

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.

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 Fund, was established to fulfill this obligation. The fund also provides for countywide commercial insurance and for 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 of the Department of Finance 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. 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 2021 Actual	FY 2022 Adopted	FY 2022 Revised	FY 2023 Advertised	FY 2023 Adopted
FUNDING					
Expenditures:					
Personnel Services	\$1,354,324	\$1,762,073	\$1,772,843	\$1,852,375	\$1,852,375
Operating Expenses	23,500,153	29,938,100	41,928,100	33,371,100	33,371,100
Subtotal	\$24,854,477	\$31,700,173	\$43,700,943	\$35,223,475	\$35,223,475
Less:					
Recovered Costs	(\$417,333)	(\$135,000)	(\$135,000)	(\$210,000)	(\$210,000)
Total Expenditures	\$24,437,144	\$31,565,173	\$43,565,943	\$35,013,475	\$35,013,475
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	14 / 14	14 / 14	13 / 13	13 / 13	13 / 13

FY 2023 Funding Adjustments

The following funding adjustments from the FY 2022 Adopted Budget Plan are necessary to support the FY 2023 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 May 10, 2022.

Employee Compensation **\$90,302**

An increase of \$90,302 in Personnel Services includes \$68,330 for a 4.01 percent market rate adjustment (MRA) for all employees and \$21,972 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2022. This increase is supported by a commensurate increase in the General Fund transfer.

General Insurance Costs **\$3,358,000**

A net increase of \$3,358,000 in Operating Expenses is primarily due to increased costs for Workers' Compensation based on prior year experience including higher retained loss, projected higher medical cost which also impacts the settlement of general liability claims, and the potential impact of legislation on post-traumatic stress claims. In addition, an increase in commercial insurance is a result of changes in the overall market.

Changes to FY 2022 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2022 Revised Budget Plan since passage of the FY 2022 Adopted Budget Plan. Included are all adjustments made as part of the FY 2021 Carryover Review, FY 2022 Mid-Year Review, FY 2022 Third Quarter Review, and all other approved changes through April 30, 2022.

Carryover Adjustments **\$12,000,770**

As part of the *FY 2021 Carryover Review*, the Board of Supervisors approved funding of \$12,000,770, including \$10,770 in Personnel Services for a one-time compensation adjustment of \$1,000 for merit employees and \$500 for non-merit employees paid in November 2021. It should be noted that the increase of \$10,770 in Personnel Services is supported by a commensurate increase in the General Fund transfer. The remaining increase includes \$500,000 to fund outside counsel for ongoing litigation and \$11,490,000 for expenditures related to tax litigation refunds as a result of the Virginia Supreme Court ruling on the Business, Professional, and Occupational License (BPOL) tax.

Position Reduction **\$0**

A review of positions for potential reduction was conducted as part of the *FY 2021 Carryover Review*, and 1/1.0 FTE position was eliminated in Fund 60000, County Insurance, as a result of this review. Based on current budget constraints, this position could be eliminated without adversely impacting agency operations.

Mid-Year Adjustments **\$0**

As part of the *FY 2022 Mid-Year Review*, the Board of Supervisors approved a General Fund Transfer In of \$1,642,000 for accrued liability adjustments.

Position Detail

The FY 2023 Adopted Budget Plan includes the following positions:

COUNTY INSURANCE - 13 Positions			
1	Risk Manager	1	Loss Prevention Analyst II
1	Claims Specialist IV	1	Management Analyst II
1	Loss Prevention Analyst IV	1	Loss Prevention Analyst I
1	Claims Specialist III	1	Administrative Assistant V
2	Loss Prevention Analysts III	1	Administrative Assistant IV
2	Claims Specialists II		

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, serves both employee and County interests. The Risk Management Division continues to average four days reporting time and continues to work with County agencies on the importance of prompt reporting. In FY 2021, the program processed 98 percent of all claims within 30 business days from the date of incident.

