

MANAGEMENT MEMO

SUBJECT: STATE MOTOR VEHICLE INSURANCE ACCOUNT 2016-17 FISCAL YEAR PREMIUM ASSESSMENT	NUMBER: 16-01
	DATE ISSUED: MARCH 7, 2016
REFERENCES: Government Code Sections 11290 (a), 16378, 16379 Supersedes Management Memo 14-04	EXPIRES: JUNE 30, 2017
	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 information on their State Motor Vehicle Insurance Account (SMVIA) premium assessment for the 2016-2017 fiscal year. The 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 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.

Coverage Limitation Exception Effective January 1, 2004, when a non-salaried driver (which includes, but is not limited to, students and contractors) 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.

State 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.

Assessment Calculation

Each state agency's premium assessment is based on claim experience for the last five calendar years ending December 31, 2015.

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

Attachment 1 reflects the 2016-2017 fiscal year motor vehicle self-insurance assessments for 24 separately rated 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, 2015, from the DGS Office of Fleet and Asset Management. The average rate for this group is calculated at **\$553** per vehicle.

Loss Impact

The premium increase in 2016-2017 is a result of an increase in the number of claims and increase in legal expenses paid through the SMVIA program. The SMVIA projects a total disbursement amount of claim payments and administrative costs totaling \$21,308,663 for the 2016/2017 fiscal year.

**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.
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**Minimizing/
Reducing
Vehicle
Losses
(Cont.)**

- 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 training available at: <http://www.dgs.ca.gov/orim/Programs/DDTOnlineTraining.aspx>
- 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:

Christopher Verdin, Staff Risk Manager
Office of Risk & Insurance Management
Telephone: (916) 376-5425
Email: christopher.verdin@dgs.ca.gov

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

Signature



Daniel C. Kim, Director
Department of General Services

03/07/2016

Date

Attachment

**ATTACHMENT 1
2016/2017 MOTOR VEHICLE PREMIUM ASSESSMENT**

Department	2016/2017 Premiums	2015/2016 Premiums
Air Resources	\$3,604,798	\$1,594,210
Cal Fire	\$382,493	\$291,024
Conservation Corps	\$135,786	\$98,856
Consumer Affairs	\$368,977	\$313,768
Corrections	\$360,997	\$775,894
DDS	\$23,445	\$21,758
District Ag Associations*	\$48,936	\$51,704
EDD	\$483,722	\$45,648
Emergency Services	\$68,688	\$52,406
Fish & Wildlife	\$268,918	\$254,680
Food & Agriculture	\$431,164	\$190,512
General Services	\$2,926,599	\$2,413,568
Highway Patrol	\$6,073,504	\$6,801,060
Insurance	\$96,832	\$63,003
Judicial Council	\$45,991	\$61,872
Justice	\$147,106	\$614,658
Lottery	\$83,712	\$150,426
Motor Vehicles	\$293,517	\$163,117
Parks & Rec	\$1,494,698	\$1,387,802
Prison Industry Auth.	\$123,933	\$38,531
State Hospitals	\$19,447	\$12,181
State University	\$829,510	\$845,823
Transportation	\$9,064,337	\$9,164,099
Water Resources	\$186,290	\$173,263
All Others**	\$765,993	***\$2,311,983
Total Premium	\$28,329,393	****\$27,891,845

*District Agricultural Association group includes California Exposition.

**Per vehicle charge is \$553.

***Includes Board of Equalization premium.

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