

County Insurance Fund

Lines of Business:

Budget Reduction Proposals

Risk Management Division

Department of Finance

Mission

To make a significant contribution to the health and safety of County residents, employees and public officials and to protect the County's financial assets.

The Department of Finance is committed to providing the highest quality customer service in managing the County's risks and exposures.

Growth Since FY 2001

Growth in Expenditures

FY 2009: \$16.3 million – FY 2001: \$9.1 million

\$7.2 million (79.1%) increase

Average annual increase of 9.89%

Major Drivers:

- **Workers' compensation expense increased \$3.1 million (54%)**
- **Self-insured losses increased \$1.2 million (106%)**
- **Commercial insurance premiums increased \$2.2 million (171%)**
 - **(Includes \$874,721 Workers' Compensation premium on policy not available in FY 2001)**

Growth in Positions/Staff Year Equivalency (SYE):

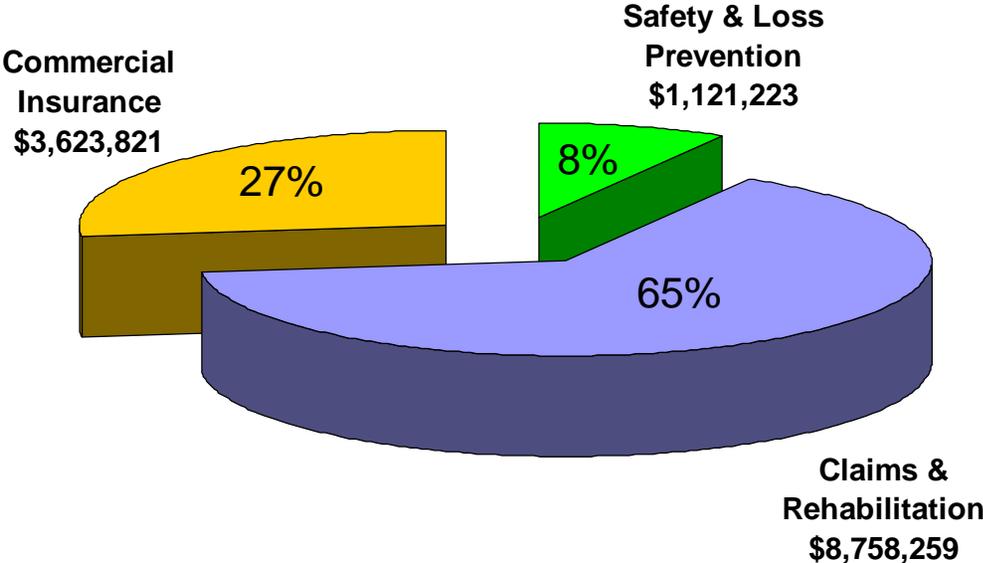
FY 2009: 14/14.0 - FY 2001: 13/13.0

1/1.0 SYE increase

(One SYE for AED Program initiated in FY 2007)

How the Budget Is Allocated

**Net LOBS Distribution
FY 2008 Adopted Budget**



New Programs Since FY 2001

- Public Access AED Program
- Safety Management and Trends Evaluation Program
- Workplace Violence Program
- Injury and Illness Prevention Team
- Accident Review Panel
- On-Line Safety Training Program
- Commercial Drivers License Program
- Defensive Driver Training

New Programs Since FY 2001

- Online and Telephone Injury Reporting
 - Prompt reporting leads to improved diagnoses
 - Eliminates inappropriate treatment
 - Results in quicker return to work
 - 82% of injuries were reported this way in FY 2008
- Casualty Assistance Team
- Community Outreach for Catastrophic Events
 - Multi-agency assistance centers on site in emergencies
- Workers' Compensation Customer Experience Survey Program

