



Annual Report  
Fiscal Year 2012-2013

**OFFICE OF RISK  
MANAGEMENT**

DIVISION OF ADMINISTRATION

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## Contents

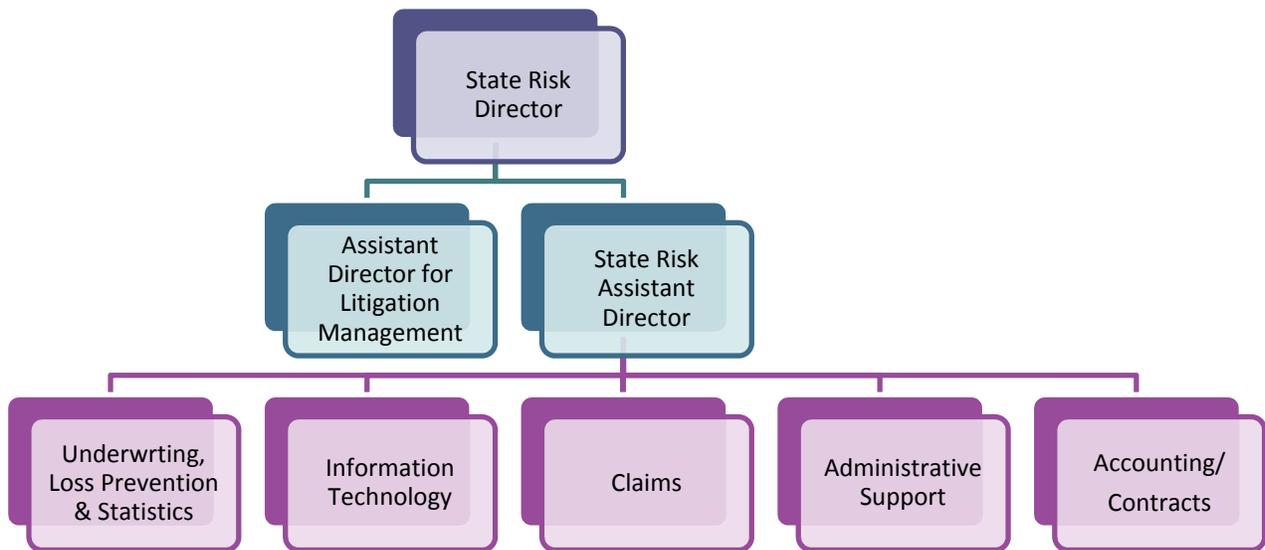
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## Mission

Our mission is to develop, direct, achieve and administer a cost effective comprehensive risk management program for all agencies, boards and commissions of the State of Louisiana and for any other entity for which the state has an equity interest, in order to preserve and protect the assets of the State of Louisiana.

## Organizational Chart



## Executive Staff

State Risk Director  
State Risk Assistant Director  
Assistant Director for Litigation Management  
State Risk Administrator (Claims)  
State Risk Administrator (Underwriting and Loss Prevention)  
Accountant Administrator (Accounting, Contracts and Information Technology)

J. S. "Bud" Thompson, Jr.  
Patti Gonzalez  
Joseph Roussel  
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## Contact Information

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## Director's Address

### GRAD Act

*The Louisiana Granting Resources and Autonomy for Diplomas Act 2.0 (GRAD Act) was approved during the 2011 Regular Legislative Session. The act provides for operational autonomy for qualified higher education entities. If qualified for the highest autonomy, the institutions would have complete operational autonomy in procurement, contracting, information technology purchases and risk management.*

*LSU-BR has begun the pursuit of these autonomies. In response, ORM has provided guidance and counsel to assist with the development of their capacity to do their own risk management. In Fiscal Year 2013, ORM began restructuring LSU-BR coverage to facilitate an orderly transition upon LSU-BR receiving approval of its autonomies.*

### Outsourcing

*ORM completed its phased in implementation outsourcing of its claims and loss prevention services to F. A. Richard and Associates (FARA). Medical Malpractice transferred to FARA in August of 2012 and ORM transferred the Transportation lines of coverage at close of business June 30, 2013.*

*Overall, the results have been positive, resulting in an estimated savings to the state of approximately \$16 million from the period beginning July 1, 2010 through June 30, 2013. Specific activities which have resulted in savings include the implementation of a pharmacy benefit manager, which resulted in a cost reduction of \$3.1 million in FY13 alone. Early intervention by nurses in the management of claims, the implementation of a loss prevention program targeting agencies with high workers' compensation costs, and an aggressive approach to identify settlement opportunities have also contributed to the savings achieved by the program.*

*J. S. "Bud" Thompson, Jr.*  
State Risk Director

## Exposures Reported (Self-Insured Lines of Coverage)

COVERAGE	EXPOSURE	AMOUNT	
Worker's Compensation	Regular Payroll	\$4,324,666,741	(1)
General Liability *	Total Compensation	\$4,368,917,057	(2)
Automobile Liability	Total Miles	117,634,195	(3)
Auto Physical Damage	# of Licensed Vehicles	11,675	(4)
Boiler & Machinery	Boiler & Mach. Values	\$1,081,335,660	(5)
Property	Property Values	\$18,275,579,755	(6)
Bonds – SI	# of FTE Employees + O/S Board Members	89,406	(7)
Crime - SI	Peak Exposure- Crime	\$4,156,227	(8)
Medical Malpractice:			
Hospitals/Medical Schools:			
	Emergency Room Visits	357,101	
	Hospital Clinic Visits	1,299,035	
	Hospital Patient Days	254,355	
	# of Babies Birthed	2,700	
	# Outpatient Surgeries	27,201	
	Average # of Interns/Residents	2,144	
	Average # of Employee Physicians	916	
	Average # of Contract Physicians	1,526	
	Other Med Mal Exposures **	10,406	
Non-Hospitals/Medical Schools:			
	Clinic Visits	1,467,814	
	Patient Days	684,924	
	Average # of Employee Physicians	148	
	Average # of Contract Physicians	230	
	Other Med Mal Exposures **	30,478	
	Average # of Interns/Residents	34	

\* General Liability and Personal Injury Liability combined

\*\* Consists primarily of nursing exposure which include medical students involved in clinical training and the exposure is per student per clinical training course per quarter.

(1) Gross Payroll for WC excludes the payroll for the Superdome and N.O. Sports Arena since they are covered under a separate commercial WC policy.

(2) Total Compensation is all Gross Payroll (including the Superdome/Arena) plus (# of O/S Board Members: 1,841 X \$15,000)

(3) Total Miles is Total Public Vehicle Miles plus 5% of Private Vehicle Miles

(4) Licensed vehicles includes licensed trailers as well as licensed motorized vehicles

(5) Boiler & Machinery Values include \$55,818,437 of RSD Boiler & Machinery Values. Net of RSD - \$1,025,517,223

(6) Property Values include \$812,692,462 of RSD Property Values. Net of RSD -\$17,462,887,293

(7) # of FTE Employees - (Full time EE of 74,507 + Part time EE of 26,130 X .5) = 87,572 + # of O/S Board Members of 1,834 = 89,406 (Superdome/Arena has commercial bond policy so employees and 7 board members are excluded)

(8) Peak Exposure - Crime - The total sum of the largest amount of cash on hand at any one time for each agency during the 4th quarter (Superdome/Arena have separate commercial crime policy so they are not included)

## **Underwriting Activities**

FY 2012-2013 continued to be a stable and somewhat softer insurance market in most coverage lines, with property insurance being the continued exception. Hurricanes Sandy and Isaac severely impacted an already burdened insurance industry with approx. \$62 billion in insured property losses for those two storms alone. National and international events continue to affect the property insurance market negatively, especially in catastrophe-prone areas like Louisiana. The property insurance market continues to harden with rate increases and limited capacity. Overall, renewals of liability lines of insurance for governmental entities are more favorable than the property lines.

## **Statewide Insurance Program**

### **Excess Liability**

No excess has been purchased above the Commercial General Liability, Automobile Liability and Road and Bridge Hazard policies since FY 2005-06. The self-insurance limit remains at \$5,000,000 per occurrence for each line.

### **Wet Marine**

The marine market remains relatively stable. The program was again bid for July 1, 2012. The annual premium is \$1,592,168.

### **Property**

The property insurance program was procured through an RFP process for July 1, 2012 with many changes incorporated to extend coverage and reduce premium, including 1) non-concurrent coverage layers, 2) extensive underlying policy changes to broaden coverage in the excess layers, and 3) additional building data supplied for the highest valued buildings to market our risk more proactively. Specifically, the top 10 buildings with the highest Average Annual Loss probability were identified and additional research was conducted to determine COPE and catastrophe data factors that would improve the wind modeling results for the program. Flood coverage was included in the program as opposed to purchasing individual National Flood Insurance Program (NFIP) policies. LSU was also removed from the statewide program and transitioned to its own dedicated program (see LSU below). The limit is \$200,000,000 excess of \$50,000,000 SIR for flood and named windstorm and \$10,000,000 SIR for all other perils. Even with the substantial changes made, excess property insurance does continue to be the most expensive coverage line at \$37,197,379 for FY 12-13.

### **Equipment Breakdown Protection (Boiler and Machinery)**

The Equipment Breakdown program is also stable. The program was procured as part of the RFP for the property insurance program for July 1, 2012. Its annual premium is \$378,966. This program includes annual boiler inspections statewide and primary claims adjusting services in addition to the insurance coverage. LSU is excepted from this coverage (see LSU below).

### **Flood Insurance**

Individual National Flood Insurance Program (NFIP) policies were cancelled beginning July 1, 2012 with the coverage being built into the Excess Property Program. This provides more consistent coverage across all buildings up to their replacement cost value.

## **Recovery School District (RSD)**

The RSD system is now expected to be in existence as a state system longer than first anticipated. Therefore, effective July 1, 2012, RSD's separate coverage was cancelled and the RSD exposures were rolled into the statewide program for each line of coverage.

## **Superdome**

The Superdome/Arena has three lines of insurance where coverage is purchased as excess or commercial; the remaining coverages are part of the statewide self-insurance program. These programs insure the Louisiana Stadium and Exposition District Board and SMG, the management company, as per the management agreement contract. The Commercial General Liability program was bid for July 1, 2011, while Workers Compensation and Crime were bid for July 1, 2012. CGL renewed at the same rates in its successive year, while the others remained stable in their re-bid pricing. The following is a breakdown of lines, limits and premiums for FY 12-13:

<b>COVERAGE</b>	<b>SIR</b>	<b>LIMIT</b>	<b>PREMIUM</b>
General Liability	\$5,000,000	\$100,000,000	\$528,532
Workers Compensation		\$1,000,000 <sup>[2]</sup>	\$393,018
Crime (including employee theft)		\$500,000	\$16,310

## LSU

ORM worked with Louisiana State University (LSU) regarding their application for the Louisiana Granting Resources and Autonomy for Diplomas Act (GRAD Act). Assistance was provided in transitioning from the statewide insurance programs to dedicated high-deductible programs for Workers Compensation and Property. Much research, collaboration, and business practice changes were performed to transition LSU into the type of programs they were seeking. The Underwriting unit created separate insurance policies for these two coverage lines and assisted in developing the premiums that would be charged. The new high-deductible policies and claims handling procedures were effective July 1, 2012.

LSU Workers Compensation continues to be self-insured with an LSU deductible of \$500,000 per occurrence with a \$2,000,000 annual aggregate.

The LSU property insurance program was marketed as an RFP similar in scope to the statewide RFP (see Property above). Equipment Breakdown Protection (Boiler and Machinery) was included as part of the RFP. The first RFP was protested and subsequently cancelled. Since no excess coverage could be placed effective July 1, 2012, ORM agreed to temporarily self-insure LSU for \$100,000,000 per occurrence until such time excess insurance could be purchased. ORM released a second RFP, and after another round of protests, the award was upheld. The coverage was placed effective April 1, 2013 with a limit of \$250,000,000, with a named windstorm sublimit of \$150,000,000, excess of \$2,500,000 SIR with an LSU deductible of \$250,000 per occurrence. It also includes an extended fire limit and certified and non-certified terrorism coverage. The excess coverage was secured for a 14-month period from April 1, 2013 to June 1, 2014. The 14-month premium is \$6,245,192.

