



State of California
Department of General Services

Office of Risk & Insurance Management
Annual Report
2002-2003 Fiscal Year



Office of Risk & Insurance Management
Annual Report 2002-2003

Table of Contents

Vision, Mission, Objectives	3
Introduction	4
Organizational Structure	5
Office Profile and Program Description	6
Major Accomplishments 2002-03 Fiscal Year	10
Financial Picture	24

Vision, Mission, Objectives

Vision

To be the recognized leader in providing quality risk management and consulting services to state and public entities through a team of dedicated, knowledgeable professionals who deliver superior customer service

Mission

Partnering with our clients, we deliver quality risk management services

Objectives

- *Provide quality customer service to our clients.*
 - *Be a risk management resource to our clients.*
 - *Increase awareness of Office of Risk & Insurance Management (ORIM) services.*
-

Introduction

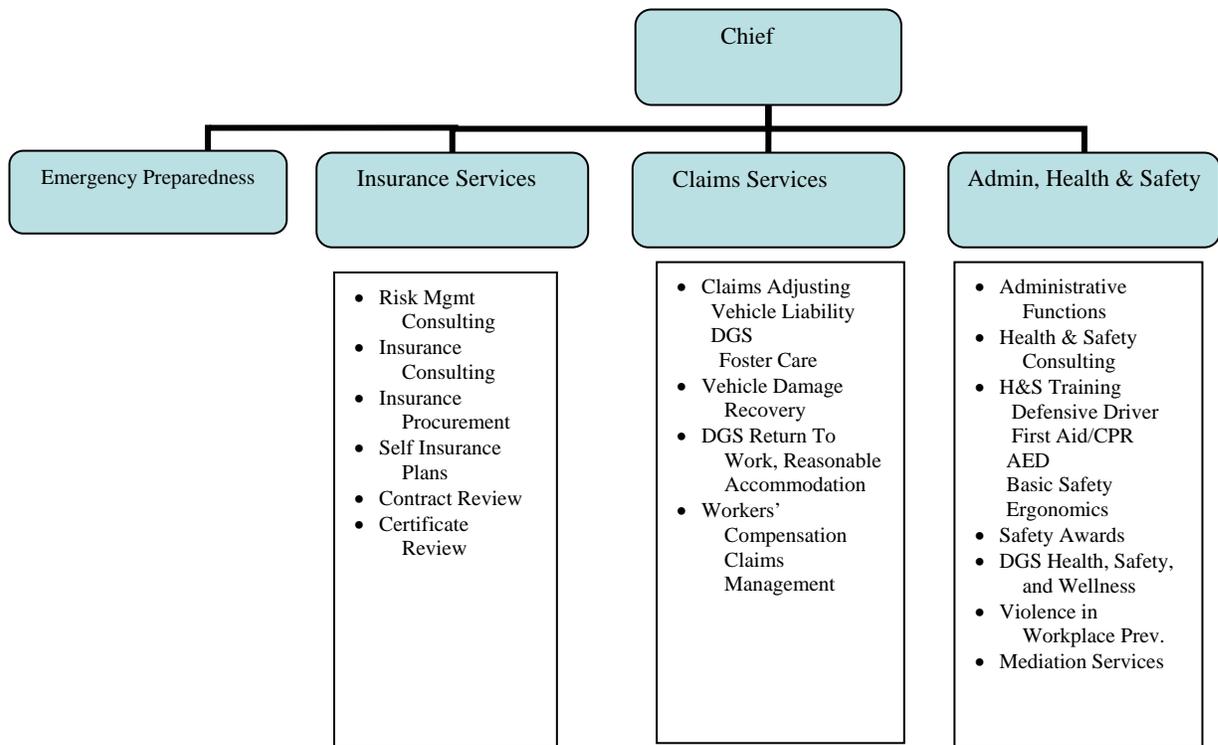
The 2002/03 fiscal year brought about many changes to the Office of Risk & Insurance Management (ORIM). The most significant change was the retirement of Ralph Maurer, State of California's Risk Manager.

Under the leadership of the incoming Office Chief, ORIM laid out its goals, objectives and strategies for the 2002/03 fiscal year. This document represents the results of those strategies and accomplishments of staff.

