

# State Risk Newsletter



## News From the Director

By: Sheri Whisman

Kentucky weather has been very active over the past few months. Flooding has been a big issue across the entire state. When you experience rising waters that may threaten your property, one item that most people forget about is natural gas.

If the property utilizes natural gas for appliances or a heat source, *prior to the floodwaters reaching your structure(s)*, turn off those items. Of course, only do this if it is completely safe for you to do so.

If floodwater comes in contact with the gas meter, contact your provider to check your meter and regulator before using the gas. This is critical and will require a professional to clean, repair and test all natural gas appliances and pipes before use.



## Inside This Issue

Director's Office	1
Underwriting/Appraisal	2-4
Sprinkler	5-7
Claims	8
Risk Management	9
FM Global	10-12
State Risk Partnerships	13-14

## 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—502-782-5441

Katherine Hutcherson-Proc Dev Spec -502-782-5443

Gerry Hamilton-Appraiser-502-782-5421

Chuck Jackson-Appraiser-502-782-5439

### Kentucky Self Insured Auto Program

Karen Bond-Proc Dev Spec-502-782-5437

### Property and Auto Claims

Evelyn Smith-Program Manager-502-782-5433

Audra Perkins, Proc Dev Spec -502-782-0369

### eRIMS/MyRISK Assistance

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

# UNDERWRITING/APPRaisal

By: Meagan Hart, Alex Reese, Katherine Hutcherson, Gerry Hamilton and Chuck Jackson

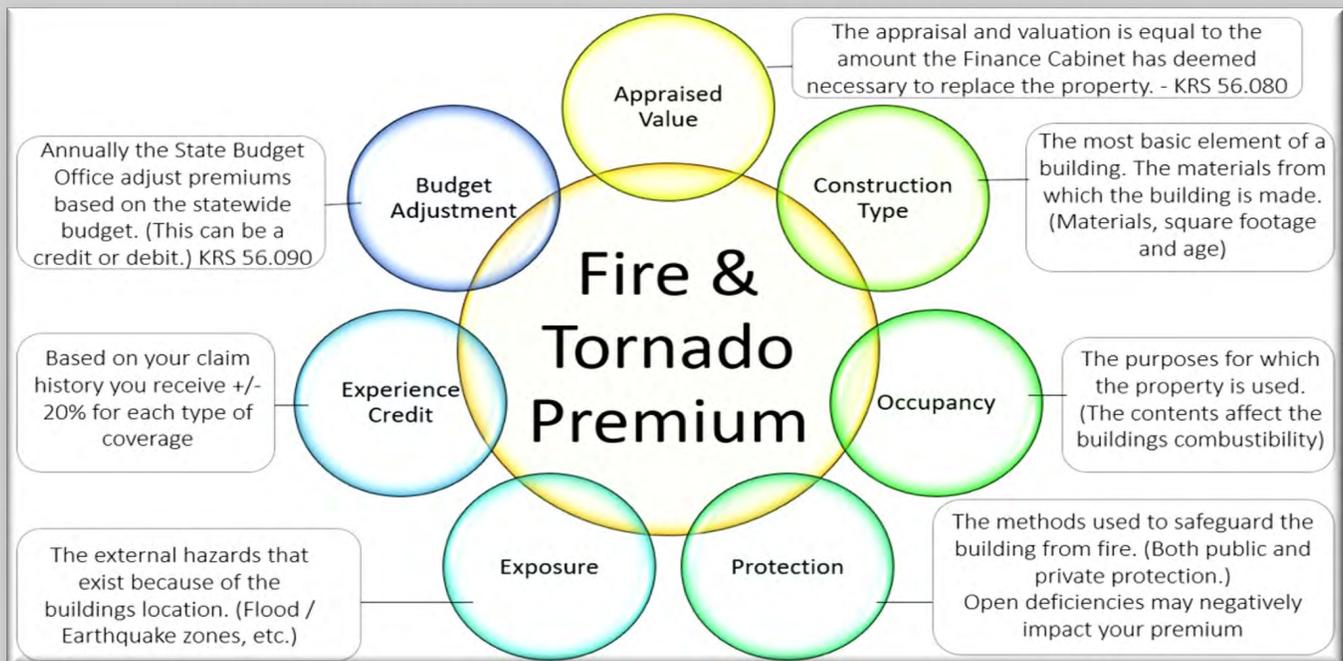
## What is your Fire & Tornado Premium based on?

