

Fund 60000

County Insurance Fund

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.

AGENCY DASHBOARD			
Key Data	FY 2011	FY 2012	FY 2013
1. County Population	1,096,798	1,109,668	1,114,500
2. County Employees	15,060	14,528	14,567
3. Medical Expenses Inflation (CPI)	3.2%	3.9%	4.2%
4. County-Owned Building Values	\$2,346,082,234	\$2,344,484,934	\$2,596,741,990
5. Investment Return Rate on Insurance Fund	0.75%	0.60%	0.45%
6. Average Age of Workers' Compensation Claim	9.44 Years	10.94 Years	12.78 Years

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 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.

The County Insurance Fund supports the following County Vision Elements:



Maintaining Safe and Caring Communities



Exercising Corporate Stewardship

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 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

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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 2013 Actual	FY 2014 Adopted	FY 2014 Revised	FY 2015 Advertised	FY 2015 Adopted
FUNDING					
Expenditures:					
Personnel Services	\$1,476,414	\$1,415,179	\$1,427,989	\$1,432,615	\$1,446,131
Operating Expenses	24,497,912	22,241,043	24,351,043	23,054,604	23,054,604
Capital Equipment	0	0	0	0	0
Subtotal	\$25,974,326	\$23,656,222	\$25,779,032	\$24,487,219	\$24,500,735
Less:					
Recovered Costs	(\$411,982)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
Total Expenditures	\$25,562,344	\$23,406,222	\$25,529,032	\$24,237,219	\$24,250,735
AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)					
Regular	14 / 14	14 / 14	14 / 14	14 / 14	14 / 14
1 Risk Manager		2 Loss Prevention Analysts II		1 Administrative Assistant IV	
1 Insurance Manager		1 Claims Specialist III		2 Administrative Assistants III	
1 Loss Prevention Analyst IV		1 Claims Specialist II			
2 Loss Prevention Analysts III		2 Claims Specialists I			
TOTAL POSITIONS					
14 Positions / 14.0 FTE					

FY 2015 Funding Adjustments

The following funding adjustments from the FY 2014 Adopted Budget Plan are necessary to support the FY 2015 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 April 29, 2014.

- ◆ **Employee Compensation** **\$30,952**
 An increase of \$30,952 in Personnel Services includes \$17,436 for a 1.29 percent market rate adjustment (MRA) for all employees and \$13,516 for a 1.00 percent salary increase for non-uniformed employees, both effective July 2014.
- ◆ **General Insurance Costs** **\$698,690**
 A net increase of \$698,690 in Operating Expenses is primarily due to anticipated increases in expenses related to current and prior year Workers Compensation claims.

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- ◆ **Automated External Defibrillator (AED) Replacement Plan** **\$114,871**
An increase of \$114,871 in Operating Expenses is due to the implementation of the second year of a five-year plan to replace County AEDs that are approaching the end of their useful life.

- ◆ **General Fund Transfer**
It should be noted that the General Fund transfer to this fund is increased by \$2,222,688 to offset increased insurance expenditures. These expenditures have increased \$4,351,678, or 21.9 percent, since FY 2013. Without additional General Fund support, these costs would draw down the Reserve for Catastrophic Occurrences to a level deemed too low given the size of the County. This increase will allow the Reserve for Catastrophic Occurrences to remain funded at approximately the same level as the *FY 2014 Revised Budget Plan*.

Changes to FY 2014 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2014 Revised Budget Plan since passage of the FY 2014 Adopted Budget Plan. Included are all adjustments made as part of the FY 2013 Carryover Review, FY 2014 Third Quarter Review, and all other approved changes through April 30, 2014.

- ◆ **Third Quarter Adjustments** **\$2,000,000**
As part of the *FY 2014 Third Quarter Review*, the Board of Supervisors approved funding of \$2,000,000 for pending litigation in personnel-related matters that will require outside counsel and expert witnesses. In addition, the General Fund transfer to this fund was increased by \$37,663,287. Of this amount, \$30,000,000 represents the movement of the Litigation Reserve, which previously resided in the General Fund, to a reserve in the County Insurance Fund pending the outcome of the protracted litigation process currently underway. An additional increase of \$2,000,000 represents General Fund support for the increased expenditures noted above that are related to pending litigation in personnel-related matters. The remaining increase of \$5,663,287 is for accrued liability adjustments. An actuarial analysis is performed every year after the close of the fiscal year by an outside actuary to estimate the ultimate value of losses for which the County is liable. It is the County's policy to fully fund the Accrued Liability Reserve each year based on the actuarial valuation, in order to ensure adequate funding for those risks that are self-insured.

