

# RISK MANAGEMENT

## Description

Risk Management is a division within the Department of Human Resources that provides protection from accidental losses arising out of the County's General Government and Public Schools operations. The Division is responsible for the management of the self-insurance reserve, administration of workers' compensation, auto, property and liability claims, loss prevention, safety training, and environmental management. Protection is provided through a combination of self-insurance, purchased insurance, and risk transfer mechanisms.

Administrative support is provided to the Executive Safety Committee and the Accident Review Board. The safety staff provides training and guidance to all County agencies and Henrico County Public Schools to ensure compliance with state and federal regulations. The environmental coordinator provides administration for the County's environmental program, including the communication of policy, program implementation, and employee awareness training.

## Objectives

- To protect the County against losses which could significantly impact its personnel, property, or financial stability in providing services to the general public.

- To provide comprehensive insurance coverage for the General Government and Schools at the lowest possible cost when considering the various risks involved.

## Budget Highlights

The FY2014-15 budget is reflected within the Internal Service Fund series as Risk Management and provides services to all areas of General Government and Education, across all funds. Effective July 13, 2013, Risk Management became a division within the Department of Human Resources. Prior to this date, Risk Management was a division within the Department of General Services. Risk Management will continue to administer all applicable programs and services to all County agencies.

In FY2014-15, the budget for Risk Management totals \$9,040,857 and is funded with a transfer of \$8,411,454 from the County's General Fund and a projected transfer of \$629,403 from the County's Water & Sewer Enterprise Fund. The personnel component represents 9.1 percent of the budget while the operating and capital outlay components represent 90.9 percent of the total. A more detailed synopsis of these components will be explained in the individual areas within Risk Management listed below.

## Annual Fiscal Plan

Description	FY13 Actual	FY14 Original	FY15 Approved	Change 14 to 15
Personnel	\$ 766,960	\$ 810,252	\$ 821,711	1.4%
Operation <sup>(1)</sup>	12,405,626	4,221,387	8,213,546	94.6%
Capital	0	5,600	5,600	0.0%
Total	<u>\$ 13,172,586</u>	<u>\$ 5,037,239</u>	<u>\$ 9,040,857</u>	<u>79.5%</u>
Personnel Complement <sup>(2)</sup>	11	10	10	0

<sup>(1)</sup> \$7,287,150 of FY2012-13 actual expenditures was funded through a routine budget amendment utilizing funding available in the Self-Insurance Reserve.

<sup>(2)</sup> One position was transferred from Risk Management to the Department of Finance in FY2013-14.

*Risk Management (cont'd)*

	Performance Measures			Change 14 to 15
	FY13	FY14	FY15	
<b>Workload Measures</b>				
Workers' Compensation Claims Processed	1,040	1,000	1,000	0
Auto, General Liability, Other Claims Processed	382	500	500	0
Property Damage and Loss Claims Processed	1,009	1,000	1,000	0

In FY2014-15, the budget for the Self-Insurance Administration function of Risk Management totals \$1,057,824. Within the Self-Insurance Administration area, eleven employees will provide services including claims administration, loss prevention, loss control, safety training, coordination of the Environmental Management Program, and administration of the Self-Insurance Reserve for General Government and Schools. During

FY2014-15, the risk assessment of programs and activities in an effort to recognize, reduce and control risk exposures will continue to be emphasized.

In addition, the development and implementation of the Environmental Management Program will continue, including communication of the County's environmental policy, general employee awareness training, establishing objectives through

the Environmental Management System (EMS) process and implementing standard environmental operating procedures to ensure compliance with regulations. Further, healthcare administration will continue to focus on wellness initiatives and cost containment measures to control County healthcare claims costs to minimize premium increases for plan members.

In FY2014-15, the budget for Claims is \$6,935,156, an increase of \$3,992,159 from the prior year approved budget, and reflects the entirety of the

increase in the operating segment of the budget. The increase represents a portion of Risk Management's total estimated annual funding requirement, based upon prior year actual expenditures. Funding for a portion of the division's costs is typically provided in the December amendment via a transfer from the Self-Insurance Reserve within the General Fund. The additional \$3,992,159 represents an attempt to minimize the use of fund balance by adding structure to the budget.

The Division promotes a culture of safe work practice through the review and development of safety programs, emergency action plans, safety training for employees, and analyses of trends in the number and type of claims. Rising medical costs contribute to the increase in the cost of workers' compensation claims. Efforts to control the costs include close monitoring of the claim, negotiated discounts with providers, reduction of bills through a preferred provider network or to the prevailing community rate, and a prescription drug program.

Also included in the FY2014-15 budget is \$1,056,747 for insurance policies/premiums. These funds are for expenditures associated with purchased commercial insurance for both property liability and workers' compensation. It should be noted that the County's costs in this area are also augmented by the Self-Insurance Reserve, which on 6/30/13 had a balance of \$10.0 million.