Agencies often review their budgets for means to cut costs. Initially insurance may appear to be a great place to start, but it is not for many reasons. The first reason is property insurance is statutorily required on state owned business assets pursuant to KRS 56.070.

The second is ...

### It is far cheaper to budget for a premium than for a loss.

You may have noticed that your premium changes from time to time; there are multiple factors that go into the premium calculation. This can change based on your building's appraisal, additions and renovations to the structure, occupancy changes, budget office adjustments, annual experience credits, and your protective safeguards, to name a few. See the chart below to review the factors that influences the Fire and Tornado premium.



For more information on your premium, you can access your account through our customer portal or email [StateRiskUnderwriting@ky.gov](mailto:StateRiskUnderwriting@ky.gov).

CLICK HERE:



# UNDERWRITING/APPRaisal

By: Meagan Hart, Alex Reese, Katherine Hutcherson, Gerry Hamilton and Chuck Jackson

## Building Appraisal Updates

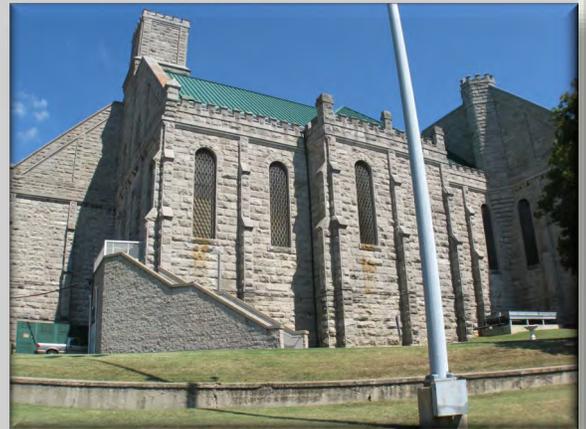


We recently conducted a series of appraisal updates utilizing our CoreLogic appraisal software. You should have received an endorsement email with the updated information. Your building value may have increased or decreased based on the current construction / labor values and zip code location of the structure. These values can have a significant impact on building values. When the cost to rebuild increases, many times we find the building is underinsured in the event of a covered cause of loss; due to the construction and labor market shifts. According to the CoreLogic update, Kentucky experienced a 4.5% increase in cost of materials alone. This

update brought all building values in line with the appropriate insured value should a covered cause of loss occur. These changes were made in compliance with KRS 56.080 which states; *“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 cabinet deems necessary to replace the property at the time of*

*the appraisal, which may be less actual depreciation.”* As with every endorsement, we ask that you review the endorsement carefully and let us know if any additional changes are needed to your certificate.



### REMINDER

The cut-off to send in changes for your certificate to be included in the renewal is Friday, June 18, 2021.

Please submit all new coverage immediately

FRIENDLY  UNFRIENDLY

© 2011 KNOCK KNOCK LLC

Additionally, we are pleased to offer Zoom and Teams building appraisal services. For more information, please contact [Gerry.Hamilton@ky.gov](mailto:Gerry.Hamilton@ky.gov) , [Chuck.Jackson@ky.gov](mailto:Chuck.Jackson@ky.gov) or [Meagan.Hart@ky.gov](mailto:Meagan.Hart@ky.gov)

# UNDERWRITING/APPRaisal

By: Meagan Hart, Alex Reese, Katherine Hutcherson, Gerry Hamilton and Chuck Jackson

