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 for 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:

- Raising awareness of potential risk scenarios;
- Exploring options for efficiencies in managing financial liabilities; and
- 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 2008 Initiative
Continue to develop outreach programs to educate citizens on County risk management initiatives. Focus on communication tools, such as a risk management brochure, on-site risk management education programs, and other training.	☑	☑
Created a risk management critical incident response team for catastrophic, security and significant incidents, trained in all areas and worked closely with local, state and federal contacts. In FY 2006, added a business continuity piece, provided additional training, and improved and expanded existing tools. In FY 2008, expand the agency emergency support role for the County's critical infrastructure.	☑	☑
Implemented the Automated External Defibrillator (AED) program. The County is in the process of installing several hundred AED devices – 137 AEDs in County buildings and 580 AEDs in County school facilities. In FY 2008 the program will focus on community outreach and education on the purpose and use of these devices.	☑	☑
In FY 2007 Risk Management took over the oversight and employee training of the Commercial Driver's License (CDL) Program, transferred from Human Resources. CDL now becomes part of Risk Management's larger program aimed at reducing and preventing vehicle accidents involving County employees. FY 2007 and FY 2008 initiatives also include training for the operation of 10- and 15-passenger vans, and the Fire and Rescue Driver Improvement Program.	☑	☑
Corporate Stewardship	**Recent Success**	**FY 2008 Initiative**
Develop and continue to refine the online reporting process for automobile claims, reducing the timeframe to settle claims.	☑	☑
Implemented an automobile accident review team to address accidents involving County employees and to identify drivers who need additional education.	☑	
Develop the Risk Management web site to provide full access to Risk Management programs, training, policies, and procedures.		☑

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Budget and Staff Resources

Agency Summary				
Category	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	14/ 14	14/ 14	14/ 14	14/ 14
Expenditures:				
Personnel Services	$1,050,526	$1,269,639	$1,269,639	$1,315,567
Operating Expenses	16,088,342	13,682,958	14,870,471	14,798,165
Capital Equipment	0	0	0	0
Subtotal	**$17,138,868**	**$14,952,597**	**$16,140,110**	**$16,113,732**
Less:				
Recovered Costs	($388,571)	($375,000)	($375,000)	($375,000)
Total Expenditures	**$16,750,297**	**$14,577,597**	**$15,765,110**	**$15,738,732**

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	Public Health Nurse III	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 2008 Funding Adjustments

The following funding adjustments from the FY 2007 Revised Budget Plan are necessary to support the FY 2008 program:

- **Employee Compensation** **$72,640**
  A net increase of $72,640 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.

- **Personnel Services Reduction** **($26,712)**
  A decrease of $26,712 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** **$1,049,447**
  A net increase of $1,049,447 in Operating Expenses is primarily due to an increase in costs associated with workers' compensation, and premium increases for real property and other insurance coverage.

- **Commercial Drivers License Program** **$65,760**
  An increase of $65,760 for the transfer of the management and oversight of the Commercial Driver's License Program from the Department of Human Resources to the Risk Management Division, where it will be consolidated and operated under the Risk Management driver safety program.

- **Carryover Adjustments** **($1,187,513)**
  A decrease of $1,187,513 is due to the one time carryover of encumbered and unencumbered items for operating expenses, including costs related to the carryover of funds for the FY 2007 installation of Automated External Defibrillators (AEDs) in all County facilities.

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Changes to FY 2007 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2007 Revised Budget Plan since passage of the FY 2007 Adopted Budget Plan. Included are all adjustments made as part of the FY 2006 Carryover Review and all other approved changes through December 31, 2006:

- **Carryover Adjustments** **$1,187,513**
  A total increase of $1,187,513, including encumbered carryover of $950,973, an additional $114,819 to support the County Public Access Automated External Defibrillator (AED) Program, and $121,721 for the final restoration costs of the Mason District Park amphitheater destroyed by a fire.

