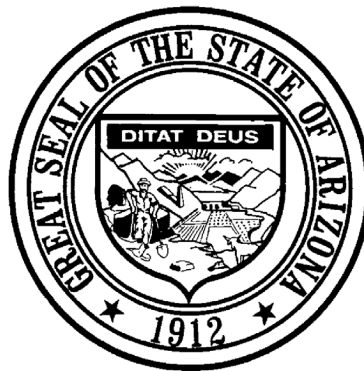


Katie Hobbs
Governor

Elizabeth
Alvarado-Thorson
Cabinet Executive Officer
Executive Deputy Director

**ARIZONA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION**



FISCAL YEAR 2023 ANNUAL REPORT

RESPONSIBILITIES/STATUTES

The Fiscal Year 2023 Annual Report, as required by A.R.S. § 41-623, summarizes cyber, 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 cyber, 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.

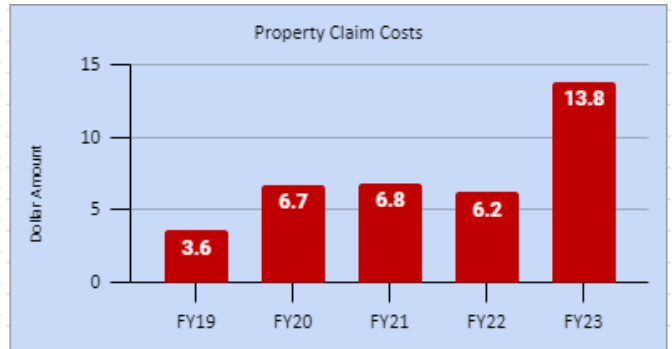
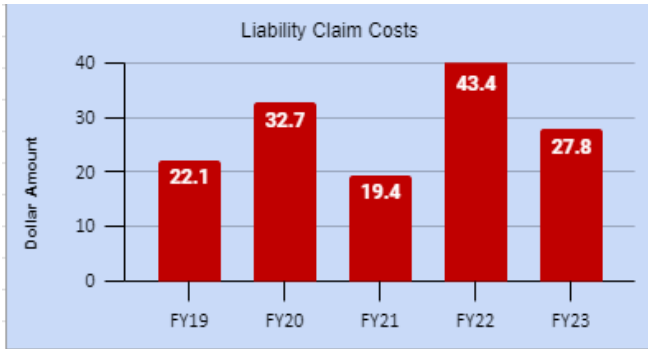
FISCAL YEAR 2023 COSTS AND COMPARISONS

Liability expenditures for Fiscal Year 2023 were \$27.8 million. The five-year average for liability expenditures is \$29.1 million.

Property expenditures in Fiscal Year 2023 were \$13.8 million. The five-year average for property expenditures is \$7.4 million.

Workers' Compensation expenditures in Fiscal Year 2023 were \$22.3 million. The five-year average for workers' compensation expenditures is \$21.2 million.

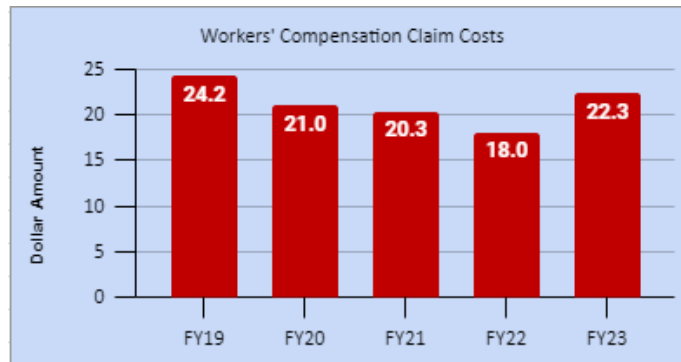
The following charts depict five-year cost comparisons:



*** 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.

There was an increase of 302 property claims, or 20% more property claims in FY23 compared to FY22. The substantial increase in property claims paid from FY22 (\$6.2 million) to FY23 (13.8 million) is largely attributable to the increased number and severity of property damage claims reported and paid to the two largest universities, ASU and U of A. (ASU FY22 245 claims, \$1.5 million paid / FY23 383 claims, \$5.3 million paid / UA FY22 90 claims, \$876k paid / FY23 101 claims, \$2 million paid.)



LIABILITY PROGRAM

In Fiscal Year 2023, there were 3,553 liability claims reported to the Risk Management Division. Total liability claim payments for Fiscal Year 2023, including outside counsel and allocated loss adjustment expenditures, were \$27.8 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 harassment. 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 2023 and amounts paid regardless of occurrence date:

Loss Type	Liability Losses FY 2023	Claims Reported FY 2023
General Liability - Bodily Injury	\$14,190,582	476
Personal Injury	\$7,759,474	371
Auto Liability - Bodily Injury	\$2,702,132	61
Personal Employment Injury	\$2,336,267	74
General Liability - Property	\$216,832	1,762
Auto Liability - Property	\$498,264	752
Medical Malpractice	\$56,095	45
Cyber	\$64	12
Total	\$27,759,711	3,553

