

State of Colorado



Bill Owens
Governor

Jeffrey M. Wells
Executive Director

Paul Farley
Deputy Executive Director

Jeffrey C. Schutt
Division Director

DPA

Department of Personnel & Administration
Division of Human Resources
State Risk Management
1313 Sherman St., Suite 114
Denver, Colorado 80203

STATE OFFICE OF RISK MANAGEMENT 2005 ANNUAL REPORT December 14, 2005

The Annual State Risk Management Report is a comprehensive risk analysis that provides participating departments and institutions of higher education (Departments) with information to prevent losses and manage claims. This report was created to help state departments and institutions of higher education analyze claim frequency and severity. While the comparisons cannot be equally weighed, due to the diverse array of business conducted by state departments, it will give a sense of how each department fits in the overall scenario of State Risk Management (SRM). The claim data used to prepare this report are from Fiscal Year 2005, the business year that concluded on June 30, 2005.

Fiscal Year 2005 (FY 2005) brought many changes for State Risk Management. In May 2005, Markie Studwell joined SRM as the Risk Manager. Ms. Studwell brings several years of government risk management experience to SRM. Loss Control is also fully staffed and will convey a wealth of skills to support SRM programs. Duane Whitfield brings loss control experience from his work with Seattle Public Schools and Tina Pineda will contribute loss control skills gained through her tenure in the risk management department at the University of Colorado in Boulder. Brenda Hardwick will serve as the anchor for the team supplying the historical knowledge base of SRM. We hope that department liaisons will take the opportunity to communicate their risk management concerns and ideas so that SRM staff can provide the assistance needed to keep employees safe and protect other state assets.

ACCOMPLISHMENTS

Last spring SRM completed the second year of Combined Training with the cooperation of Pinnacle Assurance, the Attorney General's Office, and the Colorado State Employee Assistance Program (C-SEAP). The topics covered were: Workers' Compensation Legal Update, Stress in

the Workplace, Understanding Workplace Violence, and Litigation & Employment Law. Since there was considerable department participation, SRM will keep up the momentum in Fiscal Year 2006 with a wider variety of classes.

Table-1 shows the number of classes held per subject and the number of employees that participated.

Class Title	# Classes Held	Attendance
Combined Training	5	92
Ergonomics: Train-the-Evaluator	6	53
Defensive Driver Training	2	46
Liability Program	1	23
Back Injury Prevention	2	48
General Office Safety	1	28
Building a Safety Committee	1	23
Safety Inspections	2	6
General Safety	2	45
Sleep Deprivation and Work	1	24
Workplace Safety-Childcare	1	91

