, Public Information Specialist
Department of Administration

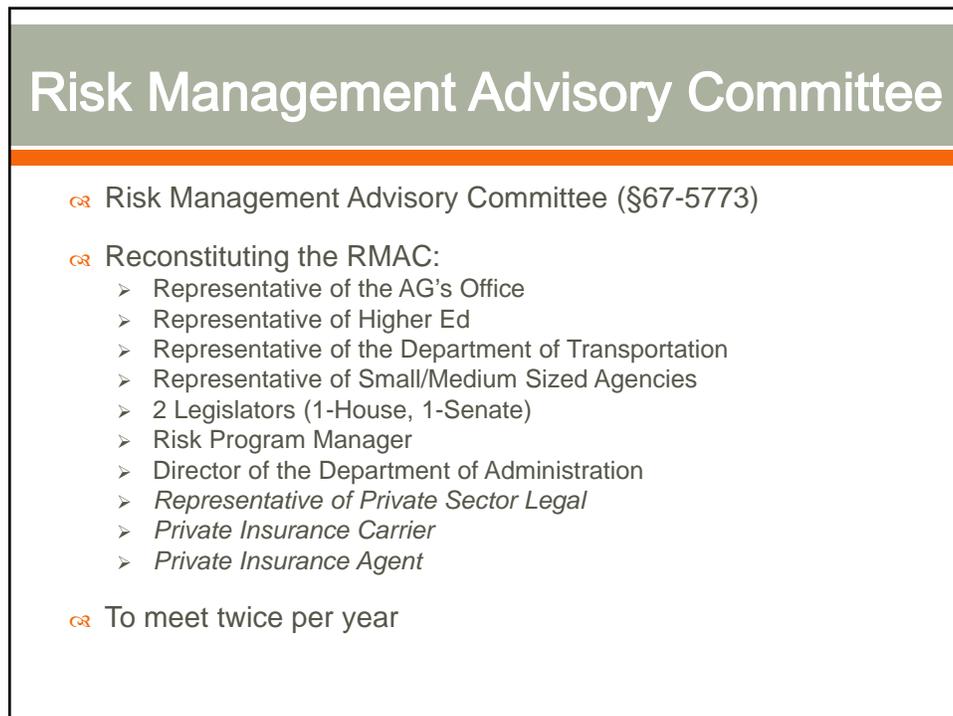
Attachment 1



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Risk Management 101

Why Are We Here?



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Risk Management Advisory Committee

- ✧ Risk Management Advisory Committee (§67-5773)
- ✧ Reconstituting the RMAC:
 - Representative of the AG's Office
 - Representative of Higher Ed
 - Representative of the Department of Transportation
 - Representative of Small/Medium Sized Agencies
 - 2 Legislators (1-House, 1-Senate)
 - Risk Program Manager
 - Director of the Department of Administration
 - *Representative of Private Sector Legal*
 - *Private Insurance Carrier*
 - *Private Insurance Agent*
- ✧ To meet twice per year

Risk Management Program

- ∞ Manages the state's property and casualty insurance manager.

- ∞ Six employees
 - Program Manager
 - 2 Adjudicators
 - Claim Technician
 - Technical Records Specialist
 - Insurance Analyst

- ∞ Annual operating budget of \$595,600.

Major Coverage Provided

- ∞ Types of coverage include, but are not limited to:
 - Comprehensive Public Liability
 - Major Property
 - Boiler and Machinery
 - Employee Bond and Crime

 - Optional Coverages
 - Inland Marine (small portable objects like laptops, cell phones, etc)
 - Auto Physical Damage
 - Aircraft Liability
 - Foreign Liability
 - Out of State Workers' Compensation, etc...

