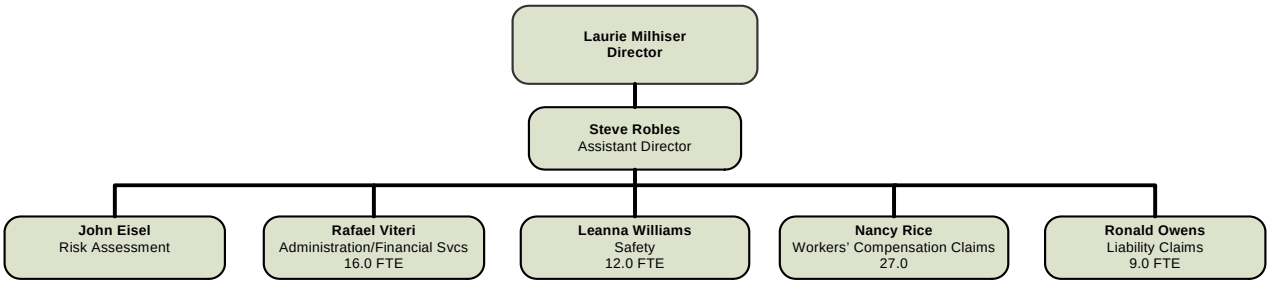
RISK MANAGEMENT
Laurie Milhiser

I. MISSION STATEMENT

Risk Management seeks to minimize the frequency and severity of financial loss to the county through a coordinated Integrated Risk Management Program which includes identification and assessment of exposures that can result in loss, effective risk reduction and loss prevention programs for identified risks, aggressive claims management, and fiscally responsible risk financing and recovery.

II. ORGANIZATIONAL CHART



III. DESCRIPTION OF MAJOR SERVICES

The Risk Management Department is composed of the following four sections: safety and loss control, workers' compensation claims administration, liability claims administration, and finance and administration. Safety and loss control staff are assigned to support each of the high-risk areas of county operations such as the Arrowhead Regional Medical Center (ARMC), Sheriff, Fire and Special Districts. Additional safety and loss control staff provide support to other county departments and provide training for county employees in areas such as safe driving and Occupational Safety and Health Administration (OSHA) mandated programs. In the last three years, safety and loss control staff have been focused on reducing repetitive motion injuries through aggressive ergonomic training.

Workers' compensation claims administration staff focus on providing the best possible care to ill and injured workers at the most economical cost. Workers' compensation benefits are defined by the State of California and recent reforms have improved the way care is provided for ill and injured workers and instituted many cost control measures. The workers' compensation claims administrators are charged with understanding and implementing this complicated delivery system, while focusing on getting ill and injured workers well and back to work as quickly as possible.

Liability claims administration staff manage the myriad of claims presented to the county by third parties. Liability claims adjusters coordinate the settlement of legitimate claims with insurance carriers and approve payments from self-insurance funds. Working with County Counsel and outside law firms, the adjusters manage the defense of disputed claims and provide support as needed.

The finance and administrative sections of the Risk Management Department oversee approximately $90 million in self-insurance funds. Working with the Director of Risk Management, Administration manages all aspects of the county insurance programs and oversees the placement of insurance to provide the broadest possible coverage at the most economical cost. This involves the preparation of underwriting data for the various exposures and generation of regular requests for proposals to brokers and other vendors. This section provides data that is used to make the annual actuarial projections that form the basis for assessments to county departments that fund the various insured and self-insured programs. In addition, the finance section processes all payments to vendors and/or claimants in the liability, workers' compensation, safety, and Emergency Medical Services (EMS) programs.

Another aspect of administration is risk assessment. Risk assessment, in conjunction with County Counsel, works with various county departments to assure that county contracts contain appropriate risk transfer language and insurance requirements to protect the interests of the county. It also oversees the contract with Periculum Services Group, a contractor that monitors the documentation of insurance from contractors, to verify that required coverage is in place. Risk assessment also works with county departments to assist them in understanding exposures created by contractual relationships and alternatives for managing these.