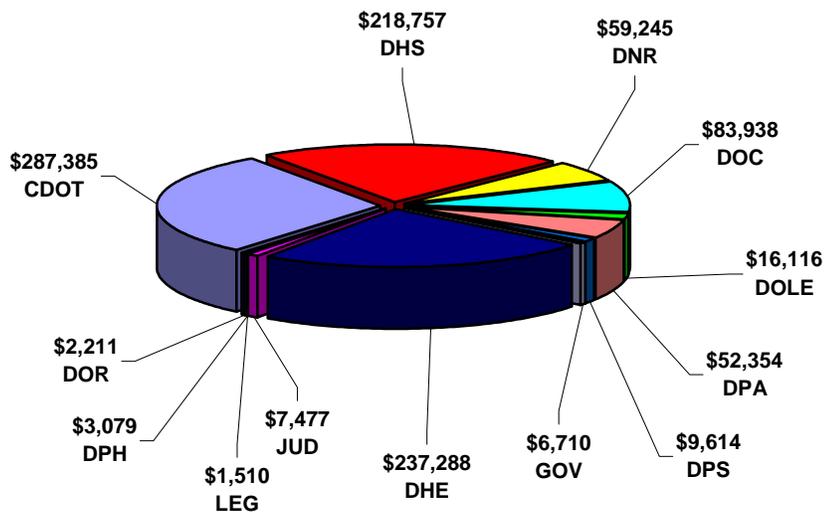
Table-1

PROGRAM DATA

Property –

In FY 2005 state departments filed 103 property loss claims, which amounts to a 37 percent decrease from claims reported the previous year. No catastrophic losses due to weather or fire were incurred during FY 2005. State real and personal property is insured commercially. State personal property consists of items such as furniture, computers, and other miscellaneous items, while real property consists of buildings, excluding land. Separate policies provide coverage for boilers and machinery, aircraft and crime or fidelity losses. Chart P-1 shows, by department, the FY 2005 incurred losses. Departments not represented indicate no claims were reported for the year.

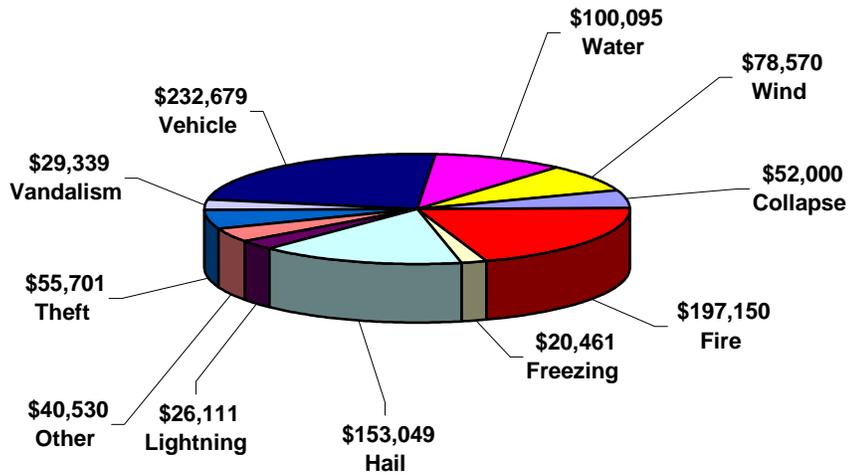
Cost of Property Claims - All Departments



P-1

Property claims often remain open over a period of years, so the number of claims reported does not specifically relate to the amount paid during the same year. The total incurred Property claim cost for FY 2005 was \$985,686. Many of the causes of property claims are Acts of God, such as floods, hail and forest fires. There are also claim categories such as Vehicle, Theft, and Vandalism that can be addressed through loss control to reduce exposures and occurrences. In chart P-2 below, incurred costs for Property claims are broken down by cause.

