

# **State Risk Management Preparing for Change**

**In 2012**

## **Risk Management's New Face**

**The Department of Central Services (DCS) is now a part of the Office of State Finance (OSF). The Risk Management (RM) Division remains a part of DCS.**

**Name changes for OSF and DCS are expected in the near future. RM will keep you apprised of the changes.**

# **Risk Management's New Face**

## **Retirements:**

- **Ed Manek**
- **Mary Herrera**

## **Risk Management's New Face**

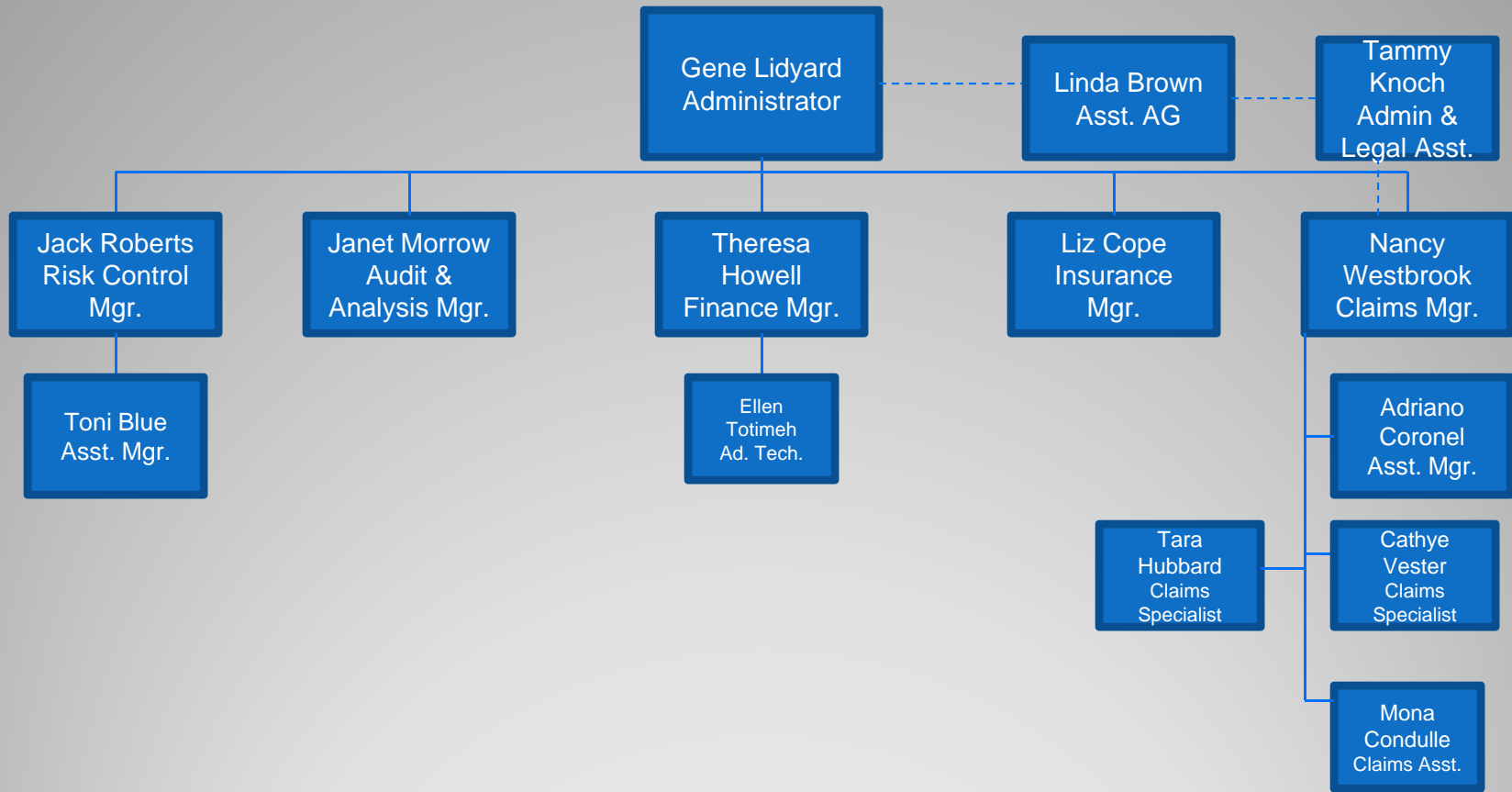
### **Additions to Staff:**

- **Tammy Knoch**
- **Janet Morrow**
- **Liz Cope**

## **Risk Management's New Face**

### **Changes in responsibilities among existing staff:**

- **Cathye Vester from Fire Districts and Administration to Claims**
- **Mona Condulle from Administration to Claims**
- **Ellen Totimeh from Claims to Administration**



