

The Risk Management Unit Property & Casualty

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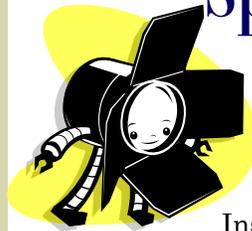
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Spotlight on Fleet Insurance



The Risk Management Unit (RMU) purchases and manages liability insurance for the State's fleet. We are currently managing a three-year primary and excess liability insurance policy that runs through October 31, 2010. One Beacon Insurance Company is the carrier and Ferdinando Insurance Associates, Inc. is the carrier's insurance agent. The primary policy provides liability coverage with limits of \$25,000 per person/\$50,000 per accident. The excess policy provides additional coverage of up to \$250,000 per person/\$500,000 per accident. The three year premium is approximately \$1.7 million with an annual premium of approximately \$579,200. State agencies pay \$123 in premium for each fleet unit owned and operated. The policy covers all of the State's 4,709 fleet units, which includes passenger vehicles, trucks, mobile equipment, motorcycles, snowmobiles, ATVs, trailers and passenger vans.

OneBeacon presents premium and claims data to RMU in order to illustrate loss ratios and claims severity. OneBeacon prepares a breakdown of claims to show the cost and number of claims by most common accident type. The State's cause of loss categories are rear end collisions, collisions involving snow plowing, turning claims, hitting stationary objects, all other collision types and miscellaneous. RMU, One Beacon and Ferdinando Insurance Associates meet quarterly to review claims and to assess agency training needs, loss control efforts and customer service issues although RMU reviews the data monthly. RMU has analyzed the costs associated with this insurance policy to determine the relationship between claim payments and premium. Fleet liability insurance has proven to be cost-effective for the State. Since 2007, the State's overall loss ratio, which compares claim payments to premium, has been favorable.

Fleet liability insurance has many additional benefits. It bolsters the State's image among New Hampshire drivers by providing prompt and fair claims handling. Fleet liability insurance provides the State with the security of having protection for an exposure that involves moderate to high level of risk; legal defense for claims; cost recovery assistance on claims where State vehicles are damaged by third parties; insurance coverage for vehicles the State leases, hires, rents and/or borrows; loss control services to reduce future accidents as well as an online claims database that runs standardized and customized claims reports.

Overall Annual Statewide Fleet Loss Ratio Comparison

“Loss ratio” is an insurance industry financial metric that compares premium to claim total (comprised of total paid and on reserve plus claims expenses). The metric is used to evaluate the value of the coverage. In the policy period of November 1, 2007 through October 31, 2008, (2007-2008 policy year) the State incurred \$847,395 in losses and paid \$579,207 in premium. The loss ratio for this time period was 1.46 (\$847,395 claim total divided by \$579,207 in premium). This is a favorable ratio for the State because OneBeacon paid claimants \$1.46 for every dollar the State paid in premium.

In the 2008-2009 policy period, the State incurred \$355,010 in losses and paid \$579,207 in premiums. The loss ratio for the 2008 to 2009 policy period is .61. While the loss ratio was not as favorable, it indicates that fewer claims were incurred. A positive claims trend may help the State secure a reduced premium rate in its upcoming procurement. The State reduced total claim dollars from policy year 2007-08 to 2008-09 by 58%.



In the 2007- 2008 policy year the loss ratio was 1.46. In the 2008-2009 policy year the loss ratio decreased to .61

Policy Year 2007-2008 (November 1, 2007 through October 31, 2008)

Quarter	Number of Fleet Accidents	Claim Total	Premium
1st Qtr 2007	125	\$101,772.00	\$144,801.75
2nd Qtr 2008	112	\$209,091.00	\$289,604.00
3rd Qtr 2008	42	\$261,895.00	\$434,403.00
4th Qtr 2008	42	\$847,395.00	\$579,207.00
Grand Total	321	\$847,395.00	\$579,207.00

Policy Year 2008-2009 (November 1, 2008 through October 31, 2009)

Quarter	Number of Fleet Accidents	Claim Total	Premium
1st. Qtr 2008	111	\$138,562.00	\$144,801.75
2nd. Qtr 2009	46	199,258.00	\$289,604.00
3rd. Qtr 2009	50	\$323,634.00	\$434,403.00
4th. Qtr 2009	48	\$355,010.00	\$579,207.00
Grand Total	255	\$355,010.00	\$579,207.00

Legend: *First Quarter* = November 1 to January 31
Second Quarter = February 1 to April 30
Third Quarter = May 1 to July 31
Fourth Quarter = August 1 to October 31
Claim Total = Total Paid + Reserves + Expenses
Premium = Premium paid by State to One Beacon Insurance Co.

