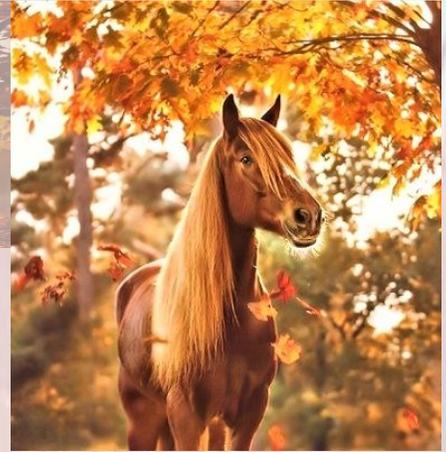


# State Risk Newsletter



## News From the Director

By: Sheri Whisman

We are already in our second quarter of the fiscal year and it seems like time is flying by. The State Risk team has been working diligently on many facets of our mission, including training. Since March of last year, we have developed new and creative ways to reach out, ensuring agencies are receiving the necessary training and information to fully access all areas and many resources of State Risk.

Our goal for last year, before COVID, was to conduct an in person risk management / insurance conference for you, our customer. Of course, COVID changed all of that. However, this has not stopped our amazing team from rising to the challenge to become even more creative. The great news is that we are in the heart of planning a virtual risk conference tentatively scheduled for Spring 2022. Some of the topics will include:

- **The Fire and Tornado Fund Insurance**
- **Building Appraisals**
- **Property Claims; Claims Clean Up**
- **Visual Inspections; NFPA Code Requirements; KRS 56.170**
- **Red Tag Impairments; Deficiencies Process & Corrective Action Statements (CAS)**
- **Construction Projects; Plan Review**
- **Risk Assessments; Engineering Visits; 10 Qualities**
- **Business Continuity Planning**
- **Cyber Security**
- **EKU Fire School; virtual tour**
- **FM Global Research Campus, virtual tour**

If you know of anyone who would like to be a part of the upcoming Spring training, please reach out to Ryan Barnard at [Ryan.Barnard@ky.gov](mailto:Ryan.Barnard@ky.gov) and he will ensure you get the invite. We look forward to providing this training and seeing each of you soon.

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## Agency Directory

### Director's Office

Sheri Whisman - Director - 502-782-5444  
 Beryl Thompson - Assist. Director - 502-782-5438  
 Sandy Etherington - Office Mgr - 502-782-5442

### Appraisal/Sprinkler/Underwriting

Meagan Hart - Program Manager - 502-782-5423  
 Gerry Hamilton - Appraiser - 502-782-5421  
 Ed McDaniel - Appraiser - 502-782-5439  
 James Baggett - Proc Dev Spec - 502-782-1866  
 Jennifer Collins - Ins Policy Spec - 502-782-5441

### Kentucky Self Insured Auto Program

Evelyn Smith - Program Manager - 502-782-5433  
 James Baggett - Proc Dev Spec - 502-782-1866

### Property and Auto Claims

Evelyn Smith - Program Manager - 502-782-5433  
 Audra Perkins - Proc Dev Spec - 502-782-0369

### eRIMS/MyRISK Assistance

Ryan Barnard - Resource Mgmt Analyst - 502-782-5435

# APPRAISAL AND UNDERWRITING

## New Team Members

We want to welcome our new Appraisal, Sprinkler & Underwriting team members! You will get to know them well in the following months:

### **Ed McDaniel, Insurance Appraiser**

Started on September 1, 2021. Ed comes from the private sector, bringing with him a Kentucky Adjusters license and experience conducting over 15,000 commercial and real estate appraisals. He is a retired Veteran, serving two overseas deployments. He will be working with Gerry Hamilton on building appraisals for the Fire and Tornado Fund.

### **James Baggett, Procedures Development Specialist I**

Started on October 1, 2021 and will be working with the Claims, Appraisal, and Underwriting staff. Assisting with adding and removing Fire and Tornado coverage and entering your claims data. James comes from the Legislative Research Commission after spending 15 years there and bringing with him a customer focused view.

### **Jennifer Collins, Insurance Policy Specialist II**

Starting October 16, 2021 she will be underwriting for the Fire and Tornado Fund and will be your go-to person for policy related questions or to add or delete coverage. Jennifer came from the private sector of insurance bringing with her a vast array of insurance knowledge and experience.

