

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.

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.

Budget and Staff Resources

Category	FY 2020 Actual	FY 2021 Adopted	FY 2021 Revised	FY 2022 Advertised	FY 2022 Adopted
FUNDING					
Expenditures:					
Personnel Services	\$1,461,044	\$1,745,202	\$1,755,967	\$1,745,202	\$1,762,073
Operating Expenses	29,311,237	26,985,700	38,085,700	29,938,100	29,938,100
Subtotal	\$30,772,281	\$28,730,902	\$39,841,667	\$31,683,302	\$31,700,173
Less:					
Recovered Costs	(\$76,437)	(\$250,000)	(\$250,000)	(\$135,000)	(\$135,000)
Total Expenditures	\$30,695,844	\$28,480,902	\$39,591,667	\$31,548,302	\$31,565,173
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	14 / 14	14 / 14	14 / 14	14 / 14	14 / 14

FY 2022 Funding Adjustments

The following funding adjustments from the FY 2021 Adopted Budget Plan are necessary to support the FY 2022 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 4, 2021.

Employee Compensation \$16,871

An increase of \$16,871 in Personnel Services is included for a 1.00 percent market rate adjustment (MRA) for all employees effective July 2021. This increase is supported by a commensurate increase in the General Fund transfer.

General Insurance Costs \$3,067,400

A net increase of \$3,067,400 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 anticipated 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 2021 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2021 Revised Budget Plan since passage of the FY 2021 Adopted Budget Plan. Included are all adjustments made as part of the FY 2020 Carryover Review, FY 2021 Mid-Year Review, FY 2021 Third Quarter Review, and all other approved changes through April 30, 2021.

Carryover Adjustments \$11,100,000

As part of the FY 2020 Carryover Review, the Board of Supervisors approved the appropriation of \$11,100,000 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 \$10,765

As part of the FY 2021 Third Quarter Review, the Board of Supervisors approved funding of \$10,765 in Personnel Services for a one-time compensation adjustment of \$1,000 for merit employees and \$500 for non-merit employees paid in May 2021. This increase is supported by a commensurate increase in the General Fund transfer.

Consolidated County and Schools Debt Service Fund Transfer

As part of the *FY 2021 Third Quarter Review*, the Board of Supervisors approved a Transfer In from Fund 20000, Consolidated County and Schools Debt Service, of \$6,756,000 for accrued liability adjustments.

Position Detail

The *FY 2022 Adopted Budget Plan* includes the following positions:

COUNTY INSURANCE - 14 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	1	Administrative Assistant III

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 2020, the program processed 100 percent of all claims within 30 business days from the date of incident, exceeding its ambitious goal of 98 percent.

Driver safety and accident prevention programs remain a priority to the County. The rate of preventable accidents has decreased from the FY 2020 estimates of 350 to an actual of 313 which is a 10.5 percent reduction based on the overall number of auto accidents reported. Factors in the downward trend include applying more resources to the analysis and review of automobile loss, along with increased training on prevention methods to achieve the goal of reducing accident rates. The direct training and management of drivers is administered by individual agencies in a decentralized structure, with Risk Management providing assistance and guidance.

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 decreased to 0.12 percent in FY 2020, primarily due to negotiating a lock-in on FY 2019 rates in property insurance premiums.

Indicator	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimate	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Percentage of claims processed within 30 days	98%	100%	98%	100%	98%	98%
Preventable accidents per 100,000 miles driven	0.91	1.11	1.11	1.11	1.13	0.97
Ratio of premium paid to value of assets covered	0.138%	0.150%	0.120%	0.120%	0.137%	0.142%

A complete list of performance measures can be viewed at <https://www.fairfaxcounty.gov/budget/fy-2022-adopted-performance-measures-pm>

Fund 60000: County Insurance

FUND STATEMENT

Category	FY 2020 Actual	FY 2021 Adopted Budget Plan	FY 2021 Revised Budget Plan	FY 2022 Advertised Budget Plan	FY 2022 Adopted Budget Plan
Beginning Balance	\$94,553,198	\$79,901,767	\$94,135,746	\$81,217,023	\$87,973,023
Revenue:					
Interest	\$1,189,241	\$1,750,000	\$1,750,000	\$510,000	\$510,000
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	\$1,794,072	\$2,370,859	\$2,370,859	\$1,130,859	\$1,130,859
Transfers In:					
General Fund (10001)	\$21,728,320	\$24,291,320	\$24,302,085	\$24,291,320	\$24,308,191
Consolidated County and Schools Debt Service Fund (20000)	0	0	6,756,000	0	0
Total Transfers In	\$21,728,320	\$24,291,320	\$31,058,085	\$24,291,320	\$24,308,191
Total Available	\$118,075,590	\$106,563,946	\$127,564,690	\$106,639,202	\$113,412,073
Expenditures:					
Administration	\$1,705,460	\$2,081,302	\$2,092,067	\$2,081,302	\$2,098,173
Workers' Compensation	15,160,623	16,310,871	16,310,871	19,032,500	19,032,500
Self-Insurance Losses	2,390,865	4,640,350	4,640,350	4,627,500	4,627,500
Litigation Expenses	0	0	11,100,000	0	0
Commercial Insurance Premium	4,538,403	5,129,710	5,129,710	5,482,000	5,482,000
Automated External Defibrillator	144,493	318,669	318,669	325,000	325,000
Total Expenditures	\$23,939,844	\$28,480,902	\$39,591,667	\$31,548,302	\$31,565,173
Expense for Net Change in Accrued Liability	\$6,756,000	\$0	\$0	\$0	\$0
Total Disbursements	\$30,695,844	\$28,480,902	\$39,591,667	\$31,548,302	\$31,565,173
Ending Balance¹	\$94,135,746	\$78,083,044	\$87,973,023	\$75,090,900	\$81,846,900
Restricted Reserves:					
Accrued Liability	\$68,354,000	\$61,598,000	\$68,354,000	\$68,354,000	\$68,354,000
Litigation Reserve	13,980,761	3,080,761	2,880,761	2,880,761	2,880,761
Reserve for Catastrophic Occurrences	11,800,985	13,404,283	16,738,262	3,856,139	10,612,139

¹ Fluctuations in the Ending Balance are primarily the result of variations in litigation expenses.