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 reduce the overall rate of preventable automobile accidents from .71 to .69 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 2004 Actual	FY 2005 Actual	FY 2006 Estimate/Actual	FY 2007	FY 2008
Output:					
Claims requiring investigation	2,646	2,620	2,600 / 2,652	2,600	2,600
County drivers receiving training	NA	272	600 / 760	700	800
Total insurance premiums paid (1)	$1,949,094	$3,040,632	$3,311,501 / $3,215,944	$3,238,889	$3,608,501
Efficiency:					
Cost per claim processed	$114	$101	$106 / $113	$106	$114
Cost per driver trained	NA	$216	$101 / $99	$101	$107
Cost per insurance policy	$646	$537	$655 / $787	$790	$800
Service Quality:					
Average claims processing time (days)	7	7	7 / 7	7	7
Preventable accidents	261	300	275 / 231	250	245
Value of County assets covered (in billions) (2)	$1.572	$1.728	$1.791 / $1.947	$1.947	$1.950

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Indicator	Prior Year Actuals FY 2004 Actual	FY 2005 Actual	FY 2006 Estimate/Actual	Current Estimate FY 2007	Future Estimate FY 2008
Outcome:					
Percentage of claims processed within 30 days	98%	96%	98% / 96%	98%	98%
Preventable accidents per 100,000 miles driven	0.89	1.00	0.91 / 0.65	0.71	0.69
Ratio of premium paid to value of assets covered (1)	0.124%	0.176%	0.185% / 0.177%	0.166%	0.185%

(1) Estimates are based on market projections; therefore, previous years' data are not indicative of future year costs. In FY 2004 several large policies were put on a different renewal cycle, resulting in a onetime savings for that year.

(2) In FY 2006, HVAC, boilers and IT equipment were added to the County's fixed asset list, resulting in a significant increase in the overall value of assets.

Performance Measurement Results

Over the last several years, the division has successfully processed 96 to 98 percent of claims within 30 days. 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. The Division put in place an automobile accident review team in FY 2005 to identify County drivers who need additional education, with the expectation that the number of preventable accidents would decrease. In FY 2006, the rate of preventable accidents per 100,000 miles driven was reduced from 1.00 to 0.65, due in part to the efforts of this Division.

Following the sharp insurance cost increases 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. In FY 2004 premiums began to rise steadily, and during FY 2004 and FY 2005, the Division began a program of updating property appraisals resulting in increased property values of $198 million. In FY 2005, premiums were affected when properties of the Fairfax County Redevelopment and Housing Authority were included in County insurance. In FY 2006, premiums were further affected when a number of high dollar properties came into the County's possession. Other significant FY 2006 insurance increases resulted from collision coverage for the Fire and Rescue Department fleet, and workers' compensation excess coverage.

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 150 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 2005 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.

