

**BOARD OF CLAIMS**  
**Minutes for the June 23, 2016 Meeting of the Board**

**Members Present:**

Steve Curry, First Deputy Treasurer, Designee for State Treasurer  
Rebecca Hunter, Commissioner of Human Resources  
Abby Sutton, designee for Tre Hargett, Secretary of State  
Terry Mason, designee for Justin Wilson, Comptroller  
Eugene Neubert, designee for Larry Martin, Commissioner of Finance and Administration

**Also Present:**

Rodney Escobar, Director of Risk Management and Claims Administration, Treasury Department  
Lisa Marie Woods, Assistant General Counsel, Treasury Department  
Jamie Fohl, Division of Risk Management and Claims  
Amy Dunlap, Assistant Director of Risk Management and Claims Administration, Treasury Department  
Larissa Dills, Division of Risk Management and Claims  
Pam Jeffreys, University of Tennessee  
Ann Lovell, S&S  
Carleen Patterson, AON  
Jean Cofield, AON  
Gayle Michener, AON  
Matthew Donahue, AON  
Tricia Piccinini, AON  
Sanju Rajan, AON  
Anderw Laubmeier, AON  
Brent Hobby, University of Tennessee, telephone participant  
Kremena Vassileva, AON, telephone participant  
Casey Wigglesworth, AON, telephone participant

**Call Meeting to Order**

With a quorum present, Steve Curry, First Deputy Treasurer called the meeting to order at 2:07 p.m.

**Review of Minutes of March 23, 2016 Meeting**

The first item of business was review of the minutes for the Board of Claims meeting on March 23, 2016. A motion to approve was made by Commissioner Rebecca Hunter, Commissioner of Human Resources. The motion was seconded by Terry Mason, designee for Comptroller Justin Wilson. The motion passed unanimously approving the minutes.

### **Property Insurance Coverage**

First Deputy Treasurer, Steve Curry, provided introductory information concerning the purchase of property insurance and the Board's responsibility relative to each purchase of insurance. He advised that staff was prepared with recommendations for all lines of coverage.

Rodney Escobar, Director of Risk Management and Claims Administration, briefly reviewed the annual insurance memos and attachments. AON recently was awarded another 5 year contract through the competitive bid process which included Aviation. He then introduced Carlene Patterson, AON Risk Solutions, (the state's insurance broker). Ms. Patterson stated that AON is very pleased with the outcome of the renewal. Ms. Patterson introduced their team of brokers that had conferenced called into the meeting. AON then began their presentation and provided a detailed report of all lines of coverage.

The Cyber Liability policy was then discussed. NAS is our current provider. With a full marketing effort by AON, NAS increased limits and enhanced the policy with only a premium increase of 2%. NAS increased the breach response limits from \$3 million to \$5 million. NAS quoted a premium of \$296,280 with the expiring program. Chubb quoted on the excess \$5 million layer at \$251,600 which is very competitive given the current marketplace. The State will now have \$10 million in cyber coverage. The motion to approve was made by Eugene Neubert, designee for Larry Martin, Commissioner of Finance and Administration. The motion was seconded by Rebecca Hunter, Commissioner of Human Resources. The motion passed unanimously.

For Crime, we are in the third year of a 3 year policy term at a premium of \$86,166 with Zurich as our carrier. The policy offers a \$3 million coverage limit with a \$100,000 deductible. Zurich has offered a social engineering endorsement to the current policy for \$6,359, with limits of \$25,000 and a deductible of \$50,000. The motion to approve was made by Rebecca Hunter, Commissioner of Human Resources and was seconded by Terry Mason, designee for Comptroller Justin Wilson. The motion passed unanimously.

For Fine Arts, last year, Board decided to change to the \$75 million limit due to concentration of values. This year, with values at the State Museum and Library and Archives continuing to increase, AON is recommending increasing the limit to \$85 million. Ironshore is the incumbent carrier. With a full marketing effort, Ironshore was able to provide a \$0 deductible at the higher limit for \$42,962 (an 8% increase). Other insurance carriers wanted to increase the deductibles. The motion to approve was made by Rebecca Hunter, Commissioner of Human Resources and was seconded by Eugene Neubert, designee for Larry Martin, Commissioner of Finance and Administration. The motion passed unanimously.

For Aviation, the State decided to move the renewal to a July 1 instead of November 1. AON is our new Aviation broker. They obtained much more information than in previous years. Starr Insurance is the incumbent carrier. With much competition this year, AON was able to renew the Aviation at a 39% decrease in premium (\$15,536) from last year. In addition, with AON's discovery efforts, they are recommending a master drone policy to cover all owned and non-owned drones. This new policy will be \$11,122 for the 53 drones. Finally, AON is recommending a Non-Owned Aircraft Liability policy at \$3,500. Steve Curry told the Board that

the individual agency makes the decision on the hull coverage, while the Board's purview is the liability coverage. The motion to approve was made by Rebecca Hunter, Commissioner of Human Resources and was seconded by Abby Sutton, designee for Secretary of State Tre Hargett. The motion passed unanimously.

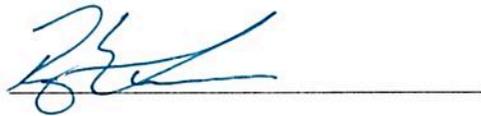
The next item covered by the Board was a discussion on the State's property insurance program. Lexington has been our carrier for over 10 years, offered an excellent quote for a 3 year guarantee rate with a 40% Loss Ratio Guarantee. They decreased the rate by 15% for a savings of \$750,000. Travelers also quoted, but their terms and conditions were not at all competitive with Lexington's.

AON recommended a new line of coverage called Stand Alone Terrorism policy. Currently, the State purchases terrorism coverage through Lexington with the Federal Terrorism policy. With its very restrictive terms and conditions, this policy has never been triggered in the history of the program. The new terrorism policy has much more liberal triggers. The Boston bombing would have triggered a standalone policy where the Federal program did not. AON was able to procure this type of policy for \$136,875 which is less expensive than the current terrorism policy the State purchases.

Earthquake excess coverage was the last item to review. AON was able to go to the market with several options of increasing the limits of coverage. Due to the high cost of the additional premium and not enough funding in the Risk Management Budget, the Board decided to go with the current program, with three carriers instead of one at a reduced premium of \$240,000 (a 4% decrease). The motion to approve was made by Abby Sutton, designee for Secretary of State Tre Hargett and was seconded by Rebecca Hunter, Commissioner of Human Resources. The motion passed unanimously.

### Adjournment

There being no further business the meeting was adjourned at 3:14 p.m.



Rodney Escobar  
Director of Risk Management and Claims  
Executive Secretary to the Board of Claims



Steve Summerall, Designee for  
David H. Lillard, Jr  
State Treasurer  
Chairman, Board of Claims