

State of California

Office of
Risk and
Insurance
Management

Annual Report

FISCAL PERIOD 1998-99

Contents

	PAGE
INTRODUCTION	1
What is ORIM?	1
What Is Risk Management?	1
ORIM's Mission Statement	2
PRINCIPAL ACCOMPLISHMENTS FOR FISCAL PERIOD 1998-99	3
1. Managed insurance programs worth \$30 million in premiums and self-insured claims worth \$40 million for the majority of state agencies	4
2. Executed written service agreements with one of its insurance brokers	5
3. Renegotiated the earthquake insurance program for the Department of Veterans Affairs (CDVA) at significant savings to the State	5
4. Appointed a Small Business Advocate within ORIM	5
5. Commissioned a study on insurance requirements for bond-funded buildings	6
6. Implemented the Fast Action Settlement Technique (FAST) desk in the Vehicle Claims Liability Unit	6
7. Conducted our First Annual Risk Management Conference on October 15-16, 1998	6
8. Established an internet-based Certificate Tracking Pilot Program	7
9. Expanded our role in vehicle damage recovery activities to offer our services to all State agencies effective July 1, 1999	7
10. Assisted in development and implementation of DGS' Workplace Violence Prevention Policy	7
11. Upgraded hardware and performed Y2K testing, evaluating and reporting on ORIM's systems	8
12. Hired a full-time computer systems administrator	8

	PAGE
13. Published the second edition of the CalRisk Notes newsletter	8
14. State Risk Manager Ralph Maurer was elected President of the State Risk and Insurance Management Association (STRIMA) for the September 1999–September 2000 term	8
MAJOR PROGRAMS AND SERVICES	9
1. Insurance Services Unit	10
2. Loss Control Unit	11
3. Vehicle Liability Claims Unit	12
4. General Liability Claims Unit	13
5. Administration Unit	14
6. Major Programs	15
<i>California Department of Social Services</i>	15
<i>Department of Veterans Affairs—Cal-Vet Homeowners Program</i>	16
<i>Department of Rehabilitation—Business Enterprise Program</i>	16
Organization Chart	10
Table 1 ORIM’s Ten Largest Insurance Programs	4
Table 2 Program/Personnel Trained	12
Table 3 Claims Unit Statistics	14
Table 4 IHSS and GAIN Statistics	16
Table 5 Cal-Vet/CDVA Homeowner Program Claim Statistics	16
Table 6 Schedule of Insurance Premiums for the Business Enterprise Program (BEP)	17
Table 7 Schedule of Property and Liability Insurance Premiums	18
Table 8 Schedule of Life, Health and Disability Insurance Premiums	19
Table 9 Summary Schedule of All Insurance Premiums	19
Table 10 Summary Schedule of All Self-Insured Claims Managed by ORIM	19

Introduction

WHAT IS ORIM?

The Office of Risk and Insurance Management (ORIM), is part of the California Department of General Services (DGS)¹. For over 40 years, ORIM has provided insurance procurement, claims adjusting services, safety training, loss control, contract management² and other risk management services for agencies within the State of California and for other public agencies. ORIM purchases over \$30 million of insurance premiums and manages \$40 million of self-insured claims for its government clients.

ORIM provides services either on an on-going or project-specific basis and is funded totally from fees charged to the various state agencies for its risk and insurance services. ORIM can also provide these services to cities, counties and joint power authorities.

ORIM is entirely distinct from the Department of Insurance (CDI)³, which regulates insurance commerce in California. ORIM operates as the risk management department for most state agencies and departments. By applying the principles of risk management, ORIM seeks to reduce the state's total cost of risk.

WHAT IS RISK MANAGEMENT?

Risk management is the process of making and implementing decisions that will minimize the adverse effects of accidental and business losses on an organization. The risk management process includes: (1) identifying and analyzing exposures to accidental losses, (2) examining feasible alternative risk management techniques, (3) selecting and implementing the apparently best

¹ <http://www.dgs.ca.gov>

² Including the management of (1) interagency agreements, such as the CDSS workers' compensation contracts (2) contract approval and review, such as for hazardous contracts and (3) new project contracts, such as OCIPs.

³ <http://www.insurance.ca.gov>

risk management techniques, and (4) monitoring the results of the chosen techniques. In other words, risk managers determine where losses can occur and find appropriate mechanisms to eliminate or keep losses at manageable levels.

Techniques for handling exposures to loss include avoiding or eliminating activities that might cause a loss, controlling or preventing a loss, transferring the liability for a loss to someone else and financing expected losses through insurance or self-funding.

