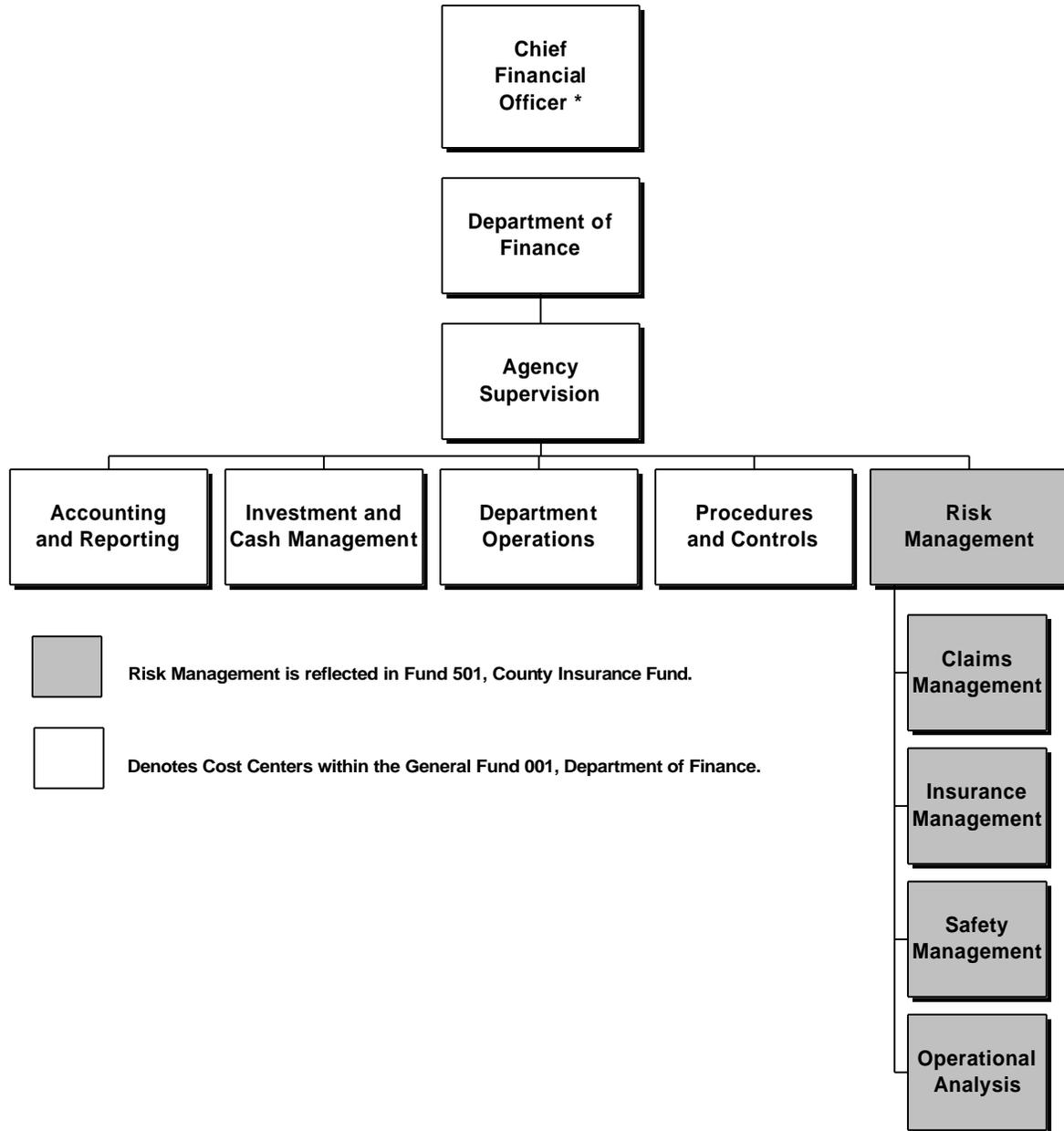


FUND 501, COUNTY INSURANCE FUND



* The Chief Financial Officer has responsibility for strategic direction and oversight of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

FUND 501

COUNTY INSURANCE FUND

Agency Position Summary

Fund 001:	73	Regular Positions	/	73.0	Regular Staff Years
Fund 501:	<u>13</u>	<i>Regular Positions</i>	/	<u>13.0</u>	<i>Regular Staff Years</i>
	86	Total Positions	/	86.0	Total Staff Years