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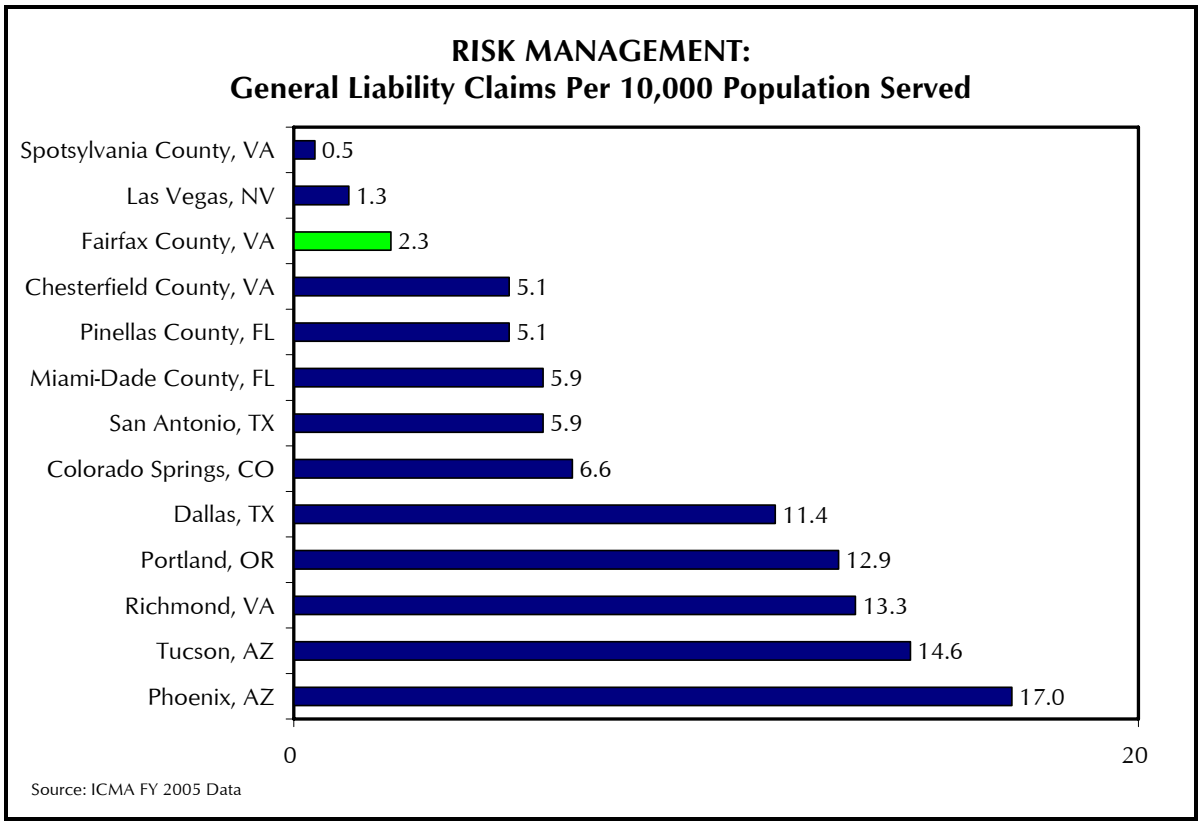
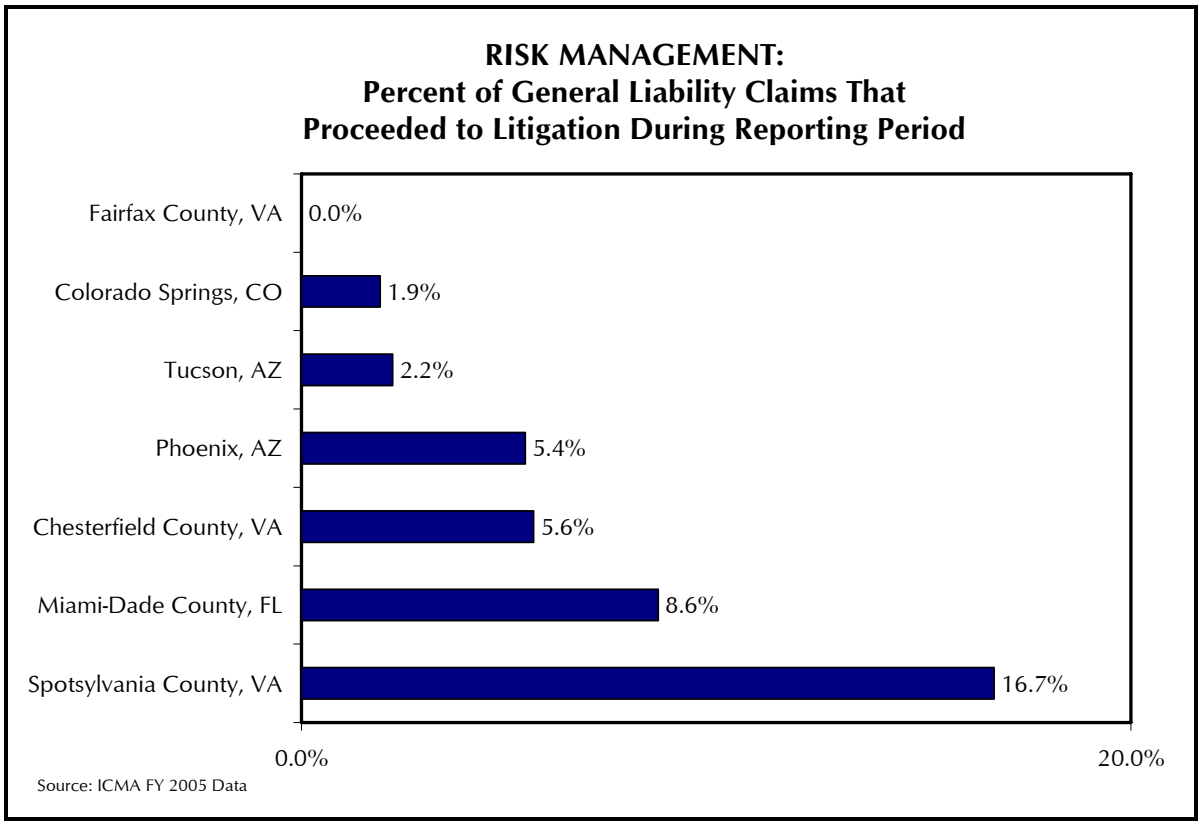
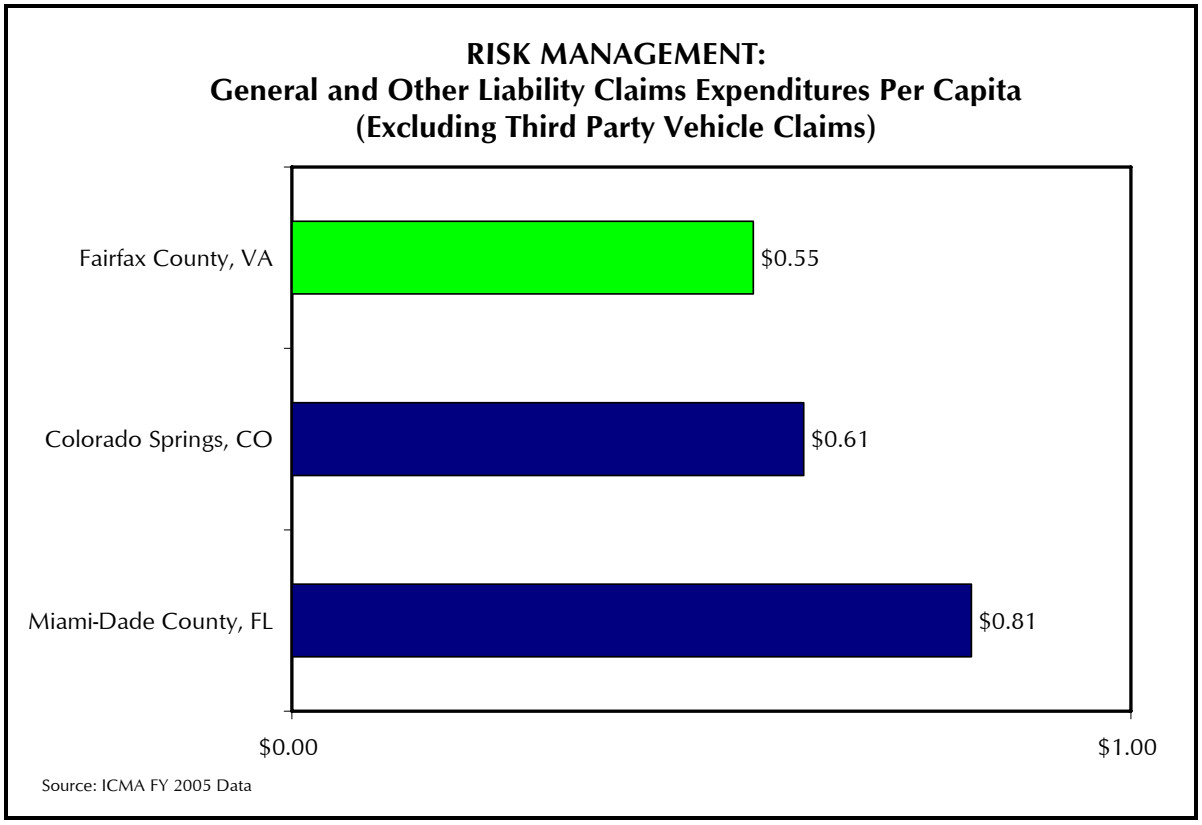
