

Procedures and Guidelines for Implementing Act 173, SLH 2006

I. References. The documents listed below are referenced in these Procedures and Guidelines (“P&G”) for the implementation of Act 173, Session Laws of Hawaii 2006, hereafter referred to as Act 173.

1. Act 173.
2. Memo from Comptroller dated September 9, 2005 regarding the Risk Management Coordinators’ October 9, 2005 meeting on Procedures for Filing Property Insurance Claims.
3. Request for Proposal No. RFP-05-013-SW, Insurance Brokerage Services
4. Proof of Loss.
5. Inventory reporting requirements – Chapter 103D, Part XII, Hawaii Revised Statutes and Chapter 3-130, Hawaii Administrative Rules.
6. Records Retention - State of Hawaii – Accounting & General Services – Archives Division, Administrative Records, General Records Schedule No. 1, 2002: 1.9 Risk Management Files.

II. Purpose. The purpose of this document is to establish standardized procedures and guidelines for processing funds received from insurance companies as settlement of a property or crime loss incurred by the State as a result of a large loss incident (“Incident”). Examples of such Incidents may include: natural disasters such as floods, earthquakes or tsunami, or man-made disasters such as large fires and dishonest acts of employees resulting in a significant loss of property or money.

III. Scope. The P&G applies to property and crime insurance Incidents.

IV. Objectives. This document will provide all State departments/agencies (“Department”) with the necessary information regarding reimbursement funds for Incidents. This document will also establish standardized means for responding to, documenting and recording each event, and each parties’ responsibilities for complying with such requirements. The following specific objectives must be met to comply with the requirements of Act 173.

1. Provide standardized information for implementing Act 173.
2. Establish forms to document and report details of an Incident.
3. Identify agencies or individuals who have key roles and responsibilities under these P&G.
4. Develop a general procedure for processing information regarding an Incident.
5. Develop a general timeline for processing information during an Incident.
6. Develop a means of accounting of the funds related to the Incident.

V. Responsibilities. In order to expedite the processing of claims, receipt of settlement funds, and expenditure of those funds, DAGS and the State Risk Management Officer have developed the following objectives and areas of responsibility.

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Comptroller. The Comptroller will have overall responsibility for directing, coordinating and managing these P&G in accordance with Act 173.

- a. The Risk Management Office (RMO) will accomplish the following:
 - (1) Serve as the coordinator for these P&G.
 - (2) Serve as the liaison between the Department sustaining the loss (Department), Insurance Broker and Insurer.
 - (3) Issue the insurance deductible to the Department.
 - (4) Review copies of correspondence and payments from the Insurer or Department.
 - (5) Attend claims reviews as necessary.
- b. The Insurance Broker. The individual representing the Insurance Broker will work closely with the RMO and the Department and provide the following services:
 - (1) Assist and provide necessary information to expedite processing of Incident.
 - (2) Serve as the State's advocate in case of disputes.
 - (3) Monitor Incident claim status.
 - (4) Conduct claims reviews as necessary.
- c. The Insurer (Insurance Company). The individual representing the Insurer will work closely with the RMO and the Department and provide the following services:
 - (1) Assign an adjuster to investigate and determine the scope of loss for any Incident.
 - (2) Advance insurance proceeds to the Department if warranted.
 - (3) Furnish copies for all correspondence and payments made to the Department to the RMO.

Department of the Attorney General (AG). The AG has provided legal advice as to the requirements of Act 173 and prepared a standard Memorandum of Agreement (MOA) to be used by the Department. See Appendix 2, Memorandum of Agreement, for sample copy.

Each Department will complete the following actions:

- a. Maintain a current P&G document on file.
- b. Appoint an individual(s) to serve as POC for each Incident who will serve as the Department's Point of Contact (POC) and be responsible for consolidating, compiling, and submitting all required reports in the prescribed formats. The POC will keep the RMO informed on the progress of each Incident in the Department.
- c. Prepare and submit documents for reimbursement directly to the Insurer. The appendices listed below can be used to assist in reporting and documenting each Incident claim.

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- (1) Appendix 3, State of Hawaii Property Loss Reporting Process Flowchart, can be used as a guide to identify the types of information to be collected and documented and the flow of communication between agencies involved.
- (2) Appendix 4, Procedures for Filing Property Insurance Claims, contains the required forms and additional procedures for processing property loss claims.
- d. Forward a copy of all correspondence relating to the Incident to the RMO.
- e. Deposit insurance proceeds into the designated trust account.
- f. Provide the RMO copies of the Proof of Loss form, signed by the Department head and checks received from the Insurer to substantiate advance or partial payments from the Insurer.
- g. Review and approve the final Proof of Loss form, to be submitted to the Comptroller for approval and signature, in the final settlement of the loss.
- h. Provide a quarterly report on all transactions in the Department's trust account, including interest earned, if any, on a per incident basis, to the RMO by the fifteenth (15) of the month subsequent to the quarter end.

