



Agent Session


Presented by: CHUBB, CIS, and WSC Insurance



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Agenda

- What to Expect When the Boiler Inspector Calls
- Enterprise Risk Management
- How can Agents help CIS members implement ERM/ISO 31000?
- CIS 2017-18 Renewal



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WHAT TO EXPECT
WHEN THE BOILER
INSPECTOR CALLS

Presented By
Neil Rush, Eric Burton & Chris Davies

OUTLINE

- Intent of Equipment Breakdown Insurance
 - Who Needs Coverage?
 - Covered Cause of Loss
 - Covered Equipment
- Scope of the Program
 - Why are Pressure Vessels Inspected?
 - Boiler and Pressure Vessel Inspection Schedules*
- The Process
 - What to Expect When the Boiler Inspector Calls
 - Violations
- Questions

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Equipment Breakdown Insurance

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What is the intent of equipment breakdown insurance?

✓ To cover damage to equipment that occurs due to internal causes rather than external causes



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Who needs coverage?

- ✓Virtually every Building :
- Electricity
- Hot Water
- Cooling
- Refrigeration
- Steam
- Gas
- Jurisdictional Inspection



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Covered Cause of Loss

....is an "Accident" to "Covered Equipment"

"Accident" means the direct physical loss that causes damage to "Covered Equipment" and necessitates its repair or replacement:

1. Mechanical Breakdown including rupture or bursting caused by centrifugal force
2. Artificially generated electrical current, including electrical arcing
3. Explosion, other than combustion explosion, of steam boilers, steam piping, steam engines or steam turbines

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Covered Equipment

"Covered Equipment" means

- A. Equipment that generates, transmits or utilizes energy, including electronic communications and data processing equipment; or
- B. Equipment which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

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Sample Losses

- Boilers and Pressure Vessels • Explosion, bulging, cracking
- Electric Motors, Generators, Transformers • Arcing burnout, bearing and rotor failure
- Air Conditioning • Piping and vessel cracking, explosion
- Pumps • Centrifugal explosion, bearing, shaft, blading breakage

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Scope of the Program

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Scope of the Program

- Over 395 Locations
- Over 750 Objects
- Chubb Risk Engineers hold National Board Commissions and are licensed by the State of Oregon to complete boiler & pressure vessel inspections.

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Why are pressure vessels inspected?

• **Mandated by the State of Oregon Boiler and Pressure Vessel Law: ORS 480.510 to 480.670. Including but not limited to:**

- Power Boilers
 - o Steam boiler operating above 15 psi
 - o Water boilers operating above 160 psi and/or temperature above 250° F
- Low Pressure Boilers
 - o Steam boilers operating at or below 15 psi
 - o Water boilers operating at or below 160 psi and/or 250° F
- Unfired Pressure vessels: i.e.
 - o Air tanks, storage tanks, etc...

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Why are pressure vessels inspected? (contd.)

• **Safety of employees and the public**

- Boiler explosion-Minnesota Day Care Facility

• **Additional Benefit**

- Avoid loss of use of the object and business interruption

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Boiler Explosion-Day Care Facility
Minnesota Department of Labor & Industry Investigation



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This picture shows what is left of the wall that separated the boiler room from the north/south hallway.



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Boiler and Pressure Vessel Inspection Schedules*

- **High Pressure Boilers**
 - Internal-Annual
 - External-Annual
- **Low Pressure Boilers**
 - Internal- Bi-Annual
 - External-Bi-Annual
- **Hot Water Boilers**
 - Internal - Six Years
 - External- Bi-Annual
- **Unfired Pressure Vessels ex. Air Tanks**
 - External-Bi-Annual

* These are generalizations. For exact inspection time frame refer to OAR Chapter 918-225

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The Process

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The Process

State of Oregon database

Contact made by "Inspector"

Contact by owner/operator

Complete the inspection

Submit inspection to State

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A Little About Chris Davies

1974-1978 - US Navy as a Boiler Technician

1980 - Went to work for the State of Washington as a stationary engineer .


