

MANAGEMENT MEMO

SUBJECT: STATE MOTOR VEHICLE INSURANCE ACCOUNT 2006/07 FY PREMIUM ASSESSMENT	NUMBER: MM 06-04 DATE ISSUED: FEBRUARY 7, 2006 EXPIRES: FEBRUARY 7, 2007
REFERENCES: Government Code Sections 11290 (a), 16378, 16379 Supersedes Management Memo 05-05	ISSUING AGENCY: Department of General Services

Introduction This management memo provides State agencies information on the State Motor Vehicle Insurance Account (SMVIA) premium assessment for the 2006/2007 fiscal year.

Motor Vehicle Insurance Account The SMVIA is funded through assessments charged to State agencies that own vehicles/equipment. The assessment reflects the projected amount to be expended to pay claim settlements and administrative expenses such as adjusting and defense costs.

Calculation Of Assessment Each State agency's insurance premium assessment is based on claim experience for the last five calendar years ending December 31, 2005.

State agencies that own more than 300 vehicles are rated on their own claim experience; State agencies with fewer than 300 vehicles are grouped together and experience-rated as though they were one entity.

Attachment 1 reflects the 2006/2007 fiscal year motor vehicle self-insurance assessments for the 19 large owning departments and the *All Other* group.

The premium assessment for the *All Other* group will be distributed to departments in this group on a *per vehicle basis* using the last reported vehicle inventory from the Office of Fleet Administration (November 2005), applied to the 2006/07 total assessment of \$886,705 (see Attachment 1). The average rate for the *All Other* group is calculated at \$369 per vehicle.

The DGS is able to reduce the 2006/2007 assessment by approximately 19 percent from the prior year assessment of \$26 million to \$21 million (see Attachment 1).

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SMVIA Program Coverage

The SMVIA provides:

- unlimited self-insured liability coverage for the State agencies and employees who operate vehicles on State business.
 - excess liability coverage for State employees on State business while driving non-State vehicles, but only after the vehicle owner's liability policy limits have been paid.
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Coverage Limitation Exception

Effective January 1, 2004, when a non-salaried driver is involved in a motor vehicle accident while on State business, the program's coverage will be limited to \$1 million per accident, regardless of ownership of the vehicle. The driver's employing department/agency will be financially responsible for the payment of any claims, settlements, judgments or verdicts in excess of \$1 million.

Reference: State Administrative Manual (SAM) Section 2420.

Minimizing/ Reducing Vehicle Losses

State agencies can help minimize and/or reduce these losses by following State policies and recommended practices on vehicle use and operator requirements:

- Employees who operate vehicles on official business must have a valid driver's license and a good driving record.
 - Agencies shall participate in the Department of Motor Vehicles (DMV) "Pull Notice Program" if they have employees who operate vehicles on official business as a condition of employment for Class A, B, or Class C drivers' licenses with special certificates.
 - Authorized drivers should be permanent State employees.
 - Drivers under the age of 18 may not operate State vehicles under any circumstances.
 - Employees who operate vehicles on official business shall attend and successfully complete an approved defensive driver training course at least once every four years. Online registration available at: <https://www.training.dgs.ca.gov>.
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Minimizing/ Reducing Vehicle Losses (Cont.)

- Employees operating their private vehicle on official business must complete a STD. 261, *Authorization to Use Privately Owned Vehicles on State Business*. This form certifies liability insurance for the minimum financial responsibility limits as set forth in statute. Additionally, the employee certifies the vehicle is adequate for the work, equipped with operating safety belts and is in safe mechanical condition.
 - Report all vehicle accidents within 48 hours to the Office of Risk & Insurance Management (ORIM) using the STD. 270, Vehicle Accident Report form. The form is available online at www.orim.dgs.ca.gov.
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Contact

Questions concerning the vehicle self-insurance assessments can be directed to:

Gail Saruwatari, Claims Manager
Office of Risk & Insurance Management
Telephone: (916) 376-5285
Email: Gail.Saruwatari@dgs.ca.gov

Visit our website at www.orim.dgs.ca.gov for information on ORIM services.

Signature

Original SAM Management Memo signed by Ron Joseph, Director

Ron Joseph
Director

Attachment

STATE ADMINISTRATIVE MANUAL

ATTACHMENT 1 2006/2007 MOTOR VEHICLE SELF-INSURANCE ASSESSMENT

Department	2005/06 Premiums	2006/07 Premiums
Conservation Corps	\$ 235,897	\$ 180,234
Consumer Affairs	185,978	141,789
Corrections	1,366,686	1,063,993
Developmental Services	99,481	72,890
District Agricultural Associations*	99,002	83,768
Employment Development	103,611	59,210
Fish & Game	327,377	295,723
Food & Agriculture	395,243	224,227
Forestry	1,173,796	411,209
General Services	2,148,811	1,933,490
Highway Patrol	6,190,307	5,009,261
Justice	847,659	639,666
Mental Health	35,696	33,451
Motor Vehicles	235,841	147,755
Parks & Recreation	620,124	592,476
Prison Industry Authority	86,071	59,258
State University	2,670,802	2,042,474
Transportation	8,103,536	6,987,039
Water Resources	155,245	135,383
All Others	918,837	886,705
Total Premium	\$26,000,000**	\$21,000,000

*District Agricultural Association group includes California Exposition, California Science Center, and Food & Agriculture Marketing Boards.

**Total includes expected claims paid, administrative expenses (including legal defense), and funds to build a prudent reserve.