

RiskKeyNotes

Vol. 18, No. 2 April 2006

A publication of Risk Management. Our mission is to minimize state risk and cost of claims.

APRIL IS EARTHQUAKE

AND TSUNAMI AWARENESS MONTH

Events in the Gulf Coast have made it clear: preparing for likely natural disasters is both prudent and necessary. The Pacific Northwest faces at least 10 perils that can cause widespread disruption that will quickly overwhelm local resources. Communities and individuals need to plan, set aside emergency supplies, and get trained. During April, the focus is on earthquake and tsunami hazards.

In 1964, only hours after a 9.4 quake in Alaska, a tsunami hit the Oregon Coast taking three lives. In 1993, Oregon experienced two, damage causing earthquakes. The March *Spring Break Quake* epicenter was under Scott's Mills, east of Salem. In September another trembler shook southern Oregon. Shaking in both lasted less than a minute. Yet, damage to state property exceeded \$2.2 million after the Scott's Mills quake and \$2.6 million in southern Oregon. Fortunately no one was killed.

Scientists tell us that 50 miles off the Oregon Coast, massive surface plates are building up tension. Eventually that tension will be released. The geologic record shows that it will cause a massive earthquake. The shaking will last 4 or 5 minutes. Buildings will fall, bridges collapse, and hillsides give

way from northern California to British Columbia. And in less than 30 minutes, the Oregon Coast will be hit with a tsunami equal in size to the Christmas 2004 waves that hit Indonesia, Thailand, India, and Africa taking a quarter of a million lives.

No one can stop this from happening. And it may not even happen in our lifetime. But these are real risks to Oregon communities, residents, and visitors. Will you be ready?

Take the time in April to learn more about the likely events that can create a disaster for your community. Find out what your local authorities are doing to prepare to respond. Contact your local Red Cross to find out how to personally prepare yourself and your family.

At work, ask about the annual Earthquake Drill required of all state agencies. If you live at or frequently visit the coast, know the evacuation routes from your office. Walk those routes in the real event you cannot rely on your car. Look for the distinctive Tsunami Evacuation street signs. Remember, on the coast, your only warning will be the shaking of the ground. As soon as it stops, head inland and get elevation. Don't delay - the tsunami will only be minutes away.



Learn more about it. Go to:

- **American Red Cross "Get Prepared"** at http://www.redcross.org/services/prepare/0,1082,0_239_,00.html
- **Partners for Disaster Resistance and Resilience** web page at http://csc.uoregon.edu/PDR_website/
- **Oregon Emergency Management** at <http://www.oregon.gov/OOHS/OEM/index.shtml>
- **After Action Report West Coast Tsunami Warning June 2005** at http://www.oregon.gov/OOHS/OEM/docs/library/oem_tsunami_warning_report_6-14-05.pdf
- **Capitol Mall Emergency Evacuation Planning for State Agencies** at <http://www.oregon.gov/DAS/SSD/Risk/SEC.shtml> ■

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LEADING OUR WAY TO SAFETY EXCELLENCE

Each hour of the working day there is another workers' compensation claim filed by a State of Oregon employee. This totals over 2500 claims per year. And, it represents 5% of the state workforce filing claims annually. At this rate, 50,000 claims will be filed in 20 years. That's one claim for every employee. And this costs us approximately \$12,000 every working hour - over \$100,000 per day. The following table demonstrates the fact our claims have been flat for 3-4 years suggesting we need to improve processes to lower injury rates and costs:

four times the direct workers' compensation costs. They say this because of losses in productivity. Injured employees impact others' ability to get their jobs done. Safety can become an issue of business continuity. Productivity is impacted because something doesn't get done. Using this factor, the cost related to a workers' compensation claim could be as high as \$50,000 per hour.

Using just the direct cost of workers' compensation of \$57 million a biennium, this equates to 521 state workers receiving the fully burdened average pay rate (wages

only be a 5, or likely far lower. We want to focus a series of articles on best safety management practices to improve safety to help us all move to the top of this scale. Then we can lead our way to saving hundreds of incidents from occurring and saving substantial agency dollars.

It is not unusual, having a good plan, with sound measurement, a will to change and the discipline to carry through, to obtain improvements of 40 to 50 percent in a 5 year time frame. It only takes leadership to set the goal and maintain the discipline to lead learning and improvement cycles.

