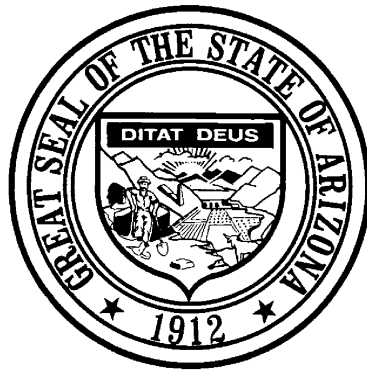


Katie Hobbs
Governor

Elizabeth
Alvarado-Thorson
Cabinet Executive Officer
Executive Deputy Director

**ARIZONA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION**



FISCAL YEAR 2024 ANNUAL REPORT

RESPONSIBILITIES/STATUTES

The Fiscal Year 2024 Annual Report, as required by A.R.S. § 41-623, summarizes cyber, 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 cyber, 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.

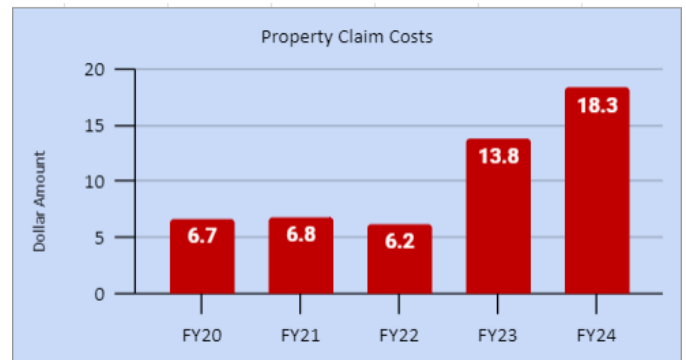
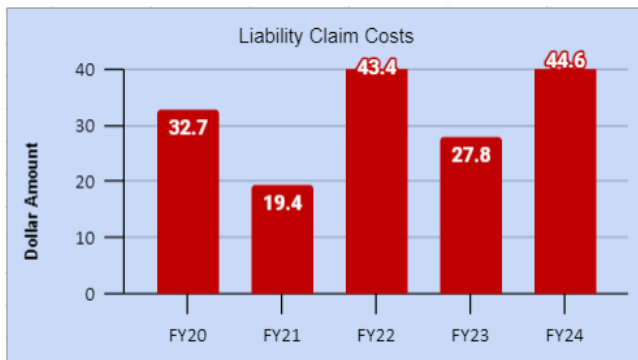
FISCAL YEAR 2024 COSTS AND COMPARISONS

Liability expenditures for Fiscal Year 2024 were \$44.6 million. The five-year average for liability expenditures is \$33.6 million.

Property expenditures in Fiscal Year 2024 were \$18.3 million. The five-year average for property expenditures is \$10.4 million.

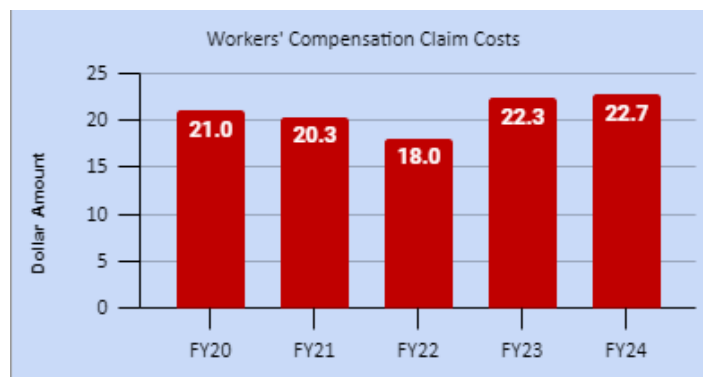
Workers' Compensation expenditures in Fiscal Year 2024 were \$22.7 million. The five-year average for workers' compensation expenditures is \$20.9 million.

The following charts depict five-year cost comparisons:



In FY24 Risk Management presented 13 claims to JLBC (>\$250k) for a total settlement value of \$23.8 million. Six of these claims alone totaled \$18.2 million, or approx. 41% of the liability claims paid in FY24.

