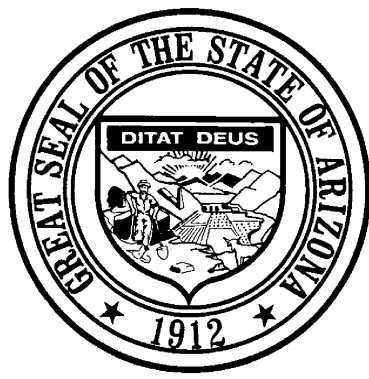


Douglas A. Ducey
Governor

Andy Tobin
Director

**ARIZONA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION**



FISCAL YEAR 2022 ANNUAL REPORT

RESPONSIBILITIES/STATUTES

The Fiscal Year 2022 Annual Report, as required by A.R.S. § 41-623, summarizes liability, property, and workers' compensation expenditures, and it provides information on loss prevention efforts and several achievements of the Arizona Department of Administration Risk Management Division during the fiscal year.

The Risk Management Division was established in 1976 and is responsible for the management and mitigation of liability, property, and workers' compensation claims. Statutes found in A.R.S. § 41-621 et seq., and administrative rules found in A.A.C. R2-10-101 through R2-10-601, outline the parameters of the program, including coverage for agencies, employees, boards, and commissions. The Risk Management Division provides consultations with state agency personnel to recommend programs and procedures aimed at reducing or eliminating risk. On an annual basis, Risk Management performs a comprehensive evaluation of its insurance program to determine the proper combination of purchased commercial insurance and risk retention.

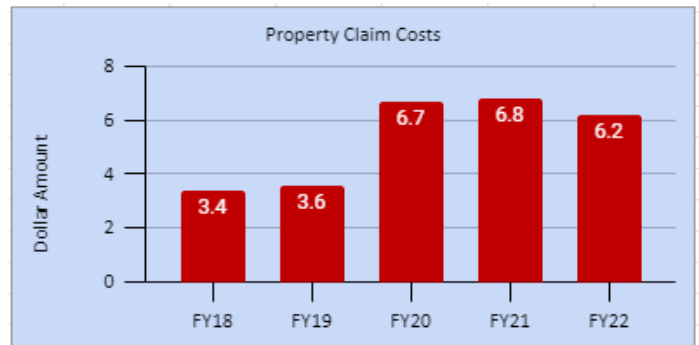
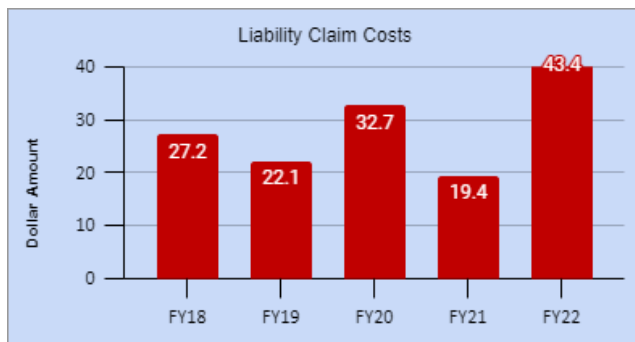
FISCAL YEAR 2022 COSTS AND COMPARISONS

Liability expenditures for Fiscal Year 2022 were \$43.4 million. The five-year average for liability expenditures is \$29 million.

Property expenditures in Fiscal Year 2022 were \$6.2 million. The five-year average for property expenditures is \$5.3 million.

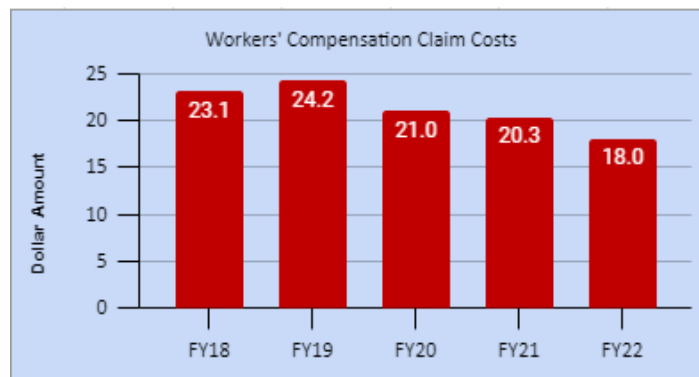
Workers' Compensation expenditures in Fiscal Year 2022 were \$18 million. The five-year average for workers' compensation expenditures is \$21.3 million.

