

Arizona Department of Administration
Risk Management

A.R.S. § 41-622

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
PROGRAM BUDGET			
Full Time Equivalent Positions	85.0	96.0	96.0 ^{1/}
Risk Management	6,019,800	6,811,900	7,151,100
Risk Management Losses, Premiums and Related Expenditures SLI	33,997,000	38,549,000	45,658,400
Workers' Compensation Losses and Related Expenditures SLI	21,723,400	21,254,200	23,651,000
Insurance Premiums SLI	6,205,400	6,910,400	0
Attorney General Defense SLI	6,660,400	7,230,600	7,295,600
TOTAL APPROPRIATIONS	74,606,000	80,756,100	83,756,100 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Risk Management Fund	74,606,000	80,756,100	83,756,100
<i>Subtotal - Other Appropriated Funds</i>	<u>74,606,000</u>	<u>80,756,100</u>	<u>83,756,100</u>
TOTAL APPROPRIATIONS	74,606,000	80,756,100	83,756,100

COST CENTER DESCRIPTION — *The Risk Management section acts as the state's insurance agent, which includes making property loss and liability payments, as well as developing and administering loss control programs. With the exception of certain limited areas of coverage, the state is self-insured, paying for its own losses and liabilities. Costs of claims are paid by the Risk Management Fund.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Est./Actual	FY 2002-03 Estimate
• Number of settlements and judgments of greater than \$150,000	29/29	32/14	25/23	25
• Number of liability claims opened	4,000/3,813	4,000/3,767	4,200/3,515	4,200
• Cost of risk per capita	11.0/14.5	13.8/13.6	14.0/15.0	14.3
• Workers' Compensation incidence rates/100 FTE Positions	7.9/5.1	6.0/5.4	5.5/5.83	6.0
• % of Workers' Compensation claims reported within 48 hours	58/72	66/76	75/77	75

Operating Budget Issues

Equipment — The approved amount includes a Risk Management Fund decrease of \$(51,400) below FY 2002 for one-time equipment.

Program Budget

Risk Management Losses, Premiums and Related Expenditures Special Line Item — The approved amount represents funding for estimated liability and property

claims, settlements and other losses, as well as related legal and loss adjustment expenditures for aspects of the claims handled by the private sector rather than in-house. Premiums for additional insurance are also paid from this Special Line Item. The projected loss amount is updated annually to reflect current loss exposures and is based on an annual actuarial estimate.

The approved amount includes a Risk Management Fund increase of \$449,000 above FY 2002 for the FY 2003 actuarial estimates of risk for the state. The approved

^{1/} Excludes 104 FTE Positions funded from Special Line Items in FY 2003, but appropriated as FTE Positions in the Attorney General's budget rather than in this cost center.

^{2/} General Appropriation Act (Laws 2002, Chapter 237) funds are appropriated as a Lump Sum by Fund with Special Line Items.

amount also includes a Risk Management Fund increase of \$6,910,400 above FY 2002 to incorporate the amounts previously appropriated to the Insurance Premiums Special Line Item, which is discontinued in FY 2003.

Workers' Compensation Losses and Related Expenditures Special Line Item — The approved amount represents payments to workers' compensation beneficiaries for the state's liability resulting from workplace injuries, as well as related legal and loss adjustment expenditures for aspects of claims handled by the private sector rather than in-house.

The approved amount includes a Risk Management Fund increase of \$2,146,800 above FY 2002 to reflect the FY 2003 actuarial estimates for the state, using a 70% confidence interval. The confidence interval used reflects the perceived volatility for workers' compensation losses.

Insurance Premiums Special Line Item — For FY 2003, this Special Line Item has been incorporated into the Risk Management Losses, Premiums and Related Expenditures Special Line Items to provide flexibility in the purchase of additional insurance.

Attorney General Defense Social Line Item — The approved amount represents funding for the Risk Management section's contract with the Attorney General's Insurance Defense Section for legal representation in Risk Management related lawsuits against the state. The appropriation funds an interagency service agreement that procures the services of 104 FTE Positions within the Attorney General's budget.

[Click here to return to the Table of Contents](#)