The number of property claims per year continues to rise each year. In FY23, there were 302 more property claims, or 20% more property claims compared to FY22. In FY24, there were 186 more property claims, or 10% more property claims compared to FY23. The increase in property claims paid from FY23 (\$13.8 million) to FY24 (\$18.3 million) is largely attributable to the volume and severity of property damage claims reported and paid. In FY23 there were only 3 agencies with more than 150 claims for the fiscal year, and only 5 agencies that sustained over \$1mil in property losses. In FY24, there were 5 agencies with more than 150 claims for the fiscal year, and 7 agencies that sustained over \$1mil in property losses.



LIABILITY PROGRAM

In Fiscal Year 2024, there were 3,202 liability claims reported to the Risk Management Division. Total liability claim payments for Fiscal Year 2024, including outside counsel and allocated loss adjustment expenditures, were \$44.6 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. General Liability - Bodily Injury claims were the most expensive claims in the liability category, representing 57% of the total cost.

The following table lists by loss type the number of claims reported in Fiscal Year 2024 and amounts paid regardless of occurrence date:

Loss Type	Liability Losses FY 2024	Claims Reported FY 2024
General Liability - Bodily Injury	\$25,442,155	488
Personal Injury	\$8,531,894	431
Medical Malpractice	\$5,067,207	62
Auto Liability - Bodily Injury	\$3,045,025	87
Personal Employment Injury	\$1,131,966	95
General Liability - Property	\$767,183	1,331
Auto Liability - Property	\$634,881	699
Cyber	\$20,476	9
Total	\$44,640,787	3,202

The following table shows Fiscal Year 2024 liability losses and number of claims for agencies with the largest liability losses:

Agency	Liability Losses FY 2024	Claims Reported FY 2024
Department of Transportation	\$18,088,145	1,180
Department of Corrections	\$7,639,323	402
Department of Health Services	\$5,143,971	26
Department of Public Safety	\$3,728,103	318
Department of Child Safety	\$3,346,975	280
University of Arizona	\$1,898,684	110
Board of Regents	\$1,856,511	32
Department of Administration	\$1,083,649	87
Attorney General Office	\$491,793	16
Northern Arizona University	\$477,142	117
Sub-total	\$43,754,296	2,568
All Other Agencies	\$886,491	634
Total	\$44,640,787	3,202

PROPERTY PROGRAM

In Fiscal Year 2024, there were 1,974 property claims reported by state agencies. Losses totaled \$18.3 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 2024 and amounts paid regardless of occurrence date:

Loss Type	Property Losses FY 2024	Claims Reported FY 2024
Real Property	\$13,604,610	675
Personal Property	\$4,387,245	1,296
Environmental Property	\$277,845	3
Total	\$18,269,700	1,974

Property losses and the number of claims reported in Fiscal Year 2024 for the agencies with the largest property losses are as follows:

Agency	Property Losses FY 2024	Claims Reported FY 2024
Arizona State University	\$5,041,881	478
Department of Veterans Services	\$3,331,298	7
Department of Public Safety	\$1,809,607	340
University of Arizona	\$1,578,258	158
Department of Transportation	\$1,311,939	325
Northern Arizona University	\$1,264,185	74
Department of Administration	\$1,047,225	175
Department of Corrections	\$802,828	102
Game and Fish Department	\$812,529	43
Department of Child Safety	\$310,317	143
Sub-total	\$17,310,067	1,845
All Other Agencies	\$959,633	129
Total	\$18,269,700	1,974

* The Department of Veterans Services was paid \$2.5mil relating to a business interruption claim caused by construction defects, and the delayed opening of the new Flagstaff care facility.