## Business Income & Extra Expense

**IMPORTANT  
NOTICE**

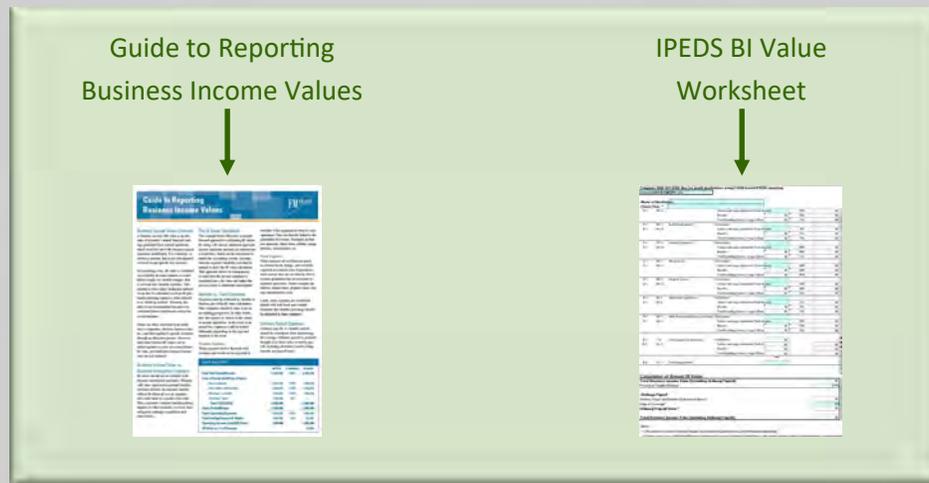
After further clarification from FM Global, we will be implementing the *full* reported business income amount effective 7/1/2021 at renewal. Your current business income coverage will be removed from the Fire and Tornado Fund, if a business income form is not submitted.

There are other options if this business income value is higher than what you need.

You may:

- Resubmit the business income form and insure by location /structure in lieu of the whole location. (Ex. Bookstore, arena, dorm)
- Decline to purchase business income coverage through the Fire and Tornado Fund.
- Re-evaluate your current business income form/ coverage with FM Global and State Risk.

*If no action is taken*, the figures arrived using the FM Global business income form will be implemented and the appropriate premium will be charged. If no reported value, (no form was submitted) your coverage will be removed.



If you would like to set up a virtual Business Income workshop to review these changes, requirements, and options please do not hesitate to reach out to [Meagan.Hart@ky.gov](mailto:Meagan.Hart@ky.gov).

# SPRINKLER

By: Meagan Hart and Katherine Hutcherson

## ANTI-FREEZE SYSTEM

State Risk follows the NFPA's (National Fire Protection Association) guidance on matters related to fire protection. The NFPA has implemented a major change that will affect many of our customers in the coming year. NFPA 25 2014 has made a change related to antifreeze systems in Section 5.3.4. Some antifreeze concentrations can make the antifreeze flammable or pose a hazard for firefighters.

- If the type of antifreeze in a system is no longer permitted, the entire system must be drained and replaced with an approved solution.
  - ◇ Not permitted: >50% Glycerin; >40% Propylene Glycol
  - ◇ Risk Analysis required >38% to 50% Glycerin; >30% to 40% Propylene Glycol
- If the type of antifreeze in a system cannot be determined, the entire system must be drained and replaced with an approved solution.
  - ◇ Samples must be taken at specified points and if the concentration is too low or too high, the system must be emptied and replaced with an acceptable solution.
- If the new approved solution is not sufficient to prevent the system from freezing, alternative methods of keeping the pipe from freezing must be implemented.

The removal / replacement of these systems would be an expense to the agency and not included in the master agreement with Johnson Controls, Inc. (JCI) as part of the quarterly, annual or five-year inspections. However, your JCI inspector may assist you during your regularly scheduled inspection on determining if your system meets requirements.

State Risk and FM Global will be hosting a series of webinars for customers with antifreeze systems. For more information, please contact [Meagan.Hart@ky.gov](mailto:Meagan.Hart@ky.gov)

*Additional information will be emailed to customers impacted by this change.*

# SPRINKLER

By: Meagan Hart and Katherine Hutcherson

## Sprinkler Deficiencies

Sprinkler deficiencies remain a priority for our division. All reported locations insured with the Fire and Tornado Fund that are protected by a reported fire suppression system will be inspected through State Risk and our contracted inspection company, Johnson Controls, Inc.

Johnson Controls Inc. will notify you of deficiencies with your system on your inspection report. State Risk will supply you with the record of outstanding deficiencies affecting your certificate. State Risk requires a Corrective Action Statement (CAS) to be completed in order to remove the deficiency from your account and satisfy Endorsement D – Protective Safeguards of your Fire and Tornado Property Insurance policy.

We still have deficiencies from previous years outstanding on our records. This may affect your insurance premium and claim payment in the event of a covered loss. If the deficiencies have been repaired, you must submit the corrective action statement (CAS) to have them removed from our records and positively influence your premium. Contact [Katherine.Hutcherson@ky.gov](mailto:Katherine.Hutcherson@ky.gov) for a list of your outstanding deficiencies and/ or to set up a virtual review of your sprinkler deficiencies!

