

# Fund 60000 County Insurance

## 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.

| <b>AGENCY DASHBOARD</b>                              |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| Key Data   | FY 2013         | FY 2014         | FY 2015         |
| 1. County Population                                 | 1,111,620       | 1,116,246       | 1,120,875       |
| 2. Largest Number of Active Employees on the Payroll | 13,118          | 13,189          | 13,088          |
| 3. Medical Expenses Inflation (CPI)                  | 4.2%            | 2.3%            | 2.3%            |
| 4. County-Owned Building Values                      | \$2,596,741,990 | \$2,600,161,973 | \$2,707,690,440 |
| 5. Investment Return Rate on Insurance Fund          | 0.45%           | 0.50%           | 0.75%           |
| 6. Average Age of Workers' Compensation Claim        | 12.78 Years     | 13.65 Years     | 12.02 Years     |

## 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. Fund 60000, County Insurance, 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.

**The County Insurance Fund supports the following County Vision Elements:**



***Maintaining Safe and Caring Communities***



***Exercising Corporate Stewardship***

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

# Fund 60000

## County Insurance

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. Risk Management is committed to the prevention of injuries in the workplace and focuses on programs that address countywide injury prevention and reduction through training and awareness campaigns. 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.

### Budget and Staff Resources

| Category                  | FY 2015<br>Actual   | FY 2016<br>Adopted  | FY 2016<br>Revised  | FY 2017<br>Advertised |
|---------------------------|---------------------|---------------------|---------------------|-----------------------|
| <b>FUNDING</b>            |                     |                     |                     |                       |
| Expenditures:             |                     |                     |                     |                       |
| Personnel Services        | \$1,495,069         | \$1,578,847         | \$1,578,847         | \$1,615,997           |
| Operating Expenses        | 30,561,001          | 23,615,604          | 57,615,604          | 24,461,743            |
| Capital Equipment         | 0                   | 0                   | 0                   | 0                     |
| <b>Subtotal</b>           | <b>\$32,056,070</b> | <b>\$25,194,451</b> | <b>\$59,194,451</b> | <b>\$26,077,740</b>   |
| Less:                     |                     |                     |                     |                       |
| Recovered Costs           | (\$624,371)         | (\$250,000)         | (\$250,000)         | (\$250,000)           |
| <b>Total Expenditures</b> | <b>\$31,431,699</b> | <b>\$24,944,451</b> | <b>\$58,944,451</b> | <b>\$25,827,740</b>   |

#### AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)

|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| Regular | 14 / 14 | 14 / 14 | 14 / 14 | 14 / 14 |
|---------|---------|---------|---------|---------|

|                                |                              |                                 |
|--------------------------------|------------------------------|---------------------------------|
| 1 Risk Manager                 | 1 Loss Prevention Analyst II | 2 Claims Specialists I          |
| 1 Insurance Manager            | 1 Loss Prevention Analyst I  | 1 Administrative Assistant IV   |
| 1 Loss Prevention Analyst IV   | 1 Claims Specialist III      | 2 Administrative Assistants III |
| 2 Loss Prevention Analysts III | 1 Claims Specialist II       |                                 |

#### TOTAL POSITIONS

14 Positions / 14.0 FTE

### FY 2017 Funding Adjustments

The following funding adjustments from the FY 2016 Adopted Budget Plan are necessary to support the FY 2017 program.

- ◆ **Employee Compensation** **\$37,150**  
 An increase of \$37,150 in Personnel Services includes \$19,301 for a 1.33 percent market rate adjustment (MRA) for all employees and \$17,849 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2016.
- ◆ **Workers' Compensation Expenses** **\$846,139**  
 An increase of \$846,139 in Operating Expenses is due to projected increases in Workers' Compensation expenses based on the average increase experienced over the past three years.

# Fund 60000 County Insurance

◆ **General Fund Transfer**

It should be noted that the General Fund transfer to this fund is increased by \$883,289 to cover increases in Workers' Compensation expenses and expenses related to employee compensation increases.

## Changes to FY 2016 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2016 Revised Budget Plan since passage of the FY 2016 Adopted Budget Plan. Included are all adjustments made as part of the FY 2015 Carryover Review, and all other approved changes through December 31, 2015.

◆ **Carryover Adjustments**

**\$34,000,000**

As part of the FY 2015 Carryover Review, the Board of Supervisors approved funding of \$34,000,000 in Operating Expenses for expenditures related to tax litigation refunds and the settlement of a lawsuit.