**Cost of Property Claims by Cause
All Departments**

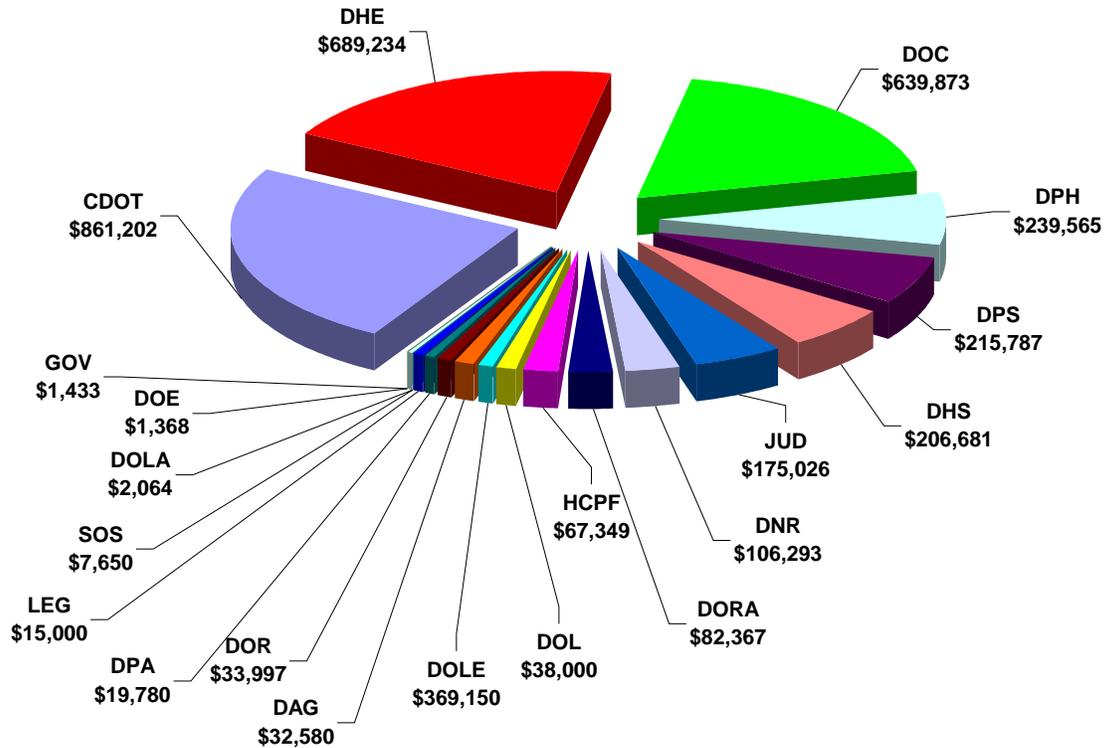


P-2

Liability –

For Fiscal Year 2005, 1,609 liability claims were reported to the State Office of Risk Management. This is a 3 percent decrease from claims reported in FY 2004. Personal injury claims, state vehicle operation and highway maintenance procedures comprise the majority of new claims and lawsuits. Personal injury claims include employment, discrimination, civil rights violations and other claims related to federal law. General liability claims can vary significantly from year to year, primarily due to weather conditions and construction or highway maintenance operations. The total incurred indemnity cost of liability claims for FY 2005 was \$3,468,319. This is less the costs of administrative and legal fees. Chart L-1 shows this cost broken out by department.

Liability Claim Costs - All Departments



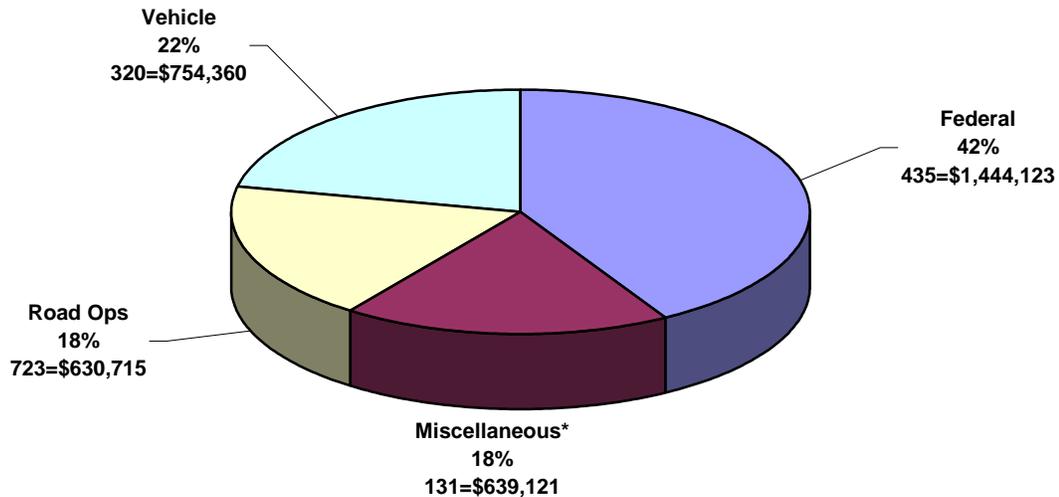
L-1

Legend

- | | | | |
|-------------|--|-------------|------------------------------------|
| CDOT | - Colorado Department of Transportation | DHE | - Department of Higher Education |
| DOC | - Department of Corrections | DPH | - Department of Health |
| DPS | - Department of Public Safety | DHS | - Department of Human Services |
| JUD | - Judicial Branch | DNR | - Department of Natural Resources |
| DORA | - Department of Regulatory Agencies | HCPF | - Health Care Policy & Finance |
| DOL | - Department of Law | DOLE | - Department of Labor & Employment |
| DAG | - Department of Agriculture | DOR | - Department of Revenue |
| DPA | - Department of Personnel & Administration | LEG | - Legislature |
| SOS | - Secretary of State | DOLA | - Department of Local Affairs |
| GOV | - Governor's Office | DOE | - Department of Education |

