

Wise Words



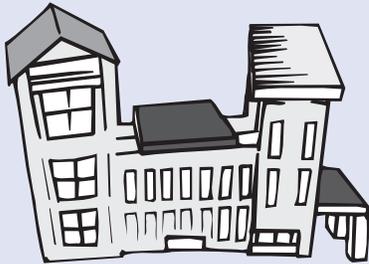
WE INSURE STATE EQUITY

State of Alabama • Department of Finance • Division of Risk Management

December 2006

PLEASE CIRCULATE

ARE YOUR CURRENT PROPERTY VALUES ADEQUATELY INSURED?



You recently received your Property Insurance Schedule listing all your buildings and contents with their insured values. We encourage you to take a close look at these values to make sure they are adequate especially in the event of a total loss to the building and/or contents. The sharp increase in building construction following back to back years of hurricanes has resulted in an increase in property values. In fact, our Underwriters have run sample surveys for several of our clients and have discovered under-insured values of as much as 20-25%.

As previously advised, your State Insurance Fund policy implemented a 115% Margin Clause on its Replacement Cost Value Endorsement effective October 1, 2006. This means that in the event of a loss to your building or contents, your settlement will not exceed 115% of the insured value shown on your Schedule.

Please note that for many of our clients, contents values are shown with the building which houses them. Our Underwriters have factored in what they believe the contents values to be based upon the occupancy of that building. However, only you know if you have high valued content items in the building. If so, does the value shown for contents accurately reflect the contents you have in that building?

If you believe the building value shown is not adequate and would like for us to run a sample reappraisal, please contact Dale Whittle at (334)223-6139, or email him at Dale.Whittle@riskmgt.alabama.gov.

TIME ELEMENT EXPOSURES OFTEN OVERLOOKED

When hurricanes or other natural disasters strike, our primary focus tends to be replacing the building and contents loss. We often overlook the important time element exposures which are often ongoing and for which many policyholders never fully recover.

Risk managers need to emphasize the question, "How will we respond if we have a serious interruption of our business?" Prudent risk managers should perform periodic reviews of their operations and their time element coverages as part of their routine due diligence work. A solid risk management program will have a formalized disaster recovery or contingency plan in place in case the worst happens and disaster strikes. This plan should address mitigating the impact of a serious loss and restoring operations.

Most commercial entities need to purchase business income insurance to recover lost profits and continuing costs during a period of interruption. Service interruption, civil authority and ingress/egress coverages are also important for businesses whose operations are vulnerable to a utility service interruption or damage/governmental action that may prevent access to company locations. This is particularly the case during storm-related catastrophes. Specific coverage choices such as the types of utility interruption covered, the length of any waiting period or deductibles, and the duration of some of these coverages are critical issues for risk managers to address.

Preparation of an accurate business income worksheet is paramount for customers looking to ensure that they have adequate limits. A detailed calculation of business income and extra expense exposures is a necessary evil for any risk management plan aimed at addressing a company's time element exposures.

Contact our office today with any questions you have regarding your time element exposures.

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EMPLOYEE ASSISTANCE PROGRAM ENHANCED

The State of Alabama Department of Finance Division of Risk Management (DORM) has expanded its Employee Assistance Program (EAP) on behalf of the employees of participating agencies, effective October 1, 2006. This program is a professional service which provides confidential assessment, referral, and short-term counseling services to employees and dependents for a variety of mental health, substance abuse and work life issues. The plan provides for up to 3 sessions per plan year and is offered through Behavioral Health Systems, Inc. (BHS), a preferred provider organization specializing in behavioral health care and comprised of high quality providers across the nation.

Covered areas include:

- Marital/Family
- Stress/Depression
- Grief/Loss
- ADD/ADHD
- Substance Abuse

All EAP benefits are provided through BHS, separate and in addition to your medical group plan. These benefits are automatically available to all DORM participating agency employees and dependents.

Highlights of the new EAP are:

- 24 hour information and referral line
- Dedicated professional care coordinator
- Simplified access – one toll free number
- Website for work/life information and access to benefits
- Access to a full range of mental health professionals
- All services must be pre-certified and approved through BHS.
- Exclusive nationwide network of providers

There is no cost to you for EAP benefits. You may contact BHS at 800-245-1150 or access the website at www.behavioralhealthsystems.com. Your password is DORM. BHS will be ready to answer your questions regarding the new benefits provided to you by DORM or to assist in scheduling a face to face assessment with a provider in your area.



*Counseling
Services*

Please Pay Any Risk Management Invoices Within 30 Days of Receipt.

BOILER AND PRESSURE VESSELS:

DID YOU KNOW?