Position Detail Information

AGENCY MANAGEMENT

1 Director
 2 Deputy Director
 1 Management Analyst IV
 1 Administrative Assistant IV
 1 Administrative Assistant II
 6 Positions
 6.0 Staff Years

Information Technology

1 Network Analyst III
 2 Network Analysts I
 3 Positions
 3.0 Staff Years

Documentation

1 Accountant III
 1 Position
 1.0 Staff Year

Department Operations

1 Management Analyst III
 3 Administrative Assistant III
 4 Positions
 4.0 Staff Years

Check Processing

1 Administrative Assistant V
 1 Position
 1.0 Staff Year

INVESTMENT AND CASH MANAGEMENT

1 Investment Manager
 3 Investment Analysts
 1 Administrative Assistant II
 5 Positions
 5.0 Staff Years

ACCOUNTING AND REPORTING

1 Chief Finance Division
 1 Position
 1.0 Staff Year

Accounting Team

1 Accountant III
 3 Accountants II
 1 Administrative Assistant V
 5 Positions
 5.0 Staff Years

Billable Revenue Team

1 Accountant III
 1 Accountant II
 1 Accountant I
 3 Positions
 3.0 Staff Years

Financial Reporting Team

1 Accountant III
 3 Accountants II
 4 Positions
 4.0 Staff Years

Quality Assurance Team

1 Accountant III
 2 Accountants II
 1 Administrative Assistant III
 4 Positions
 4.0 Staff Years

Systems Reporting Team

1 Accountant III
 2 Accountants II
 3 Positions
 3.0 Staff Years

Grants Team

1 Accountant III
 1 Accountant II
 1 Administrative Assistant II
 3 Positions
 3.0 Staff Years

PROCEDURES AND CONTROLS

1 Chief Finance Division
 1 Management Analyst III
 1 Administrative Assistant II
 3 Positions
 3.0 Staff Years

Accounts Payable

1 Accountant III
 2 Administrative Associates
 1 Administrative Assistant V
 1 Administrative Assistant IV
 8 Administrative Assistants III
 13 Positions
 13.0 Staff Years

Systems Administration/Financial Control

1 Administrative Associate
 1 Administrative Assistant V
 1 Administrative Assistant II
 2 Business Analysts III
 2 Business Analysts II
 2 Business Analysts I
 9 Positions
 9.0 Staff Years

Bank Reconciliation

2 Administrative Assistant V
 3 Administrative Assistants II
 5 Positions
 5.0 Staff Years

RISK MANAGEMENT*

1 Risk Manager
 1 Administrative Assistant IV
 2 Positions
 2.0 Staff Years

Insurance Management

1 Insurance Manager
 1 Position
 1.0 Staff Year

FUND 501

COUNTY INSURANCE FUND

Claims Management

1 *Claims Manager*
1 *Claims & Rehab. Supervisor*
1 *Rehabilitation Specialist*
2 *Claims Specialists*
1 *Administrative Assistant III*
6 *Positions*
6.0 *Staff Years*

Safety Management

1 *Safety Manager*
1 *Safety Analyst*
2 *Positions*
2.0 *Staff Years*

Operational Analysis

1 *Risk Analyst*
1 *Management Analyst II*
2 *Position*
2.0 *Staff Year*

*Positions shown in italics are funded
in Fund 501, County Insurance Fund.

FUND 501 COUNTY INSURANCE FUND

Agency Mission

To monitor risk and loss exposures associated with Workers' Compensation and other liabilities, maintain liability insurance or self-insurance funding reserves, and conduct safety and loss prevention programs for County agencies in order to minimize risk and loss potential.

Agency Summary					
Category	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan	FY 2003 Advertised Budget Plan	FY 2003 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	13/ 13	13/ 13	13/ 13	13/ 13	13/ 13
Expenditures:					
Personnel Services	\$690,222	\$904,596	\$807,937	\$948,678	\$948,678
Operating Expenses	10,715,611	8,629,138	10,474,450	9,564,108	9,564,108
Capital Equipment	0	0	0	0	0
Subtotal	\$11,405,833	\$9,533,734	\$11,282,387	\$10,512,786	\$10,512,786
Less:					
Recovered Costs	(\$523,401)	(\$473,348)	(\$913,458)	(\$473,348)	(\$473,348)
Total Expenditures	\$10,882,432	\$9,060,386	\$10,368,929	\$10,039,438	\$10,039,438

