



ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

Florida Department of Financial Services



Division of Risk Management



Annual Report
2007-2008 Fiscal Year
January 1, 2009



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

January 1, 2009

Dear Colleagues:

We are pleased to present the Division of Risk Management Annual Report for 2007/08.

Under the guidance and leadership of Chief Financial Officer Alex Sink, we are working on new risk management initiatives that will provide greater assistance to state agencies in reducing the claims and claims cost to state government. These initiatives include reorganizing our division and redesigning our program to place a greater emphasis on loss prevention and control, providing "hands on" assistance to agencies generating the highest claims costs to identify areas in their operations where they can reduce claims, and implementing a stronger medical assistance and stay at work/ return to work focus in handling state worker's injuries to help injured workers recover faster from injuries and return to work.

Current state budget problems have created a critical need for state government to reduce costs in all areas, and our efforts are designed to continue the trend of decreasing state expenditures on its claim costs for worker's compensation injuries and other claims.

We hope you find our annual report informative and will contact us if you have any questions or suggestions.

Sincerely,

A handwritten signature in black ink, appearing to read "R.J. Castellanos".

R.J. Castellanos
Director

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EXECUTIVE SUMMARY

Florida Statutes Chapter 284 (2008) provides for the Department of Financial Services Division of Risk Management (Division) to administer the state's Risk Management Program (Program) and to provide self insurance or purchase commercial insurance to assure participating entities (Agencies) have insurance coverage for property losses, federal civil rights violation claims, equal employment practice claims, general liability claims, and worker's compensation claims. The Program uses the State Risk Management Trust Fund (Trust Fund) to pay self insured claims and to pay the Division's operating expenses.

Premium assessments against Trust Fund insured agencies are based on agency loss history and risk exposures. Consequently, increases in losses, number of employees or vehicles will likewise increase an agency's assessment for premium payment to the Trust Fund. The legislature capitalizes the Trust Fund each year based on estimated liability expenses for each category of insurance. However, the funds are pooled to facilitate timely payment of all self insurance claims. The body of the report contains a detailed explanation of how the Division calculates agency casualty and property insurance premiums. The Program purchases excess commercial insurance for catastrophic property losses, such as hurricanes, because of the potential for losses to exceed the state's self insurance limits.

Florida employs a decentralized risk management program. Likewise, agencies, for the most part, have decentralized loss control programs. By law, all agencies must employ a safety coordinator and participate in the legislatively mandated Interagency Advisory Council for Loss Prevention, which the Division administratively supports. The Division provides claims administration services to the agencies and supports agency loss prevention and control efforts.

During fiscal year 07/08, through the Trust Fund, the Program provided worker's compensation insurance coverage for approximately 202,487 persons. Twenty eight (28) Program employees, who each handle an average of 300 files, pay claims from the Trust Fund. Medically necessary medical services, payments for lost wages, permanent injury/impairment and death benefits are paid through this self insurance program. The Program was funded \$108,405,760 to pay workers' compensation insurance claims and staff worked on 21,874 claims during fiscal year 07/08. Both workers' compensation insurance claims cost and claims frequency have decreased over the past 5 years.

The state is responsible for injury, death and property loss caused by employee negligent acts while working in the course and scope of their employment. Related insurance claims are called general liability claims. Sovereign immunity payment limits apply to general liability insurance claims, so the limits of state liability are \$100,000 per person, up to \$200,000 per occurrence. During fiscal year 07/08, the Program was funded \$8,441,880 to pay claims for the purpose of insuring 209,512 persons. The Program received 1,722 general liability insurance claims during fiscal year 07/08.

The Program provides automobile liability insurance coverage through the Trust Fund for claims arising out of the ownership, maintenance, or use of any owned, hired, or non-owned automobile by a state employee in the course and scope of work. Since July 1, 2004, the Program also has provided insurance coverage for property damage to state vehicles sustained in approved off duty use by a law enforcement officer. If the accident is the officer's fault, a

\$500 deductible applies. Sovereign immunity payment limits also apply to automobile insurance claims. During fiscal year 07/08, the Program was funded \$2,895,920 to pay claims for the purpose of self insuring 26,260 automobiles. The Program received 697 automobile liability insurance claims during fiscal year 07/08.

Federal civil rights claims relate to the alleged violation of a person's rights under the United States Constitution. Employment discrimination claims relate to prohibited discriminatory employment practices such as bias in hiring, promotion, termination and other such practices based on protected human factors such as race, gender, religious preference and age. The Program provides federal civil rights and employment discrimination liability insurance coverage through the Trust Fund. Sovereign immunity payment limits do not apply to federal civil rights claims, which means the state has unlimited monetary exposure on these claims. United States Code Title VII limits compensatory damages to \$300,000 and the Florida Civil Rights Act of 1992 limits damages to \$100,000 in employment practice claims. Past and future salary and plaintiff attorney fees due from a state agency under Title VII and the Florida Civil Rights Act may be paid from the Trust Fund, as well.

The Program self insured 204,604 persons for federal civil rights and employment discrimination claims and was funded \$16,856,440 to provide payment on these claims. Three hundred and twelve (312) claims were received during fiscal year 07/08.

Court awarded attorney fees liability insurance is also provided through the Trust Fund. This self insurance coverage pays for attorney fees and costs when a court awards them to a plaintiff's attorney who prevails in an action against the state.

The Division issued 54,914 checks; performed 7,110 Automated Clearing House Transactions and created FLAIR vouchers for a total of \$147,562,861 in disbursements. The Division also invoiced, processed and deposited \$136.6 million in casualty insurance premiums and \$1.7 million in property premiums billed to the agencies and deposited in the Trust Fund.

The Division is required by law to provide training and resources to assist agency safety programs. These include newsletters, bulletins, loss prevention consultations, and safety and loss prevention training. Other services provided during fiscal year 07/08 include a web based bulletin board designed to address agency risk management and safety issues. The Division also produces agency specific, custom tailored insurance claims reports to assist agencies with loss control efforts. During fiscal year 07/08, the Division provided 2,500 hours of safety training and consultation.

The Interagency Advisory Council on Loss Prevention is a statutorily created council comprised of 48 members representing each of the agencies that participate in the Division's insurance program. The Division provides administrative support to the Council. The Council's purpose is to work collectively to identify and reduce statewide risks. This past fiscal year, the Council recognized 32 agencies for having loss control programs that met or exceeded loss control best practices.

This report contains 9 recommendations provided by the Division for enhancing the state's risk management program. The report also contains a detailed listing of Division program enhancements and the status of their implementation.

I. STATE RISK MANAGEMENT PROGRAM OVERVIEW

Because of the size and scope of Florida State government, the state risk management program is legislatively designed as a decentralized program. This decentralization results in several different agencies conducting risk management functions. For example, the Department of Management Services houses the state emergency management function and purchases commercial insurance for the state while the Department of Financial Services administers claims against state agencies covered by the Program.

Florida Statutes Chapter 284 (2008) is the legislative authority creating certain risk management program functions and establishes the Division of Risk Management (Division) to administer those functions. That legislation provides for a self insurance program as well as authorizes the State Risk Management Program (Program) to purchase commercial insurance to assure participating entities (agencies) have insurance coverage for property losses, federal civil rights violation claims, equal employment opportunity violation claims, general liability and worker's compensation claims. Notably, not all state entities participate in the Program. For example, water management districts, community colleges and port authorities do not participate in the Program. The legislation also requires the Division to coordinate state agency risk management activities.

The Program uses the State Risk Management Trust Fund (Trust Fund) to pay agency insured claims covered under the state's self insurance program. Although the Trust Fund is allocated certain dollar amounts by insurance claims category, the funds are pooled to allow greater flexibility in assuring the state's insurance obligations are met. The Division's operating costs also are paid through the Trust Fund.

Premium assessments against state agencies are calculated based primarily on each agency's loss experience, so that agencies experiencing higher claims pay higher assessments. Each agency's share of Program costs is a direct allocation of that agency's losses and loss exposures, which includes employees, agents and volunteers (employees), automobiles and building values. The legislature capitalizes the Trust Fund annually with enough funding to pay claims and Division operating costs for the fiscal year. Except for property insurance coverage for catastrophic losses, the Program is a "self insured" program, whereby state agencies pay for their respective losses. The Program purchases commercial property insurance coverage for catastrophic risks through the Department of Management Services as provided by Florida Statutes Chapter 287 (2008).

Florida Statutes Chapter 284 (2008) requires that all agencies have a safety coordinator and participate in the Interagency Advisory Council for Loss Prevention, which the Division supports administratively. This Chapter also requires agencies to report annually to the Governor's Office on loss prevention efforts.

Most large agencies also decentralize their risk management programs. Large agencies have a workers' compensation coordinator, a property coordinator and a safety coordinator. Those agencies also employ legal staff to coordinate liability claims management with Program claims adjusters.

Division Mission Statement and Goals

The Division's mission is to ensure that participating state agencies are provided quality

workers' compensation, general liability, federal civil rights, equal employment, and property insurance coverage at reasonable rates by providing self insurance, purchasing commercial insurance, handling claims, and providing technical assistance in managing risk.

The Division's goals are to provide:

- Exemplary Customer Service
- Expedient Communication
- Efficient Use of Financial Resources
- Effective Protection of Assets
- Excellent Results

II. DIVISION OF RISK MANAGEMENT SERVICES

The Division provides state agencies the following services:

A. Claims Administration

The Division administers the Program established to pay certain (insurance coverage exclusions may apply) agency worker's compensation, liability and property claims. The Program assures injured state employees receive appropriate and timely medical treatment, and injured employees receive all compensable lost time benefits. The Program seeks to ensure claimants are treated fairly and with respect, and best efforts are made to resolve all claims in a fair and timely fashion.

B. Risk Services for Loss Prevention and Control

The Division coordinates agency safety efforts to keep employees safe and to control losses from workplace injuries. The Division also examines all claims data to determine trends regarding the frequency and severity of claims, and works with agencies to reduce claims frequency and claims cost.

III. INSURANCE COVERAGE INFORMATION AND CLAIMS DATA

A. Worker's Compensation Insurance Coverage

Historical Information

For over 25 years prior to January 1, 1998, the workers' compensation program was a self-insured program. Effective January 1, 1998, this program became an insured program with the purchase of a large deductible workers' compensation policy from North American Specialty Insurance Company (NASIC). Insurance coverage remains in effect with NASIC for claims with a date of accident through February 9, 2002. Effective February 10, 2002, the carrier was changed to Hartford Casualty Insurance Company. The Hartford policy has a fifteen million dollar deductible, plus the first three years of medical services. A Claims Service Agreement between Hartford Casualty Insurance Company and the Division requires the Program to handle claims on behalf of the insurance company with a date of accident through February 9, 2005. As of February 10, 2005, the workers' compensation program is again totally self-insured.

Since January 1, 1997, the Program has contracted with vendors to provide managed care services. Medical care is "managed" by medical case managers who are registered

nurses, or are supervised by registered nurses, in conjunction with physician medical care coordinators.

The contracted vendor for claims with a date of accident from January 1, 1997 through December 31, 2002 is Humana. Humana is responsible for providing medical services for three years following the date of injury and continuing case management for the duration of the claim. Beginning with dates of accident on or after January 1, 2003, the vendor is CorVel. Under the current contract, CorVel is responsible for providing medical case management under a managed care model until December 31, 2008.

The provision of medical services to employees not covered by managed care, indemnity benefits, and death benefits is coordinated and processed by in-house Workers' Compensation Specialists, Insurance Specialists II and Workers' Compensation Examiners. A contract vendor reviews and re-prices in-house medical bills, and provides hospital pre-certification and continued stay review services.

To obtain field investigative and surveillance services, the Program contracts with York Claims Services, Inc. York Claims Services also administers the statutorily mandated Special Investigation Unit that investigates suspected cases of workers' compensation fraud referred by the Bureau of State Employees' Workers' Compensation Claims or the Bureau of Workers' Compensation Fraud from the Fraud Hotline. During fiscal year 07/08, the Program referred 254 cases suspected of workers' compensation fraud to the Special Investigation Unit. The marked increase from last year's referral of 97 suspect cases is due to a newly instituted program which involves screening for fraud indicators on existing claims. This has resulted in 6 of these files being sent directly to the Division of Insurance Fraud and the State Attorney's office.

Fiscal Year 07/08 Workers' Compensation Activity

During fiscal year 07/08, the Program provided workers' compensation insurance coverage to approximately 202,487 state employees, volunteers, and others insured by statutory mandate (employees). The Program's workers' compensation claims handling staff consists of 16 Workers' Compensation Specialists who handle lost time cases; 9 Workers' Compensation Examiners who handle medical only cases; 3 Insurance Specialists II, who handle both lost time and medical only claims; and three Workers' Compensation Specialist Supervisors. Each Workers' Compensation Specialist handles an average of 300 files. Approximately 30% of those files are litigated. Contract law firms work closely with Program staff to defend all litigated claims.

The major categories of workers' compensation benefits provided to employees who sustain a job related injury or illness include:

- Medical benefits (all medically necessary medical services)
- Indemnity benefits (payments for lost wages and permanent injury/impairment)
- Death benefits (a cash benefit plus a funeral expense benefit)

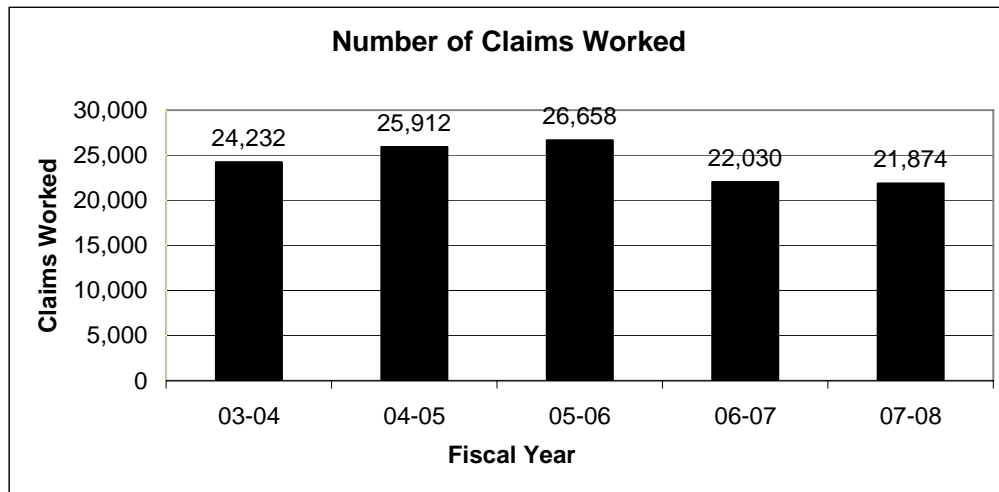
The Workers' Compensation portion of the Program was funded \$108,405,760 for fiscal year 07/08 and worked 21,874 claims. The number of claims that occurred in fiscal year 07/08 was 13,623; and the number of claims reported was 13,661.

For the purposes of the next three charts, data collected for the past 5 fiscal years are reported to show statewide trends in workers' compensation claims.

