1200 Riverplace Boulevard, Suite 610
Jacksonville, FL 32207-1803
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Tillinghast - Towers Perrin

August 6, 1997

Mr. Seth E. Keener, Jr.
State Risk Director
Louisiana Office of Risk Management
626 North Fourth Street, Suite 401
State Education Building
Baton Rouge, LA 70802

Dear Mr. Keener:

STATEMENT OF ACTUARIAL OPINION

Enclosed is the Statement of Actuarial Opinion for the Office of Risk Management (ORM), Division of Administration, State of Louisiana loss and loss adjustment expense reserves as of June 30, 1997.

We have prepared this opinion for the internal use of the management of ORM. We understand that ORM may include the Opinion in its Annual Report which may be provided to its excess insurers. We understand further that, under the Freedom of Information Act, this report will become public information available on request to anyone.

We have no objection to your distributing the opinion as indicated above provided that the opinion be distributed in its entirety, all recipients be made aware that Tillinghast - Towers Perrin (Tillinghast), is available to answer any questions concerning the opinion, the recipients make no further distribution of the opinion, all recipients understand that Tillinghast relied on ORM as to the accuracy and completeness of the data and information and did not independently verify any of the data or information used, and that a copy of this letter accompany each distribution. A list of all such recipients must be provided to Tillinghast periodically.

Any recipient should be aware that the opinion was written for users familiar with the content of actuarial opinions. Any recipient not familiar with the contents of loss reserve opinions is advised to carefully read the opinion and to obtain answers to any questions that may arise. Further, the recipient will place no reliance on the opinion which would result in the creation of any duty or liability by Tillinghast to the recipient.

Mr. Seth E. Keener, Jr.
August 6, 1997
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Tillinghast - Towers Perrin

All recipients should be aware that this opinion is only one part of a complete analysis of the financial condition of ORM.

Please let me know if we can be of any further assistance.

Sincerely,

Tillinghast – Towers Perrin

by: Michael Bayard Smith, FCAS, MAAA
1-800-634-7028, extension 1915

MBS/bj

Enclosure

Financial Statement

SELF-INSURED LINES

BALANCE SHEET	AUTO LIABILITY RISK GROUP	AUTO PHYSICAL DAMAGE RISK GROUP	BONDS RISK GROUP	WORKER'S COMP RISK GROUP	MARITIME RISK GROUP	PROPERTY RISK GROUP	GENERAL LIABILITY RISK GROUP	PERSONAL INJURY RISK GROUP
ASSETS								
Cash & investments	$13,595,111	($1,342,169)	($453,338)	$33,940,954	$6,460,871	($15,954,928)	$55,820,644	$16,940,197
Insurance and reinsurance balances receivable	$25,607	$4,771	$43,611	$36,031	$0	$844,692	$1,372,310	$131,553
Less reserve for abolished agencies	$0	$0	$0	$0	$0	$435	$0	$0
Interest receivable and other assets	$37,343	$91	$3,824	$2,839,381	$1,993,293	$34,455	$149,847	$45,546
Prepaid insurance	$771,667	$39,750	$251,480	$146,038	$128,058	$8,756,345	$3,116,911	$714,389
Machinery	$105,772	$24,399	$1,811	$512,670	$38,490	$46,831	$188,636	$55,034
Less: Accumulated depreciation	$97,457	$16,275	$1,366	$414,622	$34,689	$34,730	$162,653	$21,852
TOTAL ASSETS	$14,438,043	($1,289,433)	($153,978)	$37,060,452	$8,586,023	($6,307,770)	$60,485,695	$17,864,867
LIABILITIES & FUND EQUITY								
LIABILITIES								
Loss & expense reserves	$24,339,961	$486,194	$408,431	$240,016,706	$8,599,465	$7,039,576	$144,890,387	$57,130,292
Unearned premium	$0	$0	$0	$0	$0	$123,808	$0	$0
Other liabilities	$31,871	$8,920	$4,826	$1,371,164	$8,018	$24,648	$272,979	$17,413
TOTAL LIABILITIES	$24,371,832	$495,114	$413,257	$241,387,870	$8,607,483	$7,188,032	$145,163,366	$57,147,705
FUND EQUITY								
TOTAL FUND EQUITY	($9,933,789)	($1,784,547)	($567,235)	($204,327,418)	($21,460)	($13,495,802)	($84,677,671)	($39,282,838)
TOTAL LIABILITIES AND FUND EQUITY	$14,438,043	($1,289,433)	($153,978)	$37,060,452	$8,586,023	($6,307,770)	$60,485,695	$17,864,867

