

State Risk Newsletter

Director's Office News

Public Official Bonds

When administrations change, so do many of the appointed positions within state government. Several of the appointed positions are required to post a Public Officials Bond, which guarantees their faithful performance of their appointed duties.

The first step is to determine whether the appointed positions within your agency are required to post bond. You can determine this by reviewing KRS 62.160 and your agency's specific statutes. If there is no statutory authority to procure a bond, then your job is done.

However, if either KRS 62.160 or your agency's statutes require a Public Officials Bond to be posted, then you may contact Buryl Thompson the Assistant Director of State Risk. He will assist you with the necessary application process, issuance and invoicing.

Once a bond is in place, it automatically renews every year, your agency need only pay the annual premium. Buryl will forward the invoice to you for processing in eMARS. If the appointee leaves that position for any reason, send Buryl a request to cancel the bond effective the last day they served in the role and advise who their replacement will be.

If you have any questions, please feel free to contact Buryl either by email (buryl.thompson@ky.gov) or by phone (502) 782-5438.



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Agency Directory

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Kentucky Self Insured Auto Program

Karen Bond-Program Coordinator-502-782-5437

Property and Auto Claims

Evelyn Smith-Program Manager-502-782-5433

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Ryan Barnard-Res Man Analyst II-502-782-5435



Appraisal, Sprinkler & Underwriting

Appraisal

The appraisers are in the final process of step one of the transition to an upgraded appraisal software system to assist them with assigning the building values for commercial properties. Step two will be to upgrade the residential database, which we hope to complete this year.

Our building appraisers have traveled across the state meeting with customers to appraise new structures. They welcome the opportunity to appraise the new structure as soon as beneficial occupancy applies – reach out to our building appraisers for more information about the appraisal process.

Should you have questions or concerns about how the appraisers have arrived at your structure value, per KRS 56.080 please reach out to Gerry.Hamilton@ky.gov or Chuck.Jackson@ky.gov.

Sprinkler

The sprinkler program is continuing to grow, with Johnson Controls, Inc. We are working through many of the scheduling and growing pains and we appreciate your patience and understanding. We are currently working on scheduling inspections due for February through April.

To schedule please contact Meagan.Hart@ky.gov.

We have also expanded our training opportunities with Johnson Controls to include the following: Quick Overview, Who we are and the types of systems, types of systems with a hands on experience, or customize a class – tell us what you want!

For more information on free sprinkler training contact Meagan.Hart@ky.gov.

The Corrective Action Statements (CAS) are required for all corrected sprinkler deficiencies from 2018, 2019 and 2020. Any deficiencies prior to that date no longer require a Corrective Action Statement. All CAS's should be sent to Katherine.Hutcherson@ky.gov if you have any questions about your sprinkler deficiencies please contact Katherine or Meagan. (*Please note the Internal Pipe Inspection / 5 Year Obstruction test is covered under the State Risk master agreement and should be scheduled with Johnson Control and paid for by State Risk.- This is sometimes noted as a deficiency on your inspection report*)



At the Old Capitol in Frankfort, the crew is doing a great job and taking advantage of the free red tag impairment kits.

To get your free kits email
Meagan.Hart@ky.gov

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Appraisal, Sprinkler & Underwriting

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Underwriting

The Underwriting team will be contacting many of the certificate holders to meet and discuss your coverages prior to the renewal. We have combined the telephone coverage with the content coverage to simplify certificates and this is a perfect opportunity to look at your certificate in its entirety to consolidate other coverages, update addresses, add / remove coverage, etc. If you would like to set up a meeting please email us at StateRiskUnderwriting@ky.gov.

We are gearing up for the renewal at the end of the month. We are looking for items you would like to see added or removed from the Fire and Tornado policy. Email them to Meagan.Hart@ky.gov by March 1, 2020. We will review every customer suggestion.

Don't forget that our forms have received a face lift! We have converted them to a PDF format to make them easier to use and read. Please make sure you are using the form on the website, this ensures the correct people receive your form and it is processed in a timely manner.