- ◆ **Carryover Adjustments** **\$122,810**
As part of the *FY 2013 Carryover Review*, the Board of Supervisors approved funding of \$122,810, including \$12,810 in Personnel Services for a one-time compensation adjustment of \$850 for merit employees paid in November 2013 and \$110,000 to implement the first year of a five-year plan to replace County AEDs that are approaching the end of their useful life. It should be noted that the General Fund transfer to this fund was increased by \$12,810 to cover the expenses related to the compensation adjustment.

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Key Performance Measures

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate/Actual	FY 2014	FY 2015
County Insurance Fund					
Percentage of claims processed within 30 days	96%	96%	98%/98%	98%	98%
Preventable accidents per 100,000 miles driven	0.89	0.80	0.60/0.50	0.60	0.60
Ratio of premium paid to value of assets covered	0.123%	0.126%	0.138%/0.122%	0.138%	0.138%

A complete list of performance measures can be viewed at www.fairfaxcounty.gov/dmb/fy2015/adopted/pm/60000.pdf

Performance Measurement Results

Workers' Compensation costs are the single greatest challenge to the 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, serve both employee and County interests. The Risk Management Division now averages five days reporting time. With 98 percent of all claims being processed within 30 days, the program achieves its ambitious goals.

Driver safety and accident prevention programs remain a priority to the County. There was a slight decrease in preventable accidents in FY 2013. Stability is anticipated in this area for FY 2014 and FY 2015 and County staff continues to maintain 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 successfully continues to maintain low rates for those premiums, surpassing the goal of a 0.138 percent premium rate by attaining a 0.122 percent rate in FY 2013.

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FUND STATEMENT

Fund 60000, County Insurance Fund

	FY 2013 Actual	FY 2014 Adopted Budget Plan	FY 2014 Revised Budget Plan	FY 2015 Advertised Budget Plan	FY 2015 Adopted Budget Plan
Beginning Balance	\$50,034,612	\$50,484,958	\$53,042,245	\$51,443,830	\$87,102,486
Revenue:					
Interest	\$179,044	\$275,000	\$275,000	\$275,000	\$275,000
Workers' Compensation	513,657	515,000	515,000	515,000	515,000
Other Insurance	119,617	105,859	105,859	105,859	105,859
Total Revenue	\$812,318	\$895,859	\$895,859	\$895,859	\$895,859
Transfer In:					
General Fund (10001)	\$22,094,372	\$21,017,317	\$58,693,414	\$23,226,489	\$23,240,005
Total Transfer In	\$22,094,372	\$21,017,317	\$58,693,414	\$23,226,489	\$23,240,005
Total Available	\$72,941,302	\$72,398,134	\$112,631,518	\$75,566,178	\$111,238,350
Expenditures:					
Administration ¹	\$1,628,922	\$1,593,959	\$1,606,769	\$1,675,550	\$1,689,066
Workers' Compensation	14,102,837	13,795,000	13,795,000	14,445,000	14,445,000
Self Insurance Losses	691,684	4,196,465	6,196,465	4,176,000	4,176,000
Commercial Insurance Premium	3,392,258	3,677,000	3,677,000	3,682,000	3,682,000
Automated External Defibrillator ¹	83,356	143,798	253,798	258,669	258,669
Total Expenditures	\$19,899,057	\$23,406,222	\$25,529,032	\$24,237,219	\$24,250,735
Expense for Net Change in Accrued Liability ²	\$5,663,287	\$0	\$0	\$0	\$0
Total Disbursements	\$25,562,344	\$23,406,222	\$25,529,032	\$24,237,219	\$24,250,735
Ending Balance³	\$53,042,245	\$48,991,912	\$87,102,486	\$51,328,959	\$86,987,615
Restricted Reserves:					
Accrued Liability ²	\$47,157,000	\$41,493,713	\$47,157,000	\$41,493,713	\$47,157,000
AED Replacement Reserve	923,981	863,241	813,981	699,110	699,110
Litigation Reserve	0	0	30,000,000	0	30,000,000
PC Replacement Reserve	7,200	7,200	7,200	7,200	0
Reserve for Catastrophic Occurrences ²	4,954,064	6,627,758	9,124,305	9,128,936	9,131,505