Fleet Premiums Compared to Total Claim Dollars

Policy Year 2007-2008

Chart 1

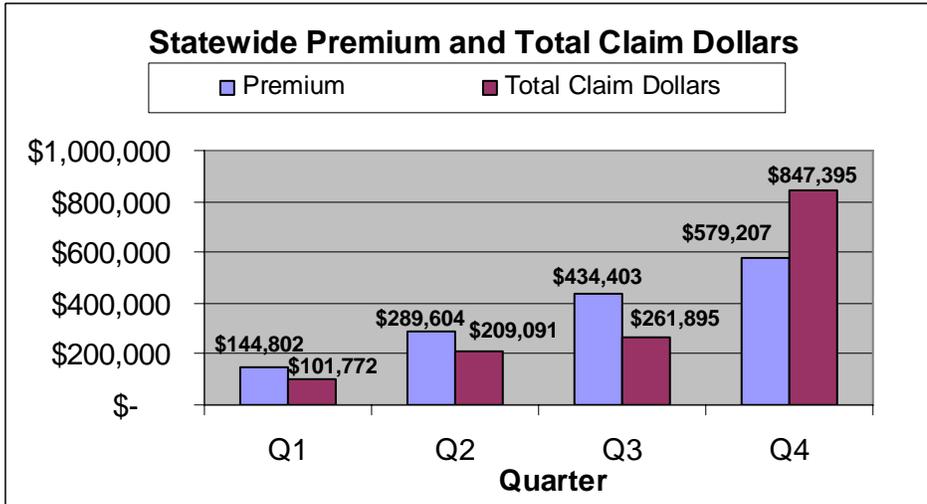
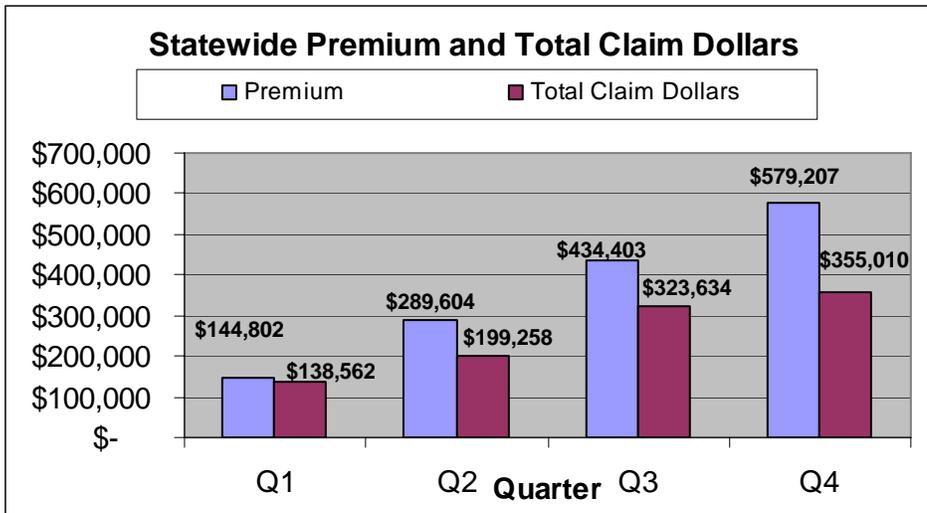


Chart 1 indicates that for policy year 2007-2008, the State paid 32% less in premiums than OneBeacon paid and held on reserve for State claims (\$579,207/\$847,395). The resulting loss ratio for the State was 1.46. A fourth quarter claim involving serious injuries was presented against the excess policy. This increased the total claim dollars above \$800,000.

In addition to claims payment, OneBeacon has many indirect costs associated with administering the State's claims including providing legal defense and recovering claim payments from third parties that are involved in accidents with State vehicles.

Policy Year 2008-2009

Chart 2



As illustrated in Chart 2, total claims dollars incurred for policy year 2008-2009 was \$355,010 and the total allocated premium dollars was \$579,207.

In the third quarter 2009, a claim involving serious injuries was filed against the State which resulted in payment of \$59,673 under the State's excess policy.

In both policy years, 2007-2008 and 2008-2009, the State experienced claims involving serious injuries to third parties that pierced its excess liability coverage.

