

State Risk Newsletter

Director's Office News

DID YOU KNOW...

Pursuant to KRS 236.110, each and every boiler and pressure vessel used in Kentucky is required to be inspected?

KRS 236.110 and 815 KAR 15 describe what boilers and pressure vessels are subject to inspection and the frequency those inspections should occur. Inspections are crucial to the safe and efficient operation of these pieces of equipment. The good news is that the Fire & Tornado Fund includes equipment breakdown coverage (formerly known as boiler & machinery coverage). That coverage part comprises the performance of the required inspections as well as the cost for the inspections. *You read that right!* While any repairs to the objects are the responsibility of the agency; State Risk pays the cost of the required boiler inspections.

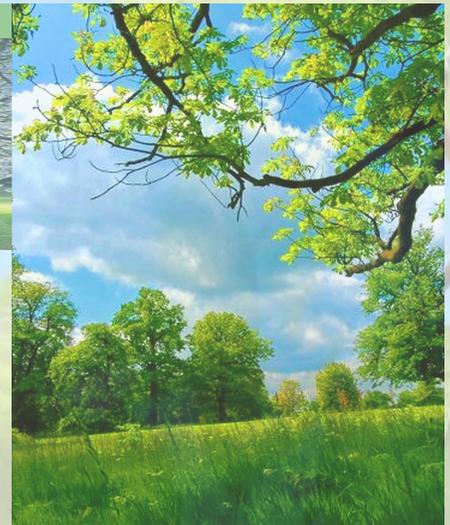


Your agency will receive a report with the results of the inspections so that you may address any deficiencies. You will also receive a Corrective Action Statement to fill out, sign and return to State Risk. That statement is filed verifying that the repairs have been made and the boiler and/or pressure vessel is in safe operation.

State Risk is happy to partner with your agency to ensure the safety of your operations and your employees. Feel free to contact Sheri Whisman with any questions you may have.

Do you need to request an inspection? Please contact:

Nina Ferguson
Field Engineering Assistant
Phone (216) 898-4544
Email: nina.ferguson@fmglobal.com



Inside This Issue

Director's Office.....	1
Underwriting	2-4
Claims	5
Risk Management.....	6
FM Global	7
Agency Spotlight.....	8-9

Agency Directory

Director's Office

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

Appraisal/Sprinkler/Underwriting

- Meagan Hart-Program Manager - 502-782-5423
- Alex Reese-Ins Policy Spec II-502-782-5441
- Katherine Hutcherson-Procedures Development Specialist II-502-782-5443
- Gerry Hamilton-Appraiser-502-782-5421
- Chuck Jackson-Appraiser-502-782-5439

Kentucky Self Insured Auto Program

- Karen Bond-Program Coordinator-502-782-5437

Property and Auto Claims

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

eRIMS/MyRISK Assistance

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

Appraisal, Sprinkler & Underwriting

Appraisal

You may have received a recent endorsement updating your structure values. This was in accordance with KRS 56.080 – Appraisal and Valuation of State Property: "Before July 1 of each year, the cabinet shall reconsider its appraisal and valuation of public buildings and personal property belonging to or under the control and use of the state or any state agency, and shall certify any changes in value to the agency that has the custody or control of the property. The appraisal and valuation shall equal the amount that the Finance Cabinet deems necessary to replace the property at the time of the appraisal, which may be less actual depreciation." We ask that you review these endorsements carefully as they are now made part of your certificate. Please let us know if additional changes need to be made.



*Building Appraisers
(Gerry Hamilton, Chuck Jackson)*

Should you have questions or concerns about how the appraisers have arrived at your structure value, 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 now have a dedicated scheduling team, please see the attached Johnson Controls, Inc., schedule assistant listing by county. This list should help you when scheduling your 2020 inspections.

Don't Forget: The State Risk / Johnson Controls Inc., master agreement covers the following inspections: wet riser, dry riser, backflows, antifreeze, fire hydrants, fire pumps, hose connections, pressure reducing valves, limited areas, water storage tanks, stand pipes – 5 year, internal pipe / replacement or recalibration of gauges – 5 year, and internal obstruction – as needed. (For more information please 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.

Appraisal, Sprinkler & Underwriting

We have 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 Kentucky Department of Library & Archives Building on Coffee Tree are utilizing the free Red Tag Impairment Kits! Contact Meagan to receive your free kits!

Free Training!

Underwriting

Now is the time to update your Fire and Tornado Fund certificates prior to renewal, on July 1, 2020. Keep in mind, have you?

- Moved to a new location, and need to update your address?
- Purchased or removed contents?
- Obtained Fine Arts, Laptops, exhibits?
- Renovated your building (new roof, added square footage)?
- Changed your buildings occupancy / use?
- Added a building to your property?
- Removed a building on your property?

If you said yes to any of the questions above you need to contact StateRiskUnderwriting@ky.gov today and we can assist you in implementing these changes prior to renewal on July 1, 2020.