## Other Activities

The Underwriting unit continues to provide service to the agencies with our online exposure reporting system, insurance requirements in contracts review, and ORM annual statewide conferences. In January 2013, ORM sponsored the annual conferences to provide pertinent information on threat assessments and security measures, continuity planning in the event of a catastrophe, changes to ORM programs exposure collection procedures. F.A. Richard and Associates, who was awarded the claims and loss prevention contract beginning July 1, 2009, continue to participate in these conferences. The response and feedback from the agencies continues to be positive.

Contract review continues to be a substantial service that the Underwriting Unit provides. At an agency's request or when a certificate of insurance is to be issued, the terms and conditions of the insurance requirements and hold-harmless/indemnification agreements in contracts are reviewed. Opinions and recommended changes to the language are provided to comply with statutes and to best protect the State from transferred risks. By tailoring the wording appropriately, the State takes on less risk, claims and defense costs are limited, and thus the overall cost of risk is reduced.

[2] \$1,000,000 employers liability limits; workers compensation limits are statutory.

## Loss Prevention Activities

### Appraisals

Of the 240 new appraisals submitted by ORM to FARA for completion, 239 (99.58%) were completed by FARA during the fiscal year.

Regarding re-appraisals, 2,284 were completed by FARA.

### Audits/Compliance Reviews

A total of 611 audits/compliance reviews were completed by FARA, representing 100% participation by all state agencies. Of the 611 audits/compliance reviews performed, 607 achieved a rating of “compliant,” 4 were rated as “non-compliant.”

The non-compliant agencies are as follows:

<b>Agency</b>	<b>Audit Type</b>	<b>Score</b>
SLCC - Gulf Area Campus	Compliance Review	58.86
LDCC - Margaret Surles	Compliance Review	52.88
LDCC - Tallulah & Lake Providence	Compliance Review	52.54
Board of Medical Examiners	Compliance Review	12.20

### Accident Trends

In conjunction with its partnership with FARA, the Loss Prevention Unit has access to means to conduct monthly, quarterly, and annual trending activities. Such trending results are provided to FARA for further investigation and follow up by the Loss Prevention Officers (LPO) with their assigned agencies. Specifically, they will address such issues as contributing factors for increase or decrease of reported incidents, types of accidents reported and measures implemented to decrease incidents.

### Training

Twenty-two training sessions were conducted during the past fiscal year. These sessions varied from training one individual to multiples in a group session.

### Targeted Risk Management Program (TRIP)

This collaborative effort between ORM and FARA is aimed at assisting those agencies with workers compensation per man hour claims costs that are above the national average. This index is a ratio of incurred workers compensation dollars to overall man hours worked. An LPO assigned by FARA to oversee this program reviews the data for each agency that agreed to participate. The LPO then consults with the agencies on a recurring basis to assist them in finding ways to minimize the occurrence and/or costs of claims.

## Claims Incurred by Agency

AGENCY/LINE OF COVERAGE	FY13 CLAIMS INCURRED
1st Circuit Court Of Appeals	<b>3</b>
Workers Compensation	3
3rd Circuit Court Of Appeals	<b>4</b>
Property	2
Workers Compensation	2
4th Circuit Court Of Appeals	<b>1</b>
Property	1
5th Circuit Court Of Appeals	<b>2</b>
Property	1
Workers Compensation	1
Acadiana Area Human Services District	<b>8</b>
General Liability	2
Property	2
Workers Compensation	4
Alario Center	<b>1</b>
Property	1
Board Of Medical Examiners	<b>2</b>
Property	1
Workers Compensation	1
Board Regents For Higher Education	<b>1</b>
Transportation	1
Central LA Human Services District	<b>2</b>
Workers Compensation	2
Central Louisiana Technical Community College	<b>8</b>
Property	2
Workers Compensation	6
Commissioner Of Insurance	<b>9</b>
Workers Compensation	9
Criminal Court-Parish Of Orleans	<b>3</b>
Workers Compensation	3
CRT - Office Of Culture Development	<b>1</b>
Property	1
CRT - Office Of State Museum	<b>20</b>
General Liability	3
Property	10
Transportation	1
Workers Compensation	6
CRT - Office Of The Secretary	<b>2</b>
Workers Compensation	2
CRT - Office of Tourism	<b>3</b>
General Liability	1
Property	2
DED - Office Of Business Development	<b>13</b>
Transportation	11
Workers Compensation	2

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
Department Of Military Affairs	<b>475</b>
General Liability	29
Property	248
Transportation	40
Workers Compensation	158
Department of Revenue	<b>10</b>
Workers Compensation	10
DEQ - Management And Finance	<b>2</b>
Transportation	2
DEQ - Office Of Envir Services	<b>5</b>
Transportation	2
Workers Compensation	3
DEQ - Office Of Envir. Compliance	<b>15</b>
Transportation	3
Workers Compensation	12
DEQ - Office Of The Secretary	<b>5</b>
Transportation	3
Workers Compensation	2
DHH - Capitol Area Human Services District	<b>18</b>
General Liability	5
Property	1
Transportation	1
Workers Compensation	11
DHH - Florida Parishes Human Services Authority	<b>14</b>
General Liability	5
Transportation	1
Workers Compensation	8
DHH - Jefferson Parish Human Services Auth	<b>6</b>
Property	1
Transportation	1
Workers Compensation	4
DHH - Medical Vendor Administration	<b>7</b>
General Liability	2
Property	2
Workers Compensation	3
DHH - Metropolitan Human Services District	<b>11</b>
General Liability	3
Transportation	2
Workers Compensation	6
DHH - Office For Citizens With Dev. Disabilities	<b>352</b>
General Liability	43
Property	6
Transportation	12
Workers Compensation	291
DHH - Office Of Aging & Adult Services (OAAS)	<b>67</b>
Property	3
Transportation	4

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
Workers Compensation	60
<b>DHH - Office Of Behavioral Health</b>	<b>312</b>
General Liability	11
Property	12
Transportation	6
Workers Compensation	283
<b>DHH - Office Of Public Health</b>	<b>45</b>
General Liability	5
Medical Malpractice	1
Property	4
Transportation	13
Workers Compensation	22
<b>DHH - Office Of The Secretary</b>	<b>25</b>
General Liability	1
Transportation	2
Workers Compensation	22
<b>DHH - South Central LA Human Services Authority</b>	<b>5</b>
General Liability	2
Workers Compensation	3
<b>District Courts</b>	<b>5</b>
General Liability	5
<b>DNR - Office Coastal Restoration &amp; Mgt.</b>	<b>2</b>
Workers Compensation	2
<b>DNR - Office Of Conservation</b>	<b>19</b>
General Liability	7
Property	1
Transportation	9
Workers Compensation	2
<b>DNR - Office Of Mineral Resources</b>	<b>2</b>
Workers Compensation	2
<b>DNR-Office of the Secretary</b>	<b>2</b>
Workers Compensation	2
<b>DOA - Administrative Services Program</b>	<b>6</b>
General Liability	1
Property	1
Transportation	2
Workers Compensation	2
<b>DOA - Federal Property Assistance Agency</b>	<b>1</b>
Workers Compensation	1
<b>DOA - Louisiana Property Assistance Agency</b>	<b>2</b>
Workers Compensation	2
<b>DOA - Office Of Community Development</b>	<b>2</b>
Transportation	1
Workers Compensation	1
<b>DOA - Office Of Finance And Support Services</b>	<b>1</b>
Workers Compensation	1
<b>DOA - Office Of Group Benefits</b>	<b>5</b>

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
Workers Compensation	5
<b>DOA - Office Of Information Services</b>	<b>4</b>
Workers Compensation	4
<b>DOA - Office Of Risk Management</b>	<b>6</b>
Transportation	1
Workers Compensation	5
<b>DOA - Office Of State Uniform Payroll</b>	<b>1</b>
Workers Compensation	1
<b>DOA - Office Of Telecommunications Mgmt.</b>	<b>3</b>
Workers Compensation	3
<b>DOA - Patients Compensation Fund</b>	<b>4</b>
Workers Compensation	4
<b>DOA - State Building</b>	<b>48</b>
General Liability	9
Property	30
Transportation	2
Workers Compensation	7
<b>DOA - State Land Office</b>	<b>2</b>
General Liability	1
Workers Compensation	1
<b>DOC - Administration</b>	<b>15</b>
General Liability	7
Property	2
Transportation	6
<b>DOC - Avoyelles Correctional Center</b>	<b>14</b>
General Liability	1
Property	1
Transportation	1
Workers Compensation	11
<b>DOC - Division Of Probation &amp; Parole</b>	<b>164</b>
General Liability	1
Property	5
Transportation	68
Workers Compensation	90
<b>DOC - Dixon Correctional Institute</b>	<b>53</b>
General Liability	16
Property	1
Transportation	10
Workers Compensation	26
<b>DOC - Elayn Hunt Correctional Center</b>	<b>65</b>
General Liability	13
Property	17
Transportation	7
Workers Compensation	28
<b>DOC - Louisiana Correctn Institute For Women</b>	<b>20</b>
General Liability	2
Property	6

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
Transportation	2
Workers Compensation	10
<b>DOC - Louisiana State Penitentiary</b>	<b>154</b>
General Liability	51
Property	43
Transportation	17
Workers Compensation	43
<b>DOC - Prison Enterprises</b>	<b>20</b>
General Liability	4
Property	11
Transportation	3
Workers Compensation	2
<b>DOC - Rayburn Correctional Center</b>	<b>42</b>
General Liability	9
Property	3
Transportation	2
Workers Compensation	28
<b>DOC - Wade Correctional Center</b>	<b>24</b>
General Liability	6
Transportation	4
Workers Compensation	14
<b>DOJ - Office Of Attorney General</b>	<b>24</b>
General Liability	2
Transportation	14
Workers Compensation	8
<b>DOTD - H.Q./Management &amp; Finance</b>	<b>6</b>
General Liability	2
Property	1
Workers Compensation	3
<b>DOTD - Office Of Engineering</b>	<b>1105</b>
General Liability	37
Property	97
Road Hazard	494
Transportation	202
Workers Compensation	275
<b>DOTD - Office Of The Secretary</b>	<b>1</b>
Workers Compensation	1
<b>DPS - Donald J. Thibodaux Training Academy</b>	<b>5</b>
General Liability	1
Property	3
Workers Compensation	1
<b>DPS - Management &amp; Finance</b>	<b>8</b>
General Liability	2
Property	1
Workers Compensation	5
<b>DPS - Office Of Motor Vehicles</b>	<b>19</b>
General Liability	4

AGENCY/LINE OF COVERAGE	FY13 CLAIMS INCURRED
Transportation	2
Workers Compensation	13
<b>DPS - Office Of State Fire Marshal</b>	<b>23</b>
General Liability	3
Property	1
Transportation	9
Workers Compensation	10
<b>DPS - Office Of State Police</b>	<b>379</b>
General Liability	7
Property	24
Transportation	229
Workers Compensation	119
<b>DPS - Public Service Commission</b>	<b>4</b>
Transportation	2
Workers Compensation	2
<b>DWLF - Office Of Fisheries</b>	<b>51</b>
General Liability	2
Property	10
Transportation	17
Workers Compensation	22
<b>DWLF - Office Of Management &amp; Finance</b>	<b>3</b>
Property	1
Workers Compensation	2
<b>DWLF - Office Of Secretary</b>	<b>101</b>
General Liability	2
Property	51
Transportation	41
Workers Compensation	7
<b>DWLF - Office Of Wildlife</b>	<b>48</b>
General Liability	5
Property	21
Transportation	9
Workers Compensation	13
<b>E.A. Conway Medical Center</b>	<b>93</b>
General Liability	5
Medical Malpractice	2
Property	1
Transportation	1
Workers Compensation	84
<b>Earl K. Long Medical Center</b>	<b>36</b>
General Liability	2
Medical Malpractice	5
Property	1
Workers Compensation	28
<b>Education - Recovery School District</b>	<b>120</b>
General Liability	3
Property	76

