

RISK MANAGEMENT ADVISORY COMMITTEE (RMAC)

Meeting Minutes

January 11, 2017

A meeting of the Idaho 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 1:30 p.m.

Members Present:

Robert L. Geddes, Director, Department of Administration and Committee Chair
Senator Dean Mortimer
Henry Atencio, Director, Department of Correction
Brenda Williams, Chief Human Resource Officer, Idaho Transportation Department (ITD)
Faith Cox, Statewide Risk Manager

Members Absent:

Representative John Gannon
Theresa Chrisman, Lewis-Clark State College

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
Glen Goff, Claims Adjudicator, Office of Risk Management
Kristie Fields, Technical Records Specialist, Office of Risk Management
Tanya Hellewell, Senior Financial Specialist, ITD
Diane Blume, Program Specialist, Department of Administration

Chairman Geddes welcomed Director Atencio who was appointed to the Committee upon the resignation of Kevin Kempf, prior Director of the Idaho Department of Correction. He also acknowledged Ms. Williams, representing ITD until a replacement is made for retired committee member, Jim Carpenter, ITD Chief Operations Officer.

APPROVAL OF MINUTES

MOTION: Senator Mortimer moved and it was seconded that the minutes of the October 3, 2016 Risk Management Advisory Committee meeting be adopted as written. The motion passed unanimously.

FINANCIAL REVIEW

Preface to his financial presentation, Mr. Reynolds invited feedback on the financial information preferred by committee members. He distributed a standard report he uses to monitor cash on a quarterly basis.

Included in the report is the FY18 projection, he pointed out, which is used to set statewide cost allocation amounts to all agency budgets, and determines what Administration will bill in FY18. Another section of the report is FY17 actuals through November 30th, in this case. One thing he looks for in this report, he said, is whether agencies have paid their premiums for all of lines of coverages. Billings are issued at the beginning of each fiscal year. He also looks at expense

claims and premiums to verify that we have paid our annual costs to the third-party insurance company. Finally, he explained he looks for numbers in the report that stand out and require analysis. Actuarial numbers in the report are provided by Towers and Watson out of San Francisco, he noted.

Director Geddes commented that Mr. Reynolds and Ms. Cox closely monitor these financial reports. The state has the best group of people handling its Risk Management, he added. Ms. Cox is regularly uncovering areas of opportunity to improve the way that we handle risk and loss prevention.

Cash Analysis Spreadsheet

Mr. Reynolds provided a second document he uses to review cash balances on a monthly basis. The document provides a twelve-month comparison and again, he looks for numbers that stand out. The report also shows the status of cash in comparison to projected balances at the end of the fiscal year.

He pointed out the recent payment of \$331,068 for cyber liability insurance from the Risk Management reserve, as directed by this committee. It covers all state entities for the remainder of FY17. Funds for future coverage are anticipated to be allocated in each agency budget.

UPDATE FROM THE STATEWIDE RISK MANGER

Loss Trends

Ms. Cox reported there are loss trends for three lines of coverage that have become less than favorable—property, auto physical damage, and liability. She and staff have been analyzing why this is occurring and identifying solutions to prevent them from continuing in the future. Ms. Coffman has implemented best practices for processing claims, she said, and random claim audits are being conducted.

Over the last ten years of the **property line of business** we have seen our claims go from \$658,000 to \$1.24 million in pay out, she said. At the same time, the state's property has increased and currently we insure \$7.8 billion in property statewide compared to 15 years ago when that number was \$3.5 billion. One significant trend is that a large amount of our infrastructure is aging and deteriorating which makes up much of the loss we are experiencing, she said. A lack of funds to maintain the buildings contribute to that factor.

To help mitigate, our property insurance carrier, Travelers, has agreed to conduct loss prevention visits at some of the facilities where we have seen higher than average losses. Its expert loss control staff will be able to offer recommendations. This proactive practice has not been done in the last 15 years.

Senator Mortimer expressed it is important for him to know when there are physical losses due to a lack of maintenance so he can relay that to the Joint Finance and Appropriations Committee. Director Geddes mentioned that most agencies do not have risk managers and those that do deal mainly with handling claims or litigation, not loss prevention.