Appraisal, Sprinkler & Underwriting

Hot Topic

Business Income & Extra Expense:

FM Global, the excess property insurance carrier, is now requiring all entities carrying Business Income coverage to complete a Business Income Form and State Risk will keep it on file. This form is a great tool to assist you with obtaining a business interruption value and to ensure you are properly insured should a covered cause of loss occur. We will be contacting every customer directly who currently carries this coverage and the forms will be due back by May 1, 2020.

Business Income: Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and continuing normal operating expenses incurred, including payroll.

Extra Expense: Necessary expenses you incur during the “period of restoration” that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a covered cause of loss.

Business Income Forms

Guides to Reporting Business Income Values



Claims

Our Claims office is responsible for administering property and auto insurance claims for all State Agencies and State Universities throughout the Commonwealth of Kentucky. We are a team with a priority in quality customer service to expedite repairs and/or replacement of damages that occur. If you cannot reach my staff and need immediate attention, please call Evelyn Smith at 502-782-5433 with your questions or comments.

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>

The Fire & Tornado property policy covers all damages that are not excluded; and your building coverage includes Boilers and Equipment Breakdown claims that are caused by a covered cause of loss. For each claim occurrence, there is only one \$5,000 deductible. The first priority is take steps to mitigate further damages as soon as possible and identify the “cause of loss”. It is important that you notify your staff of the property claim process so they know who to contact in case of an emergency incident and appoint a “claims contact person” for your Agency, who will then contact Audra Perkins at 502-782-0369 or e-mail 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 a completed 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.

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 or send an email to Karen.Bond@ky.gov. Karen’s responsibilities also involve auditing and billing all State agencies for vehicle coverage.

On our website, you will also see that you can request training sessions by contacting Ryan Barnard.

“Risky Business”

Sprinkler Valves Locked “Open”

Recently, State Risk discovered that several of our sprinkler inspections noted deficiencies with sprinkler valves being improperly closed. Automatic sprinkler systems save lives and protect property from fire. A closed valve on your sprinkler system can prevent water from reaching a fire causing greater damages and potentially a loss of life.

Understanding the Hazard
Improperly
Closed Valves

Even though your sprinkler control valves are equipped with tamper switches, *locking them in the open position* will provide an additional layer of protection to ensure the sprinkler system will function properly as designed.

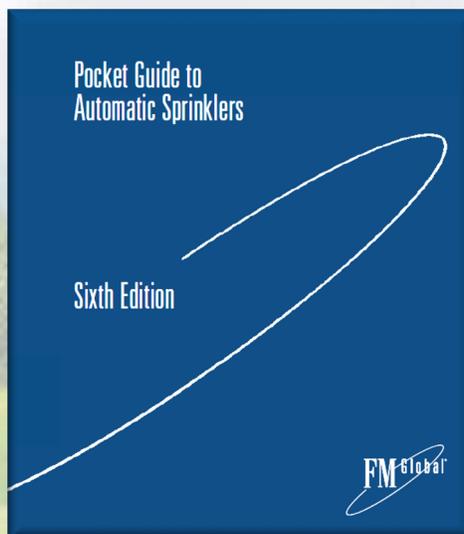
State Risk and FM Global strongly recommend that all sprinkler control valves be in the *open position with unbreakable locks and chains*. Secure each control valve separately with a dedicated key operated lock and chain capable of withstanding breakage except by heavy-duty bolt cutters or similar hand tools. Do not use combination locks, seals or breakaway locks except when valves are 1.5 inches (38 mm) nominal diameter or smaller, or when the valve controls five or fewer sprinkler heads.

The protection of your guests and employees is State Risk and FM Global’s number one priority!

For more information, please contact Sheri.Whisman@ky.gov

FREE POCKET GUIDE TO AUTOMATIC SPRINKLERS AVAILABLE AT:

(Click on images above and below)

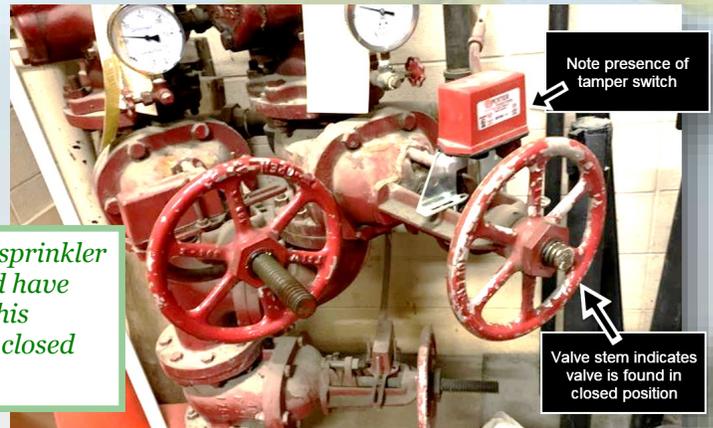


Locking Sprinkler Valves (Even with Tamper Switches)

It is standard practice to provide a card-access door to an important computer server room, or a locked door to a boiler room, both to restrict access of critical building systems and enforce personnel safety. The risk of uncontrolled access and impact on safety is the same when your facility's sprinkler system is left unlocked and relies upon tamper switches only. Consider the following:



- Lessons learned:** The pictured riser valves control sprinklers within a public event space in Kentucky. Even with tamper switches provided and routine contractor inspections, one of the valves was found unexpectedly closed during an FM Global site visit. The reason for the closed valve was undetermined. Had a fire occurred, sprinklers in this area would not have operated properly.
- Tamper switches send a signal to the fire alarm panel when a valve is closed. While useful, tamper switches have a failure rate and are not 100% reliable in their operation. (See example to the right!)
- In the past 5 years, FM Global has discovered 5 closed valves during normal visits to Commonwealth of Kentucky insured facilities. In the past 10 years, FM Global's overall client loss data contains 90 shut-valve fire losses, with an *average* loss amount of \$4,200,000 per event.