Driver safety and accident prevention programs remain a priority to the County. The rate of preventable accidents has decreased from the FY 2021 estimate of 350 to an actual of 342 which is a 2.3 percent reduction based on the overall number of auto accidents reported. Although the overall number of accidents have decreased, the total number of miles driven also decreased by 8.8 percent resulting in an overall increase in preventable accidents from 1.13 to 1.21 per 100,000 miles driven. An analysis of these accidents indicates that there has been an overall reduction in losses resulting from collisions with other vehicles but an increase in drivers involved in single vehicle incidents, such as collisions with fixed objects from backing up.

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 obtain low rates for those premiums. The ratio of premium paid to value of assets covered was 0.099 percent in FY 2021.

Indicator	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Percentage of claims processed within 30 days	100%	100%	98%	98%	98%	98%
Preventable accidents per 100,000 miles driven	1.11	1.11	1.13	1.21	1.21	1.09
Ratio of premium paid to value of assets covered	0.150%	0.120%	0.137%	0.099%	0.142%	0.160%

A complete list of performance measures can be viewed at <https://www.fairfaxcounty.gov/budget/fy-2023-adopted-performance-measures-pm>

Fund 60000: County Insurance

FUND STATEMENT

Category	FY 2021 Actual	FY 2022 Adopted Budget Plan	FY 2022 Revised Budget Plan	FY 2023 Advertised Budget Plan	FY 2023 Adopted Budget Plan
Beginning Balance	\$94,135,746	\$87,973,023	\$103,328,679	\$86,854,556	\$86,854,556
Revenue:					
Interest	\$278,278	\$510,000	\$510,000	\$50,000	\$50,000
Workers' Compensation	549,597	515,000	515,000	525,000	525,000
Other Insurance	102,117	105,859	105,859	110,000	110,000
Total Revenue	\$929,992	\$1,130,859	\$1,130,859	\$685,000	\$685,000
Transfers In:					
General Fund (10001)	\$24,302,085	\$24,308,191	\$25,960,961	\$24,398,493	\$24,398,493
Consolidated County and Schools Debt Service Fund (20000)	6,756,000	0	0	0	0
Total Transfers In	\$31,058,085	\$24,308,191	\$25,960,961	\$24,398,493	\$24,398,493
Total Available	\$126,123,823	\$113,412,073	\$130,420,499	\$111,938,049	\$111,938,049
Expenditures:					
Administration	\$1,601,633	\$2,098,173	\$2,108,943	\$2,188,475	\$2,188,475
Workers' Compensation	15,776,356	19,032,500	19,032,500	20,520,000	20,520,000
Self-Insurance Losses	1,090,762	4,627,500	4,627,500	5,702,500	5,702,500
Litigation Expenses	0	0	11,990,000	0	0
Commercial Insurance Premium	4,135,343	5,482,000	5,482,000	6,277,500	6,277,500
Automated External Defibrillator	191,050	325,000	325,000	325,000	325,000
Total Expenditures	\$22,795,144	\$31,565,173	\$43,565,943	\$35,013,475	\$35,013,475
Expense for Net Change in Accrued Liability ¹	\$1,642,000	\$0	\$0	\$0	\$0
Total Disbursements	\$24,437,144	\$31,565,173	\$43,565,943	\$35,013,475	\$35,013,475
Ending Balance²	\$103,328,679	\$81,846,900	\$86,854,556	\$76,924,574	\$76,924,574
Restricted Reserves:					
Accrued Liability ¹	\$69,996,000	\$68,354,000	\$69,996,000	\$69,996,000	\$69,996,000
Litigation Reserve	13,980,761	2,880,761	1,990,761	1,990,761	1,990,761
Reserve for Catastrophic Occurrences	19,351,918	10,612,139	14,867,795	4,937,813	4,937,813

¹ FY 2021 actuals reflect an accrued liability adjustment of \$1,642,000 based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the FY 2021 Total Disbursements, total Accrued Liability Reserve, 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. The Annual Comprehensive Financial Report reflects all audit adjustments in FY 2021. Details of the audit adjustments were found in Attachment VI of the FY 2022 Mid-Year Review.

² Fluctuations in the Ending Balance are primarily the result of variations in litigation expenses.