IV. 2005-06 ACCOMPLISHMENTS

- Introduced the concept of Integrated Risk Management to county departments. This approach is designed to help departments integrate risk management into daily operations and understand how risks can be managed consistent with, and in support of, departmental goals and the mission of the county.

- Instituted annual actuarial studies as opposed to biennial; the actuarial analysis attempts to forecast the ultimate cost of claims as of a given date, usually the end of the fiscal year, and helps the risk manager evaluate options and recommend the optimum balance of risk retention and risk transfer.

- Met the 3rd year goals of the five year plan to achieve funding at the 70% marginally acceptable confidence level in the self-insurance funds, as determined by actuarial analysis, by June 30, 2008.

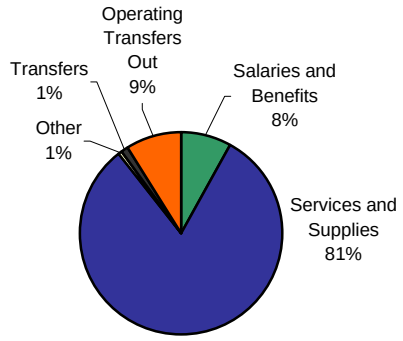
- Accomplished continued success with the ergonomic program implemented three years ago; this program is instrumental in reducing loss severity for ergonomic injuries.

V. 2006-07 SUMMARY OF BUDGET UNITS

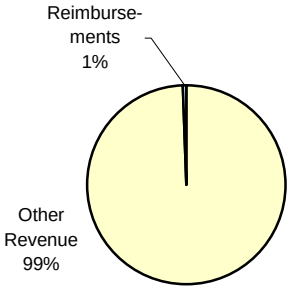
	2006-07			
	Appropriation	Revenue	Revenue Over/ (Under) Exp	Staffing
Operations	6,320,807	6,320,807	-	71.0
Insurance Programs	60,686,873	97,127,583	36,440,710	-
TOTAL	67,007,680	103,448,390	36,440,710	71.0

VI. 2006-07 BUDGET

BREAKDOWN BY EXPENDITURE AUTHORITY



BREAKDOWN BY FINANCING SOURCE



VII. GOALS, OBJECTIVES, AND PERFORMANCE MEASURES

GOAL 1: MINIMIZE RISK MANAGEMENT COSTS AND STABILIZE PREMIUMS CHARGED TO COUNTY DEPARTMENTS.

Objective A: Improve contract management relative to risk transfer.

Objective B: Reduce the average cost per claim for workers' compensation and general liability.

Objective C: Achieve 80% "target" confidence level in self-insurance funds as recommended by actuarial analysis.

Objective D: Evaluate alternative insurance placements and combinations of insurance and self-insurance to minimize the cost of risk.

MEASUREMENT	2005-06 (Actual)	2006-07 (Projected)	2006-07 (Estimated)	2007-08 (Projected)
1A. Percentage of verified compliance with contractual insurance requirements.	<50%	80%	<50%	80%
1B. Reduce average cost per workers' compensation claim. Reduce average cost per general liability claim.	$19,732 $11,179	≤ $17,500 ≤ $ 5,800	$17,500 $9,800	≤$18,500 ≤$10,000
1C. Confidence level achieved in the self-insurance funds as determined by actuarial analysis.	NEW	NEW	NEW	80%

Status

The Risk Management budget is funded by premiums paid by all county departments. Therefore, controlling Risk Management expenditures is beneficial to all county departments. The factors that strongly influence Risk Management costs are the frequency of losses (the number of losses or injuries in a given period), the severity of losses (the actual dollars paid once a loss or injury occurs), and the cost of insurance premiums. An additional factor that influences the premiums charged to county departments is the restoration of fund balances or reserves to cover self-insured or retained losses that fall below insurance levels. During the 1990's, severe budget problems resulted in no premium assessments and, consequently, funds to pay these retained losses were reduced well below prudent levels. In 2001, a commitment was made to restore the fund balances to the 70% marginally acceptable confidence level as estimated by actuarial analysis by June 30, 2008. Thus, premiums charged to county departments are based upon the amount of money needed to fund current expenses, plus an additional amount to restore the fund balances. In 2007-08, the department plans to achieve funding at the 80% "target" confidence level in the self-insurance funds. Once these prudent reserves have been established, premiums charged to county departments are anticipated to be reduced. The first goal and related objectives address reducing the total cost of risk to the county.

