Insurance 101 Don’t Learn it by Accident

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Under What Authority Does the Risk Management Division Operate?

• 1987

• MN Statute §16B.85:

All state agencies, political subdivisions, and Minnesota State Colleges & Universities, may, in cooperation with the Commissioner, participate in insurance programs and other funding alternative programs provided by the Risk Management Fund.

Why Insurance – Aren’t State Agencies “Self Insured”

• Self-Insurance requires that there be a funding mechanism in place for loss settlements.

• The state’s only funding mechanism is through RMD.
What are Some Risk Management Fun(d) Facts

- $16 billion property values
- 16,000 vehicles, off-road units & trailers – Auto Liability
- 100 state agencies, including 54 Minnesota State campuses, 10 correctional facilities, Capitol Complex, Veterans Homes, DHS Group Homes, MN State Fair, MN Zoo, IRRRB’s Giants Ridge, Schwan Super Rink, MN Historical Society’s historical properties, and more.
- 300 insurance policies

What Type Insurance Policies Does Risk Management Issue?

**Auto Policy**

- Auto Liability
- Auto Physical Damage

Self-propelled motor vehicle used primarily on public roads, highways or streets to transport persons, property or provide services (e.g., paint strippiing, street sweepers, road graders, ATV’s, mowers)

**Package Policy**

- Property (bldgs/contents) - Includes coverage for boilers & machinery
- Employee Dishonesty
- Business Income
- Extra Expense (key coverage for continuity of operations)
- General Liability (injuries/property damage to third parties, while acting within scope of employment)
- Professional Liability (Public Officials’ Liability, Broadcasters’ Liability, Police Professional Liability)
What Perils are Covered by the Property Policy – Earth, Wind & Fire

- Collapse
- Fire
- Flood
- Hail
- Smoke
- Sprinkler Leakage
- Terrorism
- Theft
- Vandalism
- Water Damage
- Wind
- And more...

General Liability - Torts

Tort: Legal obligation of one party to a victim as a result of a civil wrong or injury.

MN Statute §3.736 describes the liability of state agencies.

Course and scope of employment.

There must be negligence for coverage to apply.

Tort liability for state agencies is capped at $500,000 per person/$1,500,000 per occurrence.
How does the Property & Casualty Unit Pay for Claims?

PREMIUMS

SUBROGATION

PROPERTY AND CASUALTY REINSURANCE

Property and Casualty Reinsurance

**Property Reinsurance**
- Losses in excess of $1 million
- $100 million limit
- Annual Aggregate of $2.5 million

**Casualty Reinsurance**
- Losses in excess of $1 million
- $10 million limit
- Extra-jurisdictional claims – no tort cap protection outside Minnesota.
- Federal Claims (e.g., violation of civil rights)
What if There is Money Left Over?

- Surplus funds, after claims and operating expenses are returned in the form of a Dividend
- Dividends paid the last 21 of 22 years.
- Dividends depend on good loss experience. So hats off to state agencies for their efforts!

Does Risk Management Offer Any Value-Added Services?

**Loss Control (in coordination with reinsurer)**

- Onsite inspections
- Jurisdictional Boiler Inspections
- Infrared inspections
- Motor Vehicle Record Checks
- Appraisal Services
How Are Unusual Exposures Handled?

- Builder’s Risk: St. Croix River Crossing Bridge and Capitol Restoration Project
- Aviation
- Crime
- Cyber
- Foreign Travel Accident
- License and Permit Bonds
- Medical Malpractice
- Volunteer Accident
- Workers’ Compensation (e.g., out-of-state telecommuters)

Disaster Management Services - It’s New!

- New July 1, 2018
- Crisis management services – family assistance center, media management, crisis-oriented behavioral health, recovery specialists for search and rescue
- Man-made or natural disasters, Active Assailant Incidents, and Acts of Terrorism
- Applicable to all state agencies
- 3 or more deaths or critical injuries (e.g., emergency medical/hospital treatment)
- Covers state owned and leased locations
- Covers state employees and visitors to premises
- Coverage while state employees traveling in vehicle on state business
- No deductible
- Service Provider Network throughout the world
- Service Providers work in coordination with EPA and state’s continuity of operations groups
Insurance Requirements – Vendors and Contractors

One Method of Handling Risk

Better Method – TRANSFER Risk to Responsible Party

- Insurance Benefits contractor as well as the state
- Contractor’s Liability is unlimited, unlike the Liability of state agencies, which is limited to $500,000 per person/$1,500,000 per occurrence
What Types Insurance Are Vendors/Contractors Expected to Have?

** Depends on Nature of Contract:  
- Workers’ Compensation  
- General Liability  
- Auto Liability  
- Professional Liability  
- Network Security & Privacy Liability
Thank you, thank you very much!