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
Transportation	2
Workers Compensation	39
<b>Education - Special School District #1</b>	<b>12</b>
Property	1
Workers Compensation	11
<b>Education - State Activities</b>	<b>17</b>
General Liability	5
Transportation	1
Workers Compensation	11
<b>Ethics Administration</b>	<b>1</b>
General Liability	1
<b>Grambling State University</b>	<b>34</b>
General Liability	6
Property	14
Transportation	2
Workers Compensation	12
<b>HCSD Administration</b>	<b>1</b>
General Liability	1
<b>Huey P. Long Medical Center</b>	<b>69</b>
General Liability	7
Medical Malpractice	5
Property	2
Workers Compensation	55
<b>Imperial Calcasieu Human Services District</b>	<b>3</b>
General Liability	1
Property	2
<b>Jefferson Baseball Stadium-LSED #1</b>	<b>1</b>
Property	1
<b>LA Housing Corporation</b>	<b>12</b>
General Liability	4
Property	3
Workers Compensation	5
<b>Lallie Kemp Regional Med. Center</b>	<b>33</b>
General Liability	1
Medical Malpractice	4
Property	1
Workers Compensation	27
<b>LCTCS - Baton Rouge Community College</b>	<b>43</b>
General Liability	6
Property	23
Workers Compensation	14
<b>LCTCS - Board Of Supervisors</b>	<b>3</b>
General Liability	2
Workers Compensation	1
<b>LCTCS - Bossier Parish Community College</b>	<b>5</b>
Transportation	1
Workers Compensation	4

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
LCTCS - Elaine Nunez Community College	<b>11</b>
Property	5
Workers Compensation	6
LCTCS - Isaac Delgado Community College	<b>31</b>
General Liability	7
Property	20
Transportation	2
Workers Compensation	2
LCTCS - L.E. Fletcher Community College	<b>5</b>
General Liability	2
Workers Compensation	3
LCTCS - Louisiana Delta Community College	<b>3</b>
Property	2
Workers Compensation	1
LCTCS - Northwest Louisiana Technical College Region	<b>5</b>
General Liability	1
Workers Compensation	4
LCTCS - River Parishes Community College	<b>2</b>
Property	2
LCTCS - South Central Louisiana Technical College Region	<b>12</b>
Property	8
Workers Compensation	4
LCTCS - South La Community College	<b>10</b>
General Liability	8
Workers Compensation	2
LCTCS - SOWELA Community College	<b>13</b>
General Liability	8
Workers Compensation	5
Legislative Auditor	<b>9</b>
Property	1
Transportation	1
Workers Compensation	7
Leonard J. Chabert Medical Cntr	<b>48</b>
General Liability	7
Medical Malpractice	5
Property	7
Workers Compensation	29
Licensing Board Of Contractors	<b>1</b>
Workers Compensation	1
Louisiana Auctioneers Licensing Board	<b>1</b>
General Liability	1
Louisiana Comm. On Law Enforcement	<b>4</b>
Transportation	1
Workers Compensation	3
Louisiana Educational Television Auth	<b>1</b>
Workers Compensation	1
Louisiana Naval Memorial Commission	<b>8</b>

AGENCY/LINE OF COVERAGE	FY13 CLAIMS INCURRED
Property	7
Workers Compensation	1
Louisiana School Employee Retire System	<b>1</b>
Workers Compensation	1
Louisiana School For Math, Science, Arts	<b>4</b>
Transportation	2
Workers Compensation	2
Louisiana Teachers Retirement System	<b>4</b>
General Liability	1
Transportation	1
Workers Compensation	2
Louisiana University Marine Consortium	<b>5</b>
Property	2
Workers Compensation	3
Louisiana House Of Representatives	<b>13</b>
Property	2
Workers Compensation	11
Louisiana Office Of Alcohol and Tobacco Control	<b>4</b>
Transportation	1
Workers Compensation	3
Louisiana Racing Commission	<b>4</b>
Workers Compensation	4
Louisiana Real Estate Commission	<b>1</b>
Property	1
Louisiana Schools For The Deaf And Visually Impaired	<b>30</b>
General Liability	4
Property	5
Transportation	3
Workers Compensation	18
Louisiana Senate	<b>7</b>
Workers Compensation	7
Louisiana Special Education Center	<b>12</b>
Transportation	1
Workers Compensation	11
Louisiana State Employees Retire System	<b>3</b>
General Liability	1
Workers Compensation	2
Louisiana Supreme Court	<b>2</b>
Transportation	2
Louisiana Tech. University	<b>33</b>
General Liability	10
Property	5
Transportation	3
Workers Compensation	15
LSED - Superdome	<b>22</b>
General Liability	16
Property	6

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
<b>LSU A &amp; M College</b>	<b>350</b>
General Liability	29
Property - LSU	117
Transportation	20
Workers Compensation - LSU	184
<b>LSU Board Of Super. Staff</b>	<b>2</b>
General Liability	1
Workers Compensation	1
<b>LSU Health Sciences Center-New Orleans</b>	<b>170</b>
General Liability	4
Medical Malpractice	22
Property	18
Transportation	7
Workers Compensation	119
<b>LSU Health Sciences Ctr.-Shreveport</b>	<b>315</b>
General Liability	12
Medical Malpractice	19
Property	3
Transportation	7
Workers Compensation	274
<b>LSU-Agricultural Center</b>	<b>126</b>
General Liability	2
Property	51
Transportation	20
Workers Compensation	53
<b>LSU-Alexandria</b>	<b>19</b>
General Liability	2
Property	10
Workers Compensation	7
<b>LSU-Eunice</b>	<b>5</b>
Property	2
Workers Compensation	3
<b>LSU-Shreveport</b>	<b>1</b>
Workers Compensation	1
<b>LWC - Workforce Support And Training</b>	<b>43</b>
General Liability	8
Property	1
Transportation	4
Workers Compensation	30
<b>McNeese State University</b>	<b>30</b>
General Liability	6
Property	5
Workers Compensation	19
<b>Medical Center Of La At N.O.</b>	<b>121</b>
General Liability	2
Medical Malpractice	16
Property	9

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
Transportation	9
Workers Compensation	85
Mental Health Advocacy	<b>1</b>
Workers Compensation	1
Motor Vehicle Commission	<b>1</b>
Property	1
Municipal Fire & Police C.S.	<b>1</b>
General Liability	1
New Orleans Center For The Creative Arts	<b>15</b>
General Liability	1
Property	9
Workers Compensation	5
New Orleans City Park Improvement Assoc.	<b>43</b>
General Liability	9
Property	8
Transportation	14
Workers Compensation	12
New Orleans Sports Arena	<b>2</b>
General Liability	1
Property	1
Nicholls State University	<b>83</b>
General Liability	4
Property	55
Transportation	7
Workers Compensation	17
Non-agency Claims	<b>4</b>
General Liability	4
Northeast Delta Human Services Authority	<b>5</b>
Property	1
Transportation	3
Workers Compensation	1
Northeast La War Veteran's Home	<b>25</b>
Workers Compensation	25
Northshore Technical Community College	<b>25</b>
General Liability	10
Property	8
Workers Compensation	7
Northwest LA Human Services District	<b>2</b>
Property	1
Workers Compensation	1
Northwest La War Veterans Home	<b>23</b>
Workers Compensation	23
Northwestern State University	<b>31</b>
General Liability	6
Property	11
Workers Compensation	14
OCSF - Office of Children & Family Services	<b>253</b>

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
General Liability	21
Property	8
Transportation	64
Workers Compensation	160
<b>Office Of Agriculture</b>	<b>55</b>
General Liability	3
Property	10
Transportation	22
Workers Compensation	20
<b>Office Of Coastal Protection And Restoration</b>	<b>4</b>
Property	2
Transportation	1
Workers Compensation	1
<b>Office Of Comm. Of Administration</b>	<b>1</b>
General Liability	1
<b>Office Of Elderly Affairs</b>	<b>4</b>
Property	1
Workers Compensation	3
<b>Office Of Financial Institutions</b>	<b>2</b>
Property	1
Workers Compensation	1
<b>Office Of Forestry</b>	<b>28</b>
General Liability	5
Property	7
Transportation	8
Workers Compensation	8
<b>Office Of Homeland Security &amp; Emerg Prep</b>	<b>24</b>
General Liability	1
Property	1
Transportation	7
Workers Compensation	15
<b>Office Of Juvenile Justice</b>	<b>334</b>
General Liability	3
Property	28
Transportation	20
Workers Compensation	283
<b>Office Of Revenue</b>	<b>10</b>
General Liability	1
Property	1
Workers Compensation	8
<b>Office Of State Parks</b>	<b>260</b>
General Liability	118
Property	88
Transportation	10
Workers Compensation	44
<b>Office Of Student Financial Asst.</b>	<b>1</b>
Workers Compensation	1

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
Office Of The Governor	<b>3</b>
General Liability	3
Office Of The State Treasurer	<b>3</b>
Workers Compensation	3
Paul M. Hebert Law Center	<b>1</b>
General Liability	1
Pennington Biomed. Research Ctr.	<b>10</b>
General Liability	1
Property	2
Workers Compensation	7
Sabine River Authority	<b>11</b>
General Liability	5
Property	1
Workers Compensation	5
Secretary Of State	<b>19</b>
General Liability	3
Property	8
Transportation	3
Workers Compensation	5
Southeast La War Veterans Home	<b>19</b>
General Liability	1
Medical Malpractice	1
Property	2
Workers Compensation	15
Southeastern Louisiana University	<b>153</b>
General Liability	12
Property	76
Transportation	4
Workers Compensation	61
Southern University - Agricultural Center	<b>4</b>
Property	4
Southern University - Baton Rouge	<b>103</b>
General Liability	14
Property	61
Transportation	3
Workers Compensation	25
Southern University - Law Center	<b>2</b>
Property	2
Southern University - New Orleans	<b>9</b>
General Liability	3
Transportation	1
Workers Compensation	5
Southern University - Shreveport	<b>15</b>
General Liability	4
Property	3
Workers Compensation	8
Southern University Board Of Supervisor	<b>1</b>

<b>AGENCY/LINE OF COVERAGE</b>	<b>FY13 CLAIMS INCURRED</b>
General Liability	1
Southwest Louisiana War Veterans Home	<b>32</b>
General Liability	2
Workers Compensation	30
St. Board Elemen. & Secondary Educ	<b>7</b>
General Liability	5
Property	2
State Civil Service	<b>1</b>
Workers Compensation	1
University Medical Center	<b>55</b>
General Liability	7
Medical Malpractice	8
Property	1
Workers Compensation	39
University Of La System Board of Supervisors	<b>3</b>
General Liability	3
University Of Louisiana At Lafayette	<b>177</b>
General Liability	21
Property	39
Transportation	22
Workers Compensation	95
University Of Louisiana At Monroe	<b>40</b>
General Liability	8
Property	7
Transportation	4
Workers Compensation	21
University Of New Orleans	<b>110</b>
General Liability	5
Property	72
Transportation	3
Workers Compensation	30
Veteran's Affairs	<b>1</b>
Workers Compensation	1
W. O. Moss Regional Med. Center	<b>13</b>
General Liability	1
Medical Malpractice	3
Property	1
Workers Compensation	8
War Veteran's Center	<b>17</b>
Property	2
Transportation	1
Workers Compensation	14
Washington-St. Tammany RMC	<b>38</b>
General Liability	2
Medical Malpractice	10
Property	1
Workers Compensation	25

## **Claims Activity**

### **Transportation (Auto Liability and Physical Damage)**

#### **Auto Liability:**

We received 430 claims for this fiscal year which is a decrease from the 528 received in the previous fiscal year and below our five-year annual average of 481. \$3,749,238.72 was paid out on auto liability claims in the year. This is a substantial decrease from the \$7,674,551.74 that was paid in 2012 and the five-year average of \$8,509,099.35. We surmise that the decrease in volume is due to there being fewer State vehicles in service.

