

Fund 501

County Insurance Fund



Mission

To ensure the health and safety of County citizens, employees and public officials, and to protect the County's financial assets. The agency is committed to providing the highest quality of customer service in managing the County's risks and exposures.

Focus

Fairfax County has a statutory responsibility to provide workers' compensation benefits, including medical treatment and loss of wages due to related disability, to employees who sustain occupational injuries and illnesses. The County Insurance Fund was established to fulfill this obligation. The Fund also provides countywide commercial insurance and self-insurance. The County self-insures automobile and general liability claims. Special commercial coverage is provided for activation insurance on County helicopters, real property coverage, and Fire and Rescue Department vehicle damage insurance. Administrative expenses of risk management programs are paid through this Fund.

Fairfax County provides a wide range of services to its employees and citizens, which in turn create potential risks and exposures to the County. Some of these risks include injuries involving County employees or damage to County property, injuries to citizens or damage to citizen property, automobile accidents, incidents arising from police activity, the actions of public officials, and the operation and maintenance of sewage and storm management systems.

The Risk Management Division approaches its mission from both internal and external perspectives. Recognizing that an organization the size of the County will experience losses, Risk Management staff work to mitigate losses and manage financial liabilities through a combination of self-insurance (which generally applies to losses expected to occur regularly, such as workers' compensation, automobile and general liability, and police professional and public officials liability) and commercial insurance (for losses which occur infrequently but tend to be large exposures, such as real property losses, aircraft liability, and damage to high-value vehicles). Recognizing the importance of prompt and fair resolution of claims against the County, claims administration utilizes both in-house staff and a contract claims administrator. Finally, Risk Management staff focuses on building and utilizing partnerships with other County agencies, the community, and neighboring jurisdictions to mitigate risks and to ensure excellent communication with the residents of Fairfax County.



THINKING STRATEGICALLY

Strategic issues for the Department include:

- o Raising awareness of potential risk scenarios;
- o Exploring options for efficiencies in managing financial liabilities; and
- o Continuing to cultivate strong relationships with agencies.

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New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

 Maintaining Safe and Caring Communities	Recent Success	FY 2007 Initiative
Continue to develop outreach programs to educate citizens on County risk management initiatives.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Created a risk management critical incident response team for catastrophic, security and significant incidents, trained in all areas and working closely with local, state and federal contacts. In FY 2006, added a business continuity piece, provided additional training, and improved and expanded existing tools.	<input checked="" type="checkbox"/>	
Began implementing the Automated External Defibrillator (AED) program, with all AED units to be installed in County facilities and schools by the end of FY 2007.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 Corporate Stewardship	Recent Success	FY 2007 Initiative
Developed online reporting process for automobile claims reducing the timeframe required to settle claims.	<input checked="" type="checkbox"/>	
Implemented an automobile accident review team to address accidents involving County employees and to identify drivers who need additional education.	<input checked="" type="checkbox"/>	
Make all risk management policies and procedures available to County users online.		<input checked="" type="checkbox"/>

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Budget and Staff Resources

Agency Summary					
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	13/ 13	14/ 14	14/ 14	14/ 14	14/ 14
Expenditures:					
Personnel Services	\$970,253	\$1,160,458	\$1,160,458	\$1,269,639	\$1,269,639
Operating Expenses	13,005,997	13,017,724	15,859,282	13,682,958	13,682,958
Capital Equipment	0	0	0	0	0
Subtotal	\$13,976,250	\$14,178,182	\$17,019,740	\$14,952,597	\$14,952,597
Less:					
Recovered Costs	(\$408,506)	(\$400,586)	(\$357,418)	(\$375,000)	(\$375,000)
Total Expenditures	\$13,567,744	\$13,777,596	\$16,662,322	\$14,577,597	\$14,577,597

Position Summary					
1	Risk Manager	1	Claims Manager	1	Safety Manager
1	Administrative Assistant IV	1	Claims and Rehabilitation Supervisor	1	Safety Analyst
1	Insurance Manager	1	Rehabilitation Specialist	1	Risk Analyst
1	Management Analyst III	2	Claims Specialists	1	Administrative Assistant III
1	Management Analyst II				
TOTAL POSITIONS					
14 Positions / 14.0 Staff Years					

FY 2007 Funding Adjustments

The following funding adjustments from the FY 2006 Revised Budget Plan are necessary to support the FY 2007 program:

- ◆ **Employee Compensation**
\$109,181
- A net increase of \$109,181 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.