1996 - Promoted to Chief Engineer

2000 - Started work as the Facilities manager at the Evergreen State College

2002 - Started work for the Department of Labor and Industries as an inspector

2010 - Retired after 30 years with the State

2012 - Started employment with Chubb as an Equipment Breakdown Risk Engineer



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What To Expect When The Boiler Inspector Calls

- First things first, we will contact the location and arrange for a time to complete the inspection
- The time and date may not be very flexible if we have other appointments already
- We will call the contact listed on the State database or send an email if phone contact fails
- We will let them know what needs to be inspected and the locations

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These Are The Most Common Violations

- The nameplate on the vessel or safety valve is illegible
- The safety valve set pressure exceeds the maximum allowable pressure of the vessel
- The operator can not demonstrate the safety valve or controls
- The safety valve does not work
- Power boilers are required to have an operating log book logging test and maintenance

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What To Expect When The Boiler Inspector Calls

What We Look For

• Air Tanks/Receivers

- We check the overall condition: rust, leaks, connected piping, dataplate, etc.
- We may ask about how often water is drained and if it has an automatic drain, if it's tested
- We will read the dataplate and confirm the safety valve is the correct set pressure and capacity
- We will ask the contact to lift the safety valve to show it's not frozen

The same procedure can be applied to most other unfired pressure vessels, such as heat exchangers, storage tanks, etc..

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What To Expect When The Boiler Inspector Calls

• Boilers External Inspection – The boiler has to be operating with pressure when inspected

- Low water cutout (LWCO)

- o The LWCO is normally a float or probe and will shut the boiler down if the water level should get too low. The water in the boiler is the only thing that keeps the boiler from overheating. If the boiler should overheat, the metal will become elastic and will not hold pressure. This can lead to anything from a tube rupture to total boiler failure. This can be an extremely dangerous condition and is never inexpensive to fix. Power boiler losses can easily exceed a million dollars.

- Flame safe guards

- o Most boilers are equipped with a device that sees the flame inside. We call this a flame scanner or fire eye. Firebox explosions are the #1 hazard with boilers in recent years. You are introducing natural gas or oil to a closed area with a fire inside. If that fire should go out and the gas does not shut off, it can accumulate and then find a hot spot and ignite and cause an explosion.

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What To Expect When The Boiler Inspector Calls

• Boilers External Inspection – (Cont'd)

- Safety valves

- o On power boilers we check for the last time they were sent out and recertified at a valve repair shop. Chubb uses "Industry Standard" that is no more than once every three years.
- o On most other boilers we will ask the operator to demonstrate the safety valve works by either hand lifting or raising the pressure in the boiler.
- o If the safety does not work the boiler can over pressurize and fail.

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What To Expect When The Boiler Inspector Calls

• Boilers External Inspection – (Cont'd)

- High Limit Control

- o On a steam boiler this is the high pressure safety control. It should shut the boiler down before the safety valve lifts and have a manual reset. If it should fail the safety valves are the last line of defense from over-pressurization.
- o On water boilers the high limit control is a temperature switch or some call it a aquastat . If the water temperature should get too hot the boiler will shut down and someone will need to come and press the reset to start the boiler.
- o There could be other test your inspector may want you to demonstrate such as high and low gas pressure, or even the emergency shut down switch you should have by EVERY exit of the boiler room.
- o Your inspector will walk around the boiler and should also check the nameplate on the boiler as well as the safety valve(s). I generally check the safety valves to make sure no excess weight is on the discharge and they are properly drained
- o He or she may ask questions about maintenance and review your boiler water chemical treatment log.

