RISK MANAGEMENT DIVISION

LOSS PREVENTION

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SPOTLIGHT

A publication focusing on loss prevention information from the Risk Management Division of Washington State's Office of Fianancial Management

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Loss Prevention Review Team...In Review

How and Why Was the LPRT Program Created?

The Risk Management Task Force, convened by the Governor to address the state's growing tort liability claims and costs, issued a report of findings in October 2001. In response to one of the recommendations in the report, the 2002 Legislature created the Loss Prevention Review Team Program (LPRT). The Office of Financial Management (OFM) manages the LPRT as part of the state risk management program.

What are the LPRT Program Objectives?

The LPRT program identifies ways for state agencies to reduce and prevent risks of substantial loss associated with their operations. Working with agencies to identify areas of focus based on the incidents that occur is key to the program's success. Program objectives include operational quality improvement, fewer losses/claims, and a reduction in the number and cost of claims and litigation.

How Does Reporting and Establishing the Review Team Work?

On a designated OFM form, all state agencies report incidents to the LPRT program that involve:

- A death
- Significant injury
- Other substantial loss

OFM works with the agency to gather enough factual information for its Director to determine whether a review team should be appointed to conduct an in-depth review of the incident.

Review teams are independent, unpaid volunteers recruited for their expertise and experience with subject matters related to the incident or topics being reviewed. Employees of the agency may not participate on review teams of the agency under review, but retired employees from the agency are frequently appointed. OFM asks the agency under review for input on the team members, but makes the appointments based on its own determination of the best team for the task.

An OFM staff person facilitates the teams, and works with an agency designated contact person to collect relevant documents, set up interviews and perform research the team may require to complete the review. If deemed necessary, OFM also retains experts to work with the team on the review. Reviews take between 120 and 150 days to complete, depending on team member schedules and the complexity of the topic.

What Methodology is used for Reviews?

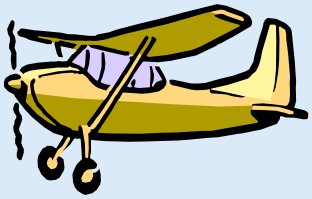
Using case study methodology as the foundation of the review, OFM seeks to:

- Identify the incident's contributory causes.
- Identify root causes.
- In conjunction with the above, review agency program policies, procedures, and culture.

The objective is to eliminate or mitigate the risk of a similar incident occurring or being as severe in the future. These findings are compiled in a written report provided to the agency and OFM Director with the review team's analysis and recommendations.

(continued on page 2)

Commercial Insurance Update



2005 Aviation Insurance Renewal Flies In With No Cost Increases

The Risk Management Division (RMD) is pleased to announce that the renewal cost for the state's aviation excess insurance policy (renewed November 1, 2004) is the same as the expiring policy. The state's favorable loss history, and an overall improvement in the aviation insurance market have stabilized rates. Even more encouraging is a news report from a recent edition of "*Business Insurance*" citing that aviation underwriters have experienced a reduction in the frequency and severity of claims. That means there is a possibility that rates *may* be reduced in the next renewal period. Some large aviation policyholders outside of our state (e.g., airlines) have received a 15% to 20% reduction in their rates.

RMD recommends that all state agencies operating aircraft carry at least excess coverage (above a $1 million deductible). The state's Self-Insurance Liability Program *excludes aviation risks entirely*. Therefore, it is necessary to purchase commercial aviation insurance to cover that risk.

For questions about aviation or other types of commercial insurance coverage, contact Nancy Heyen at (360) 902-7301 or nancy.heyen@ofm.wa.gov.

Future Focus of the LPRT Program

Program Direction

The LPRT program focus now and into the future is simple—*identify strategies to reduce the risk of substantial loss of state agency operations*. However, the actual LPRT work is far more complex, involving in-depth analysis of:

- Agency culture and decision-making
- Policies and procedures
- Budget limitations
- Best practices
- Requisite skills and training required for loss prevention
- Empirical data related to incidents resulting in substantial loss

Increasing Reporting

While agency self-reporting continues to increase, there is still evidence that the number of incidents reported to OFM is significantly lower than the number of claims alleging a "reportable" incident. Therefore, OFM anticipates an increase in the number of incidents to review as agency awareness of the reporting requirements increases.

Continuing A Proactive Approach to Self-Analysis

When enacting this program, the Legislature recognized the inherent tension created by the program's design—critical self-analysis of an incident to prevent future occurrences, and the risk of a higher liability verdict in relation to the incident under review. Remedying problems to prevent recurring liability via a "proactive approach" was specifically adopted for the LPRT program. The program continues to be managed as a *risk management resource* available to agencies. It's a resource that allows identification of remedial measures "in a container" that is protected from disclosure in a judicial proceeding. OFM maintains and fosters a close working relationship with the Attorney General's office and agencies. By doing so, review team information is presented in the most constructive way possible within the statutory parameters set for the LPRT program.

What's Next?

Review teams are underway on new topics. OFM continues to coordinate with agencies to determine types of incident reviews agencies would find most helpful in enhancing their risk management programs. Some agencies are developing incident reporting systems where none previously existed—with the result being better overall management of risk. The impact of the program overall is positive. Over time as program data is gathered, OFM will measure outcomes partially or wholly attributable to the loss prevention efforts generated by the LPRT. These important findings will be shared with all state agencies. OFM anticipates that by partnering with agencies, the outcome will result in *fewer claims and lawsuits, better outcomes, and safer state agency programs and operations.*

F A S T F A C T

VEHICLE ACCIDENT YEAR TO DATE COMPARISONS

Comparing auto accidents for the same period in 2003 and 2004 (1-1-03 to-11-12-03 with 1-1-04 to 11-12-04) reveals the following:

- **Accidents involving state driver error from yielding/improper turning were the highest cause of accident for both periods.**
- **Accidents involving state driver error from collision with a parked vehicle continued as the second highest cause for both periods.**
- **Accidents caused by other drivers damaging state vehicles totaled 12 in 2003 and 7 in 2004.**
- **There was one accident involving a pedestrian/bike in 2003 and none in 2004.**
- **Total claim payments for this period in 2003 were $546,579 and $362,977 in 2004*.**

***Keep in mind that 2004 represents immature data at this comparison date.**

Loss Prevention Review Team...In Review (*continued from page 1*)

Are Agency's Required to Respond to the LPRT Report?

The Legislature intended and requires that agencies provide an implementation plan to OFM within 120 days of receiving the review team's written report of the incident review. Agencies are to do the following:

- Determine if findings can be extrapolated to effect meaningful changes.
- Confirm that recommendation generally would be applicable and beneficial--if findings require further internal study.

The Risk Management Division continues to work with the agency on the implementation plan. Follow-up measuring is designed to determine if implementation is reducing or preventing similar incidents.

What Information is reviewed - What is the Legal Implication?

- Relevant information provided by the agency.
- Public information that can be located.

Information in the report is not focused on liability issues. More importantly, team members and its work paper *cannot be introduced in an adjudicatory proceeding*. This "protected" aspect sets it apart from the tort lawsuit process.

What Types of Incidents Have Review Teams Reviewed?

- Off-road terrain vehicle related deaths on state-owned land
- Airline technician programs at community colleges
- Juvenile Rehabilitation Administration and adult parole violation prevention efforts
- Alarm response in state owned buildings
- Drowning prevention in state parks

Potential areas for review are as diverse as the many and varied activities of the state's agencies, universities and colleges.