## Risk Management's New Face



- 37 Years of Risk Management Experience
- 27 Years in Private Sector including 2 Fortune 100 Corporations
- 10 Years with The State of Oklahoma

- Primary Responsibility: Establishing the Direction of the Risk Management Division for the purpose of meeting the Property and Casualty (Liability) coverage needs of all State entities.
- Call Gene if you have questions related to risk management.

**Gene B. Lidyard - Division Administrator**



- Over 25 years of experience with insurance law

**Linda Brown—Assistant Attorney General  
under contract to RM**





- 2 ½ years with Risk Management
- 5 years with the State of Oklahoma

Call Tammy if you have questions regarding litigation and public officials liability claims.

**Tammy Knoch – Assistant to Administration  
and Complex Claims**

- 20 years with Risk Management & State Government
- 8 years as Certified Procurement Officer (CPO)



Call Theresa if you have questions related to insurance invoices or general questions regarding insurance coverage and program administration.

**Theresa Howell — Finance Manager**

- 5 years in Banking Industry
- 3 years with the State of Oklahoma
- With Risk Management since December 2011



Call Janet if you have questions related to insurance rates or general questions regarding insurance coverage and program administration.

**Janet Morrow - Risk Analyst and Audit Manager**



- 7 years Commercial Insurance Experience
- 4 years with the State of Oklahoma
- With Risk Management since December 2011

Call Liz if you have questions related to insurance surveys or general questions regarding insurance coverage and program administration.

**Liz Cope - Insurance Manager**



- 4 ½ years in the Claims Unit
- In Underwriting & Administration since December 2011
- 20 years with the State of Oklahoma

Ellen coordinates fire district issues and assists Theresa, Janet and Liz with general administration.

**Ellen Totimeh - Administrative Technician**

- 20 years of Loss Prevention/Loss Control Experience
- 11 years with Risk Management



Call Jack for loss prevention or loss control issues and property valuations and risk surveys.

**Jack Roberts - Risk Control Manager**

- 14 years of Risk Management experience
- 13 years at a federal facility
- 1 ½ years with the State of Oklahoma
- Industrial safety background



Call Toni for loss prevention or loss control issues and property valuations and risk surveys.

**Toni Blue - Assistant Risk Control Manager**



- 16 years in Risk Management & State Government
- Licensed Property / Casualty Adjustor

Call Nancy to report property claims and if you need information related to claims in general.

**Nancy Westbrook - Claims Manager**



- 1 year with Risk Management & State Government
- Auditor – Medicare Claims Management



Call Adriano if you have questions specific to claims he is managing or if you need information related to claims in general.

**Adriano Coronel - Assistant Claims Manager**



- 3.5 years with Risk Management
- 6.5 years with the State of Oklahoma
- 11 years as an Elementary Education Teacher
- Licensed Property / Casualty Adjustor

Call Tara if you have questions specific to claims she is managing.

**Tara Hubbard - Sr. Claims Specialist**

- In the Claims Unit since December 2011
- 4 years in Underwriting and Administration
- 16 years with the State of Oklahoma



Call Cathye if you have questions specific to claims she is managing.

**Cathye Vester - Sr. Claims Specialist**

- In the Claims Unit since December 2011
- 16 Years in Underwriting and Administration
- 21 Years with the State of Oklahoma



Call Mona to report claims and for information related to investigation forms.

**Mona Condulle - Claims Assistant**

RM's Main Public # picked up by Automated  
Attendant:

405/521-4999

TOLL FREE # 888-521-7475

***UNDERWRITING/ADMIN UNIT***

Gene Lidyard	405/521-6051
Tammy Knoch	405/521-6339
Janet Morrow	405/521-4684
Liz Cope	405/522-4434
Theresa Howell	405/522-4439
Ellen Totimeh	405/521-4997