Injury Year	Total Claims	Total Lost Worktime Claims	Avg Days Out per claim
2002	2,845	491	31
2003	2,621	487	27
2004	2,655	519	27
2005	2,642	516	27

Future editions of *RisKeyNotes* will include articles focused on safety management systems that follow the Plan Do Check Act process (PDCA). This is for two reasons. First, *RisKeyNotes* is intended to reach all state managers. Secondly, any solid safety system that minimizes waste is comprised of three primary components:

- environmental risks;
- behavior of all employees; and,
- governing management processes that set the direction for the entire system.

How you manage and the management system you use impacts all three components. We will provide best practices in safety management process that will enable further safety improvements. ■

In the quality world, there is a term known as the **cost of quality**. It represents the true **cost of waste**, which is the variable cost incurred because of inefficient or ineffective processes. Likewise, there is a **cost of safety**. Preventable injuries are variable costs that could be considered unnecessary, or waste. As budgets are tight, it would surely be better to focus on elimination of waste rather than do more with less human resources.

Safety experts suggest the true cost of safety incidents is actually

plus benefits). Wouldn't it be better to employ 500+ Oregon employees serving the citizens of Oregon?

It has been said, to the degree leaders take on change, employees are always one step behind. For example, on a scale of 1 to 10, 10 represents leading the charge exceptionally well, 5 represents minimal improvement, 3 represents tolerating the status quo (living with the same) and 1 represents losing ground or getting worse. If a leader is only a 6 on this scale, employees at best will

STATE RISK CHARGES FOR 2007-09

RISE DRAMATICALLY

Each biennium, state agencies budget for the cost of State Property Losses, Tort Liability and Workers' Compensation. DAS Risk Management uses loss forecasts to project the future costs. Actuaries have projected higher losses in their most recent analysis. While claims frequency is relatively flat, costs are rising steeply. Why are these costs increasing? And what, if anything, can you as a state manager do about it?

Property

The state owns more than \$8 billion dollars in physical property. The cost to cover state property has increased 30% over the 2005-07 amount. Commercial excess insurance premium increases are driving most of the cost. This insurance covers the state for catastrophic loss. In the face of potential natural disasters, it is an important – if expensive – cost.

State property losses fall into two big categories. First is auto property. It accounts for 15% of the state's property loss. This is the cost to repair or replace vehicles damaged in crashes. Most crashes can be avoided by using defensive driving techniques. Driving safely, legally, and courteously pays off. Do you tell employees that the way they drive counts as part of their job performance? When was the last time they went to a defensive driving class? Do you follow up on citizen complaints of vehicle use or driving?

The largest category of loss is damage to **real** and **personal** property. Generally, *real* property is buildings (real estate.) *Personal* property is things like equipment, supplies or materials. *Personal* property does not mean *private* property. *Personal* property is movable things that are owned or purchased with state funds. And loss or damage to this type of property accounts for 39% of the cost. Do you take care to lock or secure high value equipment? Do you keep buildings in good repair? Do you promptly report water leaks or drainage problems? Are you aware of potential fire hazards? Do you have a loss control plan to systematically identify and control losses to property for which you are responsible?

Tort Liability

Tort liability will increase by 10%. Leading losses here include employment practices and civil rights claims. These cases are often heard in federal court. The Oregon Tort Claims Act caps do not apply. When was the last time you received training in avoiding illegal discrimination? Do you know how to prevent harassment or a hostile work environment? Do you know how to manage an injured worker or person who has a disability? Do you keep your Human Resource Office apprised of employee performance or behavior problems? Do you contact your general counsel before you take corrective action that affects an employee's position or salary?

Workers' Compensation

By far, workers' compensation has seen the biggest increase – 55% over the current biennium. Costs have risen faster than predicted in 2003. State employees file about 2500 new claims for on-the-job injury each year. The average claim that does not involve time away from work costs about \$500. But when an employee does not get back to work within three days after the injury, the average claim cost increases to over \$14,000. This reflects only the insured cost of the employee's injury. The loss of their productivity, redistributing work among others, and lower workplace morale are some of the non-insured costs that agencies must cover. These increase your agency loss by four times the insured costs. As a manager or supervisor, what are your safety responsibilities to prevent injuries from occurring? Do employees in your workplace have the same type of injury over and over? Why does that happen? Do your employees think you care about their safety? If not, why not?