The State of Alabama Boiler and Pressure Vessel Safety Act requires installation permits:

Rule 490-X-3-01, Installation of new, Reinstalled, Secondhand, or Special Design Boilers or Pressure Vessels.

- (1) The company or person responsible for the installation of any boiler or pressure vessel shall obtain an installation permit before any installment work is performed. A "Request to Install a Boiler or Pressure Vessel" must be submitted along with installation permit fee to the Alabama Department of Labor. The manufacturers Data Report for ASME Code Stamped and National Board Registered Boilers or Pressure Vessels must also accompany the "Request to Install".
- (2) All installation permits that have not had any action taken toward installation shall expire twelve (12) months after the issue date. The expiration date shall be shown on the permit. The fee for an expired permit shall be forfeited and the file closed out. The company or person performing the installation must resubmit all information as required in Paragraph (1) above in order to obtain a subsequent installation permit.
- (3) All installations shall meet the requirements of the Code as defined in the rules.

You should contact the Alabama Department of Labor at 334-242-3460 to obtain a "Request to Install" form. If you have any questions regarding permits, please contact the Division of Risk Management.

Welded Repairs

The State of Alabama Boiler and Pressure Safety Act requires welded repairs to a boiler or pressure vessel to be completed by a qualified service firm holding a National Board "R" Stamp. Before any welded repairs are made to a boiler or pressure vessel you should contact a qualified service firm who holds an "R" Stamp or the Division of Risk Management. A repair is the work necessary to restore a boiler or pressure vessel to a safe and satisfactory operating condition, provided there is no deviation from the original design. Without an "R" stamp repair you could affect future use of the boiler or pressure vessel.

Should you have any questions regarding welded repairs or the requirements of this Act you should contact the Division of Risk Management.

DEDUCTIBLE CREDITS

We currently offer the following State Insurance Fund premium discounts for those agencies that might desire a larger per building deductible, instead of the standard \$500 per building deductible. The deductible and credit amounts are: \$1,000 Deductible – 5%; \$1,500 Deductible – 7%; \$2,000 Deductible – 9%; \$2,500 Deductible – 11%; and \$5,000 Deductible – 17%; and \$10,000 – 20%. Higher deductibles may be available upon request. Please contact Dale Whittle at (334) 223-6139 for any questions or for a premium quote regarding the higher deductible.

PLEASE REPORT INCIDENTS



The General Liability Trust Fund ("GLTF") defends state employees when they are sued for acts arising from the performance of official duties. However, it is very important that we know about incidents before they reach the lawsuit stage. Depending on the circumstances, it may be possible to settle the matter in a more satisfactory and cost-effective way before the complaining party "lawyers up."

Please notify Risk Management immediately of any incident that possibly could lead to a lawsuit against an employee or agent of the state. Examples of incidents include:

- An injury to a person who is in the custody of the state;
- A serious employment dispute such as an EEOC complaint;
- A report of possible sexual harassment;
- A complaint by a member of the public about an encounter with an employee;

Don't worry that an incident may seem too minor to report. In our litigious society you can never predict what may end up in court. Call Jerry Carpenter or Hank Draughon at 334-223-6120.

ARE YOUR PROPERTY ADDRESSES CORRECT?

It is imperative that all property, listed on your property schedule, have a correct address in order for our Excess Underwriters to adequately service our needs in the outside markets. Please review your property schedules and wherever an address is not listed, or there is an incorrect address, please forward the correct information to Dale Whittle at either his direct fax number (334) 954-5339, or email at Dale.Whittle@riskmgt.alabama.gov.

FREEZE WARNING!!!!

At this time every year we become repetitious concerning certain precautions, but it is better to be safe than sorry. We encourage you to take precautions to lessen freeze damage. All water pipes (hot or cold) should be insulated against a freeze even if installed inside of buildings. Heat should be maintained in buildings at all times--including holidays.

- Water should be cut off when heat and insulation are not adequate.
- Property should be inspected immediately following freezing temperatures prior to thawing to prevent subsequent water damage from broken pipes.
- Filters should be thoroughly cleaned and/or inspected. Air-conditioning units should be protected against freeze damage.

Sprinkler systems should also be part of your cold weather preventive maintenance. When a hard freeze is predicted, it is wise to shut down and drain the water lines of "wet" systems. Even in a "dry" system, the main water supply pipe should be well protected against a freeze. As with all piping, after a hard freeze, sprinkler piping should be checked for possible freeze damage.

If you choose to shut down a sprinkler system for any reason - freezing temperatures or maintenance - YOU MUST NOTIFY THIS OFFICE OF THE DATE OF SHUTDOWN AND THE DATE SERVICE IS RESUMED.

Remember -preventive maintenance keeps damage claims at a minimum, and results in low premiums for your agency.