Organizational Structure

ORIM is divided into four operating units as depicted in the organization chart below:

- Insurance Services Unit
 - Health and Safety Unit
 - Claims Unit
 - Emergency Preparedness
-



Office Profile and Program Description

ORIM provides risk and insurance management services to state and other public entities on an ongoing or project-specific basis. The goal is to help agencies manage their exposures to accidental loss arising from general operations, employment, motor vehicle fleets, property ownership, asset financing and contractual commitments.

Insurance Services

The Insurance Services provides risk management consulting to state agencies with the goal of assisting agencies in managing their exposures to loss and protecting their assets by using the risk management techniques of risk control and risk financing. Such methods include transferring the risk contractually or buying insurance. Among the programs the staff helps to administer are:

- Department of Rehabilitation's Business Enterprise Program
- Department of Personnel Administration's Managers Life Insurance Program
- Owner-controlled insurance program for five construction projects

Continued on next page

Office Profile and Program Description, Continued

Claims Services Vehicle Liability Claims

Administers and adjusts third-party liability claims self-insured by the State Motor Vehicle Insurance Account. This service includes the investigation, evaluation, negotiation and payment of claims as well as the management of counsel in litigated matters.

Claims Adjusting/Management Services

Provides claims adjusting/management services for two clients:

- Foster Family Home and Small Family Home Insurance Fund (Department of Social Services) – administers and adjust third-party general liability claims.
- Department of General Services (DGS)– receives and coordinates the handling of all general liability tort and equity claims. Staff serves as a liaison between various DGS divisions/offices and the Victims Compensation and Government Claims Board.

Vehicle Damage Recovery Services

Pursues and collects on behalf of state agencies the costs of damages to state vehicles where the driver of the other vehicle is at fault.

Return To Work/Reasonable Accommodation

Provides assistance to the DGS and various boards and commissions in helping return the injured worker to work.. The staff is a resource for the Family Medical Leave Act, medical issues and reasonable accommodation assistance. The staff serves as the liaison with the State Compensation Insurance Fund.

Continued on next page

Office Profile and Program Description, Continued

Claims Services (continued)

Workers' Compensation Contract Management

On behalf of the Department of Social Services (CDSS) manages the interagency agreements with State Compensation Insurance Fund (SCIF) for claims administration services for the In-home Supportive Services (IHSS), California Welfare to Work (Calworks), and Food Stamp Employment Training (FSET) programs. Staff serves as the liaison with SCIF and CDSS to establish procedures and resolve disputes to the agreements. Staff analyzes legislation, performs audits and assists CDSS with forecasting costs.

Health & Safety

Statewide Health and Safety

- Provides the statewide training resources for:
 - Defensive Driver
 - First Aid/CPR
 - Automated External Defibrillator (AED)
 - Train-the Trainer Program for Ergonomics

- Provides the three-week Basic Safety Training Program for all state departments' Health and Safety Officers.

- Administers and conducts the annual Governor's Employee Safety Awards Program.

Department of General Services Health, Safety and Wellness

- Provides employees information on occupational safety requirements
 - Conducts emergency evacuation drills
 - Communicates through network of safety coordinators various health and safety issues
 - Conducts building site inspections to ensure compliance with CalOSHA regulations.
 - Develops health, safety, and wellness outreach and training programs for DGS employees.
 - Serve as DGS Workplace Violence Coordinator
 - DGS Gatekeeper for State Employee Mediation Program – intake, advise and refer cases to mediation.
 - Conduct ergonomic evaluations for all DGS Offices/Branches
-

Continued on next page

Office Profile and Program Description, Continued

Emergency Preparedness

- Develops and administers a DGS program for Emergency Preparedness, Disaster Planning and Emergency Reponse.
 - Provides training for DGS managers and staff on emergency preparedness issues.
 - Coordinate Emergency Preparedness activities with all pertinent DGS staff during an event.
 - Serves as the liaison for the Governor's Office of Homeland Security and the Office of Emergency Services during an event.
-

Major Accomplishments 2002-03 Fiscal Year

During the 2002-03 fiscal year, the Office of Risk and Insurance Management (ORIM) focused efforts on those activities that met the Office objectives. Following are the major accomplishments within each risk management area.