Number of Workers' Compensation Insurance Claims Worked

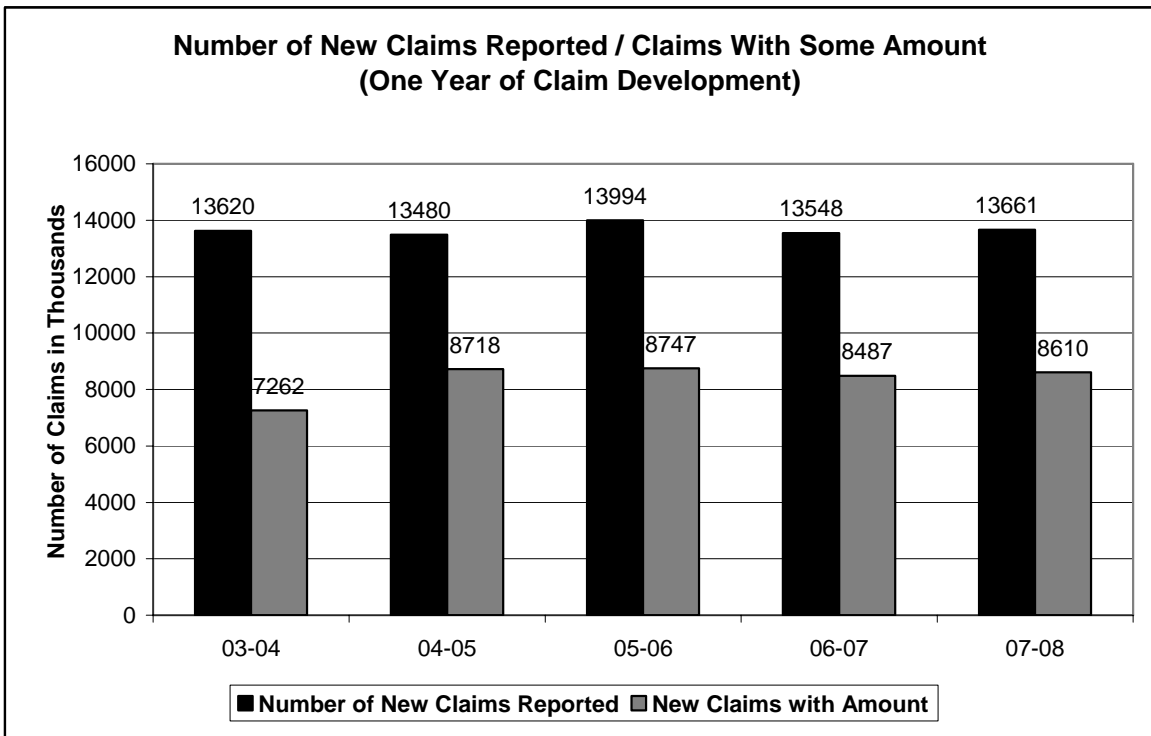
In addition to new claims, Program staff must also continue to manage claims that occurred in previous years but remain open and active. One of the Program's output measurements is the "Number of Claims Worked", which is the number of new insurance claims reported during the current fiscal year, plus the number of claims reported in prior fiscal years that had a payment made in the current fiscal year.

The state has maintained workers' compensation insurance claims per 100 Full Time Equivalent Employees (FTE) below the national average. These claim figures are calculated after a 6 month claim development period that begins at the end of the policy period. For the past full reporting year, 06/07, calculated as of December 31, 2007, the state recorded 4.23 claims per 100 FTE's, down slightly from 4.48 claims per 100 FTE's in FISCAL YEAR 05/06. This figure compares favorably to the national average of 4.4 claims per 100 FTE's in 2007 (source - U.S. Department of Labor Statistics). As reflected below, the number of workers' compensation insurance claims worked has steadily decreased each year since fiscal year 05/06.



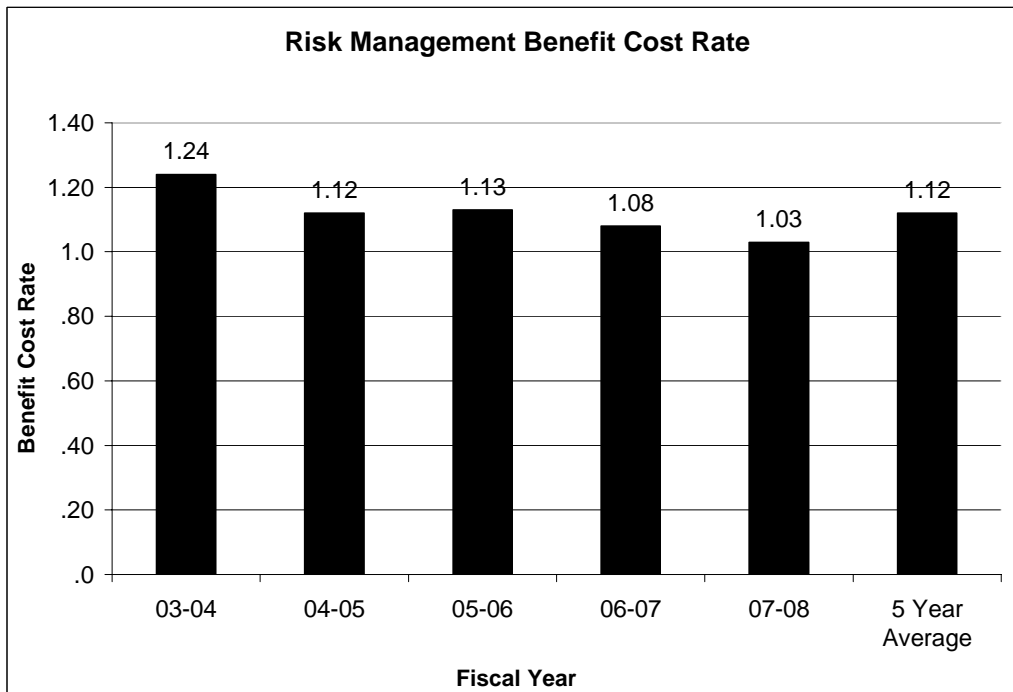
Relative Frequency of Workers' Compensation Insurance Claims

The Program averaged receiving 13,660.6 new workers' compensation insurance claims per year during the past five fiscal years. As of October 31, 2008, the Program received reports of 13,661 claims for fiscal year 07/08. Of those, 8,610 had some monetary expense associated with them, either already paid or with cash reserved for possible future payment. The Program classified 11% of those claims as "lost time claims", where employees actually were unable to work for a time due to a job related injury. For the remaining 89% of the insurance claims, only medical benefits were paid. Death benefits were paid for 3 job related deaths during fiscal year 07/08.



Benefit Cost Rate

The Benefit Cost Rate (BCR) is a nationally recognized measurement for comparison of workers' compensation costs among employers. The BCR expresses the amount of workers' compensation benefits (indemnity and medical) paid per \$100 of payroll. Indemnity benefits are based on employee wages and the BCR is an accurate indicator of the overall effectiveness and relative cost of a workers' compensation program. The Program's Workers' Compensation Benefit Cost Rate has steadily decreased since fiscal year 05/06.



B. Property Insurance Coverage

Self Insured Property Coverage

The Program provides self insurance property coverage for damage to state buildings and contents as a result of a covered peril. Covered perils include fire, lightning, explosion, windstorm or hail, smoke, damage caused by aircraft or vehicles, riot, civil commotion, sinkhole collapse and flood. Non-owned real property that is leased by the state can be covered if an approved lease provides and conforms to the coverage under the property policy. Property insurance coverage for loss of rental income is available when the coverage is required by bonding or revenue certificates or resolution.

During fiscal year 07/08, state owned buildings were valued at \$12,903,746,409 and building contents were valued at \$4,453,387,001. State rented buildings were valued at \$185,915,113. The Program insured a total property value of \$17,543,048,523.

The estimated value of claims reported during fiscal year 07/08 was \$867,079 and claims actually paid during that time were \$138,947. Although 47 claims were reported, Program staff worked 68 claims during fiscal year 07/08 (some from previous years.) No catastrophic claims were reported.



State Owned Property Destroyed by Fire in Brevard County

The following data relating to property insurance claims are for fiscal year 07/08:

<u>Number of Regular Claims by Peril</u>	<u>Dollars reserved for payment</u>	<u>Total Paid</u>
12 Fire	\$206,223.60	\$ 206,223.60
1 Flood	\$ 0.00	\$ 0.00
26 Lightning	\$ 20,822.02	\$ 20,122.02
4 Vehicle	\$ 0.00	\$ 0.00
2 Wind	\$ 0.00	\$ 0.00
2 All Other Losses	\$ 0.00	\$ 0.00

Commercial Property Insurance Coverage

The Program also purchases commercial insurance to cover catastrophic property losses. During fiscal year 06/07, commercial insurance was purchased at a net price of \$6,571,863 for insurance coverage from March 1, 2007 through May 1, 2008. (A change in the coverage period allowed for a refund of \$1,160,799 from the original purchase price of \$7,732,662.) The Program retained responsibility for the first \$2 million in losses for each occurrence with a \$40 million annual aggregate retention for named windstorm and flood, but without an annual aggregate for all other perils covered by the Program (fire, lightning, explosion, non-named windstorm, hail, sinkholes, and other perils normally included in extended coverage.) The commercial insurance would have paid up to \$50 million per occurrence for named windstorm and flood losses, and up to \$200 million per occurrence for all other perils covered by the Program.

In fiscal year 07/08, identical coverage was purchased for \$5,588,802 for insurance coverage from February 15, 2008 through February 15, 2009.

C. General Liability Insurance Coverage

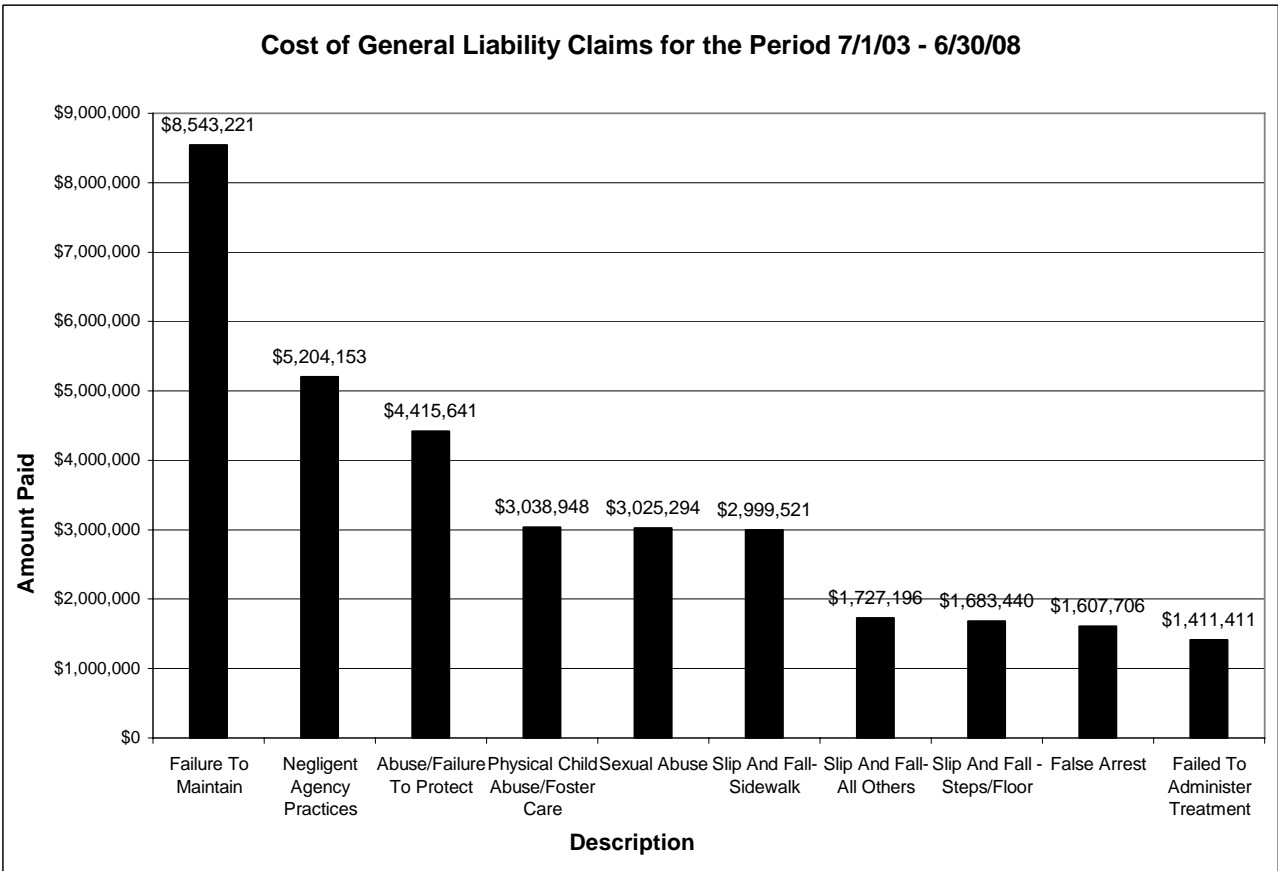
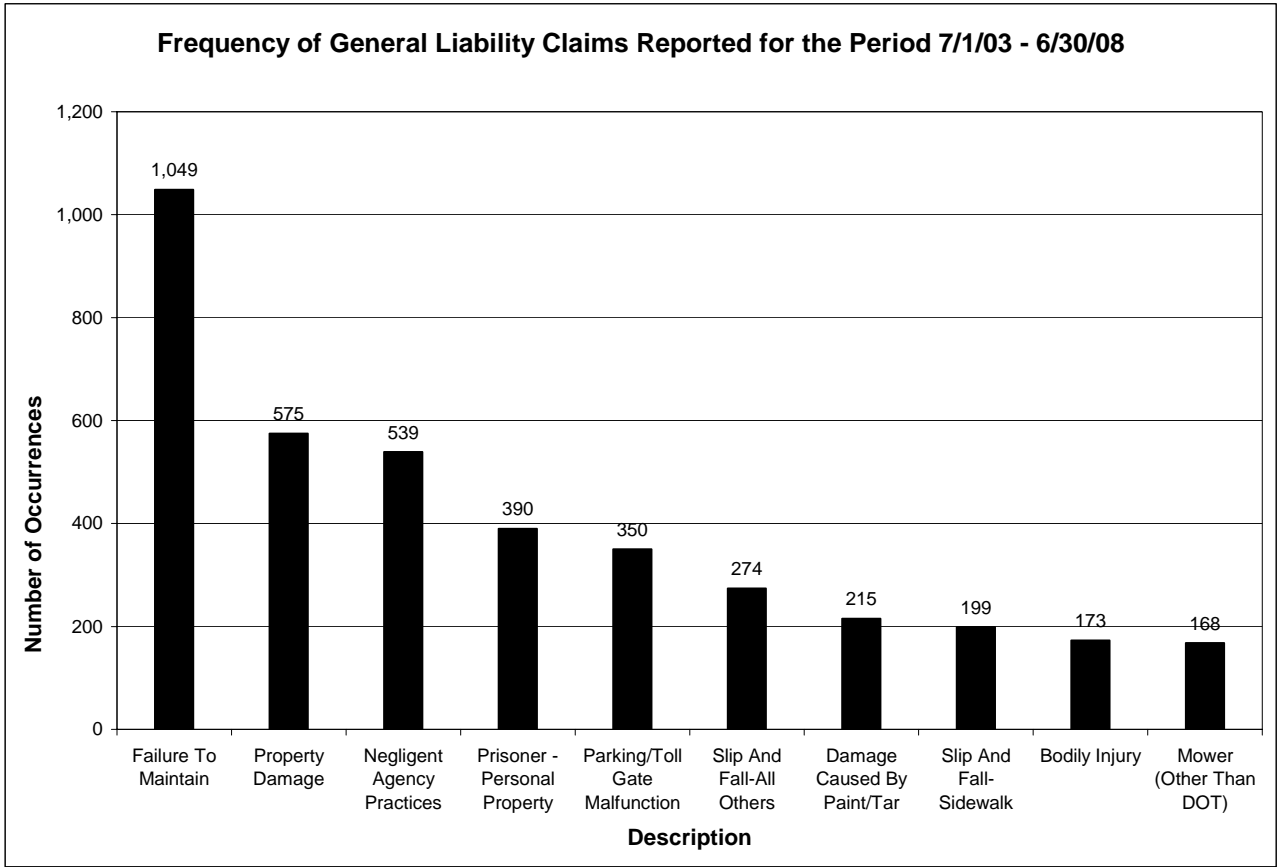
The state is responsible for injury, death, or loss of property caused by employee negligent acts while acting within the course and scope of their employment. The Program uses the Trust Fund to pay such general liability insurance claims. General liability insurance coverage includes premises and operations claims, personal injury claims, and professional liability claims.

