

ADMINISTRATION

10: BUREAU DIRECTORS HORM: CHIP ADUANTAGE 2 LET'S TAKE INSURAWCE UF THUS INSURAWCE "SPECIAL." RISK MANAGEMENT DIVISION 1-800-525-1252 289-2341

MEMORANDUM

TO: Charles Morrison, Commissioner

DEPT.: Administration

FROM: Timothy W. Smith, Director

DATE: January 9, 1990

SUBJECT: Insurance Rate Freeze, Reduced Deductibles, and Loss Experience Rates

One of the areas in your budget that is uncertain from year to year is the cost of insurance and the number of claims settled in which you have to pay the first layer of cost. (This is called a deductible.)

At a time when it is vital for all cost to be reduced to meet the current budget crunch, I have proposed a program to freeze your rates and to reduce or eliminate your deductibles.

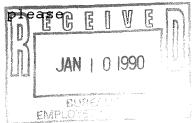
The first element to reduce cost in areas of insurance is a pro-active plan not to have claims. This is better known as safety.

I will freeze any Department's insurance rates for FY 91 if they can show me that they are following the executive order on safety put out by the Governor. This includes a program that is or will be put in place to have every employee involved in safety awareness, training, and that this will be done on an ongoing frequent basis.

In each area where an insurance policy covers property, bonds, auto, liability, boats, planes, and/or the major functions of your Department that a written safety policy must be in place by 7-1-90. I will not charge a deductible for any claims within that policy period.

Any Department which can show they are reducing claims by 7-1-90, will also have any loss experience rating deleted for FY 91 only. If safety reduces claims and every Department does have ongoing safety awareness and training programs, this rate proposal can be made effective for future years too.

If you have any questions on the requirements, let me know.



TWS/saa