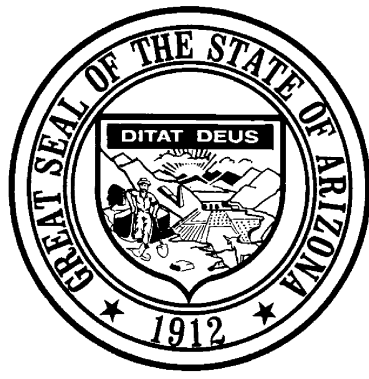


Douglas A. Ducey
Governor

Andy Tobin
Director

**ARIZONA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION**



FISCAL YEAR 2021 ANNUAL REPORT

RESPONSIBILITIES/STATUTES

The Fiscal Year 2021 Annual Report, as required by A.R.S. § 41-623, summarizes liability, property, and workers' compensation expenditures, and it provides information on loss prevention efforts and several achievements of the Arizona Department of Administration Risk Management Division during the fiscal year.

The Risk Management Division was established in 1976 and is responsible for the management and mitigation of liability, property, and workers' compensation claims. Statutes found in A.R.S. § 41-621 et seq., and administrative rules found in A.A.C. R2-10-101 through R2-10-601, outline the parameters of the program, including coverage for agencies, employees, boards, and commissions. The Risk Management Division provides consultations with state agency personnel to recommend programs and procedures aimed at reducing or eliminating risk. On an annual basis, Risk Management performs a comprehensive evaluation of its insurance program to determine the proper combination of purchased commercial insurance and risk retention.

Enterprise Support

Risk Management staff provided the following support to state agency partners and stakeholders during the pandemic:

- Assisted the Governor's Office of Constituent Services by answering incoming phone calls, logging information, and providing guidance to constituents as needed.
- Assisted the DES Ombudsman Office to manage their incoming email communications so they could focus on the unprecedented unemployment needs of Arizona residents.
- Supported ADOA ASET and HR teams by addressing incoming questions and providing technical assistance to state employees after the implementation of a new Human Resource Information System.

FISCAL YEAR 2021 COSTS AND COMPARISONS

Liability expenditures for Fiscal Year 2021 were \$19.4 million. The five-year average for liability expenditures is \$24.7 million.

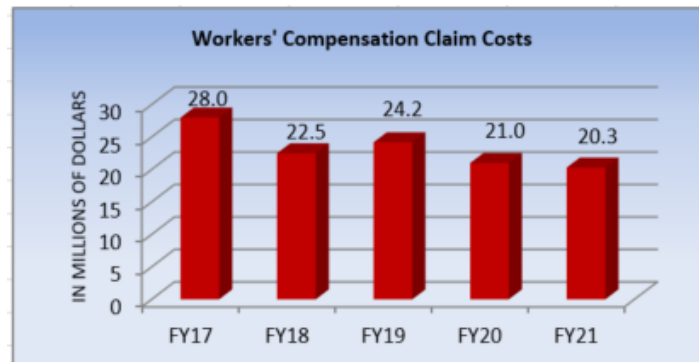
Property expenditures in Fiscal Year 2021 were \$6.8 million. The five-year average for property expenditures is \$9.9 million.

Workers' Compensation expenditures in Fiscal Year 2021 were \$20.3 million. The five-year average for workers' compensation expenditures is \$23.2 million.

The following charts depict five-year cost comparisons:



***Contributing factor to reduction in property claim costs: Increase of property claim deductible from a disappearing \$100 deductible to a per-incident deductible of \$2,500.**



LIABILITY PROGRAM

In Fiscal Year 2021, there were 2,120 liability claims reported to the Risk Management Division. Total liability claim payments for Fiscal Year 2021, including outside counsel and allocated loss adjustment expenditures, were \$19.4 million. General liability claims include third-party bodily injury and property damage resulting from alleged negligence in oversight of state-managed programs. The category of personal injury liability includes such areas as wrongful death, defamation, and civil rights violations. Personal employment injury includes wrongful termination, discrimination, and sexual harassment. Medical malpractice includes errors and omissions by state medical professionals. Automobile liability includes third-party claims for injuries and property damage resulting from the use of automobiles by state employees engaged in state business. Personal Injury claims were the most expensive claims in the liability category, representing 46% of the total cost.

The following table lists by loss type the number of claims reported in Fiscal Year 2021 and amounts paid regardless of occurrence date:

Loss Type	Liability Losses FY 2021	Claims Reported FY 2021
Personal Injury	\$9,149,026.93	455
General Liability - Bodily Injury	\$7,172,472.99	239
Personal Employment Injury	\$914,627.72	79
Auto Liability - Bodily Injury	\$829,332.08	49
General Liability - Property	\$432,733.65	776
Auto Liability Property	\$423,390.52	493
Unknown	\$335,853.85	0
Medical Malpractice	\$107,340.34	29
Total	\$19,364,778.08	2,120

The following table shows Fiscal Year 2021 liability losses and number of claims for agencies with the largest liability losses:

Agency	Liability Losses FY 2021	Claims Reported FY 2021
Department of Transportation	\$4,277,679.55	483
Department of Child Safety	\$4,190,148.37	317
Department of Public Safety	\$1,816,941.19	368
Department of Corrections	\$1,609,009.11	392
Arizona State University	\$1,280,453.16	21
Public Safety Personnel Retirement	\$1,026,776.26	4
Board of Regents	\$975,031.06	57
Governor's Office	\$644,785.32	18
Department of Health Services	\$552,044.22	8
Department of Economic Security	\$497,408.60	60
Sub-total	\$16,870,276.84	1,728
All Other Agencies	\$2,494,501.24	392
Total	\$19,364,778.08	2,120

PROPERTY PROGRAM

In Fiscal Year 2021, there were 1,242 property claims reported by state agencies. Losses totaled \$6.8 million.

