


# Insurance 101

Texas Association of County Auditors  
July "On the Road Area Training"

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RISK MANAGEMENT POOL

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- This PowerPoint presentation is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting your county attorney and/or actual policy documents.
- The terms and definitions in this presentation are for informational purposes only and may or may not be like those found in your respective policy documents. Please refer to your policy for applicable terms and conditions.
- This presentation is not intended to provide any coverage determinations or coverage positions. Please refer to your specific policy document(s) and consult with your respective coverage provider.



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## Objectives

- I. What is Risk?
- II. Why Do Counties Manage Risk?
- III. What is Insurance?
- IV. Common Coverages for Public Entities (Counties) and Terminology
- V. Resources



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## What is Risk?

- Uncertainties about outcomes that can be either negative or positive
- The chance of loss or no loss (break-even)
- The possibility of a loss or injury



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## Why Do Counties Manage Risk?

- To safeguard county resources from surprising losses
- To proactively protect the county from external forces and exposures
- To limit uncertainty in the budgeting process



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## What is Insurance?

- A contractual relationship that exists when one party (the insurer) for a consideration (the premium) agrees to reimburse another party (the insured) for loss to a specified subject (the risk) caused by designated contingencies (hazards or perils). "IRMI Online: Glossary of Insurance & Risk Management Terms." N.p., n.d. Web
- The equitable transfer of the risk of a loss, from one entity to another in exchange for money. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. An insurer, or insurance carrier, is selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. "Wikipedia: The Free Encyclopedia; search word: insurance." N.p., n.d. Web
- Insurance is the main way for businesses and individuals to reduce the financial impact of a risk occurring. "Lloyd's of London: What is Insurance?" N.p., n.d. Web



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## Auto Liability/Physical Damage

**Auto Liability** - provides coverage for bodily injury and property damage caused by negligent use of a covered auto. (3<sup>rd</sup> party coverage)

**Auto Physical Damage** – provides Comprehensive and Collision coverage to a covered vehicle when involved in an accident. (1<sup>st</sup> party coverage)

- Collision - collision with another object or overturn
- Comprehensive - from any cause except collision with another object or overturn including glass breakage, hitting birds/animals, and hit by falling objects.

Common Terminology:

- Tort Limits 100k/300k/100k (higher limits available and vary)
- Actual Cash Value (ACV)
- Deductible
- Personal Injury Protection (PIP)
- Uninsured/Underinsured Motorist Coverage (UI/UIM)
- Hired & Non-Owned coverage



Things to Consider: claims history; deductible level; age of your fleet, etc...



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## General Liability

Provides liability coverage for bodily injury or property damage arising out of a negligent act committed by the Pool member that occurs on member premises or during member operations.

- Premises Liability – Slips and Falls on County owned property
- Contractual Liability
- Products & Completed Operations – Roads maintained by county

Common Terminology :

- Bodily Injury per Person and Bodily Injury per Accident (tort limits \$100k/\$300k; higher limits available)
- Property Damage each Accident (tort limits \$100k; higher limits available)
- Medical Expense (medical payments)
- Garage Keepers' Liability
- Damage to Premises Rented to the Named Insured
- Employee Benefits Liability



Things to Consider: claims history; risk assessment of premises and operations, etc...



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## Public Official Liability

Provides coverage for elected and appointed officials, employees and volunteers for claims arising from the performance of official county duties. Provides a defense for claims such as workplace discrimination, harassment, retaliation, wrongful termination, alleged malicious prosecution by county prosecutors and claims under the Americans with Disabilities Act.

Common Terminology:

- Per Claim or Per Occurrence
- Aggregate
- Punitive Damages
- Directors & Officers
- Employment Practices Liability (EPLI)
- Malicious Prosecution

Effective 5/1/2015,  
TAC RMP began  
offering Cyber  
Liability as part of  
the POL coverage,  
at no additional  
cost!

