Property & Liability Outreach

Produced by Department of Administration Bureau of State Risk Management

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FY23, Quarter 2

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P&L Manual Link

Emergency Response Vendor List

Whenever your agency experiences a loss that involves water, fire, or smoke, it is extremely important to mitigate your damages. Above is a hyperlink of Emergency Response Contractors that can be found on the BSRM website. This list is broken down not only by location (area the company serves) but also the perils they can handle.

Self-Funded Property Claim Payments Through October*

Auto FY22	Auto FY23
$178,004.13	$162,870.86

Property w/o Auto FY22	Property w/o Auto FY23
$719,660.11	$6,295,055.14

*Does Not Include Excess Payments

Risk Mgmt. Conference Wrap Up

Thank you for all those who attended the 27th annual State Risk Management Conference – *A Catch 22 – Implications of Decision Making*. Like last year, the conference took place virtually over 4 days earlier this month. The areas of interest that were covered/addressed were, The State of State Risk Management, Deferred Maintenance – A Catch 22, Solving the Safety Dilemma and The Covid Impact on Workers Compensation. Attendance for all sessions was once again at an all-time high. Copies of presentations have been sent out to those who have requested them however if you are interested in receiving a copy of any presentation, please contact Brad Templin (contact information below). Thanks again for attending!

THANK YOU TO ALL THOSE WHO ASSISTED IN SENDING IN DATA SETS FOR FY23 PREMIUM DEVELOPMENT!

Calculating the Cost of Deferred Maintenance

During the 2022 State Risk Management Conference – A Catch 22 – Implications of Decision-Making, the P&L session addressed the topic of Deferred Maintenance. Within the session, the presenter Taylor Hamontree (from Gallagher, the states broker of record) discussed how organizations can determine the true cost of deferred maintenance to help facilitate conversations on getting delayed maintenance issues addressed in future budgets; as insurance (provided by the self-funded property program) actually excludes damages determined to be a result of ordinary wear and tear or gradual deterioration. There are three different calculations one can use. They are calculating the loss expectancy of the deficiency, calculating the loss expectancy reduction if the deficiency had been resolved and calculating the cost to benefit ratio of making the improvement. The three calculations methodologies can be found below:

Step 1: Calculate the loss expectancy (LE) of the deficiency
For equipment breakdown exposures, this is calculated by adding the Replacement Value (RV) and Time Element (TE)

RV = The Cost of the equipment x the percent it is damaged
TE = The revenue lost per day x the number of days down

> EX A. If the switchgear does not receive proper IR scanning and exercising, there is a ground fault that results in 50% damage to the equipment. The switchgear costs $600,000 to replace. The plant has an annual Business Interruption (BI) value of $2M per year. The vendor estimates that it would take 3 months to replace the equipment.
>
> RV = $600,000 x 50% = $300,000
> TE = $2M / 365 days * 90 days = $493,150
> RV + TE = $300,000 + 493,150 = $793,150

For property damage exposures the loss expectancy is calculated by adding Property Damage (PD) and Time Element (TE)

PD = The footprint of the damage area x the $ per sq. ft. value of the building x the percent it is damaged from fire, water, or smoke
TE = The revenue lost per day x the number of days down

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EX B. If punctures in the roof's membrane are not repaired, there is the potential for water damage to the 1st floor of the building. Cleanup and restoration of this is estimated at 40% of the total building value for dry wall and carpet replacement. The area of damage could be up to 4,300 sq. ft. The value of the building and its contents is $5.8M. The total building is 100,000 sq. ft. The site has an annual Business Interruption (BI) value of $3M per year. The contractor advises that it would take 3 weeks to repair the dry wall and carpeting.

PD = 4,300 sq. ft. x ($5.8M/100,000 sq. ft.) x 40% = $99,760
TE = $3M / 365 days * 21 days = $172,603
PD + TE = $99,760 + $172,603 = $272,363

If there is damage to a piece of equipment and fire following, the total LE would include both calculations from above

Step 2: Calculate the loss expectancy reduction if the deficiency had been resolved
The LE reduction is calculated by subtracting the LE after the deficiency is resolved from the LE before the deficiency is resolved.

Ex A. The switchgear receives proper IR scanning and exercising. From these inspections it is determined that the equipment is in good working order. There is no loss event.

LE reduction = $793,150 - $0 = $793,150

Ex B. The roof membrane is inspected by a contractor annually. Any issues noted are promptly repaired.
There is no water damage to the interior of the building.

LE reduction = $272,363 - $0 = $272,363

In the event the deficiency can result in a fire, there will still likely be an LE for both before and after resolution as even a controlled fire will still result in some amount of damage. However, it will be significantly less than a fire with the deficiency.

Step 3: Calculate the cost to benefit ratio of making the improvement
The cost to benefit ratio is calculated by dividing the cost of the improvement by the LE reduction and converting to a percentage

Ex A. You receive a quote for electrical preventative maintenance including IR and exercising for $50,000
Cost = $50,000
Benefit = $793,150 (LE reduction)
Cost/benefit ratio = $50,000 / $793,150 = .06 or 6%

In other words, you are spending $50,000 to save $793,150 (a pretty good deal)

Ex B. You receive a quote for a roof inspection and all necessary repairs for $90,000
Cost = $90,000
Benefit = $272,363 (LE reduction)
Cost/benefit ratio = $90,000 / $272,363 = .33 or 33%

In other words, you are spending $90,000 to save $272,363 (not as good of a deal)

*****Cost to benefit ratios less than or equal to 15% can be considered sound loss prevention advice that is worthy of expense. This is a benchmarking tool that can assist is prioritizing different capital expenditures.*****

Paid Liability Claims Through October

FY22	FY23
$1,026,047	$1,465,120

Open Claim Counts

November 2022

Auto	General
18	18
Civil Rights	**Environmental**
448	0

Medical Malpractice
12

Professional
16

Employment Practices
12

Total
524

Website:

P&L Webpage

Contact Us

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Please contact us with feedback and/or suggestions for future articles.

SAFELITE INFORMATION CHANGE EFFECTIVE 12.12.22

Safelite AutoGlass

OLD INFORMATION
PHONE #800-469-3941
What you needed: ACCOUNT #061951

NEW INFORMATION
1-833-WISC-FIX (1-833-947-2349)
What you'll need: Fleet # and Client Code/# (Example for DOA is DOA-5C23) or last 8 digits of the VIN #

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