We did have two unfortunate outcomes on auto liability cases that were tried. We received an unfavorable verdict on the Bass vs. DOC case where a jury verdict returned a \$1.38 million dollar award. The case is on appeal. Separately, a jury verdict has found for the plaintiff in the Bickford vs. Louisiana State Legislature case. The anticipated cost will be \$1.18 million and will not be appealed.

#### **Auto Physical Damage**

ORM received 511 Auto Physical Damage claims during the fiscal year which is a slight reduction from the 5-year average of 539. The paid amount for the fiscal year was \$800,039.01 which is well below the 5-year average \$907,829.19.

## **General Liability**

The total opened General Liability claims which include Civil Rights and Professional Liability for Fiscal Year 2013 was 1046. The number of new Civil Rights claims in this count was 228. The total opened General Liability claims opened for Fiscal year 2012 was considerably higher at 1480 but this can be attributed to 364 gas leak claims on the same date from Department of Corrections which were dismissed and 57 food poisoning claims also from Department of Corrections on the same date which were denied. The number of new Civil Rights claims for fiscal year 2012 was significantly lower at 141 and the increase to 228 for Fiscal year 2013 is attributed to an increase in inmate litigation against the Department of Corrections and an increase in discrimination and wrongful termination claims against the higher education systems.

The number of claims closed for Fiscal year 2013 was 1266 which is a significant increase from the 1030 closed claims for Fiscal year 2012. Closed claims for Fiscal year 2011 were higher at 1340 but this is due to an initiative by the Office of Risk management to close claims before claims were transferred to the TPA on July 01, 2012.

## **Medical Malpractice**

The number of new Medical Malpractice claims filed for fiscal year 2013 is 168. This is a reduction from fiscal year 2012 at 194 and fiscal year 2011 at 230. This reduction may be attributed to the privatization of state hospitals. Medical Malpractice constitutional issue claims which primarily are disputing the statutory cap were reduced significantly for fiscal year 2013 at 16. Constitutional claims filed in fiscal year 2012 were at 35 and 34 for fiscal year 2011. This reduction is probably because of recent Louisiana Supreme Court decisions which affirmed the constitutionality of the statutory cap.

The number of closed Medical Malpractice claims for fiscal year 2013 is 193. This is a significant reduction in the number closed claims from fiscal year 2012 at 249 and fiscal year 2011 at 294. The higher total of closed claims for fiscal year 2011 and 2012 is probably due to an ORM claims initiative to close or prepare for closure as many claims as possible before the Medical Malpractice claims were transferred to the TPA on August 1, 2012.

## **Property**

ORM saw an increase in its Property claims volume for fiscal 2013 due to Hurricane Isaac. Approximately 1000 claims have been reported. Anticipated claims payments are expected to be approximately \$10,000,000. ORM is actively pursuing recovery from FEMA as the aggregate losses will not exceed ORM's \$50 million Self Insured Retention. Non-catastrophe claims volume was comparable to previous fiscal years with 507 non-catastrophe claims, compared to 505 for the previous year and 522 for the 5-year non-catastrophe average. Total claim payments for the year for Non-Catastrophe property losses were \$8,238,057.40 which is an increase from the \$5,433,189.88 paid in 2012, but below the five-year average of \$9,414,947.34.

The increase in non-catastrophe claim cost is

ORM has pending claims arising out of Hurricanes Katrina, Rita, Gustav and Ike.

Hurricane Katrina generated 1,757 claims. Through the end of fiscal year 2013 approximately \$185.5 million has been paid on claims and expenses related to Hurricane Katrina. (Recoveries from the excess insurers exceed \$420 million).

Hurricane Rita has generated 1039 claims. Approximately 14.7 million has been paid out on claims and expenses. Thus far, 2.16 million has been recovered as a result of FEMA reimbursements.

Hurricane Gustav generated 2,469 property claims with payment of claims and expenses of approximately 125.6 million. Negotiations continue with the excess insurers to collect amounts paid out above ORM's \$50,000 Self Insured Retention. Thus far, 7.5 million has been recovered.

Hurricane Ike generated only 239 with claims and expense payments of approximately 2.2 million. Over 1.3 million has been recovered from commercial insurers.

## **Property LSU**

LSU's Baton Rouge campus was insured separately this fiscal year. It sustained approximately 103 losses from Hurricane Isaac which generated claims and expense payments of approximately \$101,753.67 LSU also had 11 non-catastrophe property losses with a total payment of \$15,528.90.

## **Road Hazards**

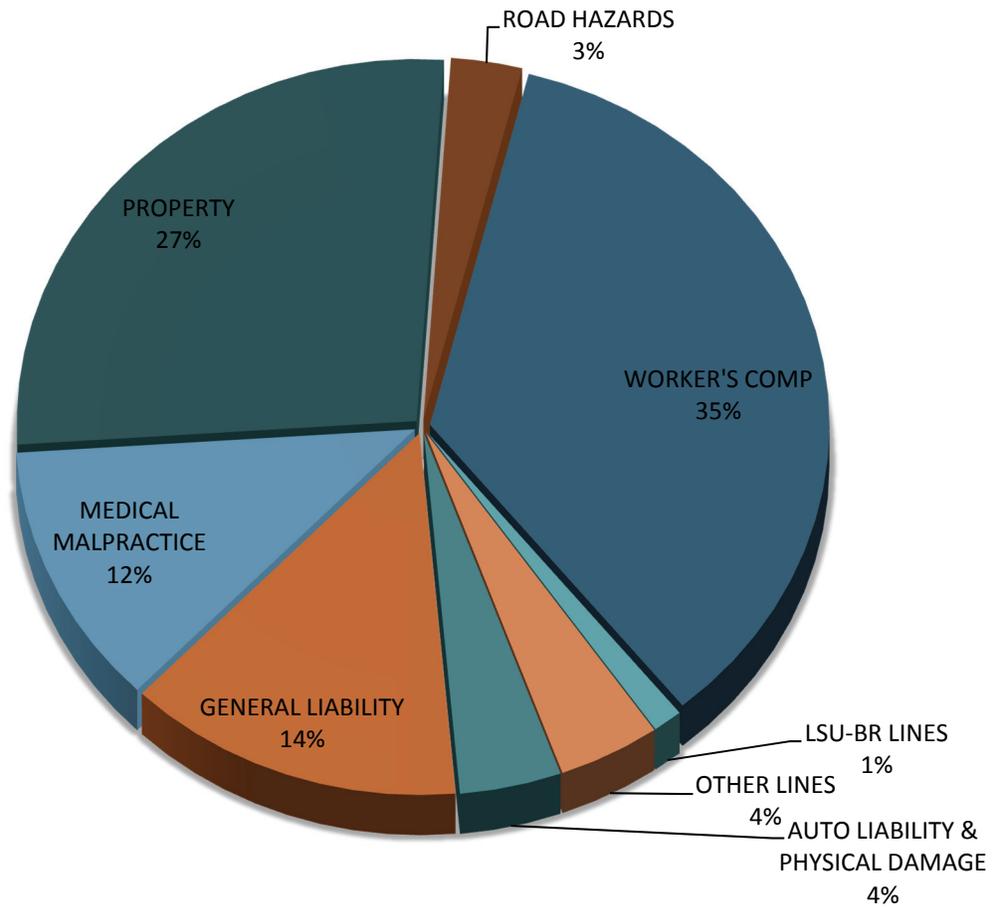
Road Hazard claims volume for this fiscal year has dropped from previous years. We received 512 claims this fiscal year compared to 559 in the previous year and less than the five-year average claims volume of 578. Total payments during the fiscal year were also down when compared to previous years. \$18,893,769.08 was paid out in FY 2013 which was a decrease from the paid \$21,980,342.55 in 2012 and below the five-year paid average of \$28,052,924.01.

We continue to work closely with DOTD through meeting with operations managers and legal staff to provide suggestions on loss avoidance and strategies to reduce the frequency and severity of their claims.

## **Worker's Compensation**

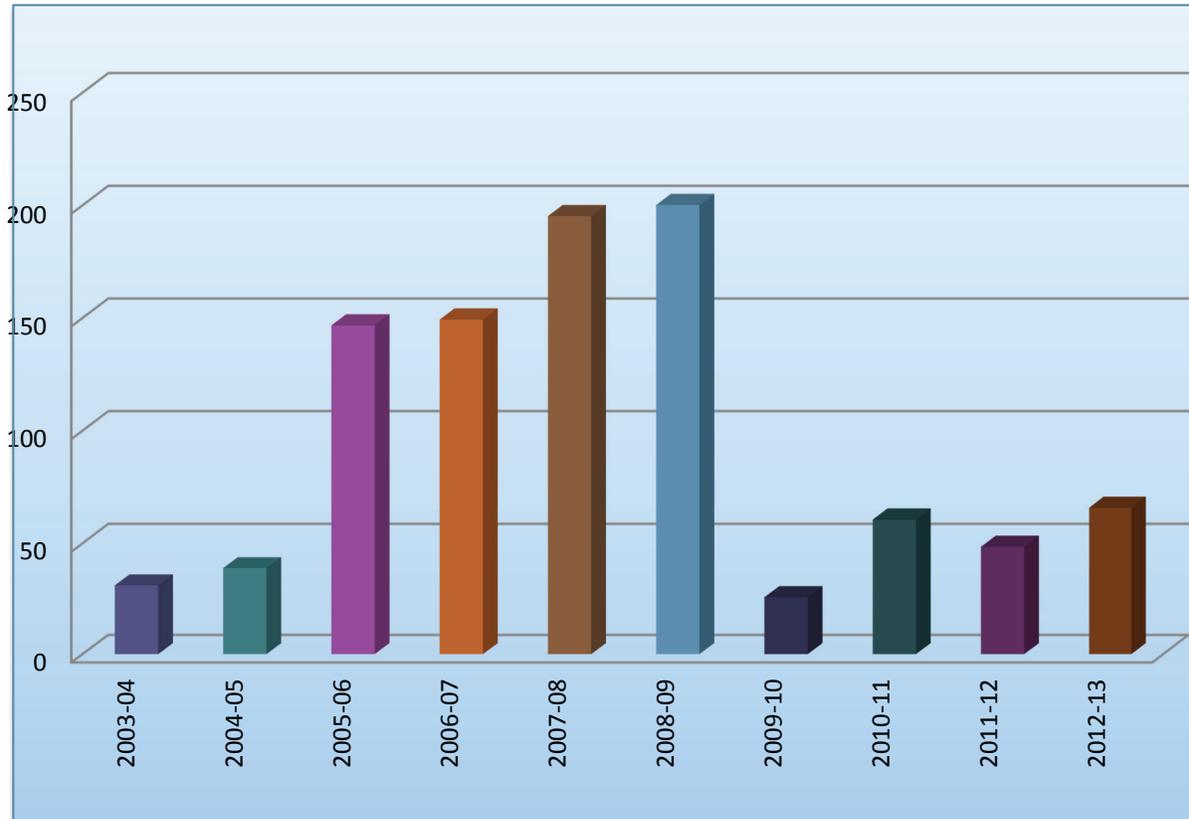
Fiscal year 13 showed an increase in claims opened than were opened in the previous fiscal year however there was no catastrophic occurrence that resulted in an increase in claims from any one particular agency. Some agencies saw a slight increase in claims across the board while others saw a decrease in claims. Also, fewer claims were closed in fiscal year 13 than in the previous fiscal year.

