

State Risk Newsletter

News From the Director

By: Sheri Whisman

It is with mixed feelings that we announce the retirement of two dedicated employees at State Risk.

Alex Reese



Served as underwriter for the Fire & Tornado Fund started in 2006 with State Risk. He has been responsible for insuring and maintaining property insurance for the Commonwealth. Mr. Reese retired with 29 years of service on June 30th.



Chuck Jackson



Mr. Jackson started with State Government on December 2nd, 1994 as an Insurance Appraiser with the Division of State Risk. Mr. Jackson's entire 27 years of services has been in this role serving the Commonwealth. Mr. Jackson plans to retire July 31st.

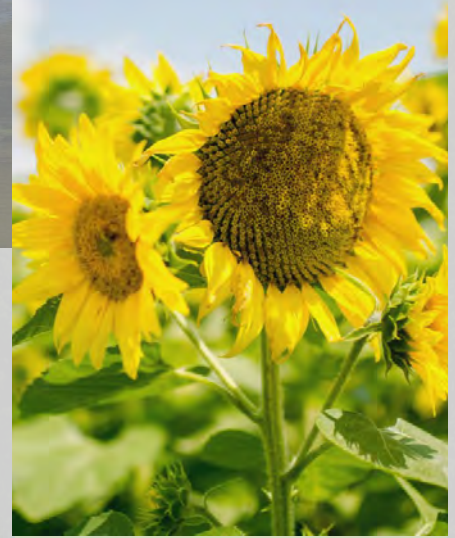


Both of the employees will be deeply missed. We wish them the best in their new adventure into retirement.

With the retirement of **Alex Reese** all emails should be sent to StateRiskUnderwriting@ky.gov

With **Chuck Jackson's** upcoming retirement on 7/31/2021 all emails should be sent to StateRiskUnderwriting@ky.gov

Should you need additional assistance please contact Meagan.Hart@ky.gov



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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
- Katherine Hutcherson-Proc Dev Spec-502-782-5443
- Gerry Hamilton-Appraiser-502-782-5421

Kentucky Self Insured Auto Program

- Evelyn Smith-Program Manager-502-782-5433
- 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 AND UNDERWRITING

The Fire and Tornado Fund Renewal

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

**RENEWAL
REMINDER**

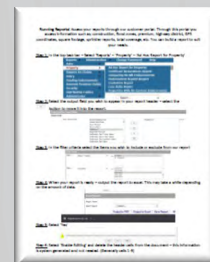
Please review your certificates for accuracy as we recently renewed the coverage. Many updates affected all lines of coverage this renewal. You will notice:

- Telephone coverage is considered building contents. The telephone coverage was combined with your building content coverage associated with the address on the account.
- Building value changes, we have adjusted the building values pursuant to KRS 56.080. This is to insure there is enough coverage on the building should a total loss occur for us to replace the structure with like kind and quality.
- Rate changes, while the value on your structure or contents may have not changed the rate per \$100 may have changed. These were implemented throughout the previous renewal year and endorsements were emailed but a premium was not collected, this was to assist you with budgeting for renewal. This new rate is applied to the coverage based on the class of insurance it falls in.
- Per the procedure put in place by FM Global for business income and extra expense effective July 1 all values are updated to the full reported value on the financial statement. If no financial statement was supplied then coverage was removed.
- Outstanding sprinkler deficiencies may have negatively influenced your premium if there were a large amount of deficiencies, deficiencies from previous years, no communication was supplied on the progress of work, and/ or no corrective action statements were submitted.

As a reminder from the last newsletter:

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

For more information on your premium, you can access your account through our customer portal or email StateRiskUnderwriting@ky.gov.



All Fire and Tornado underwriting requests should be sent to StateRiskUnderwriting@ky.gov Please be patient on communication; after renewal, we receive a large amount of requests and work hard to process them as fast and accurately as possible.