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Violations

480.660 Notice of violation; correction; when use prohibited; appeal.

- (1) If an inspector determines that any condition exists that is a violation of the safety standards prescribed pursuant to ORS 480.510 to 480.670, the inspector shall post a notice in plain view on or near the affected boiler or pressure vessel that specifies the defective condition, and shall provide a copy of the notice to the owner or user of the affected boiler or pressure vessel, or to a representative of the owner or user.
- (2) If no immediate hazard to health and safety is evident, the notice shall state that correction of the defective condition is required within 30 days of the date of the inspection. If the correction is not completed within the 30-day period, the owner or user of the boiler or pressure vessel may apply to the chief boiler inspector for extension of the time for making the correction. If the chief boiler inspector determines that corrective action was commenced within the time period specified in the notice, an extension may be granted for such time as is required to complete corrective action.
- (3) If an immediate hazard to health and safety is evident, the notice shall prohibit further use of the boiler or pressure vessel. The inspector immediately shall report that action to the chief boiler inspector.
- (4) If any person is aggrieved by a determination made upon inspection under this section, the person first shall appeal that determination to the chief boiler inspector and then to the Board of Boiler Rules. Subsequent appeal shall be as provided in ORS 183.480 to 183.540.

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Questions?



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Chubb. Insured.




Enterprise Risk Management

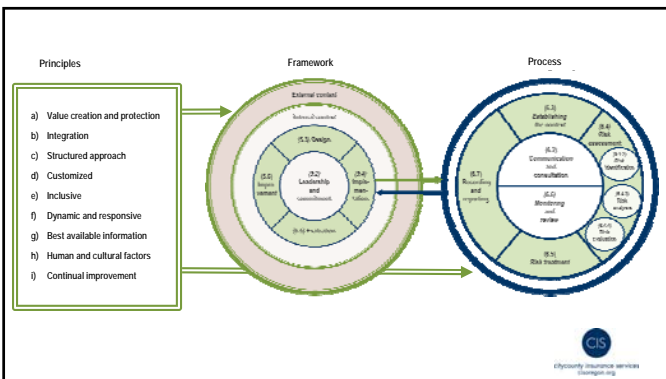
Scott Moss, MPA, CPCU, ARM-E, ALCM CIS P/C Trust Director



Why ERM?


- Aligns organizational risks with organizational objectives
- Provides consistent format around the world
- Improves understanding of key risks and implications
- Focuses on opportunities and threats that matter
- Increases decision maker's ability to make confident decisions
- Reduces number of surprise or crises events






ERM Principles

1. Value creation and protection
2. Integration
3. Structured approach
4. Customized
5. Inclusive
6. Dynamic and responsive




ERM Principles

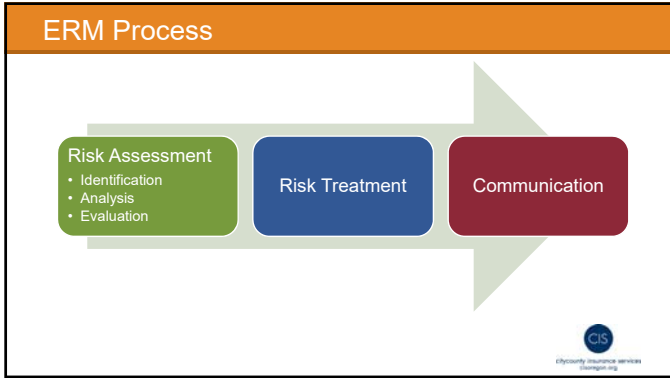
7. Best available information
8. Human and cultural factors
9. Continual improvement



ERM Framework

- Leadership and Commitment
- Design Program
- Implementation PROCESS
- Evaluation
- Improvement






Member Interest

- Members interested in adopting ERM
- Members interested in using ERM for decision making
- Members not interested at this time

CIS Risk Management Consultants are trained to help those members with interest in implementing ERM or using ERM for decision making.



How can Agents help CIS members implement ERM/ISO 31000?

Presented by Alycia M. Johnson
Director of Executive Risk
WSC Insurance

Start with Yourself....

