

State Risk Newsletter

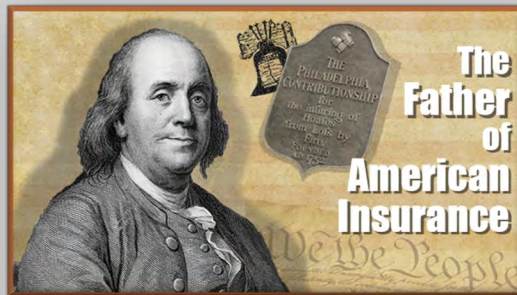


Insurance 101

By: Buryl Thompson

Insurance, in one form or another, is as old as history itself. The roots came from losses to items of value that humans owned and or traded. The greatest example in history comes from merchants who shipped their wares overseas for trade. Naturally, Mother Nature was the greatest of the risks facing ships and crews as they sailed to other ports. Merchants often times lost all of their goods during a storm, but there was also the risk of theft from pirates who ambushed ships in the trading lanes. Risk management was born out of this threat. The merchants used risk management methods to reduce the chance of loss of their inventory. They developed a system of partial shipments on multiple ships, researching alternate shipping routes, arming the crew to protect against the threat of piracy and tracking the signs and history of weather.

Ben Franklin in addition to being one of the fathers of our great nation is also credited with establishing the oldest, active insurance company. The company insured homes and commercial buildings against loss by fire, which was the greatest threat at the time. The company instituted construction standards known at the time to reduce the threat of fire damage and would decline to insure homes or buildings that did not meet those standards. This is an illustration of risk management the company implemented to reduce loss.



Insurance in its most basic form operates by spreading risk. Spreading risk between a group of insureds in multiple locations and situations works by not putting all the eggs in one basket. For example, if an insurance company only covered houses on the coast in Florida and no others their losses would be catastrophically large. No amount of premium collected from the insureds would be enough to pay all the storm claims and stay in business. Therefore, insurance companies spread their risks insured just as an investor spreads their funds among multiple types of investments. A loss in one area is not likely to devastate the entire company.

This is just a thumbnail picture of insurance; there is a lot of intricacies and science that drives the concept of insurance. Insurance serves the common good, but it is only as effective as the risk management methods that are implemented. When risk management is utilized effectively, the insurer incurs less claims and the insured incurs lower premiums and less damage to their property. Insurance coupled with risk management is a partnership whereby if each party works at reducing loss both parties win.

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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

