

State of Alaska FY2014 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.

Major Component Accomplishments in 2012

- Negotiated a flat premium for FY2013 excess property insurance in a difficult market atmosphere.
- Underwrite marine employee safety response, vessel safety inspections, and safety signage aboard the Alaska Marine Highway System (AMHS) ferry vessels.
- Worked with the Department of Transportation (DOT) Fleet Services to research the advantages of installing DriveCam devices in State DOT vehicles as a test project.
- Continued training leasing/contract officers on indemnity terms; insurance requirements; and acceptable certificates of insurance.
- Assisted DOT in obtaining a casualty insurance policy to cover all rural airport maintenance contractors.
- Assisted the Alaska Industrial Development and Export Authority (AIDEA) in obtaining a comprehensive insurance program for the Project Endeavour jack up oil rig.

Key Component Challenges

Increased Costs – The division will face a 20%-25% increase in excess insurance for property coverage. In May 2012 we met with our brokers and underwriters to develop a program, whereby we did not see an increase in premiums or a reduction in excess limits; therefore, our premium for FY2013 remained relatively flat for excess property coverage. Marine coverage saw a slight increase due to the worldwide market impacts of recent marine disasters, such as cruise liner Costa Concordia and a Russian drilling rig.

Worker's Compensation - Risk Management continues to seek ways of reducing workers compensation costs. Workers Compensation is approximately 85% of Risk Management's budget with medical costs continuing to increase. Currently, the new fee schedule adopted by the Alaska Workers Compensation Board has a potential to increase our medical expenses by 46%. We will continue to pursue light duty and Return to Work programs with all agencies.

Contractor Liability - We have noticed a marked increase in the requests from contractors to limit their liability exposures in State contracts. We are working with state contracting officers to continue to protect the interests of the state, but not be so restrictive as to limit the potential bidders on these contracts. This is accomplished by reviewing each individual contract and its risks presented to us, and tailoring the final terms to the unique activity of that agreement.

Significant Changes in Results to be Delivered in FY2014

Budget Increase Request - Over the past 4 years (FY2009-FY2012) Risk Management has seen a dramatic increase in excess property insurance premiums (66%), medical costs for workers compensation (56%), and litigation costs (22%). There has been no indication these costs will be going down, much to the contrary, we have been advised by our brokers that property premiums will continue to rise due to recent worldwide disasters. Workers compensation medical costs are expected to increase dramatically with the new fee schedule adopted by the Alaska Workers' Compensation Board (HB13) along with the Department of Law's Tort Section's annual increase of 4-5%.

Risk Management has exceeded its budget authorization each year from FY2009 through FY2012. To offset that, the Catastrophe Fund has needed to be used to supplement the increased claims costs. Therefore, Risk Management is seeking a \$4,224,200 increase to help offset the rising costs. If the increase is approved, the increase will allow the division to maintain a good balance between self-insured and excess insurance, as well as meet the rising medical and legal costs projected in the next few years. This balance will also allow us to use the "Cat Fund" for large or catastrophic losses as it was intended, and not resorting to the Department of Law's judgment bill for large settlements.

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

	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	565.2	619.7	620.4
72000 Travel	13.3	17.4	17.4
73000 Services	36,330.2	36,350.0	40,574.2
74000 Commodities	15.2	13.5	13.5
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	36,923.9	37,000.6	41,225.5
Funding Sources:			
1004 General Fund Receipts	4.4	4.4	4.4
1007 Interagency Receipts	36,919.5	36,996.2	41,221.1
Funding Totals	36,923.9	37,000.6	41,225.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	36,919.5	36,996.2	41,221.1
Restricted Total		36,919.5	36,996.2	41,221.1
Total Estimated Revenues		36,919.5	36,996.2	41,221.1

**Summary of Component Budget Changes
From FY2013 Management Plan to FY2014 Governor**

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2013 Management Plan	4.4	0.0	36,996.2	0.0	37,000.6
Adjustments which will continue current level of service:					
-FY2014 Salary and Health Insurance Increases	0.0	0.0	0.7	0.0	0.7
Proposed budget increases:					
-Rising Cost of Insurance Premiums	0.0	0.0	4,224.2	0.0	4,224.2
FY2014 Governor	4.4	0.0	41,221.1	0.0	41,225.5

Risk Management Personal Services Information				
Authorized Positions			Personal Services Costs	
	FY2013 Management Plan	FY2014 Governor		
Full-time	5	5	Annual Salaries	401,350
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	225,162
			<i>Less 0.98% Vacancy Factor</i>	(6,112)
			Lump Sum Premium Pay	0
Totals	5	5	Total Personal Services	620,400

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	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

Component Detail All Funds
Department of Administration

Component: Risk Management (AR3540) (71)
RDU: Risk Management (23)