Liability claims filed under federal law related to employment continue to be the most significant in terms of financial loss to the state. Chart L-2 shows the incurred cost of liability claim costs by cause and number of claims reported.

Cost of Liability Claims - All Departments



L-2

Liability claims and lawsuits often remain open over a period of several years, so the dollars that are paid during any one given year do not necessarily relate to the number of new claims filed during that year. The following table illustrates the difference between the costs incurred for FY 2005 and the amount paid during that year for claims occurring prior to FY 2005.

Total \$ Paid in FY 2005 for Claims from Previous Years	Actual \$ Paid for FY 2005 Claims	Total \$ Paid In FY 2005
\$4,114,931	\$799,170	\$4,914,101

Table 2

Workers' Compensation –

State departments reported 4,021 Workers' Compensation claims in FY 2005. This represents a decrease of 14 percent from FY 2004. Consideration must be given to the fact that these claims have not matured and will continue to accrue costs over the next several years. To help understand how the state's Workers' Compensation budget costs are reflected in the program, charts and tables are included to give a picture of FY 2005 claim activity.

* The claims in the miscellaneous group were caused by incidents connected to issues such as Inmate Malpractice, Breach of Contract, and a Fatality that did not appropriately fit into any other category.

Table 3 shows the distribution of claims by department. The total incurred cost of workers' compensation claims for FY 2005 as of 7/1/2005 is \$16,542,310. This includes the costs for medical, indemnity and reserves.

Departments	Claim Costs	Percentage of Total \$	# of Claims
Agriculture	\$215,635	1.3	23
CDOT	\$3,497,767	21.14	430
DOC	\$2,436,121	14.73	853
Education	\$127,977	.77	51
Governor's Office	\$12,188	.07	2
DPA	\$140,084	.85	38
HCPF	\$42,524	.26	13
Higher Education	\$1,955,062	11.82	734
DHS	\$3,958,361	23.93	733
Judicial	\$1,472,072	8.9	314
DOLE	\$504,402	3.05	146
Legislature	\$30,338	.18	4
Local Affairs	\$0	0	1
Law	\$85,979	.52	23
Military Affairs	\$79,040	.48	6
DNR	\$500,794	3.03	180
DPH	\$65,654	.40	41
DPS	\$1,026,893	6.21	313
DORA	\$99,774	.60	19
Revenue	\$289,195	1.75	93
Secretary of State	\$2,451	.01	4

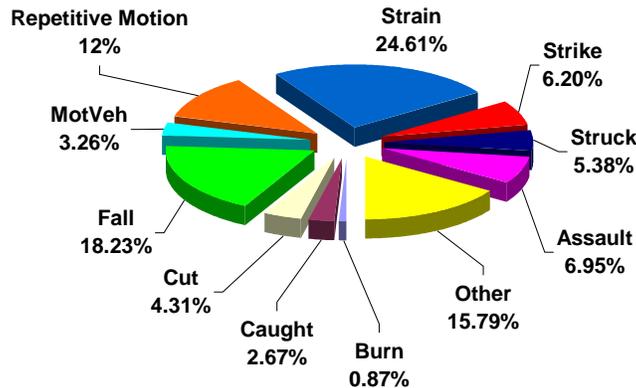
Table 3

The state's employees are engaged in a myriad of different job duties and responsibilities from general clerical to veterinary and manufacturing operations. Since public entities in Colorado are not required to follow Occupational Safety & Health Association (OSHA) guidelines, the determination of how safe state employees are working can sometimes be difficult to measure. While the state doesn't have to follow such guidelines, SRM maintains the opinion that regulations such as OSHA and ASHRAE (American Society for Heating Refrigeration and Air Conditioning Engineers) remain the best tools available to use as the foundation for keeping employees safe and creating successful loss control programs.