Summary by Cost Center					
Category	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan	FY 2003 Advertised Budget Plan	FY 2003 Adopted Budget Plan
Risk Management	\$851,980	\$1,050,924	\$983,659	\$1,066,381	\$1,066,381
Self-Insured Risks	8,854,629	6,610,962	7,410,116	6,439,357	6,439,357
Commercially Insured Risks	1,175,823	1,398,500	1,975,154	2,533,700	2,533,700
Total Expenditures	\$10,882,432	\$9,060,386	\$10,368,929	\$10,039,438	\$10,039,438

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2003 Advertised Budget Plan, as approved by the Board of Supervisors on April 29, 2002:

- ◆ The Board of Supervisors made no changes to the FY 2003 Advertised Budget Plan.

The following funding adjustments reflect all approved changes to the FY 2002 Revised Budget Plan from January 1, 2002 through April 22, 2002. Included are all adjustments made as part of the FY 2002 Third Quarter Review:

- ◆ A net increase of \$1,308,543 including an increase of \$543,804 in Workers' Compensation, an increase of \$832,004 in Other Insurance, and a decrease of \$67,265 in personnel services as a result of extended position vacancies. These increases are funded through increased County General Fund payments for Worker's Compensation and Other Insurance.

FUND 501

COUNTY INSURANCE FUND

County Executive Proposed FY 2003 Advertised Budget Plan

Purpose

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. To fulfill this obligation, Fund 501, the County Insurance Fund, was established to disburse and account for expenditures related to Workers' Compensation claims. The Fund was consolidated as of July 1, 1990, to include funding for all insurance and self-insurance related expenses, as well as the Risk Management cost center expenses.

Since FY 1963, the County and the School Board had jointly self-insured for Workers' Compensation claims and had administered the program through an independent claims service company monitored by the County's Department of Finance. In FY 1987, the Risk Management Division was created in the Department of Finance to monitor the performance of the claims administrators to ensure that claims are properly adjusted and payments are processed in a timely fashion. The Risk Management Division also manages the County's property/casualty insurance and the employee safety program. Beginning in FY 1993, the School Board established its own self-insurance fund to handle School employee claims. The expenditures for claims and liabilities associated with the School system are no longer reflected in Fund 501.

In addition to the Workers' Compensation program, the Risk Management Division also administers the County's Insurance Program which provides self-insurance for automobile and general liability claims against the County and the commercial insurance needs, such as aviation insurance on the County helicopters, real property coverage, and Fire and Rescue vehicle damage insurance.

Fund 501, the County Insurance Fund, includes four major programs - Claims Management, Insurance Management, Employee Safety, and Operational Analysis. The Claims Management Program monitors the progress of all County claims by providing the necessary coordination with the claims service companies and various County agencies, and internally administers self-insured claims such as public officials and police professional liabilities, real property, and vehicle collision and comprehensive claims. The Insurance Management Program evaluates and determines the most cost-effective manner of providing insurance against County liabilities posed by the various operational risks. The Employee Safety Program evaluates workplace hazards and recommends appropriate controls for abatement to minimize exposure of employees and other personnel, thus contributing to reduced claims. The Operational Analysis Program assesses operational risks and determines methods of treatment and mitigation.

Key Accomplishments

- ◆ Performed an actuarial study at the end of FY 2001 that projected an Insurance Fund surplus as the various safety, rehabilitation, claims management, risk analysis, and competitive insurance programs were implemented over the past several years are producing significant positive financial results.
- ◆ Established and implemented a workplace violence program, which included a training program attended by approximately 3,500 employees.
- ◆ Implemented an ergonomics assessment program which has assisted almost 150 employees.
- ◆ Implemented rehabilitation initiatives including the fair and expeditious handling of medical treatment involved in Worker's Compensation claims, and the coordination with the Department of Human Resources and the employee's agency to return the employee to regular or light duty jobs. This effort has resulted in continuing significant reductions in liabilities.

FUND 501

COUNTY INSURANCE FUND

- ◆ Developed a property site review program in which over 100 County buildings have been reviewed for proper insurance values.
- ◆ Implemented a risk safety assessment program that assesses agency location, operational risk, and security issues.
- ◆ Developed a Risk Management Division web site for dissemination of information to both employees and citizens.
- ◆ Implemented a dispute resolution program resulting in a reduction in Workers' Compensation litigation.
- ◆ Developed a Risk Management Division training team to provide County agencies with education on various claims, risk, safety, and insurance topics.
- ◆ Expanded the physicians series program to a quarterly Employee Health and Wellness program.
- ◆ Developed and implemented a pilot program for telephonic claims reporting of employee injuries in several County agencies to reduce accident reporting time.