## Cash Expenditures by Line of Insurance



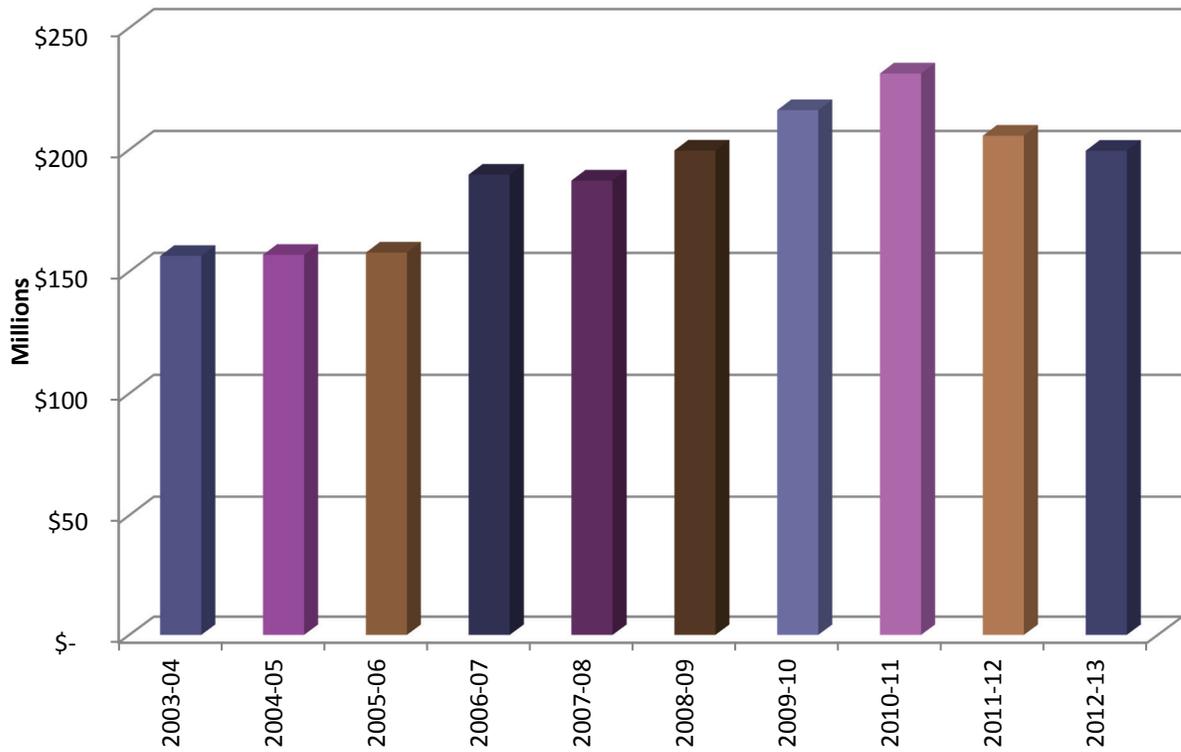
Coverage Line	Amount
Auto Liability & Physical Damage	\$8,668,798
General Liability	\$28,784,917
Medical Malpractice	\$24,728,562
Property	\$57,151,167
Road Hazards	\$6,066,059
Worker's Comp	\$74,000,530
LSU-BR Lines	\$2,529,998
Other Lines	\$8,705,189
	\$210,635,220

## Cash Balance



<b>Fiscal Year</b>	<b>Total Cash Balance</b>
2001-02	\$ 33,018,390
2002-03	\$ 13,960,861
2003-04	\$ 31,102,806
2004-05	\$ 38,890,171
2005-06	\$ 146,762,225
2006-07	\$ 149,320,353
2007-08	\$ 195,228,282
2008-09	\$ 200,165,299
2009-10	\$ 25,752,191
2010-11	\$ 60,556,638
2011-12	\$ 48,472,331
2012-13	\$ 65,786,838

## Premiums Collected (10 Year)



Fiscal Year	Total Premium Collected
2001-02	\$ 99,215,760
2002-03	\$ 107,363,592
2003-04	\$ 156,403,159
2004-05	\$ 156,848,117
2005-06	\$ 157,766,241
2006-07	\$ 189,776,122
2007-08	\$ 187,357,889
2008-09	\$ 199,656,108
2009-10	\$ 216,203,915
2010-11	\$ 231,293,527
2011-12	\$ 205,738,206
2012-13	\$ 199,555,082

# Financial Statements

## Office of Risk Management

### ORM Statement of Financial Position

#### ASSETS

Cash and investments	\$65,786,838
Insurance receivables	\$31,300,274
Interest receivable and other assets	\$150,177
Prepaid insurance	\$43,353,145
Capital assets, net of accumulated depreciation	\$14,977
<b>Total assets</b>	<b>\$140,605,411</b>

#### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$967,877,237
Unearned premium	\$5,258,269
Other liabilities	\$264,289,290
<b>Total liabilities</b>	<b>\$1,237,424,796</b>
Net assets	
Unrestricted net assets	(\$1,096,819,385)
<b>Total liabilities and net assets</b>	<b>\$140,605,411</b>

### Statement of Activities and Changes in Net Assets

#### OPERATING REVENUES

Premiums written	\$197,943,404
Other revenue	\$34,805
Hurricane recoveries	\$14
General fund appr./non-tort reimbursement	\$13,289,752
Add unearned premium from prior year	\$0
Less: Unearned premium at statement date	(\$5,258,269)
Less: Cost of insurance	(\$41,525,780)
<b>Total operating revenues</b>	<b>\$164,483,926</b>

#### OPERATING EXPENSES

General and administrative expenses	\$6,791,495
Claims cost:	
Losses	\$106,239,724
Less: Deductible payment in lieu of premiums	(\$322,016)
Allocated loss adjustment expense	\$39,825,048
Unallocated loss adjustment expense	\$16,253,173
Change in provision for losses/expenses	\$45,170,429
<b>Total operating expenses</b>	<b>\$213,957,853</b>
<b>Operating income (losses)</b>	<b>(\$49,473,927)</b>

#### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$184,577
Gain(loss) on disposal of capital assets	\$390
<b>Total non-operating revenues (expenses)</b>	<b>\$184,967</b>
<b>Net income (losses) before transfers</b>	<b>(\$49,288,960)</b>

Transfers in	\$7,229,350
Transfers out	(\$115,278,936)
<b>Total (net) transfers</b>	<b>(\$108,049,586)</b>
<b>Change in net assets</b>	<b>(\$157,338,546)</b>

Total net assets - beginning	(\$938,844,290)
Prior period adjustment	(\$636,549)
Total net assets - beginning, adjusted	(\$939,480,839)
<b>Total net assets - ending</b>	<b>(\$1,096,819,385)</b>

## Auto Liability

### AL Statement of Financial Position

#### ASSETS

Cash and investments	\$13,876,365
Insurance receivables	\$387,655
Interest receivable and other assets	\$319
Prepaid insurance	\$0
Capital assets, net of accumulated depreciation	\$563
<b>Total assets</b>	<b>\$14,264,902</b>

#### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$41,325,839
Unearned premium	\$0
Other liabilities	\$44,777
<b>Total liabilities</b>	<b>\$41,370,616</b>
Net assets	
Unrestricted net assets	(\$27,105,714)
<b>Total liabilities and net assets</b>	<b>\$14,264,902</b>

### Statement of Activities and Changes in Net Assets

#### OPERATING REVENUES

Premiums written	\$9,312,049
Other revenue	\$282
<b>Total operating revenues</b>	<b>\$9,312,331</b>

#### OPERATING EXPENSES

General and administrative expenses	\$278,778
Claims cost:	
Losses	\$4,523,985
Allocated loss adjustment expense	\$2,084,959
Unallocated loss adjustment expense	\$502,266
Change in provision for losses/expenses	\$4,784,813
<b>Total operating expenses</b>	<b>\$12,174,801</b>
<b>Operating income (losses)</b>	<b>(\$2,862,470)</b>

#### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$4,226
Gain(loss) on disposal of capital assets	\$14
<b>Total non-operating revenues (expenses)</b>	<b>\$4,240</b>
<b>Net income (losses) before transfers</b>	<b>(\$2,858,230)</b>

Transfers in	\$0
Transfers out	(\$30,777)
<b>Total (net) transfers</b>	<b>(\$30,777)</b>
<b>Change in net assets</b>	<b>(\$2,889,007)</b>

Total net assets - beginning	(\$24,216,707)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$24,216,707)
<b>Total net assets - ending</b>	<b>(\$27,105,714)</b>

## Auto Physical Damage

### APD Statement of Financial Position

#### ASSETS

Cash and investments	\$2,033,871
Insurance receivables	\$521,598
Interest receivable and other assets	\$47
Capital assets, net of accumulated depreciation	\$133
<b>Total assets</b>	<b>\$2,555,649</b>

#### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$402,528
Other liabilities	\$1,895
<b>Total liabilities</b>	<b>\$404,423</b>
Net assets	
Unrestricted net assets	\$2,151,226
<b>Total liabilities and net assets</b>	<b>\$2,555,649</b>

### Statement of Activities and Changes in Net Assets

#### OPERATING REVENUES

Premiums written	\$903,886
Other revenue	\$38
<b>Total operating revenues</b>	<b>\$903,924</b>

#### OPERATING EXPENSES

General and administrative expenses	\$29,041
Claims cost:	
Losses	\$1,013,006
Allocated loss adjustment expense	\$162,634
Unallocated loss adjustment expense	\$74,129
Change in provision for losses/expenses	(\$319,780)
<b>Total operating expenses</b>	<b>\$959,030</b>
<b>Operating income (losses)</b>	<b>(\$55,106)</b>

#### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$730
Gain(loss) on disposal of capital assets	\$4
<b>Total non-operating revenues (expenses)</b>	<b>\$734</b>
<b>Net income (losses) before transfers</b>	<b>(\$54,372)</b>

Transfers in	\$0
Transfers out	\$0
<b>Total (net) transfers</b>	<b>\$0</b>
<b>Change in net assets</b>	<b>(\$54,372)</b>

Total net assets - beginning	\$2,205,598
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$2,205,598
<b>Total net assets - ending</b>	<b>\$2,151,226</b>

## Bonds and Crime

### BC Statement of Financial Position

#### ASSETS

Cash and investments	\$1,789,740
Insurance receivables	\$13,946
Interest receivable and other assets	\$40
Prepaid insurance	\$16,310
Capital assets, net of accumulated depreciation	\$17
<b>Total assets</b>	<u><u>\$1,820,053</u></u>

#### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$248,097
Unearned premium	\$0
Other liabilities	\$827
<b>Total liabilities</b>	<u>\$248,924</u>
Net assets	
Unrestricted net assets	<u>\$1,571,129</u>
<b>Total liabilities and net assets</b>	<u><u>\$1,820,053</u></u>

### Statement of Activities and Changes in Net Assets

#### OPERATING REVENUES

Premiums written	\$52,547
Other revenue	\$17
Less: Cost of insurance	(\$16,310)
<b>Total operating revenues</b>	<u>\$36,254</u>

#### OPERATING EXPENSES

General and administrative expenses	\$16,516
Claims cost:	
Losses	\$152,881
Allocated loss adjustment expense	\$21,487
Unallocated loss adjustment expense	\$12,791
Change in provision for losses/expenses	\$190,665
<b>Total operating expenses</b>	<u>\$394,340</u>
<b>Operating income (losses)</b>	<u>(\$358,086)</u>

#### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$568
Gain(loss) on disposal of capital assets	\$1
<b>Total non-operating revenues (expenses)</b>	<u>\$569</u>
<b>Net income (losses) before transfers</b>	<u>(\$357,517)</u>

Transfers in	\$0
Transfers out	\$0
<b>Total (net) transfers</b>	<u>\$0</u>
<b>Change in net assets</b>	<u>(\$357,517)</u>

Total net assets - beginning	\$2,457,178
Prior period adjustment	(\$528,532)
Total net assets - beginning, adjusted	<u>\$1,928,646</u>
<b>Total net assets - ending</b>	<u><u>\$1,571,129</u></u>

## Worker's Compensation

### WC Statement of Financial Position

#### ASSETS

Cash and investments	\$76,939,605
Insurance receivables	\$5,209,923
Interest receivable and other assets	\$1,773
Prepaid insurance	\$295,534
Capital assets, net of accumulated depreciation	\$4,439
<b>Total assets</b>	<b>\$82,451,274</b>

#### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$496,532,999
Unearned premium	\$0
Other liabilities	\$2,739,670
<b>Total liabilities</b>	<b>\$499,272,669</b>
Net assets	
Unrestricted net assets	(\$416,821,395)
<b>Total liabilities and net assets</b>	<b>\$82,451,274</b>

