

MANAGEMENT MEMO

SUBJECT: STATE MOTOR VEHICLE INSURANCE ACCOUNT 2010/11 FY PREMIUM ASSESSMENT	NUMBER: MM 10-03 DATE ISSUED: MARCH 11, 2010 EXPIRES: JUNE 30, 2011
REFERENCES: Government Code Sections 11290 (a), 16378, 16379 Supersedes Management Memo 09-02	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 2010/2011 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, 2009.

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

Attachment 1 reflects the 2010/2011 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 (December 2009), applied to the 2010/11 total assessment of \$784,286 (see Attachment 1). The average rate for the *All Other* group is calculated at \$282 per vehicle.

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Loss Reporting Period

It was necessary for the DGS to raise the 2010/2011 assessment by approximately 30 percent from the prior year assessment of \$16.977 million to \$22 million (see Attachment 1). The loss reporting period for assessing the 2010/11 fiscal year premiums has seen a dramatic increase in the number of higher claim costs and settlements. In addition, costs associated with medical treatment have increased significantly in the last several years. The SMVIA has paid out \$12.5 million in claims for the 2008/09 fiscal year and expected settlements for the 2009/10 fiscal year is projected to be over \$24 million.

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 has 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.

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 memo signed by Ronald L. Diedrich, Acting Director

Ronald L. Diedrich, Acting Director
Department of General Services

Attachment

STATE ADMINISTRATIVE MANUAL

ATTACHMENT 1

2010/2011 MOTOR VEHICLE SELF-INSURANCE ASSESSMENT

Department	2010/11 Premiums	2009/10 Premiums
Conservation Corps	193,097	\$193,097
Consumer Affairs	77,421	77,421
Corrections	1,275,790	1,200,065
Developmental Services	82,648	82,648
District Agricultural Associations*	726,958	726,958
Employment Development	264,258	106,507
Fish & Game	254,594	229,777
Food & Agriculture	571,027	537,470
Forestry	453,039	364,758
General Services	2,084,677	2,084,677
Highway Patrol	7,730,886	4,817,296
Justice	192,871	192,871
Mental Health	54,896	48,645
Motor Vehicles	93,693	93,693
Parks & Recreation	501,061	451,203
Prison Industry Authority	30,420	30,420
State University	436,472	436,472
Transportation	6,049,756	4,376,585
Water Resources	142,151	142,151
All Others	784,286	784,286
Total Premium	\$22,000,000	\$16,977,000**

*District Agricultural Association group includes California Exposition.

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