- Familiarize yourself with ISO 31000
 - > The framework
 - > The analysis
- Practice the process
- Include many resources
 - > Independent agents
 - > CIS risk management consultants & others
 - > Pre-loss legal
- Implement what you've learned

Share the Knowledge....

- Identify objectives
- Engage your clients
- Establish owners
- Explain the benefits
- Be involved to provide coaching

Identify Risks

- Work with all stakeholders
- Work through the process
- Find your acceptable level of risk
- Continually Review and Repeat
- Streamline the process
- Stay away from reactionary responses

Now Go and Implement...

- ◉ Quarterly ERM meetings
- ◉ Expectations and timing
- ◉ Follow through
- ◉ Be diligent and confident

The hard work and solutions will eventually pay off and (hopefully) prevent a catastrophic claim.

Taking Responsibility....

- ◉ Response is the opposite of reaction
- ◉ Taking action and making choices can be difficult, so focus on the mission and the objectives

Look at the word Responsibility a little differently. Break it down to the "Ability to Respond", and think about this:

Your "response-ability" is the capacity to face any situation and make powerful choices that are consistent with who you are.

- Danny Silk, Communications Author

Renewal 2017-2018

Scott Moss, P/C Trust Director
Tena Purdy, Underwriting Supervisor
Trent McGath, Risk Information Manager

Agenda

- Cyber Assessment
- Liability Experience Rating Model
- NCCI
- Liability/Property Package
- Increase in Sub-limits
- Changes to Best Practices Survey
- Strains and Sprains – New Program



Agenda - Continued

- CIS vs. Commercial Insurance
- Jail Claims
- Incident Reporting
- Drones
- Debris Removal Endorsement
- Auto-Related Events
- Renewal Reminders
- Additional GL Question for 17-18




Changes to Cyber

- Homeland Security has new cyber assessment tailored for local government.
 - Members with excess cyber limits are asked to complete assessment and make internal changes suggested by the report over the next year.



Liability Experience Rating – Subject to Board Approval



\$25,000	• High dollar claims have been capped at \$25,000 in the experience rating model.
\$50,000	• CIS will increase the cap to \$50,000 at increments of \$5,000 per year until new cap is reached.
Less than \$10,000	• Members with liability premium less than \$10,000 will not be impacted.



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NCCI

- CIS has started submitting claims and payroll data to NCCI.
- CIS will use NCCI experience rating factors and worksheets beginning in 2018-2019.
- Under NCCI methodology, small premium members will not be experience rated.



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Package: Property & Liability

- Beginning in 2017-2018, any new members in the CIS Trust will be required to purchase both Liability and Property coverages.




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Property Sub-Limits Increased



Effective 7-1-17 the following are increased to \$1,000,000 limit each:

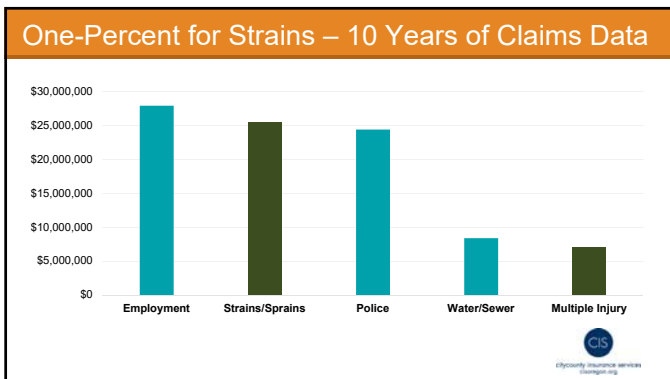
- Loss of Revenue and Rental Value
- Extra Expense and Rental Expense
- Property in Transit



Best Practices Survey


- Moving forward, the Best Practices Survey will be completed every 3 years, rather than every year.
 - Best Practices will be completed this spring.