APPRAISAL AND UNDERWRITING

Recommendations & Improvements

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

State Risk is frequently asked what impact the FM Global recommendations and improvements might have upon the premium you pay. The Fire and Tornado premium is arrived at using multiple factors. (See [Spring 2021 Newsletter](#)) One of those is the COPE data. COPE stands for Construction, Occupancy, Protection, and Exposure. When any or all of those items are improved that *may* influence your premium if reported with documentation to State Risk from the agency. Examples include:

- Construction – FM Global implemented suggested Plan reviews, improved roof materials, LEED certified status, etc.
- Occupancy – Changing from a high-risk occupancy to a lower risk. (example chemical exposure to office space)
- Protection – Correction of sprinkler deficiencies, improved fire protection and monitoring, replacement of rubber couplings, improved human element programs, gas seismic shut off valves, etc.
- Exposure – Development of a flood plan / earthquake plan or removal of hazards.

While State Risk does not have a cash back option for risk improvements, we do issue experience credits based on the five-year claims history. This is factored directly into your premium. When you make improvements, like the FM Global recommendations, to your facilities this decreases the likelihood of future claims, in turn improving your claims history. While this is a long-term credit, (based on five-year history), you do receive a benefit. The experience credit or debit can be up to 20% for each coverage type, saving you money.



There is not a set savings amount tied to each recommendation / improvement through the Fire and Tornado Fund in premium dollar amounts, the benefit come to you in terms of life safety, longevity of the structures, and potential reduced claims exposure in the future.

SPRINKLER

By: Meagan Hart & Katherine Hutcherson



Johnson Controls, Inc. will continue to be the contracted sprinkler inspection company on behalf of State Risk & Insurance Services. We look forward to this continued partnership.

Should you have scheduling or deficiency inquiries contact Roger Hogue, JCI Project Manager, roger.hogue@jci.com.

If you have disputes on deficiencies, program issues, etc. contact Meagan Hart, State Risk Sprinkler Manager, Meagan.Hart@ky.gov.



Sprinkler deficiencies remain a priority for our Division. All reported locations insured with the Fire and Tornado Fund, which are protected by a reported fire suppression system, will be inspected by Johnson Controls, Inc. on behalf of State Risk.

Johnson Controls Inc. will notify you of any deficiencies with your system on your inspection report. State Risk will supply you with the record of outstanding deficiencies affecting your certificate. State Risk will then require 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.

Our CAS forms were recently updated. They can now be completed electronically and emailed directly from the form; using the email button embedded in the form. Electronic signatures are acceptable.

Corrective Action Statements



CAS



CAS Contractor

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SPRINKLER

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The CAS is a *simple* form with only four pieces of information from the original inspection sheet needed to process the request, along with your electronic signature. The **building name**, State Risk assigned **property ID** number, **inspection date**, and the **deficiencies** corrected.

Johnson Controls Inspection Sheet

Johnson Controls Page 1

Task # n/a
SR# 49233024

REPORT OF SPRINKLER INSPECTION

CUSTOMER: Treatment Center	INSPECTOR NAME: Michael D. ...
BUILDING / LOCATION: Apple Tree Building Prop:55555	SIMPLEXGRINNELL OFFICE: 232
STREET: 500 Apple Drive	973 Beasley St
CITY / ST/PROV / ZIP/PC: Morehead, KY 40351	40351
ATTN: Alfred Penny	PHONE #: 859-294-72...
Email: Alfred.Manager@ky.gov	LICENSE #: SSR-0498

Date: 3/10/2021

EXAMPLE
Commonwealth of Kentucky
FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE CONTROLLER
ANDY BESHEAR Governor EDGAR C. ROSE Controller

DIVISION OF STATE RISK AND INSURANCE SERVICES
Mayo-Underwood Building
500 Mero Street, 1st Floor

Secretary (502) 564-6055 Director

CORRECTIVE ACTION STATEMENT

I certify that I have taken corrective action to repair all deficiencies noted on the Fire Suppression System inspection reports:

Building Name: Apple Tree Building

Property ID Number: 55555 **Inspection Report Date:** 03/10/2021

Work Order No.: WO-7854957 (internal #) **Number of deficiencies corrected:** 3

List of deficiencies corrected:

- 2x Loaded heads in Kitchen - Replaced
- PIV sets off fire alarm horns - Replaced

I have witnessed a satisfactory acceptance test of this system and find it to be installed and operating properly in accordance with its approved plans, specifications, approved sequence of operations, and with all NFPA standards.

