

State of Alaska FY2006 Governor's Operating Budget

Department of Administration Risk Management RDU/Component Budget Summary

RDU/Component: Risk Management

(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)

Contribution to Department's Mission

Mitigate state's risk of financial loss (cost of risk) from accidental loss and injury.

Core Services

Claims processing, litigation management, contract review, insurance administration and consulting.

End Results	Strategies to Achieve Results
<p>A: Reduced property loss costs.</p> <p><u>Target #1:</u> Reduce property cost of risk (premium) by 2% annually.</p> <p><u>Measure #1:</u> Percentage of reduction of property value to property premium.</p> <p><u>Target #2:</u> Reduce property loss costs (claims expense) by 2% annually.</p> <p><u>Measure #2:</u> Reduction of property losses to property value.</p>	<p>A1: Improve Property loss recovery.</p> <p><u>Target #1:</u> Increase recovery of state property damages from those responsible to 65% success rate.</p> <p><u>Measure #1:</u> % of successful subrogation recoveries.</p> <p><u>Target #2:</u> Reduce frequency of theft claims by 5% annually.</p> <p><u>Measure #2:</u> Deductible amounts paid as a percentage of total claim expense.</p>
End Results	Strategies to Achieve Results
<p>B: Reduced Workman's Compensation claims administration costs.</p> <p><u>Target #1:</u> Reduce by 2% annually late payment penalties as part of disability benefits paid.</p> <p><u>Measure #1:</u> Percentage of late payments penalties as part of indemnity benefits paid.</p>	<p>B1: Pursue payment if late submission of initial report of injury caused penalty obligation.</p> <p><u>Target #1:</u> Improve by 3% late penalty payments owed by each agency to all indemnity payments paid.</p> <p><u>Measure #1:</u> Percentage of late penalty payments owed as a percentage of indemnity benefits paid.</p>

FY2006 Resources Allocated to Achieve Results							
<p>FY2006 Component Budget: \$24,882,000</p>	<p>Personnel:</p> <table> <tr> <td>Full time</td> <td>5</td> </tr> <tr> <td>Part time</td> <td>0</td> </tr> <tr> <td>Total</td> <td>5</td> </tr> </table>	Full time	5	Part time	0	Total	5
Full time	5						
Part time	0						
Total	5						

Performance Measure Detail

A: Result - Reduced property loss costs.

Target #1: Reduce property cost of risk (premium) by 2% annually.
Measure #1: Percentage of reduction of property value to property premium.

Analysis of results and challenges: .

07/01/03–06/30/04: -10.33%

07/01/04-09/30/04: -20.49%

Target #2: Reduce property loss costs (claims expense) by 2% annually.**Measure #2:** Reduction of property losses to property value.**Analysis of results and challenges: .**

07/01/03–06/30/04: -90%

07/01/04-09/30/04: +350%

A1: Strategy - Improve Property loss recovery.**Target #1:** Increase recovery of state property damages from those responsible to 65% success rate.**Measure #1:** % of successful subrogation recoveries.**Analysis of results and challenges: .**

07/01/03–06/30/04: No subrogation opportunities during period.

07/01/04-09/30/04: No subrogation opportunities during period.

Target #2: Reduce frequency of theft claims by 5% annually.**Measure #2:** Deductible amounts paid as a percentage of total claim expense.**Analysis of results and challenges: .**

07/01/03–06/30/04: 283% increase based on an increase from 2 to 5 theft claims.

07/01/04-09/30/04: -60% decrease based on a decrease from 5 to 2 theft claims.

B: Result - Reduced Workman's Compensation claims administration costs.**Target #1:** Reduce by 2% annually late payment penalties as part of disability benefits paid.**Measure #1:** Percentage of late payments penalties as part of indemnity benefits paid.**Analysis of results and challenges: .**

07/01/03–06/30/04: -48.48%

07/01/04-09/30/04: -1%

B1: Strategy - Pursue payment if late submission of initial report of injury caused penalty obligation.**Target #1:** Improve by 3% late penalty payments owed by each agency to all indemnity payments paid.**Measure #1:** Percentage of late penalty payments owed as a percentage of indemnity benefits paid.**Analysis of results and challenges: .**

07/01/03–06/30/04: 0% (based on 100% success from FY03 to FY04).