### ***Stay Tuned!***

*We will be onboarding an additional employee in the coming months:*

*A Safety Coordinator will be starting in November. The Safety Coordinator will be assisting with the KRS 56.170 state mandated sprinkler program and following up on all sprinkler deficiencies until corrective action is made.*

### **Farewell, Katherine Hutcherson!**

Lastly, Katherine has taken a position outside of State Government effective August 20; we will miss her dearly, but wish her the best of luck in her future endeavors! Please send all sprinkler related inquires to:

**[StateRiskSprinklerProgram@ky.gov](mailto:StateRiskSprinklerProgram@ky.gov)**

# APPRAISAL AND UNDERWRITING

## The Fire and Tornado Fund

By Meagan Hart, Gerry Hamilton, Ed McDaniel & James Baggett

We would like to thank you for your patience while we work through our staffing changes, we know this time has been tough as we adjust to a new way of doing things and we greatly appreciate your patience.

### Certificate Review Meetings

We will be starting our certificate review meetings. All of our customers will start to receive their request to meet with the underwriting staff. If you have a date in mind, please reach out to us now. During the meeting you can expect to review your certificate(s), coverages you may no longer require, coverages we offer, ask us policy questions, make changes to your certificate, etc. We look forward to meeting with you in person or virtually.

### Building Appraisals

We are starting to schedule building appraisals. Gerry and Ed will be contacting customers who have recently added new structures to set up an appraisal visit. Keep in mind on an appraisal we will need access to all locked rooms (like mechanical rooms); we will take interior and exterior photos and measure the structure.

### Did you know?

All of our forms are *electronic* and should be emailed *directly* from the form by selecting the *email button* on the bottom of the form. This ensures the form goes to the [StateRiskUnderwriting@ky.gov](mailto:StateRiskUnderwriting@ky.gov) mailbox and the Division of Real Properties. All forms should be completed in their entirety; missing information slows down the underwriting/ appraisal process and may cause your coverage to be removed.

You can access your account through our customer portal or email:  
[StateRiskUnderwriting@ky.gov](mailto:StateRiskUnderwriting@ky.gov).



All Fire and Tornado underwriting requests should be sent to [StateRiskUnderwriting@ky.gov](mailto:StateRiskUnderwriting@ky.gov)  
Please be patient on communication; we receive a large amount of requests and work hard to process them as fast and accurately as possible.

# SPRINKLER

By: Meagan Hart



## Locking Valves - free!

Everyone loves free stuff! As part of the State Risk contract, Johnson Controls will provide free locks and chains to our insured locations with open FM Global recommendations for non-locked valves. Once locked we ask that you submit a picture to [StateRiskSprinklerProgram@ky.gov](mailto:StateRiskSprinklerProgram@ky.gov) to remove the open recommendation from your property ID.

*On a recent inspection with the Finance Cabinet, Danny Brooks, worked with Johnson Controls inspectors to lock the valves in the Mayo – Underwood Building. This prevents accidental shut offs by contractors.*



## Outstanding Deficiencies

Outstanding sprinkler deficiencies may negatively influence your premium and/ or claim payment in the event of a loss. Johnson Controls Inc. will notify you of any deficiencies with your system on your inspection report. **You are not required to use Johnson Controls for repairs, only for the State Risk sprinkler inspections.** State Risk requires a Corrective Action Statement (CAS) to be completed and turned in to remove the deficiency from your account and satisfy Endorsement D – Protective Safeguards of your Fire and Tornado Property Insurance policy. Contact [StateRiskSprinklerProgram@ky.gov](mailto:StateRiskSprinklerProgram@ky.gov) for a current list of your outstanding deficiencies.

**Click for CAS**

# SPRINKLER

## Red Tag Impairment Kits

An additional free service offered by FM Global and State Risk are red tag kits for sprinkler impairments. For a refresher on what an impairment is and how to handle it watch the FM Global video Know More Risk: Four Principles for Handling Impairments <https://youtu.be/sES3eokSJTg>.

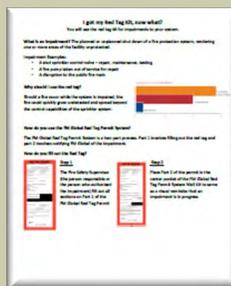


Often times FM Global will make the recommendation on your Risk report to use a Red Tag Kit for system impairments, *while using the FM Global red tag kit is only a recommendation, State Risk highly recommends you utilize this free tool to continue to protect the Commonwealth's employees and assets.*

*There are multiple benefits to utilizing the red tag kits:*

- *The red tag kit shows the impairment steps in an easy to follow manner.*
- *The red tag kit can be referenced for history on the system for prior impairments.*
- *The red tag clearly identifies for others there is an impairment and that extra caution should be taken in the area.*
- *The kit helps prevent improperly closed valves.*
- *FM Global provides reliable follow up to ensure the impairment has had protection restored.*

Click for red tag instructions



To remove this FM Global recommendation from your Risk Report, simply call in or report electronically a red tag impairment on your next Johnson Control annual inspection. This will help practice the red tag process and show FM Global and State Risk you are prepared in an emergency shut down/ impairment situation.