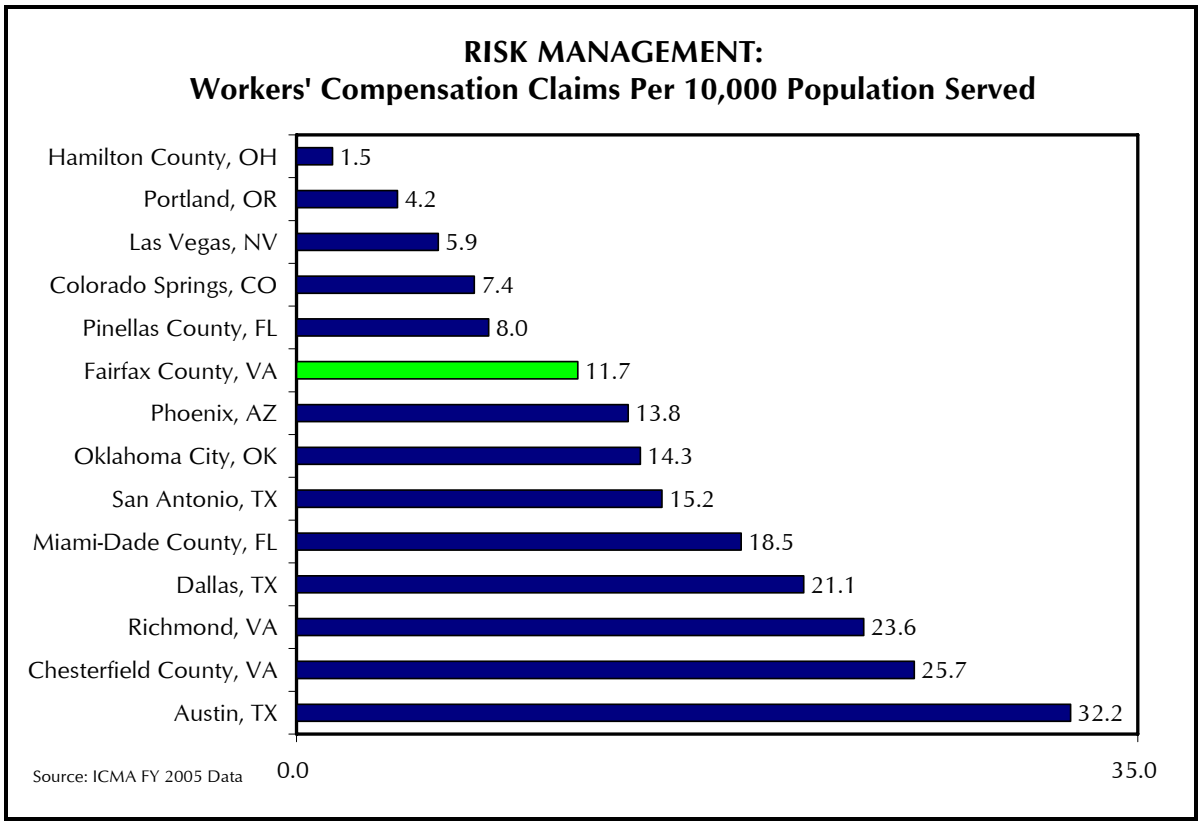
Risk Management is one of the service areas for which Fairfax County provides data. As can be seen on the following pages, Fairfax County compares favorably to the other large jurisdictions that provided data for this template. The County's General Liability claims, expenditures and percent that proceeded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