Officewide

1. GROWTH IN 2002-03

Three new programs were established and/or transferred to ORIM during the 2002/03 fiscal year:

- Established a departmental wellness coordinator position to develop a comprehensive statewide program;
- Established an Emergency Preparedness Manager to meet the requirements of the Governor's Office of Emergency Services; and
- Transferred the departmental Return to Work and Reasonable Accommodation Unit from the Office of Human Resources.

2. INCREASE IN SMALL BUSINESS (SB) AND DISABLED VETERAN BUSINESS ENTERPRISE (DVBE) PARTICIPATION GOALS

- Since 1998 the ORIM has made significant increases in the area of small business participation. Purchasing from certified small businesses increased from 81% to 92% through the end of fiscal year 2002/03.
- The Administration Unit conducted a search of certified DVBE in the areas of office supplies, printing and computer equipment. As a result of this effort, participation increased from .3% to 3% through the end of fiscal year 2002/03. Additionally, our participation for contracts of goods and services under \$25,000 increased from .4% to 7%.

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Information Technology

INFORMATION TECHNOLOGY PROJECTS

- Developed an ORIM intranet site for our Department of General Services' (DGS) employees.
 - Procured and installed a risk management information system for our claims unit. This new system provides many features such as online reporting, letter generation, and advanced reporting.
 - Developed a web-based training reservation system for our health and safety unit. This system replaces a manual labor-intensive process and provides the ability for state agencies to register students online, track, and monitor student training history for our health and safety classes.
 - Completed the upgrade of the office computers to Microsoft XP.
-

Major Accomplishments 2002-03 Fiscal Year, Continued

Insurance Services

1. DEVELOPED INSURANCE SERVICES UNIT BEST PRACTICES MANUAL

Unit established a standard methodology for serving our clients and working with vendors. By following the procedures, processes and practices contained in this manual, the Insurance Services Unit will be better able to serve clients in a consistent manner and demonstrate a professional approach in providing services to our clients.

2. INITIATED GROUNDWORK FOR MASTER BUILDERS RISK PROGRAM

The Insurance Unit worked with Real Estate Services Department (RES D) personnel to design and plan a Request for Proposal (RFP) for a Master Builders Risk Program. This Master Program would assure the completion of a project in the event of a fire or other destruction of the work in progress.

3. CONDUCTED CONTRACT TRAINING SEMINARS

Presented contract training as relative to insurance requirements, with the following departments:

Highway Patrol
Transportation

Parks & Recreation
Food & Agriculture

4. PARTICIPATED IN THE DETERMINATION OF ADEQUATE COVERAGE FOR POLLUTION LIABILITY

Participated in Request for Qualifications & Proposal (RFQP) with the California Environmental Protection Agency for Brownfield's "FAIR" program to assure availability of pollution liability coverage for smaller redevelopment projects.

Worked in conjunction with Coastal Conservancy, Legal Council and RES D to establish adequate pollution insurance requirements for redevelopment of Brownfield properties.

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Insurance Policies

MANAGED 189 VARIOUS POLICIES FOR STATE AGENCIES

- Purchased insurance for more than 40 state agencies and four California public entities during the period of July 1, 2002 through June 30, 2003.
- Types of coverages include general liability, automobile liability, workers' compensation, accident, disability and health insurance, life insurance, flood insurance, property insurance, professional liability, hull insurance, directors and officers liability, transit liability, public officials liability, fine arts insurance and various fidelity bonds.

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Claims

1. DEVELOPED WORKERS' COMPENSATION TRAINING MODULES AND CONDUCTED TRAINING FOR DEPARTMENTAL EMPLOYEES.

The Return-to-Work Unit developed and provided workers' compensation training to both supervisory and rank-and file employees. Supervisors and managers were introduced to their roles and responsibilities from the point when an employee sustains a work related injury through the return-to-work process. The rank-and-file employees were provided with a basic overview of the workers' compensation system, benefits structure and the claims process. A reference guide for rank and file employees was created in both English and Spanish.

2. CONDUCTED TRAINING AND DEVELOPED WEB PAGES FOR REASONABLE ACCOMMODATION AND FAMILY MEDICAL LEAVE ACT AND CALIFORNIA FAMILY RIGHTS ACT (FMLA/CFRA)

The Reasonable Accommodation and Medical Coordinator developed training modules to provide reasonable accommodation and FMLA/CFRA training to management, supervisory staff, personnel liaisons and consultants. Both modules include a PowerPoint Presentation and a reference guide. Two training classes have been provided this year.