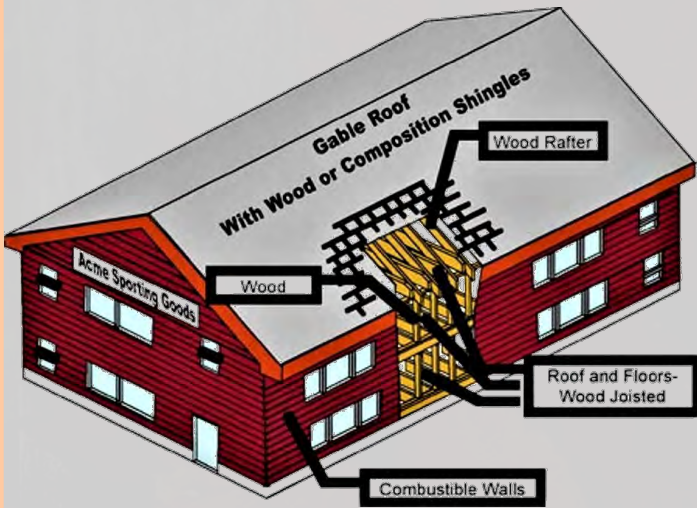
APPRAISAL

Construction Types

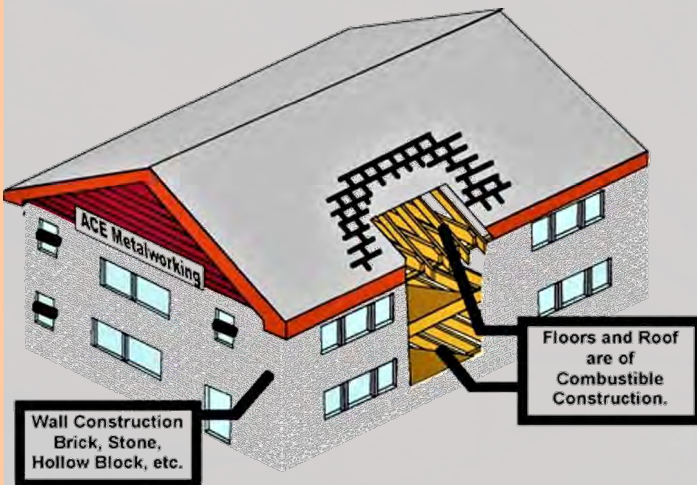
By: Meagan Hart

As you read in our last newsletter, the form called “Real Properties and Insurance Request Form B117 FTR10” is the form you use to submit a request for new property insurance. On this form, you are asked to complete the ‘Construction Type’ of your structure. You have the following options:

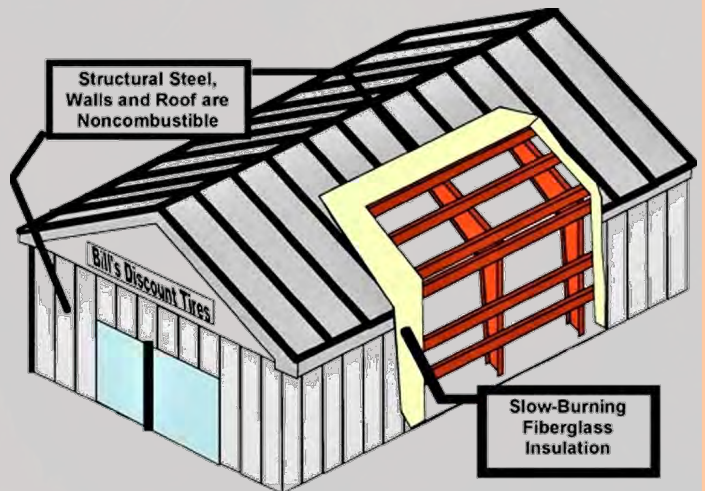
FRAME - Built of wood or other combustible materials, including construction where combustible materials are combined with other materials such as brick veneer.



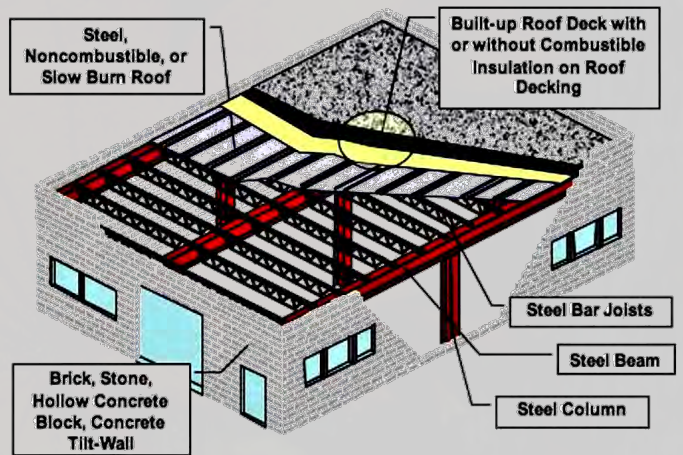
JOISTED MASONRY - Exterior walls are constructed of masonry materials such as brick, concrete, gypsum block, or with similar non-combustible materials and where floors and roof are combustible.



NON COMBUSTIBLE - Exterior walls, floors and roof constructed of, and supported by, non-combustible materials such as metal or gypsum but lacking the fire proofing of item #5.