VI. Process.

1. Pre-Incident Phase.
 - a. During this phase, each Department will complete the following:
 - (1) Become familiar with the contents and procedures outlined in this P&G document.
 - (2) Create a trust account for depositing insurance proceeds that shall be entitled: ***Risk Management – Fire & Casualty Losses***, and provide a copy of the memorandum from DAGS-Accounting Division documenting the establishment of the new trust account.
 - (3) Establish its own procedures to meet these P&G requirements.
 - (4) Maintain all forms required for complying with these P&G.
 - (5) Maintain a copy of the MOA format. See Appendix 2 for sample copy.
 - (6) Maintain a current inventory of assigned property – for assessed value & will notify the RMO within 30 days of any significant changes.
 - (7) Periodically review and update this document.
 - b. The Risk Management Office (RMO) will be responsible for the following:
 - (1) Furnish Departments with information which can be used as a guide to identify the types of information to be collected and documented and the flow of communication between agencies involved. This information is contained in Appendix 3, State of Hawaii Property Loss Reporting Process Flowchart.

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- (2) Provide Departments the required standard forms and format for submitting claims to the Insurer. Appendix 4, Procedures for Filing Property Insurance Claims, contains the necessary forms and format to document and submit property loss claims.
- (3) Periodically review and update this document.

2. Incident Duration Phase.

- a. The affected Department will complete in a timely manner the following:
 - (1) Be familiar with the general MOA format and contents of ~~this~~ these P&G and execute the MOA that establishes the parameters and requirements regarding the management of the Incident.
 - (2) Use Appendix 3 to identify the types of information to be collected and documented and the flow of communication between agencies involved and Appendix 4 which contains the required forms and format to document and submit property loss claims.
 - (3) Ensure that expenditures from the trust account are only used for the purposes of the settlement claim, for example, the construction/repair of damaged or destroyed facilities, replacement of damaged or destroyed contents/equipment, and additional costs directly related to the loss, such as:
 - (a) Clean-up costs and debris removal,
 - (b) Rental of temporary facilities,
 - (c) Staff labor and expenses, and
 - (d) Other costs as approved by the insurance company.
 - (4) Deposit insurance proceeds received directly from the Insurer into the established ***Risk Management – Fire & Casualty Losses*** trust account.
 - (5) Provide a quarterly report on all transactions in the trust account, including interest earned, if any, on a per incident basis, to the RMO by the fifteenth (15) of the month subsequent to the quarter end.
 - (6) All transactions in the trust account will be subject to the review and inspection by the Insurer and the RMO.
 - (7) Explain, justify, and document all claims to the Insurer and all disbursements from the trust account to the RMO.
 - (8) Use claim forms provided by RMO and/or Insurer.
 - (9) Complete all reports required by the insurer and RMO by the due dates established in Appendix 5, Timeline for Accounting and Processing.
 - (10) Attend annual meetings with the RMO to review all outstanding claims and status of the trust account.
 - (11) Comply with requirements of these P&G.
 - (12) Be responsible for:

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- (a) Reviewing the Insurer's partial payments and if approved, signing the partial Proof of Loss form, and
 - (b) Reviewing the final settlement of the claim and if approved, initialing at the claimant signature line on the Proof of Loss form.
 - (13) The Department's failure to comply with any terms of the MOA will result in the demand of any unexpended proceeds held in the trust account and all future proceeds to the trust account to be submitted to the RMO for deposit in a DAGS trust account, the administration of which, including any expenditures, to be directed by the RMO.
 - b. The Risk Management Office (RMO) will:
 - (1) Report the Incident to the Insurer and meet with representatives of the Insurer and Department to discuss the processing of the claim.
 - (2) Subsequent to the execution of the MOA, the RMO will authorize the Insurer to make payments for the losses directly to the Department sustaining the loss.
 - (3) Issue the insurance deductible to the Department. No other payments will be made by the RMO.
 - (4) Act as the liaison between the Insurer and the Department.
 - (5) Assist the Department with any issues and/or disputes with the Insurer regarding the Incident.
 - (6) After the Department has approved the final settlement (and initialed the Proof of Loss form at the claimant signature line), the RMO shall secure the final Proof of Loss for review by DAGS, and if approved, obtain the Comptroller's signature.
3. **Post Incident Phase.** The following actions must be completed in a timely manner. This phase memorializes all actions taken to mitigate an Incident and is intended to serve as a means to anticipate, prevent, and manage future Incidents. See Appendix 6, Post Incident Report, for format.
- a. The Department will submit a copy of the completed file of documents to the RMO within 60 days after the closing of the claim.
 - b. The Department and RMO will provide written feedback on problems and/or accomplishments encountered during the Incident in the format provided in this P&G within 30 days of the closing of the claim.
 - c. The Department and RMO will maintain copy of the documents for 5 years after the closing of the claim.
 - d. The RMO will disseminate information collected from the Post Incident report to other Departments to inform, educate, and guide the Departments in processing future Incidents.