

**MARICOPA COUNTY
RISK MANAGEMENT ANNUAL REPORT
FISCAL YEAR 2002-03**

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RISK MANAGEMENT ANNUAL REPORT EXECUTIVE SUMMARY

Presented herein is the *Maricopa County Risk Management Annual Report*, for the fiscal year July 1, 2002 to June 30, 2003.

This report contains summaries of the fiscal year's losses and costs for Maricopa County's workers' compensation, general liability, auto liability, auto physical damage, property, medical malpractice, and unemployment exposures. This report, along with ongoing quarterly reports to County departments during the year, are intended to assist departments in recognizing the nature and extent of their losses, and to lead departments to consider implementation of effective loss control and prevention programs.

Structure and Mission

On June 30, 2003, the Risk Management Department completed its **22nd year** administering the County's self-insurance program. Risk Management's mission statement is, "Provide loss prevention and control and insurance and claims management services for Maricopa County Government, so they can reduce or eliminate their losses." Its vision is to be recognized as a leader, and to be relied upon for a Countywide risk management philosophy, culture and direction. Risk Management's primary activities are:

- Risk consulting
- Insurance procurement above self-insured retention levels
- Maricopa County Self-Insured Trust Fund management and financing
- Administration and monitoring third party administrators' adjusting of workers' compensation and unemployment claims
- Investigation and disposition of casualty claims and lawsuits
- Safety training, reporting, and compliance
- Loss control programs
- Environmental investigation, remediation, and reporting
- Contractual indemnification and insurance requirement language drafting and review

The Risk Management Department is divided into three operating divisions, Claims, Safety, and Environmental, and one Administration division. Highlights for each division are contained in this report. The staff strives to accomplish its mission with assistance and direction from the Maricopa County Board of Supervisors, Maricopa County Self-Insured Trust Fund Board of Trustees, and Office of the County Attorney. The Risk Manager reports to the Chief Financial Officer of Maricopa County.

Self-Insured Trust Fund

Arizona law (ARS § 11-981) authorizes Maricopa County to self-insure or procure insurance from any insurer authorized by the State of Arizona Department of Insurance, or both. Insurance (defined in Title 20 Arizona Revised Statutes) includes, but is not limited to, workers' compensation, general liability, auto liability, auto physical damage, property, medical malpractice, and unemployment insurance.

Upon establishment of a self-insurance program, Maricopa County is required to designate a Trust Administrator (Risk Manager), and establish a Trust. The Trust is funded by an allocation of funds from General Fund and Non-General Fund departments and Special Districts, or such other funding techniques permitted by state statute and authorized by the Trust's Board of Trustees.

A Board of Trustees manages and directs the Trust's activities and affairs. Trustees must be United States citizens and residents of Maricopa County, and are appointed by the Maricopa County Board of Supervisors (BOS) and County Administrative Officer. During FY02-03, the following individuals were members of the Board of Trustees:

| <u>Trustee District/Appointment</u> | <u>Trustee</u> |
|-------------------------------------|----------------------------|
| BOS District One | To Be Appointed |
| BOS District Two | Joel Sterrett |
| BOS District Three | To Be Appointed |
| BOS District Four | David C. Tierney, Chairman |
| BOS District Five | Peter Moraga |
| BOS Chairman | BOS Chairman |
| County Administrator | Tom Manos |

FY02-03 Results

Maricopa County enjoyed good results this fiscal year in the risk/exposure area. Total claim costs were down for this fiscal year, though a percentage reduction would be misleading since the figures do not include Incurred But Not Reported (IBNR) claims, which will affect the ultimate total. A truer picture of fiscal year results is the Cost of Risk. Though Risk Management's costs increased \$678,283 (3.6%), due primarily to the increased costs of insurance premiums, the Cost of Risk (Risk Management's costs compared to total County expenditures) was a very good 0.86%. In addition, the County realized \$1,083,725 in savings during the year through the use of in-network medical providers, and recovered \$946,044 through subrogation efforts (the Claims and Safety divisions, and our Third Party Administrator for Workers' Compensation) and collections from our excess insurance coverage. These positive results need to be viewed in light of the County's growth in the number of people served within the County and in services rendered.

Maricopa County continues to be one of the fastest growing counties in the nation with a population over 3.3 million. It is the 4th most populous County in the United States and is larger in population than 21 states, and larger geographically than 7 states. The County gained approximately 280 new

residents each day last year with a growth rate of 3.2% or 102,035 more people. Such size and growth, while economically positive, could result in an increase in the number of claims. However, Maricopa County experienced a decrease in claims occurring in this fiscal year compared to last fiscal year. Risk Management's emphasis on a strong proactive loss prevention and safety program is certainly a material factor in this reduction in claims.

The number of Maricopa County employees varies from month to month. For FY01-02 and FY02-03, the numbers of actual budgeted positions were 15,910 and 15,789, respectively. Workers' compensation claims for FY01-02 and FY02-03 were 843 and 820, respectively.* This reflects a decrease in the number of budgeted positions of 0.75% over the previous fiscal year, and a decrease in the number of workers' compensation claims of 2.8% over this period.

*The County changed its Workers' Compensation third party administrator in FY01-02, so these figures are slightly different from those contained in the FY01-02 Annual Report. Risk Management believes these reported figures are accurate.

Cost of Risk

Cost of Risk is a comparison of the County's expenditures of the risk management program to the County's overall expenditures in the fiscal year. The effectiveness of a risk management program can be reflected in this comparison since the cost of a risk management program, includes paid claims (amounts paid in the fiscal year without regard to the year the claim arose), insurance premiums, safety and loss control programs, and operational and administrative expenses, against total County's expenditures.

During the past three year period, Cost of Risk for the County has been reduced from 1.08% to 0.86%. This reduction reflects a positive and stable result.

| | FY00-01 | FY01-02 | FY02-03 |
|--|------------------------|------------------------|------------------------|
| Claims and Premiums | | | |
| Auto Liability | \$133,405 | \$252,503 | \$162,686 |
| General Liability | \$680,693 | \$1,606,340 | \$2,019,985 |
| Workers' Compensation | \$3,275,854 | \$3,478,198 | \$3,481,554 |
| Medical Malpractice | \$4,304,303 | \$1,756,845 | \$366,501 |
| Property/Auto Physical Damage | \$249,282 | \$208,631 | \$506,413 |
| Environmental Contingency | \$225,000 | \$20,295 | \$625 |
| Unemployment | \$435,338 | \$649,152 | \$833,459 |
| Premiums | \$1,791,892 | \$3,445,481 | \$4,577,114 |
| Subtotal | \$11,095,767 | \$11,417,445 | \$11,948,337 |
| Other Costs | | | |
| Legal Expenses | \$5,594,105 | \$4,564,323 | \$4,708,769 |
| Broker Fees | \$39,000 | \$42,000 | \$115,000 |
| Consulting and Mngt Fees | \$324,525 | \$317,606 | \$289,117 |
| Claims Admin Fees | \$207,751 | \$426,583 | \$320,532 |
| Administrative | \$1,534,028 | \$1,591,785 | \$1,656,270 |
| Subtotal | \$7,699,409 | \$6,942,297 | \$7,089,688 |
| Total Risk Management Costs | \$18,795,176 | \$18,359,742 | \$19,038,025 |
| Total County Expenditures | \$1,742,210,490 | \$2,116,470,340 | \$2,220,941,795 |
| TOTAL COST AS A PERCENTAGE OF COUNTY EXPENDITURES | 1.08% | 0.87% | 0.86% |

- Notes:
1. Paid claims represents the amount paid in the fiscal year regardless of occurrence date and does not include Reported but not Paid (RBNP) or IBNR reserves.
 2. Amounts as valued on June 30, 2003, as reported in the Advantage Financial System.

Acknowledgment

The Risk Management Department would like to thank the Maricopa County Board of Supervisors; Elected Officials; County Administrative Officer; Chief Financial Officer; Self-Insured Trust Fund Board of Trustees; County Attorney's Office; County departmental management, employees, and volunteers for their demonstrated interest in reducing claims and lawsuits, and their commitment to safety.

Respectfully submitted,

Peter Crowley
Risk Manager

Bill Warren, Assistant Risk Manager, Safety Division
Pat Spencer, Claims Manager
Samantha Wright-Sprague, Administration Manager
Hugh Larkin, Environmental Consultant
Rita Neill, Environmental Consultant
Sara Latin, Administrative/Insurance Coordinator
Emilee Eckroad, Claims Adjuster
and the entire Risk Management Staff

Notes: 1. For presentation purposes only, the dollar amounts and associated percentages in all of the charts and tables presented herein, have been rounded to the nearest whole dollar or percent.

CLAIMS DIVISION

The Claims Division of Risk Management handles all property and liability claims filed against Maricopa County. For workers' compensation and unemployment claims, the Division oversees adjustment of these claims by third party administrators. Claims are reviewed on their merits and either paid or denied. Litigated claims are assigned to either the County Attorney's Office or outside counsel. The Division works with assigned attorneys to obtain the most favorable result possible for the County.

New claims arising in FY02-03 filed against the County to date reflect a continuing decrease in number over the past three fiscal years (see page VI-3 of the statistics and coverage section). The exception is in the increase in number of auto physical damage claims reported for damage to County vehicles. The Division opened 929 claims during the year and closed 883 for a 95% closure ratio. During FY02-03, 83 bodily injury claims were settled. Of these, 59% were settled at the claims stage. This saves the expense costs of litigation to the County and the time costs of litigation to the departments. This is a good ratio for a public entity or target defendant. The Division is committed to increasing settlements of claims owed at a fair and reasonable amount while defending claims with no merit.

