DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
ANNUAL REPORT ON GOALS, OBJECTIVES, AND POLICIES

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Program ID/Title: AGS-203/State Risk Management and Insurance Administration

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I. Goal

The program will endeavor to protect the State against catastrophic losses and to minimize total cost of risk. The result will ensure losses of the State are controlled and financed on a well-coordinated basis.

II. Objectives and Policies

A. Identify and analyze the State's loss exposures to determine risks that should be self-insured versus commercially insured and purchase applicable Statewide property, liability, and crime insurance policies at cost effective terms.

B. Coordinate loss control and cost containment activities to minimize accidental and fortuitous losses.

C. Settle informal tort claims (up to $10,000), adjust automobile claims and property losses fairly and promptly.

D. Manage a revolving fund to assure the availability of funds for the purchase of insurance policies, and payment of self-insured and insured losses and other risk management service.

E. Operate and maintain a risk management information system with current information to identify and analyze loss exposures to determine frequency and severity of losses, to forecast losses, and to determine the most economical method of financing losses.

III. Action Plan with Timetable

A. Identify and analyze the State's loss exposures to determine risks that should be self-insured versus commercially insured and purchase applicable Statewide property, liability, and crime insurance policies at cost effective terms.

Past Year Accomplishments

1. Purchased property insurance policies with limits of $225 million per occurrence. No change from the 2011 policy. The premium was $11.9 million, a decrease of $400,000 from $12.3 million in FY 11. The property loss deductible remained at $1 million per occurrence. The deductible for the catastrophic losses (hurricane, earthquake, and flood, including tsunami) remained at 3% of the value of the building and contents. The excess liability policy was purchased with the same limits of $15 million per occurrence. There were no changes in premium of $1.3 million. The self-insured retention remained at $4 million per occurrence. This coverage includes liability arising from the State owned dams and the State's responsibility, such as inspections, for non-owned dams. The crime insurance policy was purchased with the same limits as last year, $10 million per occurrence, with no changes in premium at $115,802.

2. The property data survey project to identify all State buildings and determine replacement cost value for the purpose of insurance continues as an ongoing project. This project remains a critical component in the marketing of the State's property insurance program.

3. Issued 503 Statements of Self-Insurance for various agencies which facilitated the use of non-State owned facilities or equipment, a decrease from last year of 45, from 548.

One Year

1. Maintain or improve on prior year's insurance coverage with increased limits and more advantageous terms and conditions if it is cost beneficial and within budget constraints.

2. Evaluate the performance of the statewide insurance broker and determine whether to extend an additional 12 months period on the current Request for Proposal (RFP) or issue a new RFP.

3. Continue property data surveys for the valuation of the State's physical assets, such as buildings and contents.

4. Review and update the standard minimum insurance limits for general liability and automobile insurance for State contracts.

Two Years

Continue the One Year goals and objectives.

Five Years

Continue the One Year goals and objectives.

B. Coordinate loss control and cost containment activities to minimize accidental and fortuitous losses.

Past Year Accomplishments

1. Conducted one (1) training session:
    a) One (1) in conjunction with the State's insurance broker for training on insurance for requirements for contracts, SPO 150.

2. Continued quarterly reports, implemented in FY 08, that assist the departments in managing their risks by making them aware of the losses and trends of concern. These reports provide an overview of how the departments are performing and provide loss control suggestions. The two quarterly reports issued are:
    a) Summary of the department's claim and loss transactions for the quarter and year-to-date in comparison with the prior fiscal year. This report is sent to the Department head along with a cover memo outlining any significant trends.
    b) Report on the details of the claims received, pending and closed during the quarter, along with a copy of the summary is sent to the departmental risk management coordinators.

3. Developed deductibles for preventable or recurring types of losses, such as automobile accidents involving reversing, colliding into a parked vehicle, and carelessness which causes loss or damage to property (including vehicles). This deductible was established in FY 11 and was effective FY 12 for $500 per preventable loss for State vehicle damages. The Program has a $5,000 deductible for preventable property losses arising from theft or loss, Comptroller Memorandum 2007-10.