What We Contribute

- **Assessment of Potential Risks**
 - New sites and County services
 - Contractual agreements
 - Actuarial Studies
 - Cost analysis of accidents
 - Preventable Accident Analysis
- **Measures to Avoid or to Mitigate Loss Potential**
 - OSHA Compliance Inspections
 - Safety Inspections and Training
 - Transfer Risk to Partners or Contractors As Appropriate
 - Occupational and Environmental Health Education and Site Assessments
- **Insurance**
 - Self-Insured Risk
 - Commercial Insurance
 - Surety Bonds for Public Officials

What We Contribute

- **Managing Claims**

- Vehicle Damage (Collision and Comprehensive Coverage)
- Workers' Compensation (1,450 claims in FY 2008)
- Property (161 claims in FY 2008)
- Auto and General Liability (175 claims in FY 2008)

- **Prevention Programs**

- Driver Training
- AEDs: Installation, Training, Maintenance and Public Access Awareness
- Commercial Drivers (monitor continued eligibility of 771 CDL drivers)
- Workplace Violence
- Vehicle Operators – Yearly Monitoring of Driving Records

Who We Support

- All County departments and agencies
 - Workplace safety
 - Property losses
 - Workers' Compensation
 - Liability issues
- Volunteers, Authorities and Boards under agreements with the Board of Supervisors
 - Insurance and indemnification
- County businesses, residents and visitors
 - Safety in County facilities
 - Injuries and property losses related to County operations

LOBS Summary Table

FY 2008 Adopted Budget

<i>Number</i>	<i>LOB Title</i>	<i>Net LOB Cost</i>	<i>LOB Number of Positions</i>	<i>LOB SYE</i>
501-01	Safety and Loss Prevention	\$1,121,223	6	6.0
501-02	Claims and Rehabilitation	\$8,758,259	7	7.0
501-03	Countywide Insurance	\$3,623,821	1	1.0
TOTAL		\$13,503,303	14	14.0

Total Expenditures	\$15,738,732
Revenues:	
Interest	(1,590,124)
Workers' Compensation	(547,925)
Insurance Recoveries	<u>(97,380)</u>
Net LOBS Cost	\$13,503,303

LOB 501-01

Safety and Loss Prevention

- Focus on prevention of injuries, illnesses and property losses
 - Inspections
 - Training
 - Verification, e.g. drivers records (over 6,400 records checks in FY 2008)
 - Trend analysis
- Public Access AED Program (468 installed units at 251 sites)
- Continuity of Operations Preparedness (COOP)
- Risk Accountability – Holding others responsible for insuring their own potential liabilities (over 400 insurance documents reviewed each year)

	<u>Net LOB Cost</u>	<u>SYE</u>
FY 2008 Adopted	\$1,121,223	6.0

Claims and Rehabilitation

- All claims against the County
 - Vehicle Liability (267 claims, \$1.9 million)
 - Workers' Compensation (1,450 claims, \$5.6 million)
 - General Liability (288 claims, \$0.6 million)
 - Property Damage (161 claims, \$0.4 million)

- Loss Recovery (e.g., accident damage to a County vehicle caused by the fault of another party)

- Dispute resolution

- Return-to-Work

	<u>Net LOB Cost</u>	<u>SYE</u>
FY 2008 Adopted	\$8,758,259	7.0

Countywide Insurance

All-risk Coverage

- **Self-insurance**

- Vehicles
- Workers' Compensation
- General liability (sewers, stormwater, public official, law enforcement)

- **Commercial Insurance**

- Property (buildings and contents)
- High-value fire and rescue vehicles
- Helicopters and watercraft
- Criminal acts
- Public officials' bonds

	<u>Net LOB Cost</u>	<u>SYE</u>
FY 2008 Adopted	\$3,623,821	1.0

Reduction Philosophy

- Statutory and regulatory mandates will be fully met
- No fundamental change in claims settlement philosophy
 - Maintain highest standards of fairness and equity
 - Continued restraint in use of governmental immunities
- Workers' Compensation medical costs will continue to rise, but new cost-containment efforts are to be preserved
- Repair and replacement of damaged property may be contingent on availability of funds from
 - County Insurance Fund
 - Agencies' operating budgets
- Self-insurance will replace certain commercial insurance coverage