Signed: *Alfred Penny* Date: 03/30/2021

Printed Name and Title: Alfred Penny, Program Manager

Phone Number: 502-555-5555 Email: Alfred.Manager@ky.gov

Agency Name: Treatment Center

Address of repair: 500 Apple Drive

City: Morehead State: KY Zip Code: 40351

Johnson Controls Page 3

REPORT OF SPRINKLER INSPECTION

Page 3 of 4

9. SPRINKLERS - PIPING

	YES	NA	NO
a. Do sprinklers generally appear to be in good external condition?	X		
b. Do sprinklers generally appear to be free of corrosion, paint, or loading and visible obstructions?	X		
c. Are extra sprinklers and sprinkler wrench available on the premises? (#, size, finish, temp, brand, of spare heads)	X		
d. Does the exposed exterior condition of piping, drain valves, check valves, hangers, pressure gauges, open sprinklers and strainers appear to be satisfactory?	X		
e. Does the hand hose on the sprinkler system appear to be in satisfactory condition?	X		
f. Does there appear to be proper clearance between the top of all storage and the sprinkler deflector?	X		

10. EXPLANATION OF "NO" ANSWERS AND DEFICIENCIES. (Sections 1d thru 9):

2x Loaded heads in Kitchen.

PIV sets off fire alarm horns.

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SPRINKLER

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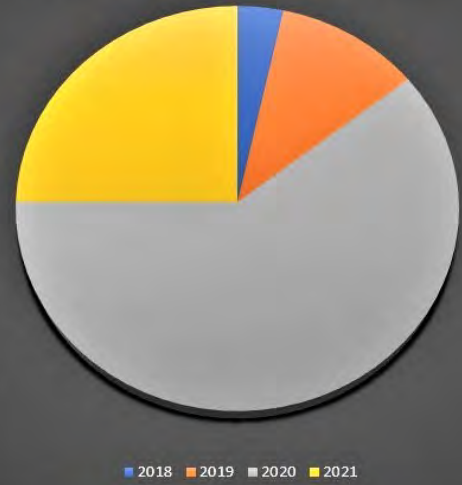
Unfortunately, we still show deficiencies from previous years on our records. This may influence your insurance premium and claim payment in the event of a covered loss. If the deficiencies have been repaired, you must submit the corrective action statement (CAS) to have them removed from our records.

Contact StateRiskSprinklerProgram@ky.gov for a current list of your outstanding deficiencies and/ or to set up a virtual review of your sprinkler deficiencies!

If your system is impaired, Report your impairment electronically at <https://redetag.fmglobal.com/>

What is an impairment? ([Spring 2021 Newsletter](#))

Sprinkler Deficiencies By Year

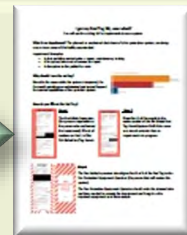


Know More Risk: Four Principles for Handling Impairments

<https://youtu.be/sES3eokSJTg>

For free Red Tag Permit Kits contact StateRiskSprinklerProgram@ky.gov

Red Tag Instructions



Brag Board

KCTCS

Many of the KCTCS locations across the state have been taking a hard look at their deficiency list and taking time to correct them properly.



University of Louisville

The University of Louisville has knocked out a ton of sprinkler deficiencies this quarter!



The Dept. of Corrections

All of the Correctional facilities have made strides this quarter on knocking out the deficiencies at their location. They also attended FM Global's training for sprinkler impairments!



PROPERTY AND AUTO CLAIMS

By: Evelyn Smith

My team and I are dedicated to provide services in compliance with KRS (KY Revised Statutes). Division of State Risk & Insurance Services provides insurance services to all State Agencies and State Universities, including KCTCS for state-owned, leased, and rented property in your possession.

- **Report “Fire & Tornado (F&T) Self-insurance Property” Claims to Audra Perkins (copy: Evelyn Smith)**
- **Report “KY Self-insurance Auto Policy (KSAP) Coverage & Claims to Karen Bond (copy: Evelyn Smith)**

It is your responsibility to make sure you report everything for coverage because confirmation of coverage is required for property claims and auto claims to be processed.

