

Ohio Department of Administrative Services

General Services Division

Office of Risk Management

Fiscal Year 2021

Annual Report of the

Risk Management Reserve Fund

Ohio Revised Code § 9.823

March 2022

Background

On June 3, 1993, the 120th General Assembly passed Substitute House Bill 23 (SHB 23), creating the Office of Risk Management within the Department of Administrative Services (DAS). SHB 23 became effective on September 20, 1993.

Introduction

Pursuant to ORC Sections 9.823 and 9.83, the DAS Office of Risk Management (ORM) administers the risk management reserve fund (RMRF) and the state's Self-Insured Vehicle Liability Program and the Ohio Judges' Professional Self-Insurance Program.

The vehicle liability program covers approximately 19,113 state owned vehicles including off-road equipment and watercraft. The program pays bodily injury and property damage claims and provides subrogation (damage recovery) services to state agency customers when a negligent third party damages a state vehicle or property.

The judges' professional self-insurance program provides professional liability and employment practices liability coverage to all Ohio judges acting in their personal/individual capacity and provides contingent coverage for disciplinary related claims. The program also provides a hotline that allows for confidential discussion of any matter of concern with defense counsel prior to a claim being made.

Actuarial Analysis

In June of 2020, Ernst & Young LLP concluded the annual actuarial analysis of the RMRF. Enclosed is a copy of their reports. The required reserves represent the amount of funds needed to meet future claim obligations of the state. The actuarial projection of ultimate losses as of March 31, 2020, was \$5,991,320. The assigned actuary conducting the RMRF analysis is a member in good standing with the Casualty Actuarial Society and holds the Society's Fellow (FCAS) designation.

Subrogation

Subrogation: Collection of damages to state vehicles and property owed by other negligent parties.

Recoveries: Recovery of expenses incurred due to losses including towing, storage, and salvage.

In fiscal year 2021, DAS subrogation and recoveries totaled \$705,029.

Reserves & Disbursements

Projected Ultimate Losses: Total estimated unpaid losses plus outstanding reported losses and incurred but not reported (IBNR) losses (Required by GASB10).

Projected Ultimate Losses and LAEs: Expected ultimate loss (claim payments, including loss adjustment expenses (LAE) and the cost of legal representation for the judges' professional liability program) for the fiscal year.

Claim Disbursements: Dollar amount of claims paid including loss adjustment expenses and cost of legal representation for the judges' professional liability program.

Required reserves and claim disbursements for fiscal year 2021 were as follows:

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|--|-------------|
| Projected Ultimate Losses (GASB Statement 10) | \$5,991,320 |
| Projected Ultimate Losses and LAE FY21 | \$2,726,485 |
| Claim Disbursements FY21 | \$1,683,915 |

Conclusion

The programs administered by DAS are responsible risk management initiatives, which protect the assets of the State of Ohio and, as a result, serve the general welfare of the citizens of the state.