MASONRY NON - COMBUSTIBLE - Exterior walls are constructed of masonry materials, as described in item #2 above with the floors and roof of metal or other non-combustible materials.

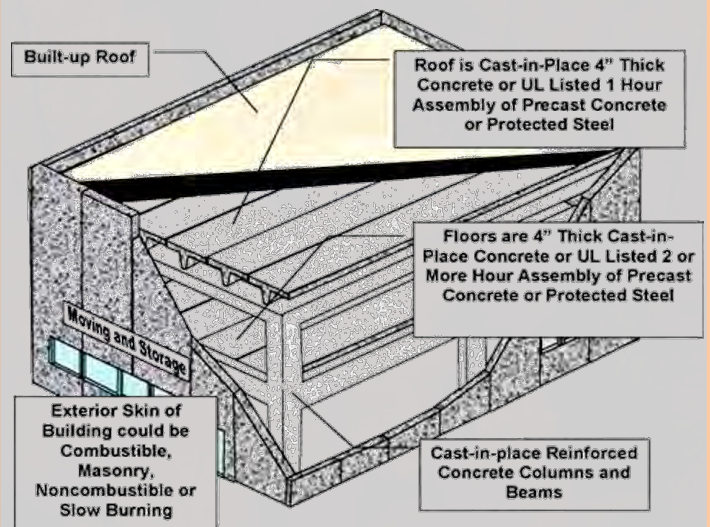
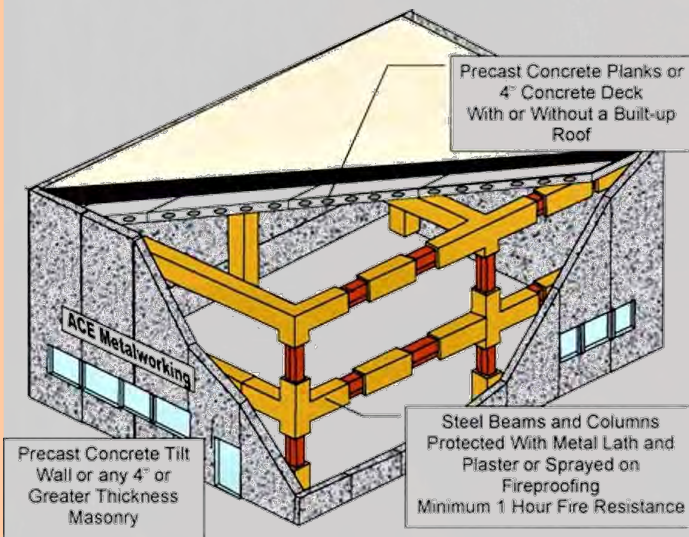


APPRAISAL

(Construction Types continued)

MODIFIED FIRE RESISTIVE - Non-combustible materials providing at least (1) hour fire resistance but not more than (2) hours. Resistance rating of not less than (2) hours.

FIRE RESISTIVE - Built with non-combustible materials and protected with maximum fireproofing with a fire resistance rating of not less than (2) hours.



Please keep us notified when materials on a structure or the square footage changes. For example: When a roof is replaced from shingles to a metal roof and /or adding to or removing part of a building. This helps us keep values current. Our Building Appraisers are always available to assist you with determining your construction type and can be reached by emailing: Chuck Jackson, Chuck.Jackson@ky.gov and Gerry Hamilton, Gerry.Hamilton@ky.gov

UNDERWRITING

COPE Data

By: Meagan Hart

The “Real Properties and Insurance Request Form B117 FTR10” is used to underwrite your insurance coverage. It is important to complete the entire form. We are frequently asked how State Risk and more specifically the Fire and Tornado Fund calculates premium and assesses your risk. State Risk utilizes the Insurance Services Office (ISO) loss cost tables in calculating your premium and assessing your risk. The data we collect from the B117 FTR10 form supplies us with the COPE data needed to underwrite. COPE stands for:

- C** **Construction:** The most basic element of a building is its construction. The materials from which a building is made. (Materials, Square Footage, & age.)
- O** **Occupancy:** The purposes for which the property is used. (The contents affect the buildings combustibility.)
- P** **Protection:** The methods used to safeguard the building from fire. (Both public and private protection.)
- E** **Exposure:** The external hazards that exist because of the buildings location. (Flood / Earthquake zones)

Did You Know?