If your system is impaired, Report your impairment electronically at <https://redetag.fmglobal.com/> and for free Red Tag Permit Kits contact [StateRiskSprinklerProgram@ky.gov](mailto:StateRiskSprinklerProgram@ky.gov) or your onsite FM Global consultant engineer.

# SPRINKLER

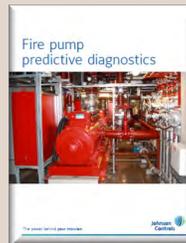
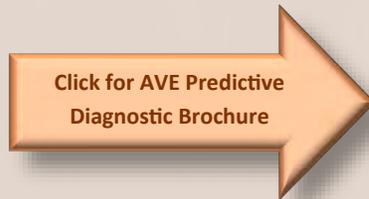
## XAAP Sprinkler Profile Requests

You can request access to the XAAP portal. This portal gives you access to all of your sprinkler inspection reports, July 1, 2021 and on. To request access complete the **XAAP Profile Request form**. Once submitted, we will review your credentials and an automated email will be sent to you with your log in information.



## Vibration Diagnostic Assessments

You may have noticed a new assessment being conducted to the fire pumps! These are completed free of charge as part of the State Risk sprinkler program by Johnson Controls. You do not need to schedule these separately they are included with the fire pump inspection. These reports show areas where preventative maintenance may be done on your pump. This helps you plan and budget for repairs. The items cited during these assessments are recommendations and not counted as deficiencies on your account.



*Brag Board*

**KCTCS**

KCTCS has taken advantage of the free valve locking program. They have agreed to lock all their valves across their campuses!

*They are part of the gold standard in the valve locking initiative!*



**Morehead State University**

Morehead State University has been working diligently on correcting their sprinkler deficiencies and turning in Corrective Action Statements (CAS)!



**Kentucky State University**

Kentucky State University will be locking all their sprinkler valves through the coming year!

*They are part of the gold standard in the valve locking initiative!*



# PROPERTY AND AUTO CLAIMS

## Fire & Tornado (F&T) Self-insurance Property Claims

By Evelyn Smith

All State Agencies & State Universities throughout the Commonwealth of Kentucky are our customers; and we are always here to assist you during the difficult times when damages occur to your properties.

- Building damages can occur from wind, flood, hail, vandalism, fallen objects, and other covered causes of loss.
- It is important to know about any warranty coverage you may have; and for leased property, view the lease agreement to confirm who may be responsible for the damages.
- We also cover Equipment Breakdown for all permanently installed equipment that generates, transmits or utilizes energy to the building.

KRS 56.110 requires that you report all property claims to our Division Claims Section as soon as possible and no more than 30 days after the date of loss. The property claim form SRC-10 is on our website. Once completed, simply click the email button and Audra Perkins of our office will receive and review all the details to determine when our licensed Property Claims Adjuster needs to assess the damages.

When damages are caused by a covered cause of loss, there is only one \$5,000 deductible per certificate for one loss event.

We also recommend that a Claims Contact Person from your office be assigned and advise your staff who to contact when damages occur. Please notify Audra Perkins with that person's name and contact information. Remember, property claim services can only be effective with priority communication; and our mission is to provide quality customer service at all times. Develop a worklist to document each item damaged and confirm if it requires repair or replacement. It is important to mitigate damages as soon as possible by use of professionals to avoid mold or other issues. Please note our process does not involve paying vendors direct. Please keep all invoices for labor/materials used because when the work is completed, you will need to submit copies of all invoices to us for reimbursement.



State Risk Website



Notice of Loss Form

## KY Self-insurance Auto Program (KSAP) Coverage & Claims

Auto Liability coverage is statutorily required by the Commonwealth of KY for all motor vehicles and equipment used in public. Physical Damage coverage is also available for an additional premium, at the request from a State Agency/University and it covers damages to State vehicles/equipment – example: a deer jumps in front of your vehicle. It is extremely important that you audit your agency vehicle lists on a regular basis, to make sure coverage is in place because you never know when accidents may occur and it is required by law.

As soon as possible, report all accidents to your Supervisor and submit the completed KSAP claim form, which is on our website or you can click on the link on the right:



KSAP Claim Form

When the police report is available, please forward that to us. Also, make sure you are using the most current KSAP claim form, which no longer requires your employee ID.

