



DAS ISF – RISK MANAGEMENT

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS SUBCOMMITTEE

BUDGET BRIEF

SUMMARY

The Division of Risk Management was organized in 1980 to implement a self-insurance program for the state. The division provides liability, property, and auto physical damage coverage to all state agencies, the 41 school districts, over 70 charter schools, and all state-owned colleges and universities except medical malpractice coverage at the University of Utah. The division also acts as an agent in purchasing aircraft insurance for various state entities.

The liability insurance and auto physical damage programs are entirely self-insured, while the property insurance program is self-insured up to a \$3.5 million aggregate yearly deductible with private insurance purchased for amounts in excess of the deductible.

ISSUES AND RECOMMENDATIONS

Liability Rates

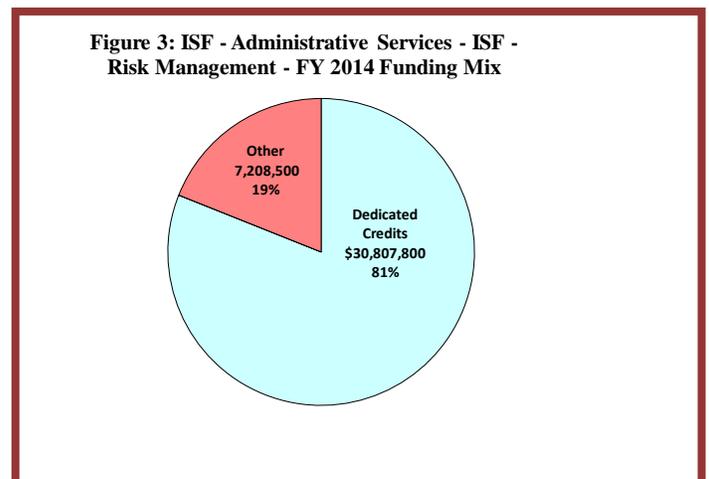
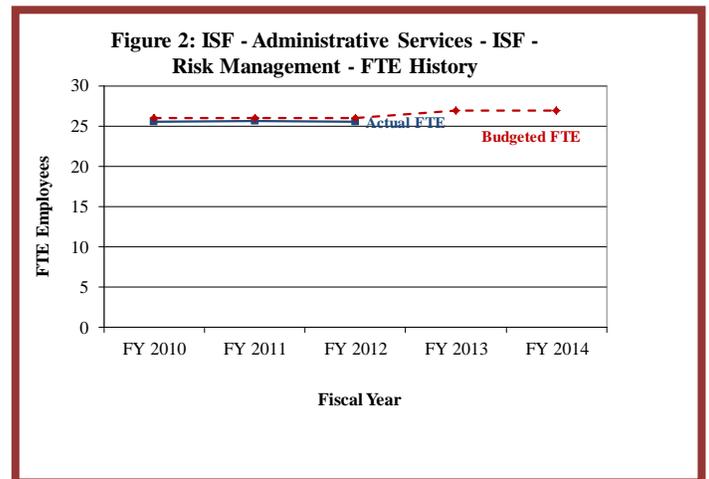
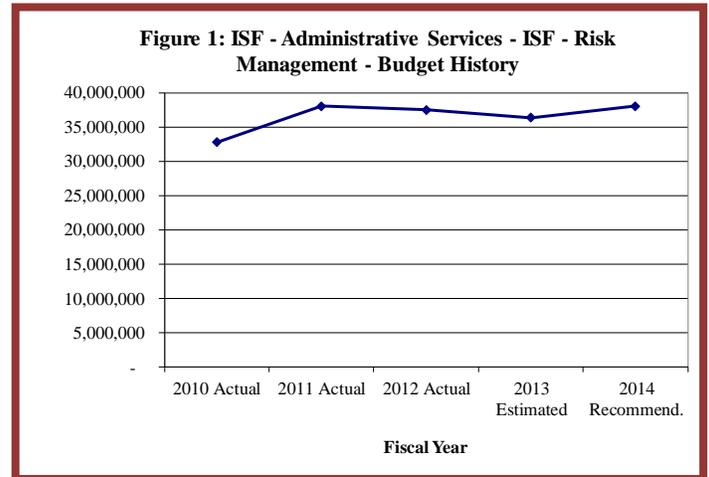
Liability rates are calculated each year by an outside actuarial firm with experience in insurance. The rates are based on the history of losses (with the highest weight given to losses in the last 5 years), relative size of budgets, insurance industry factors, and statistical analysis of reserves.

Property Rates

Unlike liability rates which are self-funded, property rates are based on premiums set by private insurance companies at various levels of coverage. These rates are determined by the value of a building and its contents and specific insurance premiums for location, risk, and type of property.

Workers Compensation Program

The Workers Compensation program is a pass-through of workers compensation expenses paid by the state and its employees to the Workers Compensation Fund of Utah.



ACCOUNTABILITY DETAIL

Claims Processing

Risk Management resolves liability claims against the state. While these claims may take months to years to resolve, the program endeavors to process claims within seven days of receiving them.