Avoiding or eliminating a loss is as simple as just not doing the activity that could cause a loss. Prevention generally involves modifying premises to keep the loss from occurring or to minimize the cost of losses that do occur. Control usually involves active participation in control activities such as safety management, compliance with Cal/OSHA requirements, safety meetings and safety incentives such as safety awards programs. When properly written, contracts may be used to transfer risk of loss to another person or entity, and risk financing can be accomplished by either purchasing insurance or self-funding. For many years, it has been the practice of the state to avoid purchase of commercial insurance except where it is required by statute, bond or contract.

ORIM helps state and public agencies manage their exposures to loss and reduce their total cost of risk. Loss exposures can include, but are not limited to, operation of motor vehicles on business, ownership of buildings or other personal property, planned functions and general operations of the agency. Loss exposures also can arise out of contractual arrangements with outside parties.

ORIM'S MISSION STATEMENT

To create a partnership between the Office of Risk and Insurance Management (ORIM) and its clients and to act as a resource for quality risk management services to state agencies and other clients. On a consistent basis, ORIM shall provide continually improving services in a responsive and knowledgeable manner that results in a high degree of customer satisfaction.

Principal Accomplishments for Fiscal Period 1998–99

During the fiscal period 1998–99, ORIM accomplished the following:

1. Managed insurance programs worth \$30 million in premiums and self-insured claims worth \$40 million for the majority of state agencies.
2. Negotiated written service agreements with one of its insurance brokers.
3. Renegotiated the earthquake insurance program for the Department of Veterans Affairs (CDVA) at significant savings to the state.
4. Appointed a Small Business Advocate within ORIM.
5. Commissioned a study on insurance requirements for bond-funded buildings.
6. Implemented the Fast Action Settlement Technique (FAST) desk in the Vehicle Claims Liability Unit.
7. Conducted the First Annual Risk Management Conference on October 15–16, 1998.
8. Established an internet-based Certificate Tracking Pilot Program.
9. Expanded our role in vehicle damage recovery activities to offer our services to all state agencies effective July 1, 1999.
10. Assisted in development and implementation of DGS' Workplace Violence Prevention Policy.
11. Upgraded computer hardware and performed Y2K testing, evaluating and reporting on ORIM's systems.

12. Hired a full-time computer systems administrator.
13. Published the second edition of CalRisk Notes newsletter.
14. State Risk Manager Ralph Maurer was elected President of the State Risk and Insurance Management Association (STRIMA) for the September 1999–September 2000 term.

1. MANAGED INSURANCE PROGRAMS WORTH \$30 MILLION IN PREMIUMS AND SELF-INSURED CLAIMS WORTH \$40 MILLION FOR THE MAJORITY OF STATE AGENCIES

While state agencies are not required to purchase insurance through ORIM, most continue to do so. ORIM provides insurance and claims expertise in assisting state and public agencies with their insurance and risk management needs.

ORIM purchased insurance for more than 50 state agencies and 2 California public entities during the period July 1, 1998 through June 30, 1999.

ORIM managed the state’s self-insured motor vehicle liability claims. In addition, we provided claim adjusting services for general liability claims for the County of Sacramento, Department of Social Services⁴, Department of Veterans Affairs⁵ and California State University⁶.

TABLE 1

ORIM'S TEN LARGEST INSURANCE PROGRAMS		
DEPARTMENT/AGENCY	INSURANCE PROGRAM	1998-99 ANNUAL PREMIUMS
Department of Veterans Affairs	Life and Disability	\$11,316,113
Department of Personnel Administration	Life, Disability, Accident	\$8,376,953
Department of Veterans Affairs	Homeowners Property Catastrophe	\$3,206,048
California Housing Finance Authority (CHFA)	Earthquake and Flood	\$2,531,926
Department of Corrections	Property and Liability	\$1,016,483
Business Enterprise Program (DOR)	Life/Health and Property/Liability	\$981,686
State Master Policy	Liability & Excess	\$273,540
State Teachers Retirement System (STRS)	Fiduciary and Bond	\$270,063
State Master Policy	Property	\$227,314
Capitol Area Development Authority (CADA)	Package and Liability	\$130,230
Total		\$28,330,356

⁴ <http://www.dss.cahwnet.gov>

⁵ <http://www.ns.net/cadva>

⁶ <http://www.calstate.edu>

A summary of the insurance policies purchased by ORIM for all state and government agencies is provided in the Appendix.

2. NEGOTIATED WRITTEN SERVICE AGREEMENTS WITH ONE OF ITS INSURANCE BROKERS.

ORIM negotiated a written service agreement with one of its insurance brokers. These agreements provide for minimum qualifications, adherence to required services and negotiated value-added services. All brokers are required to provide annual stewardship reports summarizing their services and the insurance policies brokered. ORIM carefully monitors each contract and ensures broker compliance.