At this time, Karen Bond is on leave; and **I ask that you report all vehicle/equipment coverage changes, additions, deletions (including rentals) with VIN #, Tag # with details for proper classification to Sandy Etherington**. Also, report all KSAP Auto Claims (form SRC-12) to Evelyn Smith.

# “Risky Business”

By Sheri Whisman

## Warranty vs. Insurance

What is the difference and when do I use them?

A **warranty** is a type of guarantee that a manufacturer or warranty company makes regarding the condition of its product that you purchased. Your warranty coverage is essentially a “promise” the manufacturer makes to repair or replace the items (if necessary) for a specific period of time that covers flaws and defects (or anything that occurs from the manufacturer’s design).

**Insurance** is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. Insurance policies are used to guard against the risk of financial losses, both big and small, that may result from damage to the insured or their property.

When you have a loss or failed equipment, always check your warranties **first**. As an example; if there is a wind storm and your roof shingles blew off after a recent initial install. It may be a warranty issues not an insurance claim. Keep all manuals and warranty papers together and easily accessible so you are prepared when a loss occurs. If it is a warranty issue, the warranty paperwork should walk you through the steps needed to file a potential claim with that company.





# UNDERSTANDING THE HAZARD

## Lack of Inspection, Testing and Maintenance of Water-Based Fire Protection Systems

### THE HAZARD

Imagine what would happen if your fire protection system does not properly respond during a fire emergency? If your inspection, testing and maintenance program fails to detect a shut control valve, inoperable fire pump or other serious condition, your facility could suffer a devastating fire loss. Fire protection systems are always ready to respond in a fire emergency, but will only respond if they are in proper operating order and well-maintained. A dedicated inspection, testing and maintenance program will ensure your systems are in the best condition possible and are ready to respond to any emergency.

**The hazard created by a compromised fire protection system can develop in two common ways:**

**1. The system does not respond to a fire due to malfunctioning components**

An example would be a fire pump that does not start, or does not supply the required water flow and pressure to the sprinkler system.

**2. The fire protection system is shut down for some reason (either known or unknown)**

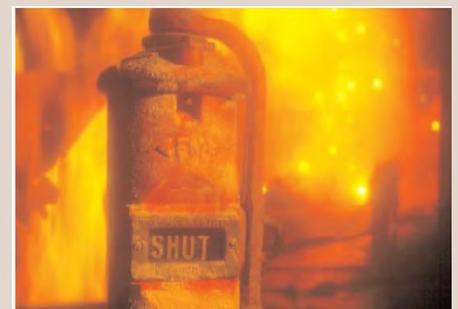
This could involve a shut valve that was never reopened after repairs were made, or a fire pump left in the “off” position after testing.

### LOSS EXPERIENCE

FM Global loss experience points to the critical need for a robust inspection program to ensure fire protection systems are functioning and are in proper operating condition.

**Shut-Valve Fires**

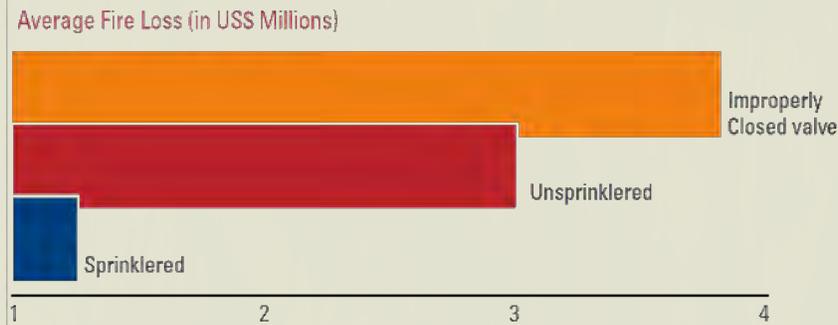
A recent 10-year loss study showed 90 shut-valve fires. The total estimated gross loss was \$375 Million for an average of \$4.2 million per loss. The average gross loss with sprinkler protection operating properly was \$400,000. *Side note: During FM Global engineering visits to client sites worldwide, our engineers find over 1,000 fire protection control valves improperly closed annually.*



**Fire Pump Impairments**

A recent 10-year loss study revealed 23 losses with some kind of fire pump impairment involved. Gross losses totaled \$102 Million, with the largest being \$23 Million.

The following graph shows FM Global loss experience from a dollar loss standpoint where sprinklers were provided versus where sprinklers were needed, as well as showing fires where the sprinkler valves were improperly closed. Many of our most devastating fires occur due to improperly working or out-of-service fire protection systems.



