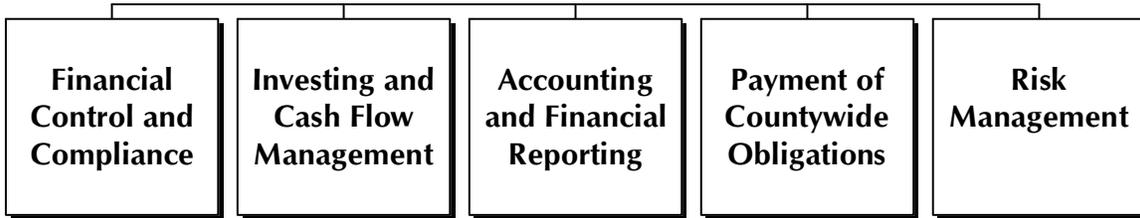


Fund 501

County Insurance Fund



Mission

To ensure the health and safety of County residents, employees and public officials, and to protect the County's financial assets. The agency is committed to providing the highest quality 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 for Countywide commercial insurance and self-insurance. The County self-insures automobile and general liability claims. Special commercial coverage is provided for aviation 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 residents, 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 residents or damage to residents' 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 Fairfax County will experience losses, Risk Management staff work to mitigate losses and manage financial liabilities. This is accomplished through both 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.

Fund 501 County Insurance Fund

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

 Maintaining Safe and Caring Communities	Recent Success	FY 2009 Initiative
Continue to develop outreach programs to educate residents on County risk management initiatives. Focus on communication tools, such as a risk management brochure, on-site risk management education programs, and other training.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Continue assembling a risk management critical incident response team for catastrophic, security and significant incidents, with staff trained in all areas and working closely with local, state and federal contacts. In FY 2009, expand the agency emergency support role for the County's critical infrastructure and the County's Emergency Operations Plan.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Continue to implement the Automated External Defibrillator (AED) program. Install over 1,000 AED devices in County and School facilities. In FY 2009, AED Public Outreach will encourage development of private AED programs in commercial and not-for-profit sectors of the community.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Continue to expand the Commercial Driver's License Program in wider efforts to promote driver safety and accident reduction through employee training and risk awareness outreach.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 Corporate Stewardship	Recent Success	FY 2009 Initiative
Develop and continue to refine the online reporting process for automobile claims, reducing the timeframe to settle claims.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Implemented an Incident and Injury Prevention Team to focus on expanding mitigation and loss prevention in County agencies, based on trending and modeling of loss data.	<input checked="" type="checkbox"/>	
Developed the Risk Management web site to provide full access to Risk Management programs, training, policies, and procedures.	<input checked="" type="checkbox"/>	
Incorporate Geographic Information Systems (GIS) capabilities in risk management programs to enhance rapid response capabilities, insurance coverage and loss analysis.		<input checked="" type="checkbox"/>

Fund 501 County Insurance Fund

Budget and Staff Resources

Agency Summary					
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	14/ 14	14/ 14	14/ 14	14/ 14	14/ 14
Expenditures:					
Personnel Services	\$1,070,280	\$1,315,567	\$1,302,211	\$1,328,525	\$1,335,420
Operating Expenses	18,712,870	14,798,165	18,440,072	15,346,165	15,346,165
Capital Equipment	0	0	0	0	0
Subtotal	\$19,783,150	\$16,113,732	\$19,742,283	\$16,674,690	\$16,681,585
Less:					
Recovered Costs	(\$543,055)	(\$375,000)	(\$375,000)	(\$375,000)	(\$375,000)
Total Expenditures	\$19,240,095	\$15,738,732	\$19,367,283	\$16,299,690	\$16,306,585

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

FY 2009 Funding Adjustments

The following funding adjustments from the FY 2008 Revised Budget Plan are necessary to support the FY 2009 program:

- ◆
Employee Compensation **\$40,360**
 A net increase of \$40,360 in Personnel Services associated with salary adjustments necessary to support the County's compensation program. As a result of budget constraints, compensation adjustments for County employees have been reduced. For FY 2009, employee increases as part of the pay for performance system have been discounted by 50 percent and the impact of the lower pay for performance funding is reflected above.
- ◆
Personnel Services Reduction **(\$27,402)**
 A decrease of \$27,402 in Personnel Services as part of an across-the-board reduction to meet budget limitations based on available revenues as a result of a flattening residential real estate market.
- ◆
General Insurance Costs **\$548,000**
 A net increase of \$548,000 in Operating Expenses is primarily due to an increase in costs associated with workers' compensation and other self-insurance coverage.
- ◆
Carryover Adjustments **(\$137,391)**
 A decrease of \$137,391 is due to the one time carryover of encumbered items related to the County Public Access Automated External Defibrillator (AED) Program.

Fund 501

County Insurance Fund

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2009 Advertised Budget Plan, as approved by the Board of Supervisors on April 28, 2008:

- ◆ **Pay for Performance** **\$14,155**
An increase of \$14,155 in Personnel Services is associated with the decision by the Board of Supervisors to eliminate the 50 percent reduction to employee increases as part of the pay for performance system. A reduction to pay for performance increases had been proposed in the FY 2009 Advertised Budget Plan due to budget constraints. However, as a result of the Board's decision, employees will be eligible for the full compensation increase for which they qualify based on performance.
- ◆ **Reduction in Limited-Term Funding** **(\$7,260)**
A decrease of \$7,260 in Personnel Services is associated with a reduction in funding for limited-term support based on budget limitations.

Changes to FY 2008 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2008 Revised Budget Plan since passage of the FY 2008 Adopted Budget Plan. Included are all adjustments made as part of the FY 2007 Carryover Review and all other approved changes through December 31, 2007:

- ◆ **Carryover Adjustments** **\$137,391**
A total increase of \$137,391 for encumbered carryover in support of the County Public Access Automated External Defibrillator (AED) Program.

The following funding adjustments reflect all approved changes to the FY 2008 Revised Budget Plan from January 1, 2008 through April 21, 2008. Included are all adjustments made as part of the FY 2008 Third Quarter Review:

- ◆ **Third Quarter Adjustments** **\$3,491,160**
As part of the *FY 2008 Third Quarter Review*, the Board of Supervisors approved a net increase of \$3,491,160 including an increase of \$3,504,516 in support of increased costs in Workers' Compensation due primarily to multiple serious cancer and cardiac cases and in other self insurance areas due to significant losses for various automobile liability incidents, sewer back-ups, and fire damage at County owned facilities partially offset by a decrease of \$13,356 in Personnel Services as part of an across-the-board reduction necessary to address budget limitations resulting from declining revenues. This adjustment accelerated the Personnel Services reduction included for FY 2009 in the FY 2009 Adopted Budget Plan.

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 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.

Fund 501

County Insurance Fund

- ◆ To reduce the overall rate of preventable automobile accidents from 0.75 to 0.60 per 100,000 miles driven through an aggressive program of driver education.
- ◆ To maintain the ratio of premium paid to the value of assets covered at 0.185 percent or less in order to maximize the value of County assets insured in relation to the total premium dollars expended.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009
Output:					
Claims requiring investigation	2,620	2,652	2,600 / 2,962	2,600	2,600
County drivers receiving training	272	760	700 / 920	980	1,080
Total insurance premiums paid	\$3,040,632	\$3,215,944	\$3,238,889 / \$3,437,932	\$3,608,501	\$3,545,097
Efficiency:					
Cost per claim processed	\$101	\$113	\$106 / \$95	\$114	\$124
Cost per driver trained (1)	\$216	\$99	\$101 / \$127	\$123	\$112
Cost per insurance policy	\$537	\$787	\$790 / \$688	\$800	\$800
Service Quality:					
Average claims processing time (days)	7	7	7 / 7	7	7
Preventable accidents	300	231	250 / 271	250	250
Value of County assets covered (in billions)	\$1.728	\$1.947	\$1.947 / \$2.001	\$1.950	\$2.000
Outcome:					
Percentage of claims processed within 30 days	96%	96%	98% / 97%	98%	98%
Preventable accidents per 100,000 miles driven	1.00	0.65	0.71 / 0.75	0.69	0.60
Ratio of premium paid to value of assets covered	0.176%	0.165%	0.166% / 0.172%	0.185%	0.180%

(1) In FY 2007, the Risk Management Division took over the Commercial Drivers Program and implemented enhancements which increased both the number of persons trained and the overall cost of the program. This has resulted in a rise in efficiency costs which Risk Management anticipates will gradually lower as the number of drivers trained continues to increase.