During FY 98-99, Robert F. Driver Co., Inc. was selected through a competitive process as the broker to handle the Business Enterprise Program's property, liability and excess workers' compensation coverage.

3. RENEGOTIATED THE EARTHQUAKE INSURANCE PROGRAM FOR THE DEPARTMENT OF VETERANS AFFAIRS (CDVA) AT SIGNIFICANT SAVINGS TO THE STATE.

CDVA is required by law to maintain an indemnity fund to indemnify Cal-Vet contract holders against the cost of repairing damage caused by flood, earthquake or other perils, such as mudslide, not covered by fire and hazard insurance. ORIM renewed the earthquake coverage and obtained coverage over two years, which resulted in substantial savings over the previous one-year coverage rate.

4. APPOINTED A SMALL BUSINESS ADVOCATE WITHIN ORIM.

The role of the Small Business Advocate is to encourage participation of small businesses in ORIM contracts and day-to-day purchases. The Small Business Advocate encourages current contractors to apply for small business certification through the Office of Small Business Certification & Resources (OSBCR)⁷. The Small Business Advocate attends quarterly meetings at OSBCR, includes small business preference in bid packages and works with other advocates to develop lists for ordering equipment and supplies.

⁷ <http://www.dgs.ca.gov/osbcr>

5. COMMISSIONED A STUDY ON INSURANCE REQUIREMENTS FOR BOND-FUNDED BUILDINGS.

The objective of the study was to identify and evaluate alternatives to insurance required by indenture covenants and related lease agreements of lease-revenue bonds issued by the State Public Works Board (SPWB).

Lease-revenue bonds issued by SPWB require the state to purchase property, rental-interruption and public liability insurance in amounts and with deductibles specified within the bond indentures. The study recommended that the state should self-insure the public liability insurance and should use higher deductible levels for property insurance. Recommendations will be made to SPWB, Department of Finance⁸ and State Treasurer⁹. Implementation of these recommendations is expected to result in substantial savings on future SPWB projects.

6. IMPLEMENTED THE FAST ACTION SETTLEMENT TECHNIQUE (FAST) IN THE VEHICLE CLAIMS LIABILITY UNIT.

A significant percentage of the over 2000 motor vehicle accident claims received each year involve property damage valued at less than \$10,000 per claim. The FAST desk was implemented to quickly process small property damage and automobile liability claims where the state was at-fault. With one dedicated adjuster, these claims are resolved quickly with minimal administrative expense, thereby providing superior customer service for our claimants and clients.

7. CONDUCTED THE FIRST ANNUAL RISK MANAGEMENT CONFERENCE ON OCTOBER 15-16, 1998.

A total of 125 participants from 35 state agencies attended our first risk management conference. The objective of our conference was to provide an overview of risk management and to educate our government clients on managing risks in their daily operations. Held over two days, topics included What is Risk Management?, Ergonomics, Disaster Planning, Construction Safety, Workplace Violence Prevention, Basic Accident Investigation and many more. Due to the success of the initial conference, the Second Annual Conference will be held in October of 1999.

⁸ <http://www.dof.ca.gov>

⁹ <http://www.treasurer.ca.gov>

8. ESTABLISHED AN INTERNET-BASED CERTIFICATE TRACKING PILOT PROGRAM.

ORIM is responsible for review and approval of contracts for work defined as hazardous¹⁰ in Section 3.12 of the State Contracting Manual. In order to assist state agencies in their contracting efforts, ORIM established a web-based pilot program to expedite verification of insurance requirements in state contracts. The program includes a centralized database, which is accessible through a secured website. Contract Analysts throughout the state will be able to verify the types and amounts of insurance maintained by vendors contracting with the state. The program saves time, reduces paperwork and provides a centralized source of information in the event of a claim.

9. EXPANDED ROLE IN VEHICLE DAMAGE RECOVERY ACTIVITIES TO OFFER OUR SERVICES TO ALL STATE AGENCIES EFFECTIVE JULY 1, 1999.

Historically, ORIM handled recovery of damages from parties who damage state vehicles. In addition, ORIM sought recovery for damage to DGS property. In 1992, the responsibility for subrogation for vehicle claims was shifted to each individual department. Effective July 1, 1999, ORIM will once again assume the duties of vehicle damage recovery for the state departments. In addition, ORIM is available to assist departments with property damage recovery.

