

2/18/85
Approved Jayne Aylward
Date

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY

The meeting was called to order by Representative Jayne Aylward at
Chairperson

3:30 ~~xxx~~ a.m./p.m. on February 13, 1985 in room 522-S of the Capitol.

All members were present except:
Representative Helgerson
Representative Sallee (excused)

Committee staff present:
Ray Hauke, Research Department
Scott Rothe, Research Department
James A. Wilson, III, Senior Assistant Revisor
Jean Mellinger, Secretary to the Committee

Conferees appearing before the committee:
Dr. Russell Getter, Division of Information Services & Computing

Chairman Jayne Aylward opened the meeting for hearings on HB 2126.

Ray Hauke, in staff briefing, said the bill allows DISC to purchase property and casualty insurance on data processing or telecommunications equipment. Present statutes generally forbid agencies from securing insurance on state property but grant certain exceptions. Last summer when the CCT Interim Committee studied Proposal 14, the overall subject of disaster recovery, this was mentioned by the Director of DISC. In case of disaster recovery, agreements provide for vendors to supply equipment on short notice; but the equipment must be paid for. The equipment value substantially exceeds the value of the State Emergency Fund. The bill does not attempt to violate the authority of the Committee on Surety Bonds and Insurance; they would continue to negotiate and set the actual insurance agreement.

Representative Friedeman asked if data is being included. Ray Hauke said it was not the intent and this comes back to the subject of how much backup they have on the software.

Representative Campbell asked if we would be insuring against maybe a short inside that burned the entire equipment and was told it was not just fire but all types of casualties.

Representative Roper asked if vandalism would be included and was assured it could be.

Representative Dean inquired concerning the background of why the state has never bought insurance. He was told the state is considered to be self-insured.

Representative Roper asked if they had an estimate for the annual cost. Ray Hauke said there was an estimated cost of approximately \$9,000. Dr. Getter passed out a sheet giving estimates (Attachment 1).

Dr. Getter said this is part of the Disaster Recovery plan they are trying to put in place which also includes getting a cold site to back up their present site and off-site storage for software. He mentioned that in a discussion with General Tice, they have the substance of an agreement to store materials in the Emergency Preparedness Center at the Defense Building on Topeka Avenue.

Representative Erne asked if it was a secured building. Dr. Getter said they have outside security now and will soon have 24 hour inside security.

The chairman distributed copies of a letter from the Commissioner of Insurance (Attachment 2) concerning the bill.

Representative Dean asked if they couldn't rent a machine. Dr. Getter said it is impossible to do this at the present time. Representative Dean asked

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY,

room 522-S, Statehouse, at 3:30 ~~am~~/p.m. on February 13, 19 85

how breaking the state's policy not to insure can be justified. Dr. Getter said studies done regarding disaster recovery planning show that corporations that can recover within a period of two weeks generally survive, others show a very low probability of ever recovering. And what's critical there are the money in and money out functions to maintain cash flow and other obligations. With the state, steps need to be taken, as are necessary to fulfill these functions. Representative Dean asked if they were insuring the financial liability or the computer itself. Dr. Getter said they are insuring the equipment, but the purpose is to be able to address the matter of financial liability. Representative Dean asked about recovery within two weeks. Dr. Getter said that if the disaster could be recovered within two weeks, it could be done on site; but if they couldn't recover within two weeks, they would attempt to bring up another operation at a cold site. Representative Dean asked if the company wouldn't bring in a machine for a price and do that regardless of whether we have insurance. Dr. Getter says it has always been sort of an understanding but he isn't sure they would without a bona fide guarantee that they were going to get paid.

Representative Friedeman asked what kind of coverage they were really talking about. Virgil Bascal of DISC said it was insurance coverage for fire and storm. Representative Friedeman asked about theft or vandalism. Mr. Bascal said these were not included but he didn't think they would add too much to the premium.

Representative Green asked if they were really talking about interruption insurance. Mr. Bascal said it was for reimbursement if the equipment was destroyed.

Representative Erne asked about provisions for terrorism. Mr. Bascal said there could be.

The chairman asked Mr. Bascal to get the costs on the additional coverage by the first of the week.

Representative Friedeman asked if the equipment that we lease is being covered. Mr. Bascal said it was not, only the equipment owned was being covered.

The hearings on HB 2126 were concluded.

Representative Friedeman moved that the minutes of the February 11, 1985, meeting be accepted. Representative Roper seconded the motion. The motion carried.

The meeting adjourned at 4:15 p.m.

The next meeting of the committee will be held at 3:30 p.m. on Monday, February 18, 1985.

INSURANCE COVERAGE FOR DISC EQUIPMENT

Replacement Cost of Equipment	\$5,448,750
Cost of Operation in Cold Site	\$ 22,530
In excess of normal operation costs.	
Assumed 180 days in the cold site.	
Other Costs such as Freight	\$ 27,470

After consultation with the State Insurance Department we obtained cost estimates for insurance coverage from the US Insurance Group in Kansas City, which specializes in this type of Insurance.

US Insurance Group estimated the premiums required with three different deductible levels. Insurance is not available without a deductible.

\$ 1,000 deductible has premium of \$9,788
\$ 5,000 deductible has premium of \$9,293
\$10,000 deductible has premium of \$8,963

v12/VB2

(Attachment 1)
2/13/85



Committee on Surety Bonds and Insurance

Commissioner of Insurance, *Chairman*
Fletcher Bell
Attorney General, *Member*
Robert T. Stephan
State Treasurer, *Member*
Joan Finney

Commissioner of Insurance
420 S.W. 9th
Topeka, Kansas 66612
Telephone (913) 296-3071

Director of Purchases, *Ex Officio Secretary*
Nicholas B. Roach

February 12, 1985

House Committee on Communications,
Computers & Technology
Statehouse, Third Floor
Topeka, Kansas 66612

ATTENTION: Ray Hauke, Legislative Research

Dear Mr. Hauke:

As you are no doubt aware, the State Committee on Surety Bonds and Insurance has general and primary responsibility for the purchase of insurance by state agencies. In my role as statutory chairman of this committee, House Bill No. 2126 has been brought to my attention and I, in turn, have discussed it with representatives of the State Treasurer and Attorney General. As a result of these discussions and for your information, we believe House Bill No. 2126 would remove current legal impediments to the purchase of insurance on data processing and telecommunications property of the state. Further, legislative removal of such impediments is viewed by this committee as a statutory direction to purchase such coverage if it is available and the premium is within available appropriations.

Very truly yours,

Fletcher Bell, Chairman
Committee on Surety Bonds and Insurance

FB:mmk

cc: Robert Stephan, Attorney General
Joan Finney, State Treasurer
Nicholas Roach, Director of Purchases

(attachment 2)
2/13/85