***RISK CONTROL UNIT***

Jack Roberts	405/522-4440
Toni Blue	405/522-4436

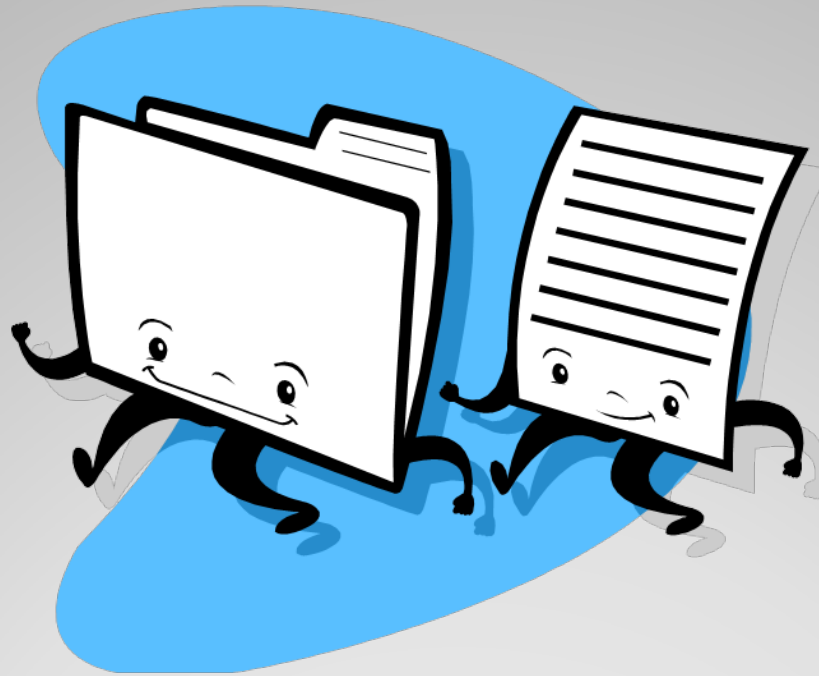
***CLAIMS UNIT***

Nancy Westbrook	405/522-4435
Adriano Coronel	405/522-0411
Tara Hubbard	405/522-0410
Cathye Vester	405/522-4437
Mona Condulle	405/522-5317

<b>Claims FAX</b>	405/522-4442
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<b>Underwriting FAX</b>	405/522-0403
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**RM Phone Numbers**



## **Administration & Underwriting**

# **Insurance Important Calendar Dates**

Target Dates for Survey Return  
&  
Renewal Dates for Policies

# Target Dates for Survey Return to RM

- State Property Surveys due 2/17/12
- Foreign Liability and Employee Dishonesty Surveys due 3/12/12
- Auto Physical Damage Updates due 3/30/12
- Aviation Updates due 4/9/12
- Fine Arts Updates due 4/16/12
- Out-of-State Surveys due 6/1/12
- D&O/ELL Surveys due 7/31/12



# Policy Renewal Dates

- May 1<sup>st</sup> – Foreign Liability
- July 1<sup>st</sup> – Aviation & Employee Dishonesty
- August 1<sup>st</sup> – Property, Fine Arts & Auto Physical Damage
- September 24<sup>th</sup> – Out-of-State Travel
- October 30<sup>th</sup> – Public Officials/ELL