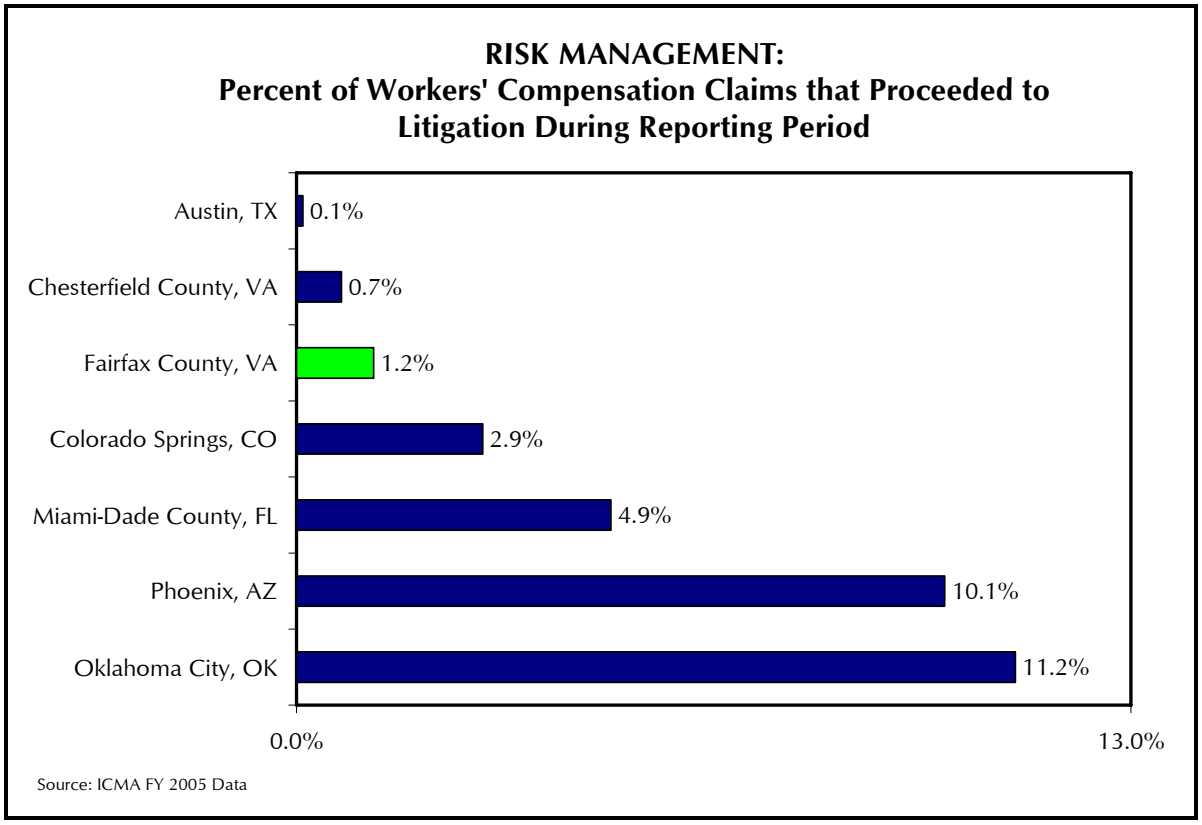
An important point to note about the ICMA comparative data effort is that since participation is voluntary, the jurisdictions that provide data have demonstrated that they are committed to becoming/remaining high performance organizations. Therefore, comparisons made through this program should be considered 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.