In addition to handling claims, the Division provides the following services to the County:

- Subrogation, restitution, and deductible recovery. FY02-03, the Division collected \$347,497 from "at fault" parties that caused damage to County property.
- Report and consult with County departments on coverage, on pending claims and on costs, both as an informational tool and to investigate ways and means to reduce claims or exposures.
- Review and management of the third party administrator providing adjustment of workers' compensation claims for County employees. In addition to adjustment of losses, this company also conducts bill reviews and monitors discounts available to the County for use of a PPO network. This has kept costs of loss per employee due to workers' compensation claims below the average for employers in Arizona and the nation.
- Review of indemnity and insurance language in proposed County contracts.
- Coordinate and manage outside contractors providing automobile and property appraisal and repair services to the County.

Due to the efforts of the Claims Division, the County has realized substantial savings in claim payments, subrogation recoveries, and expense costs. The Division is committed to working to further improve in these areas and help reduce the cost of risk to Maricopa County.

SAFETY DIVISION

The Occupational Safety and Health Division of Risk Management continues to focus on the countywide initiative to ensure safety standard compliance and loss prevention organizationally. The process uses a safety management system of supervisor and worker accountability along the theme of “Safety: It’s the way we work!” The Division continues to consult with agencies and departments to establish the safety management system as a core business function. The establishment of a safety program continues to be crucial in reducing accidents and losses. As a clear example of its efforts to improve departmental safety performance, workers’ compensation data this fiscal year evidences an overall reduction in claims of 3.8% (843 claims in FY01-02, and 820 claims in FY02-03, see page VI-9 of the statistics and coverage section). However, due in part to increases in medical costs, workers’ compensation payments and reserves (see page VI-1 of the statistics and coverage section) were increased from \$2,798,338 in FY01-02 to \$3,304,119 in FY02-03, a \$505,781 increase.

Working to improve workplace safety and ensure compliance with safety standards, the Division:

- Coordinated with Gateway Community College, the “Certificate in Equipment Operation” program. This program offers college credit for training provided by the Safety Division for a 36-credit vocational education program.
- Conducted a countywide four-day Safety Fair and Equipment ROADEO, with 850 employees participating in safety classes along with events testing operator skills and knowledge of equipment operations.
- Trained 450 Sheriff’s office management and supervision in the START Safety Management System resulting in a 40% reduction in recordable accident rate.
- Partnering with MCDOT, established and certified with the State of Arizona DOT, the new Commercial Drivers Testing facility for training and testing County commercial drivers.
- Successfully subrogated recovery for MCDOT damaged property. FY02-03, the Division collected \$63,150 from “at fault” parties that caused damage to MCDOT property.

Additionally, the Safety Division provides technical assistance and training to various departments in the areas of occupational safety, fleet safety, drug and alcohol testing, commercial drivers programs, heavy equipment training, hazardous materials management, OSHA compliance, and hazard communication – employees “right-to-know” training. These efforts continue to have a positive influence on the County’s safety awareness and loss prevention efforts.

As Maricopa County continues to pursue strategies in developing its safety management system, it is necessary that each level of management must take a greater role in safety development. Management commitment and front line supervision accountability is the key to sustaining the safety process and reducing unsafe work practices. By including specific safety activities and initiative within the County’s overall work process and evaluation creates a safe working environment. Safety is a total team effort!

ENVIRONMENTAL DIVISION

The Environmental Division of Risk Management conducts remedial investigations and takes action to minimize County environmental liability as determined by law, regulation, statute, and/or court order. The Division provides leadership in the area of pollution prevention and environmental management, and has developed a proactive assessment and action process that mitigates environmental liabilities, saving the County in the cost of remedial action and regulatory penalties. Possible environmental liability costs of known sites have been reduced from previous estimates of over \$500 million for FY95-96, to approximately \$69.47 million for FY02-03.

This fiscal year the Division:

- Completed remedial actions for soil and groundwater contamination related to former leaking underground storage tanks at 4701 East Washington Street, site of the former Sheriff's Office, MCDOT yard, and Vector Control, with the State of Arizona's Department of Environmental Quality issuance of a 'closure' letter.
- Assessed ability to recover monies related to lawsuit for asbestos products produced by W.R. Grace & Co. Assisted in retaining outside counsel experienced in such recovery litigation.
- Completed Phase I environmental assessments, National Environmental Protection Act (NEPA) screens, and asbestos and lead paint surveys for 9 remote transmitter sites. Completed Phase I environmental assessments and asbestos/lead-paint surveys for 9 facilities, several which required sampling and testing for soil contamination. Completed assessments for asbestos and lead paint at 4 parks.
- Assisted MCDOT, Flood Control, Real Estate, and FMD in preparing Requests For Proposals for environmental studies and asbestos abatements.
- Completed comprehensive survey of abandoned mines at Cave Creek Regional Park for environmental and safety liability issues for Parks department. Project included preparation of documents necessary for closure approval by Bureau of Land Management and Arizona Mine Inspector's Office.
- Identified environmental, asbestos and lead paint issues at 5 public housing developments for Housing department. Developed plans to mitigate and manage liabilities identified.
- Continued to provide sound environmental compliance information to requesting departments.

The Division recognizes that environmental risks are capable of being managed through risk control and prevention measures. These measures include separation of hazardous materials, effective pollution prevention and loss control techniques, redundant controls and safety mechanisms, double and triple containment of tanks and flow tubes, emergency response plans, and effective training of employees. The Division will continue to seek to implement these measures.

ADMINISTRATIVE DIVISION

The Administrative Division is responsible for procuring the insurance policies above the County's self-insured retention, providing certificates of insurance to County departments, preparing the annual user charges for services, preparing the annual budget and financial statements for the Trust and providing administrative support to the other divisions within the department. Included in this report is a comparison of the assets and liabilities of the Trust over a three-year period, the trend of the current insurance market, a budget summary and the financial statements through fiscal year ended June 30, 2003.

Self-Insured Trust Fund Combined Balance Sheet Comparison FY00-01, FY01-02, and FY02-03

| | <u>FY00-01</u> | <u>FY01-02</u> | <u>FY02-03</u> |
|----------------------|----------------|----------------|----------------|
| Assets | \$22,323,496 | \$24,275,480 | \$29,287,214 |
| Liabilities | \$41,150,595 | \$42,295,510 | \$41,851,737 |
| Net assets (deficit) | (\$18,827,099) | (\$18,020,030) | (\$12,564,523) |

During the FY00-01 through FY02-03 period, the Trust's assets increased \$6,963,718 or 31.1%, from \$22,323,496 to \$29,287,214. During the same period, the Trust's liabilities increased \$701,142 or 1.7%, from \$41,150,595 to \$41,851,737. Net assets (deficits) are a result of a spend down of the self-insured trust fund in a prior four year period, where user departments were only charged for administrative costs while claims and insurance were still being paid by Risk Management on behalf of these user departments. FY02-03 balance sheet details are provided in the financial section. The Trust began billing user departments for the full costs of claims and insurance in FY99-00.

Insurance Policies

Risk Management continues to analyze current insurance market trends. It is expected that insurance premiums in all lines of coverage will increase. The "hard" market of last year is expected to continue at least for another year. However, the potential increases in annual premium costs are not expected to be as great as the past year. Risk Management will continue working closely with our insurance broker to aggressively pursue reasonable insurance coverages to protect Maricopa County.

At the close of this fiscal year, the County's major insurance policies are as follows:

| <u>Coverage</u> | <u>Policy Period</u> | <u>Limits</u> | <u>Deductible/SIR</u> |
|---|----------------------|-----------------------------|-----------------------|
| General Liability (Excess liability) | 3-1-03/3-1-04 | \$5 million \$15 million | \$5 million SIR |

| | | | |
|---|-----------------|------------------------------|--------------------|
| Medical Malpractice (Excess liability) | 12-4-02/12-4-03 | \$15 million \$10 million | \$5 million SIR |
| Workers' Compensation | 7-1-02/7-1-03 | \$25 million | \$1 million SIR |
| Property Damage | 7-1-02/7-1-03 | \$200 million | \$100,000 per occ. |

Budget Summary

The expenditure budget for the Risk Management Department for FY02-03 was \$23,398,383. Of this amount \$1,145,350 was for personnel costs, \$317,293 was for supplies and services, \$20,000 was for capital equipment and \$21,915,740 was for insurance, legal, and claims and claims related expenditures. On a percentage basis, 93.6% of Risk Management's budget is for insurance, legal, and claims and claim related expenditures.

The revenue budget for the Risk Management Department for FY02-03 was \$24,500,384. Of this amount \$23,343,430 was from user charges, and \$1,156,954 was from interest earnings. On a percentage basis, 95.2% of the revenue is from user charges. These user charges are based on actuarially estimated claims payments and insurance projections for what the Risk Management Department will pay out on behalf of County departments.

Financial Statements

The financial statements presented in this section have been audited by the State of Arizona, Office of the Auditor General, and are included in the *Maricopa County Comprehensive Annual Financial Report (CAFR)* and the *Risk Management and Employee Benefits Trust Report on Audit of Financial Statements* for FY02-03.

The actual expenditures for the Risk Management Department for FY02-03 were \$18,408,417. Of this amount, \$1,125,710 was for personnel costs, \$269,235 was for supplies and services and \$17,013,472 was for insurance, legal, and claims and claims related expenditures. On a percentage basis, 92.4% of Risk Management's actual expenditures are for insurance, legal, and claims and claims related expenditures.

The actual revenue for the Risk Management Department for FY02-03 was \$23,863,924. Of this amount, \$23,343,431 was from user charges, and \$520,493 was from interest earnings. On a percentage basis, 98.2% of the revenue was from user charges.

