Program ID/Title: AGS-203/State Risk Management and Insurance Administration

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I. Goal

The program will endeavor to protect the State against catastrophic losses and to minimize the total cost of risk.

II. Objectives and Policies

A. Identify and analyze the State’s loss exposures to determine risks that should be self-insured versus commercially insured and purchase applicable Statewide property, liability, cyber and crime insurance policies at cost effective terms.

B. Coordinate loss control and cost containment activities to minimize accidental and fortuitous losses.

C. Settle informal tort claims (up to $25,000), adjust automobile claims (up to $25,000) and property losses fairly and promptly.

D. Manage the Risk Management revolving fund to assure the availability of funds for the purchase of insurance policies, payment of self-insured and insured losses, and other administrative costs of the risk management program.

E. Operate and maintain a risk management information system with current information to identify and analyze loss exposures to determine frequency and severity of losses, to forecast losses, and to determine the most economical method of financing losses.

III. Action Plan with Timetable

A. Identify and analyze the State’s loss exposures to determine risks that should be self-insured versus commercially insured and purchase applicable Statewide property, liability, and crime insurance policies at cost effective terms.
Past Year Accomplishments

1. Purchased property insurance policy with named windstorm, earthquake, and flood limits of $200 million per occurrence. The premium was $14.9 million, an increase of $3.2 million from FY 20. The property all other peril (AOP) deductible remained at $1 million per occurrence. The deductible for the catastrophic losses (hurricane, earthquake, and flood, including tsunami) remained at 3% of the value of the building and contents. The excess liability policy was purchased with limits of $7.5 million per occurrence. The premiums increased from $2.5 million in FY 20 to $3.3 million in FY 21, an increase of $800,000. The liability self-insured retention is 5 million per occurrence. The crime insurance policy was purchased with the same limits as FY 20; $10 million per occurrence. The premium was $115,753 in FY 21, an increase of $11,000 from FY 20.

2. Continued with the fixed fee contract with Marsh USA, Inc. The agreement is a three (3) year term with annual fixed fee with two (2) additional twelve (12) month periods to be negotiated. Currently, the State is in its fourth year of the contract. In FY 21, the annual flat fee was $483,246 which included additional services such as a captive feasibility study.

3. Continue with the annual actuarial review of the risk management revolving fund which addresses the sufficiency of fund.

4. Continue to provide corrective measures to the risk management database, when applicable, to achieve optimal efficiency.

5. Continued to work with the AG to establish a curriculum to train deputy AGs and contract administrators with revised minimum insurance requirements for contracts with the State.

6. Issued 244 Statements of Self-Insurance for various agencies which facilitated the use of non-State facilities or equipment, a decrease of 165, from FY 20. This decrease was due to lower activities due to the pandemic.

7. Completed a captive feasibility study.

8. Continue to conduct property surveys to determine accurate replacement cost values for State assets.

One Year
1. Maintain or improve prior year’s insurance coverage with increased limits and more advantageous terms and conditions if it is cost beneficial and within budget constraints.

2. Continue with the final year of the fixed fee contract with Marsh USA Inc.

3. Continue property valuations of the State’s physical assets, such as buildings and contents.

4. Continue to conduct property loss control inspections.

5. Continue with the actuarial sufficiency review of the revolving fund.

6. Continue with corrective actions to the risk management data base.

7. Review and update the standard contract minimum insurance limits for certain procurement contracts and evaluate how to track compliance from the vendors.

8. Continue to improve on claims handling evaluation measures.

9. Evaluate coordination and if possible, consolidating insurance coverages or policies within State government.

10. Further analyze marketplace data for a state captive and implement if applicable.

Two Years
Continue the One Year goals and objectives.

Five Years
Continue the One Year goals and objectives.

B. Coordinate loss control and cost containment activities to minimize accidental and fortuitous losses.

Past Year Accomplishments

1. Conducted training sessions:
   a) Provide insurance requirement advice to state department and agencies.
2. Produced quarterly claims reports that assisted the departments in managing their risks by making them aware of the losses and trends of concern.

One Year

1. Assist with risk evaluations when requested of State facilities such as airports, schools, convention center, hospitals, and other public facilities.