RISK MANAGEMENT:
Percent of General Liability Claims That
Proceeded to Litigation During Reporting Period
Fairfax County, VA
0.0%
Colorado Springs, CO
1.9%
Tucson, AZ
2.2%
Phoenix, AZ
5.4%
Chesterfield County, VA
5.6%
Miami-Dade County, FL
8.6%
Spotsylvania County, VA
16.7%
0.0%
20.0%
Source: ICMA FY 2005 Data


RISK MANAGEMENT:
General and Other Liability Claims Expenditures Per Capita
(Excluding Third Party Vehicle Claims)
Fairfax County, VA
$0.55
Colorado Springs, CO
$0.61
Miami-Dade County, FL
$0.81
$0.00
$1.00
Source: ICMA FY 2005 Data


RISK MANAGEMENT:
Workers' Compensation Claims Per 10,000 Population Served
Hamilton County, OH 1.5
Portland, OR 4.2
Las Vegas, NV 5.9
Colorado Springs, CO 7.4
Pinellas County, FL 8.0
Fairfax County, VA 11.7
Phoenix, AZ 13.8
Oklahoma City, OK 14.3
San Antonio, TX 15.2
Miami-Dade County, FL 18.5
Dallas, TX 21.1
Richmond, VA 23.6
Chesterfield County, VA 25.7
Austin, TX 32.2
0.0
35.0
Source: ICMA FY 2005 Data


RISK MANAGEMENT:
Percent of Workers' Compensation Claims that Proceeded to Litigation During Reporting Period
Austin, TX 0.1%
Chesterfield County, VA 0.7%
Fairfax County, VA 1.2%
Colorado Springs, CO 2.9%
Miami-Dade County, FL 4.9%
Phoenix, AZ 10.1%
Oklahoma City, OK 11.2%
0.0%
13.0%
Source: ICMA FY 2005 Data

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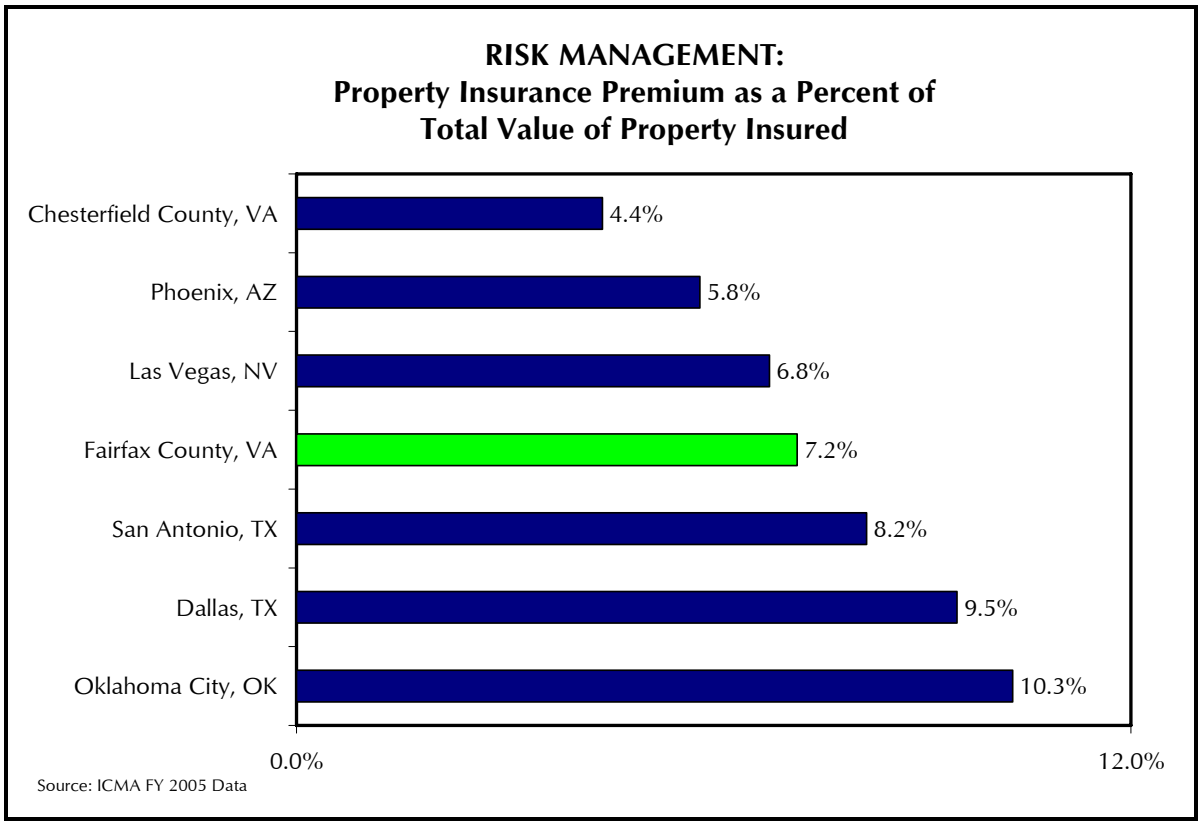
County Insurance Fund