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Statements of Net Assets—Internal Service Funds
June 30, 2003

| | <u>Risk Management</u> | <u>Employee Benefits</u> |
|---|----------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents- | | |
| Risk management | \$ 25,882,241 | |
| Environmental insurance claims recovery | 1,680,513 | |
| Employee benefits | | \$ 6,175,065 |
| Interest receivable | 74,496 | 23,637 |
| Accounts receivable | | 768,851 |
| Prepaid insurance | 1,638,064 | 114,481 |
| Total current assets | 29,275,314 | 7,082,034 |
| Noncurrent assets: | | |
| Machinery and equipment | 74,554 | |
| Less: accumulated depreciation | (62,654) | |
| Total noncurrent assets | 11,900 | |
| Total assets | 29,287,214 | 7,082,034 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 713,737 | 1,349,210 |
| Employee compensation payable | 90,229 | |
| Deposits held for others | | 331,684 |
| RBUC and IBNR claims | 14,372,731 | 2,446,904 |
| Total current liabilities | 15,176,697 | 4,127,798 |
| Noncurrent liabilities: | | |
| RBUC and IBNR claims | 26,675,040 | |
| Total noncurrent liabilities | 26,675,040 | |
| Total liabilities | 41,851,737 | 4,127,798 |
| Net Assets | | |
| Invested in capital assets | 11,900 | |
| Restricted for self-insurance (deficit) | (12,576,423) | 2,954,236 |
| Total net assets (deficit) | \$ (12,564,523) | \$ 2,954,236 |

See accompanying notes to financial statements.

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Statements of Revenues, Expenses, and
Changes in Fund Net Assets—Internal Service Funds
Year Ended June 30, 2003

| | Risk Management | Employee Benefits |
|---|----------------------------|------------------------------|
| Operating revenues: | | |
| Charges for services | \$ 23,343,431 | |
| County and employee premiums | | \$ 12,582,861 |
| Other income | | 35,098 |
| Total operating revenues | 23,343,431 | 12,617,959 |
| Operating expenses: | | |
| Personal services | 1,125,710 | |
| Supplies and services | 474,923 | |
| Accounting and auditing fees | 13,915 | |
| Actuary fees | 30,500 | |
| Consulting and management fees | 289,117 | |
| Brokers' fees | 115,000 | |
| Claims administration service fees | 320,532 | |
| Legal expenses | 4,708,769 | |
| Claims and insurance: | | |
| Auto liability claims paid | 162,686 | |
| Auto liability RBUC and IBNR claims increase in estimate | 54,116 | |
| Total auto liability | 216,802 | |
| General liability claims paid | 2,019,985 | |
| General liability RBUC and IBNR claims increase in estimate | 1,080,377 | |
| Total general liability | 3,100,362 | |
| Workers' compensation claims paid | 3,481,554 | |
| Workers' compensation RBUC and IBNR claims decrease in estimate | (591,127) | |
| Total workers' compensation | 2,890,427 | |
| Medical malpractice claims paid | 366,501 | |
| Medical malpractice RBUC and IBNR claims decrease in estimate | (1,198,272) | |
| Total medical malpractice | (831,771) | |
| Auto physical damage claims paid | 295,880 | |
| Auto physical damage RBUC claims increase in estimate | 43,153 | |
| Total auto physical damage | 339,033 | |
| Property claims paid | 210,533 | |
| Property RBUC claims decrease in estimate | (17,855) | |
| Total property | 192,678 | |
| Pharmacy claims paid | | 4,569,118 |
| Pharmacy claims administration fees | | 23,500 |
| Pharmacy IBNR claims increase in estimate | | 754,918 |
| Total pharmacy | | 5,347,536 |
| Dental claims paid | | 4,386,157 |
| Dental claims administration fees | | 256,012 |
| Dental IBNR claims decrease in estimate | | (43,336) |
| Total dental | | 4,598,833 |
| Short-term disability claims paid | | 1,763,739 |
| Short-term disability claims administration fees | | 154,490 |
| Short-term disability IBNR claims increase in estimate | | 175,057 |
| Total short-term disability | | 2,093,286 |

See accompanying notes to financial statements.

(Continued)

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Statements of Revenues, Expenses, and
Changes in Fund Net Assets—Internal Service Funds
Year Ended June 30, 2003
(Continued)

| | Risk Management | Employee Benefits |
|--|----------------------------|------------------------------|
| Hospital co-pay reimbursements claims paid | | \$ 60,863 |
| Medical incentives paid | | 749,814 |
| General medical IBNR claims increase in estimate | | 766,181 |
| Total general medical | | 1,576,858 |
| Unemployment claims | \$ 833,459 | |
| Environmental contingency | 625 | |
| General liability insurance premiums | 1,785,680 | |
| Workers' compensation insurance premiums | 422,590 | |
| Crime insurance premiums | 34,571 | |
| Property insurance premiums | 579,794 | |
| Malpractice insurance premiums | 1,754,479 | |
| Depreciation | 11,222 | |
| Total operating expenses | 18,408,417 | 13,616,513 |
| Operating income (loss) | 4,935,014 | (998,554) |
| Nonoperating revenues (expenses): | | |
| Investment income | 520,493 | 195,192 |
| Miscellaneous expenses | | (40,000) |
| Net nonoperating revenues | 520,493 | 155,192 |
| Increase (decrease) in net assets | 5,455,507 | (843,362) |
| Total net assets (deficit), July 1, 2002 | (18,020,030) | 3,797,598 |
| Total net assets (deficit), June 30, 2003 | \$ (12,564,523) | \$ 2,954,236 |

See accompanying notes to financial statements.

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Statements of Cash Flows—Internal Service Funds
Year Ended June 30, 2003

| | Risk Management | Employee Benefits |
|---|----------------------------|------------------------------|
| Cash flows from operating activities: | | |
| Receipts from other funds | \$ 23,343,431 | \$ 11,814,010 |
| Other receipts | | 141,493 |
| Payments for fees, supplies, and services | (5,768,232) | (434,002) |
| Payments for insurance claims | (7,371,223) | (15,360,043) |
| Payments for insurance premiums | (3,714,895) | (112,481) |
| Payments to employees | (1,124,399) | |
| Net cash provided by (used for) operating activities | 5,364,682 | (3,951,023) |
| Cash flows from capital and related financing activities: | | |
| Proceeds from sale of capital assets | | 21,610 |
| Cash flows from investing activities: | | |
| Interest received on investments | 567,889 | 230,971 |
| Net increase (decrease) in cash and cash equivalents | 5,932,571 | (3,698,442) |
| Cash and cash equivalents, July 1, 2002 | 21,630,183 | 9,873,507 |
| Cash and cash equivalents, June 30, 2003 | \$ 27,562,754 | \$ 6,175,065 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ 4,935,014 | \$ (998,554) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | 11,222 | |
| Net change in RBUC and IBNR claims, noncurrent portion | (3,552,899) | |
| Changes in assets and liabilities: | | |
| Increase in: | | |
| Accounts receivable | | (768,851) |
| Prepaid insurance | | (112,481) |
| Accounts payable | 184,524 | |
| Employee compensation payable | 1,311 | |
| Deposits held for others | | 106,395 |
| RBUC and IBNR claims, current portion | 2,923,291 | 1,652,820 |
| Decrease in: | | |
| Prepaid insurance | 862,219 | |
| Accounts payable | | (3,830,352) |
| Net cash provided by (used for) operating activities | \$ 5,364,682 | \$ (3,951,023) |
| Noncash investing, capital, and noncapital financing activities: | | |
| Disposal of machinery and equipment | | (46,108) |
| Accumulated depreciation from disposal of machinery and equipment | | 24,498 |
| Proceeds from sale of capital assets | | 21,610 |
| Nonoperating miscellaneous expenses incurred but not paid | | 40,000 |
| Accounts payable | | (40,000) |

See accompanying notes to financial statements

MARICOPA COUNTY
RISK MANAGEMENT TRUST FUND
Statements of Revenues, Expenses, and
Changes in Fund Net Assets—Internal Service Fund
Budget and Actual
Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---------------------|------------------------|----------------------|
| Operating revenues: | | | |
| Charges for services | \$ 23,343,430 | \$ 23,343,431 | \$ 1 |
| Other income | | | 0 |
| Total operating revenues | <u>23,343,430</u> | <u>23,343,431</u> | <u>1</u> |
| Operating expenses: | | | |
| Personal services | 1,145,350 | 1,125,710 | (19,640) |
| Supplies and services | 512,796 | 474,923 | (37,873) |
| Accounting and auditing fees | 24,500 | 13,915 | (10,585) |
| Actuary fees | 35,000 | 30,500 | (4,500) |
| Consulting and management fees | 492,500 | 289,117 | (203,383) |
| Brokers' fees | 55,000 | 115,000 | 60,000 |
| Claims administration service fees | 342,400 | 320,532 | (21,868) |
| Legal expenses | 4,689,635 | 4,708,769 | 19,134 |
| Total auto liability | 353,465 | 216,802 | (136,663) |
| Total general liability | 2,830,044 | 3,100,362 | 270,318 |
| Total workers' compensation | 3,852,377 | 2,890,427 | (961,950) |
| Total medical malpractice | 2,392,880 | (831,771) | (3,224,651) |
| Total auto physical damage | 432,499 | 339,033 | (93,466) |
| Total property | 193,290 | 192,678 | (612) |
| Unemployment claims | 500,000 | 833,459 | 333,459 |
| Environmental contingency | 100,000 | 625 | (99,375) |
| General liability insurance premiums | 1,500,000 | 1,785,680 | 285,680 |
| Workers' compensation insurance premiums | 583,185 | 422,590 | (160,595) |
| Crime insurance premium | 40,000 | 34,571 | (5,429) |
| Property insurance premiums | 1,125,000 | 579,794 | (545,206) |
| Malpractice insurance premiums | 1,950,000 | 1,754,479 | (195,521) |
| Other insurance | 248,461 | 0 | (248,461) |
| Depreciation | 0 | 11,222 | 11,222 |
| Total operating expenses | <u>\$23,398,382</u> | <u>\$18,408,417</u> | <u>(\$4,989,965)</u> |
| Operating income | | 4,935,014 | |
| Nonoperating revenues (expenses): | | | |
| Investment income | 1,156,954 | 520,493 | (636,461) |
| Miscellaneous expenses | | | |
| Net nonoperating revenues | <u>1,156,954</u> | <u>520,493</u> | <u>(636,461)</u> |
| Increase in net assets | | 5,455,507 | |
| Total net deficit, July 1, 2002 | | <u>(18,020,030)</u> | |
| Total net deficit, June 30, 2003 | | <u>\$ (12,564,523)</u> | |

See accompanying notes to financial statements.

