

# MANAGEMENT MEMO

SUBJECT: STATE MOTOR VEHICLE INSURANCE ACCOUNT 2013-14 FISCAL YEAR PREMIUM ASSESSMENT	NUMBER: <b>MM 13-05</b>
	DATE ISSUED: MARCH 27, 2013
REFERENCES: Government Code Sections 11290 (a), 16378, 16379 Supersedes Management Memo 12-04	EXPIRES: JUNE 30, 2014
	ISSUING AGENCY: Department of General Services (DGS)

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**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 2013-2014 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.

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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 (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.

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**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.

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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, 2012.

Beginning with the 2013-2014 premium assessment, each agency will be charged separately for any Attorney General (AG) charges associated with the handling of their respective claims. These charges, if any, are included in the final premium assessment shown below.

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 2013-2014 fiscal year motor vehicle self-insurance assessments for the 22 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, 2012, from the DGS Office of Fleet and Asset Management. The average rate for this group is calculated at **\$462** per vehicle.

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### **Loss Impact**

The premium decrease in 2013-2014 is a result of a reduced number of large motor vehicle claims being paid through the SMVIA program. The SMVIA projects a claims payout of \$32 million for the 2012-2013 fiscal year.

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### **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 (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](http://www.orim.dgs.ca.gov).

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### 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](mailto:christopher.verdin@dgs.ca.gov)

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

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### Signature

*(Original signed by Director on file)*

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Fred Klass  
Director  
Department of General Services

Attachment

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**ATTACHMENT 1  
2013-2014 MOTOR VEHICLE PREMIUM ASSESSMENT**

<b>Department</b>	<b>2013-2014 Premiums</b>	<b>2012-2013 Premiums</b>
Conservation Corps	\$89,763	\$140,716
Consumer Affairs	\$97,102	\$105,168
Corrections	\$2,148,427	\$2,235,876
DDS	\$34,582	\$114,054
District Ag Associations	\$63,990	\$996,803
EDD	\$943,440	\$706,302
Fish & Game	\$326,820	\$326,066
Food & Agriculture	\$283,303	\$494,475
Cal Fire	\$444,193	\$916,905
General Services	\$2,681,654	\$2,545,328
Highway Patrol	\$13,394,031	\$13,337,927
Insurance	\$52,972	\$96,387
Judicial Council	\$174,511	\$140,119
Justice	\$1,023,047	\$695,704
Mental Health	\$14,134	\$51,306
Motor Vehicles	\$89,598	\$129,022
Parks & Rec	\$1,017,980	\$623,744
Prison Industry Auth.	\$17,427	\$29,871
State University	\$648,727	\$683,336
Transportation	\$3,938,588	\$5,903,394
Water Resources	\$279,434	\$224,299
All Others	\$912,544	\$718,322
Air Resources	\$1,161,524	\$784,875
<b>Total Premium</b>	<b>\$29,837,788***</b>	<b>\$32,000,000</b>

\*District Agricultural Association group includes California Exposition.

\*\*Per vehicle charge is \$462.

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