### Statement of Activities and Changes in Net Assets

#### OPERATING REVENUES

Premiums written	\$69,837,665
Other revenue	\$1,981
Less: Cost of insurance	(\$25,265)
<b>Total operating revenues</b>	<b>\$69,814,381</b>

#### OPERATING EXPENSES

General and administrative expenses	\$1,933,919
Claims cost:	
Losses	\$59,629,933
Allocated loss adjustment expense	\$4,252,536
Unallocated loss adjustment expense	\$8,158,877
Change in provision for losses/expenses	\$14,830,487
<b>Total operating expenses</b>	<b>\$88,805,752</b>
<b>Operating income (losses)</b>	<b>(\$18,991,371)</b>

#### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$28,420
Gain(loss) on disposal of capital assets	\$116
<b>Total non-operating revenues (expenses)</b>	<b>\$28,536</b>
<b>Net income (losses) before transfers</b>	<b>(\$18,962,835)</b>

Transfers in	\$0
Transfers out	\$0
<b>Total (net) transfers</b>	<b>\$0</b>
<b>Change in net assets</b>	<b>(\$18,962,835)</b>

Total net assets - beginning	(\$397,858,560)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$397,858,560)
<b>Total net assets - ending</b>	<b>(\$416,821,395)</b>

## Property

### PR Statement of Financial Position

#### ASSETS

Cash and investments	(\$66,142,617)
Insurance receivables	\$4,969,783
Prepaid insurance	\$35,594,363
Capital assets, net of accumulated depreciation	\$4,991
<b>Total assets</b>	<u><u>(\$25,573,480)</u></u>

#### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$46,535,086
Unearned premium	\$351,332
Other liabilities	\$258,078,985
<b>Total liabilities</b>	<u>\$304,965,403</u>
Net assets	
Unrestricted net assets	(\$330,538,883)
<b>Total liabilities and net assets</b>	<u><u>(\$25,573,480)</u></u>

### Statement of Activities and Changes in Net Assets

#### OPERATING REVENUES

Premiums written	\$69,874,798
Other revenue	\$2,111
Hurricane recoveries	\$14
Less: Unearned premium at statement date	(\$351,332)
Less: Cost of insurance	(\$37,698,997)
<b>Total operating revenues</b>	<u>\$31,826,594</u>

#### OPERATING EXPENSES

General and administrative expenses	\$2,138,924
Claims cost:	
Losses	\$7,346,548
Allocated loss adjustment expense	\$7,735,810
Unallocated loss adjustment expense	\$2,230,888
Change in provision for losses/expenses	\$17,489,881
<b>Total operating expenses</b>	<u>\$36,942,051</u>
<b>Operating income (losses)</b>	<u>(\$5,115,457)</u>

#### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$900
Gain(loss) on disposal of capital assets	\$130
<b>Total non-operating revenues (expenses)</b>	<u>\$1,030</u>
<b>Net income (losses) before transfers</b>	<u>(\$5,114,427)</u>

Transfers in	\$0
Transfers out	(\$100,530,864)
<b>Total (net) transfers</b>	<u>(\$100,530,864)</u>
<b>Change in net assets</b>	<u>(\$105,645,291)</u>

Total net assets - beginning	(\$224,257,043)
Prior period adjustment	(\$636,549)
Total net assets - beginning, adjusted	<u>(\$224,893,592)</u>
<b>Total net assets - ending</b>	<u><u>(\$330,538,883)</u></u>

## General Liability

### GL Statement of Financial Position

#### ASSETS

Cash and investments	\$187,252,282
Insurance receivables	\$2,328,573
Interest receivable and other assets	\$4,521
Prepaid insurance	\$528,532
Capital assets, net of accumulated depreciation	\$1,661
<b>Total assets</b>	<b>\$190,115,569</b>

#### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$154,800,745
Other liabilities	\$444,376
<b>Total liabilities</b>	<b>\$155,245,121</b>
Net assets	
Unrestricted net assets	\$34,870,448
<b>Total liabilities and net assets</b>	<b>\$190,115,569</b>

### Statement of Activities and Changes in Net Assets

#### OPERATING REVENUES

Premiums written	\$21,041,819
Other revenue	\$588
Less: Cost of insurance	(\$528,532)
<b>Total operating revenues</b>	<b>\$20,513,875</b>

#### OPERATING EXPENSES

General and administrative expenses	\$558,942
Claims cost:	
Losses	\$10,972,626
Less: Deductible payment in lieu of premiums	
Allocated loss adjustment expense	\$14,855,244
Unallocated loss adjustment expense	\$1,869,573
Change in provision for losses/expenses	\$19,126,196
<b>Total operating expenses</b>	<b>\$47,382,581</b>
<b>Operating income (losses)</b>	<b>(\$26,868,706)</b>

#### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$62,607
Gain(loss) on disposal of capital assets	\$44
<b>Total non-operating revenues (expenses)</b>	<b>\$62,651</b>
<b>Net income (losses) before transfers</b>	<b>(\$26,806,055)</b>

Transfers in	\$0
Transfers out	(\$336,814)
<b>Total (net) transfers</b>	<b>(\$336,814)</b>
<b>Change in net assets</b>	<b>(\$27,142,869)</b>

Total net assets - beginning	\$61,484,785
Prior period adjustment	\$528,532
Total net assets - beginning, adjusted	\$62,013,317
<b>Total net assets - ending</b>	<b>\$34,870,448</b>

## Marine, Aviation and Boiler and Machinery

### MAB Statement of Financial Position

	Marine Risk Group	Aviation Risk Group	Boiler & Machinery Risk Group
<b>ASSETS</b>			
Cash and investments	(\$4,119,278)	\$4,860,985	(\$2,235,927)
Insurance receivables	\$41,316	\$35,023	\$125,301
Interest receivable and other assets	\$0	\$112	\$0
Prepaid insurance	\$1,637,874	\$0	\$373,595
Capital assets, net of accumulated depreciation	\$157	\$69	\$7
<b>Total assets</b>	<b>(\$2,439,931)</b>	<b>\$4,896,189</b>	<b>(\$1,737,024)</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Loss and expense reserves	\$518,469	\$48,075	\$581,339
Other liabilities	\$1,642,625	\$1,221	\$377,843
<b>Total liabilities</b>	<b>\$2,161,094</b>	<b>\$49,296</b>	<b>\$959,182</b>
Net assets			
Unrestricted net assets	(\$4,601,025)	\$4,846,893	(\$2,696,206)
<b>Total liabilities and net assets</b>	<b>(\$2,439,931)</b>	<b>\$4,896,189</b>	<b>(\$1,737,024)</b>

### Statement of Activities and Changes in Net Assets

<b>OPERATING REVENUES</b>			
Premiums written	\$3,261,893	\$504,706	\$1,065,385
Other revenue	\$97	\$25	\$35
Less: Cost of insurance	(\$1,539,455)	\$0	(\$378,966)
<b>Total operating revenues</b>	<b>\$1,722,535</b>	<b>\$504,731</b>	<b>\$686,454</b>
<b>OPERATING EXPENSES</b>			
General and administrative expenses	\$97,346	\$25,170	\$34,044
Claims cost:			
Losses	\$213,818	\$71,264	\$2,463,110
Allocated loss adjustment expense	\$99,485	\$0	\$3,718
Unallocated loss adjustment expense	\$11,531	\$3,009	\$25,968
Change in provision for losses/expenses	(\$792,242)	(\$160,978)	(\$156,676)
<b>Total operating expenses</b>	<b>(\$370,062)</b>	<b>(\$61,535)</b>	<b>\$2,370,164</b>
<b>Operating income (losses)</b>	<b>\$2,092,597</b>	<b>\$566,266</b>	<b>(\$1,683,710)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	\$0	\$1,485	\$0
Gain(loss) on disposal of capital assets	\$4	\$2	\$0
<b>Total non-operating revenues (expenses)</b>	<b>\$4</b>	<b>\$1,487</b>	<b>\$0</b>
<b>Net income (losses) before transfers</b>	<b>\$2,092,601</b>	<b>\$567,753</b>	<b>(\$1,683,710)</b>
Transfers in	\$0	\$0	\$0
Transfers out	\$0	\$0	\$0
<b>Total (net) transfers</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Change in net assets</b>	<b>\$2,092,601</b>	<b>\$567,753</b>	<b>(\$1,683,710)</b>
Total net assets - beginning	(\$6,693,626)	\$4,279,140	(\$1,012,496)
Prior period adjustment	\$0	\$0	\$0
Total net assets - beginning, adjusted	(\$6,693,626)	\$4,279,140	(\$1,012,496)
<b>Total net assets - ending</b>	<b>(\$4,601,025)</b>	<b>\$4,846,893</b>	<b>(\$2,696,206)</b>

# Medical Malpractice

## MM Statement of Financial Position

### ASSETS

Cash and investments	\$232,397,305
Insurance receivables	\$9,919,760
Interest receivable and other assets	\$6,269
Capital assets, net of accumulated depreciation	\$976
<b>Total assets</b>	<b>\$242,324,310</b>

### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$108,551,960
Other liabilities	\$87,669
<b>Total liabilities</b>	<b>\$108,639,629</b>
Net assets	
Unrestricted net assets	\$133,684,681
<b>Total liabilities and net assets</b>	<b>\$242,324,310</b>

## Statement of Activities and Changes in Net Assets

### OPERATING REVENUES

Premiums written	\$12,411,373
Other revenue	\$28,534
<b>Total operating revenues</b>	<b>\$12,439,907</b>

### OPERATING EXPENSES

General and administrative expenses	\$551,817
Claims cost:	
Losses	\$15,481,989
Allocated loss adjustment expense	\$6,290,907
Unallocated loss adjustment expense	\$2,403,849
Change in provision for losses/expenses	(\$1,827,172)
<b>Total operating expenses</b>	<b>\$22,901,390</b>
<b>Operating income (losses)</b>	<b>(\$10,461,483)</b>

### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$84,697
Gain(loss) on disposal of capital assets	\$25
<b>Total non-operating revenues (expenses)</b>	<b>\$84,722</b>
<b>Net income (losses) before transfers</b>	<b>(\$10,376,761)</b>

Transfers in	\$0
Transfers out	\$0
<b>Total (net) transfers</b>	<b>\$0</b>
<b>Change in net assets</b>	<b>(\$10,376,761)</b>

Total net assets - beginning	\$144,061,442
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$144,061,442
<b>Total net assets - ending</b>	<b>\$133,684,681</b>

## Road Hazards Miscellaneous

### RH Statement of Financial Position

#### ASSETS

Cash and investments	(\$354,174,990)
Insurance receivables	\$3,776,653
Capital assets, net of accumulated depreciation	\$1,919
<b>Total assets</b>	<b>(\$350,396,418)</b>

#### LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$114,835,255
Other liabilities	\$747,504
Total liabilities	\$115,582,759
Net assets	
Unrestricted net assets	(\$465,979,177)
<b>Total liabilities and net assets</b>	<b>(\$350,396,418)</b>

### Statement of Activities and Changes in Net Assets

#### OPERATING REVENUES

Other revenue	\$795
General fund appr./non-tort reimbursement	\$10,339,752
<b>Total operating revenues</b>	<b>\$10,340,547</b>

#### OPERATING EXPENSES

General and administrative expenses	\$821,671
Claims cost:	
Losses	\$530,228
Allocated loss adjustment expense	\$4,205,094
Unallocated loss adjustment expense	\$509,066
Change in provision for losses/expenses	(\$11,491,610)
<b>Total operating expenses</b>	<b>(\$5,425,551)</b>
<b>Operating income (losses)</b>	<b>\$15,766,098</b>

#### NON-OPERATING REVENUES (EXPENSES)

Interest income	\$0
Gain(loss) on disposal of capital assets	\$50
<b>Total non-operating revenues (expenses)</b>	<b>\$50</b>
<b>Net income (losses) before transfers</b>	<b>\$15,766,148</b>

Transfers in	\$5,530,864
Transfers out	(\$11,430,481)
<b>Total (net) transfers</b>	<b>(\$5,899,617)</b>
<b>Change in net assets</b>	<b>\$9,866,531</b>