At any time during the policy year, you can make changes to your certificate. These changes trigger an endorsement to your policy. An endorsement is a change to your insurance policy that adjusts your coverage. This endorsement may result in additional premium or a refund depending on the type of change requested.

If you have, questions or concerns contact:

StateRiskUnderwriting@ky.gov



Contact us today to set up a virtual review of your Fire & Tornado certificate at **StateRiskUnderwriting@ky.gov** !

SPRINKLERS

By: Meagan Hart

After an inspection at your facility, you may have been notified of a sprinkler deficiency. All deficiencies are considered critical and should be repaired as soon as possible. Our office will continue to check in with you until the deficiencies have been corrected. Once the deficiencies are corrected, a corrective action statement (CAS) will need to be completed and sent Katherine.Hutcherson@ky.gov.



Contact Katherine to set up a virtual review of your sprinkler deficiencies!



The Deficiency Dropkicker of the Quarter is:

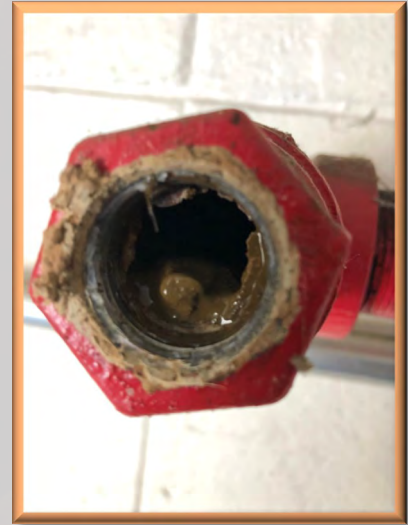
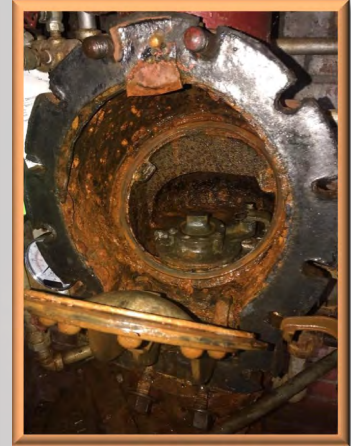
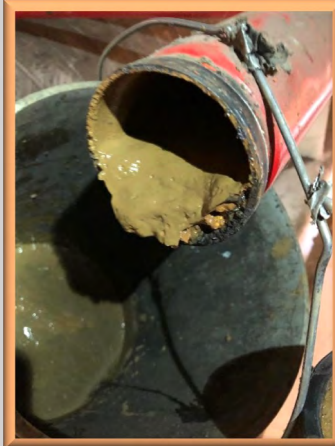


UK Physical Plant
Division

Jim and Ken's Campus Physical Plant team at The University of Kentucky corrected and completed the largest number of Corrective Action statements (CAS) this quarter! Great Work!

SPRINKLERS

The Commonwealth is cleaning up! Recent Inspection Finds



The pictures above show both the annual inspections in pictures 1 & 3 and five-year internal pipe inspections in pictures 2, 4, 5 & 6.

Sprinkler Program Contacts:

Meagan Hart, State Risk- Sprinkler Manager Meagan.Hart@ky.gov

Katherine Hutcherson, State Risk -Deficiencies Coordinator Katherine.Hutcherson@ky.gov

Dawn Spencer, Johnson Controls –Service Requests Dawn.Spencer@jci.com



State Risk, FM Global and Johnson Controls have teamed up to provide *free live* virtual training! We will cover the sprinkler program, inspections and fire suppression systems. To set up your *free* training please email Meagan.Hart@ky.gov

CLAIMS

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

By: Evelyn Smith

The Property Claims Section at the Division of State Risk & Insurance Services is dedicated to providing excellent quality customer service to all State Agencies and State Universities throughout the Commonwealth of Kentucky.