Program staff investigates, evaluates, negotiates, and works closely with legal counsel to defend claims and lawsuits filed against the state because of an employee's negligent act or omission. In some cases, the Program contracts with an adjusting firm to investigate claims. Limits of general liability insurance coverage are \$100,000 per person and up to \$200,000 per occurrence for all claims under the state's waiver of sovereign immunity payment limits in Florida Statutes Section 768.28 (2008). The Attorney General's Office, contract law firms, or state agency attorneys defend litigated claims.

General Liability Claims Data

During fiscal year 07/08, the Program covered 209,512 persons for general liability insurance claims. General liability insurance claims funding during fiscal year 07/08 was \$8,441,880. The Program received 1,722 such claims.

For the purposes of the next two charts, data collected for the past 5 fiscal years are reported to show statewide trends in general liability insurance claims.



D. Fleet Automobile Liability Insurance Coverage

The Program provides automobile liability insurance coverage through the Trust Fund for claims arising out of the ownership, maintenance, or use of any owned, hired or non-owned automobile used by a state employee. For insurance coverage to apply, the individuals must be acting within the course and scope of their office or employment when the claim occurs. Limits of general liability insurance coverage are \$100,000 per person and up to \$200,000 per occurrence for all claims under the state's waiver of sovereign immunity payment limits in Florida Statutes Section 768.28 (2008).

Program staff or a contracted adjusting company investigates, evaluates, negotiates, and works closely with legal counsel to defend claims and lawsuits filed against the state because of a negligent act or omission. The Attorney General's Office, contract law firms, or state agency attorneys defend litigated claims.

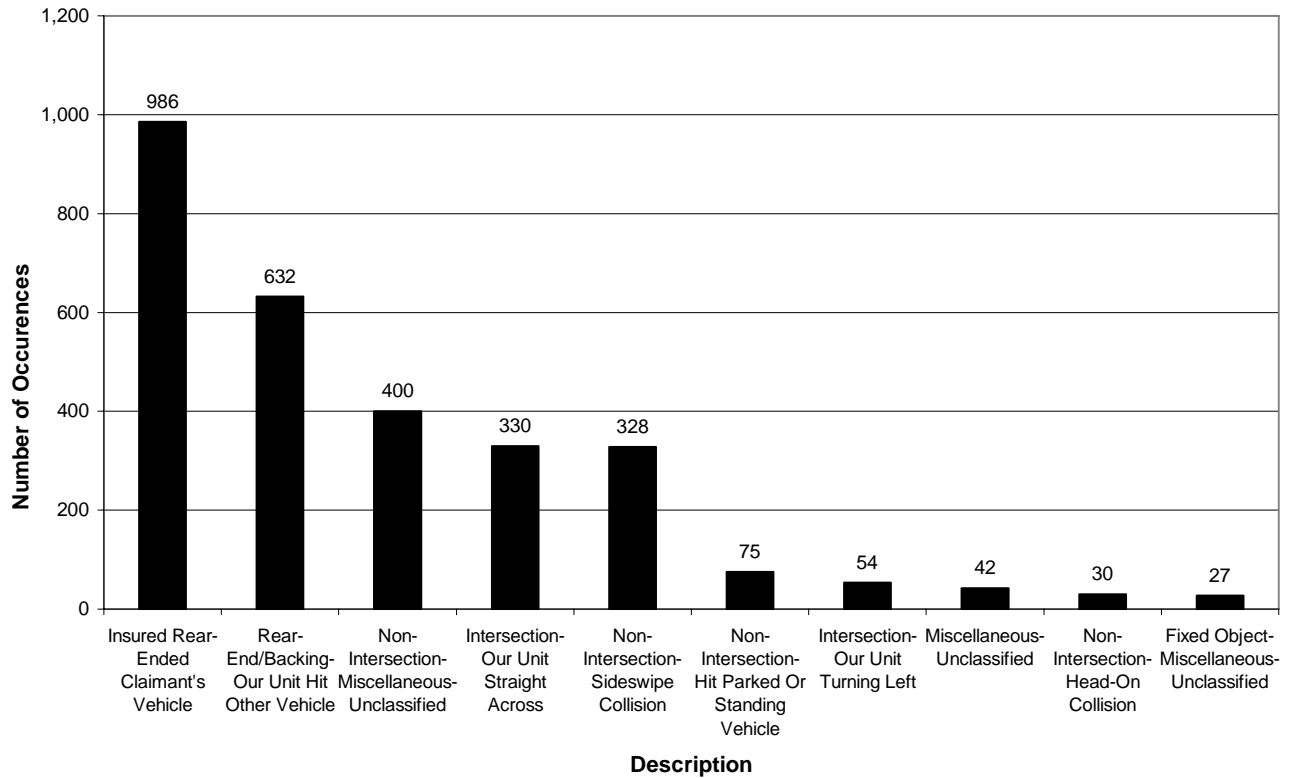
Since July 1, 2004, the Program has also provided insurance for property damage to state vehicles sustained in approved off-duty use by a law enforcement officer. The Program establishes a premium each year for this insurance coverage with a \$500 deductible per incident if the accident is the law enforcement officer's fault.

Fleet Automobile Liability Insurance Claims Data

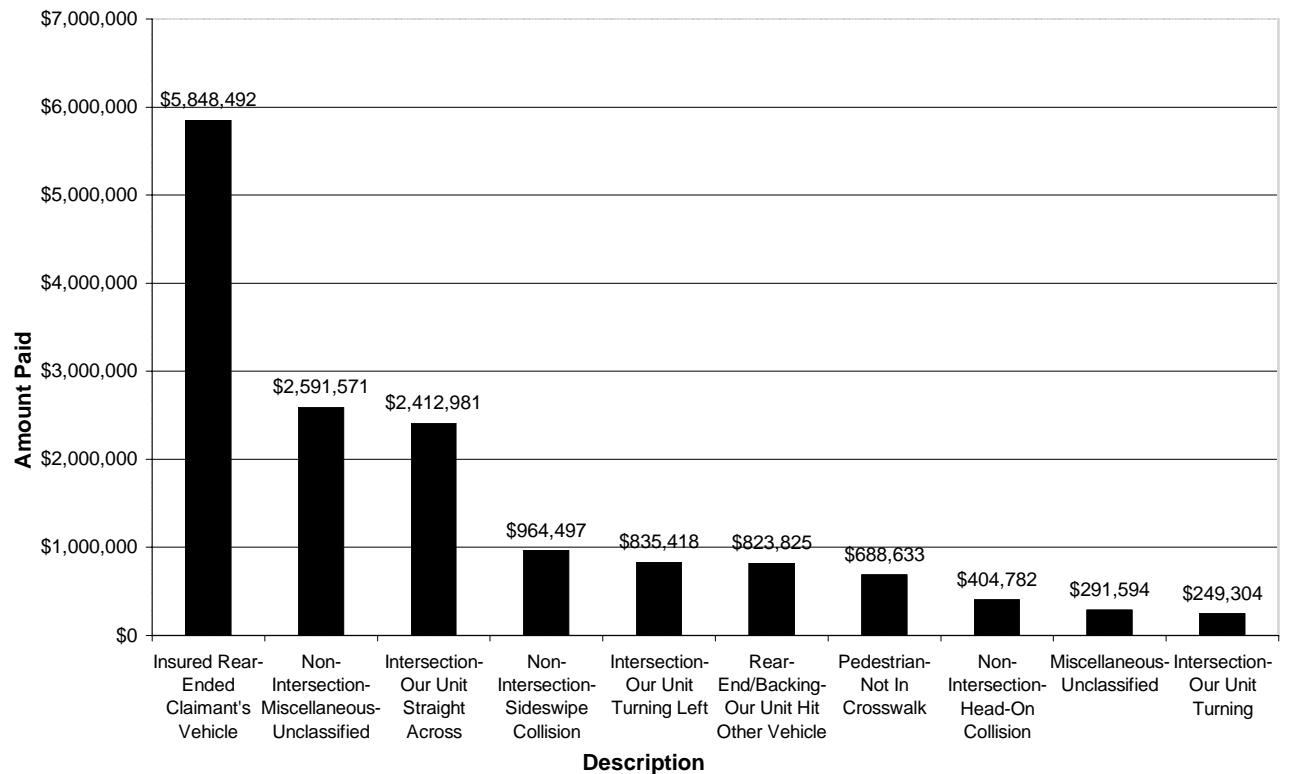
During fiscal year 07/08, the Program was funded \$2,895,920 to pay claims for the purpose of self insuring 26,260 automobiles. The Program received 697 insurance claims this past fiscal year.

For the purposes of the following 2 charts, data are provided for the past 5 fiscal years to show statewide trends in automobile liability insurance claims.

Frequency of Automobile Liability Claims Reported for the Period 7/1/03 - 6/30/08



Cost of Automobile Liability Claims for the Period 7/1/03 - 6/30/08



E. Federal Civil Rights Violations/Employment Discrimination Insurance Coverage

Federal civil rights claims relate to the alleged violation of a person's rights under the United States Constitution. Employment discrimination claims relate to prohibited employment practices such as bias in hiring, promotion, termination and other employment actions based on such things as race, gender, religious preference, age, and other protected human factors. The Program provides federal civil rights and employment discrimination liability insurance coverage through the Trust Fund. This insurance coverage applies to federal civil rights actions filed under 42 U.S.C 1983 and other similar federal statutes; plaintiff attorney fees/awards where required by federal statutes; employment discrimination actions filed under 42 U.S.C 2000e; U.S.C. Title VII of the 1964 Civil Rights Act as amended by the Civil Rights Act of 1991; the Florida Civil Rights Act of 1992; and other similar employment discrimination acts and statutes.

Program staff investigates, evaluates, negotiates, and works closely with legal counsel to defend insurance claims and lawsuits filed against the state. The Attorney General, contract law firms, or state agency attorneys defend litigated insurance claims.

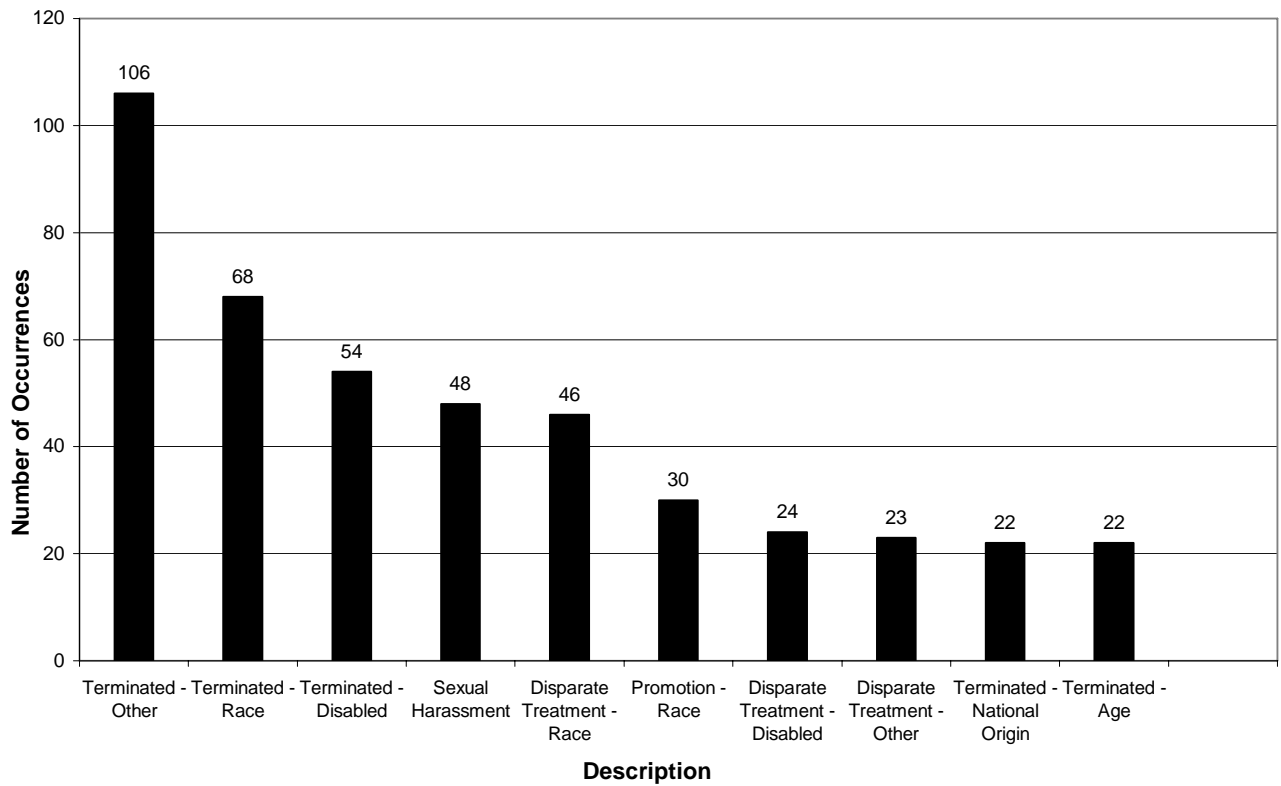
Sovereign immunity payment limits do not apply to federal civil rights actions, which means the state has unlimited monetary exposure on these insurance claims. U.S.C. Title VII limits compensatory damages to \$300,000 and the Florida Civil Rights Act of 1992 limits damages to \$100,000 in related employment discrimination claims. In addition, past and future salary due from a state agency and plaintiff attorney fees may be paid from the Trust Fund under Title VII and The Florida Civil Rights Act of 1992.