Locking all sprinkler valves could have prevented this improperly closed valve.

Take steps to reduce the business and safety risks of an improperly closed valve at your facility:

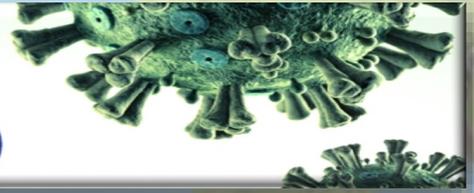
1. Lock all sprinkler control valves in the open position with unbreakable locks and chains
2. Create a checklist for routine visual inspections confirming valves remain open and locked
3. Develop a documented process for managing contractor work which may require a sprinkler valve to be temporarily closed

...Don't let a fire find a closed sprinkler valve before you do!

Need more? Free online training can be found at: <https://training.fmglobal.com>

Contact FM Global representative stephanie.erin@fmglobal.com for assistance enrolling in online training. Recommended course titled "**Inspecting Fire Protection Valves**" is a 1-hour interactive tutorial about various fire protection valves and how to prevent the improper closure of those valves.

COVID-19 (Novel Coronavirus)



COMMUNICABLE DISEASE RESPONSE COVERAGE

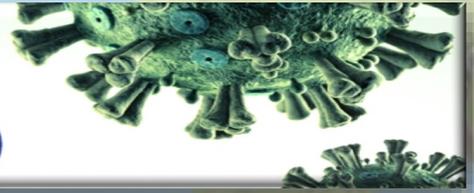
During this unprecedented time, we would like to give you information that you may need regarding how the Fire & Tornado Self-insurance Fund insurance program responds to losses you may incur as result of the spread of COVID 19.

COVID 19 is classified by the CDC as a communicable disease. Commercial Property Insurance products, such as the Fire & Tornado Fund, have historically excluded communicable disease as a covered cause of loss which would trigger insurance coverage. Principally, this is because communicable disease is not property damage to your property. Additionally, if your agency purchased Business Interruption (BI) coverage under the Fire & Tornado Fund, it would not be available because like all commercial property insurance, there must be a covered cause of loss, which forces the shut-down or closure of the insured operations. An example of a cause of loss which would trigger Business Interruption insurance to respond would be a fire, windstorm, etc., which damaged your store front forcing you to suspend business during the period of restoration. The resulting loss of income/revenue would be covered subject to a deductible and insured limit. The key is there must be damage to your physical property which resulted in a loss of income/revenue and extra expenses.

However, we have great news to share with you. The Fire & Tornado Insurance Fund insures State Agencies & State Universities throughout the Commonwealth of Kentucky for property damages caused by a covered cause of loss up to \$1,000,000 per each loss event. FM Global is our excess property insurance carrier who provides insurance limits above the Commonwealth of Kentucky deductible and they are unique in the Commercial Property Insurance industry for many reasons. One of those reasons is related to pandemic events such as the COVID 19 that is currently experienced by everyone; and their standard property insurance includes Communicable Disease Response Coverage, when certain required circumstances have been met. This additional coverage does not cost the Commonwealth additional premium and is available to all our insureds when a “pandemic event” exceeds the \$1,000,000 sub-limit deductible explained above.

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COVID-19 (Novel Coronavirus)



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Their coverage:

- Can be triggered at a location when the actual, *not suspected*, presence of a communicable disease has been identified and documented while access of the premises is limited, restricted or prohibited;
- Pays for the reasonable costs for clean-up & sanitation of a location as a result of documented contamination of the communicable disease, by individuals who have tested positive for COVID-19 within 24-72 hours of accessing the building(s) identified; and
- Includes public relations expenses you may incur, subject to a \$1,000,000 sub-limit, up to a \$5,000,000 per occurrence limit per policy year for all combined Commonwealth of Kentucky insureds.

As you learn about and can document what areas have been affected by COVID-19, please send all detailed information to Evelyn Smith at State Risk & Insurance Services. You may reach her by email at Evelyn.Smith@ky.gov.

We at State Risk are concerned about each of you and your agencies. We are always available to discuss with you any coverage questions or concerns you might have; it's our job and our passion. Please feel free to contact the Division Director, Sheri Whisman or Assistant Director, Buryl Thompson if we can be of assistance.

Sheri Whisman – Sheri.Whisman@ky.gov, 502-782-5444

Buryl Thompson – Buryl.Thompson@ky.gov, 502 -782-5438

FM Global Communicable Disease Document