The top two loss categories by claims reported were personal and real property. Personal property includes state-owned vehicles, furniture, computers, and other tangible property. Real property covers state-owned facilities such as office buildings, prison facilities, and general infrastructure. Environmental property covers state buildings and state lands that sustain environmental damage.

The following table lists by loss type the number of claims reported in Fiscal Year 2021 and amounts paid regardless of occurrence date:

Loss Type	Property Losses FY 2021	Claims Reported FY 2021
Real Property	\$3,721,738.11	407
Personal Property	\$3,045,841.01	832
Environmental Property	\$56,539.07	3
Total	\$6,824,118.19	1,242

Property losses and the number of claims reported in Fiscal Year 2021 for the agencies with the largest property losses are as follows:

Agency	Property Losses FY 2021	Claims Reported FY 2021
Arizona State University	\$2,180,940.05	141
Northern Arizona University	\$1,273,306.12	50
Department of Public Safety	\$1,010,795.80	318
Department of Transportation	\$891,476.98	198
University of Arizona	\$592,896.02	56
Department of Administration	\$184,940.78	209
Game and Fish Department	\$157,896.03	29
Department of Child Safety	\$144,301.37	99
Department of Corrections	\$88,188.78	49
Health Care Cost Containment System	\$73,789.74	1
Sub-total	\$6,598,531.67	1,150
All Other Agencies	\$225,586.52	92
Total	\$6,824,118.19	1,242

WORKERS' COMPENSATION PROGRAM

The State Workers' Compensation Program ("Program") provides benefits to state, state universities, and county court-appointed employees that are injured while in the course and scope of their employment. The Program pays medical, surgical, hospital, pharmacy, and disability benefits as provided by law under the Arizona Workers' Compensation Act.

The following table lists amounts paid in Fiscal Year 2021 and the total number of claims reported by agency:

Agency	WC Losses FY 2021	Claims Reported FY 2021
Department of Corrections	\$6,963,550.60	1,192
Department of Public Safety	\$2,278,527.93	202
Department of Transportation	\$1,812,124.24	127
University of Arizona	\$1,544,499.07	146
Department of Economic Security	\$1,361,917.16	1,243
Department of Juvenile Corrections	\$981,109.62	41
Arizona Superior Courts	\$977,676.64	128
Arizona State University	\$895,322.54	125
Department of Health Services	\$547,450.59	72
Division of Military Affairs	\$393,291.03	55
Sub-total	\$17,755,469.42	3,331
All Other Agencies	\$2,519,719.16	396
Total	\$20,275,188.58	3,727

LOSS PREVENTION PROGRAM

The Arizona Revised Statutes require each state agency to conduct risk identification and assessment, and implement a loss prevention program to reduce the frequency and severity of losses in the following areas:

- Real and personal property protection
- Employee safety in the work environment
- Federal and state standards for industrial hygiene and environmental protection
- Negligent acts that cause harm to third parties

The primary responsibility of the Loss Prevention Section is to work with state agencies in a variety of areas including property, liability, environmental, and worker protection, to reduce or eliminate their exposure to risk. Loss Prevention provides consultative services and tools intended to support agency loss prevention programs. Loss Prevention Consultants support agency customers in the identification, prioritization, and mitigation of operational issues that may result in a loss to the state in the following areas:

- Construction safety
- Industrial safety
- Hazard communication
- Fire safety
- Security
- Course of construction
- Motor vehicle safety
- Emergency planning
- Site and hazard assessment
- Health and safety education
- Ergonomics

Assistance is provided in risk assessment and corrective action, program development, and implementation by means of collaboration with agency loss prevention coordinators.

Examples of Loss Prevention initiatives for fiscal year 2021:

Fire and Security

- Updating and streamlining emergency action plans and procedures
- Supporting agency stakeholders in efforts to resolve fire system and security concerns and deficiencies
- Emergency evacuation plans (drills)

Worker Safety

- Safe patient lifting and handling guidance
- Hazard identification and mitigation
- Safety Management System audits
- Pandemic Procedures

Safety Training

- Situational Awareness and Conflict Resolution training
- Job hazard analysis methodologies
- Emergency coordinator
- Forklift operator
- Van operator
- Loss Prevention principles
- OSHA 30 Hour certification

- Workstation ergonomic evaluation training for remote workers
 - Many of these initiatives were re-deployed in an online format to fulfill the emerging needs of remotely based work. Procured an online safety video system, integrated it with the existing Learning Management system (TraCorp), and provided safety training via this system to approximately 5,000 employees in more than 45 state agencies and universities

RISK MANAGEMENT FUNDING SOURCES

Funding for Risk Management programs is provided from the Risk Management Revolving Fund. Revenues into the fund are generated as follows:

- An actuarial projection is developed for property, liability, outside counsel, and allocated loss-adjustment expenditures. In addition, estimates are prepared for costs of administration, insurance premiums, and attorney general defense. The total is then allocated and invoiced to agencies based on a formula assessing risk exposure as well as historical losses.
- An actuarial projection is also developed for workers' compensation time loss, medical, outside counsel, and allocated loss-adjustment expenditures. In addition, estimates are prepared for costs of administration, insurance premiums, and attorney general defense. The total is then allocated to agencies based on an allocation method from the National Council on Compensation Insurance (NCCI). The NCCI method calculates a rate per payroll using employee classifications modified by the agency's historical losses.