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
June 30, 2003

NOTE 1 - Summary of Significant Accounting Policies

The County, in the exercise of the authority granted by Arizona Revised Statutes (A.R.S.) §11-981, has established a trust fund and declares itself self-insured. For financial statement presentation purposes, the Self-insured Trust Fund is reported as Risk Management and Employee Benefits Trust Funds (Funds) and all monies held in these Funds are considered restricted for self-insurance purposes. The Funds' financial statements are prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). The Maricopa County *Comprehensive Annual Financial Report* for the year ended June 30, 2003, reports the Funds as governmental activities on the government-wide financial statements since they predominantly service the County's governmental funds. A summary of the Funds' more significant accounting policies follows.

A. Reporting Entity

The Trust Funds are accounted for as internal service funds of Maricopa County, Arizona, under the direction of an administrator appointed by the County Board of Supervisors. In addition, the Trust Funds are administered by no less than six joint trustees, all of whom shall be citizens of the United States of America and residents of Maricopa County. The County Board of Supervisors also appoints the trustees. However, the ultimate financial accountability for the Funds remains with the County. The County is responsible for the management and operations of the financing of the uninsured risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and for certain health benefits (pharmacy, dental, short-term disability, hospital co-pay reimbursements, and medical incentives) to eligible employees and their dependents.

B. Fund Accounting

The Funds' accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Funds' available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, net assets, revenues, and expenses.

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
June 30, 2003

The Funds' financial transactions are recorded and reported as internal service funds since their operations are financed and operated in a manner similar to private business enterprises. The intent of the County Board of Supervisors is that the costs (expenses, including depreciation) of providing goods or services to other departments within the County on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Presentation and Accounting

The financial statements include statements of net assets; statements of revenues, expenses, and changes in fund net assets; and statements of cash flows.

The statements of net assets provide information about the assets, liabilities, and net assets of the Funds at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to the availability of assets to satisfy the Funds' obligations. Invested in capital assets represents the value of capital assets, net of accumulated depreciation. Restricted net assets represent the balance of monies held in the Funds for self-insurance purposes.

The statements of revenues, expenses, and changes in fund net assets provide information about the Funds' financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported. Generally, charges for services and insurance premiums are considered to be operating revenues. Other revenues such as investment income are not generated from operations and are considered to be nonoperating revenues.

The statements of cash flows provide information about the Funds' sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Funds are presented on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Funds apply only those applicable Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
June 30, 2003

D. Cash and Cash Equivalents

The Funds' cash and cash equivalents are held by the County Treasurer in its investment pool, and they are reported at fair value. The Funds' investments in the County Treasurer's investment pool represents proportionate interests in that pool's portfolio; however, the Funds' portions are not identified with specific investments and are not subject to custodial credit risk. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on their average daily cash balance on a quarterly basis. Interest earned and not received prior to June 30, is recorded as interest receivable.

For purposes of the statements of cash flows, cash and cash equivalents consist of the Funds' share of the pooled portfolio of specific investments and repurchase agreements purchased by the Maricopa County Treasurer's Office. The County considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

E. Machinery and Equipment

Machinery and equipment are capitalized at cost. Depreciation of machinery and equipment is charged as an expense against operations. These assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of machinery and equipment range from 3 to 10 years.

F. Employee Compensation Payable

Employee compensation payable consists of payroll and payroll-related costs incurred but not paid at June 30, and personal time off (PTO) earned by employees based on services already rendered. Employees may accumulate up to 240 hours of PTO, but any PTO hours in excess of the maximum amount that are unused at calendar year-end will be transferred to family medical leave (FML). FML benefits are used by employees for FML-qualifying events and are cumulative but do not vest with employees and, therefore, are not accrued. However, upon retirement, employees of the Funds with accumulated FML in excess of 1,000 hours are entitled to a \$3,000 bonus. The amount of such bonuses is accrued in the liability of employee compensation payable.

NOTE 2 - Prepaid Insurance

Prepaid insurance for the Risk Management Trust Fund consists of \$1,558,064 of prepaid broker services and premiums on workers' compensation, general and auto liability, property, crime, and malpractice insurance policies. The initial premiums for these policies are amortized pro rata over each policy or contract term using the consumption method. The

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
June 30, 2003

remaining balance of \$80,000 consists of prepaid deposits to the workers' compensation third party administrator.

Prepaid insurance for the Employee Benefits Trust Fund consists of prepaid premiums to the behavioral health vendor.

NOTE 3 - Deposits Held for Others

Deposits held for others consist of employee flexible spending account contributions for health care and dependent care. The balance is composed of the excess of current plan year contributions over withdrawals and forfeitures since program inception.

NOTE 4 - Liabilities for Unpaid Claims

The Funds provide for claims liabilities based on estimates of the ultimate cost of claims, including future claims adjustment expenses, that have been reported but not settled (RBUC), and of claims that have been incurred but not reported (IBNR).

The County is liable for any single claim up to the insurance deductible or self-insurance retention (SIR), whichever is applicable, and the excess over insurance limits. The following insurance deductibles, self-insurance retentions, and insurance limits were in effect during fiscal year 2002-03:

| <u>Policy Type</u> | <u>Deductible</u> | <u>SIR</u> | <u>Limit</u> |
|-----------------------------------|-------------------|--------------|--------------|
| General and auto liability | | \$ 5,000,000 | \$ 5,000,000 |
| Excess general and auto liability | | primary | 15,000,000 |
| Property/inland marine | \$ 100,000 | | 657,255,579 |
| Boiler and machinery | 100,000 | | 50,000,000 |
| Earthquake | 100,000 | | 100,000,000 |
| Flood zones B and C | 500,000 | | 100,000,000 |
| Flood zone A | 500,000 | | 10,000,000 |
| Difference in conditions | | primary | 40,000,000 |
| Employee dishonesty | 50,000+10% | * | 10,000,000 |
| Theft and robbery | 5,000 | | 1,000,000 |
| Computer and wire transfer fraud | 50,000+10% | * | 10,000,000 |
| Forgery alteration/property | 5,000 | | 1,000,000 |
| Excess workers' compensation | | 1,000,000 | 25,000,000 |
| Employer's liability | | | 1,000,000 |
| Medical malpractice | | 5,000,000 | 15,000,000 |
| Excess medical malpractice | | primary | 10,000,000 |

* 10% is for claims over \$1,000,000

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
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June 30, 2003

Settled claims have not exceeded the above commercial insurance coverage limits over the past 3 years.

Risk Management Trust Fund

Liabilities for unpaid claims are estimates of the ultimate cost of claims that include the insurance deductible, the SIR, and the excess over insurance limits. The estimates are determined by an independent actuary using the following actuarial methods: incurred loss development, paid loss development, frequency/severity, incremental paid-workers' compensation, paid allocated loss adjustment expense to paid loss development, and tail liability for medical malpractice. Total liabilities are equal to the sum of:

1. Reported but unpaid claims (RBUC), which represent the estimated liability on reported claims established by the Risk Management department and
2. Incurred but not reported (IBNR) reserves, which include known loss events that are expected to become claims and expected future development on claims already reported. IBNR, therefore, is largely an estimate of loss and claim adjustment expenses associated with future likely claims activity based on historical actual results that establish a reliable pattern.

Accrued actuarial liabilities are based on a discounted 55 percent confidence level assuming a 2.59 percent annual rate of return on investments.

The total liabilities reported at June 30, 2003, categorized by RBUC and IBNR by insurable area follow:

| | <u>RBUC</u> | <u>IBNR</u> | <u>Total Liabilities</u> |
|-----------------------|--------------------|--------------------|---------------------------------|
| Auto liability | \$ 310,237 | \$ 162,805 | \$ 473,042 |
| General liability | 11,319,391 | 8,375,250 | 19,694,641 |
| Workers' compensation | 7,793,054 | 2,196,325 | 9,989,379 |
| Medical malpractice | 4,094,446 | 6,376,143 | 10,470,589 |
| Auto physical damage | 110,939 | | 110,939 |
| Property | 309,181 | | 309,181 |
| | | | <u><u>\$ 41,047,771</u></u> |

The total estimates of unpaid claim liabilities of \$41,047,771 at June 30, 2003, decreased by \$629,608 from last year's balance of \$41,677,379. The areas that significantly decreased were medical malpractice and workers' compensation.

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
June 30, 2003

Changes in the liabilities for unpaid auto, general, workers' compensation, medical malpractice, auto physical damage, and property claims follow:

| | Balance <u>July 1</u> | Current-Year Claims and Changes in <u>Estimates</u> | Claims <u>Payments</u> | Balance <u>June 30</u> |
|---------|--|--|---|---|
| 2000-01 | \$ 43,030,624 | \$ 6,181,957 | \$ (8,643,537) | \$ 40,569,044 |
| 2001-02 | 40,569,044 | 8,410,852 | (7,302,517) | 41,677,379 |
| 2002-03 | 41,677,379 | 5,907,531 | (6,537,139) | 41,047,771 |

It is estimated that \$14,372,731 of these liabilities will be paid within the next 12 months.