- ◆ **General Insurance Costs**
\$690,820
- A net increase of \$690,820 in Operating Expenses is primarily due to an increase in costs associated with workers' compensation, real property, and insurance premium increases.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2007 Advertised Budget Plan, as approved by the Board of Supervisors on May 1, 2006:

- ◆ The Board of Supervisors made no adjustments to this fund.

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Changes to FY 2006 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2006 Revised Budget Plan since passage of the FY 2006 Adopted Budget Plan. Included are all adjustments made as part of the FY 2005 Carryover Review and all other approved changes through December 31, 2005:

- ◆ There have been no revisions to this Fund since the approval of the FY 2006 Adopted Budget Plan.

The following funding adjustments reflect all approved changes to the FY 2006 Revised Budget Plan from January 1, 2006 through April 24, 2006. Included are all adjustments made as part of the FY 2006 Third Quarter Review:

- ◆ **Third Quarter Adjustments** **\$2,884,726**
 As part of the FY 2006 Third Quarter Review, the Board of Supervisors approved an expenditure increase of \$2,884,726 for increased costs associated with workers' compensation, self insurance losses, commercial insurance premiums, and administration. A net increase of \$2,261,203 in workers' compensation was required for an increase of \$2,229,466 due to rapidly rising medical costs, coupled with significant employee injuries, and a decrease of \$31,737 in Recovered Costs. A net increase of \$563,196 for self insurance losses included an increase of \$551,765 for the settlements of high property claims, as well as police liability claims, and a decrease of \$11,431 in Recovered Costs. An increase of \$60,327 was also included for increases in commercial insurance premiums and administration costs.

Key Performance Measures

Goal

To identify and limit potential financial losses to the County arising in the normal course of business or as a result of accidents, acts of nature, and any action for which the County can be held liable; to provide prompt and efficient resolution of claims resulting from such losses; and to manage financial resources and commercial insurance options so as to limit the impact of losses on current operations.

Objectives

- ◆ To process 98 percent of all claims within 30 business days from date of incident.
- ◆ To maintain the ratio of premium paid to the value of assets covered at 0.18 percent in order to maximize the value of County assets insured in relation to the total premium dollars expended.
- ◆ To reduce the overall rate of automobile accidents from .91 to .88 per 100,000 miles driven through an aggressive program of driver education.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Output:					
Claims requiring investigation	2,960	2,646	2,600 / 2,620	2,600	2,600
Total insurance premiums paid	\$2,179,118	\$1,949,094	\$3,027,425 / \$3,040,632	\$3,311,501	\$3,238,889
County drivers receiving training	NA	NA	300 / 272	600	600
Efficiency:					
Cost per claim processed	\$104	\$114	\$103 / \$101	\$106	\$115
Cost per insurance policy	\$654	\$646	\$596 / \$537	\$655	\$755
Cost per driver trained	NA	NA	\$122 / \$216	\$101	\$116

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Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Service Quality:					
Average claims processing time (days)	8	7	7 / 7	7	7
Value of County assets covered (in billions)	\$1.253	\$1.572	\$1.705 / \$1.728	\$1.791	\$1.800
Preventable accidents	298	261	300 / 300	275	275
Outcome:					
Percentage of claims processed within 30 days	95%	98%	98% / 96%	98%	98%
Ratio of premium paid to value of assets covered (1)	0.174%	0.124%	0.178% / 0.176%	0.185%	0.180%
Preventable accidents per 100,000 miles driven	1.13	0.89	1.00 / 1.00	0.91	0.88

(1) Estimates are based on market projections; therefore, previous year's data is not indicative of future year estimates. Risk Management strives to negotiate the best possible rates given the current market conditions.

Performance Measurement Results

In FY 2005, the Risk Management Division created a multi-year objective to reduce the rate of automobile accidents through an aggressive program of driver education. The program is evaluated on the basis of achieving fewer preventable accidents per 100,000 miles driven. Although the number of preventable accidents increased slightly from FY 2004 to FY 2005, the division put in place an automobile accident review team in FY 2006 to identify County drivers who need additional education and expects the number to decrease in FY 2006 and FY 2007.

