

# FY23 Risk Management Annual Report Summary

## Department of Administrative Services Risk Management



### DAS Enterprise Goods and Services Risk Management

**Risk Manager, Shelly Hoffman**  
(503) 373-7475, risk.management@das.oregon.gov

**Number of employees: 29 FTE**

#### FY23 Budget for Property, Liability and WC Claims

*Income from Agencies \$66.3 million\**

*Claims and Expenses \$99.8 million*

#### FY23 Budget for DAS RM Administration

*Budget \$16.9 million\**

*Actual \$17.8 million*

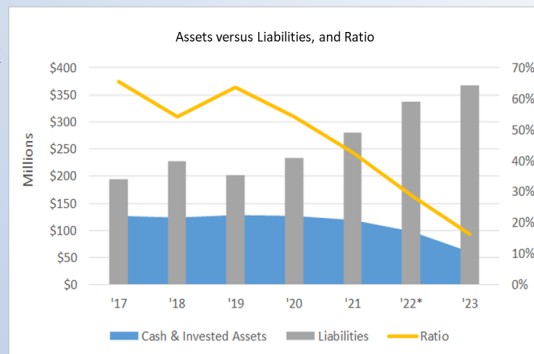
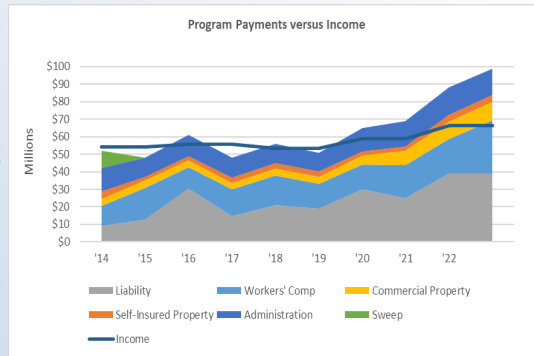
*(of which \$13.3 million fund DOJ costs)*

*\*Half of BN21-23 Approved Budget*

### Program Finances

The first chart shows program payments versus income. It shows that in five of the last six years, income has been insufficient to pay program costs. The main causes of program cost growth are the COVID pandemic and the increasing numbers of civil rights claims which have no cap on losses. Also contributing are the yearly Oregon Tort Claims Cap increases, and the increased cost of commercial property insurance coverage due to hard insurance markets. BN23-25 will be even worse. Claim payments are expected to be well above \$300 million so, the Legislatively Approved Risk Charges of \$182.6 million will need to be supplemented by other sources.

The second chart shows the trend in Insurance Fund assets versus liabilities. As of June 30, 2023, assets were \$61 million and liabilities were \$367 million, yielding a funded ratio of 17%. The health of the Insurance Fund is poor, and the outlook is unfavorable. In the short-term, additional funding is needed. In the long term, DAS RM and its stakeholders intend to work together to slow the increases in the cost of risk management.



**The Insurance Fund is not actuarially sound. As of 6/30/23, it was funded at 17%. The DAS RM goal is 70%.**

### 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.

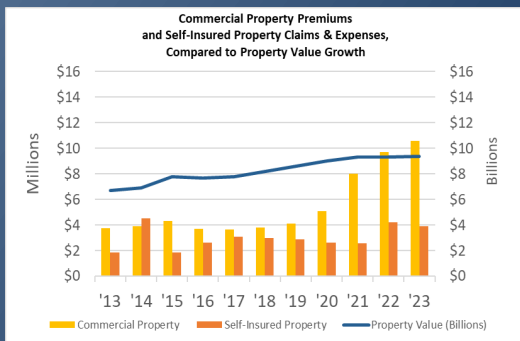
### Future Outlook

While FY23 was another challenging year for DAS RM, we continued accomplishing our mission. FY24 will see a continuation of the priorities from FY22 and FY23. The Insurance Fund's health deterioration will require greater focus on the liability coverages. This includes managing some large in-progress claims. It also includes working to identify structural reasons for the worsening claims experience. Finally, it requires further conversations concerning trends in the cost of risk management for Oregon. The cost appears to have nearly tripled to more than \$300 million per biennium. There are a wide variety of challenges facing state governments. Identifying areas for focused improvement efforts is critical. DAS RM looks forward to these challenges. We will use our greatest asset of 29 experienced and knowledgeable employees to meet what comes our way. Our team is ready to continue to achieve our mission in this new, engaging and challenging environment.