Three-Year Program

- Occupational or physical therapist
- Provide in-house training
 - Focus training
 - Balance
 - Strength
 - Tempo
 - Flexibility
 - Brace
 - “Just in Time” training app
- Budget: 1% of 10 years of claims = \$250,000 (over 3 years)




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How CIS vs. Commercial Insurance Compares

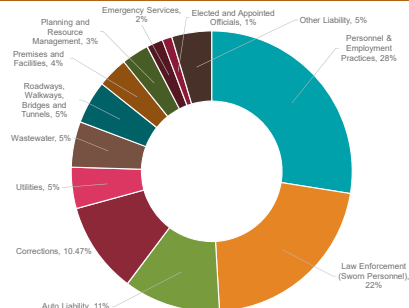
CIS	Commercial Insurance
Occurrence	Claims made
\$5 million limit	\$1 million limit
Employment Liability covered	Often some or all excluded
Professional Liability covered	Requires separate policy
Medical Malpractice covered	Requires separate policy
Police Liability covered	May require separate policy
Cyber Liability – limited coverage	Requires separate policy
Public entity adjusters	Commercial adjusters
Public entity risk management	Little or no risk management

See handout for additional detail




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Liability Loss Categories - 2016

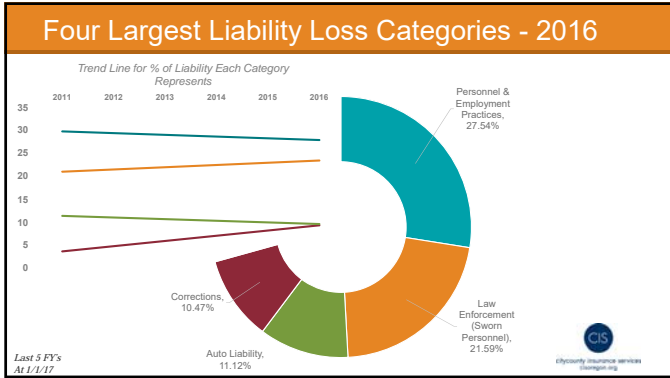


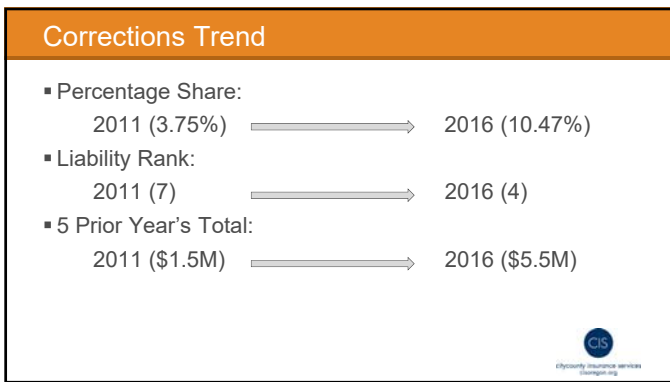
Category	Percentage
Personal & Employment Practices	28%
Law Enforcement (Sworn Personnel)	22%
Auto Liability	11%
Corrections	10.47%
Utilities	5%
Wastewater	5%
Roadways, Walkways, Bridges and Tunnels	5%
Premises and Facilities	4%
Planting and Resource Management	3%
Emergency Services	2%
Other Liability	5%
Elected and Appointed Officials	1%

