

# **State of Alaska FY2002 Governor's Operating Budget**

Department of Administration  
Risk Management  
BRU/Component

## **Component: Risk Management**

**Contact: Brad Thompson, Director**

**Tel:** (907) 465-5723 **Fax:** (907) 465-3690 **E-mail:** Brad\_Thompson@admin.state.ak.us

## **Component Mission**

To manage the state's financial exposure due to loss.

## **Component Services Provided**

Using contract independent claims adjusters and in-house defense counsel (Dept. of Law), Risk Management operates a comprehensive self-insurance program that promptly resolves the state's property and casualty claims more cost effectively than through conventional commercial insurance programs.

## **Component Goals and Strategies**

- Act as the insurance carrier for each State agency, funding all sudden and accidental property and casualty claims
- Purchase high limit excess insurance protection for catastrophic loss exposure.
- Establish annual rates for agencies based on five year averages to allow agencies to plan for risk management cost.

## **Key Component Issues for FY2001 – 2002**

Risk Management lives on interagency receipts alone, funding claims settlements and defense costs as they are then due and payable - dipping into the Catastrophic Reserve Account (CRA) for any large individual property or liability loss and whenever there is insufficient appropriation to meet ongoing claim obligations. Financing of the state's comprehensive self-insurance program has increasingly relied upon the CRA to supplement the operating budget to meet the annual cost of self-insured claims. This account is annually funded by a year-end "sweep" of unexpended general funds from other state operations, of up to \$5 million. As the state's general funds budget continues to be reduced, the amount available to sweep into the CRA has declined. The FY2000 sweep has again resulted with total available loss funding significantly less than historical claims payment levels. The department is proposing new legislation (working with the Office of Management and Budget) to create a new source of funding for the CRA as an alternative and reliable funding mechanism to meet the state's ongoing cost of claims and avoid supplemental fund requests for individual judgments.

## **Major Component Accomplishments for FY2000**

- Competitively procured new independent adjusting firms for workers' compensation and maritime employee injury claims to improve quality and timeliness of claims services
- Continued to manage owner provided insurance program for Ted Stevens Anchorage International Airport expansion project - providing comprehensive coverage for all contractors at significantly reduced project costs
- Funded training for building security, workplace violence, Marine employees fire response, workplace safety and emergency medical training
- Provided liability training sessions by special litigation Assistant Attorneys General to high risk agencies
- Direct data file transfers to operational units with loss trending and cause analysis information

## **Statutory and Regulatory Authority**

AS 23.30.045  
AS 23.30.090  
AS 37.05.287  
AS 37.05.288  
AS 37.05.289

AS 37.05.290  
 AS 37.05.289  
 AS 09.50.250  
 AS 18.06.010  
 AS 44.21.040  
 AS 09.50.270

**Key Performance Measures for FY2002**

**Measure: The average cost of workers' compensation claims.**  
*(Added by Legislature in FY2001 version.)*

**Measure: The number of recurring claims.**  
*(Added by Legislature in FY2001 version.)*

**Measure: The amount paid for insurance compared to the value of property covered.**  
*(Added by Legislature in FY2001 version.)*

**Status of FY2001 Performance Measures**

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• The average cost of workers' compensation claims.			X		
• The number of recurring claims.			X		
• The amount paid for insurance compared to the value of property covered.			X		

**Risk Management**  
**Component Financial Summary**

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	445.6	453.3	447.1
72000 Travel	5.4	17.4	17.4
73000 Contractual	21,941.0	21,950.7	22,875.8
74000 Supplies	10.7	10.0	10.0
75000 Equipment	10.6	3.5	3.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>22,413.3</b>	<b>22,434.9</b>	<b>23,353.8</b>
<b>Funding Sources:</b>			
1007 Inter-Agency Receipts	22,413.3	22,434.9	23,353.8
<b>Funding Totals</b>	<b>22,413.3</b>	<b>22,434.9</b>	<b>23,353.8</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<b>Unrestricted Revenues</b>						
Unrestricted Fund	68515	0.0	506.0	506.0	506.0	506.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>506.0</b>	<b>506.0</b>	<b>506.0</b>	<b>506.0</b>
<b>Restricted Revenues</b>						
Interagency Receipts	51015	22,398.8	22,434.9	22,405.0	23,353.8	23,524.6
<b>Restricted Total</b>		<b>22,398.8</b>	<b>22,434.9</b>	<b>22,405.0</b>	<b>23,353.8</b>	<b>23,524.6</b>
<b>Total Estimated Revenues</b>		<b>22,398.8</b>	<b>22,940.9</b>	<b>22,911.0</b>	<b>23,859.8</b>	<b>24,030.6</b>

**Risk Management****Proposed Changes in Levels of Service for FY2002**

No significant change in the level of service is expected

**Summary of Component Budget Changes  
From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2001 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>22,434.9</b>	<b>22,434.9</b>
<b>Adjustments which get you to start of year:</b>				
-I/A Rcpts Related To SLA 2000 Workers' Comp Legislation Fiscal Notes	0.0	0.0	919.1	919.1
<b>Adjustments which will continue current level of service:</b>				
-Year 2 Labor Costs - Net Change from FY2001	0.0	0.0	-0.2	-0.2
<b>FY2002 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>23,353.8</b>	<b>23,353.8</b>

## Risk Management

### Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	6	6	Annual Salaries	336,755
Part-time	0	0	COLA	5,800
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	114,295
			<i>Less 2.13% Vacancy Factor</i>	(9,750)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>6</b>	<b>6</b>	<b>Total Personal Services</b>	<b>447,100</b>

### Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Clerk II	0	0	1	0	1
Claims Administrator	0	0	2	0	2
Division Director	0	0	1	0	1
Risk Manager	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>