

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 uses both in-house staff and a contract claims administrator. Finally, Risk Management staff focuses on building and using partnerships with other County agencies, the community, and neighboring jurisdictions to mitigate risks and to ensure excellent communication with the residents of Fairfax County.

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Budget and Staff Resources

Agency Summary					
Category	FY 2010 Actual	FY 2011 Adopted Budget Plan	FY 2011 Revised Budget Plan	FY 2012 Advertised Budget Plan	FY 2012 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	13 / 13	13 / 13	14 / 14	14 / 14	14 / 14
Expenditures:					
Personnel Services	\$1,080,127	\$1,271,533	\$1,271,533	\$1,271,533	\$1,271,533
Operating Expenses	18,546,543	15,483,185	21,215,282	20,881,143	20,881,143
Capital Equipment	0	0	0	0	0
Subtotal	\$19,626,670	\$16,754,718	\$22,486,815	\$22,152,676	\$22,152,676
Less:					
Recovered Costs	(\$217,108)	(\$375,000)	(\$375,000)	(\$375,000)	(\$375,000)
Total Expenditures	\$19,409,562	\$16,379,718	\$22,111,815	\$21,777,676	\$21,777,676

Position Summary					
1 Risk Manager	2 Loss Prevention Analysts II	1 Administrative Assistant IV			
1 Insurance Manager	1 Claims Specialist III	2 Administrative Assistants III			
1 Loss Prevention Analyst IV	1 Claims Specialist II				
2 Loss Prevention Analysts III	2 Claims Specialists I				
TOTAL POSITIONS					
14 Positions / 14.0 Staff Years					

FY 2012 Funding Adjustments

The following funding adjustments from the FY 2011 Adopted Budget Plan are necessary to support the FY 2012 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the budget on April 26, 2011.

- ◆ **Employee Compensation** \$0
It should be noted that no funding is included for pay for performance or market rate adjustments in FY 2012.

- ◆ **Reductions** \$0
It should be noted that no reductions to balance the FY 2012 budget are included in this agency, based on both mandated requirements and the limited ability to generate personnel savings from vacancies given the small number of personnel that staff this agency.

- ◆ **General Insurance Costs** \$5,397,958
A net increase of \$5,397,958 in Operating Expenses is primarily due to an increase in costs associated with Worker's Compensation and other self-insurance coverage. A number of significant injuries requiring long-term care and surgeries are driving an increase in medical costs in Workers' Compensation claims and potentially significant liability losses are projected based on pending self-insurance claims in litigation.

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Changes to FY 2011 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2011 Revised Budget Plan since passage of the FY 2011 Adopted Budget Plan. Included are all adjustments made as part of the FY 2010 Carryover Review, FY 2011 Third Quarter Review, and all other approved changes through April 12, 2011.

◆ **Carryover Adjustments** **\$3,789,838**

As part of the *FY 2010 Carryover Review*, the Board of Supervisors approved a net increase of \$3,789,838 in Operating Expenses, including an increase of \$3,372,735 in support of Workers' Compensation due primarily to significant hospitalization costs and an increase of \$747,103 in Self Insurance costs due to an approved settlement and legal costs incurred for outside counsel defending the County in litigation. These increases are partially offset by a savings of \$330,000 in Commercial Insurance Premiums as a direct result of a joint renewal by the County and Fairfax County Public Schools due to the efforts of the Smart Savings Task Force.

◆ **Third Quarter Adjustments** **\$1,942,259**

As part of the *FY 2011 Third Quarter Review*, the Board of Supervisors approved a net increase of \$1,942,259 in Operating Expenses, including an increase of \$1,270,000 in support of Workers' Compensation due primarily to hospitalizations and additional treatment for prior year cases, an increase of \$600,000 in Self Insurance costs due to an approved settlement, and an increase of \$72,259 to support federally mandated modifications to 400 Automated External Defibrillator (AED) device cabinets to comply with ADA requirements and maintenance of 140 AED units.