CAS Instructions



Corrective Action Statement (CAS)



Endorsement D - Protective Safeguard Devices



## When does my deficiency become an impairment?

### Deficiency

**NFPA 25 3.3.8 Deficiency.** ' for the purposes of inspection, testing and maintenance of water-based fire protection systems, a condition that will or has the potential to adversely impact the performance of a system or portion thereof but does not rise to the level of an impairment.

**3.3.8.1 Critical Deficiency.** A deficiency that, if not corrected, can have a material effect on the ability of the fire protection system or unit to function as intended in a fire event.

**3.3.8.2 Noncritical Deficiency.** A deficiency that does not have a material effect on the ability of the fire protection system or unit to function in a fire event, but correction is needed to meet the requirements of this standard or for the proper inspection, testing and maintenance of the system or unit.

VS.

### Impairment

**NFPA 25 3.3.22 Impairment.** A condition where a fire protection system or unit or portion thereof is out of order, and the condition can result in the fire protection system or unit not function in a fire event.

**3.3.22.1 Emergency Impairment.** A condition where a water-based fire protection system or portion thereof is out of order due to an unplanned occurrence, or the impairment is found while performing inspection testing or maintenance activity.

**3.3.22.2 Preplanned Impairment.** A condition where a water-based fire protection system or portion thereof is out of service due to work planned in advance, such as revisions to the water supply or sprinkler system piping.

SEE NFPA 25 15.3 TAG IMPAIRMENT SYSTEM

# SPRINKLER

By: Meagan Hart and Katherine Hutcherson



## 15.3 Tag Impairment System

15.3.1\* A tag shall be used to indicate that a system, or part thereof, has been removed from service.

15.3.2\* The tag shall be posted at each fire department connection and the system control valve, and other locations required by the authority having jurisdiction, indicating which system, or part thereof, has been removed from service.

## 15.4 Impaired Equipment

15.4.1 The impaired equipment shall be considered to be the water-based fire protection system, or part thereof, that is removed from service.

Report your impairment electronically at <https://redetag.fmglobal.com/>

Know More Risk: Four Principles for Handling Impairments → <https://youtu.be/sES3eokSJTg>

For **free** Red Tag Permit Kits please contact [Meagan.Hart@ky.gov](mailto:Meagan.Hart@ky.gov)

*Brag Board*

**Western Kentucky University has ZERO deficiencies!**

Thank you Bob Austin for your amazing work on the Fire Protection program at WKU!

**Northern Kentucky University**

Audra Points at NKU has changed the sprinkler program drastically! She has implemented over eight FM Global fire safety recommendations while correcting deficiencies making NKU a safer place.

**The Horse Park**

Sherry Baker and her team at The Kentucky Horse Park have turned in the most corrective action statements this quarter!

# CLAIMS

By: Evelyn Smith

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

### KY Self-insurance Auto Policy (KSAP) Claims



With Kentucky weather, we always expect the unexpected when it comes to resulting damages at all State Agencies & State Universities. We have excellent support from our contract licensed property and auto claims adjusting companies, including a contract with boiler and equipment breakdown engineers. My staff is dedicated to providing quality customer service working with you until all damages have been repaired/replaced. I

encourage everyone to visit our website below where you will find more information, training opportunities and forms.

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

If you experience a loss, send all F&T property claims to Audra Perkins and cc: Evelyn Smith. Audra assigns a claim number and will continue communication until all damages have been repaired/replaced with “like kind and quality” materials. We will reimburse State Agencies/Universities the total covered repairs/replacement labor and material costs submitted after completion, less a \$5,000 deductible. Please note that we do not pay vendors direct.



In February, we had two (2) catastrophic weather-related events involving “snow, ice freeze, hail, wind, and flooding” statewide. Governor Beshear issued State of Emergency Orders and President Biden issued a Major Disaster Declaration on 3/31/2021 for severe winter storms, landslides and mudslides in Kentucky. FEMA issued #DR-4592-KY for 44 Kentucky counties; and you can apply for Hazardous

Mitigation assistance by going to their website: <https://www.fema.gov> for damages not insured under our F&T policy (examples include landslides, mudslides, and removal of trees that did not hit F&T insured properties).