Federal Civil Rights Violations/Employment Discrimination Insurance Claims Data

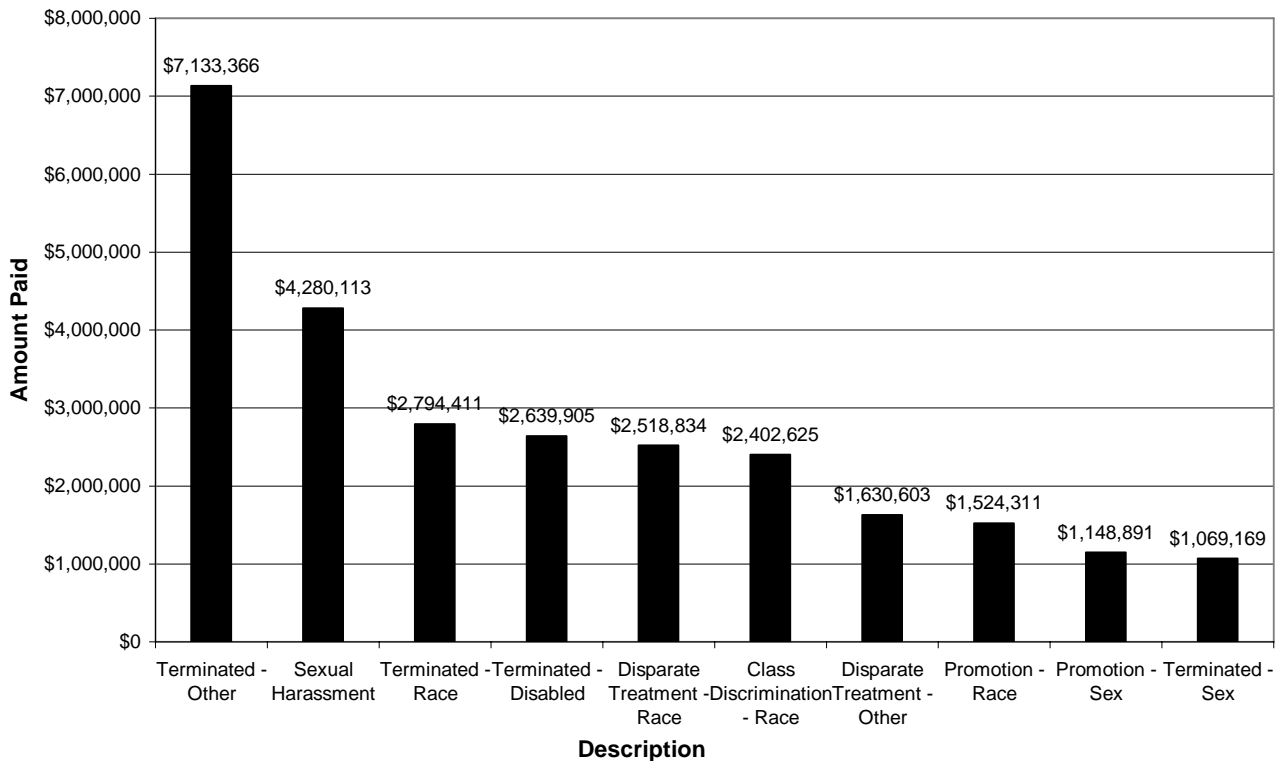
The Program insured 204,604 persons for federal civil rights and employment insurance claims and was funded \$16,856,440 to provide the insurance coverage. The Program purchases no commercial insurance for federal civil rights violation and employment discrimination insurance claims and received 312 such claims during fiscal year 07/08.

For the purpose of the 4 following charts, data are provided for the past 5 years to show statewide trends in federal civil rights and employment discrimination insurance claims.

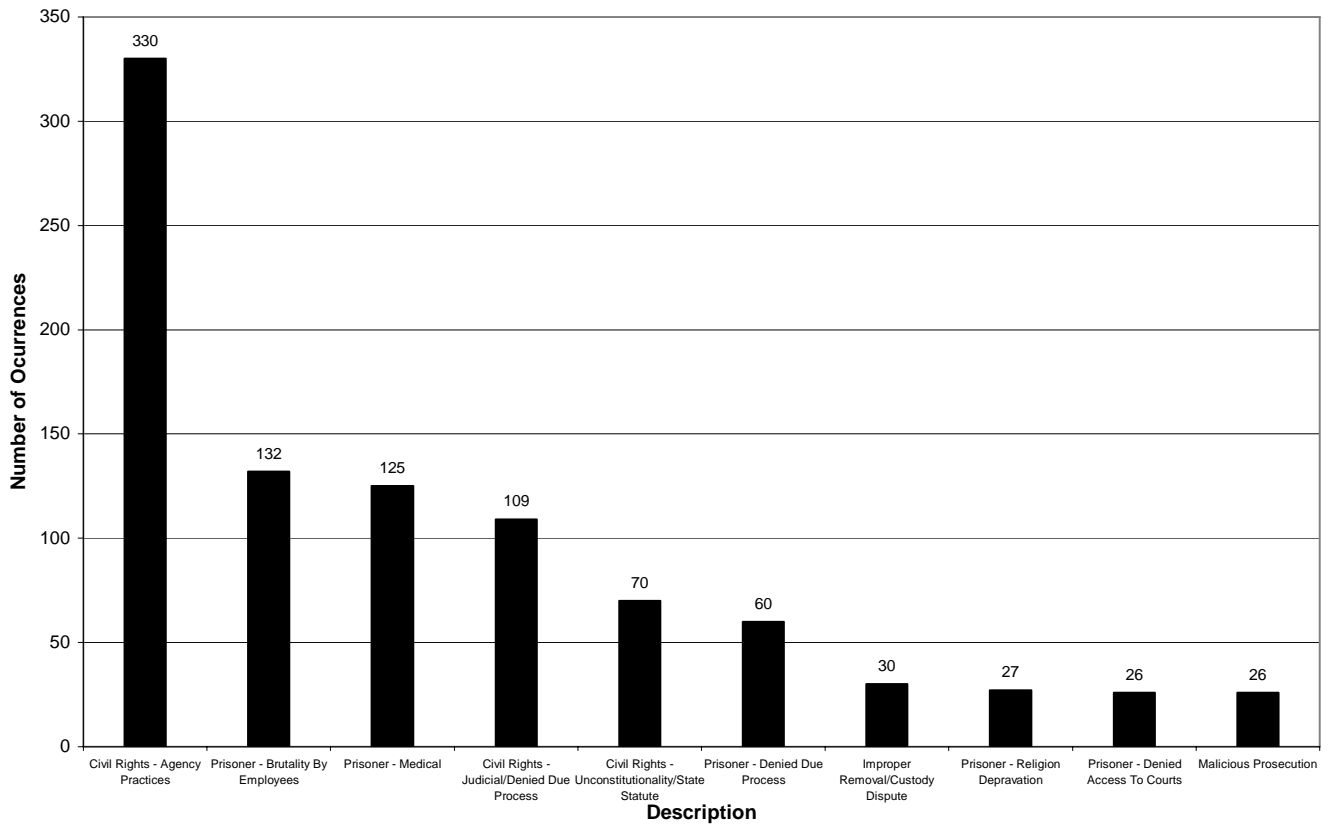
Frequency of Employment Claims Reported for the Period 7/1/03 - 6/30/08



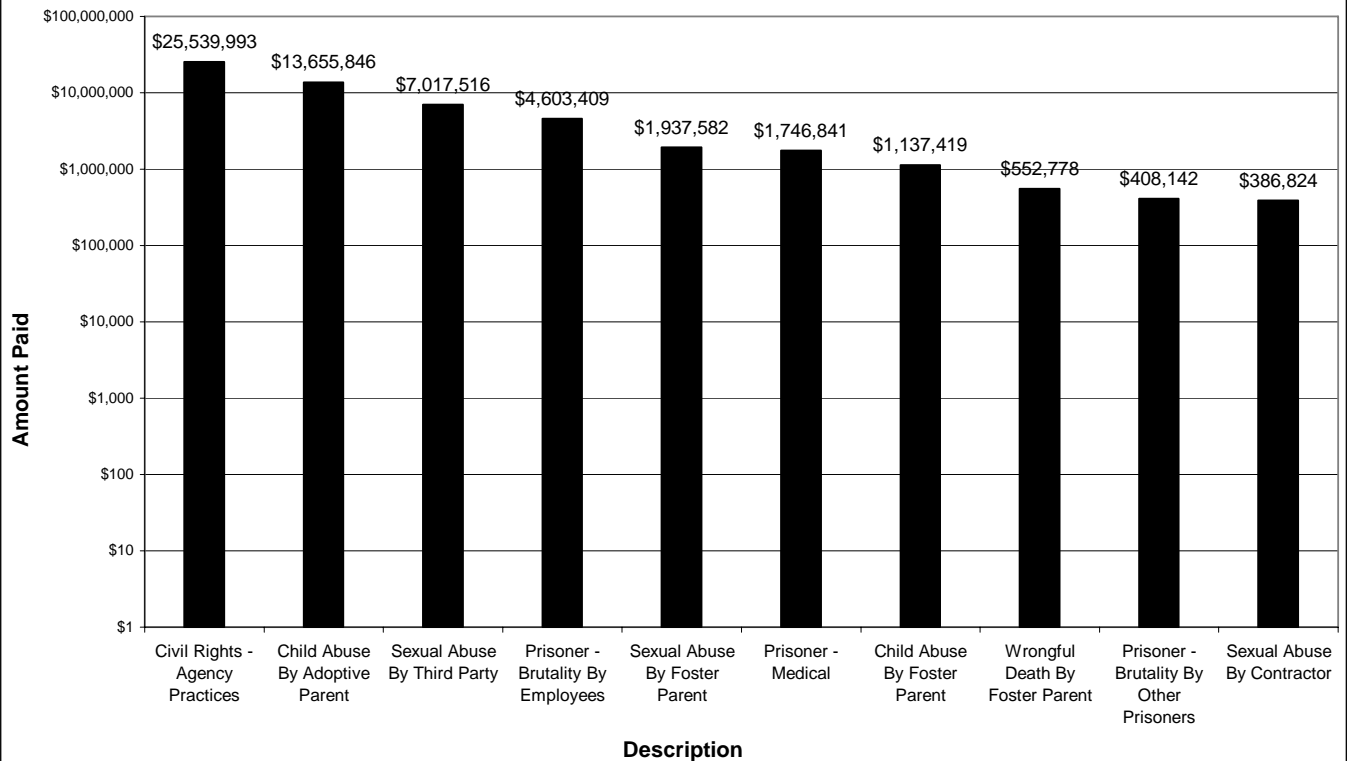
Cost of Employment Claims for the Period 7/1/03 - 6/30/08



**Frequency of FCR (Non-Employment) Claims Reported for the Period
7/1/03 - 6/30/08**



Cost of FCR (Non-Employment) Claims for the Period 7/1/03 - 6/30/08



F. Court Awarded Attorney Fees Insurance Coverage

This insurance coverage was established to provide court awarded attorney fees insurance coverage through the Trust Fund. This self insurance coverage pays court awarded attorney fees and costs to a plaintiff's attorney in proceedings not otherwise covered by the Trust Fund. The Division has the legal right to participate in the defense of any suit or appeal the award of attorney fees. Sixty eight (68) court awarded attorney fees claims were made during fiscal year 07/08. The Program self insures for these insurance claims and is provided no designated fiscal allocation to fund them.

IV. DIVISION OF RISK MANAGEMENT FINANCIAL OPERATIONS

The Division processes payments for workers' compensation, general liability, property and federal civil rights insurance claims. During fiscal year 07/08, the Division issued 54,914 checks; performed 7,110 Automated Clearing House transactions; and created 546 FLAIR vouchers for a total of \$147,562,861. Additionally, the Division deposits receipts and invests surplus funds with the state Treasurer.

The Division also monitors daily cash balances by investing and divesting funds associated with the loss payment revolving fund bank accounts. This includes generating monthly financial status reports for management to monitor budgetary balances and identify spending trends. Lastly, the Division is responsible for calculating and invoicing state agencies for casualty and property insurance premiums. Once the premiums are paid, the Division processes and deposits them into the Trust Fund. During fiscal year 07/08, the Division invoiced, processed and deposited \$136.6 million in casualty premiums and \$1.7 million in property premiums.

A. General Funding Information

A Legislative Revenue Estimating Conference establishes the Program's funding needs for each fiscal year. Only the estimated expense required to pay all insurance claims and Division operational expenses projected for the fiscal year is funded. Although the funding is determined by coverage line, funds are pooled to provide flexibility in assuring all insurance claims are paid timely. No funding is provided to meet sudden adverse loss trends or unexpected large insurance claims obligations. This is called "cash flow" funding. This type of funding requires continuous careful monitoring of the Trust Fund's cash flow so that all obligations can be paid.

Because of "cash flow" funding, an unfunded liability exists each year for financial obligations owed in the future. The chart following this narrative illustrates the "cash flow" funding methodology's impact. It covers fiscal year 97-98 through fiscal year 07/08. Essentially, it reflects that if the Program ceased operations as of June 30, 2008, participating agencies would pay an estimated \$892.8 million in existing insurance claims obligations payable in future years. This estimated liability consists of the following claims obligations by insurance type and is based on a June 30, 2008 actuarial analysis:

Worker's Compensation:	\$731.1 million
Federal Civil Rights:	\$106.5 million
General Liability:	\$ 48.4 million
Automobile Liability:	\$ 6.3 million
Property:	<u>\$.5 million</u>
	\$892.8 million

B. Method of Casualty Premium Calculation

Each fiscal year, agency premium requirements are determined by retrospective rating. The premium calculation is performed approximately one year before the premium invoice is issued, due to state budgetary requirements. The following explains the statutory framework found in Florida Statutes Section 284.30-44(2008) for Trust Fund premium calculation. It also explains the retrospective rating system employed under Florida Statutes Section 284.36 (2008) to create the annual premium invoice.

- 1) The experience portion of the premium encompasses a three-year window for workers' compensation, general liability, automobile liability, and a ten-year window for federal civil rights incidents (date of incident). Each payment made and/or outstanding reserves associated with each claim through the premium calculation date are incorporated in the calculation window.
- 2) The exposure portion of the premium represents the exposure to risk within each agency for the upcoming fiscal year. For workers' compensation, general liability, and federal civil rights insurance coverage, this risk exposure is defined by the number of budgeted full time equivalent positions (FTE's), Other Personnel Services positions, and volunteers covered by the state's self-insurance program that equals one full-time position. For automobile liability insurance coverage, the exposure is determined by the number of vehicles covered by the program. Each year, agencies provide the Division with the most current information available regarding FTE's and vehicles for the upcoming fiscal year through an Exposure Base Inquiry (EBI) form.
- 3) The experience and exposure information is recorded in the Division's Claims Administration System and a Cost of Risk Allocation calculation is performed. This calculation allocates each agency's portion of the state's actuarially projected self insurance cost in the upcoming fiscal year. The allocation is then factored into the legislative appropriation for the upcoming fiscal year.

C. Method of Property Insurance Premium Calculation

The Division's fund administrator calculates annual property premiums charged to agencies just before the beginning of the fiscal year. Premiums are assessed in a retrospective manner for insurance coverage provided during the prior fiscal year and are based on insured values, exposure to loss and actual loss history. The following explains the retrospective rating systems as required by Florida Statutes Section 284.02 (2008) employed to produce the annual property premium invoice.

- 1) A base premium is calculated for each insured location by multiplying the total insured values by the rate per \$100 of insurance coverage. The rate per \$100 is determined

individually for each insured location using assigned fire rates and extended coverage rates based on construction, occupancy and location. For fiscal year 06/07 the final premium was based on two factors, a five percent experience factor and a ninety five percent exposure factor as explained below.

- 2) The experience portion of the premium is based on a five-year loss history for each of the agency's policies as compared to the total five-year loss history for the state. The loss amount for each agency policy is divided by the loss amount for the state, and then multiplied by the experience premium amount.
- 3) The exposure portion of the premium is derived from the base premium calculated for each insured location, and represents the potential for loss due to the property's value. The base premium amount for each agency's policy is divided by the total base premium amount for the state, and then multiplied by the exposure premium amount.
- 4) The experience portion of the agency's property premium plus the exposure portion of the agency's property premium equals the total property premium invoiced to the agency. The total of all agency premiums equals the total Fund premium, which is determined annually by the Legislature.