STATEMENT OF REVENUES AND EXPENSES	AUTO LIABILITY RISK GROUP	AUTO PHYSICAL DAMAGE RISK GROUP	BONDS RISK GROUP	WORKER'S COMP RISK GROUP	MARITIME RISK GROUP	PROPERTY RISK GROUP	GENERAL LIABILITY RISK GROUP	PERSONAL INJURY RISK GROUP
OPERATING REVENUES								
Premiums written	$11,604,634	$1,678,536	$637,151	$53,751,164	$1,110,885	$16,775,088	$31,393,634	$14,639,494
General fund appr./non-tort reimbursement	$0	$0	$0	$0	$0	$0	$0	$0
Add unearned premium from prior year	$0	$0	$0	$0	$0	$64,847	$0	$0
Less unfunded premium	$0	$0	$0	$0	$0	$0	$0	$0
Less unearned premium as of date of statement	$0	$0	$0	$0	$0	$123,808	$0	$0
Less cost of insurance	$779,650	$40,735	$251,480	$158,281	$23,058	$9,197,369	$3,031,285	$772,375
TOTAL INCOME	$10,824,984	$1,637,801	$385,671	$53,592,883	$1,087,827	$7,518,758	$28,362,349	$13,867,119
OPERATING EXPENSES								
General and administrative expenses	$108,769	$63,224	$6,689	$1,159,338	$6,273	$1,058,356	$234,193	$317,768
Claims cost:								
Losses	$6,084,036	$1,253,985	$189,249	$28,254,998	$78,915	$2,703,023	$11,425,960	$5,713,914
Allocated loss adjustment expense	$704,258	$29,895	$2,100	$968,495	$194,071	$39,657	$3,646,461	$2,987,918
Unallocated loss adjustment expense	$119,900	$144,729	$5,699	$2,909,436	$3,309	$266,562	$282,387	$316,147
Change in provision for losses and expenses	($2,312,718)	$379,957	$174,804	$54,242,324	$3,565,594	$841,564	$6,297,814	$10,552,405
TOTAL EXPENSES	$4,704,245	$1,871,790	$378,541	$87,534,591	$3,848,162	$4,909,162	$21,886,815	$19,888,152
NET INCOME(LOSS) FROM OPERATIONS	$6,120,739	($233,989)	$7,130	($33,941,708)	($2,760,335)	$2,609,596	$6,475,534	($6,021,033)
NON-OPERATING REVENUES AND EXPENSES								
Interest income	$347,136	$0	$0	$501,334	$155,057	$0	$1,319,897	$463,967
Gain(loss) on sale of fixed assets/misc. income	$0	$0	$0	$0	$0	$0	$0	$0
OTHER INCOME/LOSS	$347,136	$0	$0	$501,334	$155,057	$0	$1,319,897	$463,967
TOTAL NET INCOME/LOSS	$6,467,875	($233,989)	$7,130	($33,440,374)	($2,605,278)	$2,609,596	$7,795,431	($5,557,066)
RETAINED EARN./FUND BAL. JULY 1, 1996	($16,486,623)	($1,550,558)	($574,365)	($171,052,259)	$2,749,082	($16,105,444)	($92,473,102)	($33,725,772)
Current year income(loss)	$6,467,875	($233,989)	$7,130	($33,440,374)	($2,605,278)	$2,609,596	$7,795,431	($5,557,066)
Split of coverages	$0	$0	$0	$0	$0	$0	$0	$0
Transfer of funds	$0	$0	$0	$0	$0	$0	$0	$0
Prior year adjustments	$84,959	$0	$0	$165,215	($165,264)	$46	$0	$0
RETAINED EARN./FUND BAL. JUNE 30, 1997	($9,933,789)	($1,784,547)	($567,235)	($204,327,418)	($21,460)	($13,495,802)	($84,677,671)	($39,282,838)