The following charts depict five-year cost comparisons:



*** Significant increase in ADOT & DCS settlement costs.**

FY 22 includes two general liability claims from ADOT totaling \$4.6 million and two general liability and one auto liability claim from DCS totaling \$9.1 million.



*** Cost containment efforts continue to reduce WC paid expenses.**

LIABILITY PROGRAM

In Fiscal Year 2022, there were 2,722 liability claims reported to the Risk Management Division, representing a 30% increase in liability claims from FY21. Total liability claim payments for Fiscal Year 2022, including outside counsel and allocated loss adjustment expenditures, were \$43.4 million. General Liability claims include third-party bodily injury and property damage resulting from alleged negligence in oversight of state-managed programs. The category of personal injury liability includes such areas as wrongful death, defamation, and civil rights violations. Personal Employment Injury includes wrongful termination, discrimination, and sexual harrasment. Medical Malpractice includes errors and omissions by state medical professionals. Automobile Liability includes third-party claims for injuries and property damage resulting from the use of automobiles by state employees engaged in state business. General Liability - Bodily Injury claims were the most expensive claims in the liability category, representing 51% of the total cost.

The following table lists by loss type the number of claims reported in Fiscal Year 2022 and amounts paid regardless of occurrence date:

Loss Type	Liability Losses FY 2022	Claims Reported FY 2022
General Liability - Bodily Injury	\$22,435,361.49	342
Personal Injury	\$12,747,354.71	401
Auto Liability - Bodily Injury	\$4,680,524.71	77
Personal Employment Injury	\$1,539,058.62	71
General Liability - Property	\$751,716.29	1,196
Unknown	\$734,000.00	1
Auto Liability Property	\$442,363.59	595
Medical Malpractice	\$83,768.74	36
Cyber	\$0	3
Total	\$43,414,148.15	2,722

The following table shows Fiscal Year 2022 liability losses and number of claims for agencies with the largest liability losses:

Agency	Liability Losses FY 2022	Claims Reported FY 2022
Department of Child Safety	\$16,430,905.60	252
Department of Transportation	\$10,110,439.51	1,047
Department of Public Safety	\$4,697,188.63	355
Department of Corrections	\$2,705,096.28	346
Land Department	\$1,837,506.83	10
Public Safety Personnel Retirement	\$1,584,350.16	0
Attorney General's Office	\$1,035,886.91	11
Board of Regents	\$1,013,653.70	56
Arizona State University	\$949,645.63	37
Department of Administration	\$698,566.94	90
Sub-total	\$41,063,240.19	2,204
All Other Agencies	\$2,350,907.96	518
Total	\$43,414,148.15	2,722

PROPERTY PROGRAM

In Fiscal Year 2022, there were 1,486 property claims reported by state agencies. Losses totaled \$6.2 million.

The top two loss categories by claims reported were personal and real property. Personal property includes state-owned vehicles, furniture, computers, and other tangible property. Real property covers state-owned facilities such as office buildings, prison facilities, and general infrastructure. Environmental property covers state buildings and state lands that sustain environmental damage.

The following table lists by loss type the number of claims reported in Fiscal Year 2022 and amounts paid regardless of occurrence date:

Loss Type	Property Losses FY 2022	Claims Reported FY 2022
Real Property	\$3,876,963.91	437
Personal Property	\$2,171,865.47	1,044
Environmental Property	\$182,065.97	5
Total	\$6,230,895.35	1,486

Property losses and the number of claims reported in Fiscal Year 2022 for the agencies with the largest property losses are as follows:

Agency	Property Losses FY 2022	Claims Reported FY 2022
Arizona State University	\$1,535,411.19	245
Department of Transportation	\$1,164,271.67	259
University of Arizona	\$876,141.81	90
Department of Public Safety	\$851,719.38	298
Department of Administration	\$409,975.07	147
Northern Arizona University	\$320,296.76	111
Department of Corrections	\$303,926.07	92
Department of Child Safety	\$203,653.29	105
State Employee Retirement System	\$134,182.22	5
Game and Fish Department	\$122,665.60	22
Sub-total	\$5,922,243.06	1,374
All Other Agencies	\$308,652.29	112
Total	\$6,230,895.35	1,486

WORKERS' COMPENSATION PROGRAM

The State Workers' Compensation Program ("Program") provides benefits to state, state universities, and county court-appointed employees that are injured while in the course and scope of their employment. The Program pays medical, surgical, hospital, pharmacy, and disability benefits as provided by law under the Arizona Workers' Compensation Act.