Minnesota State Fair (Policyholder)

How are insurance claims handled by RMD

• What policies we offer
  • Auto
  • Package Policies
  • Special Policies
    • Aviation
    • Inland Marine
    • HOW
    • Cyber
    • Construction Projects

• Non Insured Tort Claims
Auto Claims

- Two types of Auto Claim
  - Auto Physical Damage
    - Damage to your State Auto
    - Towing and Storage costs
    - Glass Breakage
  - Auto Liability
    - Damage to someone else's property
      - Vehicles
      - Personal Property inside a car
      - Personal property outside of a car.

What types of Auto Claims are not Covered

- Use of Employees Personal car for State Business.
- Your deductible
  - It’s what always comes first.
- Wear and Tear
- Tire Blowouts
- Racing
- Nuclear Hazard, War or Military action, Electronic Equipment
- Policy Exclusions
- Personal Property in the vehicle
Auto Physical Damage Perils

- Two types of Covered damage
  - Collision Damage
    - Collision with another object
    - Vehicle overturn
  - Comprehensive damage
    - Damage from another source such as
      - Falling Object
      - Hail
      - Fire

Auto Physical Damage - What is paid for?

- Towing and Storage costs
- Our Adjustment expenses
- At our option we will
  - Pay for Repair or replacement of the damaged or stolen property
  - Return the stolen property at our expense.
  - Pay for any damage that results to the stolen auto
  - Take all or any part of the damaged or stolen property at an agreed or appraised value.
Auto Liability Claims – What is paid for?

• Property damage
• Bodily Injury
• Legal Expenses for defense of the claim.
  • Covering the AG’s offices bills
  • Costs of obtaining Medical Records
  • Cost of obtaining Reports
  • Cost of Obtaining expert testimony

Auto Liability Claims – What is not paid for?

• Expected or intended injuries
• Injuries to State employees that would be Workers Compensation claims
• Property in your Care Custody and Control
  • The exception is Garagekeepers coverage
• Handling and movement of property
• Completed operations
• Your work
• Pollution
• An employees own personal property
Auto Accidents - What should you do after a loss?

• Promptly notify the Police if the vehicle or it’s equipment is stolen
• Protect property from further damage
• Retain all records of expenses
• Notify Risk Management “as soon as Practical after and loss or damage occurring under this policy.”
• Permit us to inspect the vehicle
• Assist us in investigating the claim including subrogation
• Examination under oath

Package policies

• General Liability
  • Damages to others that you are liable for
    • Property Damage
    • Bodily Injury
• Property Damage
  • Buildings
  • Contents
• Business interruption, Extra expense
• Other Expenses, Debris Removal, Tree Landscaping,
What is General Liability Insurance

• We Insure against Negligence
• We insured to pay for claims that result in
  • Bodily Injury
  • Property damage
  • Legal expenses
• It has Limits
• It has conditions

What does General Liability Policy Cover

• Pays sums that you are Legally obligated to pay as damages because of;
  • Bodily Injury
  • Property Damage
• We decide to either;
  • Pay a claim
  • Defend the claim against a suit
• We also cover Personal and Advertising injury liability
What does General Liability Not Cover

• Expected injury
• Contractual Liability
• Employers liability
• Pollution
• Aircraft, Auto, Mobile Equipment or Water craft

What is Property Insurance

• Insurance is a contract
• A promise to pay if something occurs
• You can only insure what you own
• It will have a deductible
• It will have a limit or a sub limit
• It will have conditions you have to follow.
## What Types of Property Claims are Not Covered.

- Wear and tear
- Settling and cracking
- Unexplained shortages
- Design defect / faulty design
- Pollution
- Programming
- Vermin or insects
- Property of others

- Aircraft. Auto, Mobile Equipment and Watercraft...except
- Land
- Securities
- Dock, retaining walls, Dams
- Underground Mines
- Property Insured elsewhere

## Other Policies

- HOW - Home Owners Warranty
- Inland Marine
- Professional
  - Police
  - Public Officials
  - Broadcasters
- Purchased Policies
  - Aviation
  - Medical Professionals
• Making Claim
  • The Claim reporting Guide
    • Two Claim Forms
    • Reporting claims
    • What happens when we receive the claim
  • What will you get.
  • What you should send
    • Loss notice
    • Police Report
    • Photos, Diagrams, Statements

• Investigate the details of the claim
• Determine policy coverages
• Collect evidence
• Document the damages
• Determine liability percentages and subrogation potential
• Negotiate the amount of the claim
• Issue payment for the claim
Property Claims What should you do immediately after a loss

• Make sure that people are safe
• Secure the property
• Prevent an additional damage
• Protect evidence
• Report the claim, Report you emergency
• Assess your ability to continue operations
• Mobilize emergency restoration operations.
• Inventory damages

What should you do when things have settled down.

• Document the event
  • Photos or Video
  • Locate witnesses
• Consider Staffing requirements
• Consider Space Utilization
• Start the bidding process
• Set up purchasing accounts to track your spending.
• Work with Risk Management to determine what damages covered by insurance.
Other Issues

- Statutory considerations
- Tort Law implications
- Salvage
- Subrogation
- Vehicle Titles
- Suit
  - Conciliation court
  - Court

Thank you again!

If you have any future questions please contact at any time.

Loss Control

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Claims

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Underwriting