WORKERS' COMPENSATION PROGRAM

The State Workers' Compensation Program ("Program") provides benefits to state, state university, 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 2024 and the total number of claims reported by agency for the top ten agencies:

Agency	WC Losses FY 2024	Claims Reported FY 2024
Department of Corrections	\$6,821,475	829
Department of Public Safety	\$3,502,853	179
University of Arizona	\$2,374,171	225
Department of Transportation	\$2,152,301	132
Department of Economic Security	\$1,577,901	156
Arizona State University	\$1,060,310	160
Arizona Superior Courts	\$707,663	96
Northern Arizona University	\$684,534	69
Department of Juvenile Corrections	\$648,349	84
Department of Child Safety	\$541,347	135
Sub-total	\$20,070,904	2,065
All Other Agencies	\$2,610,995	301
Total	\$22,681,899	2,366

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 2024:

Environmental Protection

- Assisted multiple state agencies with the disposal of approximately 9500 gallons of expired hand sanitizer
- Coordinated with the Department of Environmental Quality and the State Land Department to participate in a town council meeting with the Town of Sahuarita to ensure the town was aware of hazards associated with a former military bombing range, and placed 100 warning signs and three informational kiosks on state trust lands that make up a portion of the former range
- Worked with the University of Arizona and the Department of Environmental Quality to renew the Post Closure Permit for the Page Ranch Landfill
- Assisted the University of Arizona with the assessment of potential environmental concerns resulting from historic operations (pre-acquisition) at its Administrative Services Building in Tucson.

Property Protection

- 69 building project plan reviews were completed FY24
- Coordinated with the Game and Fish Department and the Department of Water Resources to address ongoing safety deficiencies associated with state owned dams.

- Coordinated with State Fair and the ADOA General Services Division to identify flooding solutions for the Coliseum. Identified a grant opportunity through the FEMA Building Resilient Infrastructure and Communities program that provides up to 75% of the funding for this stormwater project. The application was completed and submitted on March 19, 2024.

Worker Safety

- The monitoring of accepted worker compensation claims for FY24, is 5% under the target goal. The FY24 monitoring goal is based on a 4 year average of FY20 to FY23 accepted claims¹. The FY24 YTD actual accepted worker compensation claims are less than the target goal by 90 claims supporting the loss prevention focus of reduced worker injuries. The agencies achieving the greatest reductions below the target are:
 - Department of Corrections 49 less claims
 - Northern Arizona University 27 less claims
 - Az Dept of Health Services 20 less claims
 - Az Public Safety 17 less claims
 - Az Dept. of Transportation 13 less claims

Hazard identification and mitigation

- The Safety Management System (SMS) program was initiated in FY17 to provide a basic framework to assess selected agencies safety programs. Rooted in OSHA principles, the Loss Prevention Section uses a standardized scoring tool to assess agency safety programs in collaboration with the agency Loss Prevention Coordinator. The assessment identifies areas for improvement and action plans to increase the program score. Since implementation 23 agencies have been assessed, 18 agencies have achieved an SMS score of 90% or greater, 8 of 12 agencies assessed reached a 90%+ score in FY24.
- The Loss Prevention Section collaborated with the Department of Administration ASET Division to update the Arizona State Employee Driver Record Application (ASEDRA). The ASEDRA system was transitioned to a cloud based platform, improving system functionality and ease of use.
- The 2016 Statewide Vehicle Use Policy was updated to correspond with statutory and administrative changes.
- The Loss Prevention team used the previously created automated worker compensation Incident Referral Process in collaboration with agency staff, to complete 188 incident referrals in FY24.

Safety Training

A total of 153 safety training courses are available to employees via the state’s learning management system; 47 of those courses were promoted within the Loss Prevention Connection newsletter. Over the course of FY24, 22,673 safety training courses were completed.

¹ FY24 Loss Prevention Bowling Metrics Report

Loss Prevention staff also provided in-person safety training for the following courses:

- Emergency Action Planning (EAP): Assisted Lincoln Property Corporation with presenting emergency action planning to occupants of the Natural Resources and ADOA buildings.
- Loss Prevention customer outreach included approximately 343 customer interactions
- In- person OSHA training included one 10-hour and three OSHA 30-hour courses with a total of 59 participants across nine agencies.

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.