Frequency and Severity of Fleet Claims

The frequency of at-fault fleet accidents decreased by 21% from policy year 2007-2008 to 2008-2009 (i.e.; accidents were down from 321 to 255). A comparison of the total amount of claims dollars from policy year 2007-2008 to policy year 2008-2009 reveals a decrease of 58% (from \$847,395 to \$355,010).

Statewide Frequency and Severity of Fleet Claims for Policy Year 2008-2009

RMU has the ability to analyze data at the agency level. In addition, we analyze the frequency and severity of claims by specific accident type. RMU utilizes the available data in order to focus and target an agency's loss prevention activities.

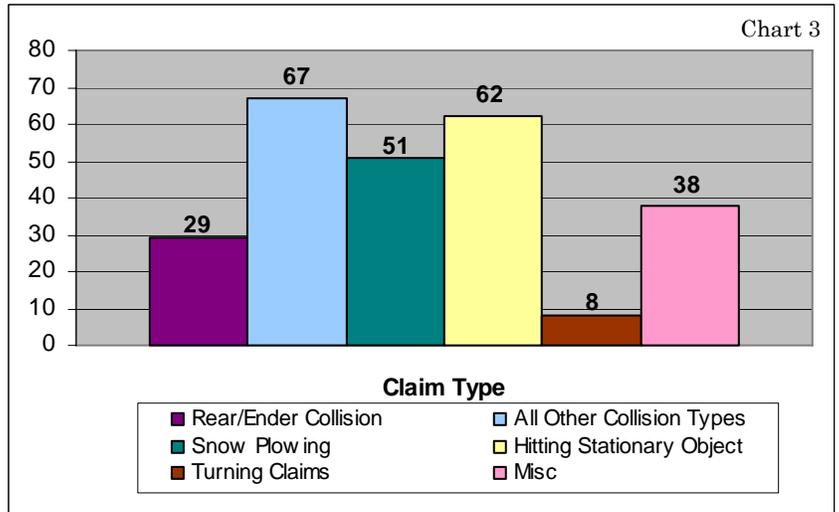
Difficult winter driving conditions impact the frequency and severity of claims. In the policy year 2008-2009, there were 51 accidents related to snowplowing. Snowplowing accounted for 20% of the accidents and 23% of the total claim costs. The data can be further broken down to illustrate that 37 of the 49 snowplowing accidents occurred within a particular agency. Although snowplowing has the highest frequency of claims, "all other collision types" result in the highest dollar amount of claims (i.e.; severity). "All other collision types" of claims accounted for 38% of total claims paid. The data can be further analyzed to determine the severity rate of each particular agency.

Next Steps.....

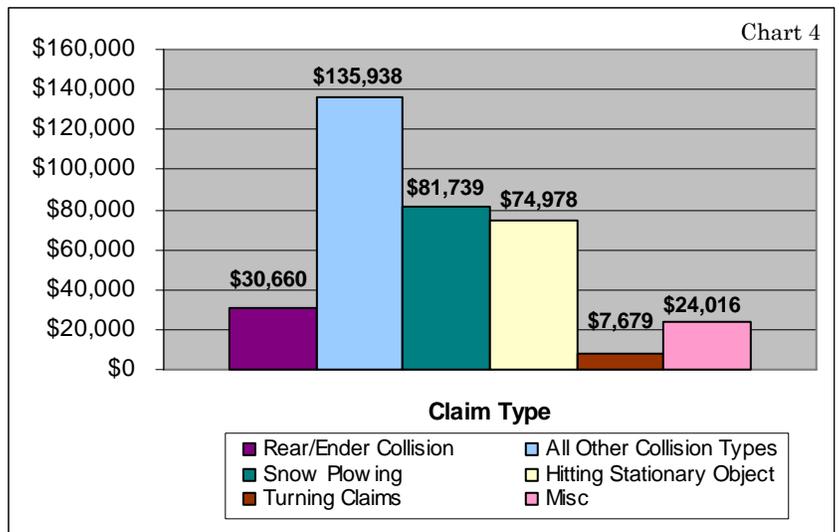
RMU plans to further study accident information and loss ratio at the agency level. Agencies with high claim frequency or severity are welcome to contact RMU so we can work together to reduce fleet accidents.

Please let us know how we can help you!

TOTAL NUMBER OF FLEET CLAIMS 2008-2009



TOTAL FLEET CLAIM DOLLARS PAID AND ON RESERVE 2008-2009



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