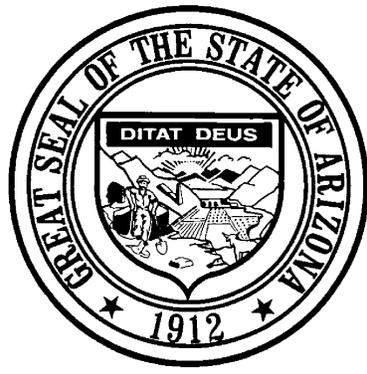


Douglas A. Ducey
Governor

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**ARIZONA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION**



FISCAL YEAR 2020 ANNUAL REPORT

RESPONSIBILITIES/STATUTES

The Fiscal Year 2020 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.

FISCAL YEAR 2020 COSTS AND COMPARISONS

Liability expenditures for Fiscal Year 2020 were \$32.6 million. The five-year average for liability expenditures is \$27.42 million.

Property expenditures in Fiscal Year 2020 were \$6.7 million. The five-year average for property expenditures is \$11.26 million.

Workers' Compensation expenditures in Fiscal Year 2020 were \$21 million. The five-year average for workers' compensation expenditures is \$24.3 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 2020, there were 2,903 liability claims reported to the Risk Management Division. Total liability claim payments for Fiscal Year 2020, including outside counsel and allocated loss adjustment expenditures, were \$32.6 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 liability includes such areas as employment discrimination, defamation, and civil rights violations. 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 2020 and amounts paid regardless of occurrence date:

Loss Type	Liability Losses FY 2020	Claims Reported FY 2020
General Liability - Bodily Injury	\$18,819,777.57	322
Auto Liability - Bodily Injury	\$1,784,199.87	83
Personal Injury	\$6,540,125.23	527
General Liability - Property	\$1,018,166.41	1,145
Auto Liability Property	\$503,743.44	656
Medical Malpractice	\$59,307.50	35
Personal Employment Injury	\$3,494,714.41	134
Unknown	\$378,386.31	1
Total	\$32,598,420.74	2,903

The following table shows Fiscal Year 2020 liability losses and number of claims for agencies with the largest liability losses:

Agency	Liability Losses FY 2020	Claims Reported FY 2020
Department of Economic Security	\$8,560,313.98	103
Department of Transportation	\$6,266,267.56	782
Department of Child Safety	\$3,617,180.34	364
Department of Corrections	\$2,564,719.65	598
Department of Public Safety	\$2,492,710.04	328
University of Arizona	\$1,881,542.63	83
Public Safety Personnel Retirement	\$1,855,308.11	18
Attorney General's Office	\$1,149,829.23	31
Arizona State University	\$905,539.41	12
Board of Regents	\$746,899.99	96
Sub-total	\$30,040,310.94	2,414
All Other Agencies	\$2,558,109.80	488
Total	\$32,598,420.74	2,903

PROPERTY PROGRAM

In Fiscal Year 2020, there were 1,343 property claims reported by state agencies. Losses totaled \$6.7 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 2020 and amounts paid regardless of occurrence date:

Loss Type	Property Losses FY 2020	Claims Reported FY 2020
Personal Property	\$1,916,913.06	937
Environmental Property	\$183,941.58	5
Real Property	\$4,645,889.31	401
Total	\$6,746,743.95	1,343

Property losses and the number of claims reported in Fiscal Year 2020 for the agencies with the largest property losses are as follows:

Agency	Property Losses FY 2020	Claims Reported FY 2020
Arizona State University	\$2,604,150.93	180
Department of Public Safety	\$794,869.65	267
Department of Corrections	\$ 712,126.85	58
University of Arizona	\$665,629.27	112
Department of Transportation	\$614,417.44	203
Department of Administration	\$308,496.63	151
Northern Arizona University	\$278,041.89	67
Game and Fish Department	\$232,956.34	24
Department of Child Safety	\$164,773.26	135
Division of Military Affairs	\$121,097.78	11
Sub-total	\$6,496,560.04	1208
All Other Agencies	\$250,183.91	135
Total	\$6,746,743.95	1,343

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 medical cost containment network includes over 210,000 healthcare and pharmacy providers accessible to injured employees. The Program features injury triage which extends immediate access to a registered nurse to assist the employee with assessment, and medical triage to the appropriate level of care. These services are available daily, 24/7.

The Program successfully partnered with some of the agencies to explore the benefits of a transitional work or stay-at-work program.

The following table lists amounts paid in Fiscal Year 2020 and the total number of claims reported by agency:

Agency	WC Losses FY 2020	Claims Reported FY 2020
Department of Corrections	\$6,322,142.05	971
Department of Public Safety	\$2,262,325.61	197
Department of Transportation	\$1,987,437.87	156
University of Arizona	\$1,607,393.49	261
Department of Economic Security	\$1,482,803.21	596
Arizona Superior Courts	\$1,117,869.59	146
Department of Juvenile Corrections	\$1,044,988.64	99
Arizona State University	\$972,655.67	199
Northern Arizona University	\$536,362.78	126
Division of Military Affairs	\$495,009.74	46
Sub-total	\$17,828,948.65	2,797
All Other Agencies	\$3,138,173.16	527
Total	\$20,967,121.81	3,324

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 professional safety consultants, and environmental specialists to assist agencies in developing and implementing loss prevention programs. Loss Prevention Consultants provide assistance to agency customers in solving everyday loss prevention problems in the following areas:

- Construction safety
- Industrial safety
- Hazard communication
- Fire safety
- Fair 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. Some examples of Loss Prevention initiatives for fiscal 2020 were:

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

- Patient handling
- Hazard identification and mitigation
- Safety Management System implementation
- Workstation ergonomic evaluations

Safety Training

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

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.