	FY2012 Actuals	FY2013 Conference Committee	FY2013 Authorized	FY2013 Management Plan	FY2014 Governor	FY2013 Management Plan vs FY2014 Governor	
71000 Personal Services	565.2	619.7	619.7	619.7	620.4	0.7	0.1%
72000 Travel	13.3	17.4	17.4	17.4	17.4	0.0	0.0%
73000 Services	36,330.2	36,350.0	36,350.0	36,350.0	40,574.2	4,224.2	11.6%
74000 Commodities	15.2	13.5	13.5	13.5	13.5	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	36,923.9	37,000.6	37,000.6	37,000.6	41,225.5	4,224.9	11.4%
Fund Sources:							
1004 Gen Fund (UGF)	4.4	4.4	4.4	4.4	4.4	0.0	0.0%
1007 I/A Rcpts (Other)	36,919.5	36,996.2	36,996.2	36,996.2	41,221.1	4,224.9	11.4%
Unrestricted General (UGF)	4.4	4.4	4.4	4.4	4.4	0.0	0.0%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	36,919.5	36,996.2	36,996.2	36,996.2	41,221.1	4,224.9	11.4%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	5	5	5	5	5	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios With Descriptions
Department of Administration

Component: Risk Management (71)
RDU: Risk Management (23)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2013 Conference Committee To FY2013 Authorized *****												
FY2013 Conference Committee												
ConfCom		37,000.6	619.7	17.4	36,350.0	13.5	0.0	0.0	0.0	5	0	0
1004 Gen Fund		4.4										
1007 I/A Rcpts		36,996.2										
Subtotal		37,000.6	619.7	17.4	36,350.0	13.5	0.0	0.0	0.0	5	0	0
***** Changes From FY2013 Authorized To FY2013 Management Plan *****												
Subtotal		37,000.6	619.7	17.4	36,350.0	13.5	0.0	0.0	0.0	5	0	0
***** Changes From FY2013 Management Plan To FY2014 Governor *****												
Rising Cost of Insurance Premiums												
Inc		4,224.2	0.0	0.0	4,224.2	0.0	0.0	0.0	0.0	0	0	0
1007 I/A Rcpts		4,224.2										
Totals		41,225.5	620.4	17.4	40,574.2	13.5	0.0	0.0	0.0	5	0	0

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Risk Management exceeded its budget authorization each year from FY2009 through FY2012. The Catastrophe Fund has been needed to cover the increased claims costs. Risk Management is seeking a \$4,224,200 increase to help offset the rising costs. This increase will allow the division to meet the rising medical and legal costs projected in the next few years.

FY2014 Salary and Health Insurance Increases

SalAdj		0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1007 I/A Rcpts		0.7										

FY2014 Salary and Health Insurance increase : \$0.7

FY2014 Health Insurance increase of \$59.00 per month per employee - from \$1,330 to \$1,389 per month Non-covered: \$0.7

Personal Services Expenditure Detail
Department of Administration

Scenario: FY2014 Governor (10289)
Component: Risk Management (71)
RDU: Risk Management (23)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	GF Amount
02-0010	Division Director	FT	A	XE	Juneau	NAA	27J / K	12.0		122,231	0	0	59,720	181,951	0
02-0015	Claims Administrator	FT	A	GP	Juneau	205	19D / E	12.0		68,531	0	0	41,042	109,573	0
02-0017	Accounting Tech I	FT	A	GP	Juneau	205	12C / D	12.0		41,564	0	0	31,428	72,992	0
02-0020	Risk Manager	FT	A	SS	Juneau	205	22D / E	12.0		89,110	0	0	47,872	136,982	0
02-0022	Claims Administrator	FT	A	GP	Juneau	205	19J / K	12.0		79,914	0	0	45,100	125,014	0
Total													Total Salary Costs:	401,350	
Positions													Total COLA:	0	
New													Total Premium Pay:	0	
Deleted													Total Benefits:	225,162	
Full Time Positions:		5	0	0											
Part Time Positions:		0	0	0											
Non Permanent Positions:		0	0	0											
Positions in Component:		5	0	0											
Total Component Months:													60.0		
													Total Pre-Vacancy:	626,512	
													Minus Vacancy Adjustment of 0.98%:	(6,112)	
													Total Post-Vacancy:	620,400	
													Plus Lump Sum Premium Pay:	0	
													Personal Services Line 100:	620,400	

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1007 Interagency Receipts	626,512	620,400	100.00%
Total PCN Funding:	626,512	620,400	100.00%

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail
Department of Administration
Travel

Component: Risk Management (71)
RDU: Risk Management (23)

