

Service Area Plan

Department of the Treasury

Insurance Services (72502)

Service Area Background Information

Service Area Description

This service area administers risk management, insurance, self insurance, claims and litigation management and related risk services for agencies, officials, employees and certain affiliates of the Commonwealth of Virginia, its political subdivisions, entities and organizations as specified by statute. The risk management service mission is to provide protection of the Commonwealth’s assets, using a high level of expertise resulting in the most cost effective delivery of insurance coverage, claim and litigation management, risk services and loss control activities.

Service Area Alignment to Mission

This service area directly aligns with the Department of the Treasury’s mission of serving the Commonwealth using excellent financial management and outstanding customer service.

Service Area Statutory Authority

Chapter 18 of Title 2.2, §§ 2.2-1833 through 2.2-1842 of the Code of Virginia, outlines the statutory authority for Treasury’s Insurance Services service area. It states that Treasury’s Division of Risk Management (DRM) will provide insurance, self-insurance, and claims management for the Commonwealth, its agencies, officials, employees, political subdivisions, constitutional officers and certain instrumentalities and affiliates as specified by statute. The Code of Virginia in §2.2-1843 provides for the implementation and administration of risk management and loss prevention programs. The Virginia Tort Claims Act, Chapter 3 of Title 8.01, §§ 8.01-195.1 through 8.01-195.12 of the Code of Virginia, governs procedures for claims against the Commonwealth and specifies the DRM authority and responsibility concerning such claims. See Appendix A, Additional Statutory Authority Information, for additional statutory authority for this service area.

Service Area Customer Base

Customer(s)	Served	Potential
Boards and Authorities	25	25
Business Partners	8	12
Executive Branch Officials, Agencies and Institutions	108	108
Intra-Agency Staff	116	116
Legislative Branch	140	140
Local Government Officials and Participants - Insurance Services	650	1,000
Virginia Citizens	7,500,000	7,500,000

Anticipated Changes In Service Area Customer Base

- Effective July 1, 2006, DRM began the newly legislated program of providing liability defense to eligible Meals on Wheels organizations. This has followed similar actions placing liability coverage, receivers appointed by the Virginia Bar, court-appointed attorneys and pro bono attorneys under this service area. It is anticipated there will be continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the Division of Risk Management, which will change the customer base.
- Insurance Services potentially serves all Virginia citizens, visitors to Virginia and citizens of every state and foreign country. Everyone has the ability to file a claim or suit against the Commonwealth, its agencies, officials and employees, as well as local governments, boards, commissions and authorities.

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Service Area Partners

Actuaries

Analyze exposures and calculate monetary contributions necessary to maintain the viability of the risk management programs

Service Area Partners

Insurance brokers

Locate specialized insurance coverage that will provide protection necessary to agencies' unique lines of business or unusual but statutorily required projects

Service Area Partners

Law firms

Provide legal defense and subrogation services promised by the risk management plans

Service Area Partners

Third party claims administrators and claims adjustment service providers

Provide specialized claims administration

Service Area Products and Services

- Administration of the State Insurance Reserve Trust Fund
- Procurement of commercial insurance
- Administration of Risk Management Plans to provide authority and guidelines for the Insurance Services Programs authorized by the Code of Virginia and approved by the Governor
- Administration of claims and litigation management for claims and lawsuits against the Commonwealth, its agencies, officials and employees as well as local government and other organizations covered by Insurance Services programs
- Property inventory system lists, valuation and description all state buildings and contents
- Loss prevention and loss control training and consultation services
- Pre-litigation consultation

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Factors Impacting Service Area Products and Services

- The Commonwealth has a need for an insurance program of adequate, consistent and reliable financial contributions (premiums) from participating clients. Annual premiums are based, in part, upon available insurance reserve fund balances. There has been a history of money transfers from the State Insurance Reserve Trust Fund to the General Fund and elsewhere, with and without warning or an opportunity to prepare for such transfers. This practice, compounded with the failure to replace any of the money has severely weakened the State Insurance Reserve Trust Fund actuarially.
- Insurance coverage requirements have steadily increased as statutory requirement have expanded coverage. Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to free health care clinics, individual health care providers serving indigent persons, guardians assisting recipients of mental health care services, court appointed attorneys, pro bono attorneys and Meals on Wheels agencies providing food service to indigents, the elderly and the infirm, as well as attorneys appointed as receivers by the Virginia Bar. Continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the state risk management plans, is anticipated. This will impact the types of insurance products and services offered.
- Insurance and/or self-insurance arrangements must be flexible enough to provide liability or property coverage for unforeseeable client groups and unforeseeable situations. The losses that arise from expanded coverage must be paid when due and without delay.
- Over the past 5 years, insurance market forces combined with Commonwealth and national property loss experience has significantly increased the cost of commercial property insurance. Insurance Services can assist clients by providing loss control programs and training, but these efforts cannot eliminate negative loss experiences caused by natural disasters like floods and named windstorms, nor can they eliminate unique exposures associated with the high-risk activities and services that government must provide. Rates set by commercial insurers take into account these factors and impact the products and services offered.