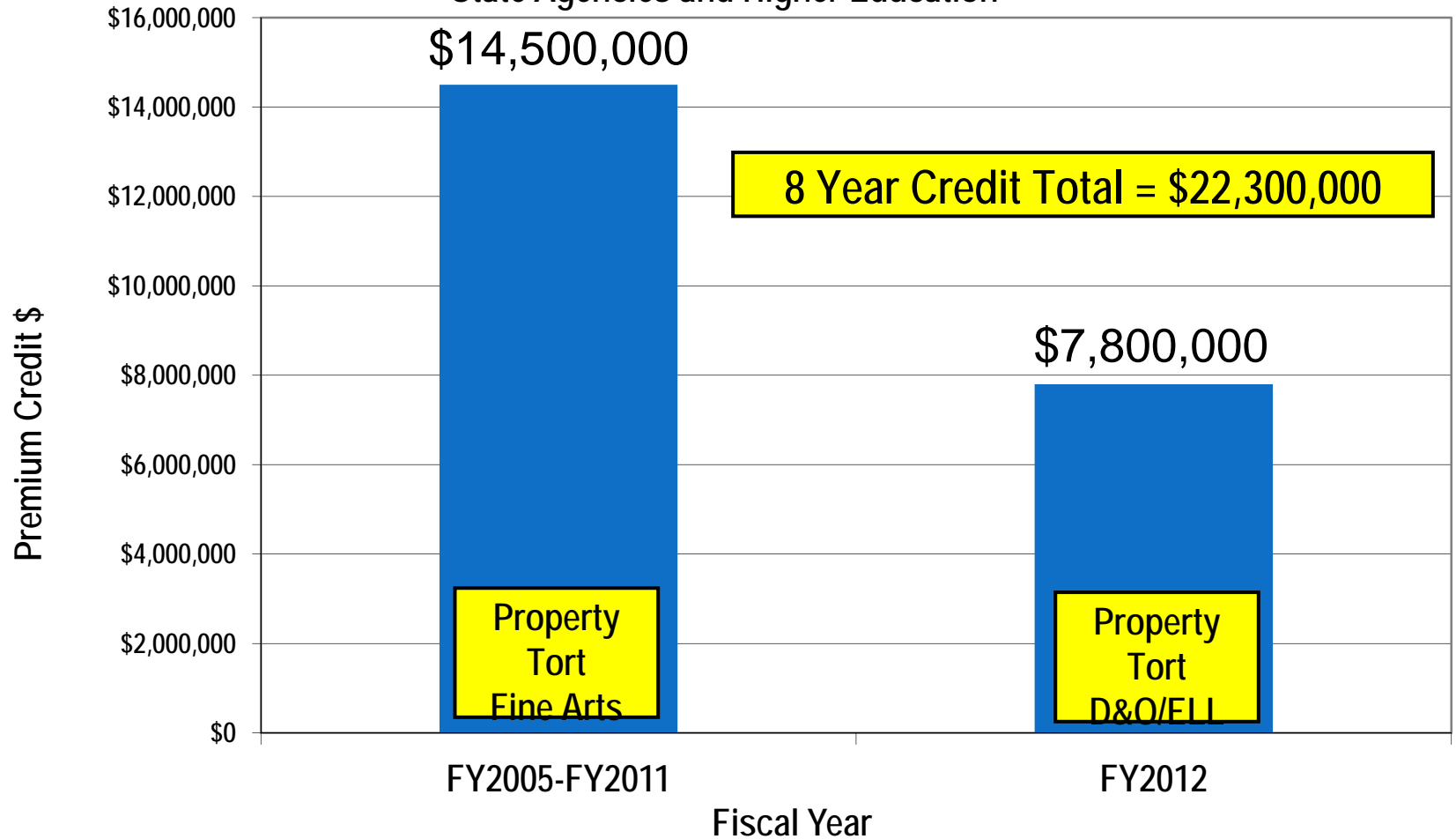
FY	Number of Claims	Cause	Value of Claim
07	11	High Winds	\$ 380,000
08	79	Flooding Ice Storm/High Winds	\$14,700,000
09	16	High Winds Fire	\$ 3,900,000
10	59	Hail Ice Storm/High Winds	\$ 3,500,000
11	17	High Winds Hail/Fire	\$ 6,400,000
12	5	Fire Wind/Lightning	\$ 1,800,000