2. Maintain or increase preventable loss deductible program and evaluate the feasibility of the program.

3. Re-establish training sessions for SPO and departmental risk management coordinators via on-demand training sessions covering the following subject areas: insurance requirements for contracts, loss control, and claims processing. Place all training information on the Risk Management web site.

4. Refine contract insurance requirements and start to train state employees with new information.

5. Update the Risk Management web site as needed.

Two Years

Continue the One Year goals and objectives.

Five Years

Continue the One Year goals and objectives.

C. Settle informal tort and automobile claims (up to $25,000) and property, crime, and cyber losses fairly and promptly.

Past Year Accomplishment

1. The program received 469 tort claims in FY 21, a decrease from FY 20 (23), and received 244 pothole claims (included in the tort total) in FY 21, a decrease from FY 20 (20).

2. The program received 180 claims from auto accidents in FY 21, a decrease from FY 20 (101).
3. The program received 111 property claims in FY 21, an increase from FY 20 (12).

4. The Program processed claim payments through automated interfaces between the Program’s claims management system, Financial Management System (FMS), and Financial and Management Information System (FAMIS).

One Year


2. Continue to process all tort and auto claims up to $25k and other claims minimizing the cost of processing claims without compromising quality and productivity.

3. Review and update the program’s procedures.

4. Training departmental risk management coordinators in the procedures for handling claims will continue to be conducted with the assistance of the state insurance broker. Annual informal training will continue as changes occur or new coordinators are added. In addition, new information will be placed on the Risk Management Office website.

Two Years

Continue Year One goals and objectives.

Five Years

Continue One and Two Years goals and objectives.

D. Manage a revolving fund to assure the availability of funds for the purchase of insurance policies, payment of self-insured and insured losses, and administrative costs to the risk management program.

Past Year Accomplishment

1. The Program funded the purchase of the Statewide insurance policies (which covers the large and catastrophic losses) including a Cyber Liability policy, the payment of claims made against or for the State and covered administrative costs.
2. Agencies were billed for their share of the Program’s costs based on the cost allocation process which also included a charge for Cyber Liability insurance.

9. Continued to effectuate the passing of Act 062 which amended HRS 41-D to allow the Comptroller, through the risk manager, to acquire insurance broker services on a fixed fee basis authorized the program to execute an applicable fixed fee insurance broker contract.

One Year

1. Continue the items in the Past Year Accomplishments with the addition of requesting $12 million to $15 million additional GF as the annual appropriation since insurance policy costs has increased accordingly.

2. Monitor and reevaluate the methodology of the cost allocation process.

3. Reevaluate the amount to be assessed in the risk management cost allocation for the next fiscal biennium.

Two Years

Continue One Year goals.

Five Years

Continue One and Two Years goals

E. Operate and maintain a risk management information system with current information to identify and analyze loss exposures to determine frequency and severity of losses, to forecast losses, and determine the most economical method of financing losses.

Past Year Accomplishment

1. Refine the web based database system with the assistance of the Department of Accounting and General Services (DAGS) Systems and Procedures Office.

One Year

1. Continue to review the DAGS Systems and Procedures Office’s work to make all claim forms fillable and web based and enhance the system to make the Risk Management Office more efficient.
2. Review other information systems that could potentially enhance the productivity of the program.

Two Years

Continue One Year goals.

Five Years

Continue One Year goals.

IV. Performance Measures

A. Customer Satisfaction measure - The program receives feedback from training evaluations to improve performance. The training evaluations consistently are rated as valuable. The sessions involving the insurance requirements for contracts have assisted agencies in identifying the types of insurance required for their contracts and have provided tools to determine if the vendor has met the contract requirements.

B. Program Standard measure – Monitor the Measures of Effectiveness for timely resolution of claims and payments, as well as the timely purchase of the State’s property, excess liability, and crime insurance.

C. Cost Effectiveness measure - Establish acceptable deductibles or self-insured retentions for the property, excess liability, and crime insurance. In addition, consider revising and adding additional deductibles for claims based upon frequency or cause, such as preventable automobile accidents. Investigate ways to contain and/or minimize the frequency and severity of losses that have greatest impact on total cost of risk.