V. DIVISION OF RISK MANAGEMENT LOSS PREVENTION AND CONTROL PROGRAM

The Division also is required by law to provide training and resources to assist agency safety programs. Services provided by this program include, but are not limited to:

- ◆ Providing loss prevention consultations and risk analysis.
- ◆ Providing safety and loss prevention training.
- ◆ Maintaining a loss prevention video library.
- ◆ Publishing a bi-monthly safety and loss prevention newsletter, *Loss Prevention Mention* (see Program Operations Section).
- ◆ Publishing a monthly safety and loss prevention safety bulletin, *Risk Services Notes* (see Program Operations Section).
- ◆ Producing reports at agency request reflecting insurance claims information to assist them with loss control measures and analysis.
- ◆ Maintaining the "Safety Zone", which is a web-based bulletin board designed to assist agencies with questions relating to risk management and safety issues.
- ◆ Coordinating the state's Interagency Advisory Council on Loss Prevention (IAC).

The IAC is comprised of 37 members from state agencies and other entities. In addition, 11 representatives from the university system are included in the IAC. Florida Statutes Section 284, Part III (2008) requires that each of the member agencies appoints a Safety Coordinator and Alternate Safety Coordinator to participate in the IAC. Safety Coordinators are responsible for managing agency safety programs, loss control, insurance claims experience and exposures. The Division provides resources to help Safety Coordinators meet their responsibilities. The Division also supports the IAC by coordinating quarterly IAC meetings and

assisting with the preparation of a statutorily required annual report. This report is due to the Governor by January 15th.

The Division also provides the IAC with access to STARS, a risk management insurance claims administration information system that IAC members can access to monitor agency insurance claims. This information system tracks all reported insurance claims and losses, both self and commercially insured and has been in existence since 1972.

A. Loss Prevention and Control Program Operations

During fiscal year 07/08, the Division has continued to train, provide report building assistance and consultations to the agencies. The Division's newsletter, *Loss Prevention Mention* (LPM), is in its seventh year of publication. During the 07/08 fiscal year the section created 58 pages in 6 volumes, with 60 links to other safety resources.

The monthly safety bulletin, *Risk Services Notes* (RSN), is in its second year of publication. RSN is a publication emailed to agencies on or about the 15th of each month. Each bulletin contains recommended safety prevention techniques to reduce the most common causes of loss the state experiences. In addition, the section includes a safety poster or other associated information pertaining to the bulletin subject, which can be printed for display or electronically distributed to agency employees.

Safety Zone is a web-based bulletin board for Florida agencies to post questions regarding safety problems that may arise or to post general questions in regards to risk management.

The *SC Toolbox* is a secure website containing the LPM, RSN and other safety related material. The Division administers the *SC Toolbox*, including an interactive Safety Coordinator's Manual. A section in the website is dedicated to the STARS product and its use. The *SC Toolbox* also contains safety information and training materials. It also contains the Division's training presentations, risk service forms, video library manual and a listing of important safety websites.

The Division provided 2,500 hours of training and safety consultation during fiscal year 07/08. Ninety nine percent (99%) of the training attendees reported favorable satisfaction with the training.

"Target Referrals" are made when a Division claims adjuster identifies that an agency experiences a loss with unusual characteristics and/or high frequency. Division staff conveys the "target referral" to the respective agency Safety Coordinator for follow up along with remediation suggestions. The Safety Coordinator has 30 days to report on the remedial action taken. Twenty nine (29) referrals were made during fiscal year 07/08.

The Division loaned 19 safety-related video tapes to agencies this past fiscal year.

B. 2007 Safety Awareness Awards

The IAC recognized agencies for loss prevention and safety awareness efforts with Safety Awareness Awards. Alex Sink, Florida's Chief Financial Officer, presented the awards in May 2008. Awards are based upon agency response to the Division's Safety Program Evaluation Survey. Awards recognize agency efforts in loss prevention through an objective comparison of the agency's safety program to established best practices in loss prevention. Three levels of

recognition are awarded: the Interagency Advisory Council on Loss Prevention's Award for Excellence in Loss Prevention (Gold Level); the Interagency Advisory Council on Loss Prevention's Award of Distinction for Loss Prevention (Silver Level); and the Interagency Advisory Council on Loss Prevention's Special Recognition Award for Loss Prevention (Bronze Level).

The following agencies received the Award for Excellence in Loss Prevention (Gold Level):

- Florida Department of Agriculture & Consumer Services
- Florida Department of Education
- Florida Department of Environmental Protection
- Florida Department of Law Enforcement
- Florida Department of Transportation
- University of North Florida

The following agencies received the Award of Distinction for Loss Prevention (Silver Level):

- Florida Agency for Health Care Administration
- Florida Department of Children & Families
- Florida Department of Corrections
- Florida Department of Financial Services
- Florida Department of Health
- Florida Department of Military Affairs
- Florida Department of Revenue
- Florida Department of State
- Florida Gulf Coast University
- Florida International University
- Florida Lottery
- Florida Public Service Commission
- Florida State University

The following agencies received the Special Recognition Award for Loss Prevention (Bronze Level):

- Agency for Workforce Innovation
- Florida Department of Business & Professional Regulation
- Florida Department of Citrus
- Florida Department of Community Affairs
- Florida Department of Juvenile Justice
- Florida Department of Veterans' Affairs
- Florida A & M University
- Florida Atlantic University
- Florida Highway Safety & Motor Vehicles
- Florida State Courts
- University of Florida
- University of South Florida
- University of West Florida

VI. DIVISION OF RISK MANAGEMENT RECOMMENDATIONS

A. Enhanced Upper Management Support is Needed for More Effective Agency Risk Management Efforts

Top management support demonstrates to the workforce that loss control is an organizational priority. Currently, top management in state agencies is not always involved in risk management efforts. Risk management, in most cases, is part of the regular duties of middle management.

A good loss control program results in cost savings, improved employee morale, fewer injuries, improved quality of work product, greater and safer productivity, fewer lawsuits and better public and employee relations. All of these benefits justify the financial support a risk management program needs for success. Below are some examples of how good risk management programs can benefit organizations:

- ServiceMaster, a corporation with about 1,000 branches, 35,000 employees and 20,000 vehicles, implemented a multifaceted loss control and safety initiative that resulted in a 41 percent reduction in their total cost since 2003 (a savings of \$48 million), with a one-third reduction in the frequency of work-related insurance claims.
- Walt Disney Company's multifaceted loss control and safety program at their Walt Disney World Resort in Orlando, Florida realized a 60 percent decrease in their OSHA frequency rate from 2002 to 2007, while their lost-time frequency rate fell nearly in half.
- Snap-on Tools introduced a loss control program in 2005 that led to a 47 percent reduction in workers' compensation insurance claims by 2007.

Because of the size and scope of Florida's government, the state risk management program has been legislatively designed as a decentralized program, with certain risk management functions handled by different agencies. Most large agencies also employ a decentralized approach. The agencies have a workers' compensation coordinator, a property coordinator, a safety coordinator, and legal staff who coordinate insurance claims management with Program adjusters. Because of this decentralized approach, agency employees often do not have a comprehensive understanding of the agency's risks, the pending insurance claims against the agency, or what their agency may be doing to prevent such insurance claims.

The Division recommends agencies designate a risk manager that is part of the agency's top management. Larger agencies should employ a risk manager entirely dedicated to the loss control program. In any case, because of the decentralized method most agencies use to address risk management concerns, the risk manager should serve as a program coordinator to assure a high quality and comprehensive loss control program.

Unfortunately, many agencies delegate loss control duties to individuals under the category of "other duties as assigned", and little time is available for loss control activities. While assisting the Division in drafting a proposed agency rule on loss prevention and safety programs, the Interagency Advisory Council on Loss Prevention (IAC) indicated that approximately 75 percent of state agencies do not have a full time Safety Coordinator. Designating a full time risk manager, particularly in large agencies, is in an agency's best interest.

B. Targeting Agency High Loss Areas of Operation is the Most Effective Loss Prevention/Control Strategy

Florida's government is diverse in nature, and few agencies have similar high loss areas of operation. As a result, an effective loss control program should identify and target high loss areas specific to the organization. This should be one of the first steps in developing an agency's risk management program. Agencies can access the risk management insurance claims system and determine agency specific higher operational risk areas. The Division can assist in that process. Agencies should reevaluate operational risks at least annually, since risks can change over time.

In the workers' compensation insurance claims area, data show that the sooner an injured employee returns to work, the more likely the employee is to remain employed, resulting in lower overall insurance claims cost. Alternate duty programs that actively seek to keep the injured employee in the workplace as much as possible, even if only on light or limited duty, are critical to a successful workers' compensation loss control program. Florida Statutes Section 261.251 (2008) authorizes agencies to return an employee to work at his or her regular rate of pay at any duty the employee is capable of performing. Agencies should aggressively implement these programs.

Management should become extremely familiar with employee workers' compensation insurance claims. Early and active management engagement with the injured employee serves a threefold purpose. First, it demonstrates management concern and investment in reestablishing the employee's wellness. Second, management will remain aware of the employee's ongoing state of wellness. Third, management will know when returning the employee to work is in the employee's and the agency's best interest.

The Division is implementing a new program that will more aggressively manage injured employees' medical care to provide timely and adequate treatment. The Program also will closely monitor the employee's status so return to work can be accomplished at the earliest time possible. This new approach will require increased proactive agency involvement with injured workers.

The Division currently is working with DCF in addressing workers' compensation insurance claims in the locations where those claims are most frequent and costly. The agency is being assisted with developing a risk assessment instrument that targets opportunities to reduce such claims through hazard reduction and education. The Division plans to offer similar assistance to other agencies with high loss areas of operation as well as those interested in proactive cost savings.

The Division has produced a report in response to a Legislative request entitled "Report on Risk Management Programs of State Agencies With the Highest Annual Claims Expense and Frequency", published on January 1, 2009. Using a methodology extensively described in the report, the Division identified the 5 "most costly" agencies with the highest claims cost in the Program for the time period July 1, 2005 through June 30, 2008. The Division recommends targeting these locations and causes of loss as areas of improvement for the following agencies.

Department of Corrections

Locations with the Highest Workers' Compensation Insurance Claims Cost:

➤ Lowell CI	\$2,246,532
➤ North Florida Reception Center	\$2,096,303
➤ Glades C.I.	\$1,806,273
➤ Okeechobee C.I.	\$1,562,560
➤ Martin C.I.	\$1,396,103

Highest Cause of Loss Workers' Compensation:

➤ Miscellaneous ¹	\$16,849,036
➤ Fall/Slip/Trip	\$8,612,322

Cause of Loss for Federal Civil Rights and Employment Action Insurance Claims:

➤ Inmate – Medical	\$744,455
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Department of Children and Families

Locations with the Highest Workers' Compensation Insurance Claims Cost:

➤ Northeast Region District Administration	\$8,978,953
➤ Northwest Region District Administration	\$5,568,789
➤ Central Region District Administration	\$4,026,871

Highest Cause of Loss Workers' Compensation:

➤ Struck/Injured By	\$3,870,256
➤ Fall/Slip/Trip	\$3,361,907

Highest Cause of Loss for Federal Civil Rights and Employment Discrimination Claims:

➤ Claims Child Abuse by Adoptive Parent	\$3,100,855
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¹ Miscellaneous workers' compensation claims includes presumption claims (\$11,631,571 or 69%) enacted by the Legislature (see F.S. Section 112.18 (2008), including firefighters and law enforcement or correctional officers; special provisions relative to disability.)

Department of Transportation

Locations with the Highest Workers' Compensation Insurance Claims Cost:

➤ District 4 – Broward County	\$5,686,904
➤ District 6 – Volusia County	\$2,658,212
➤ District 5 – Miami Dade County	\$2,362,067

Highest Cause of Loss Workers' Compensation Insurance Claims:

➤ Fall/Slip/Trip	\$3,870,256
➤ Strain/Injured By	\$1,325,963

Highest Cause of Loss for Federal Civil Rights and Employment Discrimination Claims:

➤ Terminated	\$ 81,930
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Department of Health

Locations with the Highest Workers' Compensation Insurance Claims Cost:

➤ Dade County Health Dept.	\$1,326,998
➤ Palm Beach County Health Dept.	\$1,076,681
➤ Division of Children's Medical Services	\$ 722,428

Highest Cause of Loss Workers' Compensation:

➤ Fall/Slip/Trip	\$3,235,166
➤ Strain/Injured By	\$2,642,674

Highest Cause of Loss for Federal Civil Rights and Employment Discrimination Claims:

➤ Civil Rights – Agency Practices	\$ 525,000
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Department of Juvenile Justice

Locations with the highest Workers' Compensation Insurance Claims Cost:

➤ North Region Headquarters -Detention	\$2,515,098
➤ South Region Headquarters -Detention	\$2,122,563
➤ Central Region Headquarters -Residential	\$1,870,079

Highest Cause of Loss for Workers' Compensation Claims:

➤ Struck/Injured By	\$4,633,908
➤ Fall/Slip/Trip	\$1,280,304

Highest Cause of Loss for Federal Civil Rights and Employment Discrimination Claims:

➤ Terminated	\$ 426,920
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C. All Agencies Should Conduct and Act Upon Agency Specific Comprehensive Risk Assessments

Although comprehensive risk assessments can be time consuming, they are critical to a loss control program. Agencies first must establish a set of objectives and determine the scope of the assessment, focusing on the business it conducts and its inherent risks. Technical experts in various fields of operation should be included in developing the risk assessment instrument. In most agencies, those experts exist within the agency. Others may require outside consultation. Front line personnel and management should contribute to the risk assessment instrument and participate in the actual assessment. They often know where the risks lie better than the risk manager. Agencies also should focus on risk of financial loss and loss of sensitive data. A thorough risk assessment should include management and key employee interviews, review of written documentation and site inspections.

The Agency for Enterprise Information Technology (AEIT) is developing a comprehensive information technology risk assessment instrument, working closely with agency inspectors general. The Division plans to develop a loss control risk assessment instrument that can be customized by each agency to address their specific business lines and areas of specialization. We hope to work closely with AEIT, the inspector general community, and members of the IAC to assure the instrument is meaningful.

A comprehensive risk assessment is the first tool in identifying agency risk. Agencies should also evaluate risk by the likelihood of repeat occurrence (frequency) and the degree of damage that can impact both reputation and fiscal standing (cost.) Risk mitigation may include change in practice, deletion of certain lines of service (where possible) or purchase of risk specific insurance coverage, to name a few strategies.

D. Agencies Should Have a Stake in the Financial Impact of Loss Prevention and Control Efforts

The present funding methodology for agency insurance coverage provides little incentive for agencies to proactively manage high risk activities and behavior.

The Division currently advises the legislature of premium assessments by agency, and those premiums are funded as a separate line item in the state budget. The premiums are not paid in whole or in part from the agency's expense budget. One incentive may be to have some component of premium paid out of an agency's operational budget. If an agency performs well,

it has the opportunity to put those unpaid premium dollars to another use. Conversely, if an agency performs poorly, the agency will then need to reallocate funds from other programs to cover the resulting higher premiums. We recommend that the Legislature consider changes in the current premium assessment funding process that will provide financial incentives for agencies to reduce the number of insurance claims and respective cost.

The Division is changing its premium calculation methodology to be more reflective of each agency's recent loss experience. The plan is to take a percentage of the total casualty premium assessed to each agency by insurance coverage line (workers compensation, general liability, auto liability, and federal civil rights/employment actions) and allocate that percentage to the agencies based on the most recently reported fiscal year's claim payments and reported insurance claims. This change in methodology will apply more emphasis on each agency's recent claim activity, resulting in premiums that are more closely aligned with agency risk management practices. This change in premium calculation methodology will be used for premiums assessed during fiscal year 09/10.