Anticipated Changes To Service Area Products and Services

Insurance Services' traditional client base includes state and local governmental agencies and/or their affiliates. Effective July 1, 2006, this service area will be required by statute to provide medical professional liability coverage to private physicians and community hospitals. These clients are not affiliated with the administration of government. Under these circumstances, DRM must act more in the manner of a private insurance company. This will increase the need for additional staff, additional training, and information system upgrades and a stable, protected fund program. It is anticipated that proceeds from this new program will need to be sufficient to cover necessary expenses.

Service Area Human Resources Summary

Service Area Human Resources Overview

Human resources for this service area include 15 full-time classified positions and 2 part-time employees. Position titles and reporting structure can be found in Appendix B, Service Area Structure.

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Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date: 1/1/2006

Total Authorized Position level	18
Vacant Positions	3
Non-Classified (Filled).....	0
Full-Time Classified (Filled)	15
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	2
Contract Employees	0
Total Human Resource Level	17

Factors Impacting Service Area Human Resources

Human Resource factors impacting this service area include the aging workforce, expansion of statutory responsibilities resulting in the demand for more specialized services, and the need to attract and retain experienced insurance professionals.

Anticipated Changes in Service Area Human Resources

Anticipated changes in human resources for this service area include the need for increased salary levels in order to recruit and retain qualified employees.

Service Area Financial Summary

The budget for this service area is funded by nongeneral funds from premiums received from participants in the State Insurance Plans.

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$0	\$1,867,796	\$0	\$1,867,796
Changes To Base	\$0	\$77,965	\$0	\$77,965
SERVICE AREA TOTAL	\$0	\$1,945,761	\$0	\$1,945,761

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Service Area Objectives, Measures, and Strategies

Objective 72502.01

Improve efficiency of Insurance Service's responses to clients' requests for services by providing on-line access to customers and measuring the usage by clients.

Insurance Service's client base is becoming increasingly diverse and in 2007 will include many non-governmental entities requiring services that are more closely related to those provided by traditional insurance companies. This client base expects to have on-line access to many of the services and products provided. Improving the efficiency of our responses to clients' service needs and requests will contribute towards this service area's goal of providing cost effective insurance coverage and outstanding customer service. In addition, providing on-line access to customers will enable this service area to make more efficient use of personnel.

This Objective Supports the Following Agency Goals:

- Deliver the highest quality, cost effective risk management services to meet the needs of the Commonwealth.
(This objective supports the agency goal to "Deliver the highest quality, cost effective risk management services to meet the needs of the Commonwealth". In addition, it aligns with state objectives to be a national leader in the preservation and enhancement of our economy, to engage and inform citizens to ensure we serve their interests and to be recognized as the best managed state in the nation.)

This Objective Has The Following Measure(s):

- **Measure 72502.01.01**
Percentage of active Civitas system client base making use of the system's on-line, self-service system t
Measure Type: Outcome **Measure Frequency:** Quarterly
Measure Baseline: N/A. This will be a new measure. Data has been collected beginning July 1, 2005.
Measure Target: The target is a 25% increase in self-service transactions by fiscal year 2008.
Measure Source and Calculation:
The data source is the Civitas system and its "Exposures" component. The calculation is the frequency by which the active Civitas system client base update their VAPS and VACCS data on-line compared to the total active Civitas system client base. This will be measured on a monthly basis and averaged for the quarter.

Objective 72502.01 Has the Following Strategies:

- Insurance Services will provide clients with information, instructions and login access to self-service information systems and encourage client usage of the on-line system.
- Insurance Services will monitor clients' use of the systems (number of participating agencies, number of users, frequency of use).
- Periodically, Insurance Services will announce usage of the on-line system to clients to further encourage on-line usage.