

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.

- 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 FY2018-19 budget is reflected within the Internal Service Fund series as Risk Management provides services to all areas of General Government and Education, across all funds. Risk Management will continue to administer all applicable programs and services to all County agencies.

The Risk Management budget for FY2018-19 totals \$9,715,327 and is funded with a transfer of \$8,965,327 from the County’s General Fund and a projected transfer of \$750,000 from the Department of Public Utilities’ Water & Sewer Enterprise and Solid Waste Funds. This budget represents a net increase of \$572,848 from the previous approved budget. This increase is driven by the personnel and operating components. The personnel component reflects revised salary estimates and a salary increase for FY2018-19 as well as rising health care costs.

Part of a multi-year funding effort to reduce the midyear budget amendments for Risk Management,

Objectives

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

Annual Fiscal Plan

| Description | FY17 Actual | FY18 Original | FY19 Approved | Change 18 to 19 |
|--------------------------|------------------------|--------------------------|--------------------------|----------------------------|
| Personnel | \$ 815,223 | \$ 923,333 | \$ 994,691 | 7.7% |
| Operation ⁽¹⁾ | 19,117,775 | 8,213,546 | 8,715,036 | 6.1% |
| Capital | 600 | 5,600 | 5,600 | 0.0% |
| Total | \$ 19,933,598 | \$ 9,142,479 | \$ 9,715,327 | 6.3% |
| Personnel Complement | 11 | 11 | 11 | 0 |

⁽¹⁾\$7,500,000 of FY2016-17 actual expenditures was funded through budget amendments utilizing funding available in the Self-Insurance Reserve.

Risk Management (cont'd)

| Performance Measures | | | | |
|--|-------------|-------------|-------------|----------------------------|
| | FY17 | FY18 | FY19 | Change 18 to 19 |
| Workload Measures | | | | |
| Workers' Compensation Claims Processed | 1,279 | 1,300 | 1,250 | (50) |
| Auto. Gen. Liability, Other Claims Processed | 1,354 | 1,250 | 1,300 | 50 |
| Property Damage and Loss Claims Processed | 267 | 180 | 200 | 20 |

\$500,000 is added to the FY2018-19 operating component. The capital component of the budget remained flat from the previous fiscal year.

In FY2018-19, the budget for the Self-Insurance Administration function of Risk Management totals \$1,249,928. Within the Self-Insurance Administration area, eleven employees provide services including claims administration, loss prevention, loss control, safety training, coordination of the Environmental Management Program as well as administration of the Self-Insurance Reserve for General Government and Schools. During FY2018-19, 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.

In FY2018-19, the budget for Claims totals \$7,030,706. 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. It is important to note that the budget amendment in December 2017 totaled \$5,800,000, which was based on an average

of actual expenditures for Risk Management over last three fiscal years.

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 FY2018-19 budget is \$1,434,693 for insurance policies/premiums. These funds are for costs 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 supplemented by the Self-Insurance Reserve, which on June 30, 2017 had a balance of \$7,500,000.

Beginning in FY2018-19, the County will pay for an annual subscription to SafeSchools. SafeSchools is a cloud based online safety training program tailored towards school systems that will be used by all school employees. Risk Management wants to help ensure compliance with OSHA regulations and reduce workers' compensation claims and costs. SafeSchools will help accomplish these goals.