◆ **Position Changes** **\$0**

As part of the FY 2011 review of County position categories, a conversion of 1/1.0 SYE position was made. The status of limited term positions was reviewed in light of recent changes to federal regulations related to health care and other federal tax requirements. As a result of this review a number of existing limited term positions were converted to Merit Regular status.

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.
- ◆ To reduce the overall rate of preventable automobile accidents from 0.90 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 0.150 percent or less in order to maximize the value of County assets insured in relation to the total premium dollars expended.

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Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimate/Actual	FY 2011	FY 2012
Output:					
Claims requiring investigation	2,490	2,492	3,000 / 3,103	3,000	3,000
County drivers receiving training	834	935	1,080 / 970	1,080	1,080
Total insurance premiums paid	\$3,495,306	\$3,544,993	\$3,654,500 / \$3,463,335	\$3,136,637	\$3,278,700
Efficiency:					
Cost per claim processed	\$118	\$114	\$107 / \$81	\$80	\$80
Cost per driver trained	\$121	\$184	\$102 / \$120	\$112	\$112
Cost per insurance policy	\$565	\$554	\$601 / \$545	\$601	\$560
Service Quality:					
Average claims processing time (days)	5	5	7 / 6	5	5
Preventable accidents	265	240	250 / 281	225	225
Value of County assets covered (in billions)	\$2.368	\$2.503	\$2.463 / \$2.346	\$2.560	\$2.560
Outcome:					
Percentage of claims processed within 30 days	98%	98%	98% / 97%	98%	98%
Preventable accidents per 100,000 miles driven	0.72	0.69	0.60 / 0.90	0.60	0.60
Ratio of premium paid to value of assets covered	0.148%	0.142%	0.185% / 0.148%	0.150%	0.150%

Performance Measurement Results

Driver safety and accident prevention programs remain a priority to the County. There was a slight increase in preventable accidents in FY 2010. Stability is anticipated in this area for FY 2012 and County staff continues to maintain the goal of reducing accident rates.

The commercial insurance portfolio is a key element in protecting the assets of the County against losses in a major event; it ensures that the County is not faced with major property, Workers' Compensation, and liability losses during periods when it cannot afford the costs associated with losses. While the actual premiums tend to increase, County staff successfully continues to lower the rates for those premiums, surpassing the goal of a 0.185 percent premium rate by attaining a 0.148 percent rate in FY 2010.

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 has exceeded the seven-day average reporting goal and now averages six days reporting time. With 97 percent of all claims being processed within 30 days, the program approaches its ambitious goal of processing 98 percent of all claims within 30 business days from the date of incident.

Risk Management has now consolidated its business areas into three key lines of business – Claims, Loss Prevention, and Insurance.