Line Number	Line Name		FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
72000	Travel		13.3	17.4	17.4
Expenditure Account	Servicing Agency	Explanation	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
72000 Travel Detail Totals			13.3	17.4	17.4
72110	Employee Travel (Instate)	Instate Travel Cost	9.6	9.5	9.5
72410	Employee Travel (Out of state)	Out of State travel cost	3.7	7.9	7.9

Line Item Detail
Department of Administration
Services

Component: Risk Management (71)
RDU: Risk Management (23)

Line Number	Line Name		FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
73000	Services		36,330.2	36,350.0	40,574.2
Expenditure Account	Servicing Agency	Explanation	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
73000 Services Detail Totals			36,330.2	36,350.0	40,574.2
73025	Education Services	State Risk and Insurance Management Association Conference Fees	1.8	0.3	0.3
73050	Financial Services	Insurance premium, bonds and claims	29,949.6	30,200.0	34,424.2
73150	Information Technlgy	Software maintenance and hosting support fees	63.1	75.0	75.0
73156	Telecommunication	Long distance telephone costs	0.2	0.2	0.2
73225	Delivery Services	Freight and courier costs	0.0	0.1	0.1
73525	Utilities	Confidential documentation burn services	0.3	0.5	0.5
73650	Struc/Infstruct/Land	Costs for room storage	1.2	1.4	1.4
73675	Equipment/Machinery	Repair and maintenance of office furniture and equipment	1.5	0.8	0.8
73750	Other Services (Non IA Svcs)	Professional service contracts for claims adjusting services, insurance brokers and actuarial services	1,485.0	1,490.0	1,490.0
73805	IT-Non-Telecommunication	Enterprise Technology Services Enterprise Productivity Rate (EPR) - Computer Services	2.7	2.8	2.8
73806	IT-Telecommunication	Enterprise Technology Services Enterprise Productivity Rate (EPR) - Telecommunications and telephone line costs	7.2	7.1	7.1
73809	Mail	Central Mail Costs for central mail room services	24.6	23.0	23.0
73810	Human Resources	Personnel Human Resource services	59.0	75.0	75.0
73811	Building Leases	Facilities Building facility rent	24.2	23.0	23.0
73812	Legal	Torts and Workers' Compensation Tort claims RSA with Department of Law	3,467.7	3,300.0	3,300.0
73814	Insurance	Risk Management Workers compensation and liability claims reimbursement	1,157.6	1,100.0	1,100.0

Line Item Detail
Department of Administration
Services

Component: Risk Management (71)

RDU: Risk Management (23)

Expenditure Account		Servicing Agency	Explanation	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
73000 Services Detail Totals				36,330.2	36,350.0	40,574.2
73815	Financial	Finance	Division of Finance chargeback for services	1.1	0.9	0.9
73816	ADA Compliance	Americans With Disabilities		0.2	0.0	0.0
73816	ADA Compliance	Personnel	Workers compensation and liability claims reimbursement	0.0	0.1	0.1
73818	Training (Services-IA Svcs)	Admin Services		0.1	0.0	0.0
73819	Commission Sales (IA Svcs)	E-Travel	US Travel service fees	0.2	0.1	0.1
73979	Mgmt/Consulting (IA Svcs)	Admin	Commissioner's Office, Administrative Services and Information Technology (IT) desktop chargeback for services	82.9	49.7	49.7

Line Item Detail
Department of Administration
Commodities

Component: Risk Management (71)
RDU: Risk Management (23)

Line Number	Line Name		FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
74000	Commodities		15.2	13.5	13.5
Expenditure Account	Servicing Agency	Explanation	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
74000 Commodities Detail Totals			15.2	13.5	13.5
74200	Business	Business and office supplies	15.2	13.5	13.5

Restricted Revenue Detail
Department of Administration

Component: Risk Management (71)
RDU: Risk Management (23)

Master Account	Revenue Description				FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
51015	Interagency Receipts				36,919.5	36,996.2	41,221.1
Detail Information							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
59015	Office Of The Governr Risk Management insurance premiums	Department-wide	2050200	11100	9.8	10.0	8.4
59020	Administration Risk Management insurance premiums	Department-wide	2050200	11100	128.3	178.4	370.2
59025	Worker'S Comp Risk Management insurance premiums	Department-wide	2050200	11100	26,067.0	26,086.0	28,795.0
59030	Law Risk Management insurance premiums	Department-wide	2050200	11100	14.2	14.3	17.2
59040	Revenue Risk Management insurance premiums	Department-wide	2050200	11100	7.3	7.3	8.6
59050	Education Risk Management insurance premiums	School Finance & Facilities	2050200	11100	87.1	87.2	141.2
59060	Health & Social Svcs Risk Management insurance premiums	Department-wide	2050200	11100	322.3	322.5	458.9
59070	Labor Risk Management insurance premiums	Department-wide	2050200	11100	93.6	93.7	36.6
59080	Commrc & Economc Dev Risk Management insurance premiums	Department-wide	2050200	11100	8.5	8.6	65.5
59090	Military & Vet Affrs Risk Management insurance premiums	Department-wide	2050200	11100	153.0	153.1	374.7
59100	Natural Resources	Department-wide	2050200	11100	255.6	255.7	313.3