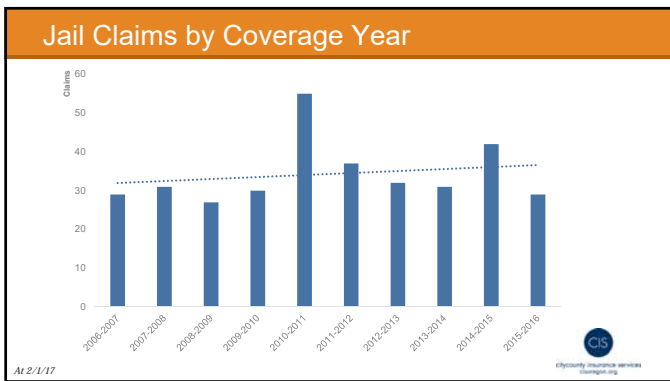
Last 5 FY's At 1/1/17

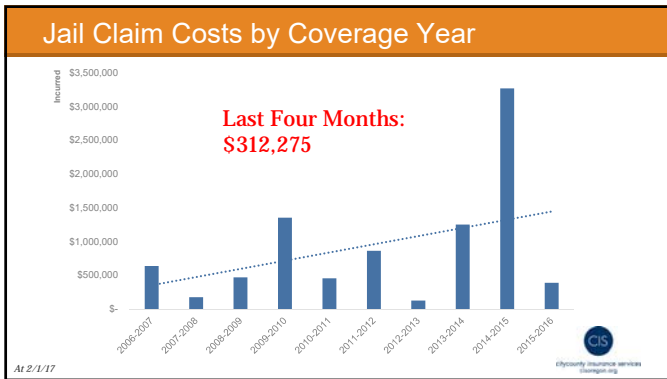


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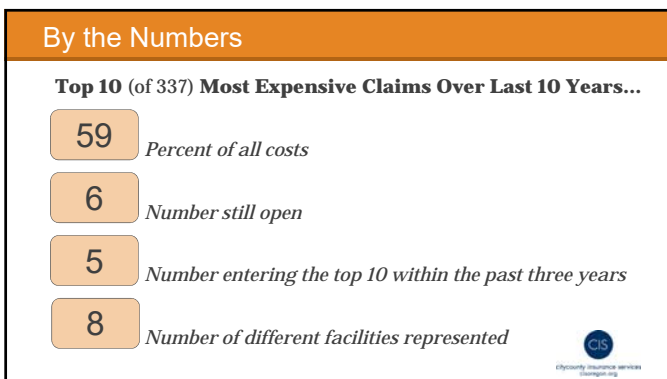












Claims Costs Outpacing Rate

- The current rate for an occupied jail bed is **\$445**, but the average per bed claim cost over the past three years is **\$731**, or **64%** higher than the charged rate.
- Jail Loss Ratio Last Ten Years: **183%**
- The rate will climb unless claims decline...



Incident Reporting & Access to Claim Notes

- Member On-line Incident Reporting Module is under development
- Access to adjuster's claims notes on Compass (CIS claims software)



UAV/Drone Endorsement

- No automatic coverage
- Completed application required to endorse
- \$250k in liability coverage
- Scheduled on the mobile equipment schedule; coverage only while in a building or covered auto; no property coverage while in flight
 - FAA certified drone pilots only
 - Follow FAA regulations
 - Adhere to ORS 837.300



Debris Removal Endorsement

- Debris Removal Endorsement
 - \$50,000 in debris removal
 - Only limit available
 - Used for properties that member does not want to replace, but need coverage for debris removal if building is lost due to a covered peril



Auto-Related Events

- Demolition Derby
- Auto/motorcycle races
- Young drivers
- Monster trucks rallies




Earthquake Limits

- \$200 million shared limit
- \$100 million dedicated limit (sold in \$10 million limits – two are still available)
- CIS Board considering another \$100 million
- Consider underground exposures




Renewal Reminders

- April 3 - Online renewal application will be posted to website
- April 3 - 2017-18 schedules will be posted for review with your member
- Appraisal values will be included in the 2017-18 property schedules
- All building, contents and property in the open (PIO) not appraised will be trended 1%



GL Question

- Question added:
 - Jails - Do you contract out your medical services to an insured third party such as Conmed Healthcare Management; Corizon Health or NaphCare?



Final Topics

- Eclipse
- Crime coverage limited to member's money
- Moonlighting Firefighters/Reserves
- Treatment Plant Watering Systems