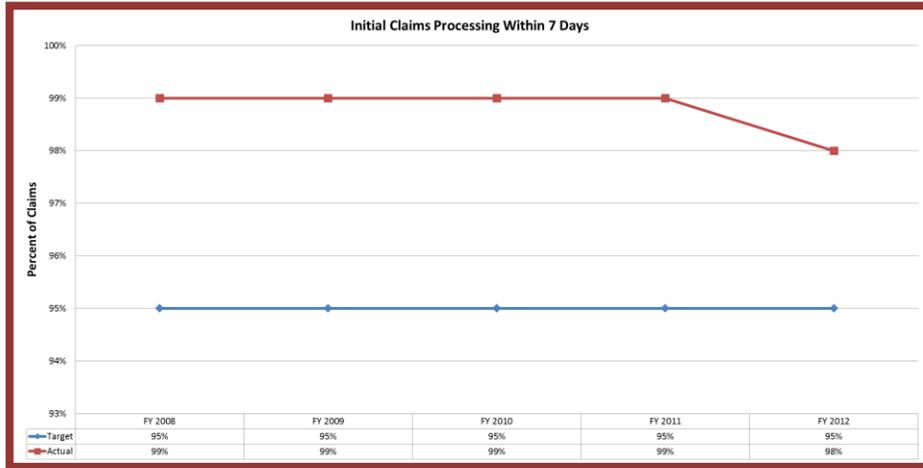


Figure 4

Internal Adjuster Superior Rating

The division contracts with an insurance consulting firm to audit adjustors' work to see if they are meeting standards in documentation, timeliness, fairness to both sides, compliance with regulations, etc. The contractor uses a rating scale to assign a score and considers 95 percent or above a "Superior Rating."

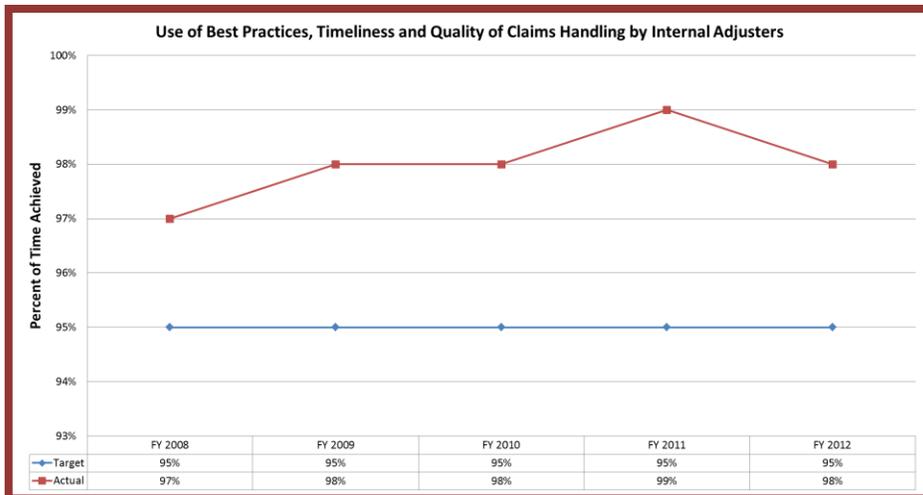


Figure 5

BUDGET DETAIL

Revenue from Premiums represents rates paid by customer agencies for the traditional insurance programs. Restricted revenue comes from Workers’ Compensation premiums that are passed through to the Utah Workers Compensation Fund.

LEGISLATIVE ACTION

The Analyst recommends the Legislature approve the FY 2014 Budgeted FTE, Authorized Capital Outlay, and the Annual Revenue as presented in the following table as well as listed in the IGG Subcommittee’s Base Budget Bill:

	DAS ISFs - FY 2014	Budgeted FTE	Authorized Capital Outlay	Annual Revenue
1.	ISF - Risk Management	27.0	\$200,000	\$38,016,300
	Totals	27.0	\$200,000	\$38,016,300

2. Rates as presented separately in an Issue Brief.

BUDGET DETAIL TABLE

ISF - Administrative Services - ISF - Risk Management						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014* Recommended
Premiums	30,196,900	29,749,100	(949,100)	28,800,000	1,696,800	30,496,800
Interest Income	339,600	354,900	0	354,900	(43,900)	311,000
Risk Management - Workers Compe	6,925,100	7,208,500	0	7,208,500	0	7,208,500
Total	\$37,461,600	\$37,312,500	(\$949,100)	\$36,363,400	\$1,652,900	\$38,016,300
Programs						
ISF - Risk Management Administrati	30,535,400	30,104,000	(949,100)	29,154,900	1,652,900	30,807,800
ISF - Workers' Compensation	6,926,200	7,208,500	0	7,208,500	0	7,208,500
Total	\$37,461,600	\$37,312,500	(\$949,100)	\$36,363,400	\$1,652,900	\$38,016,300
Categories of Expenditure						
Personnel Services	2,664,200	2,671,400	0	2,671,400	81,600	2,753,000
In-state Travel	19,500	20,500	2,100	22,600	(2,000)	20,600
Out-of-state Travel	16,300	20,100	(2,100)	18,000	(1,800)	16,200
Current Expense	34,211,200	34,465,700	(889,700)	33,576,000	1,308,100	34,884,100
DP Current Expense	175,300	401,200	0	401,200	(225,900)	175,300
Other Charges/Pass Thru	91,100	(112,100)	(58,900)	(171,000)	584,800	413,800
Depreciation	70,400	152,400	0	152,400	40,000	192,400
Total	\$37,248,000	\$37,619,200	(\$948,600)	\$36,670,600	\$1,784,800	\$38,455,400
Other Data						
Budgeted FTE	26	27	0	27	0	27
Actual FTE	26	0	0	0	0	0
Authorized Capital Outlay	289,500	300,000	0	300,000	(100,000)	200,000
Retained Earnings	6,719,800	5,544,300	868,300	6,412,600	(437,600)	5,975,000
Vehicles	7.0	7.0	0.0	7.0	0.0	7.0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.