Casualty premiums are presently calculated for each agency in the following manner: 20% is based on the number of agency employees and 80% is based on the agency's losses for the last three years (or the last ten years for federal civil rights insurance coverage due to the long time it takes to close those claims.) The total premiums paid for fiscal year 08/09 by the 5 most costly agencies are shown below.

AGENCY	NUMBER OF STATE EMPLOYEES	TOTAL PREMIUM	COST PER EMPLOYEE
Dept. of Transportation	7,559	\$8,865,189	\$1,173
Dept of Children & Families	14,485	\$16,755,772	\$1,157
Dept. of Health	19,748	\$10,504,028	\$ 532
Dept. of Juvenile Justice	5,113	\$7,540,154	\$1,475
Dept. of Corrections	28,792	\$30,484,738	\$1,059

E. The Division of Risk Management Could Enhance Its Effectiveness by Obtaining Clear Authority to Ensure Agencies Maintain Effective Loss Control Programs

The Division has no clear statutory authority to ensure agencies maintain effective loss control programs. It also has no authority to monitor those programs.

To assure effective and efficient loss control programs exist, the Division should have clear legislative authority. The Department of Financial Services has draft legislative language addressing this issue for legislative consideration. Additionally, the Division has drafted an agency rule establishing minimum standards for agency loss control programs. It also describes

how the Division will monitor agency loss control programs and work with agencies to enhance those programs.

Clear legislative authority will enhance the Division's ability to enforce minimum standards for an effective loss control program and periodically monitor agencies' loss control programs. We plan to partner with the designated agency safety person(s) or risk manager and the respective agency inspector general in these activities. This will be supplemented by assisting agencies with loss control program development and helping address opportunities for improvement on an as needed, as available, basis.

F. More Precise Data Regarding Identification of Employee Risk for Injury as it Relates to Job Duties Will Enhance the Worker's Compensation Loss Control Program

The National Council on Compensation Insurance (NCCI) has developed standardized criteria used to classify the risk level of a given job. For example, roofers are classified as one of the highest risk occupations, while general office work is classified as a much lower risk occupation. These classifications are used by the insurance industry to determine premiums for workers' compensation insurance. The state risk management program attempts to assign a risk classification once a worker's compensation claim occurs, but no continuous practice of assigning risk classifications to all state jobs has ever been implemented.

The state has approximately 200,000 full time employees for workers' compensation insurance coverage purposes, and when premiums are calculated, each employee is given equal weight, regardless of their job's level of risk for injury. Consequently, agencies do not pay premiums equivalent to risk, unlike what would be required to obtain private insurance coverage. Likewise, without this data, the Division can not compare injuries by type and occupational class, or identify high risk activity by reviewing where an agency has jobs classified as high risk for injury occupations. This information is extremely useful in a loss control program.

The best method to collect the data would require each agency's human resource department to assign a NCCI class code to each position in the agency. This practice will require either specific legislative direction, or legislative authority for the Division to require such information from the agencies. This information could be included in each agency's annual Exposure Based Inquiry Survey to the Department of Financial Services.

The required workload could be minimal to moderate, with a heavier workload for agencies with diverse work activities. Some training will be needed to prepare the evaluator to perform these evaluations, and a consultant would be needed to provide that training. An initial major review by all agencies of their jobs would be required, with then only a "maintenance" effort needed to ensure job changes and new positions are evaluated properly for risk classifications. An optional approach that may require fewer resources is to have each agency's human resource department assign a NCCI class code to each position as it is created or reclassified, or at the time the annual performance appraisal is received for each position.

G. The State Would Benefit From Enforced Safety Regulation

Application of formal or informal enforcement of safety regulations in state government, such as those promulgated by the Occupational Safety and Health Association (OSHA), would help protect workers, reduce workers' compensation insurance claims, and decrease litigation.

The current federal OSHA standards allow for voluntary compliance by state governments. Until its elimination in 2000, the Division of Safety in the Department of Labor enforced state agency compliance pursuant to statutory authority that adopted the OSHA standards. In 2000, the Governor issued a proclamation requiring voluntary adherence by state agencies. However, no program is in place that monitors and enforces OSHA standards in state agency operations, and limited information exists regarding the level of agency adherence to OSHA standards. To date, no serious injuries or deaths due to noncompliance with OSHA standards have been reported to the Division of Risk Management since 2000, but the state may benefit from such enforcement, particularly for high risk agency operations.

H. Agencies Should Implement Loss Control Strategies for Prevention of "Presumption" Insurance Claims

Under Florida Statutes Section 112.18 (2008), law enforcement and correctional officers are presumed to have incurred a workplace injury if they suffer any condition or impairment of health caused by tuberculosis, heart disease, or hypertension, unless the contrary can be shown by competent evidence.

This has resulted in officers suffering heart attacks or other problems while at home or on vacation, for which workers' compensation benefits must be paid unless the state clearly can show that the medical problem was not related to work. This is a high standard that requires substantial litigation costs to address, including expert medical testimony.

The addition of correctional officers to this law in July 2002 has resulted in insurance claim payments of \$10.5 million for DOC "presumption" insurance claims, alone, as of July 1, 2008. Prior to that date the state had paid a total of \$2.4 million on these insurance claims for law enforcement and firefighters.

Agencies with law enforcement or correctional officer staff should implement loss control strategies to address "presumption" insurance claims. Because of the rapid increase of these claims and their high cost, The Division recommends that agencies develop loss prevention strategies to reduce the likelihood of such claims, such as incentives for officers to quit smoking and reduce weight.

Another major issue in handling the "presumption" insurance claims has been the receipt of claims that occurred more than 2 years prior to the reporting of the claim to the Division. The state initially took the position that the statute of limitation had run. However, due to subsequent adverse court decisions the state no longer denies claims on the basis of the statute of limitation. To mitigate this issue on future claims, state agencies that employ firefighters, law enforcement officers, correctional officers or correctional probation officers should notify their employees of their rights and responsibilities under Florida Statutes Section 112.18 (2008). The Division sent a notice regarding this issue to the Human Resource Director at the DOC in May 2006, and a second notice was sent to the DOC in January 2008 identifying 57 "presumption"

insurance claims occurring since 2006 that were reported late to the Division. The late reporting of these insurance claims makes it even more difficult to investigate the claims properly, and obtain evidence to rebut the presumption that the claims are caused by work conditions.

The Division recommends the following agencies develop procedures to notify their employees covered by the presumption in Florida Statutes Section 112.18 (2008) of their rights and responsibility to report such occurrences to their employer and to the Division.

<u>Agency</u>	<u>Number of "Presumption" Insurance Claims since July 1, 2002</u>
Department of Corrections	591
Fish & Wildlife Commission	31
Highway Safety	48
Agriculture	11

I. Agencies with a High Risk of Incurring Civil Rights Insurance Claims Should Provide Significant Training to Avoid Such Claims

Federal civil rights claims are not brought against the agency. They are filed naming the agency employee as a defendant. The defendant, if found to have violated the claimant's federal civil rights, can be personally liable for the resulting damages, and therefore can have personal assets seized and sold at a forced sale to satisfy a judgment. There are no limits to liability, so a judgment for millions of dollars can be entered against an employee.

For the above reasons, and because, as covered previously in this report, the cost of these claims is so high, agencies should analyze their operations carefully to see if the risk of civil rights violation insurance claims can be avoided, and should invest in training their staff on what to do to prevent these claims. Many agencies provide periodic training on the duties of employees and managers involving sexual harassment claims and other employment discrimination claims. The legal concepts regarding these types of insurance claims are generally more familiar to employees than the concepts involving civil rights violations, but in DCF and DOC, with their risk for these types of claims, it is important to train employees so they can identify when their actions or inactions may result in a claim that they violated the rights of someone in their care or custody. These risks are particularly high in the operations of DOC involving inmate custody, and in the operations of DCF involving the care of children.

Several approaches can be taken to train employees to recognize potential risks for claims of civil rights violations, but the first important step is to identify agency operations where the risk is high, and then "custom-tailor" the training to address the specific risks involved in those operations. Many times the training can involve little more than emphasizing the policies and procedures of the agency, since in many cases the employee would not have been sued if such procedures had been followed. In very high risk/high claims environments, a more aggressive approach can be used, such as retaining a law firm specializing in civil rights law to review the agency operations and tailor a training program designed to prevent the same types of claims the agency has experienced in the past as well as avoid new risks for claims of civil rights violations.

VII. State Risk Management Program Enhancements

The Division is in the process of implementing the following enhancements to the state Program:

- Redesigning the risk management program and reorganizing staff to enhance our focus on loss prevention and control. This project will be completed by July, 2009.
- Including agency heads in communication regarding prevention and loss control matters to raise top management awareness. This will be an ongoing process.
- Strengthening our relationships with state agency top management to help enhance their risk management programs. This will be an ongoing process.
- Providing semi-annual agency “report cards” to agency heads that show them agency trends relating to frequency of insurance claims and claims cost. This process has been implemented.
- Reporting worker injury or agency operation insurance claims directly to agency heads that may need review to prevent future claim losses. This process has been implemented.
- Initiating a case management program for workers’ compensation insurance claims that will provide appropriate, timely medical care to an injured worker and closely managing the care to assure the worker stays at work as much as possible. This is a major change that will require agencies cooperation, and training to all agencies will be provided regarding their responsibilities. This change will be implemented on January 1, 2009.
- Changing the premium calculation methodology to reward state agencies that reduce insurance claims cost and frequency. This change is more fully described in the Recommendations section of this report.
- Working closely with agencies to develop meaningful, minimum standards for agency risk management programs, including using risk assessment standards for an agency to identify and address its risks. This process has started and will be an ongoing project.
- Reviewing agency performance in implementing risk management programs, focusing on the agencies with the most losses. Because of the small staff that will be available to perform these reviews, the program will focus on the agencies generating the most insurance claims cost. This process will be implemented in March 2009 assuming staff is in place to perform these reviews.
- Assisting agencies in developing strategies to address high insurance claim program areas, and engaging a risk management consulting firm to provide direct “hands on” assistance. This process has begun with DCF, and will continue with a focus on the top “most costly” agencies.

- Assigning agencies specific adjustors to develop relationships with agency staff and better understand agency operations, allowing adjustors to identify high insurance claims areas and provide prevention feedback. This process will be implemented on January 1, 2009.
- Reviewing employment discrimination claims filed with the Equal Employment Opportunity Commission or the Florida Commission on Human Relations to identify insurance claims with opportunities for early settlement. This process has been implemented.
- Working to obtain better data regarding the state employee job responsibility related risk and better information regarding state buildings, to better manage employee and property risks. This process has begun as to the information regarding state buildings, and legislative authority will be needed to obtain the state worker risk of injury classification data.

APPENDIX

Historical Claims Payment History by Agency for Insurance Coverage Lines

The following five tables depict historical claim payments, by agency, for the Division's insurance coverage lines.

Table 1: WORKER'S COMPENSATION CLAIMS PER 100 FTEs

This table ranks the members of the Interagency Advisory Council by frequency of workers' compensation insurance claims with some amount paid per 100 FTEs that occurred between fiscal years 04/05 and 06/07. Tracking insurance claims per 100 FTEs is an industry standard of comparison for workers' compensation. Agencies with less than 500 FTEs should be considered differently from the larger agencies. The small number of FTEs in those agencies may create actuarially misleading assumptions in their outcomes. Individual universities are listed separately at the bottom of the table. ***The agencies are listed by location codes in the state's claim system without regard to ranking for the columns.***

Tables 2 through 4: AVERAGE COST PER CLAIM

The following 3 charts represent the two major liability claim costs and one cost for property insurance claims. The two liability sections are: general/automobile liability and federal civil rights/employment discrimination liability. The property section insures all property, building and contents for agency property losses. The first column in each yearly bracket represents the total number of insurance claims paid during that year. Column two in each yearly bracket represents the total dollars paid for that type of claim that fiscal year. Column three for each section represents the average cost per claim for this section. The agencies are listed in sequential order that follows the state's insurance claims administration system without regard to ranking for performance.

Table 1: WORKER'S COMPENSATION CLAIMS PER 100 FTEs

Agency	FY 2004-05			FY 2005-06			FY 2006-07		
	# FTE's (2)	# Claims (3)	Rate (4)	# FTE's (2)	# Claims (3)	Rate (4)	# FTE's (2)	# Claims (3)	Rate (4)
DIVISION OF ADMINISTRATIVE HEARINGS	275	11	4.00	272	8	2.94	265	6	2.26
AGRICULTURE AND CONSUMER SERVICES	4803	369	7.68	4953	386	7.79	5,020	304	6.06
BUSINESS REGULATION	1647	64	3.89	1658	71	4.28	1,783	73	4.09
CITRUS	120	1	0.83	90	2	2.22	90	1	1.11
COMMUNITY AFFAIRS	448	16	3.57	449	13	2.90	543	7	1.29
DEPARTMENT OF ELDER AFFAIRS	348	10	2.87	357	12	3.36	613	10	1.63
EDUCATION	3667	138	3.76	3621	111	3.07	3,501	103	2.94
AGENCY FOR WORKFORCE INNOVATION	3274	47	0.00	4262	44	0.00	3,255	47	0.00
MANAGEMENT SERVICES	1403	35	2.49	1195	25	2.09	1,058	27	2.55
OFFICE OF THE GOVERNOR	293	2	0.68	292	2	0.68	306	4	1.31
AGENCY FOR HEALTH CARE ADMINISTRATION	1694	31	1.83	1673	49	2.93	1,910	29	1.52
HIGHWAY SAFETY AND MOTOR VEHICLES	4824	306	6.34	4851	349	7.19	4,985	298	5.98
DEPARTMENT OF FINANCIAL SERVICES	3041	81	2.66	2760	61	2.21	2,768	60	2.17
STATE BOARD OF ADMINISTRATION	213	0	0.00	204	3	1.47	197	2	1.02
DEPARTMENT OF LAW ENFORCEMENT	1967	55	2.80	1999	53	2.65	2,004	66	3.29
LEGAL AFFAIRS	1157	24	2.07	1249	23	1.84	1,377	12	0.87
MILITARY AFFAIRS	294	21	7.14	294	15	5.10	327	14	4.28
DEPARTMENT OF ENVIRONMENTAL PROT.	5244	335	6.39	5100	347	6.80	5,297	295	5.57
FISH AND WILDLIFE CONSERVATION COMM.	2243	207	9.23	1872	164	8.76	1,873	177	9.45
PAROLE COMMISSION	148	1	0.68	165	3	1.82	148	2	1.35
REVENUE	5439	144	2.65	5433	121	2.23	5,433	115	2.12
STATE	567	14	2.47	652	20	3.07	500	11	2.20
TRANSPORTATION	7846	307	3.91	7813	272	3.48	7,539	235	3.12
PUBLIC SERVICE COMMISSION	380	5	1.32	342	6	1.75	348	4	1.15
ADV. CTR. FOR PERSONS WITH DISABILITIES	54	2	3.70	67	1	1.49	67	3	4.48
FLORIDA DEPARTMENT OF LOTTERY	446	18	4.04	447	10	2.24	440	16	3.64
VETERANS AFFAIRS	637	45	7.06	639	63	9.86	639	53	8.29
FLORIDA LEGISLATURE	1872	20	1.07	1700	21	1.24	1,853	9	0.49
STATE COURTS ADMINISTRATOR	2791	42	1.50	3974	48	1.21	4,157	41	0.99
JUSTICE	128	2	1.56	181	9	4.97	180	10	5.56
PUBLIC DEFENDERS	2773	46	1.66	2915	49	1.68	3,095	41	1.32
STATE ATTORNEYS	5736	101	1.76	5817	103	1.77	6,069	92	1.52
PRIDE	0	0	0.00	244	7	2.87	235	21	8.94
AGENCY FOR PERSONS W/DISABILITIES	0	0	0.00	3865	395	10.22	4,898	387	7.90
DEPARTMENT OF CHILDREN AND FAMILIES	20529	1236	6.02	21387	784	3.67	14,515	667	4.60
DEPARTMENT OF HEALTH	17418	782	4.49	15289	769	5.03	18,709	831	4.44
DEPARTMENT OF JUVENILE JUSTICE	5147	584	11.35	5154	607	11.78	5,144	525	10.21
DEPARTMENT OF CORRECTIONS	26569	1851	6.97	27179	1987	7.31	27,753	2237	8.06
Total for all State Agencies	135,435	6,953	5.13	140,414	7,013	4.99	138,894	6,835	4.92
FLORIDA A & M	2345	84	3.58	2255	73	3.24	2,573	78	3.03
FLORIDA ATLANTIC	4171	53	1.27	4501	42	0.93	4,741	50	1.05
FLORIDA STATE	8279	203	2.45	8497	215	2.53	8,473	218	2.57
UNIV. OF CENTRAL FLORIDA	4793	139	2.90	5340	131	2.45	5,726	148	2.58
UNIV. OF WEST FLORIDA	1556	43	2.76	1394	51	3.66	1,323	55	4.16
FLORIDA INTERNATIONAL	3385	82	2.42	3336	63	1.89	3,791	44	1.16
UNIV. OF NORTH FLORIDA	2094	39	1.86	2094	57	2.72	2,094	52	2.48
UNIVERSITY OF FLORIDA	21992	955	4.34	20548	915	4.45	21,596	834	3.86
UNIV. OF SOUTH FLORIDA	7837	212	2.71	7300	225	3.08	11,205	190	1.70
FLORIDA GULF COAST UNIVERSITY	1050	21	2.00	1100	25	2.27	1,193	17	1.42
NEW COLLEGE OF FLORIDA	121	21	17.36	245	16	6.53	241	11	4.56
Total for all Universities	57,623	1,852	3.21	56,610	1,813	3.20	62,956	1,697	2.70
Grand Total for State	193,058	8,805	4.56	197,024	8,826	4.48	201,850	8,532	4.23