07/01/04-09/30/04: 0% (no late penalty payments attempted or recovered).

Key Component Challenges

Risk Management (RM), exclusively funded by interagency receipts, attempts to pay all claim settlements and defense costs as they become due and payable, drawing from the Catastrophic Reserve Account (CRA) whenever there is insufficient appropriation to meet ongoing claim obligations.

Financing of the state's comprehensive self-insurance program continues to be dependent on the CRA to meet the actual cost of risk each year. This account is annually refilled by a year-end "sweep" of unexpended general funds from other state operating budgets. Over the last three fiscal years, RM has averaged total cost of risk expenditures greater than \$10.2 million beyond authorized appropriations. In FY2004 \$7.59 million was expended beyond RM's appropriation - using third party recoveries, insurance receipts, the full CRA and additional direct appropriation of judgment and claims.

As was the case last year, continued increased premiums were experienced at FY2005 coverage renewals.

Significant Changes in Results to be Delivered in FY2006

- Participate in new return to work program (Work First) mitigating long term workers compensation disability benefits
- Issue new RFP for broker selection enabling longer response period and increased competition

Major Component Accomplishments in 2004

- Arranged direct payment by Lloyd's marine syndicates for AMHS M/V LeConte hull damage, pollution response and passenger injury claims excess self insured retention.
- Resolved large property damage claim to leased office space in Fairbanks, with no impact to state agency operations.
- Continued participation in return to work program (Work First) mitigating long term w/c disability benefits.
- Manage owner provided insurance program for Ted Stevens Anchorage International Airport expansion project - now in completion and program closeout.
- Underwrite workplace violence, marine employee fire response, workplace safety and emergency medical training programs and limited security patrol services.
- Advise agency safety committees focusing on workers' compensation loss trends to develop prevention strategies.
- Address high risk agency supervisors explaining tort liability, review operating practices to mitigate future loss exposures.

Statutory and Regulatory Authority

AS 23.30.045 Employer's liability for compensation
AS 23.30.090 Self-insurance certificates
AS 37.05.287 Insurance for State assets
AS 37.05.289 State insurance catastrophe reserve account
AS 09.50.250 Actionable claims against the State
AS 44.21.040 Records or accounts of claims and warrants
AS 09.50.270 Payment of judgment against the State

Contact Information

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Risk Management Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	485.4	502.1	446.1
72000 Travel	8.1	17.4	17.4
73000 Services	23,963.3	24,332.6	24,405.0
74000 Commodities	14.3	10.0	10.0
75000 Capital Outlay	1.3	3.5	3.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	24,472.4	24,865.6	24,882.0
Funding Sources:			
1007 Inter-Agency Receipts	24,472.4	24,865.6	24,882.0
Funding Totals	24,472.4	24,865.6	24,882.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	24,472.4	24,865.6	24,882.0
Restricted Total		24,472.4	24,865.6	24,882.0
Total Estimated Revenues		24,472.4	24,865.6	24,882.0

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	0.0	24,865.6	24,865.6
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	0.0	0.0	2.9	2.9
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	11.1	11.1
Proposed budget increases:				
-Benefit and Wage Cost Increases	0.0	0.0	2.4	2.4
FY2006 Governor	0.0	0.0	24,882.0	24,882.0

**Risk Management
Personal Services Information**

Authorized Positions		Personal Services Costs		
<u>FY2005</u>				
<u>Management</u>		<u>FY2006</u>		
<u>Plan</u>		<u>Governor</u>		
		Annual Salaries		319,828
Full-time	6	COLA		2,901
Part-time	0	Premium Pay		0
Nonpermanent	0	Annual Benefits		153,495
		<i>Less 2.46% Vacancy Factor</i>		(11,724)
		Lump Sum Premium Pay		0
Totals	6	Total Personal Services		464,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
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
Totals	0	0	5	0	5