Web pages specific to both FMLA/CFRA and Reasonable Accommodation were created on the ORIM website with links to pertinent forms and other important information.

3. RECOVERED DAMAGE COSTS TO THE CAPITOL

ORIM collaborated with the Office of the Attorney General in the successful resolution of the state's litigation against the trucking company responsible for the January 16, 2001 crash into the Historic State Capitol Building. The resulting fire and water damage repairs cost the taxpayers approximately \$10 million. Rich Beck of ORIM was instrumental in finalizing the negotiated settlement with the trucking company's insurance carrier, which realized a total payment to the state of \$9.75 million.

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Claims (continued)

4. DEVELOPED AND IMPLEMENTED LITIGATION MANAGEMENT PROCEDURES AND POLICIES

The foundation of cost effective litigation management is the proactive control and guidance of the investigation, evaluation, defense and the settlement of a claim. ORIM and the Office of the Attorney General jointly developed and implemented a litigation management plan to ensure effective teamwork between the two offices to strategically manage litigated claims from inception to resolution. As a result, new litigation handling procedures and policies have been established. Prior to implementation of this plan the Attorney General costs have been steadily increasing. Subsequent to the implementation of this program, costs have decreased by over \$200,000 from the previous fiscal year.

This table shows the Attorney General costs for the last four years.

Fiscal Year	Total Cases	Total Attorney General Costs
1999 – 2000	182	\$1,272,371
2000 – 2001	178	\$1,579,536
2001 – 2002	203	\$1,990,177
2002 - 2003	196	\$1,700,000

5. ASSISTED IN THE RENEWAL OF INTERAGENCY AGREEMENTS FOR IHSS AND CALWORKS

ORIM assisted in the preparation and negotiation of the three year interagency agreement for workers' compensation administration services between the Department of Social Services and State Compensation Insurance Fund for both the IHSS and CalWorks Programs. Beginning July 1, 2003, the encumbered amount for the three year workers' compensation agreement for the IHSS program totals \$136,099,125.00. The encumbered amount of the three year workers' compensation agreement for the CalWorks program totals \$4,500,000.

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Claims
(continued)

6. DEVELOPED AND PROVIDED WORKERS' COMPENSATION TRAINING TO COUNTY CALWORKS EMPLOYEES

ORIM teamed with State Compensation Insurance Fund to develop and provide workers' compensation training for County CalWorks coordinators in Sonoma County.

Claims
Statistics

PROGRAM	FY 2000-01	FY 2001-02	FY 2002-03
MOTOR VEHICLE LIABILITY			
Claims Opened	2,464	2,658	2509
Claims Closed	2,414	2,609	2690
Total Paid Claims	\$14,978,506	\$10,341,126	\$13,574,672
Average Claim Cost	\$6,205	\$3,964	\$5,046
FOSTER CARE LIABILITY INSURANCE			
Claims Opened	47	55	19
Claims Closed	74	85	60
Total Paid Claims	\$1,566,500	\$527,500	\$442,000
Average Claim Cost	\$21,169	\$6,206	\$7,367
DEPARTMENT OF GENERAL SERVICES			
Claims Opened	171	69	51
Claims Closed	164	103	59
Total Paid Claims	\$435,957	\$958,615	\$292,988
Average Claim Cost	\$2,658	\$9,307	\$4,966
TOTAL ALL PROGRAMS			
Claims Opened	2,682	2,782	2,579
Claims Closed	2,652	2,797	2,809
Total Paid Claims	\$16,980,963	\$11,827,241	\$14,309,660
Average Claim Cost	\$6,403	\$4,229	\$5,094

Major Accomplishments 2002-03 Fiscal Year, Continued

Claims Statistics

IHSS, FSET and CALWORKS

Program/Cost of Claims Paid	FY 2000-01	FY 2001-02	FY 2002-03
IHSS	\$25,340,096	\$28,786,097	\$38,407,856
CalWorks	\$ 962,074	\$ 770,803	\$ 726,781
FSET	\$ 9,649	\$ 17,011	\$ 5,532

DGS Workers Compensation Statistics

Fiscal Year	New Claims	Closed Claims	Total Cost
00/01	331*	453*	\$4,896,483.00
01/02	453	477	\$5,690,570.00
02/03	514	494	\$8,067,391.29

