

# FY22 Risk Management Annual Report Summary

## Department of Administrative Services Risk Management



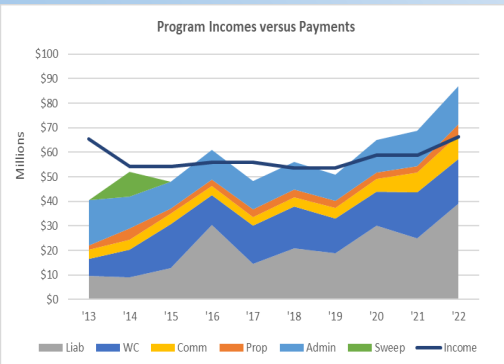
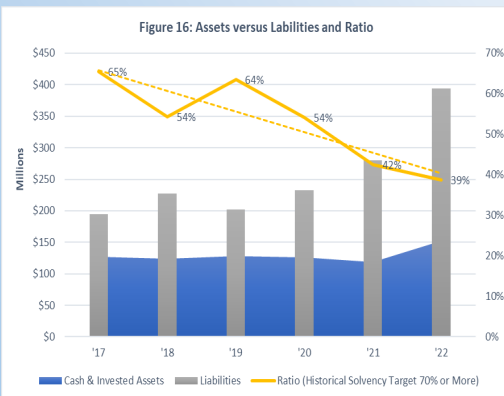
### DAS Enterprise Goods and Services Risk Management

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#### Program Finances

In four of the last five years, income has been insufficient to pay program costs. The growth in program costs is attributed to COVID claims, the yearly Tort Claims Cap increases, no Federal Claim cap and increased cost of commercial coverage due to hard insurance markets. Estimates show a minimum \$180 million is needed to cover 23-25 biennium payments.

The health of the Insurance Fund is tenuous. Total program assets are \$163.7 million. Liabilities are \$393.8 million. Cash and invested assets are now about 39% of liabilities indicating the health of the Insurance Fund is poor. DAS RM and its stakeholders are working on solutions to improve this situation.



#### High-Level Insurance Fund Balance Sheet as of June 30, 2022 (in Millions of Dollars\*\*)

|                               | Total             |
|-------------------------------|-------------------|
| Cash                          | \$ 122.0          |
| Invested Assets               | 30.8              |
| Other Assets                  | 10.8              |
| <b>Total Assets</b>           | <b>163.7</b>      |
| Reserves*                     | 335.6             |
| Other Liabilities             | 58.2              |
| <b>Total Liabilities</b>      | <b>393.8</b>      |
| <b>Surplus (or Shortfall)</b> | <b>\$ (230.1)</b> |

\* Reserves are estimates of additional amounts needed to pay for claims and expenses that have already occurred

\*\* Amounts may not add accurately due to rounding

**The Insurance Fund is not actuarially sound. As of 6/30/22, it was funded at 39%. DAS RM goal is 70%.**

**Number of employees: 29 FTE**

#### FY22 Budget for Property, Liability and WC Claims

**Income from Agencies \$66.3 million\***

**Claims and Expenses \$88.2 million**

#### FY22 Budget for DAS RM Administration

**Budget \$14.7 million\***

**Actual \$15.4 million**

**(of which \$11.8 million fund DOJ costs)**

*\*Half of BN21-23 Approved Budget*

#### Program Description

Risk Management provides insurance that protects the people, property and activities of state government. Our experts recommend mitigation strategies to minimize or prevent the costs of losses, both minor and catastrophic. When losses do occur, we manage the claims process allowing state agencies to fiscally recover and continue their missions.

#### What We Do

Risk Management insures what others won't: the unique, diverse and often hazardous business of state government. ORS 278 provides DAS RM the authority and responsibility to manage all risk management and insurance programs for all branches of state of government. Our program oversees a wide variety of coverages and include agency property, agency tort liability and workers' compensation. We use a mix of commercial coverages and self-insurance to manage risks.

#### Future Outlook

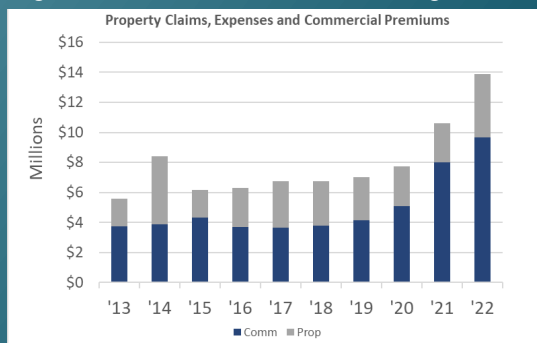
While FY22 was a challenging year for DAS RM, we continued accomplishing our mission. It marked the first full year of using the state's new risk management information system. The system increases efficiency of both traditional and new work, streamlines the programs financial work, improves the property and exposure data collection process and creates a new searchable property dataset for claims adjusters.