For each Fire & Tornado (F&T) Self-insurance property claim occurrence caused by a covered cause of loss, there is only a \$5,000 deductible. KRS 56.110 requires that you report all property claims within 30 days, by completing the claim form SRC-10 on our website: <http://finance.ky.gov/offices/controller/Pages/dsrisk.aspx>

- The most important step is to get details confirming the cause of loss and damages involved:
- If you need assistance with this loss or if major damages could affect the stability of a building, we will assign the claim to our experienced, licensed property Claims Adjuster.
- When damages occur to “permanently installed equipment” that generates, transmits or utilizes energy, or equipment, during normal usage, operates under vacuum or pressure, converting any other form of energy in electricity:
 - Verify if the equipment is under warranty and if it is not under warranty, we can assign our contracted Boiler & Machinery expert professionals.
- **Covered Causes of Loss** includes fire, lightning, flood, wind, hail, theft, vandalism, water damages, explosions, weight of snow, ice or sleet and other causes not excluded from our policy.
 - **In addition, “Equipment Breakdown” claims** occurring from a fortuitous event that causes direct physical damage should be reported as soon as possible:
 - ◆ Mechanical Breakdown caused by centrifugal force, causing a rupture, cracking or bursting;
 - ◆ Artificially generated electrical current including electrical arcing;
 - ◆ Explosion of OR an event inside steam boilers, steam piping, steam engines or turbines; or
 - ◆ An event inside hot water boilers or other water heating equipment

KY Self-insurance Auto Policy (KSAP) insures State-owned, leased or rented Auto/Vehicles/Mobile Equipment

- Auto Liability coverage is statutorily required and must remain in effect until it is registered in the name of the new owner (not the Commonwealth of KY). Periodically throughout the year, State Agencies/Universities are required to report all new purchases, transfers, rental returns and sold vehicles/equipment in order to document dates, VIN #, and Tag #.
 - This information is critical to keep your inventory up to date and properly insured.
 - Upon receipt of a claim, we verify coverage before assigning to our contract Claims Adjuster
 - While Auto Liability coverage is required, Physical Damage coverage is optional.
 - Follow the instructions on KSAP claim form SRC-12; and when other vehicles or property is involved, photos are always helpful and make note of any injuries, in addition to the police report.

“Risky Business”

By: Sheri Whisman

What is a Fire Risk Assessment?



A fire risk assessment is a review undertaken of a building in order to assess its fire risk and offer recommendations to make the building safer.

Are there any guidelines associated with fire risk assessments?

Fire risk assessments do have some specific guidelines. The fire risk assessment must be reviewed on a **regular** basis and more frequently if the following is a correct statement for your facility.

- If the building’s purpose has substantially changed;
- If the building structure, such as the layout, has changed; and/or
- If there has been a considerable change in the occupants.

Changes to a building’s layout, how it is used, or the kind of occupants using or living in the building can significantly impact your fire safety plans. Therefore, it is very important that a review of your fire risk assessment be conducted if any of those have occurred. NOTE: It does not matter the size of your building(s) or how many people occupy the building. A fire risk assessment should be completed on ALL Commonwealth owned structures.

Always re-assess at a minimum of every 12 months if the above items have not changed. If one of the criteria’s above have been met, perform the revised risk assessment ASAP or before people occupy the structure. Date your assessments and keep track of when they were performed and by whom. Make sure your employees are aware of this assessment and where to find it.

So how do I perform a fire assessment?

- Review and assess the premises (physically walk around each area) and look for safety or fire concerns, which include, but not limited, to combustible liquids, exit signs lighting out, etc.
- Come up with a list of requirements that should be acted upon in order for the build to be in compliance with fire safety measures.
- Contact your local fire department for their assistance. They can sometimes preform a walk thru of your facility and give recommendations on prevention.

Lastly, make sure your recommendations are acted upon as soon as possible since that is what keeps your building(s) and employees safe! For more information contact Sheri Whisman.

Help us pick the topics for the 2022 Kentucky Risk Management Conference.

Take the survey at: <https://www.surveymonkey.com/r/9JNX3B6>

UNDERSTANDING THE HAZARD

Idle, Vacant or Strikebound Facilities

The Hazard

There are many reasons for buildings to be shut down, locked up, abandoned, or simply have their staffing significantly reduced. Regardless of the reason, however, all such buildings have an increased risk of property loss.