## Property Program Coverage

The 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 the state had over 350 property claims. With zero multi-million dollar claims it was a quiet year, yet we continue to remain concerned with the cost of increases in our state's excess property policy that covers catastrophic losses.

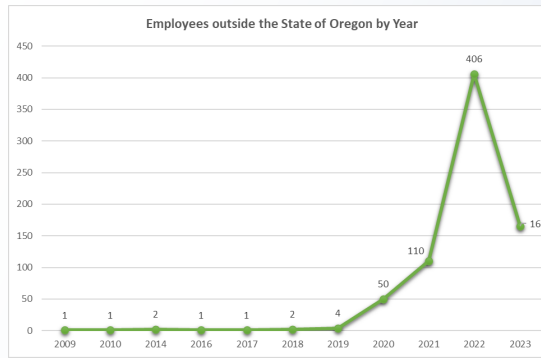


## Liability Program Coverage

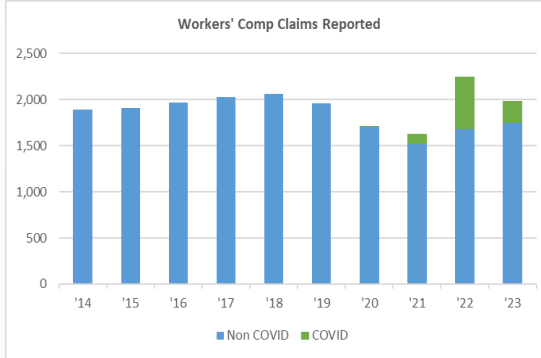
The state's liability program is completely self-insured. DAS RM's claim team typically manages between 2,200 and 2,500 liability claims annually. Most claims result in no payments or a small one. Claim growth has accelerated dramatically. In both FY22 and FY23 payments were close to \$40 million, and is certain to more than double in FY24. DAS RM is working with stakeholders to better understand drivers of the increased payments and consider initiatives to manage the evolving situation.



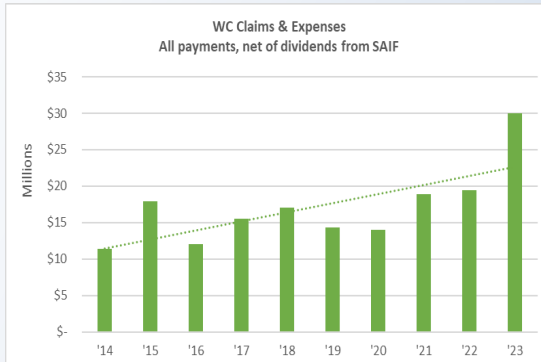
## Workers' Compensation Program Coverage



The WC program continued to be affected by the COVID pandemic and its implications for the state's workforce. By the end of FY23, we had placed an additional 165 employees on an out-of-state WC policy bringing our total to 743. Out-of-state workers are from 40 agencies and are in 45 states including DC.



The WC Claims reported chart reflects a favorable trend. This includes long-term benefits in recent years benefiting from work with SAIF and agencies to reduce risks. It also shows the impact of the COVID pandemic, which caused a spike in claims in FY22 and declined to near zero by the end of FY23.



The WC Claims and Expenses chart shows an increase to a record \$30 million in FY23. Most of the increase was due to claims that occurred in years prior to FY23.

DAS RM continues to also be concerned about the increase in Post Traumatic Stress Disorder (PTSD) claims. A FY19 law made PTSD claims for a select group of employees presumptively covered and now contributes to about \$3 million in claims per year.

### 21 – 23 Accomplishments:

- ◆ Procured and deployed a new Risk Management System covering all parts of Risk Management's programs.
- ◆ Creation of a portal connecting DAS RM with our state government partners through the new Risk Management System.
- ◆ Continued to mature the management of WC for out-of-state employees.
- ◆ The Risk Consulting Unit was granted in 2023 the AFIRM award from the national State Risk and Insurance Management Association (STRIMA) for their work on the state's Contract Insurance Toolkit.
- ◆ In FY23 the Claims Team closed 5,183 property and liability claims which is 7% more than the 4,860 reported during the year.
- ◆ Resolved a major claim for the "2020 Labor Day" wind and fire event, involving millions of dollars and several carriers.