The following table shows Fiscal Year 2023 liability losses and number of claims for agencies with the largest liability losses:

Agency	Liability Losses FY 2023	Claims Reported FY 2023
Department of Child Safety	\$7,564,343	264
Department of Transportation	\$6,366,087	1,700
Department of Corrections	\$6,345,920	433
Department of Public Safety	\$2,296,413	375
Board of Regents	\$1,029,270	47
Arizona State University	\$831,768	42
Department of Veteran Services	\$495,557	9
Arizona State Senate	\$413,381	0
Department of Health Services	\$369,226	10
University of Arizona	\$315,788	77
Sub-total	\$26,027,752	2,957
All Other Agencies	\$1,731,959	596
Total	\$27,759,711	3,553

PROPERTY PROGRAM

In Fiscal Year 2023, there were 1,788 property claims reported by state agencies. Losses totaled \$13.8 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 2023 and amounts paid regardless of occurrence date:

Loss Type	Property Losses FY 2023	Claims Reported FY 2023
Real Property	\$7,793,238	585
Personal Property	\$3,942,489	1,198
Environmental Property	\$2,084,373	5
Total	\$13,820,100	1,788

Property losses and the number of claims reported in Fiscal Year 2023 for the agencies with the largest property losses are as follows:

Agency	Property Losses FY 2023	Claims Reported FY 2023
Arizona State University	\$5,288,949	383
University of Arizona	\$1,992,215	101
Department of Administration	\$1,952,886	137
Department of Public Safety	\$1,360,962	396
Department of Transportation	\$1,023,520	304
Game and Fish Department	\$776,262	37
Department of Corrections	\$397,561	77
Northern Arizona University	\$301,578	92
Department of Child Safety	\$201,762	123
State Parks	\$129,562	11
Sub-total	\$13,425,256	1,661
All Other Agencies	\$394,844	127
Total	\$13,820,100	1,788

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 2023 and the total number of claims reported by agency:

Agency	WC Losses FY 2023	Claims Reported FY 2023
Department of Corrections	\$6,644,100	719
Department of Public Safety	\$2,999,710	229
Department of Transportation	\$2,481,309	158
University of Arizona	\$2,418,030	242
Department of Economic Security	\$1,421,331	107
Arizona State University	\$1,170,463	182
Northern Arizona University	\$723,680	101
Department of Health Services	\$640,013	81
Arizona Superior Courts	\$598,707	71
Department of Juvenile Corrections	\$529,638	66
Sub-total	\$19,626,981	1,956
All Other Agencies	\$2,632,270	347
Total	\$22,259,251	2,303

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 2023:

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

Property Protection

- Development of State Hazard Map (GIS Tool) posting to the AZ GEO website, and sharing with agencies that may benefit from its use.
- 74 project plan reviews were completed, representing a 155% increase over FY22.
- Collaboration with the Department of Environmental Quality and the State Land Department in oversight of Formerly Used Defense sites located on state owned property, to ensure hazards are being identified, mitigated, and future land use will not be limited by past military activity
- Coordinated with the Game and Fish Department and the Department of Water Resources to address ongoing safety deficiencies associated with state owned dams.
- Coordinated with State Fair and the ADOA General Services Division to identify flooding solutions for the Coliseum. Identified a grant opportunity through the FEMA Building Resilient Infrastructure and Communities program that provides up to 75% of the funding for this stormwater project. The application was completed and submitted on August 10, 2023.

Worker Safety

Hazard identification and mitigation

- The Safety Management System (SMS) program was initiated in FY17 to provide a basic framework to assess selected agencies safety programs. Rooted in OSHA principles, the Loss Prevention Section uses a standardized scoring tool to assess agency safety programs in

collaboration with the agency Loss Prevention Coordinator. The assessment identifies areas for improvement and action plans to increase the program score. Since implementation 25 agencies have been assessed, 16 agencies have achieved an SMS score of 90% or greater, 6 agencies reached the 90% score in FY23.

In FY23 the accepted worker compensation claims 5 year reduction goal of 2% per year was considered a success and transitioned to a monitoring metric. The five year project returned a 20% reduction from the FY17 baseline, resulting in 460 less accepted worker compensation claims in FY22 than FY17. Despite this success, accepted workers compensation claims increased in FY23 by 52 claims for a 3% increase over FY22. The increase is due to sprains and strains and slip trip and fall injuries.

The Loss Prevention team used the previously created automated worker compensation Incident Referral Process. and worked in collaboration with agency staff to complete 217 incident referrals in FY23. This represents a 135% increase over FY22.

Safety Training

Uploaded 39 additional safety training courses for a total of 140 videos available to employees via an online video service provided by Safetycare; 35 of those courses were promoted within the Loss Prevention newsletter. Over the course of FY23, 2,244 employees completed at least one safety awareness training course using this system, with a total of 8,548 course completions.

Loss Prevention staff also provided in-person safety training for the following courses:

- Emergency coordinator
- One Forklift operator training class with 7 participants.
- Loss Prevention customer outreach included approximately 390 customer interactions
- One OSHA 10-hour and two OSHA 30-hour courses with a total of 42 participants across six agencies.

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.