Following the sharp increases in insurance costs resulting from September 11, 2001, the County began a program of consolidation and reassessment of insurance needs. The division was able to merge a number of large insurance policies from different agencies into single policies with significant savings. By FY 2003, the insurance market began to settle and rates became even more favorable. That trend appears to have flattened out and the division is now seeing a moderate but steady rise in premiums. During FY 2004 and FY 2005, the division began a program of updating property appraisals. This resulted in an increase in property values of \$500 million, which also gave rise to an increase in premiums. The most significant increases came from commercial property, collision coverage for the Fire and Rescue Department fleet, and workers' compensation excess coverage. All cost increases relate to increased value of property and higher payrolls. Other policies, such as commercial crime, volunteer casualty, excess liability, and smaller liability policies have seen annual increases of about 10 to 15 percent over the last two years.

The division has been successful in the percentage of claims processed within 30 days. It should be noted, however, that the cost of claims processing is entirely personnel services. Thus, as vacant positions are filled and personnel costs rise, the apparent cost on a claim-by-claim basis will increase. However, a reduction in the time claims are in-process frees staff resources to meet other needs and priorities.

Continued expansion of online accident reporting has enabled the County to expedite delivery of appropriate medical care and case management. This produces a more prompt return-to-work by injured employees. For example, in FY 2005 the County saw a 38 percent reduction in cost of claims associated with strains, sprains, and dislocations (where prompt appropriate care is a significant factor in containing the cost of treatment). Based on average costs for the period FY 2001 through FY 2004, this was a savings of approximately \$700,000. The division expects the downward trend to continue in FY 2006 and FY 2007.

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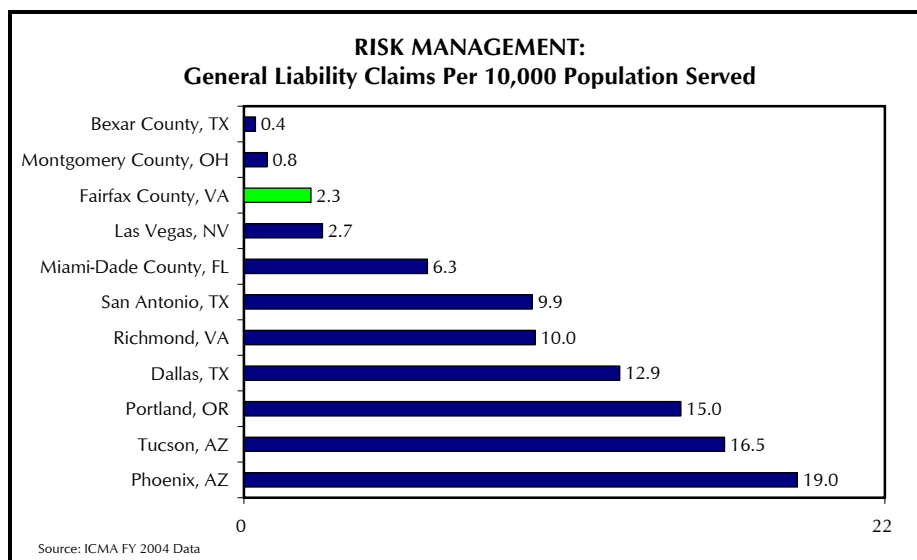
Benchmarking

As a means of enhancing accountability, benchmarking data have been included in the annual budget since FY 2005. These data are included in each of the Program Area Summaries in Volume 1 and now in Other Funds (Volume 2) as available. The majority of this benchmarking data come from the International City/County Management Association's (ICMA) benchmarking effort in which Fairfax County has participated since 2000. Approximately 100 cities, counties and towns provide comparable data annually in 15 service areas. However, not all jurisdictions provide data for every service area.

