

Lines of Business

LOB #296:

RISK MANAGEMENT

Purpose

Fairfax County provides a wide range of services to its residents and employees, which in turn create potential risks and exposures. 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. Risk Management staff work to mitigate losses and manage financial liabilities through self-insurance, commercial insurance, and training and awareness campaigns to prevent injuries.

Description

Risk Management accomplishes its mission through three core functions: Loss Prevention, Claims Management and Insurance Management. Each function interacts with the others to maximize efficiency and effectiveness of the risk management line of business. The Loss Prevention and Safety function conducts annual safety audits for each County location, inspecting sites for Occupational Safety and Health Administration (OSHA) compliance, Emergency Action Plans, air quality and fire protection. Training and outreach are performed countywide to ensure that all federal and state mandates are being followed by County operations. This function also includes oversight of County driver records for all personnel operating County vehicles, as well as maintaining federally-mandated drug and alcohol checks for County Commercial Driver's License (CDL) operators. The County's Automated External Defibrillator (AED) Public Access program is managed under this function.

The Claims Management function oversees all claims investigations and processes claims brought against the County. These include workers' compensation, automobile liability, general liability, police liability, public officials liability and internal property damage. In order to help prevent future accidents, Claims Management staff conducts accident reviews through an internal accident review committee and also represents Risk Management on the accident review boards of other County departments. Staff works with the Office of the County Attorney to determine liability for claims and to negotiate settlements on behalf of the County.

The Insurance Management function evaluates risks to determine the best method to cover them. This may include obtaining commercial insurance to transfer the risk away from the County, self-insurance to absorb the risk, or a combination of the two. This function is responsible for ensuring that County contracts and agreements include appropriate language to protect the County from the actions of contractors and third parties and reviewing certificates of insurance to determine if contractors are meeting contractual obligations. It conducts critical risk assessment reviews and determines the best manner in which to mitigate inherent risks of County programs.

Benefits

All County activities involve some level of risk for losses to County residents, County employees, public officials or County property. Through risk management, the County protects its financial assets and mitigates losses. Prevention activities such as audits of County locations and the provision of training and information to County employees reduce the number of injuries and incidents in the workplace. The County's AED program ensures that volunteers are trained for deployment of AED devices, potentially saving lives when the devices are deployed. By procuring commercial insurance for those risks which can be transferred to insurance companies, the chance of a significant unbudgeted loss is reduced. The

County Insurance

division's efforts to make sure that contractors working for the County are appropriately insured also protect the County from unforeseen losses.

When losses occur, Risk Management works to minimize the impact on County citizens and services. Loss claims from citizens are expedited and damaged or lost County property is replaced in a manner that limits impact upon County services and removes the need for agency budgeting for unexpected costs related to losses. The division ensures timely and critical medical treatment for those employees who are covered under Workers' Compensation due to injuries sustained in the course of their employment, and the division works with County agencies to assist in the early return to work of injured employees.

Mandates

To some extent, all Risk Management activities are related to some mandate, either directly or indirectly.

- Workers' Compensation (processing of employee injury claims) is mandated by the state under Virginia Code § 65.2.
- Safety Audits are mandated by federal law under section 29GFR1910 of the Federal OSHA Program and by the state under Title 40.1 of the Virginia Occupational Safety and Health (VOSH) Program.
- Self-Insurance for General Liability is mandated by the state under Virginia Code § 15.2-1518.
- Self-Insurance for Vehicle Liability is mandated by the state under Virginia Code § 46.2-368.
- Bonding of the members of the Board of Supervisors is mandated by the state under Virginia Code §§ 15.2-1522 & 1524.
- Bonding of the County Executive and the Director of Finance is mandated by the state under Virginia Code § 15.8-850.
- The testing and driver record reviews of County drivers operating under CDL licenses are mandated by federal law under section 382.305 of the Federal Motor Carrier Safety Administration (FMSCA) Regulations.

Trends and Challenges

Risk Management manages the risks arising from County activities, but it has limited capacity to remove or reduce those risks. Losses are driven by many factors that are outside of the division's control, such as the number of employees working, the number of vehicles on the road, the level of contact the County has with the public, and the types of programs in service. Some of trends which will impact the number of losses and their severity include the following:

- Medical care under mandated workers' compensation is a lifetime benefit, and covered employees and retirees are living longer due to advances in medical care. As a result of the aging of the covered population, there has been an increase in the number of surgeries required for medical conditions arising from decades-old injuries. These medical procedures tend to be expensive.
- As the population of the County increases, traffic congestion and the number of traffic accidents also increases. Traffic accidents relate directly to three separate claims types Risk Management handles: workers' compensation, losses to County property and claims coming from citizens.
- Aging infrastructure, especially in water and sewer lines, increases the potential of claims from citizens.
- Significant storms and other weather-related events can significantly increase the number of losses and claims.

County Insurance

Resources

As this line of business encompasses all activities of the fund, please refer to the table in the Fund Resources section above.

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Safety audits performed	270	284	339	350	360
Claims submitted	2,829	2,899	2,983	3,000	3,000
Cost per driver record / CDL check performed	\$21.02	\$17.06	\$14.46	\$13.86	\$13.92

Risk Management provides outreach, training and consulting services to help agencies examine their activities and processes to minimize losses. Due to the potential that outreach and consulting have to significantly impact the number and severity of losses, the division has focused on increasing the level of service provided. This is demonstrated by the 26 percent increase in safety audits performed from FY 2013 to FY 2015.

County losses are driven by a number of factors, such as the size of the County workforce, the number of vehicles on the road, and the number of County properties, as well as by County efforts to prevent losses. The number of claims submitted has gradually increased since FY 2013, reflecting continued growth in these factors that influence the County's risk exposure.

The operation of County vehicles is one of the County's largest risks. To address this risk the division oversees and manages the federally-mandated testing of all County CDL drivers and completes annual driver record checks for anyone who operates a County vehicle or uses their personal vehicle regularly on County business. The cost of this activity has decreased from FY 2013 to FY 2015, and is expected to be stable through FY 2017.