Financial Statement

SELF-INSURED LINES							UNINSURED LINES				
MARINE RISK GROUP	AVIATION RISK GROUP	BOILER & MACHINERY RISK GROUP	CRIME RISK GROUP	MEDICAL MALPRACTICE RISK GROUP	ROAD HAZARDS RISK GROUP	MISC. TORT OTHER	MISC. TORT OTHER UNINSURED	MISC. TORT MALPRACTICE UNINSURED	MISC. TORT ROAD HAZARD UNINSURED	NON-TORT PAYMENTS	TOTAL SELF-INSURED & UNINSURED LINES
($4,870,936)	($1,368,051)	($1,082,989)	$1,156,692	$136,364,820	($1,415,380)	$9,009,706	($6,985,210)	($28,854,725)	($87,466,445)	($140,000)	$130,676,800
$16,101	$4,028	($327,195)	$268	$156,096	($2,044)	$59,549	$2,231	$304,265	$581	$0	$2,979,520
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$435
$37	$8	$24	$3,200	$328,798	$2,812,932	$24,614	$27	$46	$58	$0	$8,273,455
$1,177,235	$616,307	$514,202	$56,021	$0	$825,555	$0	$0	$0	$0	$0	$14,806,214
$5,420	$1,359	$12,205	$2,646	$120,988	$167,855	$49,273	$5,867	$12,471	$28,210	$0	$1,360,953
$3,077	$862	$10,475	$2,511	$72,706	$94,871	$40,454	$4,569	$9,837	$22,391	$0	$1,030,983
($3,675,220)	($747,211)	($894,228)	$1,216,316	$136,897,995	$2,294,047	$9,102,688	($6,981,654)	($28,547,780)	($87,459,987)	($140,000)	$159,128,360
$375,341	$64,754	$742,211	$9,267	$226,752,380	$478,241,336	$7,854,106	$4,050,214	$24,676,778	$27,837,757	$0	$1,252,332,850
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$123,808
$1,765	($5,152)	$16,439	$1,706	$66,295	$61,827	$34,692	$3,140	$3,209	$5,555	$0	$1,916,263
$377,106	$59,602	$758,650	$10,973	$226,818,675	$478,303,163	$7,888,798	$4,053,354	$24,679,987	$27,843,312	$0	$1,254,372,921
($4,052,326)	($806,813)	($1,652,878)	$1,205,343	($89,920,680)	($476,009,116)	$1,213,890	($11,035,008)	($53,227,767)	($115,303,299)	($140,000)	($1,097,307,397)
($3,675,220)	($747,211)	($894,228)	$1,216,316	$136,897,995	$2,294,047	$9,102,688	($6,981,654)	($28,547,780)	($87,459,987)	($140,000)	$157,065,524

