



Laurie Milhiser
Director

Mission Statement

Risk Management seeks to minimize the frequency and severity of financial loss to the County through a coordinated integrated risk management program that 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.



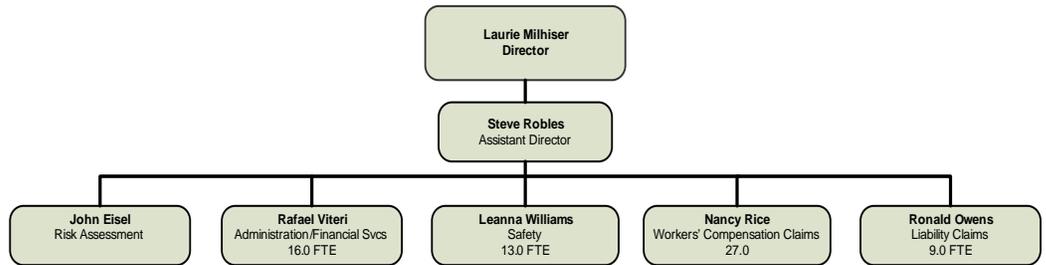
GOALS

MINIMIZE RISK MANAGEMENT COSTS AND STABILIZE PREMIUMS CHARGED TO COUNTY DEPARTMENTS

IMPROVE CUSTOMER SERVICE BY PROVIDING INTERACTIVE COMMUNICATION OF RISK MANAGEMENT DATA

RISK MANAGEMENT

ORGANIZATIONAL CHART



DESCRIPTION OF MAJOR SERVICES

The Risk Management Department is comprised of safety and loss control, workers' compensation claims administration, liability claims administration, and finance and administration. Safety and loss control staff are assigned to support 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. Safety and loss control staff have a major focus 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 to ill and injured workers and many cost control measures have been instituted. The workers' compensation claims administrators are charged with understanding and implementing the complex 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.

Finance and administration oversee approximately \$160 million in self-insurance funds. In collaboration with the Director of Risk Management, the administrative section 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. Risk assessment works with departments to assure that contracts contain risk transfer language and insurance requirements to protect the interests of the county.

2007-08 SUMMARY OF BUDGET UNITS

	Operating Exp/ Appropriation	Revenue	Revenue Over/ (Under) Exp	Staffing
Internal Service Funds				
Operations	7,082,321	7,082,321	-	72.0
Insurance Programs	70,334,073	106,326,183	35,992,110	-
Total Internal Service Funds	77,416,394	113,408,504	35,992,110	72.0

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 Actual	2007-08 Target	2007-08 Estimate	2008-09 Target
1A. Percentage of verified compliance with contractual insurance requirements.	<50%	52%	80%	75%	80%
1B. Reduce average cost per workers' compensation claim. Reduce average cost per general liability claim.	\$19,732 \$11,179	\$12,490 \$ 9,144	≤\$18,500 ≤\$10,000	≤\$18,500 ≤\$10,000	≤\$18,000 ≤\$ 9,500
1C. Funding percentage of insurance funds at 80% actuarial confidence level.	N/A	N/A	100%	100%	100%
1D. Reduce total cost of risk.	N/A	N/A	N/A	N/A	10%

Status

The Risk Management budget is funded by premiums paid by all county departments, therefore, controlling expenditures is beneficial to all county departments. Factors that strongly influence risk management costs are the frequency of loss (number of losses or injuries in a given period), the severity of loss (actual dollars paid once a loss or injury occurs), and the cost of insurance premiums. An additional factor influencing 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 a lack of 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 a prudent level by June 30, 2008 (defined as the 70% marginally acceptable confidence level as estimated by actuarial analysis). Thus, premiums charged to departments are based upon the amount of money needed to fund current expenses, plus an additional amount to restore the insurance fund balances. By the end of 2006-07, 80% of Risk Management funds had attained the 70% confidence level target. As a result of the county's favorable financial condition, it was decided to increase the confidence levels from a marginally acceptable 70% to a more conservative 80%. This target is expected to be achieved by June 30, 2008. Once these reserves have been restored, premiums charged to departments should be stabilized and are anticipated to be reduced.

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 was directly impacted for 2006-07. In 2007-08, the department expects the level of compliance to increase once an updated standard practice for insurance requirements is approved, and departmental staff have been trained on utilization of the new system.

2006-07 ACCOMPLISHMENTS

- ❖ *Met the 4th year goals of the five year funding program to restore prudent balances in the self-insurance funds*
- ❖ *Completed Broker of Record request for proposals (RFP)*
- ❖ *Completed Claims System Administration RFP*
- ❖ *Began migration to new claims system*
- ❖ *Completed new design and reconstruction of website*
- ❖ *Completed office remodel*



Safety services in action!



Ergonomic Evaluation

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 conservative 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 was asked to provide estimated ultimate costs of claims based on assumed higher self-insurance retentions. A broker/consultant has been retained to do a comprehensive review of all insurance placements, which will incorporate an analysis of whether a change in the ratio of insurance to self-insurance will result in a reduction in the overall cost of risk.

Claims related expenditures for the Workers' Compensation program remained under \$20 million for a third straight year. This increased the savings for this program to approximately \$13 million over the last three years. 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. Liability claims expenditures experienced a higher severity in recent months which compels the department to project a higher average cost per claim for 2007-08.

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

Objective A: Upgrade department management information system.

Objective B: Implement Risk Management dashboard to provide real-time loss data and information to departments.

Objective C: Establish the position of Claims Manager.

MEASUREMENT	2005-06	2006-07	2007-08	2007-08	2008-09
	Actual	Actual	Target	Estimate	Target
2A. Percentage increase of visits to the Risk Management website. (currently 130/month)	N/A	N/A	50%	50%	50%
2B. Percentage of departments with online access to dashboard.	N/A	N/A	New	10%	100%
2C. CSAC audit results percentage. (90% in 2007-08)	N/A	N/A	New	90%	95%

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 upgrade of the Risk Management claims system and the creation of a risk management dashboard customized for each department will assist in reaching this objective. Risk Management will provide information monthly, and departments will be able to access the information at any time. An upgrade to the Risk Management website will incorporate this tool and make it available to a wider audience. The dashboard will have workers' compensation claim status, contractual compliance status, and claim related financial status. This goal and related objectives addresses the need to provide accurate, timely information to county departments which will assist them in meeting their risk management obligations.

In addition, the department intends to create a new Claims Manager position. This position will have responsibility for assisting departments in reducing the cost of claims. Of equal importance, however, is that the new Claims Manager position will allow the Claims Supervisors to spend more time working with and evaluating the performance of Claims Adjusters. The CSAC excess insurance programs conduct periodic audits of the county's claims administration. These audits have identified a need for increased supervision and oversight of adjusters. The county's Service FIRST Program has also increased the service level expectation. The Claims Manager, in conjunction with the Claims Supervisors, will be charged with training and monitoring staff performance toward the goal of improving customer service.

2008-09 REQUESTS FOR ADDITIONAL GENERAL FUND FINANCING (POLICY ITEMS), INCLUDING NEW CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECTS OR BUSINESS PROCESS IMPROVEMENT (BPI) RESERVE FUNDS

The department is not requesting any additional general fund financing for 2008-09.

2008-09 PROPOSED FEE ADJUSTMENTS

The department is not requesting any proposed fee adjustments for 2008-09.

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