Plumbing systems can leak unnoticed for extended periods of time, resulting in damage to the building and its contents. Lack of adequate security measures can increase the risk of theft and unauthorized access to the building. Contractors using torches to remove equipment are less likely to take adequate hot work precautions. Disgruntled employees or vandals may start fires in combustible debris. A small fire that would have been controlled by the building's automatic sprinklers during normal operations may spread throughout the building because the system was shut off to keep pipes from freezing. Or a fire protection control valve may have been closed by mistake and not noticed due to a lack of regular inspection, testing, and maintenance.

Science of the Hazard

Actually, there isn't a great deal of science involved. A building is situated on your property. The building may contain inventory, spare parts, equipment, or even entire idled production lines or other revenue-generating equipment you hope to reactivate in the future. The building may get a cursory glance every few hours when security drives by, but it isn't being carefully monitored-despite the valuable assets inside. This situation makes the building extremely vulnerable and provides ill-wishers an easy target.

In addition, weather such as wind, freeze, flood, and surface water can damage an unoccupied building. Other, smaller problems that would be noticed and addressed if the building was occupied can turn into major issues over time. In general, these buildings are not maintained the same as occupied facilities. More often than not, an idle facility is simply ignored.

HUMAN ELEMENT

Vacant and idle buildings are valuable corporate assets, but too often are not treated as such. Consequently, they are easily targeted by arsonists, vandals, and thieves, and are also vulnerable to weather-related events. If proper attention is not given to these buildings, they will likely be lost or deteriorate beyond practical use.



In the event of emergency, valuable time may be lost while the fire service searches for this connection hidden beneath overgrown vegetation.

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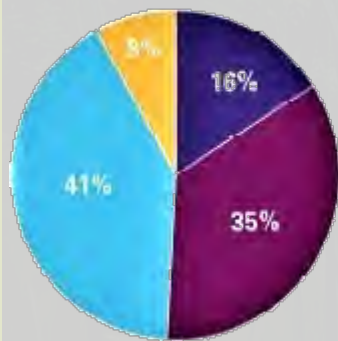
Loss Experience

What You Can Do in Your Facility

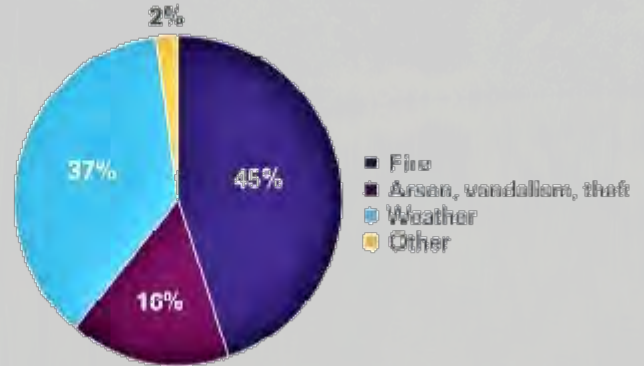
- Keep sprinkler systems in operation, including an inspect-and-test program.
- Adopt a robust preventive maintenance program for liquid damage exposure from building plumbing and roof systems.
- Remove unnecessary combustible material both inside and outside, and keep vegetation trimmed.
- Remove ignitable liquids and turn off utilities, if not needed.
- Monitor hot work operations.
- Inform the public fire service of the building's vacant condition, and provide them with access if necessary.
- Make sure the building is secure to deter arsonists or vagrants.
- Maintain adequate protective interior and exterior lighting.
- Maintain security from remote cameras or a surveillance service.
- Maintain the building heat at no lower than 40°F (4.5°C).
- For buildings subject to humid conditions, set and maintain heating, ventilation, and air conditioning (HVAC) systems to prevent the growth of mold.
- Notify FM Global if you have any idle, vacant, or strikebound buildings.

A review of FM Global client losses involving idle and vacant buildings from 1989 to 2020 shows that non-arson-related fire accounted for 16% of the losses by number, but 45% by cost. Conversely, arson, vandalism, and theft caused 35% of the losses by number, but were responsible for only 16% of the loss cost.

Causes of Loss by Number of Losses, 1989-2020



Causes of Loss by Cost, 1989-2020



Source: FM Global clients



Until this idle facility is purchased or leased, it is a prime target for arson and vandalism.