## Key Performance Measures

| Indicator  | Prior Year Actuals |                |                         | Current Estimate | Future Estimate |
|--|--------------------|----------------|-------------------------|------------------|-----------------|
|  | FY 2013 Actual     | FY 2014 Actual | FY 2015 Estimate/Actual | FY 2016          | FY 2017         |
| <b>County Insurance</b>                          |                    |                |                         |                  |                 |
| Percentage of claims processed within 30 days    | 98%                | 98%            | 98%/97%                 | 98%              | 98%             |
| Preventable accidents per 100,000 miles driven   | 0.50               | 0.87           | 0.60/0.67               | 0.60             | 0.60            |
| Ratio of premium paid to value of assets covered | 0.122%             | 0.134%         | 0.138%/0.147%           | 0.139%           | 0.144%          |

A complete list of performance measures can be viewed at [www.fairfaxcounty.gov/dmb/fy2017/advertised/pm/60000.pdf](http://www.fairfaxcounty.gov/dmb/fy2017/advertised/pm/60000.pdf)

## Performance Measurement Results

Workers' Compensation costs are the single greatest challenge to the County 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 now averages five days reporting time. In FY 2015, the program processed 97 percent of all claims within 30 business days from the date of incident, a rate that is slightly lower than its ambitious goal of 98 percent.

Driver safety and accident prevention programs remain a priority to the County. There was a significant decrease in the rate of preventable accidents in FY 2015. Stability is anticipated in this area for FY 2016 and FY 2017 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 maintain low rates for those premiums. The ratio of premium paid to value of asset covered increased to 0.147 percent in FY 2015 due to the purchase of cyber-risk insurance and property damage insurance for high-valued vehicles.

# Fund 60000 County Insurance

## FUND STATEMENT

### Fund 60000, County Insurance

|  | FY 2015<br>Actual | FY 2016<br>Adopted<br>Budget Plan | FY 2016<br>Revised<br>Budget Plan | FY 2017<br>Advertised<br>Budget Plan |
|--|-------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| <b>Beginning Balance</b>                       | \$89,680,217      | \$103,845,396                     | \$115,928,811                     | \$80,984,045                         |
| Revenue:                                       |                   |                                   |                                   |                                      |
| Interest                                       | \$102,288         | \$275,000                         | \$100,000                         | \$100,000                            |
| Workers' Compensation                          | 513,592           | 515,000                           | 515,000                           | 515,000                              |
| Other Insurance                                | 96,863            | 105,859                           | 105,859                           | 105,859                              |
| <b>Total Revenue</b>                           | \$712,743         | \$895,859                         | \$720,859                         | \$720,859                            |
| Transfer In:                                   |                   |                                   |                                   |                                      |
| General Fund (10001)                           | \$40,267,550      | \$23,278,826                      | \$23,278,826                      | \$24,162,115                         |
| Debt Service (20000)                           | 8,000,000         | 0                                 | 0                                 | 0                                    |
| General Construction and Contributions (30010) | 5,700,000         | 0                                 | 0                                 | 0                                    |
| Public Safety Construction (30070)             | 2,300,000         | 0                                 | 0                                 | 0                                    |
| Federal/State Grants (50000)                   | 700,000           | 0                                 | 0                                 | 0                                    |
| <b>Total Transfer In</b>                       | \$56,967,550      | \$23,278,826                      | \$23,278,826                      | \$24,162,115                         |
| <b>Total Available</b>                         | \$147,360,510     | \$128,020,081                     | \$139,928,496                     | \$105,867,019                        |
| Expenditures:                                  |                   |                                   |                                   |                                      |
| Administration                                 | \$1,687,410       | \$1,886,782                       | \$1,886,782                       | \$1,923,932                          |
| Workers' Compensation                          | 15,071,319        | 14,445,000                        | 14,445,000                        | 15,291,139                           |
| Self Insurance Losses                          | 4,045,287         | 4,176,000                         | 5,176,000                         | 4,176,000                            |
| Tax Litigation Expenses                        | 6,300,000         | 0                                 | 33,000,000                        | 0                                    |
| Commercial Insurance Premium                   | 4,177,278         | 4,178,000                         | 4,178,000                         | 4,178,000                            |
| Automated External Defibrillator               | 150,405           | 258,669                           | 258,669                           | 258,669                              |
| <b>Total Expenditures</b>                      | \$31,431,699      | \$24,944,451                      | \$58,944,451                      | \$25,827,740                         |
| Expense for Net Change in Accrued Liability    | \$0               | \$0                               | \$0                               | \$0                                  |
| <b>Total Disbursements</b>                     | \$31,431,699      | \$24,944,451                      | \$58,944,451                      | \$25,827,740                         |
| <b>Ending Balance <sup>1</sup></b>             | \$115,928,811     | \$103,075,630                     | \$80,984,045                      | \$80,039,279                         |
| Restricted Reserves:                           |                   |                                   |                                   |                                      |
| Accrued Liability                              | \$48,073,000      | \$48,073,000                      | \$48,073,000                      | \$48,073,000                         |
| AED Replacement Reserve                        | 853,547           | 630,412                           | 738,676                           | 623,805                              |
| Litigation Reserve                             | 55,311,545        | 45,000,000                        | 22,311,545                        | 22,311,545                           |
| Reserve for Catastrophic Occurrences           | 11,690,719        | 9,372,218                         | 9,860,824                         | 9,030,929                            |

<sup>1</sup> Fluctuations in the Ending Balance are primarily the result of variations in tax litigation expenses.