10. ASSISTED IN DEVELOPMENT AND IMPLEMENTATION OF DGS' WORKPLACE VIOLENCE PREVENTION POLICY.

It is the policy of DGS to provide a safe and secure work environment with zero tolerance for violence, threats, harassment, or intimidation in the workplace. The Departmental Safety Officer, who is a member of ORIM, is a member of DGS' Workplace Violence Team. The team developed policies and procedures to combat workplace violence. ORIM's role is to coordinate the team's work and assist in determining the risk to the employees and DGS.

¹⁰ See the "State Contracting Manual" at <http://www.dgs.ca.gov/ols>

11. UPGRADED HARDWARE AND PERFORMED Y2K TESTING, EVALUATING AND REPORTING ON ORIM'S COMPUTER SYSTEMS

ORIM upgraded desktop computers to enhance processor speed and added new software. ORIM initiated Y2K testing, evaluating and reporting in conjunction with the Information Technology department. The system administrator reviewed and tested computer hardware, as well as ORIM's extensive inventory of software. The system administrator concluded that ORIM's critical systems are Y2K compliant.

12. HIRED A FULL-TIME COMPUTER SYSTEMS ADMINISTRATOR.

ORIM hired a full time systems administrator on December 1, 1998 to handle all of all of ORIM's information technology needs. The system administrator's duties include: monitoring and maintaining the local area network, providing user support for hardware and software, maintaining ORIM's web site and interface with DGS's Information Technology department. The systems administrator is familiar with ORIM's technology needs, as he has worked on ORIM computer systems on a consulting basis for 5 years while employed by GE Capital IT Solutions.

13. PUBLISHED THE SECOND EDITION OF CALRISK NOTES NEWSLETTER.

The second edition of ORIM's newsletter, CalRisk notes, was issued in the spring of 1999. Topics included an overview of Owner-Controlled Insurance Programs, state auto accident statistics, a story on negligence and a summary of the First Annual Risk Management Conference.

14. STATE RISK MANAGER RALPH MAURER WAS ELECTED PRESIDENT OF THE STATE RISK AND INSURANCE MANAGEMENT ASSOCIATION (STRIMA).

ORIM is proud to announce that the State Risk Manager, Ralph Maurer, has been elected as President of STRIMA¹¹ for the September 1999—September 2000 term. The Association brings together risk and insurance managers of state governments into an organization to promote the advancement of risk management principles and practices in the public sector. California will host the Annual STRIMA convention in Monterey.

¹¹ <http://www.strima.org>

Major Programs and Services

ORIM provides risk and insurance 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 such sources as general operations, employment, motor vehicle fleets, property ownership, asset financing and contractual commitments. ORIM's principal services to other agencies include:

1. **Insurance Procurement** — Purchasing and monitoring \$30 million of insurance policies for the majority of state agencies. ORIM also purchases a number of insurance policies for other public agencies.
2. **Claims Administration** — Processing over 6,300 accident reports and adjusting over 1,900 claims annually for the state's motor vehicle fleet. Managing the general liability claims of several public agencies.
3. **Safety and Training Services** — Providing defensive driver training, basic safety training, Cardio-Pulmonary Resuscitation (CPR) and first aid training classes for state and public agencies.
4. **Vendor Management** — Assisting public agencies identify and select risk management services, conduct Request For Proposals (RPF) and monitor performance of vendors.
5. **Contractual Review** — Assisting public agencies with risk retention or contractual risk transfer by reviewing contracts and recommending appropriate language.
6. **Risk Consulting** — Reviewing potential risks and recommending loss control, alternative procurement and risk transfer mechanisms.

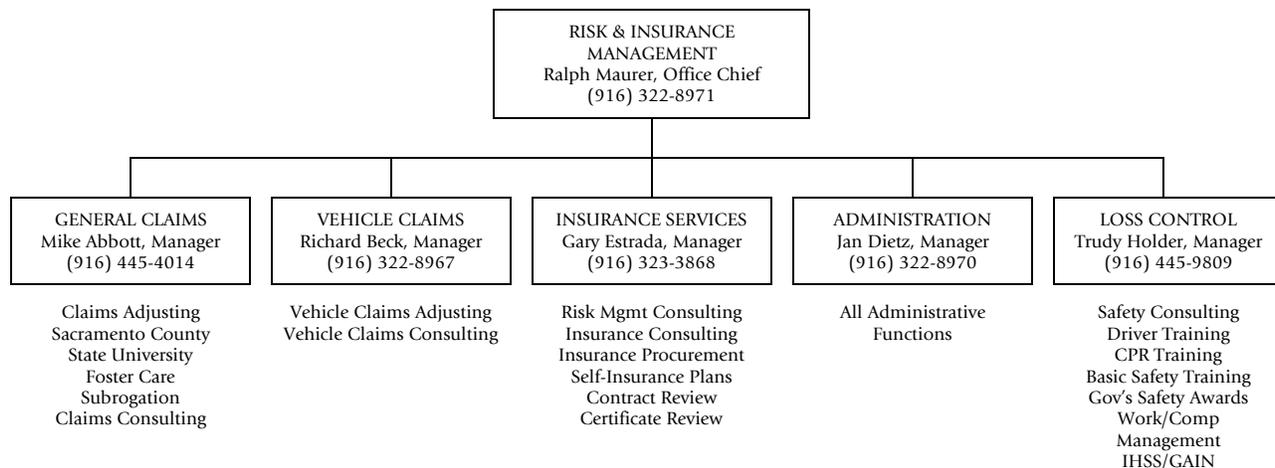
As shown in the organization chart on the following page, ORIM is divided into four major operating units that provide insurance and risk management services to state agencies:

- ◆ Insurance Services Unit
- ◆ Loss Control Unit
- ◆ Vehicle Liability Claims Unit
- ◆ General Liability Claim Unit

Department of General Services
OFFICE OF RISK AND INSURANCE MANAGEMENT

(916) 445-2184

April 15, 1999



The above operating units are supported by an Administrative Unit. Descriptions and key statistics for the four operating units and three special programs (Department of Social Services, Department of Veterans Affairs, Business Enterprise Program) follow.

1. INSURANCE SERVICES UNIT

ORIM procures insurance policies from most state agencies. On a total premium basis, ORIM's largest client is the Department of Veterans Affairs (CDVA). ORIM assisted CDVA in negotiating a life and disability insurance program with annual premium of \$11 million in FY 98-99. ORIM also places insurance for two CDVA homeowners programs with total premiums of \$3.2

million. ORIM's second largest client is the Department of Personnel Administration (DPA)¹². ORIM purchased life, accident and disability policies for the DPA with total premiums of \$8.4 million.

In addition to administering insurance and risk management programs, the ORIM serves as consultants to State and other public agency managers. As consultants, ORIM provides analysis and advice in a wide range of topics related to insurance issues, self-insurance, safety issues such as loss prevention and reduction, and other risk management matters involving financial considerations. The advice that ORIM provides may range from answering a technical question over the telephone, to writing a detailed formalized report.

In all, ORIM serves the insurance and risk management needs of the majority of state departments. A summary of all the insurance premiums purchased or negotiated by ORIM for the past three years is shown in the Schedule of Insurance Premiums at the end of this report.

2. LOSS CONTROL UNIT

The Loss Control Unit administers the state's defensive driver training, basic safety training and first aid/CPR training programs. The defensive driver training and first aid/CPR training programs are available to state agencies, public entities and non-profit organizations. Table 2 summarizes training statistics for the 1998-99 and the two prior fiscal periods.

¹² <http://www.dpa.ca.gov>

TABLE 2

PROGRAM/PERSONNEL TRAINED FISCAL YEARS 1995-96, 1996-97 and 1997-98				
		FY 1996-97	FY 1997-98	FY 1998-99
1. BASIC SAFETY TRAINING				
Safety Coordinators Trained		51	45	22
2. DEFENSIVE DRIVER TRAINING				
State Employees	—Classroom	18,499	21,940	23819
	—Individual	20	42	251
Subtotal		18,519	21,982	31
				24101
Other Public Employees	—Classroom	3,413	3,095	4510
	—Individual	27	62	15
Subtotal		3,440	3,157	4525
Total Defense Driver Training		21,959	25,139	28626
3. BASIC FIRST AID/CPR TRAINING				
State Employees		3,147	2,439	2243
Other Public Employees		144	54	12
Subtotal		3,291	2,493	2255
CPR Recertification (First Aid included)		567	348	321
Total Basic First Aid/CPR/Recertification		3,858	2,841	2576
TOTAL ALL PROGRAMS (1+2+3)		25,868	28,025	31224

The Loss Control Unit also manages three workers' compensation programs for the Department of Social Services (CDSS). These programs, In-Home Supportive Services (IHSS), California Work Opportunity and Responsibility to Kids (CalWORKs) and Food Stamp Employment Training Program (FSET), will be discussed in further detail later in this report.

In addition to training classes and workers' compensation claims management, the Loss Control Unit conducts the annual Governor's Employee Safety Awards (GESA), which recognizes departments, groups and individual state employees who excel in the areas of safety and loss control. Other annual events include the Health and Safety Fair and the Poker Walk, which is a one-mile walk for prizes around the perimeter of Capitol Park.