These costs are being put into the budget to set aside funds for projected losses in 2007-09. Actual billing will not take place for another two years. There is time to help reduce these estimates and control some of the increase. Ask your supervisor what you can do. Talk with your agency **Safety Advisor** and **Designated Risk Officer**. Find out how you can improve safety and prevent injuries from

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VOLUNTEERS: FREE BUT NOT CHEAP

Often organizations believe that since volunteers are not paid, they are free. And so, they tend to put little time, effort or funding into managing volunteer programs. This is very risky. Volunteers who are part of official, sponsored programs actually pose most of the same risks as do paid employees. In fact, it is better to think of volunteers as *unpaid workers*.

Volunteers are a vital resource to state agencies. We estimate that state program volunteers outnumber paid employees two to one. If it were not for volunteers, many state services would be greatly reduced. Volunteers may work side-by-side with regular, paid employees. Often they do similar work. And so they need the similar screening, training, and supervision.

Often it is frontline managers who oversee the day-to-day volunteer activities. So there are some important things to know to manage volunteer risks.

The state is likely responsible for the acts of volunteers who are *state agents*.

- These are volunteers who are *signed up* with your agency formal volunteer program.
- They are *willingly performing state work* – not the work of other organizations.
- They have a *written position description*.
- They are screened and trained to do their assignments just as a paid employee would be.

- You *direct and control* their activities – directly – not through another organization.

Such a volunteer might fail to perform an assigned duty. They may make a mistake in how they do their tasks. Or they may do something they were not supposed to do. A third party may be harmed as a result. The state would be responsible to defend the volunteer the same way we would defend a paid worker.

A volunteer might get hurt while performing their duties. The state has no obligation to provide any coverage for a volunteer. But most agencies have signed up for the state's Volunteer Injury Coverage (VIC). This is an optional program that gives the volunteer coverage in excess of any insurance or coverage for injury that they may have. It is meant to fill in the gaps and pay for some expenses that result from the injury. The volunteer must sign waivers and agreements to be eligible for this coverage. Your **Volunteer Program Manager** usually handles this. As a line supervisor, you should have the volunteer report their injury in writing within 5 days of the event to the head of your agency (or their designee). Send the written report to DAS Risk Management as soon as possible.

Volunteers are not paid. They may be "free" labor. But your organization must invest time and resources into recruiting,

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RISK MANAGEMENT DIRECTORY OF SERVICES

The area code for all numbers listed is "503" unless otherwise indicated.

Information 373-RISK
 FAX 373-7337
 Internet risk.management@state.or.us
 SAIF Emergency Report 1-800-285-8525
 SAIF 801 FAX 1-800-475-7785

Administration:

Acting Risk Manager -
 Dugan Petty 378-5093
 Executive Assistant -
 Barbara Hamilton 378-4706
 Finance Analyst -
 Bob Nies 378-5521
 Operations Assistant -
 Vacant 378-5514
 Receptionist -
 Adina Canales 373-7475

Safety & Risk:

Manager -
 Kate Wood 373-7233
 Safety & Risk Specialist -
 Vacant 373-0706
 Risk Consultants -
 Vacant 373-7003
 Ronda Hollis 373-1037
 Safety Management
 Consultant -
 Bob Veazie 378-5525

Insurance & Operations:

Manager -
 Andrea Peters 378-5515

Claims:

Manager -
 Kent Rice 373-7814
 Chief Claims Consultant -
 Vacant 378-5468
 Employment Claims -
 Dawn Nicholas 378-6840
 Claims Adjusting -
 Mike Baker 373-1520
 Corina Bergeland 378-5469
 Betsy Enos 378-5517
 Dwayne Green 378-5940
 Carol Hilzer 378-4878
 Rocky Jeffries 378-4595
 Kim Scott 378-5508
 Margo Wright 378-5467

SERVICES TO STATE AGENCIES

Insurance for: Property, liability, workers' compensation, employee dishonesty, vehicle, aircraft, and others.

Claims Adjusting for: Property, liability, and employee dishonesty.