FY 2003 Initiatives

- ◆ Develop and implement an on-line Risk Management Division program to include claims reporting, safety data, and an inventory asset notification process.
- ◆ Implement an Internet-based system that will reduce reporting time for accidents and injuries, safety exposures, and the time between acquiring valuable county inventory and protecting the asset through insurance coverage.

Performance Measurement Results

The Risk Management Division continues to achieve its performance goal of processing 90 percent of all claims within 30 business days of the incident and achieving agency compliance with 75 percent of recommended safety improvements resulting from completed safety inspections.

The average claims processing time in FY 2001 was 17 days and the Division anticipates a processing time of no more than 15 days in FY 2002 and FY 2003, which is well within the 30-day goal. The Division processed 92 percent of the claims within the 30-day goal. The Division projects that it will meet its goal of processing at least 90 percent of all claims within the 30-day parameter in both FY 2002 and FY 2003.

Funding Adjustments

The following funding adjustments from the FY 2002 Revised Budget Plan are necessary to support the FY 2003 program:

- ◆ An increase of \$44,082 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.
- ◆ An net increase of \$934,970 in Operating Expenses is primarily attributable to an increase of \$946,000 for commercial insurance premiums due to the events of September 11, 2001 and an already tightening insurance market, partially offset by reductions of \$11,030 in other operating expenses.

FUND 501

COUNTY INSURANCE FUND

The following funding adjustments reflect all approved changes to the FY2002 Revised Budget Plan since passage of the FY2002 Adopted Budget Plan. Included are all adjustments made as part of the FY2001 Carryover Review and all other approved changes through December 31, 2001:

- ◆ There have been no revisions to this fund since approval of the FY 2002 Adopted Budget Plan.

The following tables identify funding for each self-insured and commercially insured line of coverage:

Self-Insured Lines of Coverage

	FY 2002	FY 2003
Workers' Compensation Claims Service Fee	\$437,626	\$450,755
Workers' Compensation Administrative Expenses	15,000	20,000
Workers' Compensation Rehabilitation Claims	130,000	130,000
Workers' Compensation Medical Claims	2,743,529	2,677,000
Workers' Compensation Indemnity Claims	1,854,955	1,725,000
Workers' Compensation Subrogation Recovery	(375,025)	(375,025)
Workers' Compensation Tax	163,593	165,000
Subtotal Workers' Compensation	\$4,969,678	\$4,792,730
Automobile Liability Claims Expenses	\$1,343,182	\$1,311,847
Auto Subrogation Recovery	(98,323)	(98,323)
General Liability Claims Expenses	219,304	198,103
Police Professional Liability	10,445	50,000
Public Officials Liability	66,676	85,000
Property Perils Deductible	100,000	100,000
Subtotal Other Self-Insurance	\$1,641,284	\$1,646,627
Total Self-Insurance	\$6,610,962	\$6,439,357

FUND 501 COUNTY INSURANCE FUND

Commercially-Insured Lines of Coverage

Policy	FY 2002 Estimate	FY 2003 Estimate
Property Perils Premium	\$350,000	\$1,030,000
Inland Marine Premium	45,000	50,000
Aviation (Helicopter) Premium	155,000	268,000
Boiler and Machinery	24,000	24,000
Volunteer Casualty Premium	85,000	80,000
Crime (Monies and Securities) Premium	15,000	15,000
Valuable Papers Premium	45,000	50,500
Fire and Rescue Vehicle Premium	175,000	290,700
Volunteer Firefighter and Auxiliary Police Accidental Death and Dismemberment Premium	47,000	47,000
Faithful Performance Bonds	8,000	5,000
Medical Malpractice Liability Premium	30,000	38,000
Excess Catastrophic	375,000	565,000
Public Employees Blanket Bond	32,000	58,000
Commercial Marine Premium	5,000	5,000
Employee Day Care A&D	2,500	2,500
Park & Ride Liability Insurance	5,000	5,000
Total Commercially-Insured	\$1,398,500	\$2,533,700

Objectives

- ◆ To process 90 percent of all claims within 30 business days from date of incident.
- ◆ To achieve agency compliance with 75 percent of recommended improvements as a result of safety inspections.
- ◆ To assure that no less than 90 percent of the County's insurable assets are inventoried and insured.
- ◆ To achieve agency implementation of 75 percent of risk analysis/assessment recommendations.