Performance Measurement Results

Preventable vehicle accidents, a significant cost to the County in terms of personal injury, lost productivity and repair and liability expense, are projected to decrease substantially by FY 2009, as a result of expanded training and driver improvement programs. Measured by the number of preventable accidents, these programs already have contributed to a drop in accident rates from 1.00 per 100,000 miles driven in FY 2005 to 0.75 per 100,000 miles driven in FY 2007.

Workers' Compensation costs are the single greatest challenge to the Insurance Fund. A key factor in containing costs and expediting the return to work of injured employees is prompt and adequate medical evaluation. Awareness of the County's programs in this area, coupled with efficient reporting systems, serve both employee and County interests. The Risk Management Division systems have assured achievement of the seven day average reporting goal. With 97 percent to 98 percent of all claims being reported within 30 days, the program is achieving its ambitious goals.

Fund 501

County Insurance Fund

Benchmarking

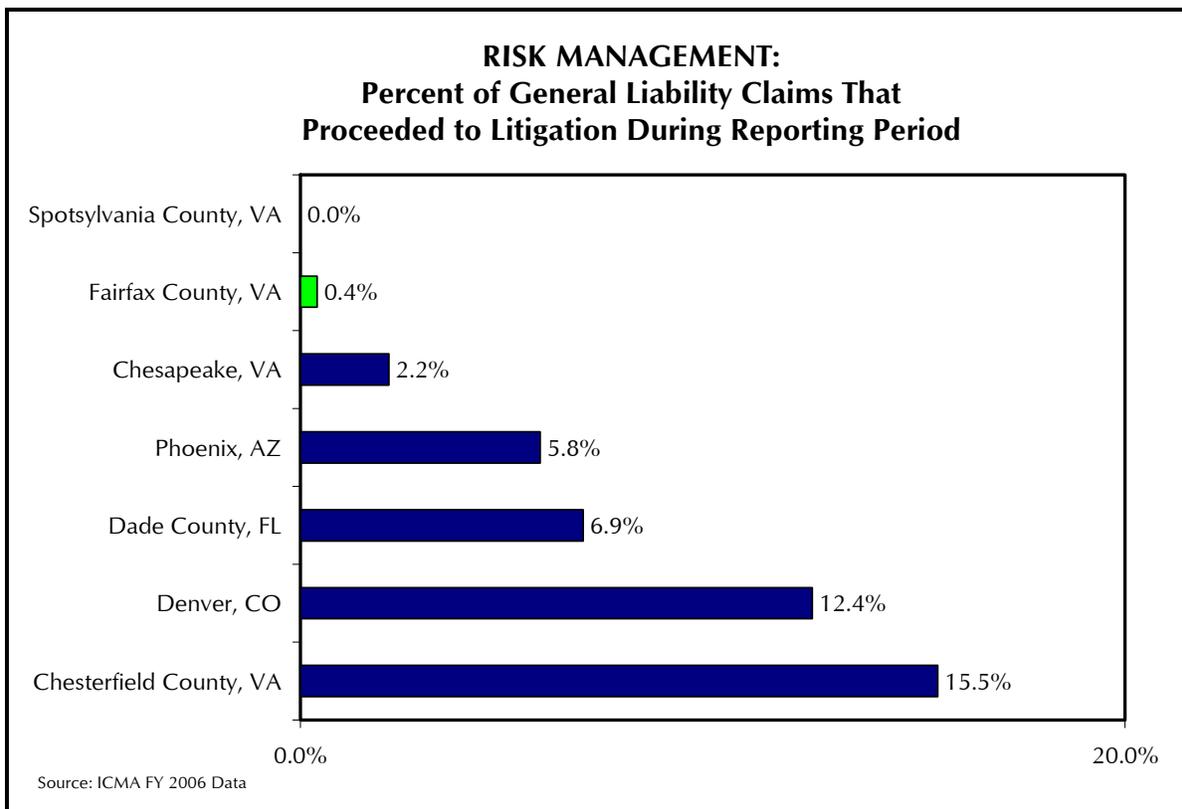
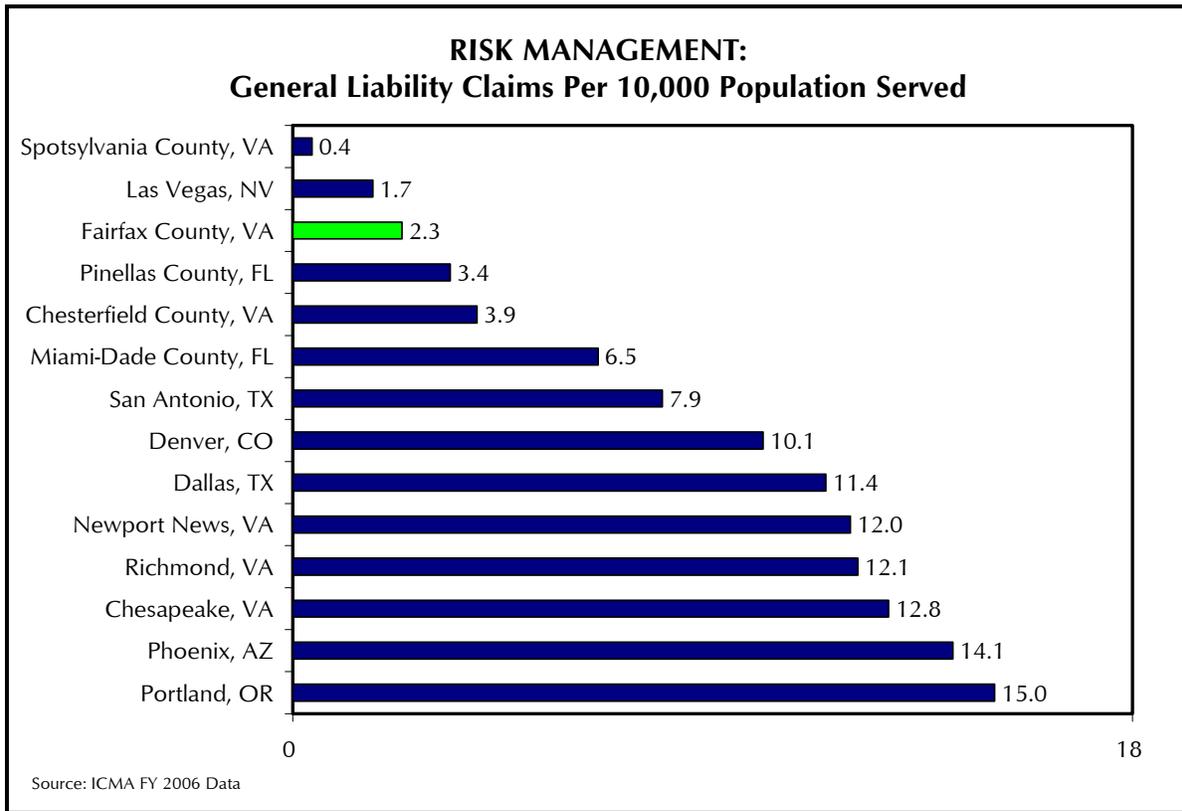
As a means of enhancing accountability, benchmarking data have been included in the annual budget since FY 2005. These data are included in each of the Program Area Summaries in Volume 1 and now in Other Funds (Volume 2) as available. The majority of this benchmarking data come from the International City/County Management Association's (ICMA) benchmarking effort in which Fairfax County has participated since 2000. Approximately 220 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 possible accuracy and comparability of data. As a result of the time required to collect the data and undergo ICMA's comprehensive data cleaning processes, information is always available with a one-year delay. FY 2006 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.