Things to Consider: claims history; deductible levels; procedures and manuals; ongoing training; optional endorsements (DA/DJ), etc...



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## Law Enforcement Liability

Provides coverage for law enforcement officers, employees and volunteers for claims arising from the performance of law enforcement duties. Provides a defense for claims such as excessive force, wrongful arrest, failure to provide medical care in jails and inadequate or improper jail conditions.

Common Terminology:

- Personal Injury
- Deliberate Indifference
- Punitive Damages
- Claims made form
- Occurrence made form

Things to Consider: claims history; optional endorsements (DA/DJ); LE policy review and manuals; ongoing training, etc...



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# Property

Provides blanket replacement coverage for physical damage to buildings, structures, contents, valuable papers and records, and electronic data processing equipment. Also provides coverage for mobile equipment.

**Common Terminology:**

- Replacement cost
- Reproduction cost (historical)
- Actual Cash Value (ACV)
- Depreciation
- Coinsurance
- Margin clause
- Mobile Equipment
- Site improvements
- Acts of God



**Things to Consider:** last time appraised; deductibles; property risk assessment; new construction; property schedules; claims history; flood plain or not, etc...



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# Workers' Compensation

Provide coverage for the cost of medical expenses and lost wages for workers who are injured in the course and scope of their duties.

- **Fully-funded (pooled) coverage** — The Pool offers this option for those counties that want to completely transfer the risks and costs associated with injured workers. This is the most popular option because it offers a guaranteed cost.
- **High-deductible program** — The Pool offers high deductible plans for those counties that are willing to accept some of the risks. A high deductible program is a great choice for medium or large counties that want to take on more risk and can tolerate fluctuations in monthly costs. This type of arrangement can offer many of the advantages of self-coverage without the associated administrative work that comes with it.

**Common Terminology:**

- Target Modifier (Experience Modifier)
- Loss Ratio
- Reserves

**Things to Consider:** claims analysis (trends, severity of frequency); loss control/prevention services; return to work programs; safety committee; incident/accident investigation



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# Cyber Liability

Cyber Liability provides coverage for data breach and privacy response, including:

- **Credit monitoring** - Provide the option of credit monitoring services to those individuals whose data has been compromised.
- **Forensic investigations** - Investigation into the cause of the data breach.
- **Public relations** - assistance with communications regarding the breach and the county's response to those affected and to the public.
- **Legal fees** - Attorney's, court and other legal fees incurred following the data breach, subject to sublimit.
- **Regulatory proceedings and penalties** - Coverage for regulatory proceedings and penalties incurred.

Common Terminology:

- Data Breach
- Ransomware

Things to consider: policies are not standardized – review each one to get what you need; broad coverage (i.e. penalties, fines, etc...); support for pre-assessment; eRisk tools



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# Crime

Coverage provided for loss of money, checks, etc. due to dishonest acts by an employee.

- Forgery
- Robbery
- Counterfeit Paper Currency
- Wire Transfer

Common Terminology:

- Governmental Action
- Money
- Securities
- Depository Failure
- Employee Dishonesty
- Proof of Loss
- Theft



Things to Consider: maximum loss potential; not every one handling cash might be bonded; cash handling procedures & reporting

**Effective 7/1/15, Crime will be part of the Property Coverage as offered by TAC RMP**



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## Resources

- International Risk Management Institute (IRMI):  
Glossary of Insurance & Risk Management Terms –  
[www.irmi.com](http://www.irmi.com)
- Property Casualty 360<sup>0</sup>: Public Sector Risk  
Management - <http://www.propertycasualty360.com>
- Risk & Insurance – [www.riskandinsurance.com](http://www.riskandinsurance.com)
- Public Risk Management Association -  
<http://www.primacentral.org/>
- Texas Association of Counties: Pool & Risk Services –  
[www.county.org](http://www.county.org)
- **Your RISK MANAGEMENT CONSULTANT @ TAC!**



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## Insurance 101

Thank you for your attention  
and participation.

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