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DATE: March 15, 2018

TO: All Agency Directors, Insurance Administrators, Financial Officers and other interested parties

FROM: Faith Cox, Statewide Risk Manager

RE: Automobile Physical Damage Deductibles

The purpose of this memorandum is to provide notification of two important changes that will take place to our Auto Physical Damage Program effective July 1, 2018. First, **the auto physical damage agency deductible will be increased from \$500 per occurrence to \$1,000 per occurrence.** Over the past five years the Office of Risk Management has seen an upward trend in preventable accidents. Currently, approximately 40% of all accidents that occur in state vehicles are preventable and in the last year we have seen claim costs increase by more than 20%. The higher deductible will allow Risk to better control claim frequency and it will more closely align with coverage that is offered under a standard commercial auto policy.

The second trend Risk has identified is an increase in accidents with rental car vehicles that were rented outside of the negotiated statewide rental car contract. Our Division of Purchasing has done a remarkable job negotiating statewide rental car contracts with Enterprise and Hertz. The contracts include full coverage, not just liability, which is especially important for travel in surrounding states that do not have tort caps, thereby allowing unlimited exposure to our state. It's very important that agencies rent cars under the contract so the state is protected. Because of this increased risk to the state, **accidents occurring in cars that are rented outside of the statewide contract will be assessed a \$2,500 per occurrence deductible.** The standard \$1,000 deductible will be applied if the city or location was not serviced by an Enterprise or Hertz location.

Both changes were carefully considered and presented to our Risk Management Advisory Committee in January. The committee supported the revisions unanimously.

If you have any questions or concerns Risk is available to assist. We can be reached at (208) 332-1869.