## Property Claims

# Premium Credits

State Agencies and Higher Education

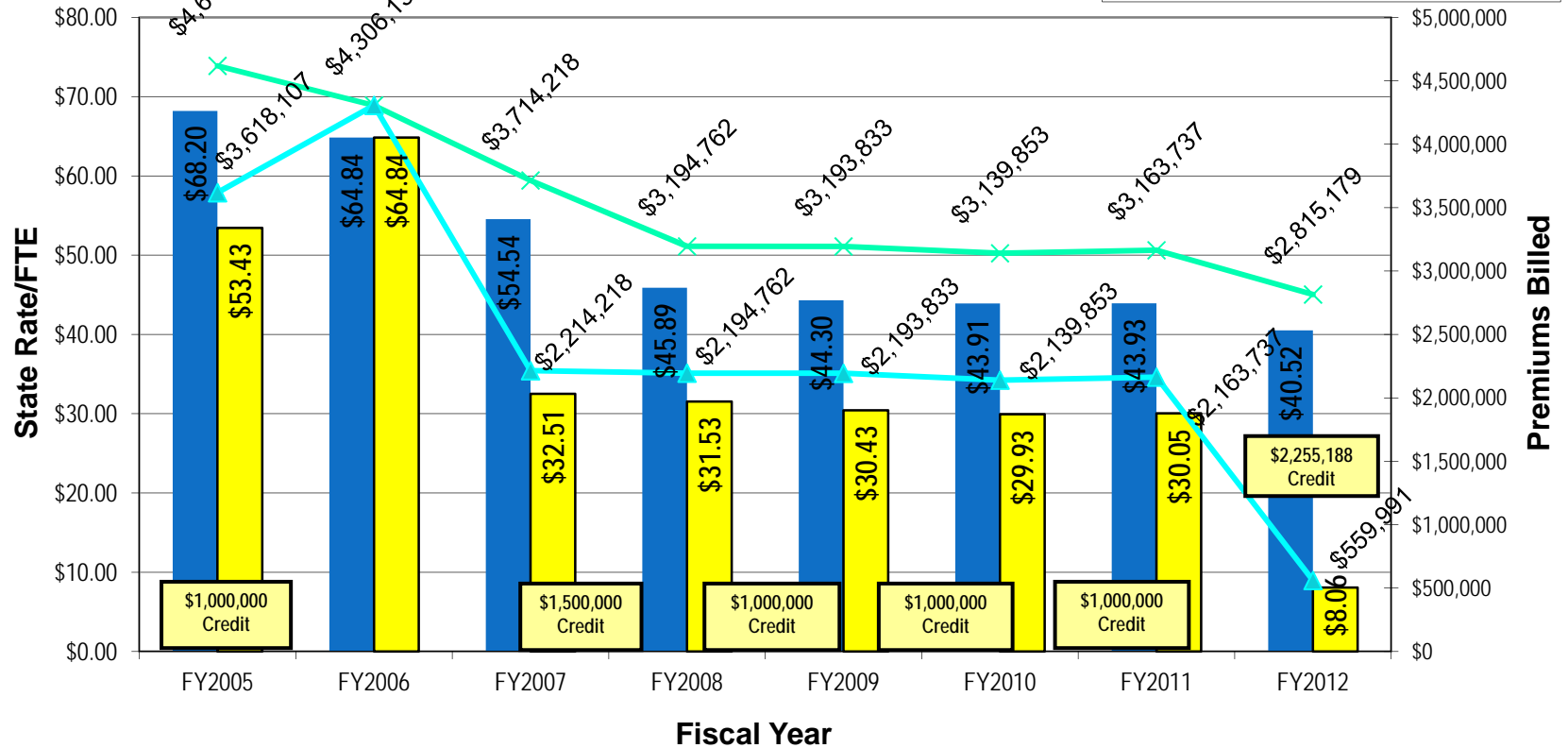
■ FY Total Credits



**Credits Allowed**

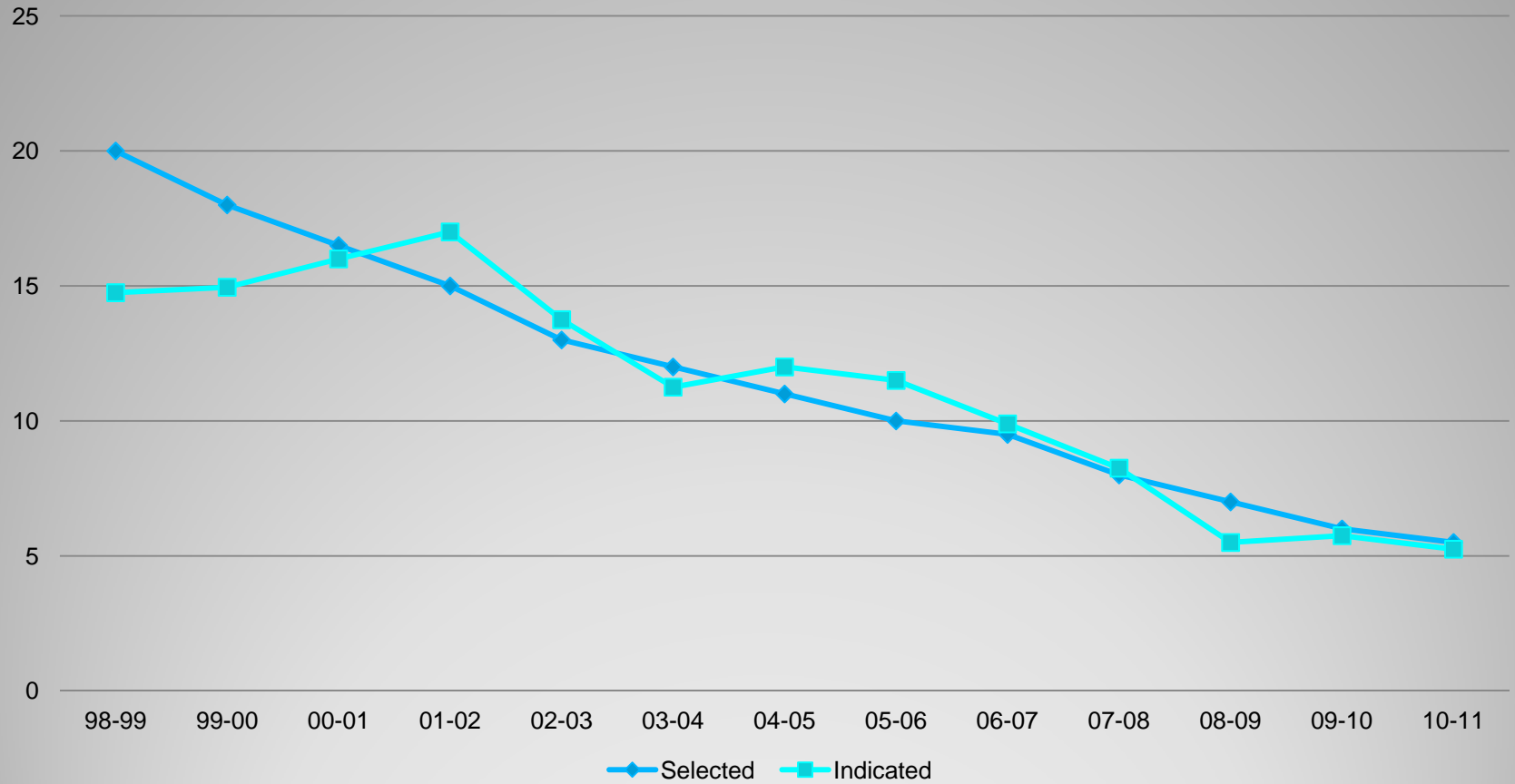
## STATE TORT LIABILITY COVERAGE

### Total Premium Billed to Agencies (Including OMPA & GRDA)



# Tort Premium Trends

## Fiscal Year Frequency Trend



**Projection 2013**

# PROPERTY MARKET UPDATE: UNITED STATES February 2012

New York, NY

## 2011 Property Market Review

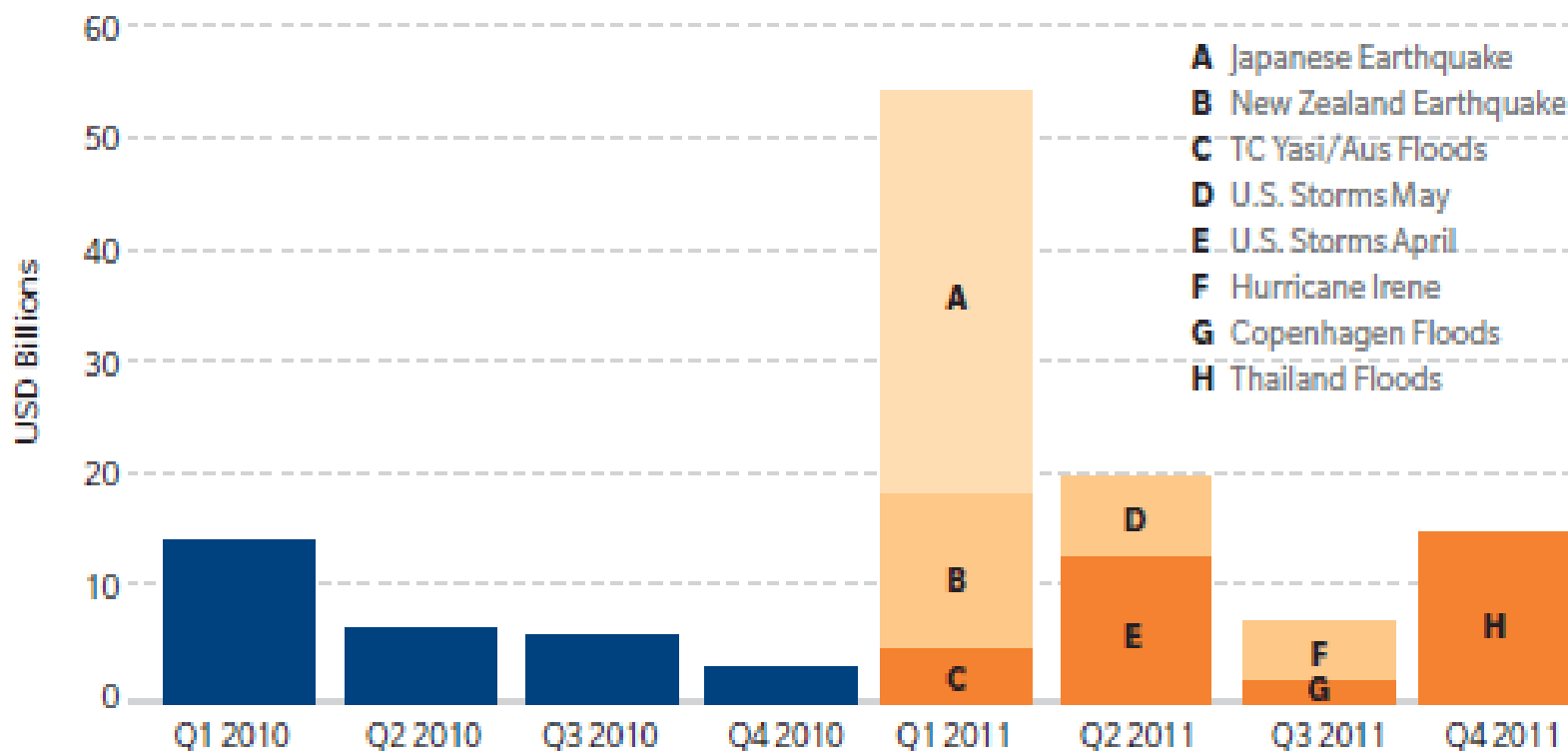
- 2011 CAT losses were the primary drivers of change in the property market. Insured property losses totaled approximately \$105 billion to \$110 billion, exceeding the previous record in 2005 (\$101 billion).
- Pricing stabilized in the second quarter of 2011 and began to trend positive shortly thereafter, but this upward trend was not universal.
- Significant rate increases were confined to accounts with heavy concentrations of CAT and/or adverse loss experience. Accounts with poor data quality were also penalized.