Employee Benefits Trust Fund

The liability for pharmacy, dental, short-term disability, and hospital co-pay reimbursements claims as shown below is based on the fiscal year 2002-03 actuarial reports. The liability for medical incentives as shown below is based on the contract with CIGNA HealthCare (CIGNA). Beginning in fiscal year 2002-03, hospital co-pay reimbursements and medical incentives are included in the estimated IBNR rather than being expensed when paid. Effective January 1, 2003, all employee pharmacy benefits for CIGNA enrollees are now self-insured by the County.

Accrued liabilities at June 30, 2003, for each insurable area follow:

| | |
|--------------------------------|---------------------|
| Pharmacy | \$ 807,777 |
| Dental | 444,428 |
| Short-term disability | 428,518 |
| Hospital co-pay reimbursements | 16,181 |
| Medical incentives | 750,000 |
| Total | <u>\$ 2,446,904</u> |

Changes in the liabilities for unpaid pharmacy, dental, short-term disability, hospital co-pay reimbursements, and medical incentives claims follow:

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
June 30, 2003

| | Balance | Current-Year | | Balance |
|---------|----------------------|-------------------------|-----------------|-----------------------|
| | <u>July 1</u> | Claims and | Claims | <u>June 30</u> |
| | | Changes in | Payments | |
| | | <u>Estimates</u> | | |
| 2000-01 | \$ 169,167 | \$ 924,104 | \$ (953,384) | \$ 139,887 |
| 2001-02 | 139,887 | 5,842,675 | (5,188,478) | 794,084 |
| 2002-03 | 794,084 | 13,182,511 | (11,529,691) | 2,446,904 |

It is estimated that the June 30, 2003, liabilities balance of \$2,446,904 will be paid within the next 12 months.

NOTE 5 - Net Assets Deficit

The County Board of Supervisors elected not to fund the Risk Management Trust Fund's unpaid claims in fiscal years 1995-96 through 1998-99. Consequently, the Risk Management Trust Fund only billed user departments for operating costs and administrative expenses for those years. This resulted in a total net assets deficit of \$23,321,519 at June 30, 1999. Starting July 1, 1999, Risk Management began billing user departments for actuarially determined claim estimates that are projected to be paid each fiscal year. As of June 30, 2003, the total net assets deficit has been reduced to \$12,564,523.

NOTE 6 - Letter of Credit

On July 1, 2002, the County renewed its workers' compensation insurance with a self-insured retention of \$1,000,000. As a result, the Industrial Commission of Arizona required the County to secure an irrevocable letter of credit in the amount of \$8.3 million with a financial institution to cover unfunded workers' compensation claims. During fiscal year 2002-03, the letter of credit had not been drawn upon. The letter of credit was renewed to July 1, 2004, for \$9.1 million.

NOTE 7 - Retirement Plan

Plan Description—The Risk Management Fund contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

MARICOPA COUNTY
RISK MANAGEMENT AND EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
June 30, 2003

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

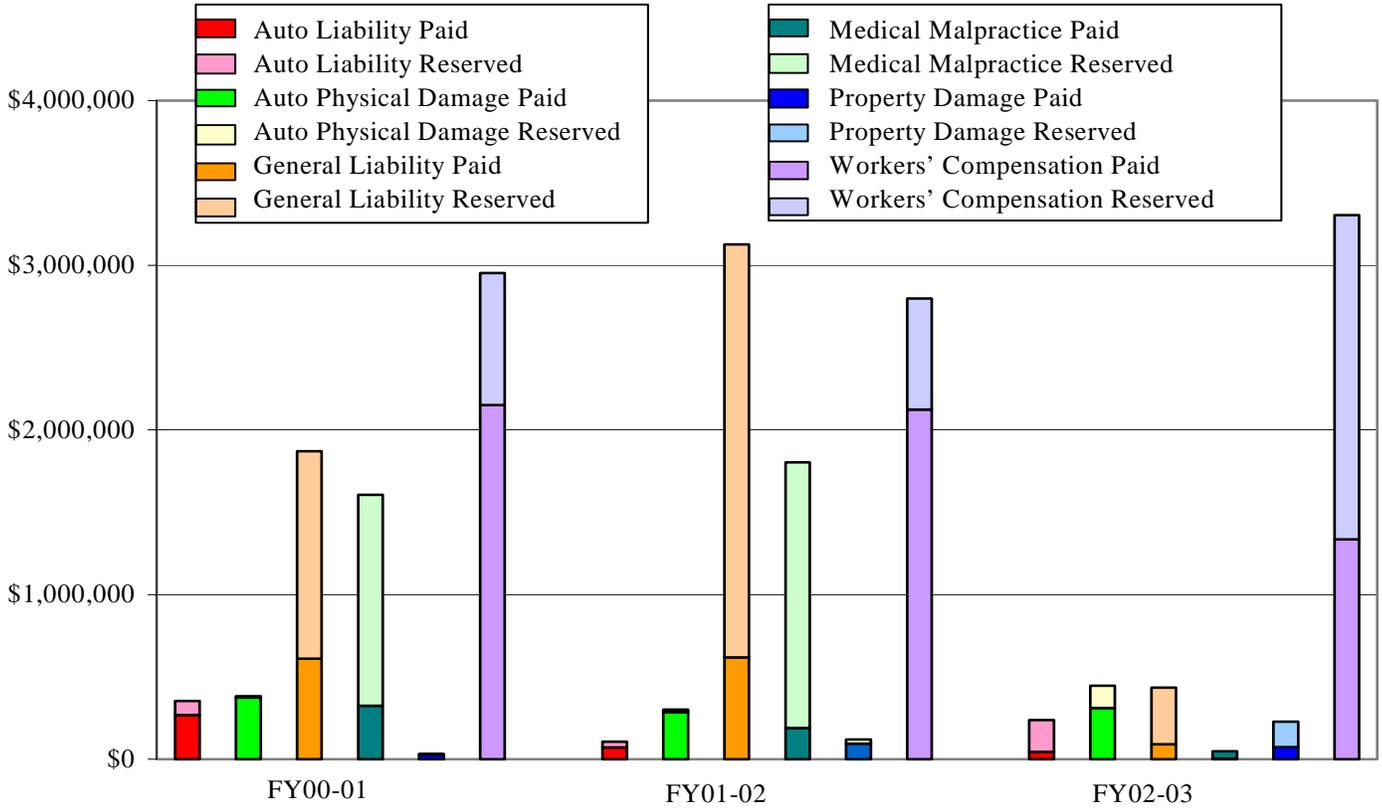
Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Risk Management Fund's contribution rates. For the year ended June 30, 2003, active plan members and the Risk Management Fund were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The Risk Management Fund's contributions to the System for the years ended June 30, 2003, 2002, and 2001 were \$22,894, \$22,865, and \$23,909, respectively, which were equal to the required contributions for the year.

NOTE 8 – Subsequent Event

On January 1, 2004, the Employee Benefits Trust Fund assumed the responsibility for managing and operating HealthSelect, a managed care health plan. HealthSelect provides health care coverage to Maricopa County employees electing this plan and their dependents. The Maricopa Integrated Health System (MIHS) previously managed and operated the plan; however, MIHS will become a special health care district since voters passed Proposition 414 in the November 2003 special election. The County negotiated amended contracts with its existing general medical and pharmacy vendors to perform administrative services such as but not limited to claims and member management. HealthSelect expenses will be paid from premiums paid by the plan's members and the County. Estimated premiums and expenses for January 1, 2004 through June 30, 2004 for this plan are \$6 million.

STATISTICS AND COVERAGE

**TOTAL COST-ALL CLAIMS
(PAID OR RESERVED)
FY00-01 TO FY02-03**



| | | Auto Liability | Auto Physical Damage | General Liability | Medical Malpractice | Property | Workers' Compensation | TOTAL |
|----------------|----------------|----------------|----------------------|-------------------|---------------------|-----------|-----------------------|-------------|
| FY00-01 | \$ Paid | \$268,422 | \$375,370 | \$611,001 | \$324,502 | \$29,927 | \$2,150,808 | \$3,760,030 |
| | Open Reserves | \$84,272 | \$6,509 | \$1,259,349 | \$1,281,872 | \$1,716 | \$801,966 | \$3,435,685 |
| | Total Incurred | \$352,695 | \$381,878 | \$1,870,350 | \$1,606,375 | \$31,643 | \$2,952,774 | \$7,195,715 |
| FY01-02 | \$ Paid | \$72,266 | \$285,856 | \$618,519 | \$188,748 | \$93,754 | \$2,123,445 | \$3,382,587 |
| | Open Reserves | \$34,076 | \$14,898 | \$2,507,284 | \$1,613,210 | \$25,913 | \$674,893 | \$4,870,273 |
| | Total Incurred | \$106,341 | \$300,754 | \$3,125,803 | \$1,801,959 | \$119,667 | \$2,798,338 | \$8,252,861 |
| FY02-03 | \$ Paid | \$45,285 | \$311,089 | \$90,400 | \$4,407 | \$73,728 | \$1,336,024 | \$1,860,933 |
| | Open Reserves | \$191,889 | \$134,660 | \$345,051 | \$44,756 | \$154,128 | \$1,968,095 | \$2,838,579 |
| | Total Incurred | \$237,174 | \$445,749 | \$435,451 | \$49,163 | \$227,856 | \$3,304,119 | \$4,699,512 |

