

Wise Words



WE INSURE STATE EQUITY

State of Alabama • Department of Finance • Division of Risk Management

March 2006

PLEASE CIRCULATE

WELCOME BACK BEN SPILLERS



The Division of Risk Management is pleased to welcome back Ben Spillers as its Risk Manager. Mr. Spillers previously served as Risk Manager from 1989 until 1995 at which time he went back to the private sector as President and CEO of Jefferson Pilot (currently General Casualty) in Greensboro, North Carolina. Prior to 1989, he worked for Fireman's Fund Insurance Companies for thirty years.

In the early 90s, Mr. Spillers successfully began the State Employee Injury Compensation Trust Fund which protects state employees who are injured on the job. He also broadened the General Liability Trust Fund guidelines to include automobile liability protection for State employees. He laid the foundation for a strong division which protects state employees and state agencies from financial harm. He emphasizes that we are a service organization providing benefits and as such must provide the best possible service to our state agencies and employees.

We look forward to working with Mr. Spillers again. Our division will continue to improve under his leadership.

HELP

Please help us keep our contact information current by updating us with any point of contact changes, phone or fax number changes, address and email changes. This will help us better serve you.

HURRICANE KATRINA - Flood Coverage



As many of you know, damage by flooding is excluded by the State Insurance Fund (SIF) policy. As such, all damage caused by flooding during Hurricane Katrina is not covered. Damages of this type should be reported to your flood carrier or to FEMA for consideration.

We encourage all state agencies, departments and school systems to purchase flood insurance if their locations are on flood plains. Coverage with the National Flood Insurance Program can be obtained by contacting our office. We will put an agent in touch with you who can provide you with a quote. Don't wait until there is a storm as a 30 day waiting period applies before your flood coverage becomes effective.

If you had no flood coverage in place for Hurricane Katrina, you may contact your FEMA representative. If you need additional information, you may contact the Alabama Emergency Management Agency representatives Benji Abbott at 334-328-2845 or Jeff Byard at 334-328-2847.

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Wise Words

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Please let us know if you have any questions.

TIME TO CERTIFY PROPERTY INSURANCE

The State Insurance Fund certifications are scheduled for mail out in March. It is important that our certified copy be returned by June 30, 2006, to allow our office plenty of time to update values prior to October's renewal. Please follow the instructions enclosed with the certification. Changes which occur during the fiscal year such as renovations to existing buildings, new buildings, purchase of new computers or other equipment, demolition or sale of buildings should be reported promptly to our office to ensure adequate coverage. If you have any questions, call Dale Whittle at (334)223-6139.

CLAIM FORMS ON WEBSITE

The property and automobile loss notice forms will soon be available on our website. You will have the option of entering the information directly on to the form and emailing it to us or you may print the form and mail or fax it to us. In the event of a serious accident or property damage, our claims staff prefers that you call first.

Visit our web site at:
<http://www.riskmgt.state.al.us>

RISK MANAGEMENT ADDS EQUIPMENT MAINTENANCE COVERAGE

The State of Alabama, Department of Finance, Division of Risk Management are pleased to announce we have selected AON Corporation, an insurance broker specializing in creative risk solutions, and The Remi Group, LLC (TRG) as the new providers and administrators of the State equipment maintenance program.

Effective December 1, 2005, TRG assumed all management operations including but not limited to the payment for service events on or after the above effective date. The State of Alabama wants to thank each agency for their cooperation and ensures, with your continued support, this transition will be virtually seamless.

The Remi Group was recently awarded a contract to maintain and expand the State's equipment maintenance program, which was put in place in September 2000. The Remi Group provides comprehensive equipment maintenance management programs for healthcare organizations, financial institutions, government agencies, colleges and universities, and commercial enterprises nationwide.

TRG specializes in providing quality service, technical resources, innovative management systems, and financially secure solutions backed by [equipment maintenance insurance](#) coverage through an 'A' rated insurance company.

This new contract will be underwritten by Great American Insurance Company, assuring quick and responsive payment and service. Great American Insurance is one of the most secure and strongest financial services companies in the world as recognized by independent rating agencies such as A.M. Best and Standard and Poor's.