- RMS version 11 had a smaller role in the changing market dynamic of 2011, since universal usage of the new models was not pervasive until late in the third quarter of the year.



## 2011 Property Market Review (cont'd)

The following are the estimated insured losses for the major CAT events of 2011.

### Significant Catastrophic Losses-2010 to 2011



Source: Guy Carpenter & Company, LLC, Property Claims Service, Insurance Council of Australia

## Market Results Driven by Account Specifics

- The commercial property insurance market for 2012 continues to show signs of positive rate trends though the results vary widely across industry segments and are heavily weighted to the specifics of each account. The rate increases seen in the market can be broken down across four broad categories:
  - **Loss Driven Accounts** - Majority of these accounts saw minimum increases in excess of 15% - 20% with the rate increases rising commensurate with worsening loss records. Some insureds in this category saw reductions in primary capacity offered if a pattern of weakening losses was perceived or if multiple CAT losses were on record.
  - **Heavy CAT Exposed Accounts** – Majority of these accounts continued to see rate increases of 10% to 15% in the fourth quarter of 2011. However, these increases have expanded beyond the primary layers. Excess layers that were once considered outside the 250 year loss estimates are now seeing pricing pressure as RMS 11 pushes loss estimates higher into these layers.
  - **Moderate to Low CAT Accounts** – Majority of these accounts saw change between flat and +/- 10%. There continues to be ample capacity for such accounts that could be used to generate competition at renewal. However, accounts in this category with losses are seeing higher rates of increase commensurate with their experience.
  - **Non-CAT Accounts** – Accounts in this class continue to see +5% to moderate negative changes in rate. On average, accounts in this category are seeing a flattening of the market. It should be noted that these competitive terms are driven by many accounts changing carriers or threatening to change carriers to drive incumbent pricing down. As financial results for carriers in this space turns negative after a dismal 2011, anticipate a more general stabilization in rates.