MARINE RISK GROUP	AVIATION RISK GROUP	BOILER & MACHINERY RISK GROUP	CRIME RISK GROUP	MEDICAL MALPRACTICE RISK GROUP	ROAD HAZARDS RISK GROUP	MISC. TORT OTHER	MISC. TORT OTHER UNINSURED	MISC. TORT MALPRACTICE UNINSURED	MISC. TORT ROAD HAZARD UNINSURED	NON-TORT PAYMENTS	TOTAL SELF-INSURED & UNINSURED LINES
$1,315,738	$646,321	$2,069,246	$68,822	$54,075,622	$25,788,030	$4,440,802	$497,289	$999,966	$941,499	$0	$222,433,921
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$64,847
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$123,808
$1,282,645	$623,323	$495,401	$65,569	$0	$825,555	$0	$0	$0	$0	$0	$17,546,726
$33,093	$22,998	$1,573,845	$3,253	$54,075,622	$24,962,475	$4,440,802	$497,289	$999,966	$941,499	$0	$204,828,234
$23,308	$4,376	$15,039	$1,693	$427,884	$696,359	$15,434	($7,022)	$2,412	$13,542	$0	$4,147,635
$87,582	$280	$1,007,245	$18,040	$16,404,230	$33,055,270	$221,855	$3,017,732	$1,228,528	$14,929,052	$140,000	$125,813,894
$55,685	$44	$14,251	$256	$3,648,754	$5,905,685	$112,727	$194,498	$170,219	$403,362	$0	$19,078,336
$5,486	$971	$42,444	$424	$514,316	$556,632	$13,896	$8,211	$0	$0	$0	$5,190,549
$38,925	$55,264	$234,286	($10,251)	$21,029,721	($10,801,816)	$1,917,056	($2,249,550)	$8,581,219	($11,052,413)	$0	$81,484,185
$210,986	$60,935	$1,313,265	$10,162	$42,024,905	$29,412,130	$2,280,967	$963,869	$9,982,378	$4,293,543	$140,000	$235,714,598
($177,893)	($37,937)	$260,580	($6,909)	$12,050,717	($4,449,655)	$2,159,835	($466,580)	($8,982,412)	($3,352,044)	($140,000)	($30,886,364)
$0	$0	$0	$28,014	$2,673,625	$208,338	$190,410	$0	$0	$0	$0	$5,887,778
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$28,014	$2,673,625	$208,338	$190,410	$0	$0	$0	$0	$5,887,778
($177,893)	($37,937)	$260,580	$21,105	$14,724,342	($4,241,317)	$2,350,245	($466,580)	($8,982,412)	($3,352,044)	($140,000)	($24,998,586)
($3,874,433)	($768,876)	($1,913,458)	$1,184,238	($104,645,022)	($471,767,799)	($1,204,391)	($10,563,595)	($44,308,202)	($110,984,572)	$0	($1,078,065,151)
($177,893)	($37,937)	$260,580	$21,105	$14,724,342	($4,241,317)	$2,350,245	($466,580)	($8,982,412)	($3,352,044)	($140,000)	($24,998,586)
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$68,036	($4,833)	$62,847	($966,683)	$0	($755,677)
($4,052,326)	($806,813)	($1,652,878)	$1,205,343	($89,920,680)	($476,009,116)	$1,213,890	($11,035,008)	($53,227,767)	($115,303,299)	($140,000)	($1,103,819,414)

Notes to the Financial Statement

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Office of Risk Management is an agency of the State of Louisiana reporting entity. The Office of Risk Management 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 Office of Risk Management prepared its financial statements in accordance with the procedures established by the Division of Administration. While the financial activities of the Office of Risk Management are not legally or practically an established fund account, they are organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained to account for authorized or appropriated activities. While the accompanying financial statements of the Office of Risk Management contain sub-account information of the various funds of the State of Louisiana they only present information as to the transactions of the Office of Risk Management as authorized by Louisiana statutes and administrative regulations.

In June of 1996, the Governmental Accounting Standards Board (GASB) updated its Codification of Governmental Accounting and Financial Reporting Standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government. The accompanying financial statements have been prepared in accordance with such principles.

Annually the State of Louisiana issues a comprehensive annual financial report which includes the activity contained in the accompanying financial statements. The comprehensive annual financial report is audited by the Louisiana Legislative Auditor.

B. FUND ACCOUNTING

General Operating Appropriations
The General Operations Fund is used to account for all general and auxiliary fund appropriated operating expenses and minor capital acquisitions. All appropriated general and auxiliary operations revenue is accounted for in this fund.

Non-Appropriated Funds (describe each Non-Appropriated Fund)

Major State Revenues and Income Not Available
The agency collects major state revenues that are remitted to the State Treasury for deposit to statutorily dedicated funds.

Payroll Clearing Fund
The Payroll Clearing Fund is used to account for payroll deductions and accrued benefits.

The non-appropriated funds relating to Major State Revenues, Income Not Available and Payroll Clearing are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts presented in these financial statements of the Office of Risk Management are maintained in accordance with generally accepted accounting procedures and applicable statutory provisions and the regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

Revenues
State General Fund and Interim Emergency Board appropriations are recognized as received.