### What you can do:

- Ensure your staff understands the functions of the fire protection systems.
- Establish an effective inspection, testing and maintenance program for the your fire protection systems. Johnson Controls Inc. (JCI) currently conducts a comprehensive annual inspection of your fire protection systems. However, the systems should also be periodically inspected **between** JCI visits to ensure the sprinkler valves remain open, and fire pumps (if present) are in operating condition. Records of the inspections should be maintained. We generally recommend visually checking sprinkler valves weekly to ensure they are open and locked. Your local FM Global engineer will work with you to develop an appropriate inspection program to supplement the annual JCI inspections.
- Contact FM Global whenever a fire protection system is shut down.

Use the FM Global Red Tag Permit System to monitor the impairment.

*How do you notify FM Global of impairments to the fire protection system?*

Phone - (888) 216-9330

Email - [ENGClevelandCustomerServiceDesk@fmglobal.com](mailto:ENGClevelandCustomerServiceDesk@fmglobal.com)

Online - <https://redetag.fmglobal.com>

### Information needed

- Index number (To obtain contact your FM Global engineer or State Risk)
- Type of impairment
- Area that will be without protection
- Expected duration of the impairment
- Contact for follow-up

**RED TAG PERMIT**

CONTROL NUMBER: \_\_\_\_\_ RISK NUMBER: \_\_\_\_\_

PRECAUTIONS TAKEN (CHECK AS APPROPRIATE):

<input type="checkbox"/> Complete Impairment Notice	<input type="checkbox"/> Complete Risk Assessment
<input type="checkbox"/> Notify Fire Protection Authority	<input type="checkbox"/> Notify State Risk
<input type="checkbox"/> Notify Equipment Supplier	<input type="checkbox"/> Notify Fire Protection Authority
<input type="checkbox"/> Notify Insurance	<input type="checkbox"/> Notify Fire Department
<input type="checkbox"/> Notify Fire Department	<input type="checkbox"/> Notify Fire Department

CONDUCT NAME: \_\_\_\_\_

LOCATION/TYPE: Street/Process \_\_\_\_\_

CONTROL NUMBER: \_\_\_\_\_ EQUIPMENT TAG NO: \_\_\_\_\_

TYPE OF IMPAIRMENT: \_\_\_\_\_

PLANNED DURATION TO BE CLOSED: \_\_\_\_\_

PLANNED DURATION TO BE OPEN: \_\_\_\_\_

DATE OF IMPAIRMENT: \_\_\_\_\_

AUTHORIZED BY (NAME): \_\_\_\_\_ FIRE PROTECTION EQUIPMENT OPERATOR (NAME): \_\_\_\_\_

**PART I INSTRUCTIONS**

Part I Instructions: To not work on this permit, see the FM Global website at [www.fmglobal.com/redtag](http://www.fmglobal.com/redtag).

Place Part I in center pocket of Part II for visual monitor of impairment.

Issue Part II Red Tag to Fire Protection Equipment Operator to allow to repair equipment.

FM Global logo and "RED TAG PERMIT Page 1 of 1" at the bottom.

# AGENCY SPOTLIGHT

Julia Voss & Chris Brummett



Having more than 70 campuses across the state and dozens of leased locations poses interesting insurance challenges for KCTCS. A number of initiatives have been implemented over the years to address these challenges, in an effort to minimize risk to our buildings, contents, and vehicles.

KCTCS places a great deal of importance on ensuring our employees are familiar with our administrative procedures and understand the insurance process. Procedures are updated on a regular basis and communicated to our colleges. We make sure our colleges realize not every item is automatically covered and the importance of communicating with us in a timely manner when they need non-typical coverage such as inland marine or exhibit coverage.

KCTCS conducts equipment audits every fiscal year in order to update the locations of equipment for insurance and auditing purposes. Years ago, we asked our colleges to concentrate on disposing of old equipment they no longer had a use for and did not need to insure. We created an “out of service” category for equipment they still want to keep, but would not replace if it is damaged. This equipment is removed from our contents reports, which helps reduce our insurance premiums.

We submit monthly reports to State Risk for newly purchased equipment and report newly purchased vehicles immediately upon receipt, to ensure we always have proper coverage. We continue to install more security camera systems on our campuses and update older systems, in effort to discourage theft and vandalism of contents and vehicles.

We strive to address sprinkler deficiencies and to submit Correction Action Statements as soon as possible, understanding the importance of having proper fire protection of our buildings and contents. We have a great group of safety and operations personnel across the state to work with.

KCTCS appreciates the partnership we have with the Division of State Risk and Insurance Services and the guidance they provide us.