One Year

1. Conduct loss prevention surveys of State facilities such as airports, schools, convention center, hospitals and other public facilities on a two to three year cycle.

2. Maintain preventable loss deductible program and evaluate the feasibility of the program.

3. Continue training sessions for SPO and departmental risk management coordinators covering the following subject areas: insurance requirements for contracts, loss control, and claims processing. Consider placing all training information on the Risk Management web site or utilizing webinars.

4. Update the Risk Management web site.

Two Years

Continue the One Year goals and objectives.

Five Years

Continue the One Year goals and objectives.

C. Settle informal tort claims (up to $10,000); adjust automobile claims and property losses fairly and promptly.

Past Year Accomplishment

1. The program received 683 tort claims in FY 12, an increase from FY 11 (571), and received 184 pothole claims (included in the tort total), an increase from FY 11 (165).

2. The program received 346 claims from auto accidents in FY 12, an increase from FY 11 (315). There were 383 claims resolved in FY 12, an increase from FY 11 (374).

3. The program received 91 property claims in FY 12, an increase from FY 11 (86).

4. The Program continued processing claim payments by the automated interfaces between the Program's claims management system, Financial Management System (FMS), and Financial and Management Information System (FAMIS). This had reduced the data entry time to one-fourth by eliminating double data entry by clerks in the Program and Administrative Services Office

One Year

1. Update the Risk Management Manual that had been published in 1992 and/or place information on the Risk Management web site.

2. Continue to process all claims minimizing the cost of processing claims without compromising quality and productivity.

3. Review and update the program's procedures.

4. Workshops to train departmental risk management coordinators in the procedures for handling claims to ensure claims are investigated and processed properly will continue to be conducted during FY 13 with the assistance of the insurance broker. Annual informal training will continue as changes occur or new coordinators are added. In addition, information will be placed on the web. Consider webinar training.

Two Years

Continue Year One goals and objectives.

Five Years

Continue One and Two Years goals and objectives.

D. Manage a revolving fund to assure the availability of funds for the purchase of insurance policies, and payment of self-insured and insured losses and other risk management service.

Past Year Accomplishment

1. The Program funded the purchase of the Statewide insurance policies (which covers the large and catastrophic losses) and the payment of claims made against or for the State within the Program's autonomy.

2. Agencies were billed for their share of the Program's costs based on the cost allocation process.

One Year

1. Continue the items in the Past Year Accomplishments.

2. Reevaluate the methodology of the cost allocation process.

3. Revaluate the amount to be assessed in the risk management cost allocation for the next fiscal biennium.

Two Years

Continue One Year goals.

Five Years

Continue One and Two Years goals

E. Operate and maintain a risk management information system with current information to identify and analyze loss exposures to determine frequency and severity of losses, to forecast losses, and determine the most economical method of financing losses.

Past Year Accomplishment

1. No significant changes were made to the risk management information system for claim tracking, loss control, and loss finance in FY 12.

One Year

1. Continue review of program and work with Systems and Procedures Office on additional enhancements to allow flexibility and greater capability of managing the information in order to produce reports.

Two Years

Continue One Year goals.

Five Years

Continue One Year goals.

IV. Performance Measures

A. Customer Satisfaction measure - The program receives feedback from the training evaluations, quarterly claims activity reports to improve performance. The training evaluations consistently are rated as excellent. The sessions involving the insurance requirements for contracts have assisted agencies in identifying the types of insurance required for their contracts and provided tools to determine if the vendor has met the contract requirements. The quarterly claims activity reports have provided additional information to the agencies regarding their claim and loss transactions and updates on insurance and loss control topics.

B. Program Standard measure – Monitor the Measures of Effectiveness for timely resolution of claims and payments, as well as the timely purchase of the State's property, excess liability, and crime insurance.

C. Cost Effectiveness measure - Establish acceptable deductibles or self-insured retentions for the property, excess liability, and crime insurance. In addition, consider revising and adding additional deductibles for claims based upon frequency or cause, such as preventable automobile accidents. Investigate ways to contain and/or minimize the frequency and severity of losses that have greatest impact on total cost of risk.