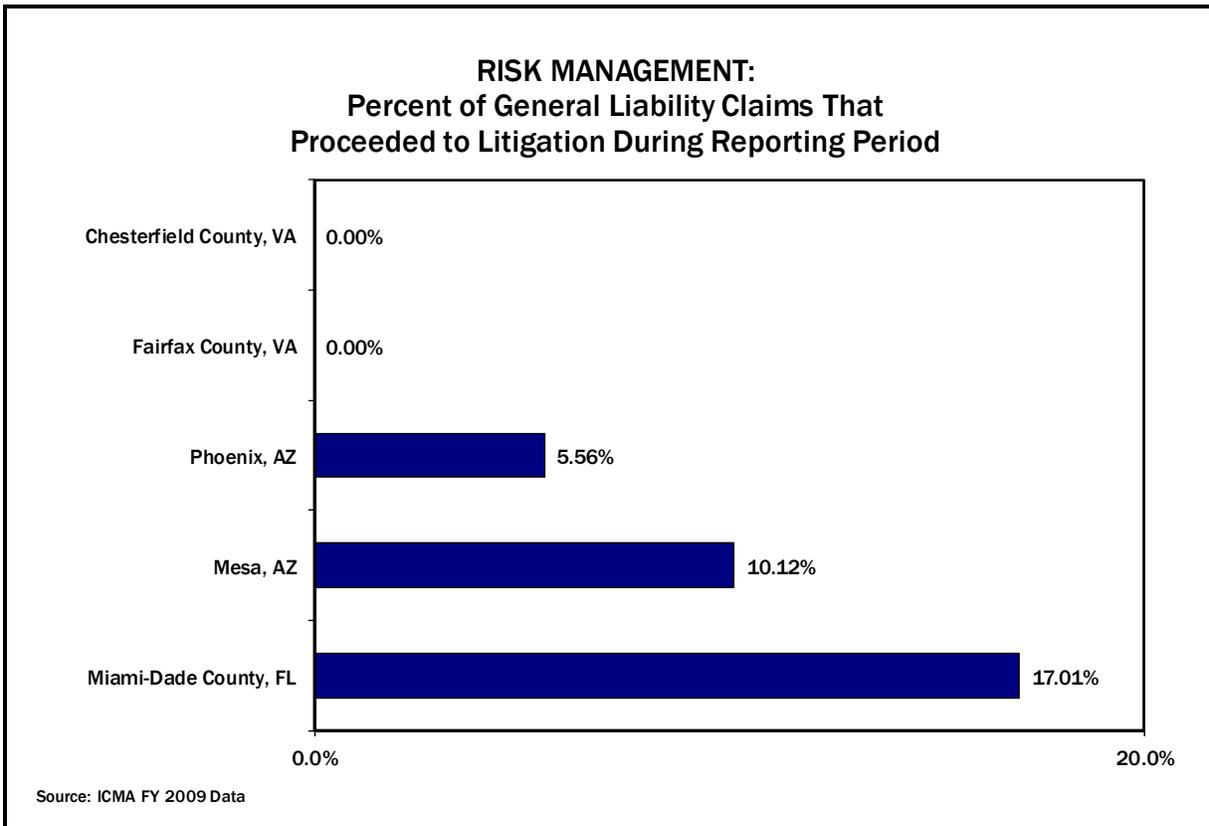
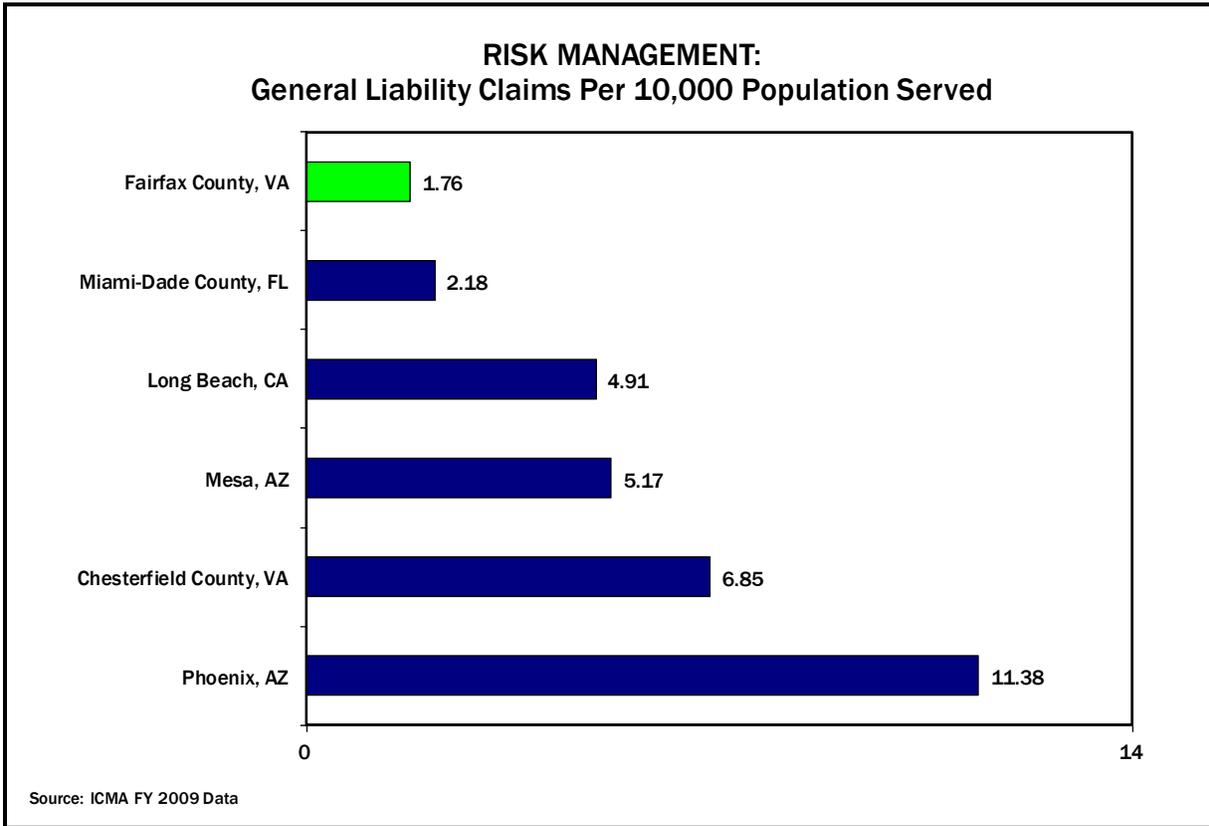
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Benchmarking

