

MANAGEMENT MEMO

SUBJECT: STATE MOTOR VEHICLE INSURANCE ACCOUNT 2011-2012 FISCAL YEAR PREMIUM ASSESSMENT	NUMBER: MM 11-02 DATE ISSUED: APRIL 6, 2011 EXPIRES: JUNE 30, 2012
REFERENCES: Government Code Sections 11290 (a), 16378, 16379 Supersedes Management Memo 10-03	ISSUING AGENCY: Department of General Services

Introduction The Department of General Services (DGS) administers the State Motor Vehicle Insurance Account (SMVIA). This management memo provides State agencies with information on their annual SMVIA premium assessment for the 2011-2012 fiscal year. SMVIA funds are utilized to pay claims for damages as a result of the ownership or operation of motor vehicles used in the course and scope of State employment.

**SMVIA
Program
Coverage**

The SMVIA provides:

- Unlimited self-insured liability coverage for 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.

**Coverage
Limitation
Exception**

Liability coverage is limited to \$1 million per occurrence/accident when the State vehicle is operated by a non-salaried employee (i.e. student assistant, volunteer, etc.) on State business, 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.)

**State
Motor
Vehicle
Insurance
Account**

The SMVIA is funded through assessments charged to State agencies that own vehicles/equipment. The amount of the assessment is a projection of expenditures that will pay claim settlements and administrative expenses such as adjusting and defense costs.

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Assessment Calculation

Each State agency's premium assessment is based on claim experience for the last five calendar years ending December 31, 2010.

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 2011-2012 fiscal year motor vehicle self-insurance assessments for the 19 large owning departments and the *All Other Departments* group.

The premium assessment for the *All Other Departments* category will be distributed to departments in this group on a *per vehicle* basis using the reported vehicle inventory as of December 31, 2010, from the DGS Office of Fleet and Asset Management. The average rate for this group is calculated at **\$328** per vehicle. The slight increase in the *per vehicle* rate can be attributed to a reduction in inventory from 2,780 vehicles ending December 31, 2009, to 2,391 vehicles as of December 31, 2010.

Loss Impact

Increases in claim, medical and settlement costs resulted in 2010-2011 fiscal year premium assessment increases from the prior fiscal year. The SMVIA projects similar losses for the upcoming 2011-2012 fiscal year, therefore, some State agencies' premium assessments will reflect variances from previous years' assessment. State agencies with increased premium assessments have already been contacted by the DGS Office of Risk and Insurance Management.

Minimizing/Reducing Vehicle Losses

State agencies can help minimize and/or reduce vehicle and vehicle – related 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.
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Minimizing/ Reducing Vehicle Losses (Cont.)

- Drivers under the age of 18 may not operate State vehicles under any circumstances.
- Employees who operate vehicles on official business should attend and successfully complete the DGS approved defensive driver training course at least once every four years. Online registration is available at:
<https://www.training.dgs.ca.gov/courselist.asp?group=1>
Note: Online training will be available by July 1, 2011.
- Employees operating their private vehicle on official State 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 DGS 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 regarding the State Motor Vehicle Insurance Account or the annual vehicle self-insurance premium assessments can be directed to:

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Office of Risk & Insurance Management
(916) 376-5280
Karen.Bianchini@dgs.ca.gov

For more information please visit our website at:
<http://www.dgs.ca.gov/orim/Programs/AutoClaims.aspx>

Signature

Original management memo signed by Scott Harvey, Acting Director,
DGS

Scott Harvey, Acting Director
Department of General Services

STATE ADMINISTRATIVE MANUAL

Attachment

ATTACHMENT 1

2011-2012 MOTOR VEHICLE SELF-INSURANCE ASSESSMENT

Department	2011/12 Premiums	2010/11 Premiums
Conservation Corps	193,097	193,097
Consumer Affairs	77,421	77,421
Corrections	1,596,345	1,275,790
Developmental Services	82,648	82,648
District Agricultural Associations*	727,120	726,958
Employment Development	264,258	264,258
Fish & Game	254,594	254,594
Food & Agriculture	571,027	571,027
CAL FIRE	453,039	453,039
General Services	2,084,677	2,084,677
Highway Patrol	7,654,019	7,730,886
Justice	524,020	192,871
Mental Health	54,896	54,896
Motor Vehicles	93,693	93,693
Parks & Recreation	501,061	501,061
Prison Industry Authority	30,420	30,420
State University	436,472	436,472
Transportation	5,974,756	6,049,756
Water Resources	142,151	142,151
All Other Departments**	784,286	784,286
Total Premium	22,500,000	\$22,000,000***

*District Agricultural Association group includes California Exposition.

**Per vehicle charge is \$328.

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