*Claim counts measured after November 1, 2000

Vehicle Damage Recovery

Fiscal Year	Amount Recovered for State Agencies
2000-01	\$1,239,927
2001-02	\$1,462,924
2002-03	\$2,084,654

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

DGS Reasonable
Accommodation

COMPLETED 27 REASONABLE ACCOMMODATIONS FOR THE 2002-2003 YEAR

REASONABLE ACCOMMODATIONS BY TYPE (AN ACCOMMODATION MAY REQUIRE MORE THAN ONE TYPE)	
JOBSITE MODIFICATION	3
RESTRUCTURE JOB DUTIES	9
ALTERNATE WORK	4
ASSISTIVE DEVICES	6
TELECOMMUTE	4
OTHER	4

DISABILITY DESCRIPTION (MAY BE MORE THAN ONE DISABILITY)	
PHYSICAL	20
HEARING	1
VISUAL	1
MENTAL	5
OTHER	1

COST OF ACCOMMODATIONS	
TOTAL ACCOMMODATIONS COST FOR 2002-2003	\$22,114
NO COST TO DEPARTMENT FOR 23 ACCOMMODATIONS	\$0
AVERAGE COST FOR 4 ACCOMMODATIONS	\$5,529

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Health, Safety & Wellness

The Health, Safety and Wellness activities are separated between what ORIM has accomplished internally for the Department of General Services (DGS) and externally to our client state and other public agencies:

DGS Health, Safety & Wellness

The mission of the DGS Health, Safety, and Wellness Program is to develop a program that ensures a safe environment and promotes health and wellness for department employees through outreach, awareness and training.

1. CONDUCTED HEALTH AND SAFETY SEMINARS:
 - Personal Safety, Anthrax Awareness, Fire Extinguisher
 - Workplace Violence
 - Police resource seminar by West Sacramento Police Department
 - NBC Dateline video, "Crowd Safety".

2. ESTABLISHED AN EMERGENCY EVACUATION TEAM FOR ZIGGURAT BUILDING
 - 120 employees throughout building trained in the duties floor and zone wardens
 - 20 employees trained in Basic First Aid/CPR and Automated External Defibrillator (AED) usage.

3. ESTABLISHED AND DEVELOPED CORE SAFETY TEAM
 - Each DGS Branch/Office designated a safety coordinator that reports to the DGS Safety Officer.
 - DGS Safety Officer conducted quarterly meetings to provide continuous training and information in compliance Title 8, General Safety Orders
 - Developed model Injury and Illness Prevention Plan and provided to DGS Office/Branch safety coordinators

4. INITIATED THE DGS WELLNESS PROGRAM

Initiated the wellness program for DGS in Sacramento promoting health, safety and nutrition through a health and wellness fair, various speakers on safety, health, and nutrition, and articles published in the OneDGS Newsletter.

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Statewide Health & Safety

1. PREMIERE OF NEW STATE DEFENSIVE DRIVER TRAINING

A new state defensive driver training video, “Managing Risk While Driving” was produced by the Office of Risk and Insurance Management and the California State University, Chico. This video was incorporated in to the State of California’s Defensive Driver Training Program. Employees who drive on state business are required to attend the class every four years. The program curriculum was designed and developed specifically to address risks faced by public workers who drive on the job.

2. FIRST AID/CARDIOPULMONARY RESUSCITATION TRAINING ENHANCEMENT

The State of California First Aid/Cardiopulmonary Resuscitation (FA/CPR) Training Program was enhanced by the addition of three new classes: the Automated External Defibrillator (AED) training, the FA/CPR Basic with AED Supplement and the FA/CPR Basic with Infant/Child Supplement.

3. DEPARTMENT OF TRANSPORTATION PARTNERSHIP

The Office of Risk and Insurance Management entered into a partnership with the Department of Transportation. The State Defensive Driver Training Program curriculum was incorporated into the Department of Transportation’s Maintenance Equipment Training Simulator Program giving maintenance workers specialized classroom as well as hands-on experience providing them with increased awareness of specific risks associated with the operation of vehicles and strategies to reduce those risks.