Risk Control Consulting for: All of the above. ■

THE DESIGNATED RISK OFFICER

Historically, those responsible for handling risk management functions within state agencies have been titled **Risk Coordinator**. Over time, we have come to realize that this title may not emphasize the function of this very important role. This function routinely extends well beyond the scope of coordination. Therefore, DAS Risk Management will be changing the title to **Designated Risk Officer**. This title aligns more closely with the actual duties of the risk management function within state agencies.

As a part of rolling out the new title, we will be inviting previously identified *Risk Coordinators* to participate in a new Forum titled *The Designated Risk Officer*. This Forum will meet quarterly. The focus will be to network with ideas, brainstorm on solutions, and get expert advice on risk management related topics that are important to your agency. Each meeting will have a topic. We will do our best to find an expert guest speaker to present for a portion of the meeting.

If you have ideas for topics your agency would like to see presented, guest speakers or are willing to sponsor a location where the Forum can meet, please work with the Designated Risk Officer in your agency. We welcome your input and perspectives. ■

VEHICLE VIGILANCE

This year's vehicle report has some great news. The state's numbers are on the right course. They are all going in the right direction.

A full year of data shows a notable drop of 61% in the state collision cost per 12K miles. Collision cost includes dollars paid for property, liability and workers' compensation losses. When compared to the average collision costs of the last two fiscal years, figures reveal auto property and workers' compensation costs both decreased by 64% and auto liability dropped 29%. For auto property, this reduction may reflect changes in claim valuation under the revised Property Self-Insurance Policy. In April 2004, new-for-old coverage ended for passenger vehicles. Many agencies may see reduced auto risk charges in the next biennium.

Other report highlights show that the vehicle incident rate per 12K miles is down by 16.5%, citizen complaints fell 13% and police citations dropped 2%. The number of miles driven in state vehicles increased 12%.

Does this good news mean that the state should lessen its vigilance on the management of driving risks? Beware of pitfalls. This year's report has probably given many a false sense of security. If there had been no change in the number of miles driven in state vehicles, the incident rate would only be down by 6%. Driving is still a significant risk for state employees.

If you are trying to manage your driving risks, take a look at your

agency's cost of loss. Your **Designated Risk Officer** and **Safety Advisor** can look at liability, property, and workers' compensation data for your agency. Both can advise you on individual incidents and your agency's mitigation effects for driving activities. The Vehicle Incident Prevention Toolkit, <http://www.oregon.gov/DAS/SSD/Risk/VehicleSafety.shtml> provides many valuable tools and resources to assist your agency. Your efforts are essential to your agency's well being. ■

VOLUNTEERS: FREE BUT NOT CHEAP

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screening, placing, training and supervising them. If they make an error, the state is liable for harm they do to others. And, if you choose, your agency can pay for uncovered expense if the volunteer is hurt while doing the work you assign. Don't be "cheap" when putting together a volunteer management program. It will save you money in the long run and make volunteers what they really are – worth their weight in gold!

If you supervise volunteers make sure you know your responsibilities. Talk to your agency Volunteer Program Manager. Learn more. Read the **Volunteer Risk Control RiskKey** at <http://www.oregon.gov/DAS/SSD/Risk/RisKey/Volunteers.shtml> View the state's Volunteer Injury Coverage Policy at <http://www.oregon.gov/DAS/SSD/Risk/VollnjTOC.shtml> ■

NEW ON THE WEB

Take a look at the main changes to our Web site since the last issue of *RisKeyNotes*.

