

# 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 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.

**The County Insurance Fund supports the following County Vision Elements:**



***Maintaining Safe and Caring Communities***



***Exercising Corporate Stewardship***

# Fund 60000 County Insurance

## Budget and Staff Resources

Category	FY 2018 Actual	FY 2019 Adopted	FY 2019 Revised	FY 2020 Advertised	FY 2020 Adopted
<b>FUNDING</b>					
<b>Expenditures:</b>					
Personnel Services	\$1,457,008	\$1,690,532	\$1,690,532	\$1,727,319	\$1,745,202
Operating Expenses	37,128,443	25,206,408	35,706,408	26,355,408	26,355,408
<b>Subtotal</b>	<b>\$38,585,451</b>	<b>\$26,896,940</b>	<b>\$37,396,940</b>	<b>\$28,082,727</b>	<b>\$28,100,610</b>
<b>Less:</b>					
Recovered Costs	(\$182,507)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
<b>Total Expenditures</b>	<b>\$38,402,944</b>	<b>\$26,646,940</b>	<b>\$37,146,940</b>	<b>\$27,832,727</b>	<b>\$27,850,610</b>
<b>AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE)</b>					
Regular	14 / 14	14 / 14	14 / 14	14 / 14	14 / 14
1 Risk Manager	1	1 Loss Prevention Analyst II	1	1 Claims Specialist I	
1 Claims Specialist IV	1	1 Loss Prevention Analyst I	1	1 Administrative Assistant IV	
1 Loss Prevention Analyst IV	1	1 Claims Specialist III	2	2 Administrative Assistants III	
2 Loss Prevention Analysts III	2	2 Claims Specialists II			
<b>TOTAL POSITIONS</b>					
<b>14 Positions / 14.0 FTE</b>					

## FY 2020 Funding Adjustments

The following funding adjustments from the FY 2019 Adopted Budget Plan are necessary to support the FY 2020 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 7, 2019.

- ◆ **Employee Compensation** **\$54,670**  
 An increase of \$54,670 in Personnel Services includes \$34,142 for a 2.10 percent market rate adjustment (MRA) for all employees and \$20,528 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2019.
- ◆ **General Insurance Costs** **\$1,149,000**  
 An increase of \$1,149,000 in Operating Expenses is primarily due to increased premiums for Property Insurance based on prior year experience and changes in the overall insurance market. In addition, increases are included due to increased premiums in Crime Insurance to align policies into the appropriate category, as well as for Workers' Compensation as a result of payroll increases.

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## Changes to FY 2019 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2019 Revised Budget Plan since passage of the FY 2019 Adopted Budget Plan. Included are all adjustments made as part of the FY 2018 Carryover Review, FY 2019 Third Quarter Review, and all other approved changes through April 30, 2019.

- ◆ **Carryover Adjustments** **\$10,500,000**  
As part of the FY 2018 Carryover Review, the Board of Supervisors approved appropriation of \$10,500,000 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.

## Key Performance Measures

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate/Actual	FY 2019	FY 2020
<b>County Insurance</b>					
Percentage of claims processed within 30 days	98%	98%	98%/98%	98%	98%
Preventable accidents per 100,000 miles driven	0.61	0.79	0.60/0.91	0.60	0.60
Ratio of premium paid to value of assets covered	0.161%	0.149%	0.144%/0.138%	0.148%	0.158%

A complete list of performance measures can be viewed at  
<https://www.fairfaxcounty.gov/budget/fy-2020-adopted-performance-measures-pm>

## 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 2018, the program processed 98 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 during fiscal year 2018. 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.

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 cost per insurance policy is expected to decrease in FY 2019 to \$658 from an actual cost of \$1,002 in FY 2018 primarily due to an increase in the total number of separate insurance policies. The ratio of premiums paid to value of assets covered decreased to 0.138 percent in FY 2018.

# Fund 60000 County Insurance

## FUND STATEMENT

### Fund 60000, County Insurance

	FY 2018 Actual	FY 2019 Adopted Budget Plan	FY 2019 Revised Budget Plan	FY 2020 Advertised Budget Plan	FY 2020 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$94,498,434</b>	<b>\$78,628,003</b>	<b>\$91,583,220</b>	<b>\$79,943,789</b>	<b>\$79,943,789</b>
Revenue:					
Interest	\$878,819	\$650,000	\$650,000	\$1,750,000	\$1,750,000
Workers' Compensation	509,997	515,000	515,000	515,000	515,000
Other Insurance	93,833	105,859	105,859	105,859	105,859
<b>Total Revenue</b>	<b>\$1,482,649</b>	<b>\$1,270,859</b>	<b>\$1,270,859</b>	<b>\$2,370,859</b>	<b>\$2,370,859</b>
Transfer In:					
General Fund (10001)	\$26,533,081	\$24,236,650	\$24,236,650	\$24,273,437	\$24,291,320
<b>Total Transfer In</b>	<b>\$26,533,081</b>	<b>\$24,236,650</b>	<b>\$24,236,650</b>	<b>\$24,273,437</b>	<b>\$24,291,320</b>
<b>Total Available</b>	<b>\$122,514,164</b>	<b>\$104,135,512</b>	<b>\$117,090,729</b>	<b>\$106,588,085</b>	<b>\$106,605,968</b>
Expenditures:					
Administration	\$1,824,726	\$2,026,632	\$2,026,632	\$2,063,419	\$2,081,302
Workers' Compensation	14,040,417	15,499,639	15,499,639	15,499,639	15,499,639
Self Insurance Losses	2,839,583	4,176,000	4,176,000	4,176,000	4,176,000
Litigation Expenses	7,345,984	0	10,500,000	0	0
Commercial Insurance Premium	4,680,615	4,626,000	4,626,000	5,775,000	5,775,000
Automated External Defibrillator	199,619	318,669	318,669	318,669	318,669
<b>Total Expenditures</b>	<b>\$30,930,944</b>	<b>\$26,646,940</b>	<b>\$37,146,940</b>	<b>\$27,832,727</b>	<b>\$27,850,610</b>
Expense for Net Change in Accrued Liability <sup>1</sup>	\$7,472,000	\$0	\$0	\$0	\$0
<b>Total Disbursements</b>	<b>\$38,402,944</b>	<b>\$26,646,940</b>	<b>\$37,146,940</b>	<b>\$27,832,727</b>	<b>\$27,850,610</b>
<b>Ending Balance<sup>2</sup></b>	<b>\$91,583,220</b>	<b>\$77,488,572</b>	<b>\$79,943,789</b>	<b>\$78,755,358</b>	<b>\$78,755,358</b>
Restricted Reserves:					
Accrued Liability	\$64,161,000	\$56,689,000	\$64,161,000	\$56,689,000	\$64,161,000
Litigation Reserve	21,452,761	11,798,745	3,480,761	10,952,761	3,480,761
Reserve for Catastrophic Occurrences <sup>1</sup>	5,969,459	9,000,827	12,302,028	11,113,597	11,113,597

<sup>1</sup> FY 2018 actuals reflect an accrued liability adjustment of \$7,472,000 based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the FY 2018 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 the Total Available less Total Expenditures, not disbursements. This adjustment has been included in the FY 2018 Comprehensive Annual Financial Report (CAFR). Details of the FY 2018 audit adjustments were included in the FY 2019 Third Quarter package.

<sup>2</sup> Fluctuations in the Ending Balance are primarily the result of variations in tax litigation expenses.