The Fire & Tornado Self-insurance Property policy insures much more than just fire and tornado damages. In Kentucky, we have all learned to Expect the Unexpected in relation to claims reported and the F&T Fund stands ready to respond. Below are the top three (3) causes of loss we have experienced, with a few interesting circumstances that created the loss.

- Rusted/corroded pipes, activated sprinklers, and roof leaks have caused water damage claims:
 - ◊ Light fixtures left on, overheated and activated the sprinkler overnight.
 - ◊ Patient mistook a sprinkler head for a camera and knocked it off the ceiling.
- Windstorms have blown trees onto buildings and fences, as well as blowing shingles off roofs:
 - ◊ January & April 2020, catastrophic windstorms damaged multiple buildings, resulting in 15 claims.
 - ◊ Wind blew trees and portable items onto high voltage power lines, causing multiple power outages and business interruption.
 - ◊ Trees blew onto building built on a hillside, causing the structure to be unstable and slide off its foundation.
- Fire/Smoke claims also involves major water damages:
 - ◊ A squirrel chewed through electric wires in the attic, causing fire damages to the building and the generator.
 - ◊ During a welding project to the ventilation system, a spark ignited a fire to the building.

As always, if you would like to discuss claim situations or questions, feel free to contact:
Audra Perkins, Procedures Specialist at 502-782-0369 or email AMPerkins@ky.gov
Evelyn Smith at 502-782-5433 or email Evelyn.Smith@ky.gov

Kentucky Self-insurance Auto Policy (KSAP) Coverage & Claims

By: Evelyn Smith

In the past few months, our attention has focused on vehicle and equipment insurance coverage, audits and billings, as well as continuing to review and confirm coverage for KSAP claims received.

When working vehicle claims, our mission is to receive several important items from our clients in order to start the actual claim process. A completed KSAP claim form (which can be found on our website), photos of all vehicles involved, as well as any that would describe exactly what happened, the police report, and all names of drivers who were involved before assigning a claim. Once all the requested information is received, our licensed claims adjuster will be in communication with all parties as he works toward a fair and equitable resolution.

As always, if you would like to discuss coverage questions or claim details, feel free to contact:
Karen Bond, Procedures Specialist at 502-782-5437 or email Karen.Bond@ky.gov
Evelyn Smith at 502-782-5433 or email Evelyn.Smith@ky.gov

“Risky Business”

As we approach winter, there are a few things to consider in transitioning into the colder temperatures.

Slowly Condition Your Buildings to Cooler Temperatures

As soon as your buildings get chilly, the kneejerk reaction is to run to the thermostat and crank up the heat. While our bodies are instantly grateful for our natural impulses, our wallets will start to feel the pain not long after.

One approach to help acclimate your body to living comfortably by changing your warming pattern is if during the winter and fall months you typically keep your thermostat at 73 during the day and 66 at night, try an experiment and lower it by one degree each week for a month. Slowly try changing the temperature you are used to and let your body adjust. Wear a sweatshirt if this is a difficult adjustment. This tip has the potential to save you quite a bit of money this winter.

Another great tip to help you capture more heat during the winter is to seal or wrap your windows to prevent cold air from seeping in, and open the blinds and curtains in the morning to take advantage of the natural heat from the sun that will pour through your windows and help raise the temperature of those rooms a bit.

Kick Rodents and Other Pests to the Curb

During the milder months, the weather is nice enough that we generally don't have to worry about vermin taking over our buildings — they're enjoying the outdoors as much as we are. But when the temps take a dive, everybody runs for cover... even the creepy-crawlies.