¹ In order to account for expenditures in the proper fiscal year, audit adjustments in the amount of \$4,631.09 have been reflected as an increase to FY 2013 expenditures in order to record expenditures in the proper fiscal period. These adjustments have been included in the FY 2013 Comprehensive Annual Financial Report (CAFR). Details of the FY 2013 audit adjustments were included in the FY 2014 Third Quarter Package.

² FY 2013 actuals reflect an accrued liability adjustment of \$5,663,287 based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the FY 2013 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. It should be noted that this adjustment has been included in the FY 2013 CAFR.

³ Fluctuations in the Ending Balance are primarily the result of changes in the transfer in from the General Fund based on reserve requirements.

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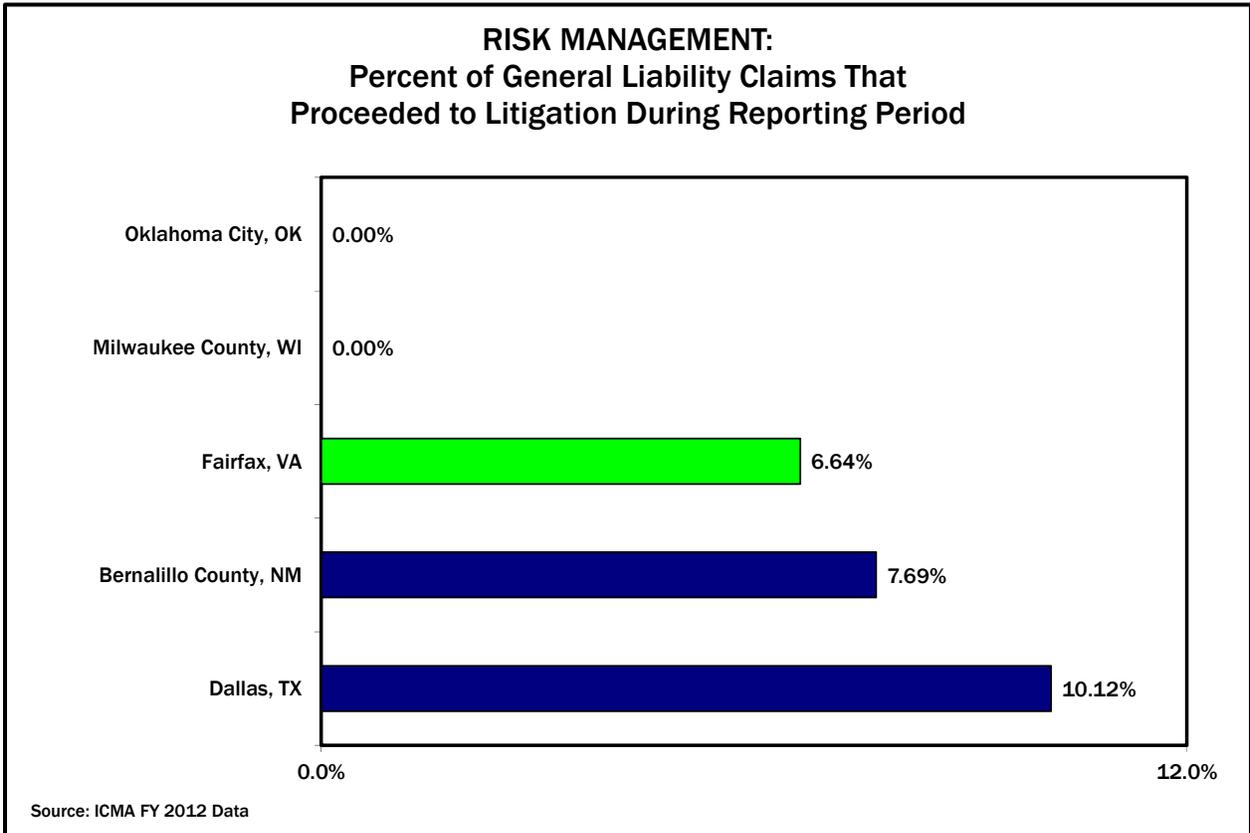
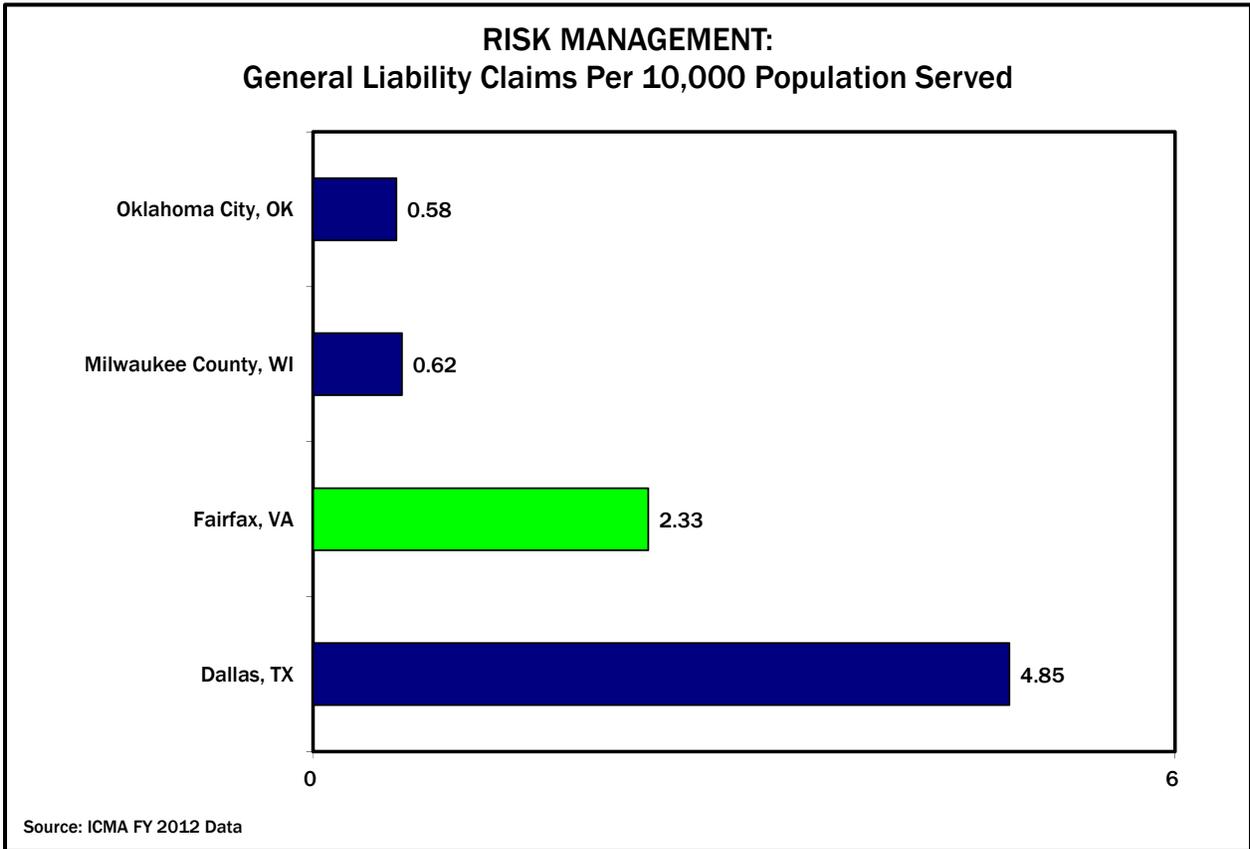
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Benchmarking