Recent appraisal / underwriting visit to the Governor's Mansion



(Left to Right: Sheri Whisman, Boro Rudic, Gerry Hamilton, Chuck Jackson, Meagan Hart, Katherine Hutcherson, and Buryl Thompson)

Claims

The Claims section is responsible for administering property and auto insurance claims for all State Agencies and State Universities in Kentucky. We are a team with a priority in quality customer service to expedite repairs and/or replacement of damages throughout Kentucky. You are encouraged to contact Evelyn Smith/Insurance Claims Program Manager at 502-782-5433 anytime my staff is not available or you need further assistance.

Below is our website where you will find information and forms to file property and auto claims:

<http://finance.ky.gov/offices/controller/Pages/dsris.aspx>

When property damages occur, contact Audra Perkins at 502-782-0369 or by emailing AMPerkins@ky.gov for assistance. In compliance with KRS 46.110, State Agencies and State Universities having control or custody of damaged property, should report a claim as soon as possible by submitting the [Notice of Loss form SRC-10](#). Upon receipt, Audra will confirm coverage and if further assessment of damages is needed, she will contact our licensed property Claims Adjuster, at no additional cost to you. There is only one \$5,000 deductible per occurrence for property damages covered under your certificate.

When vehicle accidents occur, the driver should complete the [KY Self-insurance Auto Program \(KSAP\) Accident Report Form SRC-12](#) and submit to their Supervisor, who will send the claim form and police report to Karen Bond, who will confirm coverage and determine if the claim should be handled by our Contract Claims Adjuster. If you have questions or assistance, contact [Karen Bond](#) at 502-782-5437. Karen's responsibilities also involve auditing and billing all State Agencies for vehicle coverage.

All State Agencies and State Universities should designate a "Claims Contact person" to receive all property and auto claims from employees. On our website, you will see the 2019-2020 Claims Packet which is where you will find the form to complete. Since we are involved with both property and auto claims, please scan/email that form to Evelyn Smith; and complete a form for both property claims (Fire & Tornado Self-insurance Fund) and auto claims (KY Self-insurance Auto Program).

This information will also help Ryan Barnard arrange training sessions, which you can read more about on page 6 of this newsletter.

“Risky Business”

Know Your Equipment Risk



Resilient businesses understand reliable equipment is critical to protecting the bottom line. When a piece of process equipment breaks down or the electrical system unexpectedly shuts down, it can result in costly property damage and business interruption.

Protecting business value depends on how well your equipment is designed, installed, operated, maintained and protected. Mechanical, electrical and pressure equipment

breakdowns are major causes of loss. In high-hazard occupancies with complex equipment, processes and systems, equipment losses are twice as frequent as fire losses. Equipment breakdown is also a leading cause of loss of containment resulting in a fire and/or explosion.

Factory Mutual (FM Global) engineers perform site evaluations by taking a systematic approach to assess your equipment risk, identify the equipment most at risk of a breakdown and evaluate the exposure to your business. They work with you to deliver solutions designed to improve equipment integrity and reliability. Knowing your equipment risk can reduce breakdowns that affect the resilience of your business.

If FM Global has not recently contacted you to set up a site evaluation of your boilers, etc., they will be contacting you soon. This service is provided by State Risk and paid for by State Risk.

*Source – FM Global

Training Opportunities

Our division offers a variety of complimentary training opportunities to state agencies. These include a wide variety of insurance topics including, but not limited to the following:

A general overview of the Fire & Tornado Fund. Our Underwriting and Appraisal sections will also detail what is covered and what forms need to be filled out.



You will also be able to select the option to learn about property claims and how to submit a claim.

You can also choose to learn about the KY Self-Insured Auto Program (KSAP) and auto claims processes.



If you would like to request training in any or all of these areas, feel free to download our form, fill it out and send it to Ryan Barnard (ryan.barnard@ky.gov).

Use the following link to access our training form: [Complimentary Training Request Form](#)

For best results save the form to your computer then fill out.

Preventing Winter Freeze Damage



E. T. Williamson's home at West Boston and 14th Street in Detroit sits damaged after a water pipe burst, causing water to freeze inside and outside the home. (Photo: Kirthmon F. Dozier/Detroit Free Press)

Winter temperatures can directly cause building damages. Most often the cause of damage is frozen water pipes. Freeze-up has historically accounted for 20% of all claims at office-type buildings of FM Global clients. Since adequate insulation and heating are typically able to prevent freeze-up inside the building, freeze damages are most often the result of a recent change within a facility. This could be as simple as not replacing insulation after a repair, or leaving a door or window cracked open.