A representative from AON and TRG will contact you in the coming days to review the current list of covered equipment and verify the accuracy of this list. Please give them your full cooperation and provide any information necessary as the state works toward transitioning the equipment maintenance program to AON and The Remi Group.

The Division of Risk Management recognizes the time and effort needed for a successful program, and wants to thank you for your cooperation. If you have any questions, please feel free to contact Mike Van Derveer of The Remi Group at 704-602-0878.

GOVERNMENT AGENCIES ARE NOT IMMUNE TO INSURANCE FRAUD

Facts:

- Insurance fraud costs the average American household more than \$5,000 a year in the form of higher premiums and prices for goods and services.
- According to the Insurance Information Institute, property /casualty insurance fraud cost insurers \$27 billion in 2001.
- The National Insurance Crime Bureau says that insurance fraud adds \$200 to \$300 per year to total insurance premiums for the average household. In addition insurance fraud raises taxes and inflates prices for consumer goods.
- A 2002 survey found that almost one in four Americans said that overstating the value of the claims they submitted to insurers was acceptable, a proportion that has not changed in about three years.

Insurance fraud is not limited to the private sector. Federal, state, county and city governments are also at risk for insurance fraud. For example, the State Employee Injury Compensation Trust Fund (SEICTF) is exposed to the same types of fraud as workers' compensation insurers in the private sector. Benefit fraud is the most common type of workers' compensation insurance fraud. Benefit fraud is usually committed by a worker who works full time at an unreported job and draws benefits when he or she is supposed to be unable to work, when a worker fakes an injury or when a worker exaggerates the degree or extent of injury.

Indicators of benefit fraud include:

- Un-witnessed injuries.
- Injuries not reported until a week or more after they occur.
- Injuries occurring where the worker would not usually work.
- Injuries occurring before an anticipated lay-off or termination.
- Worker observed in activities inconsistent with the reported injury.
- Worker history of workers' compensation claims.
- Evidence of workers employed elsewhere while drawing benefits.
- Conflicting diagnosis or history from subsequent treating doctors.

Fraud indicators do not mean fraud has occurred, but they may require a closer review of the claim for benefits coverage. Insurance fraud is a criminal offense. In Alabama the fraudulent claim of injury to receive compensation is a Class C Felony punishable by a fine up to \$5,000 and a jail term of one to 10 years.

The key to preventing fraud is early recognition and reporting of suspected fraudulent activities followed by a thorough claims investigation. State agencies who obtain insurance coverage (property, liability, employee injury & specialized coverage) through the Division of Risk Management (DORM) should encourage their staff to report suspected fraud to DORM. The name and phone number of key DORM contacts are listed on the DORM website which is www.riskmgt.state.al.us.

TORNADO!

In Alabama, our peak tornado season is in March through May. However, tornadoes can occur at any time of the year.

Tornado Facts:

- Tornadoes are most likely to occur between 3 and 9 p.m. but have been known to occur at all hours of the day or night.
- The average tornado moves from southwest to northeast, but can move in any direction. Speed can vary from nearly stationary to 70 mph, but the average is 30 mph.
- Tornadoes may appear nearly transparent until dust and debris are picked up.
- In an average year, 800 tornadoes are reported nationwide, resulting in 80 deaths and over 1,500 injuries.

Tornado Safety:

Stay informed by listening to NOAA Weather Radio, commercial radio, and television for the latest watches

and warnings. Tornadoes occasionally develop in areas in which a severe thunderstorm watch or warning is in effect. Remain alert to signs of an approaching tornado and seek shelter if threatening conditions exist. What to look for:

- Dark, often greenish sky
- Wall cloud
- Large hail
- Loud roar; similar to a freight train

If a Warning is issued or if threatening weather approaches:

- In a home or building, move to a pre-designated shelter, such as a basement.
- If an underground shelter is not available, move to an interior room or hallway on the lowest floor and get under a sturdy piece of furniture.
- Stay away from windows.
- Get out of automobiles.
- Mobile homes, even if tied down, offer little protection and should be abandoned.