Fees and self-generated revenues, interagency transfers, federal funds, intrafund revenues, non-appropriated revenues, and other financing sources (with the exception of agency funds) are recognized in the amounts earned, to the extent that they are both measurable and available.

Expenditures
Expenditures are generally recognized under the accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recorded as expenditures when paid.

D. GENERAL FIXED ASSETS

At June 30, 1997, the agency had stewardship responsibility for $1,377,635.24 in movable property, valued at straight line. The agency does not include in the movable property inventory items valued at $250 or less; however, movable property acquired through capital leases have been added to the inventory.

In accordance with Louisiana Revised Statutes 39:321-332, the agency has complied with the movable property statutes of the State of Louisiana.

(As of this fiscal year, most agencies have purged movable property valued at less than $250. These agencies cannot use the first two columns. Agencies still maintaining movable property items valued at less than $250 are the only agencies allowed to use the first two columns below. The beginning balance should equal the ending balance shown on the 1996 Note D. The dollar amount of the purged items should be reported in the second column. The third column, "Restated Balance" is column one minus column two. remaining columns should be completed as in prior years.) A summary of changes in movable property follows:

Balance July 1, 1996	Adjustment	Restated Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
$1,454,541	$	$1,454,541	$144,134	$221,040	$1,377,635

E. LONG TERM OBLIGATIONS

The agency by statute is not allowed to incur bonded indebtedness and therefore no recognition within this account is necessary. Further, any long term obligation of the agency arising from lease commitments or compensated absences are not recognized in the accompanying statements but are disclosed within these notes.

F. ENCUMBRANCE ACCOUNTING

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances are recorded by the agency but are not included in the financial statements. The agency does not have the ability to finance the liquidation of encumbrances after June 30, 1997 as provided by Louisiana Revised Statute 39:82(A).

Notes to the Financial Statement

G. BUDGETARY PRACTICES

The appropriations made for the general operations of the various funds of the agency are annual lapsing appropriations. Ancillary/auxiliary appropriations are made for the operations of programs outside the agency's general operations.

1. The budgetary process for the general appropriation and the auxiliary appropriation is an annual appropriation valid for one year. Revenues for budgetary purposes are recognized on the same basis of accounting as described in Note C. Expendituresfor budgetary purposes are recognized on the same basis of accounting as described in Note C.

   (If revenues and expenditures for budgetary purposes are recognized on a basis different than identified above, describe the differences and provide a reconciliation between Schedule 1 and Statement B in the Notes to the Financial Statement.)

2. The agency is prohibited by statute from over expending the programs established in the budget.

3. Budget revisions are granted by the Joint Legislative Committee on the Budget, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.

4. The budgetary information in the financial statements include the original appropriation plus subsequent amendments as follows:

	General Appropriations	Ancillary	Ancillary	Ancillary
Original approved budget	$	$ 239,326,671	$	$
Amendments (Group				
like amendments together)				
Total	$	$ 239,326,671	$	$

During the fiscal period the general appropriations/ancillary auxiliary fund type employs encumbrance accounting to assure compliance with annual appropriation acts.

The Auxiliary Appropriation funds are allowed to retain excess resources to fund future program expenses as a restricted fund balance. The non-appropriated funds are not subject to budgetary control.

H. INVENTORY OF MATERIALS AND SUPPLIES

In general, inventories are recorded as an expenditure when purchased. The cost value of inventory, determined under (perpetual or periodic) inventory system using the (FIFO, LIFO, etc.) valuation method, at the date of the financial statement is presented within the asset portion of the statement for informational purposes only. A fund balance reserve for inventory equal to the amount of inventory is used to indicate that inventory is not an "available expendable resource".

I. LEAVE

1. Annual and Sick Leave

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. Act 343 of 1993 allows members of the Louisiana State Employees, Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. The liability for unused annual leave payable at June 30, 1997, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be $ 394,617.01. The leave payable is recorded in the accompanying financial statements.

NOTE: Should you have employees who upon retirement - or their heirs upon the employee's death - are compensated for up to 25 days of unused sick leave, you should include the dollar value of this leave in the annual leave shown above. Civil Service General Circular Number 001155 states that classified employees