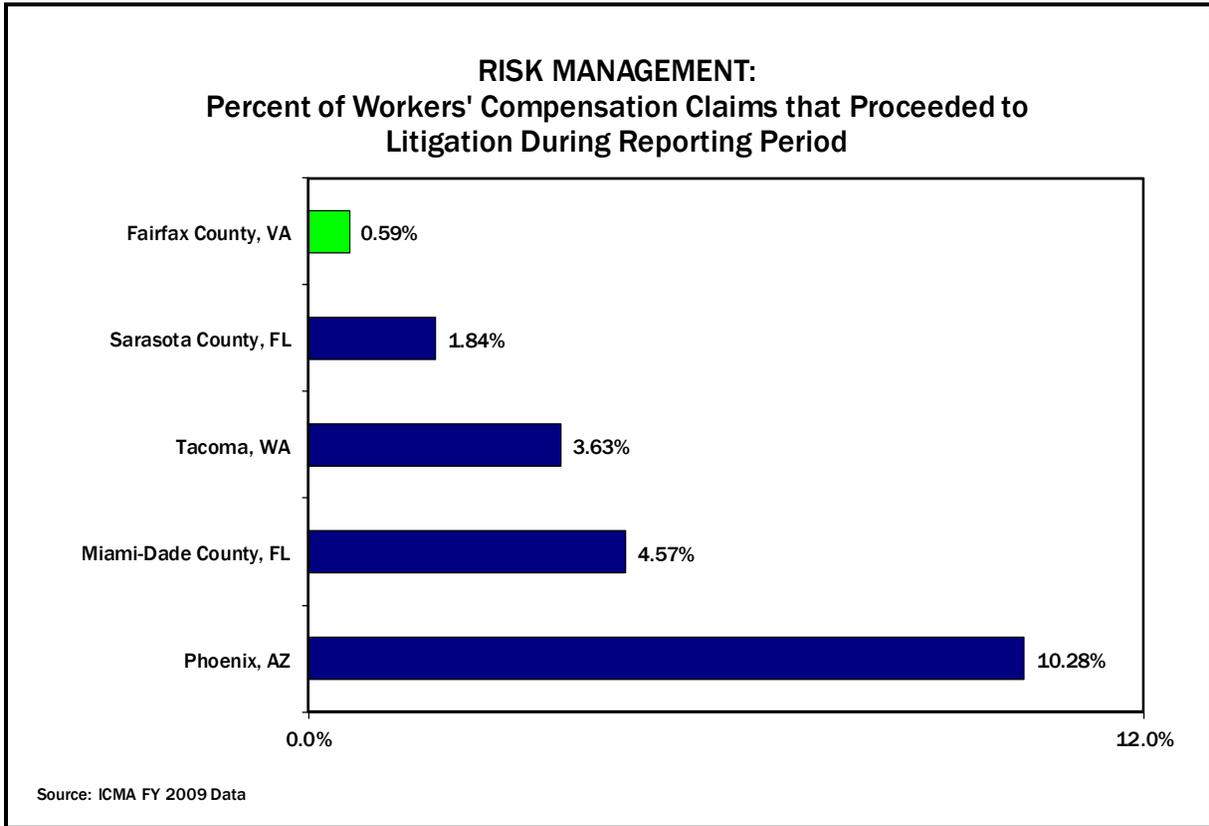
As a means of enhancing accountability, benchmarking data have been included in the annual budget since FY 2005. These data are included in each of the Program Area Summaries in Volume 1 and now in Other Funds (Volume 2) as available. The majority of this benchmarking data come from the International City/County Management Association's (ICMA) benchmarking effort in which Fairfax County has participated since 2000. Approximately 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 2009 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 more 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 2010 Actual	FY 2011 Adopted Budget Plan	FY 2011 Revised Budget Plan	FY 2012 Advertised Budget Plan	FY 2012 Adopted Budget Plan
Beginning Balance	\$42,111,511	\$41,875,097	\$40,515,660	\$42,259,280	\$42,187,021
Revenue:					
Interest	\$267,577	\$832,774	\$275,000	\$275,000	\$275,000
Workers' Compensation	514,237	664,034	515,000	515,000	515,000
Other Insurance	120,663	105,859	105,859	105,859	105,859
Total Revenue	\$902,477	\$1,602,667	\$895,859	\$895,859	\$895,859
Transfer In:					
General Fund (001)	\$15,616,251	\$13,866,251	\$22,887,317	\$21,017,317	\$21,017,317
Total Transfer In	\$15,616,251	\$13,866,251	\$22,887,317	\$21,017,317	\$21,017,317
Total Available	\$58,630,239	\$57,344,015	\$64,298,836	\$64,172,456	\$64,100,197
Expenditures:					
Administration	\$1,328,810	\$1,459,383	\$1,459,383	\$1,453,713	\$1,453,713
Workers' Compensation	10,992,094	8,867,400	13,510,135	13,020,000	13,020,000
Self Insurance Losses	2,260,282	2,507,000	3,854,103	3,881,465	3,881,465
Commercial Insurance Premium	3,463,335	3,466,637	3,136,637	3,278,700	3,278,700
Automated External Defibrillator	70,058	79,298	151,557	143,798	143,798
Total Expenditures	\$18,114,579	\$16,379,718	\$22,111,815	\$21,777,676	\$21,777,676
Expense for Net Change in Accrued Liability ¹	\$1,294,983	\$0	\$0	\$0	\$0
Total Disbursements	\$19,409,562	\$16,379,718	\$22,111,815	\$21,777,676	\$21,777,676
Ending Balance ¹	\$40,515,660	\$40,964,297	\$42,187,021	\$42,394,780	\$42,322,521
Restricted Reserves:					
Accrued Liability	\$34,379,609	\$33,084,626	\$34,379,609	\$34,379,609	\$34,379,609
AED Replacement Reserve	600,000	800,000	727,741	935,500	863,241
PC Replacement Reserve	7,200	7,200	7,200	7,200	7,200
Reserve for Catastrophic Occurrences	5,528,851	7,072,471	7,072,471	7,072,471	7,072,471

¹ As the Expense for Net Change in Accrued Liability does not affect the cash balance of the fund, the Ending Balance is calculated using Total Available less total Expenditures, not Disbursements.