## Pressure on Specific Industries

- In addition to accounts with poor loss experience or significant CAT exposure, certain industry sectors are seeing a general uplift in rates exceeding 20% on average. These are:
  - **Habitational Real Estate** - This sector is characterized by poor construction (i.e., frame and joisted masonry) from a CAT modeling standpoint. Capacity for this class of business shrunk as many mainstream players limit available capacity. Carriers are now turning their focus to “mixed” occupancy real estate schedules and if the habitational portion of these mixed schedules is over 15% to 20% such schedules will be adversely affected.
  - **Hospitality** – This class is probably one of the most adversely affected by the implementation of RMS 11. Loss estimates are being pushed into higher excess layers forcing pricing pressure into excess layers where previously the cost of capacity was close to minimum premiums.
  - **Food and Food Processing** – Clients in this area are faced with a smaller pool of capacity available from the outset. Several large carriers pulled out of writing this industry class due to significant losses.

## Pressure on Specific Industries (cont'd)

- **Mining** – This class saw historical losses drive carriers out, especially flood claims. This class may have the smallest pool of carriers willing to consider such risks, as a result competition is at a minimum.
- **Metals** – Historical loss experience is driving rate in this class. Pricing pressure and a focus on engineering are driving carriers in this sector. Carriers fear that aging plants are treating insurance more like a maintenance and replacement program versus true risk transfer.
- **Gaming** – CAT exposure is the driver for this class. The additional complication is the business interruption (BI) component. Carriers continue to struggle with BI as losses tend to come in higher than expected against reported values.
- **Commercial Real Estate** – Not all commercial real estate will fall into this category, mainly CAT exposure or those schedules with mixed occupancies. The issue is that real estate schedules are very rarely 100% class A offices in non-CAT areas and thus must be mentioned here.

## Looking Ahead in 2012

- The trends are pointing towards a more general upward lift in rates throughout the market.
  - In general, we expect flat to moderate rate increases (+5% to +10%) to become the norm.
  - Reinsurance pricing continues to climb but at a very moderate pace. This could point to sustained upward pricing adding further cost to insurers.
  - The universal implementation of RMS 11 as the underwriting platform for all renewals will be a key driver for renewals in the first six months of 2012.
  - Insurers will be seeking a flight to quality risks in perceived “low severity” industries/regions that it feels offer a fair return with minimal CAT exposures.

# Conclusion and Strategies for the Changing Market

- The key to staying ahead of the changes in the property market is information.
  - Constant communication about potential market changes both from an industry as well as individual carrier perspective is critical.
  - The development of comprehensive underwriting submissions that are sent to market with at least 45 days marketing time is also critical.
- Begin pre-renewal review of exposure information as early as 120 days prior to renewal.
- Review data quality reports and concentrate on filling gaps in primary attributes for all locations, but at a minimum for all locations in CAT zones.
- Meet with carriers after the submission goes to the market and present them with relevant information to the client's property program. Market presentations should be about property insurance related topics and not an investor's pitch.



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**Communication**



# Electronic Insurance Surveys

2012-2013 Property Surveys were delivered to agencies electronically to speed the renewal process for both agencies and Risk Management.

2013-2014 Goal is to offer web based survey updating to all agencies to further increase efficiency for both agencies and Risk Management.

<https://wiki.ok.gov/dashboard.action>

**State of Oklahoma**

**Risk Management Communities of Practice Wiki Site**

[www.ok.gov/DCS/Risk\\_Management/index.html](http://www.ok.gov/DCS/Risk_Management/index.html)

**State Risk Management's Website**

## **Seminars/Webinars/HRDS/Presentations**

Seminars—April, June, September

Webinars—May, August, October

HRDS—March, May, June

Presentations—Available upon request

## Site Visits

RM is available to conduct site visits upon request. We can assist with compliance issues and we have many resources available to State entities.

# Human Element Program Changes

Hot Work Permits

Fire Alarm System Impairments

# MMSEA

- Medicare, Medicaid, and SCHIP Extension Act of 2007  
- Section 111
- As of January 1, 2012, RM is now reporting all claims to  
Center for Medicare & Medicaid Services
- The State may now incur \$1,000 fine per day, per claim  
for non reporting

# Public Officials and ELL

- The affects of deductibles under Public Officials and Educators Legal Liability
- Agency selected deductible
- Payment of a claim
- How does it affect your Budget



(GTCA Claims)  
Tort including Auto  
Sub-Activity Fund

State Property  
Ins. Program  
Sub-Activity Fund

PO/ELL/EPL  
Sub-Activity Fund

**Source of Funds**

# Property

- Property loss guide on the DCS website and Wiki site
- Coming in the future an alternative to the property loss process

**Any Questions?**

**Thank you for your participation**