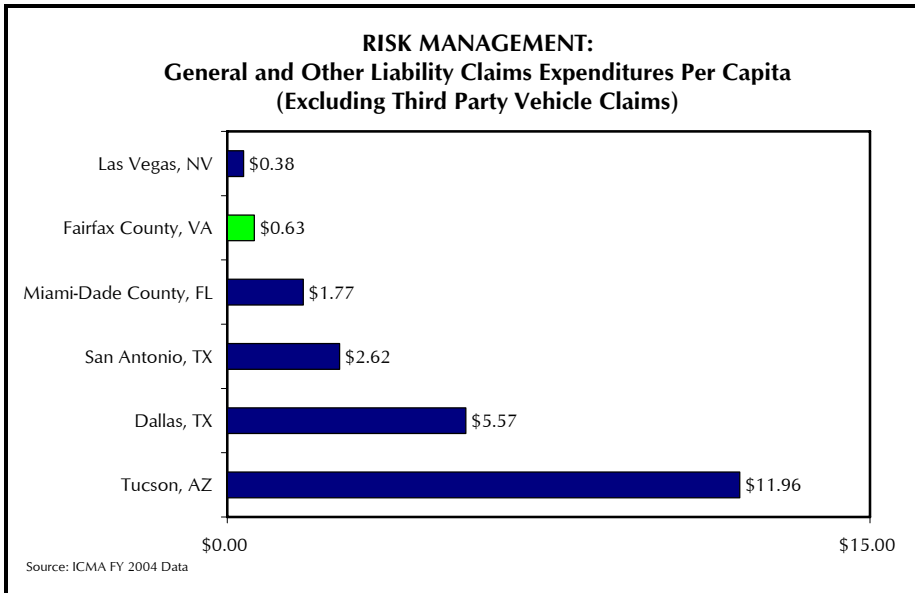
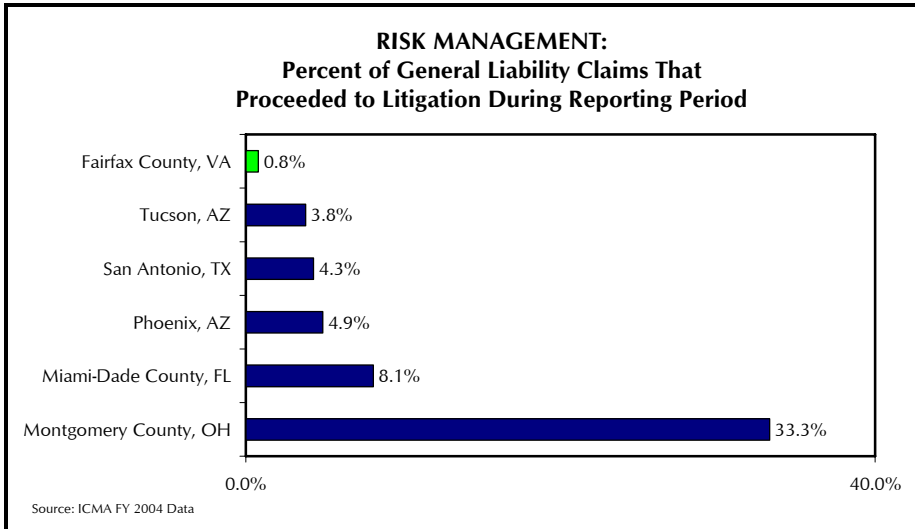
As part of the ICMA benchmarking effort, participating local governments (cities, counties and towns) provide data on standard templates provided by ICMA in order to ensure consistency. ICMA then performs extensive checking and data cleaning to ensure the greatest accuracy and comparability of data. As a result of the time to collect the data and undergo ICMA's rigorous data cleaning processes, information is always available with a one-year delay. FY 2004 data represent the latest available information. The jurisdictions presented in the graphs on the following pages generally show how Fairfax County compares to other large jurisdictions (population over 500,000). In cases where other Virginia localities provided data, they are shown as well.

Risk Management is one of the service areas for which Fairfax County provides data. As can be seen on the following pages, Fairfax County compares favorably to the other large jurisdictions that provided data for this template. The County's General Liability claims, expenditures and percent that proceeded to litigation during the reporting period are all relatively low compared to the other responding cities and counties.

An important point to note about the ICMA comparative data effort is that since participation is voluntary, the jurisdictions that provide data have demonstrated that they are committed to becoming/remaining high performance organizations. Therefore, comparisons made through this program should be considered in the context that the participants have self-selected and are inclined to be among the higher performers than a random sample among local governments nationwide. It is also important to note that not all jurisdictions respond to all questions. In some cases, the question or process is not applicable to a particular locality or data are not available. For those reasons, the universe of jurisdictions with which Fairfax County is compared is not always the same for each benchmark.