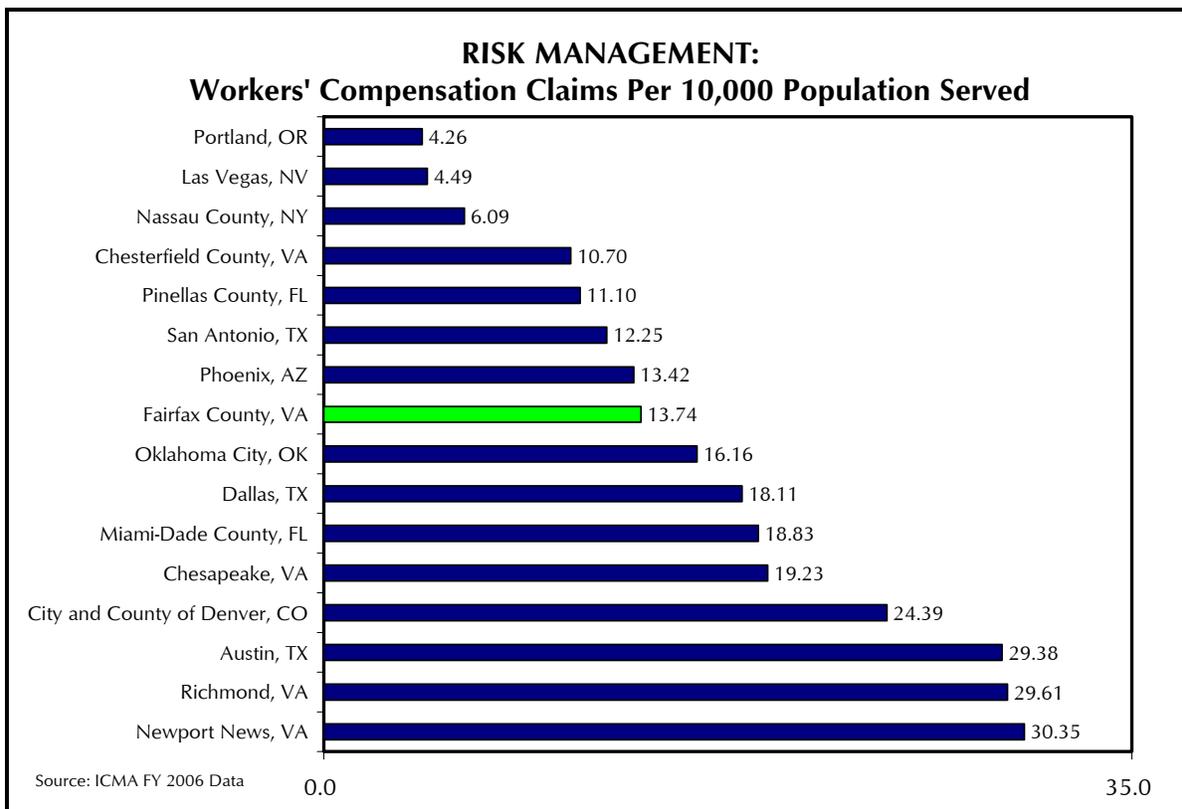
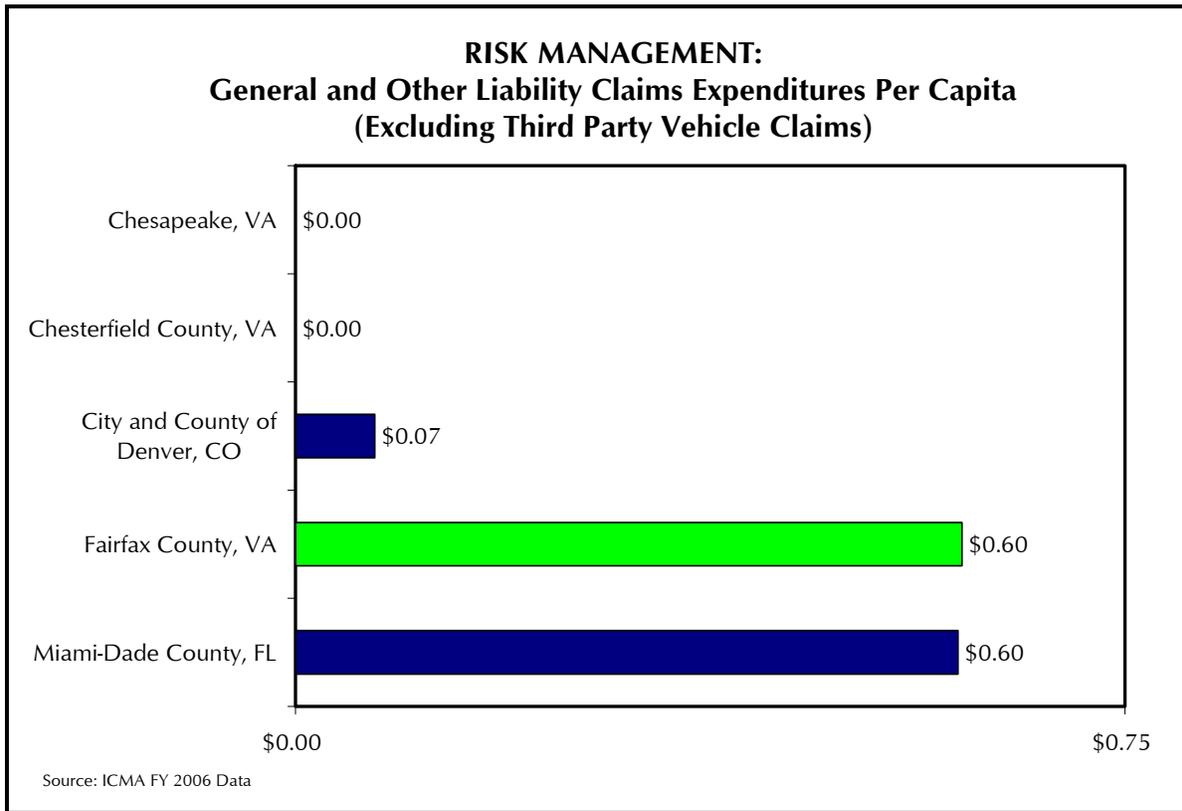
Risk Management is one of the service areas for which Fairfax County provides data. As can be seen on the following pages, Fairfax County compares favorably to the other large jurisdictions that provided data for this template. The County's General Liability claims, expenditures and percent that proceeded 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.