Rodents, spiders, cockroaches, and other pests also seek shelter from the winter elements — and unfortunately

our warmer buildings make the perfect haven. It's important to take preventative measures now to keep these pests out. A few steps to prevent unwanted pest are:

Seal cracks and holes on the outside of your buildings to help prevent rodents from getting inside. Be sure to check the areas where utilities and pipes enter the building. A mouse can fit through a hole the size of a dime.

Replace loose mortar and weather stripping around the basement foundations and windows.

Store firewood at least 20 feet from the building. Mice and ants can make their nests in woodpiles and easily gain access into your facilities if the pile is nearby.

Rodents can hide in clutter, so keep storage areas well organized, and store boxes off of the floor. Eliminate all moisture, including leaking pipes and clogged drains. Pay special attention to kitchens and bathrooms, as these areas are particularly vulnerable to cockroach infestations.

Keep attics, basements, and crawl spaces well ventilated and dry. Install door sweeps and repair damaged screens in windows. Rodents can quickly cause major damage to a building.

Clear Vents and Chimneys to Avoid Carbon Monoxide Mishaps

Inspect vents and chimneys to make sure they are unobstructed. Clear leaves and vines; prune shrubs and plants so they do not block vents. Anything around a vent or chimney needs to be removed as it can block the exhaust, which can cause carbon monoxide to back up into a building as well as trigger heating system shut-off or malfunction.

Install, check and/or replace smoke alarms and carbon monoxide detectors. Both fire and carbon monoxide can be deadly and silent. Manufacturers recommend replacing detectors every five years (but review the packaging for best replacement timeframes).

Take Preventative Measures Against Pipe Freezing

It's not freezing temperatures yet, but you can prepare and think ahead to prevent issues when temperatures reach the freezing point.

The last thing you want this winter are burst pipes that have frozen because you didn't properly prepare them. FM Global has some great material on how to prepare and prevent frozen pipes.

Replace Shingles and Clean Your Gutters

Take time and safely view your roof up close. Replace any loose shingles to avoid a potentially devastating disaster from melting precipitation that could make its way inside. At the same time, clean out your gutters to remove leaves, sticks, and other debris that can block the flow of rain and melting snow and ice and which also will put an added strain on your gutters with additional precipitation on top of it.

Preventative maintenance is key. Make a plan and a timeframe to accomplish your goals. It will save you time and money by always being prepared.

By: Sheri Whisman

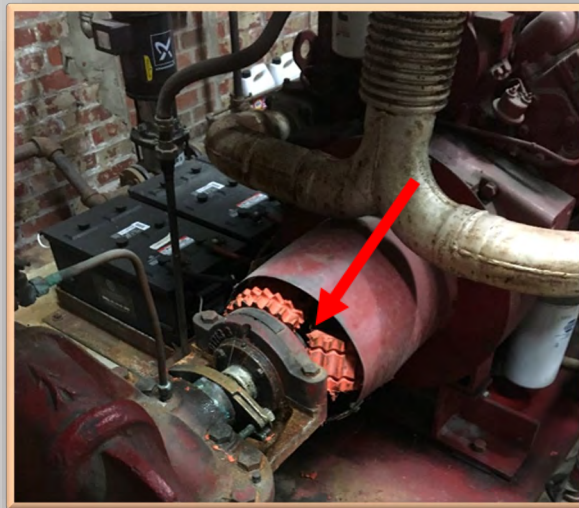
Improve Your Fire Pump Reliability

1. **Ensure coupling is metallic. Replace elastomeric couplings.**
2. **Ensure fire pump is set to manual stop.**
3. **Regularly churn test your fire pump.**

Couplings

Hazard: A fire pump coupling connects the motor/engine providing the power to the rotating shaft of the fire pump. This connection piece is fundamental to the fire pump's function. Elastomeric couplings are prone to failure, as shown in picture below. Luckily, this instance happened during a fire pump churn test at a Commonwealth of Kentucky location. However, if this had occurred during an actual fire event, the facility would have been completely unprotected.