The following table lists amounts paid in Fiscal Year 2022 and the total number of claims reported by agency:

Agency	WC Losses FY 2022	Claims Reported FY 2022
Department of Corrections	\$5,605,656.25	815
Department of Public Safety	\$2,258,505.18	218
Department of Transportation	\$1,669,265.86	126
University of Arizona	\$1,490,846.22	197
Department of Economic Security	\$1,186,579.15	360
Arizona State University	\$821,834.51	179
Arizona Superior Courts	\$681,194.38	89
Division of Military Affairs	\$541,087.74	107
Department of Child Safety	\$478,826.51	92
Department of Health Services	\$462,857.33	92
Sub-total	\$15,196,653.13	2,275
All Other Agencies	\$2,760,432.42	335
Total	\$17,957,085.55	2,610

LOSS PREVENTION PROGRAM

The Arizona Revised Statutes require each state agency to conduct risk identification and assessment, and implement a loss prevention program to reduce the frequency and severity of losses in the following areas:

- Real and personal property protection
- Employee safety in the work environment
- Federal and state standards for industrial hygiene and environmental protection
- Negligent acts that cause harm to third parties

The primary responsibility of the Loss Prevention Section is to work with state agencies in a variety of areas including property, liability, environmental, and worker protection, to reduce or eliminate their exposure to risk. Loss Prevention provides consultative services and tools intended to support agency loss prevention programs. Loss Prevention Consultants support agency customers in the identification, prioritization, and mitigation of operational issues that may result in a loss to the state in the following areas:

- Construction safety
- Industrial safety
- Hazard communication
- Fire safety
- Security
- Course of construction
- Motor vehicle safety
- Emergency planning
- Site and hazard assessment
- Health and safety education
- Ergonomics

Assistance is provided in risk assessment and corrective action, program development, and implementation by means of collaboration with agency loss prevention coordinators.

Examples of Loss Prevention initiatives for fiscal year 2022:

Fire and Security

- Updating and streamlining emergency action plans, procedures, and evacuation drills
- Supporting agency stakeholders in efforts to resolve fire system and security concerns and deficiencies
- Management and coordination of Capitol Mall Mass Communication system
- Analysis and recommendations to prevent catalytic converter thefts

Property Protection

- Building system flood hazard assessment and mitigation study
- 30 building plan reviews were completed, representing a 25% increase over FY21.

Worker Safety

- Hazard identification and mitigation
- Safety Management System (SMS) audits:
 - Six agencies achieved an SMS score of 90% or higher

Accepted worker compensation claims decreased by 22% over FY20. The Loss Prevention team automated the worker compensation Incident Referral Process resulting in a 250% increase in

incident referrals over FY21, and the completion of 92 worker compensation incident referral reviews.

Safety Training

Promoted 35 safety training courses, 5,890 employees completed at least one safety awareness training course

- Emergency coordinator
- Forklift operator
- Van operator
- Loss Prevention principles via approximately 250 customer interactions
- Two OSHA 10 hour courses with 17 participants from four agencies
 - Many of these initiatives were provided in an online format to fulfill the needs of remote work.

RISK MANAGEMENT FUNDING SOURCES

Funding for Risk Management programs is provided from the Risk Management Revolving Fund. Revenues into the fund are generated as follows:

- An actuarial projection is developed for property, liability, outside counsel, and allocated loss-adjustment expenditures. In addition, estimates are prepared for costs of administration, insurance premiums, and attorney general defense. The total is then allocated and invoiced to agencies based on a formula assessing risk exposure as well as historical losses.
- An actuarial projection is also developed for workers' compensation time loss, medical, outside counsel, and allocated loss-adjustment expenditures. In addition, estimates are prepared for costs of administration, insurance premiums, and attorney general defense. The total is then allocated to agencies based on an allocation method from the National Council on Compensation Insurance (NCCI). The NCCI method calculates a rate per payroll using employee classifications modified by the agency's historical losses.