Risk Management Billing

- ✎ Agencies are billed for the costs of coverage and an administrative fee for personnel and office operations.
- ✎ All agencies receive these statewide coverages:
 - Property
 - Boiler/Machinery
 - Liability
 - Employee bond/crime
- ✎ Only agencies using optional coverages are billed for them

Risk Management Reserves

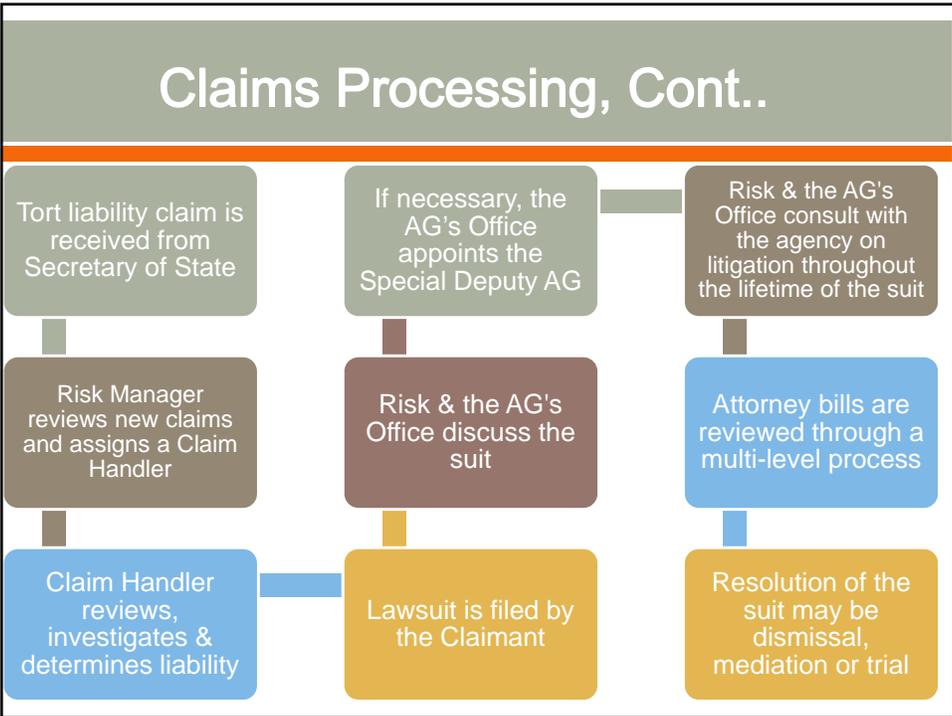
- ✎ Reserves are kept in the Retained Risk Account. (§67-5776)
- ✎ Retained Risk Account is used for:
 - Payment of Premiums
 - Investigative costs
 - Payment of claims
 - Defense of litigation
 - Settlements or judgments
- ✎ Reserves amounts were:
 - FY11 = \$22,020,674
 - FY12 = \$18,342,624
 - FY13 = \$14,888,915

Claims Processing

- ⌘ Governed by the provisions of the Idaho Tort Claim Act and Risk Management statutes. (§67-5773 – §67-5775)
- ⌘ Average of 400 open claims at any given point in time
 - approximately 25% of open claims are in litigation or appeal
- ⌘ Claims are tracked by date of loss, and the actual claim count increases over time as new reports are received or suits filed

Total new claims filed for recent years:

FY 10: 850
 FY 11: 885
 FY 12: 872 (as of 2/1/13)

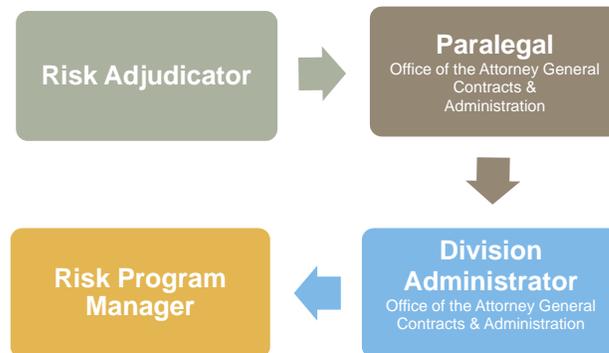


Defense of Claims

- ☞ Defense is directed and paid for by Risk Management with the oversight of the Office of the Attorney General.
- ☞ Cases are assigned to the Civil Litigation Division of the AG's Office or to outside counsel.
- ☞ For outside counsel, there is a list of attorneys/firms that responded to the RFP process and were approved by the Board of Examiners at the rate of \$125/hour.
- ☞ Cases may require deviation from the list of approved outside counsel in the event of conflicts or needed specialties/expertise.

Billing for Outside Counsel

- ☞ All billings for outside counsel go through a multi-level review process:



Conclusion

Questions?