Through use of national statistics and formulae, state departments can take the workers' compensation data contained in this report and the actual claim data from the Third Party Administrator's (TPA's) Web site and compute the actual claim cause frequency and severity rates. This can then be compared with the department's historical data or with statistics from other businesses involved in the same types of activities. SRM is available to help departments interested in the further development of this data.

The following chart shows the percentage of workers' compensation claims by cause.

All Departments - # WC Claims by Cause



W-1

FY'06 Anticipations –

Over the next ninety days, SRM plans to meet with department executive directors, college and university presidents, risk management staff, and safety and loss control liaisons. The objective of these visits will be to determine the needs of participating departments and institutions of higher education to help reduce exposures and improve claim management.

The annual Safety Award competition will continue to be presented each fall. This year SRM received 6 nominations and presented the awards at a luncheon held on the Auraria campus at the Tivoli. All of the nominees are to be congratulated and SRM encourages other state departments and agencies to learn from and incorporate these successes into their own programs. Award recipients were: Risk Management Achievement Award – CDOT-Department Safety Action Plan, Risk Management Innovation Award – Pueblo Community College-Online Safety Training Program, Risk Management Spotlight Award – CDOC-Return-to-Work Program, and the Risk Management LifeSaver Award – CDHE-Historical Society-Georgetown Loop Railroad Emergency Response-AED Program. The other two nominations, DHS-Youth Corrections Maintenance & Housekeeping Safety & Security Training and CDHS-CMHIP Safety Coordinator, received honorable mention awards in recognition of their endeavors. Copies of these award-winning programs are currently available upon request from SRM, and will be posted on SRM's web site for review.

SRM's Combined Training program will also continue. The training agenda for Spring 2006 will feature speakers from C-SEAP (Colorado State Employee Assistance Program,) the Attorney General's office, the State Personnel Board, Pinnacle Assurance and SRM. Announcements and flyers will be posted and distributed beginning in early December in order for everyone to get the dates on their calendars. SRM has taken heed of the suggestions on the evaluations and hope that

participants will find the subjects valuable and the venues comfortable. Class information and online registration will be available via the SRM web page.

SRM recognizes that many risk liaisons are new to risk management. It is highly suggested that everyone who needs either a workers' compensation refresher or introduction to how workers' compensation works within state government, plan to attend one of the Workers' Compensation 101 classes that will be scheduled beginning in the Spring of 2006. Also, the Ergonomics: Train-the-Evaluator course is now scheduled six times this fiscal year with sessions to be held in the Metro area, as well as Pueblo.

General Recommendations –

All state departments need to focus on both administrative and engineering changes that will reduce injury exposure to employees and the public. This focus will target loss reduction in the liability and workers' compensation programs where the majority of claim dollars are spent. SRM plans to increase loss control services and resources that are available to departments.

Employment issues are the most costly liability claim cause. All departments need to increase training offered to supervisory and managerial employees to help reduce these occurrences. SRM plans to increase the availability of departmental access to training such as workplace violence prevention, organizational assistance with conflict, and sexual harassment prevention in the work place through partnership with the Attorney General's Office, and C-SEAP.

While the majority of property claim issues that are costly fall into the "Acts of God" category, there are still some changes in policy and procedure that can help reduce property claim costs. A focus on theft deterrence and defensive driver training will help reduce the claims that agencies can have a measure of control over.

SRM suggests that departments take a more hands-on approach to workers' compensation and liability claims. Workers' compensation claims that involve lost time could benefit from focused attention to Return-to-Work strategies. Empowering employees with more safety responsibility can reduce workers' compensation claims that have causal factors easily affected by employee vigilance and more attention to detail. SRM will focus on helping departments mitigate losses by increasing the proactive safety and loss control activities already occurring and implementing other programs that will help reduce losses.