Historically, the county has attempted to maximize the purchase of insurance because of the inadequacy of self-insurance reserves. With the commitment to fund the reserves at prudent levels comes the opportunity to reduce the amount of insurance purchased and the premiums paid for insurance. The department contracted with a consultant to perform a risk retention study designed to help the county evaluate risk-financing options beyond just the purchase of insurance. In addition, the actuarial consultant has been asked to provide estimated ultimate costs of claims based on assumed higher self-insurance retentions. During 2007-08, Risk Management will evaluate insurance/self-insurance alternatives to either confirm or propose changes to the ratio of insurance to self-insurance.

In 2006-07, a new insurance certificate tracking system was implemented, however, data conversion from the prior vendor created some difficulty in bringing the system to full function. As a result, the percentage of verified compliance with contractual insurance requirements will be directly impacted, and is estimated to be below 50% for 2006-07. The Insurance and Indemnification Standard Practice (11-07SP) was also revised.

Claims related expenditures for the Workers' Compensation program remained under $20 million for the second straight year. This increased the savings for this program to approximately $8 million over the last two years. In addition, San Bernardino County has a 127% loss ratio in the general liability program.

Although loss ratios are generally considered good when they are below 100%, the 127% figure is among the lowest in the CSAC-EIA pool. Nonetheless, higher severity of claims experienced in recent months compels the department to project a higher average cost of liability claims. The average cost of Workers' Compensation claims is also projected to be higher during 2007-08 as a result of the impact of inflationary components built in the latest legislation, and because of the possible approval of proposed legislation that will institute changes against the reforms brought by SB 899.

GOAL 2: IMPROVE CUSTOMER SERVICE BY PROVIDING INTERACTIVE COMMUNICATION OF RISK MANAGEMENT DATA.

Objective A: Upgrade department management information system.

Objective B: Upgrade the department website.

MEASUREMENT	2005-06 (Actual)	2006-07 (Projected)	2006-07 (Estimated)	2007-08 (Projected)
2A. Percentage increase of visits to the Risk Management website (current average 130 per month).	NEW	NEW	NEW	50%

Status

During 2006-07, Risk Management introduced the concept of Integrated Risk Management to county departments. This is a paradigm shift that seeks to align the strategies, processes, people, technology and knowledge in the organization to meet risk management objectives. In order to successfully integrate this concept into daily operations there is a need to provide departments with better access to risk management data and information. The installation of a Risk Management Information System will assist the department in reaching this objective. Currently, departmental information is available on a yearly basis. In 2007-08, Risk Management will be able to provide information monthly, and departments will be able to access the information at anytime. A proposed upgrade to the Risk Management website will incorporate this tool and make it available to a wider audience. The current website provides two basic services: claims forms and Risk Management policies. In addition to these services, the upgraded website will have workers' compensation claim status, contractual compliance status, and claim related financial status. This goal and related objectives address the need to upgrade the data systems within the Risk Management Department so that accurate, timely information can be provided to other county departments which will assist them in meeting their risk management obligations.

The 2006-07 objective to develop data and criteria for determining the top five risks of financial loss to the county will be temporarily set aside until the Risk Management Information System and website upgrade have been implemented. Once these tools are operational, the department will revisit methods to achieve this objective.

VIII. 2006-07 APPROVED ADDITIONAL GENERAL FUND FINANCING (POLICY ITEMS)

The department did not have any approved policy items for 2006-07.

IX. 2007-08 REQUESTS FOR ADDITIONAL GENERAL FUND FINANCING (POLICY ITEMS)

The department is not requesting any additional general fund financing for 2007-08.

X. 2007-08 PROPOSED FEE ADJUSTMENTS

The department is not requesting any proposed fee adjustments for 2007-08.

If there are questions about this business plan, please contact Laurie Milhiser, Director, at (909) 386-8620.