New Web Site Location

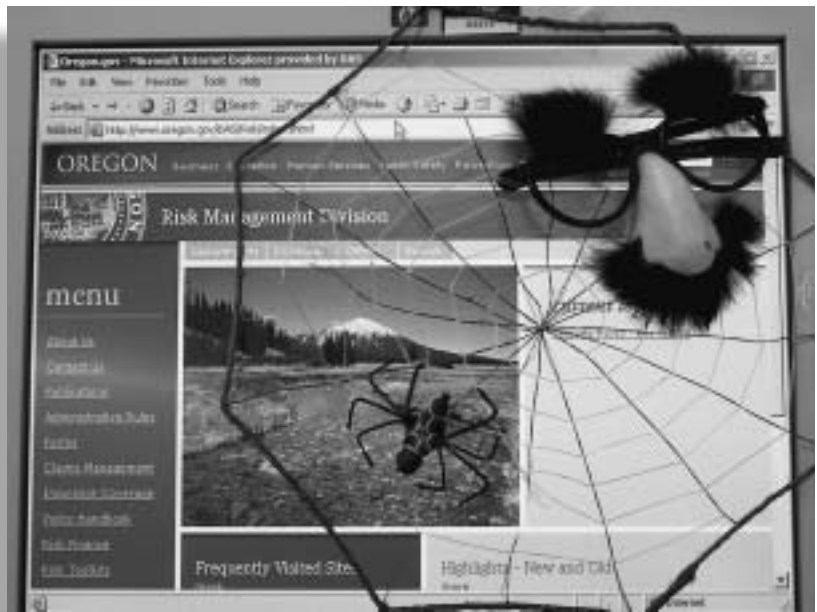
In July 2004, Risk Management became part of the State Services Division. On December 2005, the Department of Administrative Services' web structure was updated and our site moved to its new location. We can now be found under the State Services Division tab. Be sure to mark our new site. Automatic web link redirects make this change seamless. However, changing your bookmark or favorite is a good idea. Check it out at <http://www.oregon.gov/DAS/SSD/Risk>.

Measure 37

Need current information about the Marion County Circuit Court ruling and its effect on Measure 37 claims? Go to <http://www.oregon.gov/DAS/SSD/Risk/M37.shtml>.

Policy Handbook

On December 1, 2005, a new policy amendment changed requirements in the **Liability Self-Insurance Policy Manual for State Officers, Employees and Agents**. It speaks to insurance requirements for private vehicles equipped with an Ignition Interlock Device (IID)



used for state business.

Changes include:

- If an agency director chooses to allow an employee to use an IID equipped private vehicle for state business, private insurance must be obtained by the employee to cover the business use of the vehicle.
- The employee must carry at least \$1 million in liability limits and a Business Use Endorsement.
- Drivers must show proof of insurance with required limits.

See <http://www.oregon.gov/DAS/SSD/Risk/EmpLiabPolicy.shtml>.

Risk Finance

Certificates of Coverage Do you have a hard time finding this section? If so, you are not alone. Our customers told us that too. Now you can find web links in the Policy Handbook and Insurance Coverage sections of our Web site. Go to <http://www.oregon.gov/DAS/SSD/Risk/riskfinancecertificates.shtml>.

Risk Toolkits

Our newest toolkit, **Hardship Permits Toolkit for Employees with Driving Problems** has been revised. We added information to assist state agencies in dealing with issues and decisions regarding the use of Ignition Interlock Device equipped vehicles on state business. Take a look at <http://www.oregon.gov/DAS/SSD/Risk/HardshipPermitsToolkit.shtml>.

Training

Online registration is now available through the SAIF Web site for the **Work Station Assessor – Seated Work Ergonomics Training**. Access this new sign up procedure through our Web site at <http://www.oregon.gov/DAS/SSD/Risk/Training.shtml#ergo>.

See...View...Click...Go To...Check out our Web site at <http://www.oregon.gov/DAS/SSD/Risk/index.shtml>. ■

TORT TIPS AND PROPERTY PARTICULARS

DAS Risk Management is responsible for managing the State's Property and Liability Self-Insurance Fund. This Fund insures state agency operations. Therefore, we all have a vested interest in doing everything possible to protect its success. **The Safety and Risk Unit** continues to aim our efforts at assisting your agency in this task. One step that we think will help is to provide state agency management and staff with timely information on risk management related issues. So, the Safety and Risk Unit is now offering quarterly seminars on a variety of topics. These topics will be of interest to a wide variety of people within your agency. This includes but is not limited to, those responsible for state agency management, business operations, personnel, facilities, risk (liability, property, and safety), inventory and/or accounting for agency property, and cost control.

The first of these seminars was on February 21st. It was titled *Cover Your Assets (CYA)*. This seminar answered questions about the Annual Risk Report in a line-by-line review. We also discussed loss control plans, how state property is covered, reported, and what an agency's responsibility is to ensure coverage requirements are met. Agency turnout was diverse and questions were very good. We will be posting our presentations from the seminars on our Web site.