The Department Safety Officer identifies, evaluates and makes recommendations regarding workplace hazards at all DGS' locations and assists other agencies in providing safety information and consulting. The Departmental Safety Officer also has an important role in combating workplace violence.

3. VEHICLE LIABILITY CLAIMS UNIT

Since 1977, the State of California has self-insured its motor vehicle liability risks. ORIM administers a formal self-insurance program, which duplicates most of the functions of automobile insurance companies. The Vehicle

Liability Claims Unit administers the State Motor Vehicle Liability Self-Insurance Program (VELSIP). In addition, the unit adjusts physical damage claims for vehicle owned or leased by the state for use by members of the legislature.

The claims adjusters determine if the state is at fault, evaluate the nature and extent of damages and negotiate settlements. Legal representation is handled by the Attorney General or by the Department of Transportation Legal Division.

4. GENERAL LIABILITY CLAIMS UNIT

The General Liability Claims Unit administers the claims for the following programs:

- ◆ California State University (CSU) Risk Management Authority—Tort liability claims for all CSU campuses.
- ◆ California Department of Social Services—Tort liability claims for the Foster Family Home and Small Family Home Insurance Fund.
- ◆ County of Sacramento—Tort liability claims that do not exceed \$5,000.
- ◆ Subrogation—Vehicle damage recovery for state agencies and property damage recovery for DGS.

Table 3 summarizes ORIM's claims statistics for the last three fiscal years.

TABLE 3

CLAIMS UNIT STATISTICS			
COST OF CLAIMS EXCLUDING ADJUSTING AND LEGAL COSTS FOR ALL PROGRAMS			
PROGRAM	FY 1996-97	FY 1997-98	FY 1998-99
MOTOR VEHICLE LIABILITY			
Claims Opened	1,698*	2,784	1,939
Claims Closed	2,282*	3,557	2,277
Total Paid Claims	\$11,178,980*	\$12,935,599	\$10,459,383
Average Claim Cost	\$4,899*	\$3,637	\$4593
FOSTER CARE LIABILITY INSURANCE			
Claims Opened	82*	50	46
Claims Closed	49*	48	50
Total Paid Claims	\$1,247,859*	\$1,247,506	\$2,007,297
Average Claim Cost	\$25,467*	\$25,990	\$40,146
CSU RISK MANAGEMENT AUTHORITY*			
Claims Opened (1/96-7/97 only)	1,673*	606	278
Claims Closed	968*	659	250
Total Paid Claims	\$101,535*	\$4,902,003	\$2,985,948
Average Claim Cost	\$105*	\$7,439	\$11,944
SACRAMENTO COUNTY PROPERTY DAMAGE LIABILITY			
Claims Opened (1/96-7/97 only)	507*	546	447
Claims Closed	454*	666	625
Total Paid Claims	\$157,838*	\$188,916	\$198,087
Average Claim Cost	\$348*	\$284	\$317
TOTAL ALL PROGRAMS			
Claims Opened	3960	3986	2710
Claims Closed	3753	4930	3202
Total Paid Claims	\$12,686,212	\$19,274,024	\$15,650,715
Average Claim Cost	\$3,354	\$3,910	\$4,888

* Includes prior claims transferred into ORIM's claims system.

5. ADMINISTRATION UNIT

The Administration Unit is the main liaison between ORIM and other offices within DGS, the Administration Unit provides a wide range of administrative support for ORIM. Activities include:

- ◆ All fiscal matters, including development of the office budget
- ◆ Preparation of contract bids proposals and development of contracts
- ◆ Procurement of supplies and facilities operations
- ◆ Coordinating human resources functions such as employee benefits and recruitment
- ◆ Managing information technology
- ◆ Planning the annual risk management conference and publishing ORIM's newsletter.

6. MAJOR PROGRAMS

Major programs handled by ORIM include the following:

California Department of Social Services (CDSS)

ORIM manages three workers' compensation insurance programs on behalf of CDSS:

- ◆ In-Home Supportive Services (IHSS)
- ◆ California Work Opportunity and Responsibility to Kids (CalWORKs)
- ◆ Food Stamp Employment Training Program (FSET)

IHSS provides home health care to eligible aged, blind and disabled individuals who would otherwise be unable to care for themselves at home. The home care providers, while not employees of the state, are considered employees for workers' compensation purposes. There are approximately 160,000 IHSS providers throughout the state.

CalWORKs is California's welfare-to-work program, which replaced the Greater Avenues for Independence (GAIN) program. CDSS provides workers' compensation coverage for those individuals involved in unpaid, unsubsidized work activities. Approximately 140,000 participants are covered through this program.