Loss Examples

At an idle food-processing plant, sparks from a demolition contractor's torch fell through holes in the third floor and ignited plastic bag storage on the unsprinklered second floor. By the time the contractor's employees reached the second floor, fire had already started along the wall behind the plastic bags. The fire spread, and by the time it was put out, the loss cost was approximately US\$4.3 million (indexed to 2020 values).

Another fire took place at an idle manufacturing facility. Discovery of the fire was delayed because power to operate a supervised proprietary water-flow alarm system had been shut off weeks before. Arson was the suspected cause of this fire that severely damaged the 87,225-ft² (8, 103-m²) building. The loss cost was approximately US\$7.3 million (indexed to 2020 values).

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But What About ...

... DRAINING THE SPRINKLER SYSTEM INSTEAD OF PAYING TO HEAT THE BUILDING?

A wet sprinkler system should never be drained without speaking to your FM Global engineer first. If you are in a freeze-prone area, the best option is to maintain a building temperature of 40°F (4.5°C) throughout the winter. Another option is to leave the sprinkler system pressurized and monitor the temperature carefully. Bring in safe, portable heaters if the temperature drops below 40°F (4.5°C). Be sure to follow all FM Global publications on the prevention of freeze-ups (see sidebar for list).

... THE LACK OF AVAILABLE STAFF? WE DON'T HAVE ENOUGH PEOPLE TO PROPERLY MONITOR OUR IDLE BUILDINGS.

If you do not have a security service, at a minimum you should appoint maintenance staff to check (on a weekly basis) that sprinkler control valves are locked open, and (on a daily basis) that doors and windows are locked shut. During the winter months, the interior temperature should be checked frequently to ensure it is above 40°F (4.5°C) both during the day and at night. If you use a security service, require them to conduct these minimum checks and include the results in their daily reports.

... THE DIFFICULTY OF CHECKING BUILDINGS WHILE WORKERS AT THE FACILITY ARE ON STRIKE OR DURING CIVIL UNREST?

It's true that during labor strikes or periods of civil unrest it can be difficult to get onto the property, let alone check idle buildings. Yet, you can't afford not to check these facilities. These buildings are part of your corporate assets, and if they catch fire or suffer weather damage, they threaten the rest of the property. At the very least, the idle building will be devalued as a result of any damage. This risk can be mitigated by taking the steps recommended in the answer to the previous question.

Don't Let This Happen to You



From the presence of overgrown vegetation, it is clear this building has not been occupied for some time, making it an obvious target for thieves and vandals.



This idle building is a setup for disaster. Accumulated combustible rubble can easily be ignited, and if automatic sprinklers are not in service (whether intentionally or through neglect) the damage will likely be extensive.

AGENCY SPOTLIGHT



Kentucky Department of
Military Affairs

Discover the Art of Certificate Audits: Military Affairs

By: Meagan Hart

It is not magic, its hard work and maybe a little help from State Risk! Branden Olmsted with the Department of Military Affairs has been busy, between the normal operations of their Department; they also conducted an audit of all the buildings insured through the Fire and Tornado Fund for their multiple certificates. This was not a small task. This project spanned multiple months, many employees and a multitude of documents.

Branden started by requesting the archibus list from Finance and then conducting an audit of all the archibus numbers associated with the Real Property inventory and their Fire and Tornado Fund certificates. By comparing these reports, they looked for discrepancies. Some structures were discovered that needed to be added or removed with Real Properties and State Risk. The proper forms; such as the B117-FTR10 and FTR11 forms were submitted and processed.

When adding the newly discovered structures to the Fire and Tornado Fund, Military Affairs supplied the sprinkler information and the GPS coordinates, saving State Risk a lot of legwork and ensuring the KRS 56.170 mandated sprinkler inspections are scheduled in a timely manner.

Additionally they reviewed the leases ensure they are responsible for the property insurance of the structures leased from outside entities. This was a helpful exercise and resulted in some premium savings on Military Affairs account by finding a lease where the lessor was responsible for providing the property insurance coverage.

While the audit process is never complete, they have made huge strides in ironing out their Fire and Tornado Fund certificates, saving money, and proving detailed property information to State Risk. We value this type of continued partnership and teamwork!

Branden's Tip:

Figure out your archibus numbers first and gather all your resources, this will help the process go smoother.