Our next session is scheduled to be held during the month of May. The tentative topic is *Vehicle Use, Property, and Liability Issues*. Look for the announcement.

Some other planned topics are:

- What Should Be Keeping You Awake at Night? Assessing Risk in State Agency Operations;
- Don't Get Caught Up the Creek Without a Paddle – Avoiding Personal Liability as a State Employee;
- Avoiding the Surprise Employee;
- Volunteer Vulnerabilities;
- Vehicle Accident Reporting;
- The Annual Vehicle Report; and,
- Avoiding Employment Liability Pitfalls.

The intent of the sessions is to invite an open discussion on questions and issues related to how your agency can best protect their property and liability risks.

Let us know if you have ideas for other topics. Call us at **503-373-RISK**. We look forward to your input and participation. ■

FALSE ALARMS

False alarms happen. What is the protocol if your building has a false alarm? Evacuate. There's always the possibility of it being the real thing. The time needed to determine whether it's real or false may be the difference in everyone getting out alive or not.

Isn't it a waste of time? No. Mark it down as the year's required annual evacuation drill. In fact, your **Evacuation Team** may learn more in responding to an unplanned drill than to a planned one. Admittedly, with the unplanned drill it may be unsettling to the **Site Evacuation Coordinator**. Nonetheless, it is a valuable experience if a debriefing is done and then shared with all. ■

STATE RISK CHARGES FOR 2007-09 RISE DRAMATICALLY

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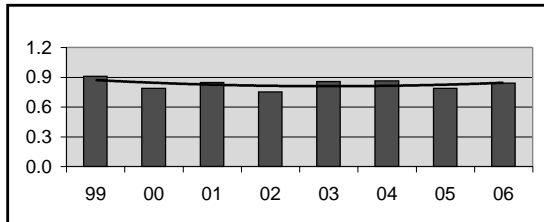
reoccurring. Learn what you can do to protect property from damage or loss. Know the legal guidelines within which you do your job. If you are not sure, ask, rather than inadvertently cause harm to others. Working together we can take steps that will limit the state's losses. Money we don't spend on loss becomes available for programs and services. That's something we and the citizens of Oregon want to see. ■

RISK-O-METER

RISK-O-METER RATES (the number of occurrences per 100 FTE by loss year at 6 months)

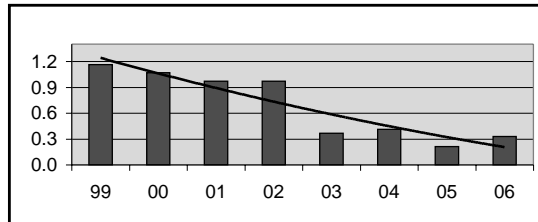
NOTES: Loss years are from July 1 to June 30 with rates are at December 31. Subsequent reported claims are not included.
FTE means "full-time equivalent" employees.

WC TIME LOSS > \$0 Paid



03	04	05	06	7% increase
0.86	0.86	0.79	0.84	

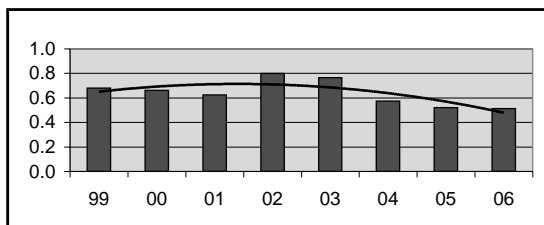
PROPERTY > \$10 Incurred



03	04	05	06	56% increase
0.37	0.41	0.21	0.33	

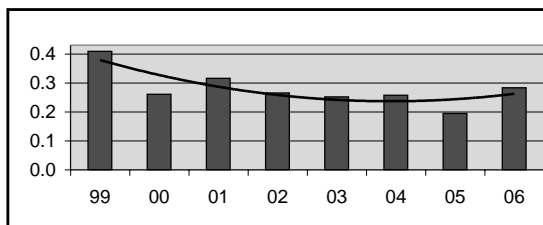
Note: Effective LY03 the deductible increased from \$500 to \$2500.

GENERAL LIAB > \$500 Incurred



03	04	05	06	2% decrease
0.76	0.57	0.52	0.51	

AUTO LIAB > \$500 Incurred



03	04	05	06	46% increase
0.25	0.26	0.19	0.28	

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