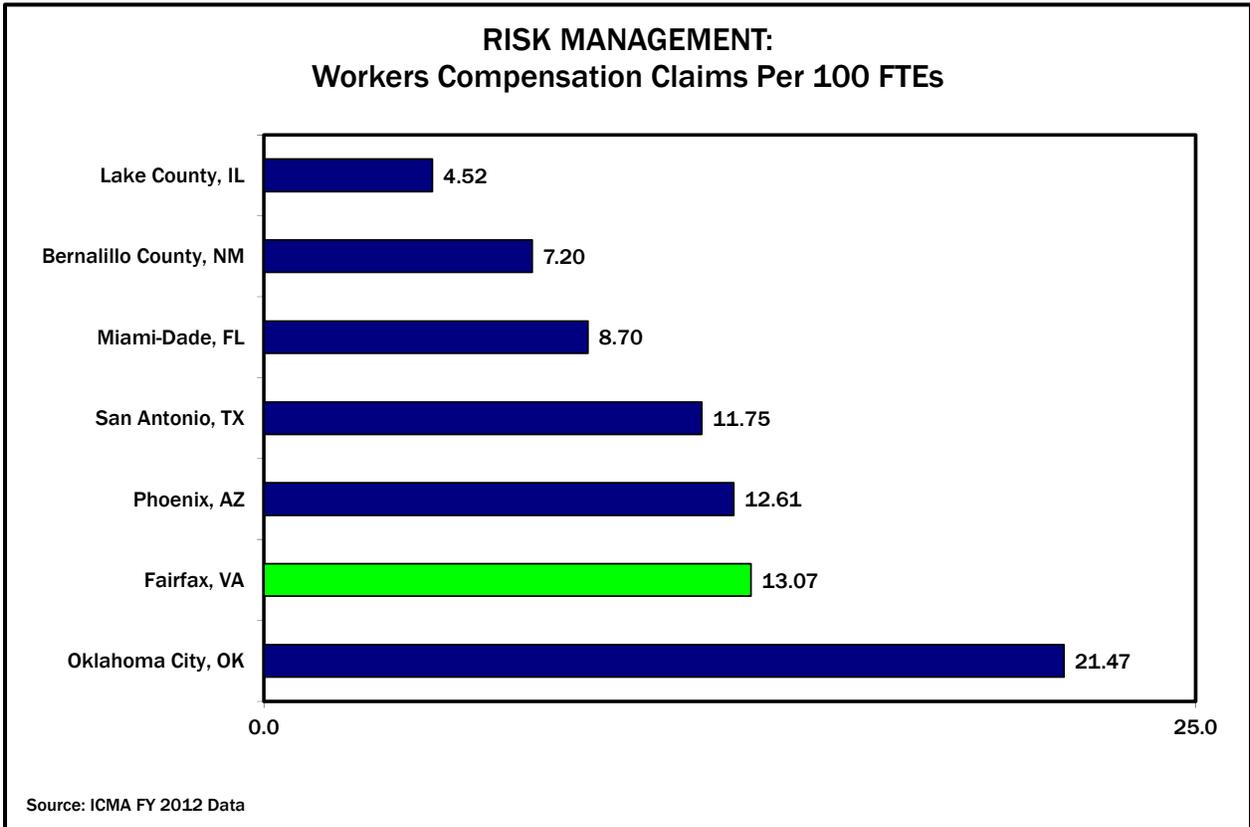
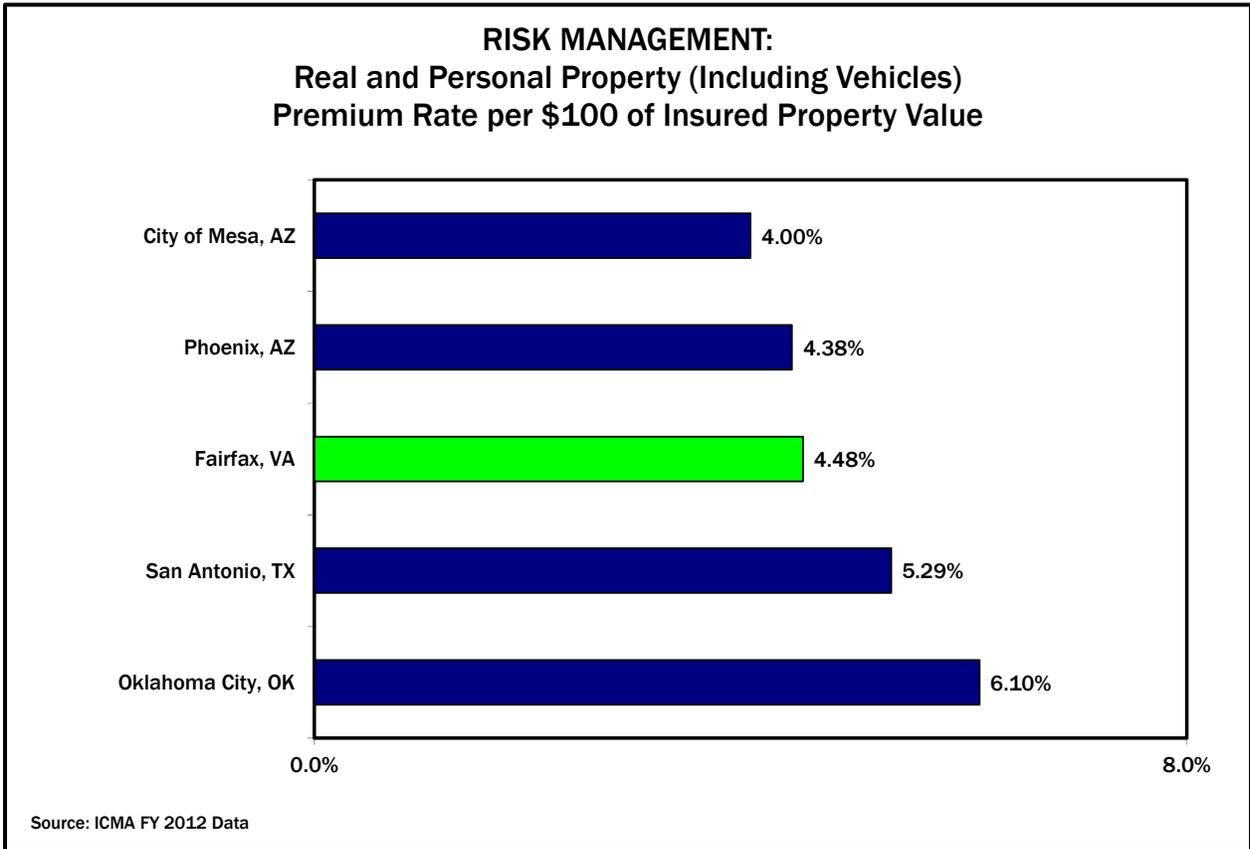
As a means of enhancing accountability, benchmarking data have been included in the annual budget since FY 2005. These data are included in each of the Program Area Summaries in Volume 1 and now in Other Funds (Volume 2) as available. The majority of this benchmarking data come from the International City/County Management Association's (ICMA) benchmarking effort in which Fairfax County has participated since 2000. More than 180 cities, counties and towns provide comparable data annually in 15 service areas. However, not all jurisdictions provide data for every service area. As part of the ICMA benchmarking effort, participating local governments (cities, counties and towns) provide data on standard templates provided by ICMA in order to ensure consistency. ICMA then performs extensive checking and data cleaning to ensure the greatest possible accuracy and comparability of data. As a result of the time required to collect the data and undergo ICMA's comprehensive data cleaning processes, information is always available with a one-year delay. FY 2012 data represent the latest available information. The jurisdictions presented in the graphs on the following pages generally show how Fairfax County compares to other large jurisdictions (population over 500,000). In cases where other Virginia localities provided data, they are shown as well. Risk Management is one of the service areas for which Fairfax County provides data. As can be seen on the following pages, Fairfax County compares favorably to the other large jurisdictions that provided data for this template. The County's General Liability claims, expenditures and percent that proceeded to litigation during the reporting period are all relatively low compared to the other responding cities and counties. An important point to note about the ICMA comparative data effort is that since participation is voluntary, the jurisdictions that provide data have demonstrated that they are committed to becoming/remaining high performance organizations. Therefore, comparisons made through this program should be considered in the context that the participants have self-selected and are more inclined to be among the higher performers than a random sample among local governments nationwide. It is also important to note that not all jurisdictions respond to all questions. In some cases, the question or process is not applicable to a particular locality or data are not available. For those reasons, the universe of jurisdictions with which Fairfax County is compared is not always the same for each benchmark.

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