



# RISK MANAGEMENT ISF FUND TO FUND TRANSFER

INFRASTRUCTURE AND GENERAL GOVERNMENT  
STAFF: GARY K. RICKS

ISSUE BRIEF

## **SUMMARY**

The Department of Administrative Services, Risk Management Internal Service Fund requests approval for a “fund to fund transfer” from fund 6030 - Workers' Compensation Fund to fund 6010 Risk Management Construction Fund (Owner Controlled Insurance Program, OCIP). The amount requested is \$1,630,000 in FY 2013. This action will mitigate a current deficit in the OCIP fund which the Federal Government is asking DAS to address.

## ***Detail***

The Division of Risk Management has a working capital deficit in Fund 6010 Owner Controlled Insurance Program (OCIP). A working capital deficit is not allowed for OCIP under Utah Code Section 63J-1-410(8).

The OCIP fund was set up to track the revenues and expenditures of the OCIP Program. The program was established to provide insurance for construction projects for state government, school districts, and higher educational institutions in the State of Utah. All of the projects insured in the OCIP fund have been completed, so there will be no additional revenue for the OCIP fund. However, the OCIP fund is obligated to pay the cost of workers compensation claims for workers who were injured on projects insured by the OCIP program. Workers compensation insurance claim costs continue to be incurred as long as the injured worker is receiving treatments related to the injury he/she received while working on one of these projects. As such, the claims sometimes go on for more than a decade after the initial claim was filed.

At the close of FY 2011, the OCIP fund had a positive balance of \$330,000. An audit was conducted by the OCIP insurance provider for the period 2003-2008. This audit was completed during fiscal year 2012 and showed that the Division of Risk Management had been under-billed by \$810,000 during that period. The Division of Risk Management paid this amount in FY 2012 to correct this deficiency.

The OCIP fund currently has six open claims for workers who were injured on one of these projects. The Division requested an estimate from its insurance provider about the anticipated amount of additional payments the Division would be required to make under the OCIP insurance plan. Based on information received from the insurance provider for the OCIP, it is anticipated that the OCIP may incur an additional \$1 million in claims costs. This would increase the working capital deficit from \$630,000 to \$1,630,000.

This can be corrected by transferring \$1,630,000 in retained earnings from fund 6030 Workers Compensation Insurance Fund. The Workers Compensation Insurance Fund had a retained earnings balance of \$3,314,000 at the end of fiscal year 2012. There are sufficient retained earnings to cover this transfer. The Division of Risk Management requests approval to make this transfer.

## **RECOMMENDATION**

The Analyst recommends that the Subcommittee authorize the transfer of \$1,630,000 from fund 6030 - Workers' Compensation Fund to fund 6010 Risk Management Construction Fund (Owner Controlled Insurance Program, OCIP) in FY 2013.