Total net assets - beginning	(\$475,845,708)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$475,845,708)
<b>Total net assets - ending</b>	<b>(\$465,979,177)</b>

## Miscellaneous

### MISC Statement of Financial Position

	<u>Survivor Benefits Payments</u>	<u>Future Medical Fund</u>
<u>ASSETS</u>		
Cash and investments	\$3,258	\$1,016,681
<b>Total assets</b>	<b>\$3,258</b>	<b>\$1,016,681</b>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Other liabilities	\$0	\$0
Total liabilities	\$0	\$0
Net assets		
Unrestricted net assets	\$3,258	\$1,016,681
<b>Total liabilities and net assets</b>	<b>\$3,258</b>	<b>\$1,016,681</b>

### Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>		
General fund appr./non-tort reimbursement	\$2,950,000	\$0
<b>Total operating revenues</b>	<b>\$2,950,000</b>	<b>\$0</b>
<u>OPERATING EXPENSES</u>		
Claims cost:		
Losses	\$2,535,000	\$983,320
<b>Total operating expenses</b>	<b>\$2,535,000</b>	<b>\$983,320</b>
<b>Operating income (losses)</b>	<b>\$415,000</b>	<b>(\$983,320)</b>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	\$944	\$0
<b>Total non-operating revenues (expenses)</b>	<b>\$944</b>	<b>\$0</b>
<b>Net income (losses) before transfers</b>	<b>\$415,944</b>	<b>(\$983,320)</b>
Transfers in	\$475,000	\$1,223,486
Transfers out	(\$2,950,000)	\$0
<b>Total (net) transfers</b>	<b>(\$2,475,000)</b>	<b>\$1,223,486</b>
<b>Change in net assets</b>	<b>(\$2,059,056)</b>	<b>\$240,166</b>
Total net assets - beginning	\$2,062,314	\$776,515
Prior period adjustment		
Total net assets - beginning, adjusted	\$2,062,314	\$776,515
<b>Total net assets - ending</b>	<b>\$3,258</b>	<b>\$1,016,681</b>

## LSU-BR High Risk Deductible Program

### LSU-BR Statement of Financial Position

	<b>Workers' Compensation</b>	<b>Boiler &amp; Machinery Risk Group</b>	<b>Property</b>
<b>ASSETS</b>			
Cash and investments	(\$15,937,405)	(\$298,213)	(\$11,474,824)
Insurance receivables	\$0	\$127,712	\$3,843,031
Interest receivable and other assets	\$131,047	\$0	\$6,049
Prepaid insurance	\$0	\$133,794	\$4,773,143
Capital assets, net of accumulated depreciation	\$14	\$0	\$31
<b>Total assets</b>	<b>(\$15,806,344)</b>	<b>(\$36,707)</b>	<b>(\$2,852,570)</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Loss and expense reserves	\$2,432,536	\$134,686	\$929,623
Unearned premium	\$0	\$133,794	\$4,773,143
Other liabilities	\$7,077	\$1,200	\$113,621
Total liabilities	\$2,439,613	\$269,680	\$5,816,387
Net assets			
Unrestricted net assets	(\$18,245,957)	(\$306,387)	(\$8,668,957)
<b>Total liabilities and net assets</b>	<b>(\$15,806,344)</b>	<b>(\$36,707)</b>	<b>(\$2,852,570)</b>

### Statement of Activities and Changes in Net Assets

<b>OPERATING REVENUES</b>			
Premiums written	\$1,189,181	\$178,347	\$8,309,755
Other revenue	\$91	\$6	\$205
Less unearned premium at statement date	\$0	(\$133,794)	(\$4,773,143)
Less cost of insurance	\$0	(\$36,489)	(\$1,301,766)
<b>Total operating revenues</b>	<b>\$1,189,272</b>	<b>\$8,070</b>	<b>\$2,235,051</b>
<b>OPERATING EXPENSES</b>			
General and administrative expenses	\$92,276	\$6,107	\$206,944
Claims cost:			
Losses	\$313,066	\$0	\$8,950
Less: Deductible payment in lieu of premiums	(\$313,066)	\$0	(\$8,950)
Allocated loss adjustment expense	\$8,904	\$12,369	\$91,901
Unallocated loss adjustment expense	\$220,037	\$4,364	\$226,825
Change in provision for losses/expenses	\$2,432,536	\$134,686	\$929,623
<b>Total operating expenses</b>	<b>\$2,753,753</b>	<b>\$157,526</b>	<b>\$1,455,293</b>
<b>Operating income (losses)</b>	<b>(\$1,564,481)</b>	<b>(\$149,456)</b>	<b>\$779,758</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	\$0	\$0	\$0
Gain(loss) on disposal of capital assets	\$0	\$0	\$0
<b>Total non-operating revenues (expenses)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net income (losses) before transfers</b>	<b>(\$1,564,481)</b>	<b>(\$149,456)</b>	<b>\$779,758</b>
Transfers in			
Transfers out	\$0	\$0	\$0
<b>Total (net) transfers</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Change in net assets</b>	<b>(\$1,564,481)</b>	<b>(\$149,456)</b>	<b>\$779,758</b>
Total net assets - beginning	(\$16,681,476)	(\$156,931)	(\$9,448,715)
Prior period adjustment	\$0	\$0	\$0
Total net assets - beginning, adjusted	(\$16,681,476)	(\$156,931)	(\$9,448,715)
<b>Total net assets - ending</b>	<b>(\$18,245,957)</b>	<b>(\$306,387)</b>	<b>(\$8,668,957)</b>

## Notes to the Financial Statements

### INTRODUCTION

The Office of Risk Management is an agency of the State of Louisiana reporting entity and was created in accordance with Title 39, Chapter 1527:1544 of the Louisiana Revised Statutes of 1950 as a part of the Executive branch of government. The Office of Risk Management is charged with administering the self insurance program within the State of Louisiana.

The mission of the Office of Risk Management is to develop, direct, achieve and administer a cost effective comprehensive risk management program for all agencies, boards and commissions of the State of Louisiana and for any other entity for which the State has an equity interest, in order to preserve and protect the assets of the State of Louisiana.

Funds of the self insurance program may only be used for payment of losses incurred by State agencies under the program together with insurance premiums, legal expenses and administrative costs. The Office has the duty to negotiate, compromise, and settle all claims, including all tort claims against the State or State agencies covered by the program, and all tort claims against the State or State agencies not covered by the program when funding is provided by the legislature through the State General Fund.

#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Office of Risk Management prepares an annual report in compliance with Louisiana Revised Statute 39:1537 that requires the commissioner of administration to submit to the governor, the attorney general, and the legislature annually a formal report on the State's risk management program. Compliance with this statute necessitates a financial statement presentation that reports financial data associated with the State's risk management program by type and line of coverage.

The accompanying unaudited accrual financial statements have been prepared to meet the specific requirements of LRS 39:1537. This basis of accounting provides information that is more characteristic of the insurance industry reporting standards than governmental reporting standards.

In addition to the accompanying regulatory financial statements, the Office of Risk Management prepares annual financial statements in accordance with the procedures established by the Division of Administration. In these annual statements, the financial activities of the Office of Risk Management are accounted for on a governmental accounting fund basis whereby a set of separate, self-balancing accounts are maintained to account for appropriated or authorized activities. The information presented is reported under the modified accrual basis of accounting as prescribed by generally accepted accounting principles for such fund level reporting.

The general fixed assets and long-term obligations of the agency are not recognized in the financial statements prepared by the Office of Risk Management at governmental accounting fund level. All capital assets of the primary government are, however, reported at the government-wide level of reporting, as required by generally accepted accounting principles.

Annually the State of Louisiana issues a comprehensive annual financial report that comply with requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), which includes the activity contained in the Office of Risk Management annual financial statements prepared under generally accepted accounting principles. The comprehensive annual financial report is audited by the Louisiana Legislative Auditor.

LRS 39:1537 does not dictate disclosure requirements for capital assets and long-term debt; accordingly, the accompanying financial statements are not prepared in conjunction with the requirements of GASB 34. Additionally, since these financial statements are prepared using accrual financial data rather than modified accrual financial data, these statements have not been prepared in compliance with generally accepted accounting principles.

1. Self-Insurance Fund – Lines of Coverage and Miscellaneous Programs

Auto Liability

The auto liability line of coverage is used to account for all bodily injury and/or property damage claims on State-owned licensed/rented/leased vehicles used for State business. Auto non-ownership liability is also accounted for in this line of coverage, providing excess coverage from the operation of an employee's personally-owned vehicle while on State business. This coverage is fully self-insured by the State of Louisiana.

Auto Physical Damage

The auto physical damage line of coverage is used to account for all auto physical damage claims on State-owned licensed/rented/leased vehicles used for State business. This coverage is fully self-insured by the State of Louisiana.

Bonds and Crime

The bonds and crime line of coverage is used to account for loss of money, securities, and other property damaged and/or stolen as a result of crime committed by State employees or by a third party. This coverage is fully self-insured by the State of Louisiana.

Workers' Compensation

This line of coverage is used to account for workers' compensation coverage provided to all State employees, and this coverage is fully self-insured. Commercial insurance coverage, however, is purchased under the authority of R.S. 39:1527, et seq., and provides coverage to certain other entities for which the State has an equity interest.

Property

The property line of coverage is used to account for first party losses to buildings and contents in which the State has an insurable interest. In addition, it is used to account for scheduled bridge property losses, equipment breakdown losses, fixed marine facility losses and flood claims. The State of Louisiana provides property coverage for losses up to a limit of \$200,000,000, which includes commercial excess insurance coverage of \$150,000,000 and a Self-Insured Retention (SIR) of \$50,000,000 for the perils of flood, wind and earthquake. A sublimit of \$10,000,000 was provided for all other perils. Flood coverage for 2012-2013 was not provided by the Excess Insurance policy.

General Liability

The general liability line of coverage is used to account for third party injuries or losses and wrongful acts where the State is legally liable. This coverage is fully self-insured by the State for State agencies. Commercial insurance coverage, however, is purchased and provides coverage to certain other entities for which the State has an equity interest.

Personal Injury

The personal liability line of coverage is used to account for claims for damages based on false arrest, detention or imprisonment; malicious prosecution; wrongful entry or eviction; libel, slander or

defamation of character; or violation or deprivation of rights, privileges, or immunities secured by law. This coverage is fully self-insured by the State of Louisiana.

#### Marine, Aviation and Equipment Breakdown

The marine line of coverage is used to account for watercraft liability and loss or damage to covered vessels, including its machinery, fittings and equipment. This coverage is provided through a combination of State self-insurance and commercial insurance policies.

The aviation line of coverage is used to account for aircraft liability, airport liability and physical damage to aircraft that are covered under the policy. This coverage is fully self-insured by the State of Louisiana.

The equipment breakdown line of coverage is used to account for loss or damages to boilers and certain machinery located in buildings for which the State has legal liability. This coverage is provided through a combination of State self-insurance and commercial insurance policies.

#### Medical Malpractice

The medical malpractice line of coverage is used to account for claims at all State health care facilities, including the charity hospital system as well as health units and mental health clinics. In addition it is used to account for claims for clinics and hospitals in the State's prison system, LSU Clinics, and LSU staff and residents in private hospitals throughout the State. This coverage is fully self-insured by the State of Louisiana.

#### Road Hazard

The road hazard line of coverage is used to account for Office of Risk Management costs for investigating, adjusting and managing claims against the State of Louisiana's Department of Transportation and Development (DOTD) for damages resulting from the establishment, design, construction, existence, ownership, maintenance, use, extension, improvement, repair, or regulation of any State bridge, tunnel, dam, street, road, highway, or expressway. The Office of Risk Management does not insure this coverage, but receives general fund appropriations to cover costs of services noted above and for settlement of small non-litigated claims.

#### Miscellaneous Programs

Survivor's benefits payments made in accordance with RS 33:1947 Et al. are accounted for as a miscellaneous program. Premiums are not billed or collected for these payments, but funding is provided through State General Fund appropriations made to the Office of Risk Management.