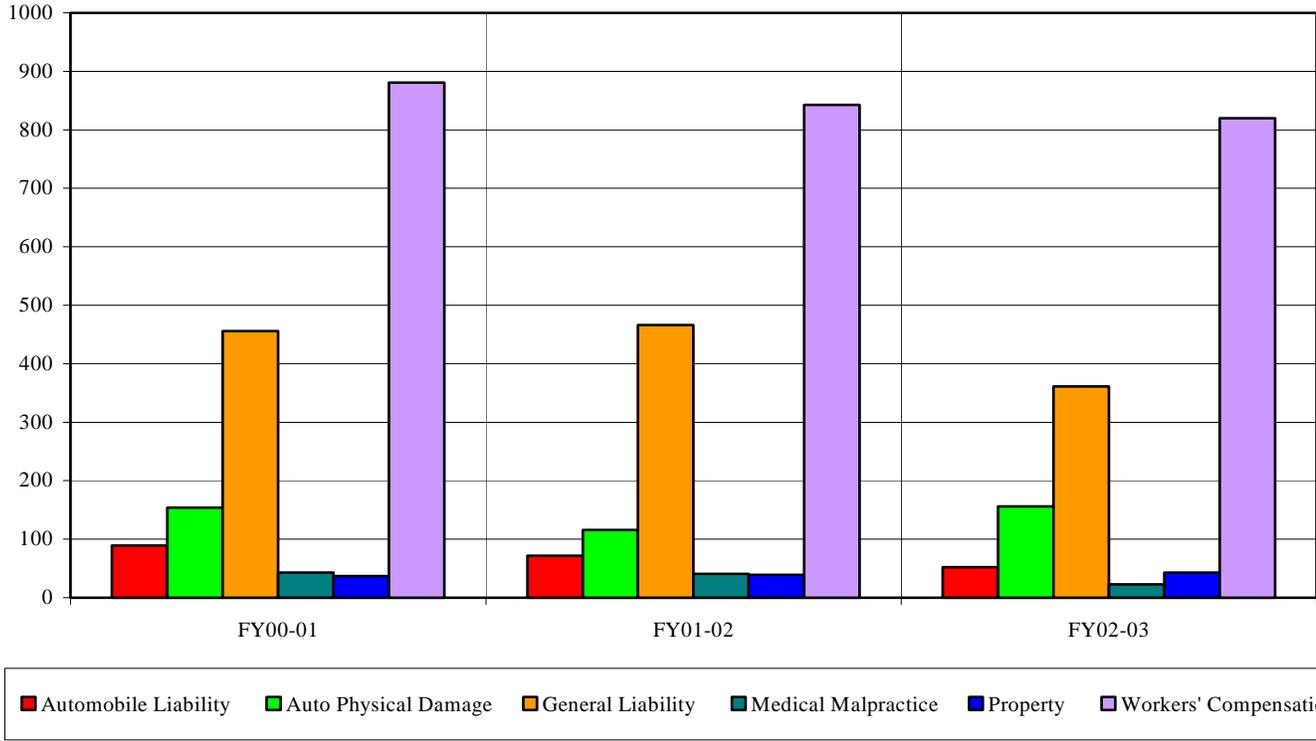
- Notes:
1. Dollars paid represents the amount paid for the year in which the event occurred and does not include RBNP nor IBNR reserves.
 2. Amounts as valued on June 30, 2003, as reported by the RiskMaster system except for Workers' Compensation amounts as valued on June 30, 2003, as reported by the Pinnacle system.
 3. Unemployment not included.

**TOTAL CLAIMS SUMMARY TABLE
FY00-01 TO FY02-03**

| Department | FY00-01 | | FY01-02 | | FY02-03 | |
|-------------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|
| | # Claims | \$ Paid | # Claims | \$ Paid | # Claims | \$ Paid |
| ADULT PROBATION | 44 | \$60,403 | 39 | \$55,893 | 43 | \$66,458 |
| ALTCS | 32 | \$29,187 | 20 | \$38,905 | 7 | \$88 |
| ANIMAL CONTROL | 40 | \$35,844 | 55 | \$122,121 | 46 | \$12,468 |
| CLERK OF SUPERIOR COURT | 23 | \$29,278 | 22 | \$13,713 | 15 | \$14,063 |
| CORRECTIONAL HEALTH | 31 | \$45,779 | 42 | \$159,053 | 35 | \$63,265 |
| COUNTY ATTORNEY | 40 | \$102,925 | 30 | \$108,562 | 23 | \$7,218 |
| ELECTIONS | 20 | \$44,946 | 2 | \$9,285 | 9 | \$49,574 |
| ENVIRONMENTAL SERVICES | 26 | \$33,340 | 26 | \$59,344 | 33 | \$57,343 |
| EQUIPMENT SERVICES | 20 | \$83,769 | 18 | \$31,646 | 14 | \$25,809 |
| FACILITIES MANAGEMENT | 23 | \$54,512 | 23 | \$25,244 | 33 | \$44,921 |
| FLOOD CONTROL | 35 | \$82,095 | 33 | \$68,047 | 26 | \$69,203 |
| HOUSING | 12 | \$11,222 | 10 | \$59,291 | 9 | \$7,041 |
| HUMAN RESOURCES | 3 | \$5,863 | 4 | \$25,507 | 4 | \$15,490 |
| HUMAN SERVICES | 22 | \$47,654 | 34 | \$44,286 | 44 | \$44,127 |
| JUSTICE COURTS | 25 | \$65,013 | 13 | \$23,646 | 15 | \$14,020 |
| JUVENILE COURT | 33 | \$73,330 | 39 | \$37,992 | 34 | \$48,906 |
| MARICOPA HEALTH SYSTEM | 302 | \$943,029 | 268 | \$689,517 | 259 | \$343,370 |
| MCDOT | 169 | \$86,215 | 157 | \$195,847 | 144 | \$111,966 |
| PARKS & RECREATION | 19 | \$39,795 | 33 | \$68,935 | 18 | \$22,298 |
| PUBLIC HEALTH | 41 | \$111,387 | 35 | \$31,229 | 25 | \$12,791 |
| RECORDER | 0 | \$0 | 0 | \$0 | 2 | \$52,487 |
| RISK MANAGEMENT | 1 | \$503 | 3 | \$49,447 | 0 | \$0 |
| SHERIFF | 574 | \$1,669,117 | 567 | \$1,320,395 | 528 | \$658,856 |
| SUPERIOR COURTS | 30 | \$14,724 | 26 | \$44,781 | 18 | \$11,885 |
| ALL OTHERS | 95 | \$90,101 | 78 | \$99,903 | 71 | \$107,286 |
| TOTALS | 1660 | \$3,760,030 | 1577 | \$3,382,587 | 1455 | \$1,860,933 |

- Notes:
1. Dollars paid represents the amount paid for the year in which the event occurred and does not include RBNP nor IBNR reserves. Due to lag time in resolution and payment of claims, the figures from FY00-01 give a truer picture as these claims have had time to mature.
 2. Amounts as valued on June 30, 2003, as reported by the RiskMaster system except for Workers' Compensation amounts as valued on June 30, 2003, as reported by the Pinnacle system.
 3. Unemployment not included.

**TOTAL NUMBER OF CLAIMS
FY00-01 TO FY02-03**



| | FY00-01 | FY01-02 | FY02-03 |
|-----------------------|-------------|-------------|-------------|
| Automobile Liability | 89 | 72 | 52 |
| Auto Physical Damage | 154 | 116 | 156 |
| General Liability | 456 | 466 | 361 |
| Medical Malpractice | 43 | 41 | 23 |
| Property | 37 | 39 | 43 |
| Workers' Compensation | 881 | 843 | 820 |
| TOTAL | 1660 | 1577 | 1455 |

- Notes:
1. Number of claims paid represents the amount of claims for the year in which the event occurred.
 2. Amounts as valued on June 30, 2003, as reported by the RiskMaster system except for Workers' Compensation amounts as valued on June 30, 2003, as reported by the Pinnacle System.
 3. Unemployment not included.

**AUTO LIABILITY LOSS SUMMARY
FY00-01 TO FY02-03**

| Department | FY00-01 | | FY01-02 | | FY02-03 | |
|--------------------------|-----------|------------------|-----------|-----------------|-----------|-----------------|
| | # Claims | \$ Paid | # Claims | \$ Paid | # Claims | \$ Paid |
| ADULT PROBATION | 0 | \$0 | 1 | \$0 | 2 | \$0 |
| ALTCS | 1 | \$0 | 0 | \$0 | 0 | \$0 |
| ANIMAL CONTROL | 1 | \$0 | 2 | \$4,992 | 0 | \$0 |
| CONSTABLES | 2 | \$6,453 | 0 | \$0 | 0 | \$0 |
| COUNTY ATTORNEY | 3 | \$13,994 | 1 | \$674 | 0 | \$0 |
| ELECTIONS | 1 | \$0 | 0 | \$0 | 1 | \$3,231 |
| ENVIRONMENTAL SERVICES | 5 | \$7,601 | 1 | \$2,453 | 4 | \$1,183 |
| EQUIPMENT SERVICES | 0 | \$0 | 1 | \$0 | 0 | \$0 |
| FACILITIES MANAGEMENT | 2 | \$3,360 | 2 | \$3,111 | 3 | \$3,086 |
| FLOOD CONTROL | 2 | \$8,128 | 4 | \$19,021 | 4 | \$5,741 |
| HOUSING | 0 | \$0 | 0 | \$0 | 1 | \$3,257 |
| HUMAN SERVICES | 1 | \$1,128 | 3 | \$2,010 | 4 | \$2,005 |
| INDIGENT REPRESENTATION | 1 | \$2,000 | 0 | \$0 | 0 | \$0 |
| JUVENILE COURT | 2 | \$0 | 2 | \$0 | 0 | \$0 |
| MARICOPA HEALTH SYSTEM | 0 | \$0 | 1 | \$477 | 2 | \$0 |
| MCDOT | 10 | \$12,861 | 5 | \$2,772 | 6 | \$13,627 |
| MEDICAL ELIGIBILITY | 0 | \$0 | 1 | \$1,406 | 0 | \$0 |
| MEDICAL EXAMINER | 1 | \$767 | 0 | \$0 | 0 | \$0 |
| PARKS & RECREATION | 4 | \$3,842 | 1 | \$733 | 0 | \$0 |
| PLANNING & DEVELOPMENT | 1 | \$458 | 1 | \$698 | 0 | \$0 |
| PUBLIC HEALTH | 1 | \$0 | 0 | \$0 | 0 | \$0 |
| SHERIFF | 49 | \$207,830 | 46 | \$33,918 | 25 | \$13,156 |
| SUPERINTENENT OF SCHOOLS | 1 | \$0 | 0 | \$0 | 0 | \$0 |
| SUPERIOR COURTS | 1 | \$0 | 0 | \$0 | 0 | \$0 |
| TOTALS | 89 | \$268,422 | 72 | \$72,266 | 52 | \$45,285 |

