

BOARD OF CLAIMS
Minutes for the June 20, 2017 Meeting of the Board

Members Present:

Steve Summerall, designee for David H. Lillard, Jr., State Treasurer, Chair
Mary Beth Thomas, designee for Tre Hargett, Secretary of State
Terry Mason, designee for Justin Wilson, Comptroller
Martha Nichols, designee for Larry Martin, Commissioner of Finance and Administration
Lesley Farmer, designee for Rebecca Hunter, Commissioner of Human Resources

Treasury Staff:

Rodney Escobar, Director of Claims and Risk Management, Treasury Department
Christy Allen, Assistant Treasurer for Legal, Compliance, Internal Audit
Amy Dunlap, Assistant Director, Claims and Risk Management
Jamie Fohl, Division of Claims and Risk Management
Larissa Dills, Division of Claims and Risk Management

Also Present:

Carleen Patterson, AON
Jean Cofield, AON
Rebecca Hollis, AON
Matthew Donahue, AON
Tricia Piccinini, AON, telephone participant
Sanju Rajan, AON, telephone participant
Kremena Vassileva, AON, telephone participant
Casey Wigglesworth, AON, telephone participant
Anastasia Hillel, AON, telephone participant
Stephen Quintana, AON, telephone participant
Jonathan Little, AON, telephone participant

Call Meeting to Order

With a quorum present, Steve Summerall, Assistant Treasurer for Program Services, called the meeting to order at 1:02 p.m.

Review of Minutes of December 16, 2016 Meeting

The first item of business was review of the minutes for the Board of Claims meeting on December 16, 2016. A motion to approve was made by Martha Nichols, designee for Larry Martin, Commissioner of Finance and Administration. The motion was seconded by Terry Mason, designee for Comptroller Justin Wilson. The motion passed unanimously approving the minutes.

Property Insurance Coverage

Steve Summerall, 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. 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 Fine Arts policy was discussed first. Due to the values of the Tennessee State Museum and the Library and Archives increasing to approximately \$87 million, AON is recommending that the Policy limits increase from its current \$85 million to \$90 million. A full marketing effort was engaged last year. Ironshore Insurance Company is the incumbent carrier. They offered only a \$500 increase from last year for the higher limits. In addition, the same terms and conditions will apply with a \$0 deductible. A motion was made by Martha Nichols, designee for Larry Martin, Commissioner of Finance Administration to approve Option 2. The motion was seconded by Mary Beth Thomas, designee for Secretary of State Tre Hargett. The motion passed unanimously.

For Aviation, Starr insurance is the incumbent carrier. With much competition last year, AON was able to renew the aviation at a 39% decrease in premium. In addition, with AON's discovery effort they are renewing a master drone policy to cover all owned and non-owned drones. This new policy will be \$11,550 for the drones. Finally, AON is renewing a Non-Owned Aircraft Liability policy at \$3,500. Steve Summerall 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 Terry Mason, designee for Comptroller Justin Wilson. The motion was seconded by Mary Beth Thomas, designee for Secretary of State Tre Hargett. The motion passed unanimously.

The Cyber Liability policy was then discussed. A full marketing effort was performed this year. We continue to carry \$10 million in liability limits. XL insurance carrier (a major cyber player) offered excellent primary terms and conditions at \$250,000 (approximately \$43,000 less than the incumbent carrier NAS). For the excess layer the incumbent, Chubb, decreased their quote by approximately \$76,000. The motion to approve was made by Mary Beth Thomas, designee for Tre Hargett, Secretary of State. The motion was seconded by Martha Nichols, designee for Larry Martin, Commissioner of Finance and Administration. The motion passed unanimously.

The Commercial Property policy was then discussed. The State's overall property values increased by 5.8%. AON was able to renew with the incumbent carrier with only a 2.86% increase. In addition, due to the fact that Commerce and insurance is charging a convenience fee for all of its non-admitted filings, AON was able to change the insurance contract from Lexington (non-admitted) to American Home Insurance (admitted) to avoid this fee. Both insurance companies are under the AIG umbrella. The motion to approve was made by Martha Nichols, designee for Larry Martin, Commissioner of Finance and Administration. The motion was seconded by Terry Mason designee for Comptroller Justin Wilson. The motion passed unanimously.

The Standalone Terrorism policy was discussed next. Last year was the first year that we procured Standalone Terrorism to replace the Federal Terrorism policy (which has never been triggered in the history of the program. AON is recommending the expiring \$500 million limits with a \$25 million extension for liability for last year's premium of \$136,875. A motion was made by Mary Beth Thomas, designee for Tre Hargett, Secretary of State to approve Option 2. The motion was seconded by Lesley Farmer, designee for Rebecca Hunter, Commissioner of Human Resources. The motion passed unanimously.

The Excess Earthquake policy was discussed. 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 of one at a reduced premium of \$240,000 (a flat renewal). A motion was made by Terry Mason, designee for Comptroller Justin Wilson. The motion was seconded by Mary Beth Thomas, designee for Secretary of State Tre Hargett. The motion passed unanimously.

For Crime, last year was the third and final year of the three year policy with Zurich. AON did a competitive marketing effort this year with Zurich as the only competitive player. They have offered a three year policy with terms of either prepaid or annual installments. The prepaid plan will save the state approximately \$12,000 over the three year annual installment plan. In addition, the coverage contains \$250,000 social engineering sublimit. The Board recommended Option 3, the three year prepaid unless we legally have to do the one year option. The motion to approve was made by Terry Mason, designee for Comptroller Justin Wilson and was seconded by Mary Beth Thomas, designee for Secretary of State Tre Hargett. The motion passed unanimously.

Tenant User Liability Insurance Program (TULIP) – this is a new coverage designed to provide commercial general liability coverage to those tenant users of eligible facilities owned by the State of Tennessee who enroll in the program. In addition, the program will automatically name the State (property owner) as any additional insured for the enrolled tenant user. The tenant user will be responsible for paying the premiums directly to AON who will be responsible for the administration of the program. The program limits are \$1 million per occurrence and \$5 million in the aggregate. These are small events. The motion to approve was made by Mary Beth Thomas, designee for Secretary of State Tre Hargett and was seconded by Martha Nichols, designee for Larry Martin, Commissioner of Finance and Administration. The motion passed unanimously.

Directors and Officers' Liability (D&O), Educators Legal Liability (ELL) and Employment Practices Liability (EPL) Insurance – This is a new option for the 6 Universities under the FOCUS ACT and the University of Tennessee system. Each institution will decide what policy they wish to have and the limits of coverage. Austin Peay requested approval today to purchase D&O Liability for a new Board. Other Universities will determine whether they want to purchase D&O this fiscal year. A motion to approve was made by Martha Nichols, designee for Larry Martin, Commissioner of Finance and Administration. The motion was seconded by Terry Mason, designee for Comptroller Justin Wilson. The motion passed unanimously.

Adjournment

There being no further business, the meeting was adjourned at 1:56 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