Auto physical damage, she said, represents the largest volume of claims, although they tend to be less severe with minimal costs as low as \$500 to \$1,000. About 7,000 state vehicles are currently covered with physical damage insurance and they are constantly out on the roads. Risk Management's policy is that these claims are to be processed quickly. If done correctly, they have the biggest impact given the fact that over the past four years, losses have increased by 400%. As part of the audit, she has identified errors in processing as well as the fact a backlog had built up in the collection of

subrogation. As a result, it is now policy that the department pursue all subrogation payments and if the other party is not insured, we take that party to small claims court. From November last year to November this year, we have increased collections by about \$300,000 in subrogation payments and with our newly implemented procedures, this will only grow, she added.

Liability exposure has remained fairly static, she reported, because the state has not recently added many new employees. Exposures have grown, however, with the increase in vehicles on the road resulting in more accidents, and liability and tort claims.

The office has also seen much more complex federal claims, she said, in particular with new rules involving electronic evidence, which has resulted in more litigation. New Title IX claims through universities are beginning to trend up and staff is struggling with how to defend them because there are few resources to go to for help. Claims are not only being received from the claimants, but from respondents as well.

The premium paid for **employee bonds** covers not only employee theft but also fraudulent wire transfers. The exposure is huge, she added.

It is early to know the full impact of the **extreme weather we have experienced** lately. Our claims staff is overwhelmed, she said. One university alone had over 25 possible incidents of water leakage. There are several claims right here in the Capitol Mall which will be processed as well. Claims at each location will be considered as one incident.

Property Insurance Renewal

When she first came to work for the state, Ms. Cox expressed, she was surprised to learn that the state insures all property with a \$250,000 per loss deductible, yet self-retains for liability claims. The first thing she did was ask Travelers for a 10-year loss run. Travelers has been the property insurance provider since 2003 and she learned the state has paid it over \$22 million in premiums over the past 10 years, while Travelers has paid \$3.75 million back to the state.

Travelers has been a very good stable company to work with but she felt she should open up discussion with the committee whether there might be a better way to do business. She said the state could consider a larger deductible, self-fund everything, insure only the high value buildings, or remarket, for example. There are many options.

Senator Mortimer suggested staff explore three potential options and bring them back to the committee for consideration.

Building Appraisals Update

Since the last committee meeting, she said, a vendor has been hired and is currently in northern Idaho conducting the first 144 building appraisals, Ms. Cox explained. The goal is to have 500 completed by the end of this fiscal year. By the next meeting she said she will be able to share the outcome, and whether or not our buildings are over or under insured.

Cyber Insurance Update

As of December 1st the state entered into cyber liability coverage. The idea was presented to the Governor's Cybersecurity Task Force and received overwhelming support that we not wait until July but use reserve funds to get coverage as soon as possible. The Lieutenant Governor asked that a third party expert look at the policy which was a good recommendation, she said, because there were areas where improvements were made. Agencies are pleased with the coverage and happy with the fact that they don't need to pay for it until next fiscal year.

Joint Agency Visits

Over the last year Ms. Cox has met with most of the larger agencies, and has offered training to them as well. One key criteria for cybersecurity coverage is the requirement that agencies report an incident within 30 days; otherwise, the carrier can deny coverage. She said she is working with the Office of the Chief Information Officer (CIO) and will use its platform as a reporting device. She said she and Greg Zickau, the state's CIO, will conduct outreach right away to educate agencies on their reporting responsibility. The reports will provide a true picture of the level of state incidents, she said.

Agency and Higher Education Risk Forum

Since the last committee meeting the two-day Risk Forum was held—one day for agencies, the other for higher education. There were over 60 agencies in attendance.

Chairman Geddes added that from feedback received, he realizes state employees want to do the right thing by managing risk and saving the state money. They just need to be armed with proper tools and awareness to make right decisions.

He commented that members were invited to participate in this committee because their large agencies represent a lot of opportunity for loss. If we are only worried about processing claims and not managing risk, we are missing a significant component. There is a human safety factor involved as well. Discussions that come about as part of this committee deliberations are significant and should be shared with other agencies to help them become more aware.

NEXT MEETING

The next meeting of the RMAC is scheduled for June 7, 2017.

ADJOURNMENT

Chairman Geddes adjourned the meeting of the Risk Management Advisory Committee at 2:30 p.m.

Diane K. Blume, Program Specialist
Department of Administration