Reduction Priorities

Priority	Description	Pos.	SYE	Reduction
1	Eliminate use of outside consultant to perform ergonomics assessments	0	0	\$ 25,000
2	Eliminate use of consultants for workplace environmental health evaluations	0	0	\$ 45,000
3	Discontinue centralized collection and review of drivers' records from Virginia and other states' departments of motor vehicles.	1	1.0	\$ 71,800
4	Reduce Public Access AED Program: Expansion, training and program management	0	0	\$100,702
5	Eliminate Risk and Trend Analysis Program	1	1.0	\$ 87,620
6	Reduce third-party investigation and settlement processing for certain claims	0	0	\$189,263

Reduction Priorities

Priority	c	Pos.	SYE	Reduction
7	Cancel commercial insurance for the Workers' Compensation Insurance Program	0	0	\$874,721
	Option: Reduce insurance coverage for high-cost workers' compensation cases by increasing the "excess retention" amount from \$1 million to \$5 million	0	0	\$500,000
8	Cancel commercial insurance coverage of Fire and Rescue Vehicles	0	0	\$513,835
	Option: Retain commercial insurance policy but raise deductible on FRD vehicles from \$3,000 to \$20,000	0	0	\$150,000
9	Cancel commercial insurance general liability claims	0	0	\$733,875
	Option: Increase self-insurance portion of general liability coverage by increasing the dollar amount at which an umbrella insurance policy shifts the loss to a commercial underwriter	0	0	\$150,000

Eliminate use of outside consultant to perform ergonomics assessments.

Savings

\$25,000 No SYE

Low Risk: This resource is infrequently drawn upon and only for extraordinary situations. Agencies will be empowered to contract on an “as needed” basis, using their own resources.

Self-assessment instructions have been published on the Infoweb, enabling agencies to perform initial assessments of injury-prevention measures. Risk Management staff will continue to consult on routine issues but outside-expert assessments of the more complex situations will have to be funded by agencies.

Eliminate contracting with outside experts to evaluate potential health issues in workplaces.

Savings

\$45,000 No SYE

Low Risk: Reports of potential exposure to health threats such as mold, lead, asbestos, air quality and insect/rodent infestations will be addressed by County staff. Limited in-house expertise and testing resources will delay problem identification and resolution, likely to increase staff absences and workers' compensation costs.

Spending in this area is on the “as needed” basis – there is no retainer or fixed fee. When in-house evaluation capabilities are inadequate, departments will be expected to identify funds for essential outside consulting.

Discontinue centralized collection and review of drivers' records from Virginia and other states' departments of motor vehicles.

Savings

\$71,800

1.0 SYE

Moderate Risk: Places the burden on County agencies. Reviews will be done at agency level using the same criteria applied by the Risk Management Division.

Employees will take on the task of obtaining their own records from the DMV. Risk Management will perform sampling of results to monitor compliance with County policy.

Reduce the Public Access Automated External Defibrillator (AED) Program.

Program Reduction

\$100,702

No SYE

Moderate Risk: Savings are achieved by termination contractor-managed training (refresher and replacement personnel), equipment maintenance and program monitoring.

Nature of AEDs enables untrained individuals to employ them in an emergency. Training includes effective AED use, special needs of infant and child emergencies, and CPR. Program is inherently less effective without this training. Classroom training will be replaced with limited tools such as video course on the Internet.

Annual maintenance (battery replacement and testing) at 251 sites will divert County staff from other assigned duties.

Eliminate the risk analysis and trend identification program.

Program Reduction

\$87,620 1.0 SYE

Moderate Risk: Reduces ability to proactively identify new or increased risk levels.