Solution: Your fire protection contractor or FM Global representative can help determine the type of coupling on your fire pump. If it is found to be elastomeric, it should be replaced with a metallic coupling as soon as possible.



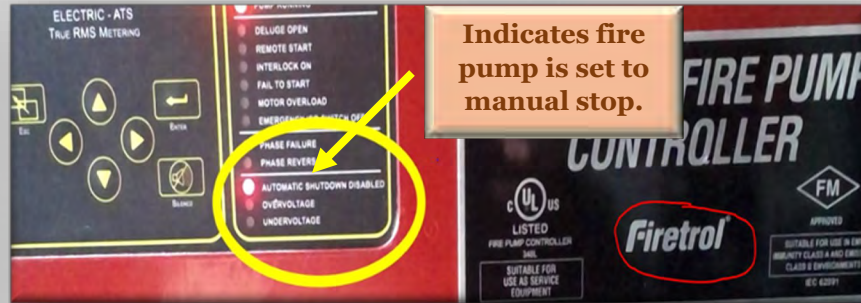
Manual Stop

Hazard: Once the pump starts in a fire event, it should continue to operate until it is manually shut down. If the pump is on a run timer, it could shut down before the fire is controlled, allowing time for the fire to restart or grow significantly larger before the pump is turned back on. At this point, more sprinklers may have operated, and the water supply could be unable to provide the pressure and flow necessary to supply all operating sprinklers. The fire could then potentially grow out of control.

Solution: Determine if your fire pump is set to manual or automatic stop. If set to automatic, your pump will shut down after a certain time (typically after 10 minutes) once it reaches a specific pressure. Some fire pump controllers have this listed directly on the panel, as shown below. Another way to determine the shutdown mode is to observe if the pump shuts down automatically during the regular churn test (see No. 3 below). When in doubt, a fire pump contractor can confirm whether your pump is set to automatic or manual stop. All pumps that alarm to a constantly

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attended location or central monitoring company should be set to **manual stop**.



Churn Testing

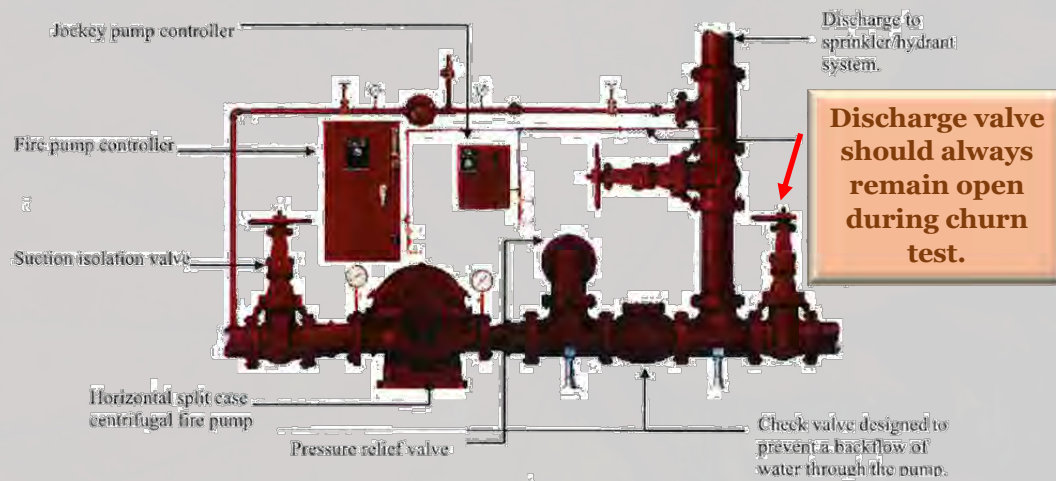
Hazard: When a fire pump fails to operate as intended, not enough water will be pumped through the sprinkler piping. The fire could then quickly grow out of control causing significant (possibly catastrophic) damage. Starting and running the fire pump regularly, along with full-flow testing annually will help to ensure this vital piece of fire protection equipment will operate as intended during a fire emergency.