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FUND STATEMENT

Fund Type G50, Internal Service Funds **Fund 501, County Insurance Fund**

	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan
Beginning Balance	**$29,972,218**	**$32,878,007**	**$34,224,884**	**$38,037,371**
Revenue:				
Interest	$1,413,300	$930,472	$930,472	$1,590,124
Workers' Compensation	547,925	662,184	662,184	547,925
Other Insurance	97,380	123,833	123,833	97,380
Total Revenue	$2,058,605	$1,716,489	$1,716,489	$2,235,429
Transfer In:				
General Fund (001)	$18,243,417	$12,861,108	$17,861,108	$13,148,743
Total Transfer In	$18,243,417	$12,861,108	$17,861,108	$13,148,743
Total Available	**$50,274,240**	**$47,455,604**	**$53,802,481**	**$53,421,543**
Expenditures:				
Administration	$1,280,026	$1,483,194	$1,483,194	$1,594,882
Workers' Compensation	8,506,422	7,793,514	7,793,514	8,233,349
Self Insurance Losses[1]	3,036,063	1,662,000	1,783,721	2,122,000
Commercial Insurance Premium	3,215,944	3,238,889	3,238,889	3,608,501
Automated External Defibrillator	10,901	400,000	1,465,792	180,000
Total Expenditures[1]	$16,049,356	$14,577,597	$15,765,110	$15,738,732
Expense for Net Change in Accrued Liability[2]	$700,941	$0	$0	$0
Total Disbursements	**$16,750,297**	**$14,577,597**	**$15,765,110**	**$15,738,732**
Ending Balance	**$34,224,884**	**$32,878,007**	**$38,037,371**	**$37,682,811**
Restricted Reserves:				
Accrued Liability	$23,571,748	$22,870,807	$22,870,807	$23,571,748
AED Replacement Reserve	0	0	0	220,000
PC Replacement Reserve	7,200	7,200	7,200	7,200
Reserve for Catastrophic Occurrences	10,645,936	10,000,000	15,159,364	13,883,863

[1] FY 2006 actuals have been updated to reflect expenditure adjustments of $574,560 made after the close of the fiscal year. These adjustments are included in the FY 2006 Comprehensive Annual Financial Report (CAFR); details will be shown in the *FY 2007 Third Quarter* package. This adjustment results in a corresponding adjustment to the Reserve for Catastrophic Occurrences.

[2] FY 2006 actuals reflect accrued liability adjustments of $700,941 based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the 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.