4. GOVERNOR’S EMPLOYEE SAFETY AWARDS

The Office of Risk and Insurance Management coordinated and hosted the 23rd Annual Governor’s Employee Safety Awards ceremony. This event recognizes outstanding performance of State of California departments, groups and individuals for improving job health and safety, responding to life threatening situations, and preventing and reducing the number of occupational injuries and vehicular accidents.

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Statewide
Health &
Safety
(continued)

5. WESTERN GOVERNMENT TECHNOLOGY CONFERENCE

The Health and Safety Unit participated in the Western Government Technology Conference as part of the Department of General Services' team. The new Defensive Driver Training program was showcased using the video characters from the video as the main theme for DGS' exhibit capturing the 2003 Conference "Best of Show" award..

Training
Statistics

PROGRAM/PERSONNEL TRAINED BY FISCAL YEAR

Program	2000-01	2001-02	2002-03
Basic Safety Training <i>Safety Coordinators Trained</i>	58	49	26
Defensive Driver Training			
<i>State Employees</i>			
Classroom	26,253	24,798	24,426
Individual	20	47	45
Van Driver Training	297	417	298
<i>Other Public Employees</i>			
Classroom	4,514	3,535	2,463
Individual	6	5	34
Van Driver Training	52	0	90
Total Students Trained	31,142	28,802	27,356
Basic/Recertification First Aid/CPR Training			
<i>State Employees</i>	2,746	3,117	2,190
<i>Other Public Employees</i>	57	53	78
Total Students Trained	2,803	3,170	2,268
Ergonomics Train the Trainer (new training to state agencies)			100
Total of All Programs	33,970	32,021	29,750

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Emergency Preparedness

1. EMERGENCY PREPAREDNESS WEBSITE

The DGS Emergency Preparedness website was established at <http://msd.dgs.ca.gov/EmergencyPreparedness/default.htm>. This website provides emergency preparedness information to DGS employees.

2. DGS EMERGENCY PREPAREDNESS ROLES AND RESPONSIBILITIES

Issued DGS Administrative Order 03-03, Emergency Preparedness Responsibilities and Services. This Administrative Order outlines the policy, assignments and functions for DGS with respect to emergency preparedness, response, recover and mitigation.

3. SECURITY MEASURES AT THE ZIGGURAT

Implemented enhanced security measures at the Ziggurat to ensure safety and security for departmental employees and visitors to the building.

4. OFFICE OF EMERGENCY SERVICES (OES) GRANT

The DGS was awarded an \$85,000 grant by the OES to update our Continuity Business Plan (CBP). This planning effort will streamline the DGS response to a disaster as a form of Continuity of Government (COG) in relation to the DGS CBP and is reported to the OES. The revised DGS CBP will be available in December 2003.

Continued on next page

Major Accomplishments 2002-03 Fiscal Year, Continued

Emergency Preparedness (continued)

5. STATEWIDE EMERGENCY MANAGEMENT SYSTEM TRAINING

Coordinated the OES' Statewide Emergency Management System (SEMS) training for managers and supervisors. This training was required by the OES for consistency with our Administrative Order and the State Emergency Plan.