The KY Self-insurance Auto Policy (KSAP) provides state mandated auto liability coverage, required for all State-owned vehicles and mobile equipment. Physical Damage coverage is available (but not required) and the owner should send a request to Karen Bond, who administers KSAP coverage, audits and billings. If you experience a loss with a covered vehicle, please send all KSAP auto claims to Karen Bond and cc: Evelyn Smith. To process a claim, we will need a KSAP claim form completed by the driver (include the Tag & VIN #) and reviewed by their Supervisor; this is required to confirm coverage on the vehicle. Also, a police report is required when another driver or property owner is involved.

# “Risky Business”

By: Sheri Whisman

## Know your Property – Prevent Carbon Monoxide Poisoning

Carbon monoxide (CO) is an odorless, tasteless, non-corrosive gas created when fuels (like gasoline, wood, natural gas) burn incompletely. CO can be produced when there’s not enough oxygen for proper burning.

You can take simple steps to detect and prevent CO build up in your properties:

- Install carbon monoxide detectors on every level and outside every room where someone sleeps.
- Regularly test your carbon monoxide detectors – replace the batteries and / or detectors as needed.



Find more carbon monoxide prevention tips at:

<https://www.columbiagasky.com/safety/home-safety/carbon-monoxide>

# LIQUID DAMAGE

## Guidelines for Commercial Properties

### THE HAZARD

#### Do you have:

- A domestic water valve list and riser diagram? (see page 3 for common plumbing valve symbols)
- A written plan?
- A plan to train the newly hired to respond adequately?

Undetected liquid damage leaks, whether from a small drip, spray or large flow, can severely damage a building's finishes, equipment and contents if the leak isn't quickly detected, stopped, contained and then dried and cleaned. The longer the leak goes undetected, the more severe the damage. Facilities with drywall, soft water absorbent floor coverings, ceiling tiles, insulation, cabinetry, elevators and computer equipment are especially exposed. Liquid damage can cause extended business interruption while affected areas are shut down for renovations and critical equipment is repaired or replaced.

Prompt detection of the leaks and a quick and effective response are steps that can help reduce the severity of the resulting damage. Regularly scheduled preventive maintenance programs and maintaining the building envelope are key items to eliminate or reduce the number of leaks.



### Emergency Response



- Create a written emergency response plan - especially for the new employee who is working on holidays and make sure they have authority to close non-fire protection valves.
- Train responders on a semiannual basis.
- Ensure all shutoff valves are well marked and accessible. Use the FM Global valve tag.
- Develop a list and map that show where domestic water, chilled water and fire protection shutoff valves are located for responders. Map the areas where valves supply water, and document on the back of the valve tag.
- Exercise water and liquid valves to ensure they will operate and fully close.
- Maintain a spill cart that will help contain the leak and remove the escaped liquid. Make sure to include a ladder to reach valves above the ceiling and wrenches to turn difficult valves.
- Prequalify a restoration contractor, certified by IICRC, or similar.
- Lock elevators from going to the basement, since that is where the water is heading.

(Continued on next page)

(continued from previous page)

### Provide Detection and Containment for Susceptible Areas

Areas with frequent losses include bathrooms, kitchens, clothes washing machine areas, hot water heaters and utility areas. Protect your investment by providing:



- FM Approved leak detection with alerts sent to smartphones and emails or to a constantly attended area
- Water collection trays with drainage for water heaters and clothes washing machines
- Braided stainless steel fill hoses for clothes washing machines and dishwashers
- Temperature sensors with monitoring that will alert you when interior temperatures are falling to an unusual level in out-of-the-way areas susceptible to freeze with domestic, fire protection or chilled water pipe. Examples include exterior stairwells, vestibules and other concealed spaces that share a wall or roof with the exterior.

### Building Protection

Preventing cold temperatures and water penetration into the site will minimize the potential for a frozen pipe and break.



- Equip sewer lines with FM Approved backflow protection to prevent a backup of municipal service into the facility.
- Review grading and rainwater downspouts to ensure water will drain away from building.
- Ensure all windows and doors are well maintained, close properly and latch. Repair glass and weather stripping, as needed.