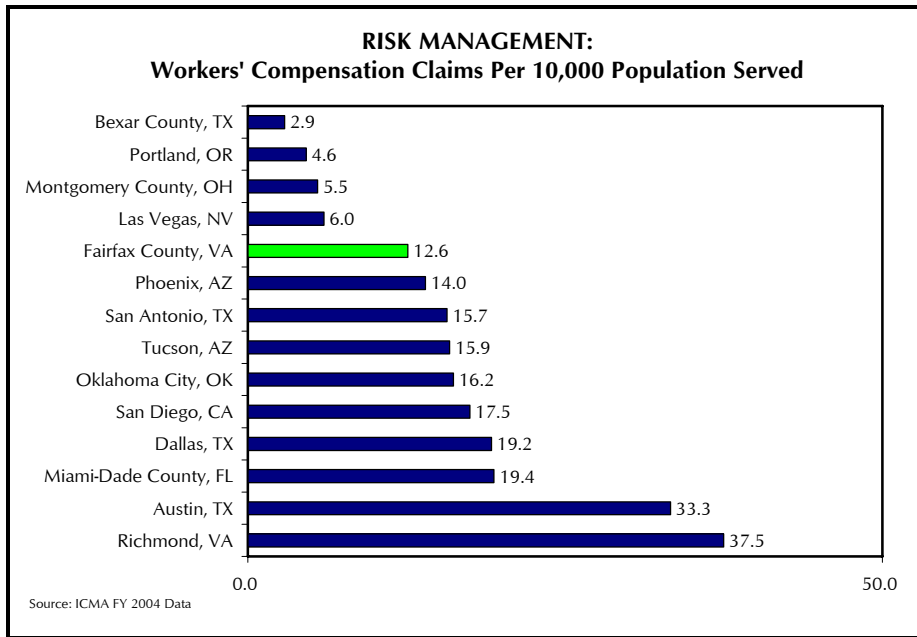


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FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 501, County Insurance Fund

	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Beginning Balance	\$25,614,751	\$25,392,765	\$29,972,218	\$31,015,715	\$32,878,007
Revenue:					
Interest	\$346,761	\$300,588	\$300,588	\$930,472	\$930,472
Workers' Compensation ¹	7,313,937	687,863	687,863	662,184	662,184
Other Insurance ¹	9,727,679	336,243	336,243	123,833	123,833
Total Revenue	\$17,388,377	\$1,324,694	\$1,324,694	\$1,716,489	\$1,716,489
Transfer In:					
General Fund (001) ¹	\$0	\$11,547,991	\$18,243,417	\$12,861,108	\$12,861,108
Total Transfer In	\$0	\$11,547,991	\$18,243,417	\$12,861,108	\$12,861,108
Total Available	\$43,003,128	\$38,265,450	\$49,540,329	\$45,593,312	\$47,455,604
Expenditures:					
Administration	\$1,101,327	\$1,285,763	\$1,330,026	\$1,483,194	\$1,483,194
Workers' Compensation	6,674,319	6,854,893	9,116,096	7,793,514	7,793,514
Self Insurance Losses	2,214,632	1,641,042	2,204,238	1,662,000	1,662,000
Commercial Insurance Premium	3,040,632	3,033,133	3,049,197	3,238,889	3,238,889
Automated External Defibrillator	0	962,765	962,765	400,000	400,000
Total Expenditures	\$13,030,910	\$13,777,596	\$16,662,322	\$14,577,597	\$14,577,597
Expense for Net Change in Accrued Liability ²	\$536,834	\$0	\$0	\$0	\$0
Total Disbursements	\$13,567,744	\$13,777,596	\$16,662,322	\$14,577,597	\$14,577,597
Ending Balance	\$29,972,218	\$24,487,854	\$32,878,007	\$31,015,715	\$32,878,007
Restricted Reserves:					
Accrued Liability ²	\$22,870,807	\$22,333,973	\$22,870,807	\$22,870,807	\$22,870,807
PC Replacement Reserve	7,200	7,200	7,200	7,200	7,200
Reserve for Catastrophic Occurrences	7,094,211	2,146,681	10,000,000	8,137,708	10,000,000

¹ Beginning in FY 2006 Workers' Compensation and Other Insurance is reflected as a General Fund transfer since the contribution is from the General Fund as a whole, not a specific agency or agencies.

² FY 2005 actuals have been updated to reflect all FY 2005 audit adjustments. These changes include an expenditure increase of \$536,834 due to the net change in accrued liabilities (value of outstanding claims) based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the total Accrued Liability Ending Balance and Unreserved Balance but does not effect the cash balance or the Ending Balance which is calculated using Total Available less Total Expenditures, not Disbursements.