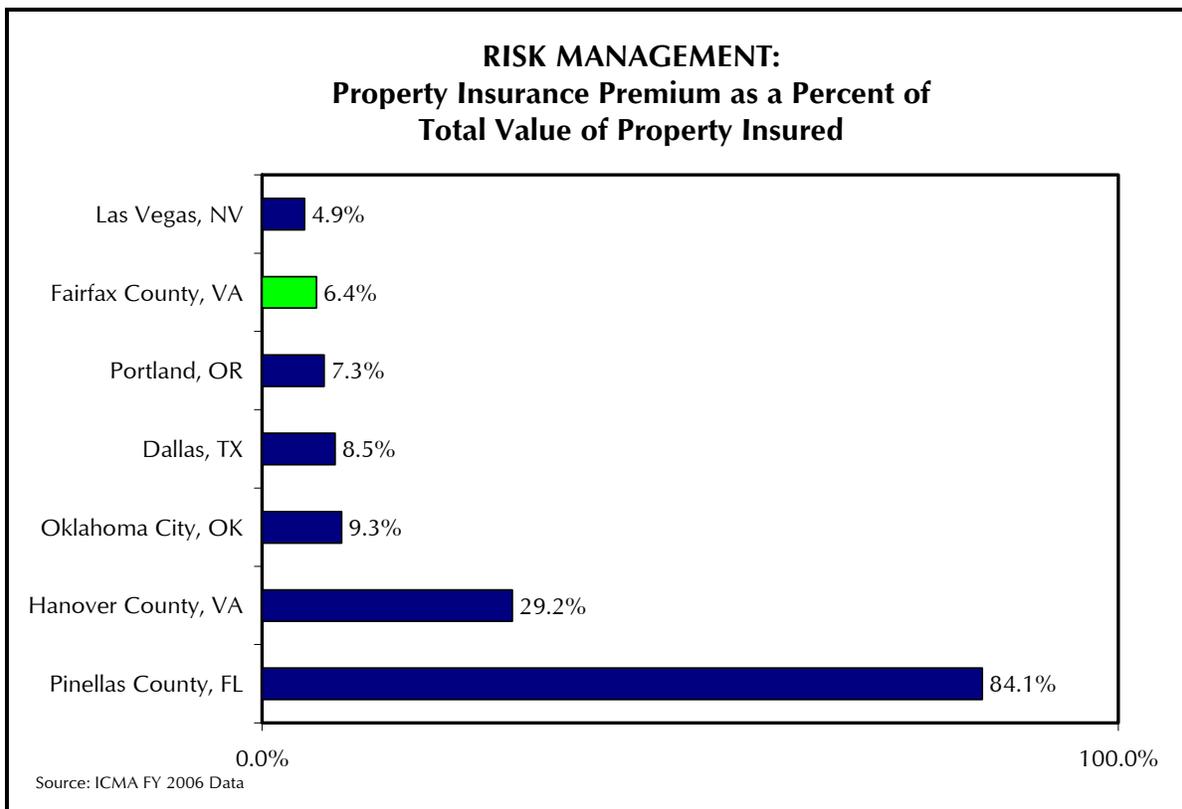
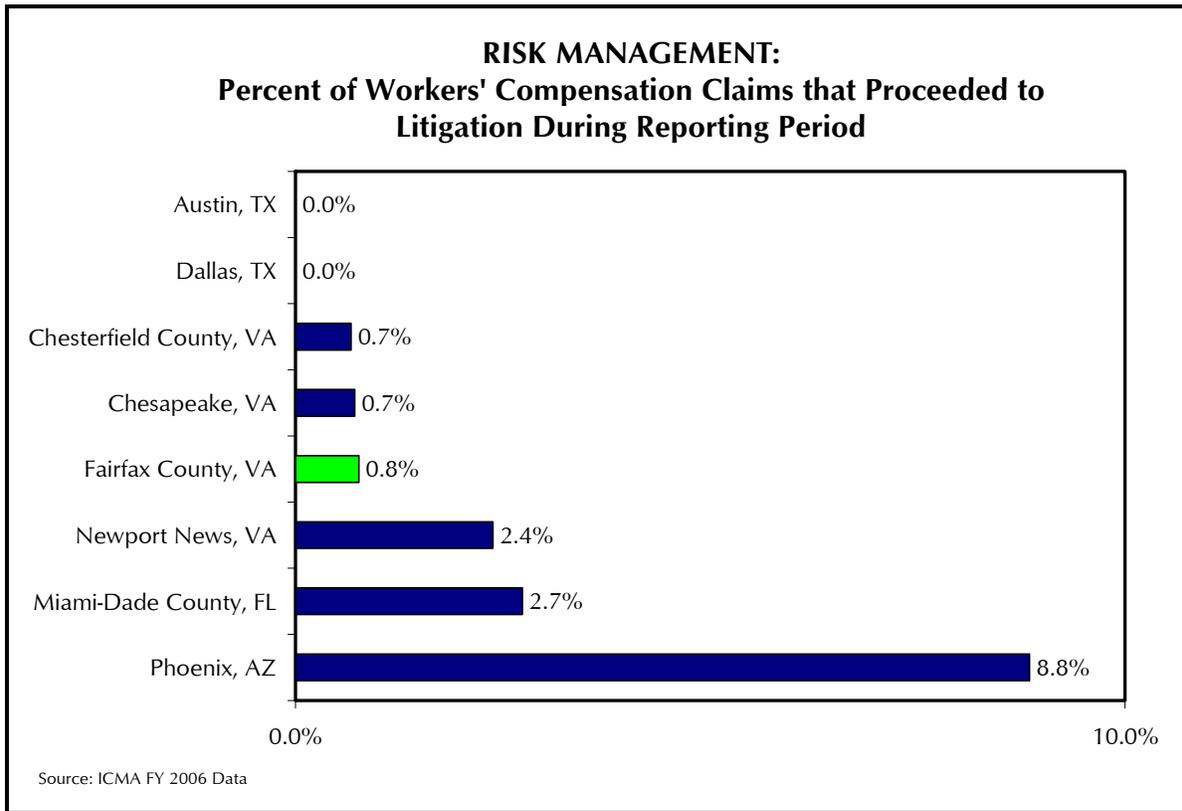
Fund 501 County Insurance Fund