(continued from previous page)

**In climates subject to below 32°F (0°C) weather ensure to:**

- Provide adequate heating.
- Prior to the onset of cold weather, ensure heat is in working order, especially for areas with small heaters.
- Survey and seal unnecessary roof and exterior wall penetrations.
- Survey and provide weather stripping for exterior doors and windows to prevent cold air, rain and snow penetration.
- Insulate pipe in hard-to-heat areas. If pipe insulation is not practical, use FM Approved heat trace.
- If the tenants go south for the winter, ensure that they leave their apartment/condo adequately heated.
- Place Wi-Fi equipped temperature sensors (thermometers) that will alert you when interior temperatures are falling.
- Drain any dry pipe systems to ensure any condensation is removed.

**Below are plumbing valve symbols commonly found in a riser diagram:**

 <p>Gate valve normally opened</p>	 <p>Check valve (also called swing check or backflow preventer)</p>	 <p>Ball valve</p>	 <p>Faucet valve</p>	 <p>Lift check valve</p>
 <p>Valve in pit</p>	 <p>Control valve diaphragm actuator</p>	 <p>Hot water balance valve</p>	 <p>Spring check valve</p>	 <p>3-way valve</p>

# STATE RISK PARTNERSHIPS

Johnson Controls Fire Protection LP (JCI) providing your sprinkler inspections

## Sprinkler Inspections Performed by JCI

### Code Requirements for Functional Testing per NFPA 25

#### Annual

Wet Systems  
Dry Systems  
Antifreeze Systems  
Backflow Preventers

Fire Hydrants  
Fire Hose Connections  
Fire Pumps

#### Five Year

Internal Pipe Inspection  
Standpipe Hydrostatic test

## Inspection Scheduling

A JCI inspection scheduler will contact the agency to schedule inspections the month before the inspection is due to be performed. You will receive an email invitation once the date is scheduled as a reminder.

#### **Samantha Anderson**

Western Kentucky

812-647-0079

[samantha.1.anderson@jci.com](mailto:samantha.1.anderson@jci.com)

#### **Kim Beckett**

Central Kentucky

502-318-0512

[kimberly.beckett@jci.com](mailto:kimberly.beckett@jci.com)

#### **James Milburn**

Eastern Kentucky

859-825-0117

[james.david.milburn@jci.com](mailto:james.david.milburn@jci.com)

(Continued next page)

# STATE RISK PARTNERSHIPS

(continued from previous page)

## After the Inspection is Complete

Within 14 days, the agency contact will receive an electronic copy of the inspection report(s) via email from your JCI inspection team. If any system deficiencies were found during inspection, a JCI representative will contact you to discuss findings and provide a quote for repair. The agency is under no obligation to hire JCI to complete system repairs.

## Commonly Found Sprinkler Deficiencies

Deficiency	Part	Description
Failed Anti-Freeze Loop	Anti-Freeze	When an anti-freeze system fails a temperature test the whole system must be "recharged" with a fresh antifreeze mixture.
Failed OS&Y Tamper Switch	OS&Y Tamper Switch	A tamper switch must report to the main fire panel when out of its "normally open" or "normally closed" position. Otherwise, it must be replaced and/or checked for wiring issues.
Failed PIV Tamper Switch	PIV Tamper Switch	A tamper switch must report to the main fire panel when out of its "normally open" or "normally closed" position. Otherwise, it must be replaced and/or checked for wiring issues.
Failed Water Flow Switch	Water Flow Switch	When a flow switch fails to put the fire panel into alarm during a flow test, it must be replaced and/or checked for wiring issues.
Sprinkler Head Testing Due	Sprinkler Heads	Sprinkler heads must be tested every so many years to determine if their performance is adequate. The frequency varies based upon head type. (Standard Response 50 Years, Quick Response 20 Years, Dry Pendant 10 Years)
Water Motor Gong Failure	Water Motor Gong	During a flow test, a water motor gong must ring. If it does not, it should first be taken apart and cleaned. If that does not solve the problem, it shall be replaced.

### **Did you know?**

JCI has a Project Manager dedicated to the state sprinkler inspections Contact Roger Hogue for any inspection or deficiency questions

**Roger Hogue**  
**502-817-2847**  
**[Roger.hogue@jci.com](mailto:Roger.hogue@jci.com)**

### **A safety tip from JCI inspector**

**Mike Pate**

Good practice to drain low points once week in summer and twice week in winter to prevent freeze ups and possible property damage