Medical care costs, paid through the Future Medical Care Fund established in the State Treasury by RS 39:1533.2, are accounted for as a miscellaneous program. At the close of each fiscal year, the treasurer reimburses the Future Medical Care Fund from the Self-Insurance Fund an amount equal to the monies expended from the Future Medical Care Fund during that fiscal year, .

## 2. Basis of Accounting

The Office of Risk Management maintains secondary accounting records by type and line of insurance coverage, following accrual accounting principles. This secondary system is updated monthly, and reconciled to the Office of Risk Management financial transactions entered in the statewide administrative applications through normal business processes. The secondary accounting records were used in preparation of the accompanying unaudited accrual financial statements.

Accrual accounting is a method that measures the performance and position of an entity by reporting economic events, regardless of when cash transactions occur. The general idea is that economic events are recognized by matching revenues to expenses at the time in which the transaction occurs rather than when payment is made (or received).

B. ASSETS

Cash and investments – All cash and investments of the Office of Risk Management are held in accounts approved by the State Treasury and under the oversight of the cash management program of the State of Louisiana. Balances at June 30, 2013 are as follows:

Self-insurance fund	64,770,157
Future medical care fund	<u>1,016,681</u>
Total	<u>\$ 65,786,838</u>

Insurance receivables – Balances at June 30, 2013, are as follows:

Insurance premiums due from State agencies	25,304,923
Excess insurance receivable due from reinsurers	<u>5,995,351</u>
Total	<u>\$ 31,300,274</u>

Prepaid insurance – Payments had been made as of the balance sheet date for certain commercial excess insurance policies where the coverage period(s) extend beyond June 30, 2013.

C. LIABILITIES

Loss and expense reserves – Reserves for losses and loss expense liability within risk limitations, net of excess insurance. Balances at June 30, 2013, are as follows:

Reserves for payment of claims	\$ 328,925,105
Reserves for allocated loss adjustment expenses	70,691,841
Reserves for unallocated loss adjustment expenses	84,933,537
Reserves for incurred but not reported	501,512,212
Estimated recoveries	<u>(18,185,458)</u>
Total	<u>\$ 967,877,237</u>

Other Liabilities – Balances at June 30, 2013, are as follows:

Accounts payable and other accrued liabilities	\$ 44,431,887
Hurricane Katrina excess insurance liability	221,488,503
Amount payable to State Treasury for FUND	983,320
Workers' compensation assessment payable	<u>2,643,849</u>
Total	<u>\$ 269,547,559</u>

D. NET ASSETS

In the equity section of the Office of Risk Management's financial statements, net assets represent the accumulation over time of any differences (positive or negative) between accrual revenues and expenses. For many years the budgets for the Office of Risk Management have been appropriated at less than actuarial cost requirements, therefore the Self Insurance Fund accrual financial statements reflect a deficit net asset balance. The deficit of (\$1,096,819,385) incorporates the net unfunded accrued claims liability at June 30, 2013.

E. REVENUES

The Office of Risk Management's primary source of revenue relates to the premiums written for program participants, including both self-insurance and commercial excess insurance premiums, net of the cost paid for commercial excess premiums.

Premiums are developed based on cash needs and allocated to the program participants on the basis of exposure and experience. Once developed, the premium is submitted to the State Office of Planning and Budget. After budgets have been established and passed by the Legislature, the Office of Planning and Budget prepares a schedule of the risk management program authorized premiums, at appropriation. Annual premiums are billed to participants using this schedule at the beginning of the fiscal year.

A secondary source of revenue relates to State General Fund appropriations to the program to cover costs of the Office of Risk Management relating to road hazards and to fund survivor's benefits in accordance with RS 33:1947 Et al.

F. EXPENSES

Typical annual accrual expenses of the Office Risk Management program include the following:

General and administrative expenses includes costs for administrative salaries and related benefits, travel, training, operating services, supplies, professional services for loss prevention and other consulting services.

Claims loss payments are direct costs necessary in managing specific claims. Medical and indemnity payments on workers compensation claims are examples.

Allocated loss adjustment expenses include costs that are assignable or allocable to specific claims. Fees paid to attorneys, experts, and investigators used to defend claims are examples.

Unallocated loss adjustment expenses includes external, internal, and administrative claims handling expenses, including determination of coverage, that are not included in allocated loss adjustment expenses. Third party administrator fees and State assessments for worker compensation self-insured programs are examples.

Change in provision for losses/expenses relates to any adjustments to reserves liabilities necessary during the fiscal period, to arrive at the total reserves liabilities recognized on accrual financial statements prepared.

G. TRANSFERS

Amounts transferred out of the Self-Insurance Fund during the fiscal year ended June 30, 2013, relate to:

Transfer to State Treasury under Act 597 of 2012	\$ 95,000,000
Transfer to State Treasury under Act 54 of 2013	11,912,124
Transfer to State Treasury under Executive Order BJ 12-24	1,377,628
Transfer to reimburse the future medical care cash fund	<u>983,320</u>
Total	<u>\$ 109,273,072</u>

H. RISK EXPOSURES

There are four basic types of risks to which the State is exposed. Loss can occur as a result of (1) damage to or loss of property, (2) loss of income or increased costs because of damage to or loss of property, (3) liability to others as a result of injury to persons or property and (4) on the job injuries to State employees. These four main types of risks are not mutually exclusive, they are interrelated. Many accidents and claims involve losses in several risk areas.

Risk Management is a process for identifying and controlling risks. Until the mid 1970's, the traditional method of minimizing losses was to transfer risk to a commercial insurance company. Over the years, the State has been pushed toward self-insurance because of increases in insurance premiums and policy cancellations by commercial insurance companies. Now the Office of Risk Management handles the risks to which the State is exposed through a program that includes self insurance to a specific level and excess commercial insurance for certain risks above that level. The dollar limits will vary according to coverage.

The best way to mitigate against loss, however, is through loss prevention and safety programs. Such programs help minimize losses, save money, and most importantly, protect State employees and citizens. The Office of Risk Management aggressively pursues loss prevention through utilization of a third party administrator for loss control inspections, training and consultation with agencies on their safety programs.

#### I. CHANGES IN COVERAGE

During fiscal year 2012-2013, The State of Louisiana provided property coverage for losses up to a limit of \$200,000,000, which included excess coverage of \$150,000,000 and a Self-Insured Retention (SIR) of \$50,000,000 for the perils of flood, wind and earthquake. A sub-limit SIR of \$10,000,000 was provided for all other perils. Flood coverage for 2012-2013 was not provided by the Excess Insurance policy.

During the 2011 Regular Legislative Session, legislation was passed relative to the Louisiana Granting Resources and Autonomy for Diplomas Act (Act No. 418). The act provides for additional operational autonomies to be granted to eligible public postsecondary education institutions, including but not limited to authority and exemptions relative to budgetary management, capital outlay, risk management, and procurement. As part of the transition to full grad autonomy, at the beginning of FY 2012-2013, LSU Baton Rouge elected a larger deductible for both workers' compensation and property under the state-wide self-insured program. A deductible of \$500,000 per occurrence was chosen for workers' compensation and a \$250,000 deductible per occurrence for property. The state-wide premium for those two lines of insurance was reduced due to LSU taking on more of the risk internally.

#### J. UPDATE ON CASE LAW IMPACT

Past significant changes in case law continue to have an adverse impact on the state's liability in general liability claims. On September 3, 1993, the Supreme Court of Louisiana, per case No. 93-C-0472, reversed a lower court's decision in applying Louisiana Revised Statute 13:5106 (B) (1) which provides that "(I) any suit for personal injury, the total amount recoverable, exclusive of medical care and related benefits and loss of earnings, and loss of future earnings, as provided in this Section, shall not exceed five hundred thousand dollars (\$500,000)." The Supreme Court held that the ceiling contravenes the constitutional proscription against sovereign immunity contained in LSA - Constitution, Article XII, § 10. As a result of this ruling, the \$500,000 ceiling on general damages in a personal injury suit was removed and the State of Louisiana faced larger exposure in suits of this nature. This action has the potential to have an adverse effect on 50 claims with outstanding reserves that total \$18 million.

In 1995, the Louisiana electorate ratified a constitutional amendment authorizing the Legislature to cap liability. The result was tort reform acts passed by the Legislature which places a cap on general damages of \$500,000 with no cap on special damages, and limits joint and solidary liability to a tortfeasor's allocated degree of fault.

On May 9, 1996, Act No. 63, known as the "Louisiana Governmental Claims Act" was approved by the governor. This act placed limits on all suits for personal injury and wrongful death. The act states "the total amount recoverable, including all derivative claims, exclusive of property damages, medical care and

related benefits and loss of earnings, and loss of future earnings, shall not exceed five hundred thousand dollars." This Act was not applied retroactively, but did provide for a reduction of costs in claims following its enactment. In February of 2004, the Louisiana Supreme Court ruled that La. R.S. 13:5106, as amended by said Act 63, limits the recovery of wrongful death damages, exclusive of loss of earnings, to \$500,000 per claimant and is not a limit per victim. The result was to expand the potential liability associated with such claims. By Act 1 of 2005, the Legislature further amended such statute to change the effect of the Supreme Court ruling by making explicit the limit is, in fact, per victim, or \$500,000, in toto, exclusive of earning loss.

#### K. ESTIMATING UNPAID CLAIM LIABILITIES

The philosophy relevant to the Office of Risk Management reserving policy is based on the best determination of the State's exposure taking into consideration the severity of the injury and the comparative fault if applicable. In those cases where suit has been filed, the attorney is requested to evaluate the State's exposure as early as possible in order to establish a proper reserve.

Workers compensation reserves are based on exposure determined by the severity of injury, age of claimant, education or lack of it, and potential for return to employment.

#### L. CATASTROPHIC EVENTS

##### Hurricane Katrina

Hurricane Katrina struck the State of Louisiana on August 29, 2005. As of June 30, 2013, State agencies have filed claims for Hurricane Katrina property losses with reserves in excess of \$634.0 million. Claims filed through June 30, 2013 have exceeded insurance coverage by \$134.0 million for this catastrophic event. Through June 30, 2013, the Office of Risk Management has paid State agencies in excess of \$223.6 million for Hurricane Katrina property claims. State agencies continue to make requests for reimbursement of damages. In Fiscal Year 2012-2013, ORM received the final payment from the excess insurance carriers.

##### Hurricane Rita

Hurricane Rita struck the State of Louisiana on September 24, 2005. As of June 30, 2013, State agencies have filed claims for Hurricane Rita property losses with reserves in excess of \$13.8 million. Payments to State agencies total approximately \$12.0 million through June 30, 2013, and the Office of Risk Management continues to receive requests from State agencies for reimbursement of property losses. Based on information from GOHSEP, state agencies presented claims directly to FEMA for payment which has affected ORM's ability to fully analyze the state's losses from disaster.

##### Hurricane Gustav

Hurricane Gustav struck the State of Louisiana on September 1, 2008. As of June 30, 2013, State agencies have filed claims for Hurricane Gustav property losses with reserves in excess of \$156.6 million. Property claims paid through June 30, 2013, are more than \$108.3 million. Dialogue with excess insurers continues as the Office of Risk Management seeks reimbursement of the state's losses in excess of the SIR of \$50 million.

##### Hurricane Ike

Hurricane Ike struck the State of Louisiana on September 13, 2008. As of June 30, 2013, State agencies have filed claims for Hurricane Ike property losses with reserves in excess of \$5.1 million. Property claims paid through June 30, 2013, exceed \$2.0 million.

##### Hurricane Isaac

ORM is the applicant for the state for reimbursement from FEMA for repairs to building and content damage caused by Hurricane Isaac. No reimbursement had been received at June 30, 2013. As of June 30, 2013, the claims for Hurricane Isaac property losses have reserves in excess of \$9.4 million. Payments made on claims total in excess of \$1.5 million through June 30, 2013.

M. OTHER CLAIMS DISCLOSURES

Boudreaux vs. State of Louisiana - A judgment of \$93 million was awarded and with interest is now estimated to be in excess of \$303.5 million. Attempts to reach a compromise on this judgment have been unsuccessful to date.