Restricted Revenue Detail
Department of Administration

Component: Risk Management (71)
RDU: Risk Management (23)

Master Account	Revenue Description				FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
51015	Interagency Receipts				36,919.5	36,996.2	41,221.1
Detail Information							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
	Risk Management insurance premiums						
59110	Fish & Game Risk Management insurance premiums	Department-wide	2050200	11100	309.7	309.8	497.2
59120	Public Safety Risk Management insurance premiums	Department-wide	2050200	11100	2,140.0	2,141.0	867.2
59180	Environmental Consvn Risk Management insurance premiums	Department-wide	2050200	11100	19.1	19.2	33.3
59200	Corrections Risk Management insurance premiums	Department-wide	2050200	11100	294.1	294.2	657.6
59250	Dotpf Op, Tpb,& Othr Risk Management insurance premiums	Department-wide	2050200	11100	6,879.9	6,885.0	8,315.6
59310	Legislative Affairs Risk Management insurance premiums	Department-wide	2050200	11100	19.5	19.6	38.7
59330	Legislative Audit Risk Management insurance premiums	Legislative Audit	2050200	11100	0.4	0.4	0.5
59410	Alaska Court System Risk Management insurance premiums	Department-wide	2050200	11100	110.1	110.2	221.4

**Inter-Agency Services
Department of Administration**

Component: Risk Management (71)
RDU: Risk Management (23)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2012 Actuals	FY2013	FY2014 Governor	
					Management Plan		
73805	IT-Non-Telecommunication	Enterprise Productivity Rate (EPR) - Computer Services	Intra-dept	Enterprise Technology Services	2.7	2.8	2.8
				73805 IT-Non-Telecommunication subtotal:	2.7	2.8	2.8
73806	IT-Telecommunication	Enterprise Productivity Rate (EPR) - Telecommunications and telephone line costs	Intra-dept	Enterprise Technology Services	7.2	7.1	7.1
				73806 IT-Telecommunication subtotal:	7.2	7.1	7.1
73809	Mail	Costs for central mail room services	Intra-dept	Central Mail	24.6	23.0	23.0
				73809 Mail subtotal:	24.6	23.0	23.0
73810	Human Resources	Human Resource services	Intra-dept	Personnel	59.0	75.0	75.0
				73810 Human Resources subtotal:	59.0	75.0	75.0
73811	Building Leases	Building facility rent	Intra-dept	Facilities	24.2	23.0	23.0
				73811 Building Leases subtotal:	24.2	23.0	23.0
73812	Legal	Tort claims RSA with Department of Law	Inter-dept	Torts and Workers' Compensation	3,467.7	3,300.0	3,300.0
				73812 Legal subtotal:	3,467.7	3,300.0	3,300.0
73814	Insurance	Workers compensation and liability claims reimbursement	Intra-dept	Risk Management	1,157.6	1,100.0	1,100.0
				73814 Insurance subtotal:	1,157.6	1,100.0	1,100.0
73815	Financial	Division of Finance chargeback for services	Intra-dept	Finance	1.1	0.9	0.9
				73815 Financial subtotal:	1.1	0.9	0.9
73816	ADA Compliance		Inter-dept	Americans With Disabilities	0.2	0.0	0.0
73816	ADA Compliance	Workers compensation and liability claims reimbursement	Intra-dept	Personnel	0.0	0.1	0.1
				73816 ADA Compliance subtotal:	0.2	0.1	0.1
73818	Training (Services-IA Svcs)		Intra-dept	Admin Services	0.1	0.0	0.0
				73818 Training (Services-IA Svcs) subtotal:	0.1	0.0	0.0
73819	Commission Sales (IA Svcs)	US Travel service fees	Intra-dept	E-Travel	0.2	0.1	0.1
				73819 Commission Sales (IA Svcs) subtotal:	0.2	0.1	0.1
73979	Mgmt/Consulting (IA Svcs)	Commissioner's Office, Administrative Services and Information Technology (IT) desktop chargeback for services	Intra-dept	Admin	82.9	49.7	49.7
				73979 Mgmt/Consulting (IA Svcs) subtotal:	82.9	49.7	49.7
				Risk Management total:	4,827.5	4,581.7	4,581.7
				Grand Total:	4,827.5	4,581.7	4,581.7