

MANAGEMENT MEMO

SUBJECT:	NUMBER:
STATE MOTOR VEHICLE INSURANCE ACCOUNT 2012-13 FISCAL YEAR PREMIUM ASSESSMENT	MM 12-04
REFERENCES:	DATE ISSUED: MAY 10, 2012
Government Code Sections 11290 (a), 16378, 16379 Supersedes Management Memo 11-02	EXPIRES: JUNE 30, 2013
	ISSUING AGENCY:
	Department of General Services (DGS)

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 2012-2013 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.

STATE ADMINISTRATIVE MANUAL

Assessment Calculation

Each State agency's premium assessment is based on claim experience for the last five calendar years ending December 31, 2011.

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 2012-2013 fiscal year motor vehicle self-insurance assessments for the 21 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, 2011, from the DGS Office of Fleet and Asset Management. The average rate for this group is calculated at **\$361** per vehicle.

Loss Impact

The premium increase in 2012-2013 is a result of a 51% increase in the total loss amount for the 2011 calendar year. The cumulative affect resulted in a projected claims payout of \$30 million for the 2011-2012 fiscal year and a projected claims payout of \$37 million for the 2012-2013 fiscal year. The increase in claim payments is due to an increase in higher settlement amounts and increasing litigation expenses.

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.

(continued on next page)

Minimizing/ Reducing Vehicle Losses (Con't)

- 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/AutoClaims.aspx>

Signature

Original Management Memo signed by Fred Klass, Director DGS

Fred Klass
Director
Department of General Services

Attachment

STATE ADMINISTRATIVE MANUAL

**ATTACHMENT 1
2012/2013 MOTOR VEHICLE PREMIUM ASSESSMENT**

Department	2012/13 Premiums	2011/12 Premiums
Air Resources Board	784,875	40,016
Conservation Corps	140,716	193,097
Consumer Affairs	105,168	77,421
Corrections	2,235,876	1,596,345
Developmental Services	114,054	82,648
District Agricultural Associations*	996,803	727,120
Employment Development	706,302	264,258
Fish & Game	326,066	254,594
Food & Agriculture	494,475	571,027
Forestry	916,905	453,039
General Services	2,545,328	2,084,677
Highway Patrol	13,337,927	7,654,019
Judicial Council	140,119	111,520
Justice	695,704	524,020
Mental Health	51,306	54,896
Motor Vehicles	129,022	93,693
Parks & Recreation	623,744	501,061
Prison Industry Authority	29,871	30,420
State University	683,336	436,472
Transportation	5,903,394	5,974,756
Water Resources	224,299	142,151
All Others**	814,710	632,750
Total Premium	32,000,000***	\$22,500,000

*District Agricultural Association group includes California Exposition.

**Per vehicle charge is \$361.

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