Fund 501 County Insurance Fund



Fund 501 County Insurance Fund



Fund 501 County Insurance Fund

FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 501, County Insurance Fund

	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
Beginning Balance	\$34,224,884	\$38,037,371	\$39,525,526	\$39,033,575	\$39,033,575
Revenue:					
Interest	\$2,167,117	\$1,590,124	\$1,590,124	\$1,500,347	\$1,500,347
Workers' Compensation	503,275	547,925	547,925	547,925	547,925
Other Insurance	117,730	97,380	97,380	97,380	97,380
Total Revenue	\$2,788,122	\$2,235,429	\$2,235,429	\$2,145,652	\$2,145,652
Transfer In:					
General Fund (001)	\$20,233,541	\$13,148,743	\$16,639,903	\$14,334,038	\$14,340,933
Total Transfer In	\$20,233,541	\$13,148,743	\$16,639,903	\$14,334,038	\$14,340,933
Total Available	\$57,246,547	\$53,421,543	\$58,400,858	\$55,513,265	\$55,520,160
Expenditures:					
Administration	\$1,564,389	\$1,594,882	\$1,581,526	\$1,609,025	\$1,615,920
Workers' Compensation	7,981,759	8,233,349	10,537,865	8,668,568	8,668,568
Self Insurance Losses ¹	3,408,592	2,122,000	3,322,000	2,297,000	2,297,000
Commercial Insurance Premium	3,437,932	3,608,501	3,608,501	3,545,097	3,545,097
Automated External Defibrillator	1,328,349	180,000	317,391	180,000	180,000
Total Expenditures	\$17,721,021	\$15,738,732	\$19,367,283	\$16,299,690	\$16,306,585
Expense for Net Change in Accrued Liability ²	\$1,519,074	\$0	\$0	\$0	\$0
Total Disbursements	\$19,240,095	\$15,738,732	\$19,367,283	\$16,299,690	\$16,306,585
Ending Balance	\$39,525,526	\$37,682,811	\$39,033,575	\$39,213,575	\$39,213,575
Restricted Reserves:					
Accrued Liability ¹	\$25,665,382	\$23,571,748	\$25,665,382	\$25,665,382	\$25,665,382
AED Replacement Reserve	137,391	220,000	220,000	400,000	400,000
PC Replacement Reserve	7,200	7,200	7,200	7,200	7,200
Reserve for Catastrophic Occurrences	13,715,553	13,883,863	13,140,993	13,140,993	13,140,993

¹ FY 2007 actuals reflect accrued liability adjustments of \$2,093,634 based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the FY 2007 total Disbursements, total Accrued Liability Ending Balance, and Reserve for Catastrophic Occurrences, but it does not affect the cash balance or the Ending Balance, which is calculated using Total Available less Total Expenditures, not Disbursements. It should be noted that the FY 2007 CAFR reflects an adjustment of \$1,519,074 and that in addition to this the fund statement reflects an additional \$574,560 to accurately reflect changes to the Reserve for Catastrophic Occurrences subsequent to the FY 2006 Carryover Review.