Data collection and analysis provides best potential for identifying the need for safety training, protective equipment deployment/modification, and self-insured costs that can be efficiently transferred to a commercial insurance program.

Lack of analytic data will diminish efforts to prevent injuries and illnesses, leading to increased lost time by affected employees and higher workers' compensation costs.

Reduce use of a third-party (contract) claims investigation and settlement process.

Savings

\$189,263 No SYE

Moderate Risk: Automobile liability and general liability claims (involving storms, sewers, public safety incidents), now handled by a third-party administrator, will be processed in-house. Claims settlements will be delayed, technical expertise will be diminished, and issue resolution will be extended.

The additional workload on Risk management staff will delay action on all other types of claims (with adverse effect on property damage claims resolution.)

**LOB 501-02 – Insurance and Self-Insurance
Workers' Compensation Insurance**

Priority 7

Cancel commercial insurance coverage for high-cost workers' compensation cases.

Savings

\$874,721

No SYE

High Risk: Numerous possibilities exist that would trigger today's commercial coverage; the risk is that savings in premium costs would be greatly exceeded by the costs fully borne by the County without this policy.

Currently:

First \$1million of costs paid by the County

Above \$1 million, costs paid by a commercial insurer

Catastrophic event: County pays maximum of \$1 million per event

Costs of individual high-cost cases (e.g., cancer, heart/lung, blood-borne pathogens) where medical treatment extends over several years is increasingly more frequent. Also, a single criminal act, natural disaster, or structural disaster at a County facility involving multiple personnel would invoke the coverage of this insurance, potentially a significant savings to the County.

Increase the deductible for workers' compensation insurance from \$1 million to \$5 million.

Savings: \$500,000 No SYE

This Option: Rather than terminate the policy, raise the level at which commercial insurance begins to pick up costs.

High Risk: To achieve a significant savings, it will be necessary to raise significantly the commercial insurance deductible, to the point that savings may be consumed (or exceeded) by pay-outs by the County.

Cancel commercial insurance coverage of high-value Fire and Rescue Department (FRD) vehicles.

Savings

\$513,835 No SYE

Currently: FRD vehicles are covered for accident repair/replacement with a \$3,000 deductible per occurrence.

Total value of the fleet (465 vehicles) is \$72.5 million. Fleet includes:

- 31 vehicles valued above \$500,000 each
 - Total cost of 10 highest value vehicles is \$8.1 million
- 106 vehicles valued above \$250,000 each

High Risk: The total loss of one vehicle, combined with routine annual losses would negate these savings –or– force a “do not replace” decision that could affect the FRD’s mission-readiness.

Retain commercial insurance policy but raise deductible on FRD vehicles from \$3,000 to \$20,000.

Savings

\$150,000

No SYE

High Risk: Premiums will continue to reflect the insurer's exposure to very high-value claims; expected savings on premiums will be offset by higher costs of self-insurance.

Cancel commercial insurance coverage for liability claims.

Savings

\$733,875 No SYE

Currently: Insurance policy covers liability settlements/awards in excess of \$1 million. Examples: wrongful death, damages to multiple residences from a storm event, tort claims for negligent acts by employees or officials, and vehicle accidents.

High Risk: Substantial risk that one successful court award in excess of \$1 million would exceed the savings achievable in several years and significantly impair the County Insurance Fund's reserves.

In the past three years, the insurance carrier has been notified of five incidents with potential payouts in excess of \$1 million. The policy has not been drawn on in three claims, two are pending.

Increase the deductible for liability coverage from \$1 million to \$3 million.

Savings: \$150,000 No SYE

High Risk: To achieve this savings, the self-insured risk will rise from \$1 million to \$3 million.

Substantial risk that one successful court award in excess of \$ 1 million would exceed the savings achievable in several years and significantly impair the County Insurance Fund's reserves.

County Insurance Fund

Questions?