Has your facility management team considered appropriate actions to prevent winter freeze losses?

- Ensure the building envelope is in good condition, close unnecessary openings, especially doors and windows. When weather forecasts indicate below freezing temperatures, check the building envelope thoroughly.
- Replace insulation after repairs.
- Maintain a minimum 40°F building temperature. Set thermometers in the coldest/remote areas to monitor if 40°F is maintained. Place thermometers near sprinkler systems and water pipes in strategic areas of the building.
- Identify concealed spaces, such as the space above a suspended ceiling or crawl space that may contain vulnerable piping. Consider providing temporary interior openings to allow heat to reach those areas.
- Where possible, provide a supervised alarm system to monitor power, building temperature, and low-water fuel trips on boilers. Or, provide security rounds to include power/heat checks.
- Know the location of underground water mains. Ensure adequate depth of cover is maintained, especially where construction, excavation, or erosion has occurred.

For the **complete Freeze Prevention Checklist** visit: <https://www.fmglobalcatalog.com>
Search in website “Freeze Checklist” or “P9521”. All FM Global resources are **free** to clients.

FM Global and State Risk partner to share property loss prevention success stories, loss lessons, and educational resources for the benefit of all Commonwealth insured locations.

Agency Spotlight



Understanding and Managing Security and Privacy Cyber Risk

In recent years, the number of data breaches, ransomware attacks, and other cyber events steadily increased. Clearly this trend indicates the world is digitally connected. Along with the benefits of digital connection this trend reflects the associated risk of digital data. Cyber events are experienced by large privately funded companies with large budgets and access to superior staffing. However, even without private corporate assets smaller companies and government entities can increase their changes of avoiding a cyber-event.

Cyber-events frequently start simply. Addressing simple often overlooked tasks, exercising additional care and diligence, helps avoid these events. The right technical and business controls and processes, greatly reduce risk weakness and prevent the initiation of events that lead to impactful breaches and cyber- events.

The first step in cyber-event avoidance is the agency understanding the location of the data risk. Agencies must determine the location of critical data that, if exposed, altered or deleted would cause harm to the agency. Agency leadership must understand the location of critical data and understand the security controls implemented to reduce risk associated with the data. Security controls are defined as a safeguard or countermeasure to avoid, detect, counteract, or minimize a risk to the data. Data classification of critical agency systems provides insight into the data and includes consideration of the use of the agency business use of data. The Commonwealth has a clearly defined data classification standard that assists agencies with this task.

The next step in cyber-event avoidance is the agency understanding the agency data risk level. Only after critical data is identified and classified can agencies understand the agency's risk level. The process needed to address data risk level is a business impact analysis. The analysis assists agencies with recording the confidentiality, privacy, and criticality factors of the agency's data, and with addressing applicable regulations governing the use and protection of the data. Combining data classification with a thoughtful business impact analysis provides an agency a comprehensive understanding of not only the location of risk in the agency business, but also a measurement of the risk. Applying the results of business impact analysis results in highly informed business decisions that address risk management.

Third, managing risk must be an enterprise activity for the Commonwealth. It requires partnership and commitment between technical resources and the business staff. When risks are identified by the technical resources, agencies can more effectively work with technology providers to manage the risk. This team effort ensures the right controls are applied and the controls are commensurate with the risk level.

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Agency Spotlight

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Several of the most critical aspects of risk management are dependent upon agency action. These include establishing an understanding of the data and the implementation of the correct agency policies and process. COT Enterprise policies provide the control baseline, however each agency is unique, and the agency management of risk and data varies. Internal agency policies must govern data use and the policies must be supported by well-defined processes. This structure is key to successful risk management.

Cyber-events usually begin with a data user. Ensuring that data users understand their role in securing the data and ensuring that these users are aware of policies and best practices is critical. A well-trained workforce is a need often neglected. This results in a business or agency losing the opportunity to stop cyber-events before the weakness is exploited.

Managing risk is possible. Risk cannot be eliminated. As long as critical digital data exists, is stored in Commonwealth systems, and is used by Commonwealth employees, there will be some level of risk. The goal is to manage risk, reducing risk to a level that balances business goals, cost, and security requirements. Understanding the data, the risk to the data, and the subsequent application of the right controls is a formula for successful risk management.

Resources:

- Enterprise Policies
- Data Classification
- Business Impact Analysis