- (1) The totals provided in the Number of Claims (# Claims) columns are accumulated by including only claims that had an actual payment for more than \$25. The first \$25 of a claim is an administrative expense and not a medical or indemnity cost of a claim.
- (2) Developed by the Agency responses to Annual Exposure Base Inquiry form
- (3) The totals in the # Claims column also represent the FY named plus 6 months of development after the end of the FY.
- (4) Rate represents the number of claims divided by the number of FTE's per 100 (# Claims/(FTE's/100)).
This is an industry standard measurement.

Table 2: GENERAL AND AUTOMOBILE LIABILITY CLAIMS

Agency	FY 2005-06 (1)			FY 2006-07 (2)			FY 2007-08 (3)		
	# Claims (4)	\$ Claims (7)	Avg/Claim (10)	# Claims (5)	\$ Claims (8)	Avg/Claim (10)	# Claims (6)	\$ Claims (9)	Avg/Claim (10)
DIVISION OF ADMINISTRATIVE HEARINGS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
AGRICULTURE AND CONSUMER SERVICES	47	\$183,072	\$3,895	50	\$485,114	\$9,702	62	\$440,516	\$7,105
BUSINESS REGULATION	14	\$48,113	\$3,437	12	\$66,481	\$5,540	15	\$47,378	\$3,159
CITRUS	0	\$0	\$0	1	\$1,846	\$1,846	1	\$2,490	\$2,490
COMMUNITY AFFAIRS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
DEPARTMENT OF ELDER AFFAIRS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
EDUCATION	10	\$16,331	\$1,633	1	\$838	\$838	8	\$142,369	\$17,796
AGENCY FOR WORKFORCE INNOVATION	4	\$44,500	\$11,125	1	\$5,520	\$5,520	1	\$857	\$857
MANAGEMENT SERVICES	4	\$1,631	\$408	10	\$7,223	\$722	9	\$28,371	\$3,152
OFFICE OF THE GOVERNOR	0	\$0	\$0	1	\$7	\$7	3	\$9,002	\$3,001
AGENCY FOR HEALTH CARE ADMINISTRATION	4	\$10,497	\$2,624	0	\$0	\$0	2	\$6,933	\$0
HIGHWAY SAFETY AND MOTOR VEHICLES	75	\$1,028,009	\$13,707	103	\$871,625	\$8,462	92	\$875,978	\$9,522
DEPARTMENT OF FINANCIAL SERVICES	6	\$21,251	\$3,542	12	\$99,550	\$8,296	4	\$2,910	\$728
STATE BOARD OF ADMINISTRATION	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
DEPARTMENT OF LAW ENFORCEMENT	30	\$118,205	\$3,940	15	\$27,595	\$1,840	19	\$104,857	\$5,519
LEGAL AFFAIRS	5	\$25,195	\$5,039	5	\$19,399	\$3,880	1	\$0	\$0
MILITARY AFFAIRS	3	\$6,393	\$2,131	2	\$1,380	\$690	1	\$377	\$377
DEPARTMENT OF ENVIRONMENTAL PROT.	50	\$243,274	\$4,865	55	\$35,503	\$9,736	64	\$268,404	\$4,970
FISH AND WILDLIFE CONSERVATION COMM.	38	\$337,323	\$8,877	47	\$242,469	\$5,159	40	\$130,672	\$4,517
PAROLE COMMISSION	2	\$52,377	\$26,189	0	\$0	\$0	2	\$12,193	\$0
REVENUE	3	\$8,437	\$2,812	5	\$35,722	\$7,144	2	\$21,237	\$10,619
STATE	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
TRANSPORTATION	297	\$3,025,028	\$10,185	411	\$2,873,843	\$6,992	302	\$2,419,592	\$8,012
PUBLIC SERVICE COMMISSION	3	\$83,158	\$27,719	2	\$433	\$217	1	\$262	\$262
ADV. CTR. FOR PERSONS WITH DISABILITIES	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
FLORIDA DEPARTMENT OF LOTTERY	5	\$6,016	\$1,203	3	\$3,491	\$1,164	11	\$144,069	\$13,097
VETERANS AFFAIRS	1	\$4,476	\$4,476	1	\$22,512	\$22,512	2	\$108,779	\$54,390
FLORIDA LEGISLATURE	2	\$17,052	\$8,526	0	\$0	\$0	0	\$0	\$0
STATE COURTS ADMINISTRATOR	6	\$28,832	\$4,805	7	\$8,334	\$1,191	4	\$6,284	\$1,571
JUSTICE	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
PUBLIC DEFENDERS	3	\$5,463	\$1,821	2	\$8,731	\$4,366	9	\$101,170	\$11,241
STATE ATTORNEYS	12	\$28,581	\$2,382	17	\$57,419	\$3,378	17	\$46,663	\$2,745
PRIDE	3	\$3,087	\$1,029	5	\$21,808	\$4,362	3	\$11,583	\$3,861
AGENCY FOR PERSONS WITH DISABILITIES	18	\$181,078	\$10,060	13	\$283,470	\$21,805	9	\$11,150	\$1,239
DEPARTMENT OF CHILDREN AND FAMILIES	57	\$1,624,005	\$28,491	57	\$1,461,353	\$25,638	40	\$769,477	\$19,237
DEPARTMENT OF HEALTH	50	\$885,879	\$17,718	20	\$374,006	\$18,700	23	\$320,207	\$13,922
DEPARTMENT OF JUVENILE JUSTICE	24	\$225,588	\$9,400	30	\$552,282	\$18,409	23	\$133,596	\$5,809
DEPARTMENT OF CORRECTIONS	188	\$666,305	\$3,544	195	\$1,314,108	\$6,739	181	\$866,235	\$4,786
Total for all State Agencies	964	\$8,929,156	\$9,263	1,083	\$9,382,062	\$8,663	940	\$7,083,611	\$7,536
FLORIDA A & M	11	\$92,708	\$8,428	16	\$82,446	\$5,153	15	\$46,363	\$3,091
FLORIDA ATLANTIC	11	\$45,488	\$4,135	16	\$39,175	\$2,448	12	\$101,797	\$8,483
FLORIDA STATE	37	\$150,695	\$4,073	38	\$280,888	\$7,392	28	\$93,247	\$3,330
UNIV. OF CENTRAL FLORIDA	12	\$36,147	\$3,012	14	\$229,259	\$16,376	10	\$34,064	\$3,406
UNIV. OF WEST FLORIDA	6	\$14,713	\$2,452	4	\$3,888	\$972	5	\$16,509	\$3,302
FLORIDA INTERNATIONAL	6	\$28,733	\$4,789	13	\$111,410	\$8,570	25	\$304,944	\$12,198
UNIV. OF NORTH FLORIDA	4	\$23,024	\$5,756	4	\$6,313	\$1,578	2	\$2,694	\$1,347
UNIVERSITY OF FLORIDA	64	\$389,746	\$6,090	63	\$174,250	\$2,766	45	\$87,400	\$1,942
UNIV. OF SOUTH FLORIDA	20	\$120,322	\$6,016	27	\$106,904	\$3,959	23	\$379,101	\$16,483
FLORIDA GULF COAST UNIVERSITY	0	\$0	\$0	1	\$3,094	\$3,094	2	\$1,112	\$556
NEW COLLEGE OF FLORIDA	1	\$4,072	\$4,072	0	\$0	\$0	1	\$1,065	\$0
Total for all Universities	172	\$905,648	\$5,265	196	\$1,037,627	\$5,294	168	\$1,068,296	\$6,359
Grand Total for State	1,136	\$9,834,804	\$8,657	1,279	\$10,419,689	\$8,147	1,108	\$8,151,907	\$7,357

- (1) Paid claims FY 2005-06 occurred in FY 2001-2002 and have 4 years of claim development ending on June 30, 2006.
- (2) Paid claims FY 2006-07 occurred in FY 2002-2003 and have 4 years of claim development ending on June 30, 2007.
- (3) Paid claims FY 2007-08 occurred in FY 2003-2004 and have 4 years of claim development ending on June 30, 2008.
- (4) # Claims is the number of claims occurring in FY2001-2002 with a dollar amount paid as of June 30, 2006.
- (5) # Claims is the number of claims occurring in FY2002-2003 with a dollar amount paid as of June 30, 2007.
- (6) # Claims is the number of claims occurring in FY2003-2004 with a dollar amount paid as of June 30, 2008.
- (7) \$ Claims is the total dollar amount paid as of June 30, 2006, for General and Auto Liability claims occurring in FY 2001-2002.
- (8) \$ Claims is the total dollar amount paid as of June 30, 2007, for General and Auto Liability claims occurring in FY 2002-2003.
- (9) \$ Claims is the total dollar amount paid as of June 30, 2008, for General and Auto Liability claims occurring in FY 2003-2004.
- (10) Average per Claim (Avg/Claims) is the \$ Claims divided by the # Claims.

Table 3: FEDERAL CIVIL RIGHTS AND EMPLOYMENT DISCRIMINATION CLAIMS

Agency	FY 2005-06 (1)			FY 2006-07 (2)			FY 2007-08 (3)		
	# Claims (4)	\$ Claims (7)	Avg/Claim (10)	# Claims (5)	\$ Claims (8)	Avg/Claim (10)	# Claims (6)	\$ Claims (9)	Avg/Claim (10)
DIVISION OF ADMINISTRATIVE HEARINGS	0	\$0	\$0	1	\$272,957	\$272,957	3	\$58,808	\$19,603
AGRICULTURE AND CONSUMER SERVICES	6	\$177,164	\$29,527	2	\$50,327	\$25,164	1	\$12,016	\$12,016
BUSINESS REGULATION	3	\$444,927	\$148,309	3	\$209,837	\$69,946	4	\$152,487	\$38,122
CITRUS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
COMMUNITY AFFAIRS	2	\$100,935	\$0	0	\$0	\$0	0	\$0	\$0
DEPARTMENT OF ELDER AFFAIRS	0	\$0	\$0	0	\$0	\$0	2	\$167,573	\$83,787
EDUCATION	3	\$26,430	\$8,810	2	\$33,088	\$16,544	3	\$128,323	\$42,774
AGENCY FOR WORKFORCE INNOVATION MANAGEMENT SERVICES	1	\$18,313	\$18,313	4	\$121,353	\$30,338	2	\$97,161	\$48,581
OFFICE OF THE GOVERNOR	0	\$0	\$0	2	\$137,678	\$68,839	0	\$0	\$0
AGENCY FOR HEALTH CARE ADMINISTRATION	7	\$190,096	\$27,157	4	\$65,530	\$16,383	2	\$948,255	\$474,128
HIGHWAY SAFETY AND MOTOR VEHICLES	6	\$66,162	\$11,027	4	\$98,567	\$24,642	6	\$186,518	\$31,086
DEPARTMENT OF FINANCIAL SERVICES	8	\$519,895	\$64,987	3	\$530,593	\$176,864	10	\$604,012	\$60,401
STATE BOARD OF ADMINISTRATION	0	\$0	\$0	0	\$0	\$0	1	\$230,543	\$230,543
DEPARTMENT OF LAW ENFORCEMENT	5	\$187,734	\$37,547	4	\$16,666	\$4,167	2	\$51,671	\$25,836
LEGAL AFFAIRS	0	\$0	\$0	6	\$180,642	\$30,107	7	\$205,491	\$29,356
MILITARY AFFAIRS	0	\$0	\$0	0	\$0	\$0	1	\$6,207	\$6,207
DEPARTMENT OF ENVIRONMENTAL PROT.	2	\$64,961	\$32,481	0	\$0	\$0	4	\$92,566	\$23,142
FISH AND WILDLIFE CONSERVATION COMM.	0	\$0	\$0	1	\$68,141	\$68,141	1	\$36,895	\$36,895
PAROLE COMMISSION	2	\$3,730	\$1,865	1	\$34,928	\$34,928	4	\$176,816	\$44,204
REVENUE	7	\$358,468	\$51,210	8	\$410,335	\$51,292	2	\$41,531	\$20,766
STATE	0	\$0	\$0	1	\$90,000	\$90,000	2	\$31,236	\$15,618
TRANSPORTATION	8	\$165,237	\$20,655	7	\$392,691	\$56,099	4	\$1,300,406	\$325,102
PUBLIC SERVICE COMMISSION	1	\$2,160	\$2,160	0	\$0	\$0	1	\$54,733	\$54,733
ADV. CTR. FOR PERSONS WITH DISABILITIES	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
FLORIDA DEPARTMENT OF LOTTERY	0	\$0	\$0	1	\$31,182	\$31,182	1	\$1,643	\$1,643
VETERANS AFFAIRS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
FLORIDA LEGISLATURE	2	\$57,900	\$28,950	3	\$225,202	\$75,067	1	\$83,519	\$83,519
STATE COURTS ADMINISTRATOR	16	\$37,259	\$2,329	25	\$164,341	\$6,574	20	\$237,680	\$11,884
JUSTICE	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
PUBLIC DEFENDERS	1	\$72,670	\$72,670	4	\$17,122	\$4,281	1	\$3,875	\$3,875
STATE ATTORNEYS	15	\$82,429	\$5,495	12	\$93,934	\$7,828	9	\$37,049	\$4,117
PRIDE	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
AGENCY FOR PERSONS WITH DISABILITIES	3	\$98,421	\$32,807	3	\$285,639	\$95,213	3	\$59,413	\$19,804
DEPARTMENT OF CHILDREN AND FAMILIES	28	\$1,285,126	\$45,897	38	\$3,321,604	\$87,411	32	\$1,911,447	\$59,733
DEPARTMENT OF HEALTH	12	\$595,402	\$49,617	11	\$501,288	\$45,572	10	\$229,325	\$22,933
DEPARTMENT OF JUVENILE JUSTICE	7	\$433,882	\$61,983	4	\$157,560	\$39,390	11	\$1,324,974	\$120,452
DEPARTMENT OF CORRECTIONS	128	\$3,433,760	\$26,826	129	\$2,580,369	\$20,003	97	\$4,011,919	\$41,360
Total for all State Agencies	273	\$8,423,061	\$30,854	283	\$10,091,574	\$35,659	249	\$12,535,005	\$50,341
FLORIDA A & M	3	\$257,199	\$85,733	0	\$0	\$0	2	\$193,542	\$96,771
FLORIDA ATLANTIC	4	\$99,773	\$24,943	6	\$364,338	\$60,723	4	\$228,574	\$57,144
FLORIDA STATE	3	\$293,926	\$97,975	5	\$109,624	\$21,925	8	\$318,039	\$39,755
UNIV. OF CENTRAL FLORIDA	3	\$171,496	\$57,165	2	\$68,371	\$34,186	1	\$102,691	\$102,691
UNIV. OF WEST FLORIDA	2	\$146,742	\$73,371	3	\$37,533	\$12,511	0	\$0	\$0
FLORIDA INTERNATIONAL	0	\$0	\$0	2	\$35,194	\$17,597	5	\$460,900	\$92,180
UNIV. OF NORTH FLORIDA	2	\$65,706	\$32,853	1	\$1,744	\$1,744	1	\$2,193	\$2,193
UNIVERSITY OF FLORIDA	3	\$39,221	\$13,074	4	\$593,493	\$148,373	0	\$0	\$0
UNIV. OF SOUTH FLORIDA	7	\$734,002	\$104,857	15	\$1,197,574	\$79,838	2	\$155,965	\$77,983
FLORIDA GULF COAST UNIVERSITY	1	\$9,560	\$9,560	0	\$0	\$0	0	\$0	\$0
NEW COLLEGE OF FLORIDA	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
Total for all Universities	28	\$1,817,625	\$64,915	38	\$2,407,871	\$63,365	23	\$1,461,904	\$63,561
Grand Total for State	301	\$10,240,686	\$34,022	321	\$12,499,445	\$38,939	272	\$13,996,909	\$51,459