Some individuals who receive food stamps are required to enroll in the FSET program. CDSS covers individuals in work activities connected with the program. Approximately 15,000 participants are covered through this program.

CDSS self-insured these programs and ORIM arranged for the workers' compensation claims to be adjusted by State Compensation Insurance Fund via Interagency Agreement. ORIM negotiated and managed the contracts, provided legislative analysis, maintained loss statistics, conducted claims audits for the programs and assisted CDSS with forecasting of workers' compensation costs.

A summary of the costs is provided in Table 4.

TABLE 4

IHSS AND GAIN STATISTICS			
PROGRAM	FY 1996-97	FY 1997-98	FY 1998-99
IHSS			
Number of Claims	960	1,067	1,091
Cost of Claims Paid	\$14,689,588	\$16,744,347	\$17,625,928
Average Claim Cost	\$15,302	\$15,693	\$16,156
CalWORKs/GAIN			
Number of Claims	277	259	283
Cost of Claims Paid	\$843,499	\$962,970	\$1,169,922
Average Claim Cost	\$3,045	\$3,718	\$4,134
FSET			
Number of Claims	N/A	0	0
Cost of Claims Paid	N/A	\$0	\$0
Average Claim Cost	N/A	N/A	N/A

Department of Veterans Affairs – Cal-Vet Homeowners Program

ORIM manages self-insured fire, earthquake and flood claims under the Cal-Vet's homeowners program. The Cal-Vet homeowners program provides broad fire and disaster indemnity protection with low deductibles and affordable premiums for more than 40,000 veterans in California. ORIM arranged for the adjustment of claims in FY 97-98 and FY 98-99 by General Adjusting Bureau (GAB). A summary of claims statistics is provided in Table 5.

TABLE 5

CAL-VET/CDVA HOMEOWNER PROGRAM CLAIM STATISTICS			
PROGRAM	10/31/1996-97	10/1/1997-98	10/1/1998-99*
Fire & Hazard			
Number of Claims	3,111	3500	2018
Total Incurred Claims	\$6,568,964	\$6,996,184	\$6,178,276
Average Incurred Claim Cost	\$2,112	\$1,999	\$3,062
Premium Paid	\$622,000	\$531,547	\$478,390
	4/9/1996-97	4/9/1997-98	4/9/1998-99*
Earthquake & Flood			
Number of Claims	113	44	0
Total Incurred Claims	\$2,092,132	\$615,169	\$0
Average Incurred Claim Cost	\$18,514	\$13,981	N/A*
Premium Paid	\$3,906,900	\$2,674,000	\$2,727,658

*Figures not available for the period after 3/1/99.

Department of Rehabilitation—Business Enterprise Program

The purpose of Business Enterprise Program (BEP) is to train, license and provide business opportunities to legally blind adults who operate vending stands and food-service facilities. This program, through the California

Department of Rehabilitation (DOR)¹³, is funded through state and federal funds.

ORIM manages the program for property and liability insurance covering the vendors' exposures. In addition, ORIM also arranges coverage for life, health and excess workers' compensation insurance for the vendors. A summary of insurance premiums is provided in Table 6.

TABLE 6

SCHEDULE OF INSURANCE PREMIUMS FOR THE BUSINESS ENTERPRISE PROGRAM (BEP)			
INSURANCE	FY 1996-97	FY 1997-98	FY 1998-99
Property & Liability	\$ 153,707	\$ 136,194	\$ 143,523
Excess Workers' Compensation	25,350	21,793	20,129
Life, Health & Disability	899,220	871,647	871,647
Total	\$1,078,277	\$1,029,634	\$1,035,299