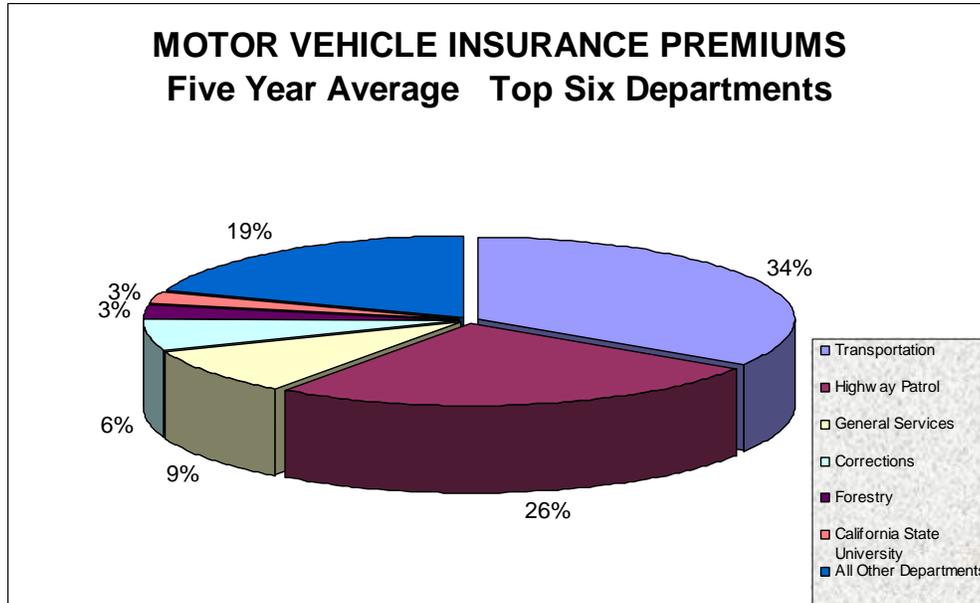
6. EMERGENCY PREPAREDNESS AWARENESS

The DGS Managers and Supervisors also attended Emergency Preparedness Awareness training as a supplement to the OES SEMS training. This training was conducted statewide prior to the 9-11 anniversary.

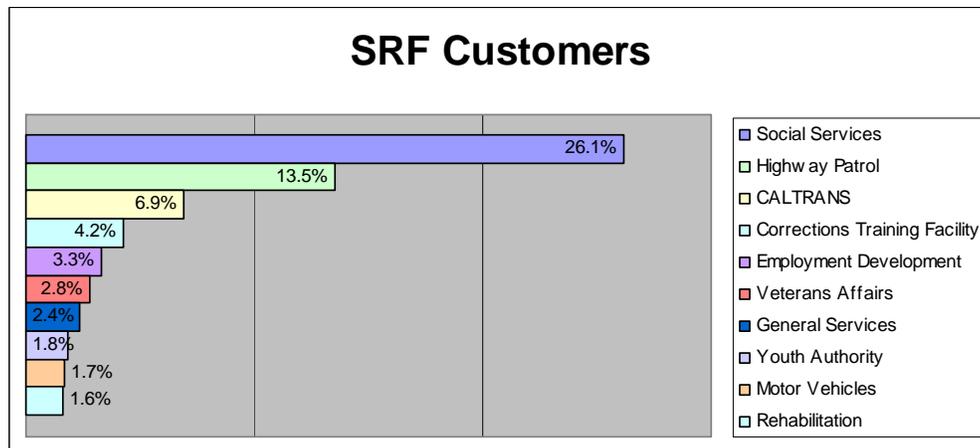
Financial Picture

Customer Base Motor Vehicle Insurance Account Customers

The chart below illustrates ORIMs Motor Vehicle Insurance Account (MVIA) customers in terms of dollar volume of business (premiums paid).



Service Revolving Fund Customers (all other programs)



Continued on next page

Financial Picture, Continued

Operating Income and Expense 2002-2003

INCOME/EXPENSE	BUDGETED	ACTUAL
Income :		(Projected)
Operating Revenue	2,540,642	2,165,363
Reimbursements	4,228,000	4,535,336
Total Income:	6,768,642	6,700,699
Less Expenses:		
Personal Services	2,333,000	2,267,003
Expense Ledger Total	4,547,879	4,243,470
Total Expenses:	6,880,879	6,510,473

Motor Vehicle Insurance Fund

The revenues deposited into the Motor Vehicle Insurance Account provide funds to administer the costs of the program. Costs include defensive driver training education, investigation, defense, and payment of claims.

	Actual 2000/01	Actual 2001/02	Budget 2002/03	Projected 2002/03
BEGINNING RETAINED EARNINGS	\$13,729	\$11,484	\$13,008	\$13,008
Prior Year Adjustments	217	269	0	(68)
Retained Earnings, Adjusted	\$13,946	\$11,753	\$13,008	\$12,940
REVENUES AND TRANSFERS				
Miscellaneous Revenue	\$16,624	\$16,668	\$15,632	\$15,706
Total Revenues and Transfers	\$16,624	\$16,668	\$15,632	\$15,706
EXPENDITURES				
Administrative Costs	\$2,357	\$2,214	\$2,382	\$2,536
Attorney General Charges	\$1,579	\$1,990	\$1,512	\$1,700
Claim Payments	\$14,978	\$10,341	\$16,670	\$13,575
Total Expenditures	\$18,914	\$14,545	\$20,564	\$17,811
ENDING RETAINED EARNINGS	\$11,656	\$13,876	\$8,076	\$10,835