- (1) Paid claims FY 2005-06 occurred in FY 1999-2000 and have 6 years of claim development ending on June 30,2006.
- (2) Paid claims FY 2006-07 occurred in FY 2000-2001 and have 6 years of claim development ending on June 30,2007.
- (3) Paid claims FY 2007-08 occurred in FY 2001-2002 and have 6 years of claim development ending on June 30,2008.
- (4) # Claims is the number of claims occurring in FY1999-2000 with a dollar amount paid as of June 30, 2006.
- (5) # Claims is the number of claims occurring in FY2000-2001 with a dollar amount paid as of June 30, 2007.
- (6) # Claims is the number of claims occurring in FY2001-2002 with a dollar amount paid as of June 30, 2008.
- (7) \$ Claims is the total dollar amount paid as of June 30, 2006, for FCR and Employment Discrimination claims occurring in FY 1999-2000.
- (8) \$ Claims is the total dollar amount paid as of June 30, 2007, for FCR and Employment Discrimination claims occurring in FY 2000-2001.
- (9) \$ Claims is the total dollar amount paid as of June 30, 2008, for FCR and Employment Discrimination claims occurring in FY 2001-2002.
- (10) Average per Claim (Avg/Claims) is the \$ Claims divided by the # Claims.

Table 4: PROPERTY CLAIMS

Agency	FY 2005-06 (1)			FY 2006-07 (2)			FY 2007-08 (3)		
	# Claims (4)	\$ Claims (7)	Avg/Claim (10)	# Claims (5)	\$ Claims (8)	Avg/Claim (10)	# Claims (6)	\$ Claims (9)	Avg/Claim (10)
DIVISION OF ADMINISTRATIVE HEARINGS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
AGRICULTURE AND CONSUMER SERVICES	3	\$93,500	\$31,167	194	\$3,639,848	\$18,762	66	\$1,305,438	\$19,779
BUSINESS REGULATION	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
CITRUS	0	\$0	\$0	1	\$0	\$0	0	\$0	\$0
COMMUNITY AFFAIRS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
DEPARTMENT OF ELDER AFFAIRS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
EDUCATION	0	\$0	\$0	7	\$30,300	\$4,329	1	\$10,741	\$10,741
AGENCY FOR WORKFORCE INNOVATION	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
MANAGEMENT SERVICES	0	\$0	\$0	23	\$1,186,134	\$51,571	20	\$81,417	\$4,071
OFFICE OF THE GOVERNOR	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
AGENCY FOR HEALTH CARE ADMINISTRATION	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
HIGHWAY SAFETY AND MOTOR VEHICLES	0	\$0	\$0	0	\$0	\$0	20	\$410,124	\$20,506
DEPARTMENT OF FINANCIAL SERVICES	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
STATE BOARD OF ADMINISTRATION	0	\$0	\$0	31	\$94,835	\$3,059	0	\$0	\$0
DEPARTMENT OF LAW ENFORCEMENT	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
LEGAL AFFAIRS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
MILITARY AFFAIRS	0	\$0	\$0	62	\$438,973	\$7,080	11	\$81,442	\$7,404
DEPARTMENT OF ENVIRONMENTAL PROT.	2	\$313,488	\$156,744	308	\$3,125,630	\$10,148	267	\$1,554,358	\$5,822
FISH AND WILDLIFE CONSERVATION COMM.	1	\$0	\$0	75	\$216,345	\$2,885	26	\$114,425	\$4,401
PAROLE COMMISSION	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
REVENUE	0	\$0	\$0	5	\$33,584	\$6,717	1	\$43,154	\$43,154
STATE	1	\$9,506	\$9,506	2	\$4,259	\$2,130	4	\$8,992	\$2,248
TRANSPORTATION	7	\$2,603	\$372	174	\$521,151	\$2,995	91	\$529,872	\$5,823
PUBLIC SERVICE COMMISSION	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
ADV. CTR. FOR PERSONS WITH DISABILITIES	0	\$0	\$0	1	\$0	\$0	0	\$0	\$0
FLORIDA DEPARTMENT OF LOTTERY	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
VETERANS AFFAIRS	0	\$0	\$0	6	\$24,473	\$4,079	0	\$0	\$0
FLORIDA LEGISLATURE	0	\$0	\$0	1	\$7,443	\$7,443	0	\$0	\$0
STATE COURTS ADMINISTRATOR	1	\$5,592	\$5,592	9	\$41,160	\$4,573	0	\$0	\$0
JUSTICE	0	\$0	\$0	0	\$0	\$0	6	\$13,515	\$2,253
PUBLIC DEFENDERS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
STATE ATTORNEYS	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
PRIDE	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
AGENCY FOR PERSONS WITH DISABILITIES	0	\$0	\$0	6	\$25,511	\$4,252	0	\$0	\$0
DEPARTMENT OF CHILDREN AND FAMILIES	17	\$49,923	\$2,937	71	\$111,929	\$1,576	96	\$738,548	\$7,693
DEPARTMENT OF HEALTH	0	\$0	\$0	73	\$221,822	\$3,039	25	\$120,093	\$4,804
DEPARTMENT OF JUVENILE JUSTICE	13	\$8,212	\$632	235	\$969,641	\$4,126	100	\$205,336	\$2,053
DEPARTMENT OF CORRECTIONS	36	\$47,189	\$1,311	1340	\$1,613,338	\$1,204	623	\$1,427,131	\$2,291
	81	\$530,013	\$6,543	2,624	\$12,306,376	\$4,690	1,357	\$6,644,586	\$4,897
FLORIDA A & M	1	\$0	\$0	6	\$0	\$0	10	\$31,525	\$3,153
FLORIDA ATLANTIC	0	\$0	\$0	61	\$177,229	\$2,905	84	\$889,775	\$10,593
FLORIDA STATE	1	\$0	\$0	3	\$0	\$0	10	\$129,903	\$12,990
UNIV. OF CENTRAL FLORIDA	6	\$0	\$0	63	\$1,226,873	\$19,474	0	\$0	\$0
UNIV. OF WEST FLORIDA	0	\$0	\$0	79	\$1,857,336	\$23,511	33	\$105,935	\$3,210
FLORIDA INTERNATIONAL	1	\$16,527	\$16,527	10	\$764	\$76	75	\$1,121,898	\$14,959
UNIV. OF NORTH FLORIDA	1	\$0	\$0	0	\$0	\$0	0	\$0	\$0
UNIVERSITY OF FLORIDA	16	\$2,558	\$160	356	\$1,094,469	\$3,074	234	\$930,992	\$3,979
UNIV. OF SOUTH FLORIDA	3	\$0	\$0	39	\$123,643	\$3,170	5	\$11,491	\$2,298
FLORIDA GULF COAST UNIVERSITY	0	\$0	\$0	15	\$51,998	\$3,467	15	\$80,396	\$5,360
NEW COLLEGE OF FLORIDA	1	\$0	\$0	11	\$8,619	\$784	0	\$0	\$0
Total for all Universities	30	\$19,085	\$636	643	\$4,540,931	\$7,062	466	\$3,301,915	\$7,086
Grand Total for State	111	\$549,098	\$4,947	3,267	\$16,847,307	\$5,157	1,823	\$9,946,501	\$5,456

- (1) Paid claims FY 2004-05 occurred in FY 2003-2004 and has 2 years of claim development ending on June 30,2006.
- (2) Paid claims FY 2005-06 occurred in FY 2004-2005 and has 2 years of claim development ending on June 30,2007.
- (3) Paid claims FY 2006-07 occurred in FY 2005-2006 and has 2 years of claim development ending on June 30,2008.
- (4) # Claims is the actual number of claims that had an dollar amount paid for claims occurring during the fiscal year 2003-2004.
- (5) # Claims is the actual number of claims that had an dollar amount paid for claims occurring during the fiscal year 2004-2005.
- (6) # Claims is the actual number of claims that had an dollar amount paid for claims occurring during the fiscal year 2005-2006.
- (7) \$ Claims is the total dollar amount of all paid claims for property damage that have paid for the fiscal year 2003-2004.
- (8) \$ Claims is the total dollar amount of all paid claims for property damage that have paid for the fiscal year 2004-2005.
- (9) \$ Claims is the total dollar amount of all paid claims for property damage that have paid for the fiscal year 2005-2006.
- (10) Average per Claim (Avg/Claims) is the \$ Claims divided by the # Claims.



**DEPARTMENT OF MANAGEMENT SERVICES
DIVISION OF STATE PURCHASING**

"Florida Insurance Procurement Program"

ANNUAL REPORT
FY 07-08

Linda H. South, Secretary
and
Charles W. Covington, Director of State Purchasing

(850) 487-0417

FLORIDA INSURANCE PROCUREMENT PROGRAM

MISSION

To deliver resource saving solutions to our customers in order to enable them to better serve the people of Florida.

The Department of Management Services supports the insurance provided by the Fund and works with state agencies and universities to provide effective and efficient customer service, insurance advice, and insurance procurement. If it is determined that coverage cannot be provided by the State Property or Casualty Claims Program, an evaluation will be completed to determine if there is a need to transfer the risk to a private insurer and assume the cost associated with that transfer or if the risk can be assumed under current expenses for losses. If it is determined that the risk must be transferred to a private insurer, the Department of Management Services will work with participating state agencies and universities to discuss the insurance alternatives available.

AUTHORITY

The Florida Insurance Procurement Program was established under Chapter 287 of the Florida Statutes for the purchase of insurance for agencies under the executive, legislative, and judicial branches, as well as university systems of state government.

PREMIUMS

All insurance premiums are reviewed and approved by the Department of Management Services. The following represents the total premium paid for fiscal year 07-08:

Total Premium	<u>\$8,853,430</u>
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LEGAL EXPENSES

It is the obligation of the insurer to assume the defense cost and expenses for any claim or lawsuit that is covered by the policy.

INSPECTION AND ENGINEERING SERVICES

Inspection and engineering services are usually provided at no additional premium unless coverage is obtained by a Surplus Lines Carrier.

Inspection	<u>\$0</u>
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RISK MANAGEMENT

Risk management services are provided by the insurer with the Department of Management Services for insurance policies administered under this program.

MANAGING COST

This program is provided to agencies under the executive, legislative, judicial branches and university systems of state government at no charge.

CLAIMS

All claims histories and information is available for review at the Department of Management Services, Division of State Purchasing, 4050 Esplanade Way, Suite 360 Tallahassee, FL 32399.

COVERAGE INFORMATION

Name: Accident and Health 477-090

Policy	Policy No.	Notes
Accidental Death & Dismemberment Insurance	ETB107421	Law Enforcement
Accident Insurance	SRG0008065446	UCF Creative School
Accident Insurance	BAB007211	Florida School for the Deaf and Blind (Basic)
Accident Insurance	SB20CC079866	Florida School for the Deaf and Blind (Catastrophic)
Accident Insurance	PTPN01883409	Various camps

Name: Aircraft 477-270

Policy	Policy No.	Notes
Aircraft	AV479407714	

Name: Automobile 477-360

Policy	Policy No.	Notes
Automobile Insurance	44-771-911-00	
Automobile Insurance	46-550-774-00	DEP H2 Vehicles

Name: Boiler & Machinery 477-450

Policy	Policy No.	Notes
Boiler & Machinery Insurance	R1098567436	

Name: Crime 477-630

Policy	Policy No.	Notes
Crime Insurance	626-030198-1	Statewide Crime Insurance Program: Employee Dishonesty; Excess Employee Dishonesty; Faithful Performance of Duty; and Theft, Disappearance, and Destruction

Name: Excess Property 477-960

Policy	Policy No.	Notes
Property Insurance	Numerous	Excess Property Coverage

Name: Inland Marine (Contractors Equipment, EDPE, Miscellaneous Property, Fine Arts)

Policy	Policy No.	Notes
Inland Marine Insurance	6619855	Electronic Data Processing Equipment
Inland Marine Insurance	Numerous	Bridge, Property, and Business Interruption
Inland Marine Insurance	GLGS49A	Fine Arts (Outside)
Inland Marine Insurance	GLEJ31B	Fine Arts (Indoors)
Inland Marine Insurance	MXI97507121	Contractors Equipment
Inland Marine Insurance	MXI97507162	Miscellaneous Property

Name: Liability 477-810

Policy	Policy No.	Notes
Liability Insurance	NF0053	Nuclear Bodily Injury Liability (UF)
Liability Insurance	XLS0030792	DEP H2 Excess Liability
Liability Insurance	CL090100945	DEP H2 Fueling Station

Name: Ocean Marine 477-910

Policy	Policy No.	Notes
Ocean Marine	OMH5833046	

Name: Property coverage 477-960

Policy	Policy No.	Notes
Property	EERD36942022	Nuclear Property (UF)
Property	CCC7783967	DEP Environmental Clean Up