- Notes: 1. Dollars paid represents the amount paid for the year in which the event occurred and does not include RBNP nor IBNR nor IBNR reserves. Due to lag time in resolution and payment of claims, the figures from FY00-01 give a truer picture as these claims have had time to mature.
2. Amounts as valued on June 30, 2003, as reported by the RiskMaster system.

**AUTO PHYSICAL DAMAGE LOSS SUMMARY
FY99-00 TO FY01-02**

| Department | FY00-01 | | FY01-02 | | FY02-03 | |
|-------------------------|------------|------------------|------------|------------------|------------|------------------|
| | # Claims | \$ Paid | # Claims | \$ Paid | # Claims | \$ Paid |
| ADULT PROBATION | 4 | \$5,380 | 4 | \$8,509 | 1 | \$50 |
| ALTCS | 1 | \$100 | 0 | \$0 | 0 | \$0 |
| ANIMAL CONTROL | 3 | \$1,945 | 1 | \$1,262 | 4 | \$2,719 |
| CLERK OF SUPERIOR COURT | 0 | \$0 | 2 | \$411 | 0 | \$0 |
| CONSTABLES | 0 | \$0 | 3 | \$411 | 1 | \$50 |
| CORRECTIONAL HEALTH | 0 | \$0 | 1 | \$856 | 0 | \$0 |
| COUNTY ASSESSOR | 0 | \$0 | 1 | \$2,564 | 1 | \$500 |
| COUNTY ATTORNEY | 4 | \$4,327 | 3 | \$2,420 | 1 | \$50 |
| ELECTIONS | 0 | \$0 | 0 | \$0 | 1 | \$500 |
| ENVIRONMENTAL SERVICES | 6 | \$8,108 | 1 | \$1,422 | 4 | \$4,150 |
| EQUIPMENT SERVICES | 3 | \$5,822 | 2 | \$8,776 | 1 | \$344 |
| FACILITIES MANAGEMENT | 5 | \$9,288 | 3 | \$8,664 | 2 | \$5,583 |
| FLOOD CONTROL | 4 | \$17,018 | 5 | \$2,373 | 11 | \$54,783 |
| HOUSING | 1 | \$2,142 | 1 | \$729 | 1 | \$1,474 |
| HUMAN SERVICES | 3 | \$7,167 | 1 | \$0 | 6 | \$5,622 |
| INDIGENT REPRESENTATION | 3 | \$1,216 | 1 | \$1,655 | 2 | \$1,124 |
| JUSTICE COURTS | 1 | \$50 | 1 | \$2,658 | 0 | \$0 |
| JUVENILE COURT | 6 | \$4,306 | 4 | \$2,090 | 3 | \$160 |
| MARICOPA HEALTH SYSTEM | 8 | \$11,383 | 3 | \$566 | 6 | \$6,243 |
| MCDOT | 13 | \$10,290 | 12 | \$113,586 | 14 | \$22,528 |
| MEDICAL ELIGIBILITY | 1 | \$499 | 0 | \$0 | 0 | \$0 |
| PARKS & RECREATION | 1 | \$780 | 2 | \$496 | 3 | \$9,328 |
| PLANNING & DEVELOPMENT | 1 | \$536 | 1 | \$458 | 2 | \$1,119 |
| PUBLIC FIDUCIARY | 0 | \$0 | 1 | \$283 | 0 | \$0 |
| PUBLIC HEALTH | 5 | \$3,980 | 2 | \$2,516 | 3 | \$580 |
| SHERIFF | 80 | \$279,497 | 61 | \$123,152 | 87 | \$192,128 |
| TELECOM | 1 | \$1,536 | 0 | \$0 | 2 | \$2,056 |
| TOTALS | 154 | \$375,370 | 116 | \$285,856 | 156 | \$311,089 |

- Notes: 1. Dollars paid represents the amount paid for the year in which the event occurred and does not include RBNP nor IBNR reserves. Due to lag time in resolution and payment of claims, the figures from FY00-01 give a truer picture as these claims have had time to mature.
2. Amounts as valued on June 30, 2003, as reported by the RiskMaster system.

**GENERAL LIABILITY LOSS SUMMARY
FY00-01 TO FY02-03**

| Department | FY00-01 | | FY01-02 | | FY02-03 | |
|-----------------------------|------------|------------------|------------|------------------|------------|-----------------|
| | # Claims | \$ Paid | # Claims | \$ Paid | # Claims | \$ Paid |
| ANIMAL CONTROL | 8 | \$0 | 14 | \$1,509 | 11 | \$0 |
| CONSTABLES | 0 | \$0 | 4 | \$2,724 | 4 | \$1,231 |
| CORRECTIONAL HEALTH | 9 | \$13,445 | 12 | \$0 | 3 | \$35 |
| COUNTY ASSESSOR | 0 | \$0 | 0 | \$0 | 2 | \$457 |
| COUNTY ATTORNEY | 18 | \$61,376 | 7 | \$37,216 | 6 | \$0 |
| ENVIRONMENTAL SERVICES | 1 | \$1,554 | 4 | \$0 | 5 | \$0 |
| EQUIPMENT SERVICES | 3 | \$3,706 | 1 | \$0 | 1 | \$0 |
| FACILITIES MANAGEMENT | 3 | \$17,866 | 9 | \$0 | 5 | \$852 |
| FINANCE | 2 | \$32,052 | 0 | \$0 | 0 | \$0 |
| FLOOD CONTROL | 19 | \$24,067 | 4 | \$0 | 2 | \$0 |
| INDIGENT REPRESENTATION | 10 | \$919 | 5 | \$19 | 4 | \$5,373 |
| JUSTICE COURTS | 8 | \$6,558 | 4 | \$0 | 1 | \$0 |
| JUVENILE COURT | 2 | \$0 | 2 | \$60 | 2 | \$280 |
| MARICOPA HEALTH SYSTEM | 23 | \$191,207 | 24 | \$41,192 | 13 | \$1,137 |
| MCDOT | 124 | \$6,415 | 117 | \$48,609 | 99 | \$1,916 |
| MEDICAL ASSISTANCE PROGRAMS | 1 | \$0 | 1 | \$19,264 | 0 | \$0 |
| PARKS & RECREATION | 4 | \$0 | 18 | \$56,685 | 3 | \$989 |
| PUBLIC HEALTH | 5 | \$32,583 | 8 | \$324 | 2 | \$0 |
| RECORDER | 0 | \$0 | 0 | \$0 | 1 | \$52,487 |
| RISK MANAGEMENT | 0 | \$0 | 1 | \$6,847 | 0 | \$0 |
| SHERIFF | 186 | \$219,130 | 204 | \$403,494 | 173 | \$22,142 |
| SOLID WASTE MANAGEMENT | 0 | \$0 | 1 | \$326 | 0 | \$0 |
| SUPERIOR COURTS | 8 | \$0 | 7 | \$0 | 6 | \$2,000 |
| TREASURER | 0 | \$0 | 1 | \$0 | 1 | \$1,500 |
| ALL OTHERS | 22 | \$125 | 18 | \$250 | 17 | \$0 |
| TOTALS | 456 | \$611,001 | 466 | \$618,519 | 361 | \$90,400 |

- Notes: 1. Dollars paid represents the amount paid for the year in which the event occurred and does not include RBNP nor IBNR reserves. Due to lag time in resolution and payment of claims, the figures from FY00-01 give a truer picture as these claims have had time to mature.
2. Amounts as valued on June 30, 2003, as reported by the RiskMaster system.

**MEDICAL MALPRACTICE LOSS SUMMARY
FY00-01 TO FY02-03**

| Department | FY00-01 | | FY01-02 | | FY02-03 | |
|------------------------|----------|-----------|----------|-----------|----------|---------|
| | # Claims | \$ Paid | # Claims | \$ Paid | # Claims | \$ Paid |
| ALTCS | 2 | \$110 | 1 | \$0 | 0 | \$0 |
| CORRECTIONAL HEALTH | 8 | \$22,892 | 12 | \$102,660 | 16 | \$2,067 |
| MARICOPA HEALTH SYSTEM | 33 | \$301,500 | 28 | \$86,088 | 6 | \$2,340 |
| PUBLIC HEALTH | 0 | \$0 | 0 | \$0 | 1 | \$0 |
| TOTALS | 43 | \$324,502 | 41 | \$188,748 | 23 | \$4,407 |

- Notes:
1. Dollars paid represent the amount paid for the year in which the event occurred and does not include RBNP nor IBNR reserves. Due to lag time in resolution and payment of claims, the figures from FY00-01 give a truer picture as these claims have had time to mature.
 2. Number of claims paid represents the amount of claims for the year in which the event occurred.
 3. Amounts as valued on June 30, 2003, as reported by the RiskMaster system.