Solution: The fire pump should be automatically started via pressure drop or water flow on a regular basis – *monthly* for electric pumps for 10 minutes and *weekly* for diesel pumps for 30 minutes. Other pump room items, such as suction and discharge gauge readings, pump room temperature, etc., should also be checked. Records of all checks should be maintained for review. See attached templates for churn testing:

-  Monthly Electric Fire Pump Churn Test
-  Weekly Diesel Fire Pump Churn Test

NOTE: It is important that the discharge valve always remain open during the churn test to ensure the entire system is being tested and not just the pump. Closing the discharge valve prevents the system from being exposed to the water hammer that would occur in an actual fire event. If the system is not exposed, piping could potentially fail during an actual fire event rendering the fire protection system useless.

Typical Fire Pump Arrangement



AGENCY SPOTLIGHT



Morehead State University's Office of Environmental Health and Safety has formed a great relationship with State Risk and FM Global over the past several years. State Risk staff have come to Morehead State for friendly visits to educate us on our policy provisions and options, perform property estimates and offer expert advice when the need arises. We know we can confidently rely on their wisdom and expertise to guide us through tough decisions and the claims process.

FM Global has made annual visits to Morehead State since they have become our excess carrier. They have offered sound safety recommendations on protecting our property and our Eagle Lake Dam. When the pandemic forced us to send students home early during the spring semester, State Risk set up a conference call with FM Global and MSU stakeholders to thoroughly explain our business continuity coverage and how it would and would not apply to the loss of revenue we experienced due to the pandemic.

This spring, we experienced a dorm apartment fire on a Sunday evening. A student returned from a trip to the grocery store and set her bag of groceries on top of the electric stove. Unknowingly, she slightly turned the stove knob on when she placed the items on the stove. Before she started to put the groceries away, she went into the bathroom. All of a sudden, she heard the fire alarm sound, smelled the smoke and the sprinkler in her kitchen discharged and put out the fire. The fire department and the Office of Environmental Health & Safety quickly responded.

I immediately called Sheri Whisman on her mobile phone, and even though it was a Sunday evening, she answered and advised me to call in a contractor to begin the cleanup and restoration work. Within an hour, we were able to get ServPro to clean up all the standing water, remove the fire damaged materials and start drying out the base of the walls and other materials with dehumidification to prevent mold. The next day, State Risk arranged for an estimator to come and look at the damages and advise us on what could be salvaged and

what would need to be replaced. They gave us an accurate estimate of what it would cost to rehabilitate the apartment and put it back in service.

The student was visibly shaken and apologetic. This occurred right after spring break and the pandemic student move out. She was an employed resident advisor that had planned to stay on campus for the remainder of the spring semester for the students that could not return home. We quickly went to work to have a new room assigned to her and helped her move her belongings that were salvageable. She was an art major and had several large pieces of artwork that sustained water damage. We moved all her artwork to a conference room down the hall, many of the pieces were in frames, so we took them out of the frames and laid them out on a large table. ServPro was very kind to leave an extra dehumidifier in that room and dry out her artwork. After 24 hours, you could not tell that the artwork had any water damage.

After the apartment was restored, I sent our paid invoices to Evelyn Smith and Audra Perkins and they promptly sent back the proof of loss and paid our claim minus the deductible.

Unfortunately, this past fiscal year we experienced several other claim losses. State Risk has always been responsive to our needs and paid the claims promptly. We greatly appreciate our relationship with State Risk and find comfort knowing they will be there when we need them.

By:

Holly Niehoff

Director of Environmental Health & Safety,
Risk Management & Insurance
Morehead State University

Office of Environmental Health & Safety