¹³ <http://www.rehab.cahwnet.gov>

TABLE 7

SCHEDULE OF PROPERTY AND LIABILITY INSURANCE PREMIUMS			
	FISCAL PERIOD 1995-96	FISCAL PERIOD 1996-97	FISCAL PERIOD 1997-98
1a District Agricultural Association	\$ 10,971	\$ 6055	\$ 4,802
22 District Agricultural Association	759		
Afro American Museum	6,097	5,389	11,939
Business Enterprise Program	179,057	136,194	110,039
California Museum Of Science & Industry	55,413	51,342	17,038
California PUC Commission		18,073	
California State Building Authority	33,029		
California State University [CSU]			
California Towers	24,600	22,419	11,595
Capitol Area Development Authority	193,195	190,280	130,230
Century Freeway Housing		1,923	1,870
Conservation	3,414	927,438	1,016,481
Corrections	963,796	9,307	22,625
Developmental Disability Boards	11,825	1,483	1,483
Developmental Services	1,483		3,341
Developmental Vocational Institute	2,839	44,721	37,918
East Bay State Building Authority	46,556	132,991	
Equalization, Board of	130,457	12,784	15,183
Fish & Game Wildlife Management	9,985	21,191	18,139
Food & Agriculture	26,358	104,868	57,990
Franchise Tax	96,160	5,663	4,863
General Services (Reagan Office Building)		9,751	9,818
Governor's Office & Residence	10,519	15,000	15,000
Health & Welfare Agency Data Center	31,569	42,000	39,375
Highway Patrol	42,000	2,556,655	2,499,451
Housing Finance Agency	1,783,976	33,080	33,759
Joint Powers City Of San Bernardino	48,750	1,850	1,113
Just 4 Kids Center	1,894	38,484	32,104
Justice	40,123	13,845	11,569
Library & Courts Annex	17,473	49,742	39,707
Los Angeles State Building Authority	81,328	38,215	27,409
Lottery	53,984	79,090	83,262
Master Policies (Workers' Compensation) (BOE/FTB, et al)	110,658	30,000	
Master Policy (Transit)	31,647	20,658	20,658
Metropolitan State Hospital	20,267	39,687	53,551
Military	19,471	25,115	25,115
Narcotics, Bureau Of	28,130	25,908	
PERS	8,636	252	236
Resources Agency	240	131,075	139,698
San Francisco State Building Authority	130,842	8,104	6,250
San Joaquin Conservatory	6,959	62,361	53,704
Secretary of State Archives Building Complex & Parking	66,463		
Social Services	6,805	253,193	270,158
STRS	253,193		20,451
Trade & Commerce Agency	17,331	20,042	20,319
Transportation	60,154	42,366	77,171
Veterans Affairs (Homeowners Catastrophe)	4,528,900	2,724,200	3,052,890
Water Resources	14,912	6,662	6,200
Miscellaneous Policies Under \$15,000 In Premium			20,399
Total	\$9,212,218	\$7,959,456	\$8,024,903

TABLE 8

SCHEDULE OF LIFE, HEALTH AND DISABILITY INSURANCE PREMIUMS			
	FISCAL PERIOD 1996-97	FISCAL PERIOD 1997-98	FISCAL PERIOD 1998-99
Assembly Rules Committee	\$ 72,889	\$ 132,228	\$ 132,228
Bargaining Units 4, 9, 11, 12	80,064	83,106	83,106
Business Enterprise Program	899,220	899,220	871,647
DPA—Non-represented Employees (Accident Policy)	4,954	4,954	4,954
Employers Aviation (Various Departments)	13,009	10,317	10,853
Fish & Game	513	513	513
Forestry	22,536	18,000	18,000
Personnel Administration (Life & Disability)	8,253,149	8,646,300	8,371,999
Veterans Affairs (Credit Life & Disability)	12,825,000	10,803,146	11,316,113
Total	\$22,171,334	\$20,597,784	\$20,809,413

TABLE 9

SUMMARY SCHEDULE OF ALL INSURANCE PREMIUMS PROCURED BY ORIM			
	FISCAL PERIOD 1996-97	FISCAL PERIOD 1997-98	FISCAL PERIOD 1998-99
Life, Health and Disability	\$22,171,334	\$20,597,784	\$20,809,413
Property and Liability	\$9,212,218	\$7,959,456	\$8,024,903
Total	\$31,383,552	\$28,557,240	\$28,834,316

Table 10

SUMMARY SCHEDULE OF ALL SELF-INSURED CLAIMS MANAGED BY ORIM			
	FISCAL PERIOD 1996-97	FISCAL PERIOD 1997-98	FISCAL PERIOD 1998-99
Cal-Vet Homeowners Program (All Risk)	\$ 6,568,964	\$ 6,996,184	\$ 5,057,588
Cal-Vet Homeowners Program (Earthquake & Flood)	1,701,423	615,169	-
Department of Social Services (IHSS/GAIN)	15,533,087	17,707,317	18,795,850
Department of Social Services (Foster Care)	1,247,859	1,247,506	2,007,297
State Motor Vehicle Liability (MVIA) and all other programs	11,526,192	18,135,740	13,694,305
Total	\$36,577,525	44,701,916	\$39,555,040



STATE OF CALIFORNIA
OFFICE OF RISK AND INSURANCE MANAGEMENT
1325 J STREET, SUITE 1800
SACRAMENTO, CA 95814
TELEPHONE 916/445-2184 FAX 916/327-5776
[HTTP://WWW.DGS.CA.GOV/ORIM](http://www.dgs.ca.gov/orim)