**PROPERTY LOSS SUMMARY
FY00-01 TO FY02-03**

| Department | FY00-01 | | FY01-02 | | FY02-03 | |
|-------------------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| | # Claims | \$ Paid | # Claims | \$ Paid | # Claims | \$ Paid |
| ADULT PROBATION | 0 | \$0 | 2 | \$1,924 | 5 | \$6,650 |
| ANIMAL CONTROL | 1 | \$0 | 0 | \$0 | 0 | \$0 |
| CLERK OF SUPERIOR COURT | 1 | \$0 | 0 | \$0 | 0 | \$0 |
| CLERK OF THE BOARD | 1 | \$0 | 0 | \$0 | 0 | \$0 |
| EMERGENCY MANAGEMENT | 0 | \$0 | 1 | \$0 | 0 | \$0 |
| FACILITIES MANAGEMENT | 4 | \$13,228 | 2 | \$0 | 6 | \$6,187 |
| FLOOD CONTROL | 2 | \$2,272 | 7 | \$0 | 2 | \$2,941 |
| HOUSING | 4 | \$2,435 | 4 | \$24,788 | 4 | \$2,110 |
| HUMAN RESOURCES | 0 | \$0 | 0 | \$0 | 1 | \$0 |
| INDIGENT REPRESENTATION | 1 | \$0 | 0 | \$0 | 1 | \$0 |
| JUSTICE COURTS | 1 | \$0 | 1 | \$0 | 2 | \$2,683 |
| JUVENILE COURT | 0 | \$0 | 0 | \$0 | 3 | \$2,464 |
| LIBRARY | 0 | \$0 | 0 | \$0 | 1 | \$0 |
| MARICOPA HEALTH SYSTEM | 0 | \$0 | 3 | \$10,839 | 1 | \$30,293 |
| MCDOT | 6 | \$0 | 5 | \$238 | 2 | \$0 |
| MEDICAL ELIGIBILITY | 1 | \$236 | 0 | \$0 | 0 | \$0 |
| MEDICAL EXAMINER | 1 | \$0 | 0 | \$0 | 1 | \$0 |
| PARKS & RECREATION | 2 | \$0 | 1 | \$1,425 | 2 | \$3,910 |
| PLANNING & DEVELOPMENT | 0 | \$0 | 0 | \$0 | 1 | \$0 |
| PUBLIC HEALTH | 1 | \$616 | 1 | \$0 | 2 | \$0 |
| SHERIFF | 10 | \$10,956 | 12 | \$54,539 | 7 | \$0 |
| SUPERIOR COURTS | 1 | \$183 | 0 | \$0 | 0 | \$0 |
| TELECOM | 0 | \$0 | 0 | \$0 | 2 | \$16,490 |
| TOTALS | 37 | \$29,927 | 39 | \$93,754 | 43 | \$73,728 |

- Notes: 1. Dollars paid represents the amount paid for the year in which the event occurred and does not include RBNP nor IBNR reserves. Due to lag time in resolution and payment of claims, the figures from FY00-01 give a truer picture as these claims have had time to mature.
2. Amounts as valued on June 30, 2003, as reported by the RiskMaster system.

**WORKERS' COMPENSATION LOSS SUMMARY
FY00-01 TO FY02-03**

| Department | FY00-01 | | FY01-02 | | FY02-03 | |
|-------------------------|------------|--------------------|------------|--------------------|------------|--------------------|
| | # Claims | \$ Paid | # Claims | \$ Paid | # Claims | \$ Paid |
| ADULT PROBATION | 34 | \$55,023 | 30 | \$45,460 | 35 | \$59,759 |
| ALTCS | 27 | \$28,976 | 19 | \$38,905 | 4 | \$88 |
| ANIMAL CONTROL | 27 | \$33,899 | 38 | \$114,357 | 31 | \$9,749 |
| CLERK OF SUPERIOR COURT | 21 | \$29,278 | 19 | \$13,302 | 15 | \$14,063 |
| CORRECTIONAL HEALTH | 14 | \$9,442 | 17 | \$55,537 | 16 | \$61,163 |
| COUNTY ATTORNEY | 15 | \$23,228 | 19 | \$68,252 | 16 | \$7,168 |
| ELECTIONS | 15 | \$44,821 | 2 | \$9,285 | 4 | \$45,844 |
| ENVIRONMENTAL SERVICES | 14 | \$16,077 | 20 | \$55,470 | 20 | \$52,009 |
| EQUIPMENT SERVICES | 14 | \$74,242 | 14 | \$22,870 | 12 | \$25,465 |
| FACILITIES MANAGEMENT | 9 | \$10,769 | 7 | \$13,469 | 17 | \$29,212 |
| FLOOD CONTROL | 8 | \$30,609 | 13 | \$46,653 | 7 | \$5,738 |
| HOUSING | 5 | \$6,646 | 4 | \$33,775 | 1 | \$200 |
| HUMAN RESOURCES | 3 | \$5,863 | 4 | \$25,507 | 2 | \$15,490 |
| HUMAN SERVICES | 18 | \$39,359 | 28 | \$42,276 | 34 | \$36,500 |
| JUSTICE COURTS | 15 | \$58,405 | 7 | \$20,988 | 12 | \$11,337 |
| JUVENILE COURT | 23 | \$69,025 | 31 | \$35,842 | 26 | \$46,003 |
| LIBRARY | 10 | \$3,917 | 2 | \$5,128 | 9 | \$34,042 |
| MARICOPA HEALTH SYSTEM | 238 | \$438,940 | 209 | \$550,354 | 231 | \$303,357 |
| MCDOT | 16 | \$56,649 | 18 | \$30,641 | 23 | \$73,895 |
| PARKS & RECREATION | 8 | \$35,173 | 11 | \$9,595 | 10 | \$8,071 |
| PUBLIC HEALTH | 29 | \$74,209 | 24 | \$28,390 | 17 | \$12,211 |
| RISK MANAGEMENT | 1 | \$503 | 2 | \$42,600 | 0 | |
| SHERIFF | 249 | \$951,704 | 244 | \$705,292 | 236 | \$431,430 |
| SUPERIOR COURTS | 20 | \$14,540 | 19 | \$44,781 | 12 | \$9,885 |
| ALL OTHERS | 48 | \$39,512 | 42 | \$64,717 | 30 | \$43,344 |
| TOTALS | 881 | \$2,150,808 | 843 | \$2,123,445 | 820 | \$1,336,024 |

- Notes: 1. Dollars paid represents the amount paid for the year in which the event occurred and does not include RBNP nor IBNR reserves. Due to lag time in resolution and payment of claims, the figures from FY00-01 give a truer picture as these claims have had time to mature.
2. Amounts as valued on June 30, 2003, as reported by the Pinnacle system.

**UNEMPLOYMENT LOSS SUMMARY
FY00-01 TO FY02-03**

| Department | FY00-01 | FY01-02 | FY02-03 |
|---------------------------|------------------|------------------|------------------|
| | \$ Paid | \$ Paid | \$ Paid |
| ADULT PROBATION | \$36,923 | \$14,657 | \$60,072 |
| ALTCS | \$0 | \$8,239 | \$25,111 |
| ANIMAL CONTROL SERVICES | \$10,637 | \$11,090 | \$39,197 |
| ASSESSOR | \$8,694 | \$4,699 | \$2,978 |
| CHIEF INFORMATION OFFICER | \$2,536 | \$20,988 | \$3,234 |
| CLERK OF SUPERIOR COURT | \$24,347 | \$29,829 | \$44,176 |
| CORRECTIONAL HEALTH | \$4,450 | \$8,926 | \$33,879 |
| COUNTY ATTORNEY | \$15,858 | \$34,066 | \$28,485 |
| ELECTIONS | \$3,753 | \$12,634 | \$11,894 |
| ENVIRONMENTAL SERVICES | \$7,459 | \$14,186 | \$10,982 |
| FACILITIES MANAGEMENT | \$4,209 | \$7,136 | \$24,601 |
| HOUSING AUTHORITY | \$2,876 | \$13,066 | \$6,140 |
| HUMAN RESOURCES | \$3,485 | \$5,338 | \$5,283 |
| HUMAN SERVICES | \$73,304 | \$45,070 | \$37,640 |
| INDIGENT REPRESENTATION | \$6,258 | \$5,822 | \$7,348 |
| JUSTICE COURTS | \$11,783 | \$11,675 | \$23,205 |
| JUVENILE PROBATION | \$15,729 | \$27,525 | \$33,456 |
| MARICOPA HEALTH SYSTEM | \$73,293 | \$151,867 | \$235,033 |
| MCDOT | \$13,959 | \$24,769 | \$10,498 |
| MEDICAL ELIGIBILITY | \$13,186 | \$17,019 | \$7,438 |
| PUBLIC HEALTH | \$14,336 | \$33,253 | \$18,875 |
| RECORDER | \$4,655 | \$5,387 | \$10,764 |
| SHERIFF | \$20,888 | \$72,299 | \$68,027 |
| SUPERIOR COURT | \$21,368 | \$33,884 | \$46,079 |
| ALL OTHERS | \$41,353 | \$35,726 | \$39,063 |
| TOTALS | \$435,338 | \$649,152 | \$833,459 |

- Notes: 1. Dollars paid represents the amount paid for the fiscal year. There are no reserves for unemployment.
2. Amounts as valued on June 30, 2003, as reported by the Advantage Financial System.