FUND 501 COUNTY INSURANCE FUND

Performance Indicators

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 1999 Actual	FY 2000 Actual	FY 2001 Estimate/Actual	FY 2002	FY 2003
Output:					
Claims requiring investigation	1,989	1,960	2,110 / 2,288	2,050	2,100
Inspection reports produced and disseminated	183	176	200 / 203	210	215
Insurable asset submissions to insurance companies	41	42	42 / 44	45	45
Risk assessments conducted	74	75	78 / 77	81	83
Efficiency:					
Cost per claim processed	\$121	\$122	\$117 / \$117	\$123	\$123
Cost per safety inspection report	\$190	\$172	\$186 / \$176	\$175	\$175
Cost per insurable asset submitted to insurance company	\$245	\$266	\$284 / \$265	\$260	\$260
Cost per risk assessment	\$216	\$205	\$210 / \$206	\$208	\$208
Service Quality:					
Average claims processing time (Days)	21	17	20 / 17	15	15
Percent of reports disseminated within ten days of inspection	90%	99%	93% / 99%	95%	95%
Percent of assets inventoried and insured within ten days of policy renewal	90%	91%	91% / 91%	94%	94%
Percent of risk assessments conducted within three days of request	65%	75%	70% / 75%	75%	75%
Outcome:					
Percent of claims processed within 30 days	89%	92%	90% / 92%	90%	90%
Improvements implemented as a result of the safety inspection	61%	77%	77% / 77%	77%	75%
Percent insurable asset reports to insurance companies within ten percent of insurable assets reported by agencies during inventory	95%	95%	95% / 95%	96%	90%
Percent of risk analysis recommendations implemented by user agencies	78%	75%	75% / 75%	80%	75%

FUND 501 COUNTY INSURANCE FUND

FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 501, County Insurance Fund

	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan	FY 2003 Advertised Budget Plan	FY 2003 Adopted Budget Plan
Beginning Balance	\$31,389,784	\$32,019,278	\$30,008,882	\$27,232,701	\$26,475,823
Revenue:					
Interest	\$1,599,420	\$1,454,835	\$806,500	\$714,398	\$714,398
Workers' Compensation	6,330,588	2,908,645	3,452,449	6,651,074	6,651,074
Other Insurance	1,571,522	1,920,725	2,576,921	1,651,080	1,651,080
Total Revenue	\$9,501,530	\$6,284,205	\$6,835,870	\$9,016,552	\$9,016,552
Total Available	\$40,891,314	\$38,303,483	\$36,844,752	\$36,249,253	\$35,492,375
Expenditures:					
Administration	\$851,980	\$1,050,924	\$983,659	\$1,066,381	\$1,066,381
Workers' Compensation	4,764,203	4,969,678	5,513,482	4,792,730	4,792,730
Self Insurance Losses	1,393,145	1,641,284	1,896,634	1,646,627	1,646,627
Commercial Insurance Premium	1,175,823	1,398,500	1,975,154	2,533,700	2,533,700
Subtotal Expenditures	\$8,185,151	\$9,060,386	\$10,368,929	\$10,039,438	\$10,039,438
Expense for Net Change in Accrued Liability ¹	\$2,697,281	\$0	\$0	\$0	\$0
Total Expenditures	\$10,882,432	\$9,060,386	\$10,368,929	\$10,039,438	\$10,039,438
Total Disbursements	\$10,882,432	\$9,060,386	\$10,368,929	\$10,039,438	\$10,039,438
Ending Balance	\$30,008,882	\$29,243,097	\$26,475,823	\$26,209,815	\$25,452,937
Restricted Reserves:					
Accrued Liability	16,922,708	16,922,708	18,804,558	19,756,538	19,756,538
PC Replacement Reserve	7,200	7,200	7,200	7,200	7,200
Reserve for Catastrophic Occurrences	13,078,974	12,313,189	7,664,065	6,446,077	5,689,199

¹ FY 2001 Actuals have been updated to reflect all FY 2001 audit adjustments. These changes include an expenditure increase of \$2,697,281 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.