DAS RM is optimistic about FY23. We plan continued focus in several areas including managing several large claims and the financial health of the Insurance Fund, work on developing the out-of-state workers' compensation claim process, partnering with SAIF to manage our WC claim frequency and severity, and increasing the focus on improving risk mitigation within state contracts and grants. All of this will create new consulting opportunities and requests impacting the Insurance Fund. While the work will be challenging, the team is prepared and well positioned to respond.



## State Property Program Coverage

The state's property program is primarily self-insured with an excess commercial program to cover catastrophic losses. The program provides coverage up to \$425 million. This year state had over 300 property claims. It was a quiet year with no excess property claims. This program's costs have been increasing.

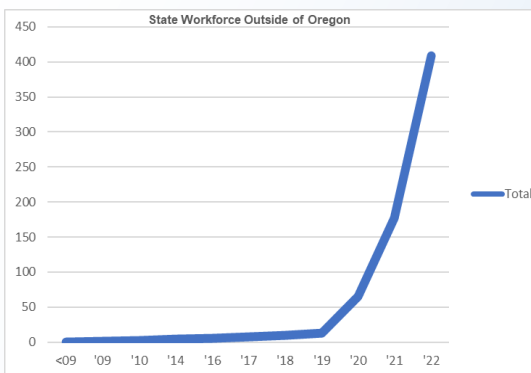


## Liability Program Coverage

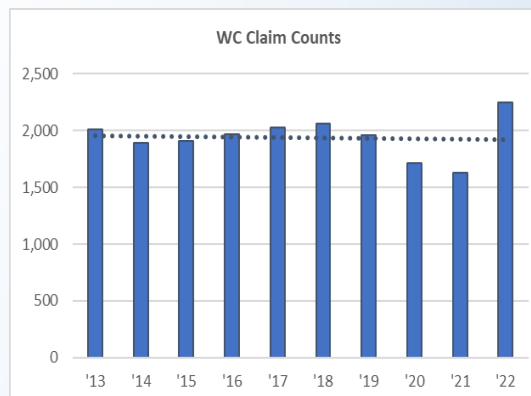
The state's liability program is completely self-insured. DAS RM's claims team manages between 2000 to 2200 claims a year. FY22 had 2,185 claims reported. Most claims result in no payment or a small one. Only a few large claims impact the program financially. Over the last 10 years, .03% of claims drove 51.3% of the cost. Tiny claims drive activity, and large claims drive financial costs. This year's claims cost \$39.2 million. DAS RM only collected \$32.3 million to cover costs. This shortfall is concerning.



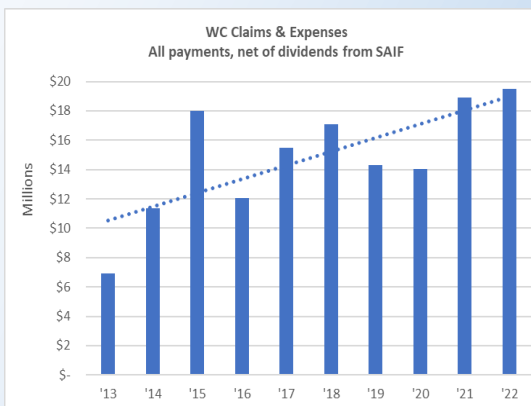
## Workers' Compensation Program Coverage



FY22 was not the state's best year for WC. The pandemic's abrupt move to remote work unexpectedly created work for DAS RM. We created and staffed a team to place 6 WC policies to cover Oregon's growing numbers of out of state employees. We successfully placed just over 400 employees from 35 agencies on out of state WC policies on a temporary or permanent basis.



This year's claim count of 2,246 and costs of \$30.2 million were the highest in the past 10 years. COVID claims made up 27% (601) of the claims. The \$30.2 million in claim costs were offset by a \$10 million dividend credited to the fund. This meant net costs for FY22 were \$19.5 million. Increasing claim payments were driven by a law change making Post Traumatic Stress Disorder claims presumptively covered and three large serious injury or fatality claims. DAS RM is working with SAIF and state agencies to reduce both the claim frequency and claim severity. Excluding COVID claims, claim frequency is declining.



### 21 – 23 Accomplishments:

- ◆ *Procured and deployed a new Risk Management System covering all parts of Risk Management's programs.*
- ◆ *The Risk Consulting Unit won an "Outstanding Achievement Award" from Oregon Public Risk and Insurance Management Associated (OR PRI-MA) for their work on the state's Contract Insurance Toolkit.*
- ◆ *The Claims Team closed 2,611 property and liability claims which is more than what was reported.*
- ◆ *Quarterly Work Comp/Safety Manager meetings in person resumed.*
- ◆ *DAS RM fostered partnerships with agencies to identify opportunities to reduce Serious Injury or Fatality injuries.*
- ◆ *Partnerships with SAIF and OHA to identify and mitigate strategies related to assaults to staff.*