

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, 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 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 focus 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.

Pandemic Response and Impact

Due to the COVID-19 global pandemic and anticipated worldwide loss and litigation, the overall insurance market is projected to continue to harden over the next two fiscal periods. In Fund 60000, this could potentially result in higher premiums, difficulty placing some coverage, and greater reliance on self-insurance. The extent that these factors would increase cost is unknown at this time, and the Risk Management Division will continue to monitor the market in order to determine potential impacts.

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Budget and Staff Resources

Category	FY 2019 Actual	FY 2020 Adopted	FY 2020 Revised	FY 2021 Advertised	FY 2021 Adopted
FUNDING					
Expenditures:					
Personnel Services	\$1,379,840	\$1,745,202	\$1,745,202	\$1,803,287	\$1,745,202
Operating Expenses	19,582,690	26,355,408	37,255,408	26,985,700	26,985,700
Subtotal	\$20,962,530	\$28,100,610	\$39,000,610	\$28,788,987	\$28,730,902
Less:					
Recovered Costs	(\$196,789)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
Total Expenditures	\$20,765,741	\$27,850,610	\$38,750,610	\$28,538,987	\$28,480,902
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	14 / 14	14 / 14	14 / 14	14 / 14	14 / 14

FY 2021 Funding Adjustments

The following funding adjustments from the FY 2020 Adopted Budget Plan are necessary to support the FY 2021 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 12, 2020.

General Insurance Costs **\$630,292**

A net increase of \$630,292 in Operating Expenses is primarily due to increased premiums for Workers' Compensation and property insurance based on prior year experience and changes in the overall insurance market. These increases are partially offset by savings in commercial insurance premiums based on a shift in the overall risk financing strategy and prior year experience.

Changes to FY 2020 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2020 Revised Budget Plan since passage of the FY 2020 Adopted Budget Plan. Included are all adjustments made as part of the FY 2019 Carryover Review, FY 2020 Third Quarter Review, and all other approved changes through April 30, 2020.

Carryover Adjustments **\$10,900,000**

As part of the FY 2019 Carryover Review, the Board of Supervisors approved the appropriation of \$10,900,000 in Operating Expenses from the Litigation Reserve for expenditures related to tax litigation refunds, primarily as a result of the Virginia Supreme Court ruling on Business, Professional, and Occupational License (BPOL) tax.

Third Quarter Adjustments **\$2,563,000**

As a part of the FY 2020 Third Quarter Review, the Board of Supervisors approved a reduction of \$2,563,000 in the transfer from the General Fund to Fund 60000 as a result of accrued liability adjustments.

Position Detail

The FY 2021 Adopted Budget Plan includes the following positions:

COUNTY INSURANCE - 14 Positions					
1	Risk Manager		1	Claims Specialist III	
1	Claims Specialist IV		2	Claims Specialists II	
1	Loss Prevention Analyst IV		1	Administrative Assistant V	
2	Loss Prevention Analysts III		1	Administrative Assistant IV	
1	Loss Prevention Analyst II		2	Administrative Assistants III	
1	Loss Prevention Analyst I				

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 now averages four days reporting time. In FY 2019, the program processed 100 percent of all claims within 30 business days from the date of incident, meeting its ambitious goal of 98 percent.

Driver safety and accident prevention programs remain a priority to the County. The rate of preventable accidents increased in FY 2019 to 343. The increase is due in part to a change in the methodology used to determine if an accident is preventable and an overall increase in automobile accidents. In order to reverse this trend, staff will need to conduct additional analysis of automobile losses while increasing training on prevention methods during safety talks in order to achieve 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 continues to maintain low rates for those premiums. The ratio of premium paid to value of asset covered increased to 0.150 percent in FY 2019 primarily due to a significant increase in property insurance premiums.

Indicator	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate/Actual	FY 2020 Estimate	FY 2021 Estimate
Percentage of claims processed within 30 days	98%	98%	98% / 100%	98%	98%
Preventable accidents per 100,000 miles driven	0.79	0.91	0.60 / 1.11	1.11	1.11
Ratio of premium paid to value of assets covered	0.149%	0.138%	0.148% / 0.150%	0.120%	0.137%

A complete list of performance measures can be viewed at <https://www.fairfaxcounty.gov/budget/fy-2021-adopted-performance-measures-pm>

Fund 60000: County Insurance

FUND STATEMENT

Category	FY 2019 Actual	FY 2020 Adopted Budget Plan	FY 2020 Revised Budget Plan	FY 2021 Advertised Budget Plan	FY 2021 Adopted Budget Plan
Beginning Balance	\$91,583,220	\$79,943,789	\$94,553,198	\$82,464,767	\$79,901,767
Revenue:					
Interest	\$1,457,238	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000
Workers' Compensation	510,997	515,000	515,000	515,000	515,000
Other Insurance	93,834	105,859	105,859	105,859	105,859
Total Revenue	\$2,062,069	\$2,370,859	\$2,370,859	\$2,370,859	\$2,370,859
Transfer In:					
General Fund (10001)	\$24,236,650	\$24,291,320	\$21,728,320	\$24,349,405	\$24,291,320
Total Transfer In	\$24,236,650	\$24,291,320	\$21,728,320	\$24,349,405	\$24,291,320
Total Available	\$117,881,939	\$106,605,968	\$118,652,377	\$109,185,031	\$106,563,946
Expenditures:					
Administration	\$1,645,128	\$2,081,302	\$2,081,302	\$2,139,387	\$2,081,302
Workers' Compensation	14,185,872	15,499,639	15,499,639	16,310,871	16,310,871
Self-Insurance Losses	2,265,991	4,176,000	4,176,000	4,640,350	4,640,350
Litigation Expenses	0	0	10,900,000	0	0
Commercial Insurance Premium	5,118,351	5,775,000	5,775,000	5,129,710	5,129,710
Automated External Defibrillator	113,399	318,669	318,669	318,669	318,669
Total Expenditures	\$23,328,741	\$27,850,610	\$38,750,610	\$28,538,987	\$28,480,902
Expense for Net Change in Accrued Liability ¹	(\$2,563,000)	\$0	\$0	\$0	\$0
Total Disbursements	\$20,765,741	\$27,850,610	\$38,750,610	\$28,538,987	\$28,480,902
Ending Balance²	\$94,553,198	\$78,755,358	\$79,901,767	\$80,646,044	\$78,083,044
Restricted Reserves:					
Accrued Liability	\$61,598,000	\$64,161,000	\$61,598,000	\$64,161,000	\$61,598,000
Litigation Reserve	13,980,761	3,480,761	3,080,761	3,080,761	3,080,761
Reserve for Catastrophic Occurrences ¹	18,974,437	11,113,597	15,223,006	13,404,283	13,404,283

¹ FY 2019 actuals reflect an accrued liability adjustment of (\$2,563,000) based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the FY 2019 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. This adjustment has been included in the FY 2019 Comprehensive Annual Financial Report (CAFR). Details of the FY 2019 audit adjustments were included in the FY 2020 Third Quarter package.

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