

**STATE OF LOUISIANA
DIVISION OF ADMINISTRATION**



OFFICE OF RISK MANAGEMENT

Annual Report FY 2005-2006

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The mission of the Office of Risk Management (ORM) 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.

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Executive Summary

OVERVIEW

Fiscal Year 2006 (FY06) began in the midst of a hard insurance market, although there was some softening in the liability and property lines. Still overall, the renewal of insurance coverages for governmental entities continued to be expensive.

The excess liability program was re-bid for July 1, 2005 for all state agencies and was not awarded due to the cost. The Office of Risk Management (ORM) determined the most cost effective method was to provide the self-insured \$5 million limit for general liability, automobile liability, personal injury, and DOTD road hazard coverage, with any claims exceeding our limit being directed to the Legislature for payment. Wet Marine coverage was re-bid with a \$1 million self-insured retention (as opposed to the \$50,000 SIR in past years) to make the in-house adjusting process more efficient and cost effective as well.

In the past, the Superdome's general liability was 100% commercial coverage. Beginning July 1, 2005, ORM generated a self-insured general liability policy with a limit of \$5 million for Superdome and Arena operations. Excess general liability insurance was then bid in multiple layers to provide for flexibility of the coverage limits thereby decreasing premium costs.

In August and September 2005, Hurricane Katrina, the levee breach, Hurricane Rita and an already hard insurance market combined to form the "perfect storm". The catastrophic damage caused sent property insurance costs soaring. Damage to State properties exceeded the State's commercial insurance coverage limits, consequently the state is receiving Federal Emergency Management Agency assistance to rebuild and/or restore these properties. The State's property policy was not renewed by the commercial insurance carriers and it can be expected that the cost of excess property

coverage will dramatically increase while the coverage limits decrease, if it is available at all.

The coverage lines impacted to the greatest extent by hurricanes were Property and Auto Physical Damage respectively. Primarily, as a result of the marked increases in the number of claims in these two lines, claims payments for FY06 (\$284 million) were twice the amount of FY05 (\$133 million) payments.

AUTO LIABILITY AND PHYSICAL DAMAGE

Hurricane-related claims were not as voluminous as in the property line but still comprised 51% (440) of new Auto Physical Damage claims opened (856) in FY06. Although, the storms had a definite impact on this coverage line claims continue to be addressed and closed. Due to the nature of the claims, ORM was able to close 35% of hurricane-related automobile physical damage claims as of June 30, 2006 while continuing to manage effectively all coverage lines.

GENERAL LIABILITY

The General Liability line has shown a decline in new claims (689) reported in FY06 in comparison to FY05 (1183). However, the pending claims total has increased from 2,197 to 2,468. This trending is indicative of the pervasive effects of the 2005 hurricanes.

New legislation resulting from the hurricanes temporarily extended the filing date of claims to 24 months in lieu of the 12-month prescriptive period. Additionally, numerous courts in the affected areas were closed from the date of the storms, August 29, 2005, through the year's end. These two events delayed the filing of new claims and halted the progression of existing claims. As a result, the litigation process in those affected areas came to a standstill.

PROPERTY

In FY06, 3,028 property claims were reported, 91% (2770) of the claims were hurricane-related. Due to sheer volume, it was necessary to assign the workload caused by the hurricane-related claims to numerous independent adjuster firms. The immense size of the catastrophe continues to impact the repairs/rebuilding of affected State agencies, thus hampering ORM's ability to close many of the hurricane-related claims in the property line.

MEDICAL MALPRACTICE

The medical malpractice line continues to show a decrease in the number of pending cases and receipt of new claims. This decline correlates with legislation passed in 2004 requiring the payment of a filing fee per named defendant and aggressive claims management practices resulting in reduction of a backlog of old claims. Despite the reduction in new claims, the settlement/judgment payout for medical malpractice claims is up from 2005 by \$2.2 million. In addition to aggressive claims management to address the backlog of old cases, another factor that attributed to the cost increase is several large settlements, which include a \$1.2 million settlement on a single claim.

ROAD HAZARDS

Five hundred and seventy-four (574) new road hazard claims were reported in FY 06. Seventy-nine (79) of these claims occurred in East Baton Rouge Parish. The primary identifiable cause of losses statewide was attributable to potholes on the roadways, followed by debris. Nine hundred and eight (908) claims were closed in FY06 with a total paid amount of \$27,530,737.08. .

We have continued the ORM/Louisiana State Police (LSP) Accident Reconstruction Program with success. During the 2005-2006 fiscal year, ORM, LSP and the Louisiana Department of Transportation and Development (DOTD) investigated 131 highway crashes on State

highways. The ORM/LSP Accident Reconstruction Program is a critical component in the investigation of serious or fatal losses on State highways. With experienced reconstruction officers, the State of Louisiana is able to evaluate the loss and potential exposure and preserve evidence in preparation of litigation. This proactive program has allowed ORM to dispose of claims more effectively.

Although there were not a significant number of road hazards claims related to the hurricanes, damage to the roadways caused by Hurricanes Katrina and Rita did impact state highways. Further, court closures in affected parishes resulted in delays in moving existing litigation forward. In light of the delays, we concluded 202 litigated claims by Consent or Final Judgments.

WORKERS' COMPENSATION

Workers compensations savings and recoveries continue to increase. ORM realized a total savings of \$14,555,129 through bill review and fee scheduling. This reflects a \$1.9 million increase from FY05. Additionally, ORM recovered \$2,531,713 from the second injury board; up \$977,000 from the prior fiscal year.

LOSS PREVENTION

Due to the effects of hurricanes Katrina and Rita (including clean up and reconstruction) on multiple State agencies, all Loss Prevention (LP) compliance review activities were suspended during this period. All State agencies were affected by the 2005 hurricanes. For agencies with locations within the greater New Orleans area, the impact was even greater. After the storms, agency priorities and personnel shifted to disaster recovery and assistance and in some instances both. The ORM's Loss Prevention Unit's was not exempt from refocused priorities and was also shifted to disaster-related tasks.

As a result of the hurricanes, Loss Prevention Officers (LPOs) were required to conduct off-cycle appraisals to facilitate recovery. LPOs

conduct appraisals of approximately 9,000 state-owned and some non state-owned structures having a total replacement value in excess of 8.5 billion dollars. Appraisals are completed over a four-year cycle and are input into the State Land and Building System (*SLABS*), to update the appraised value. During FY06 Loss Prevention Officers conducted 3400 appraisals, 1150 more than the annual requirement.

Despite delays caused by the effects of the storms, 47 instructor-led classes were offered to employees of all State departments. As a result, 945 State employees participated in and benefited from the courses. In addition, the **computer-based training (CBT) course, *Driver Safety***, which allows State employees to complete required training without leaving their office, was revised. Additional CBT courses, such as Bloodborne Pathogens, are under development and will be made available to all State agencies once completed.

CONCLUSION

From the onset of the catastrophe, ORM management assessed the state of affairs and

implemented a plan of action. Immediately recognized was the need to employ the services of independent adjustment firms to address the enormity of the disaster and ensuing claims. We were successful in contracting with qualified firms, carefully negotiating contracts without losing sight of the obligation of being fiscally responsible.

As the situation progressed and federal aid became available, the next challenge was navigating through the Federal Emergency Management Agency's (FEMA) process to obtain funds. This proved to be a daunting task requiring expert first-hand knowledge. A consultant was hired and his expertise continues to be an invaluable resource.

Although FY06 proved to be one of the most challenging fiscal years in ORM's history, the lessons learned from the storms are invaluable. In spite of operating in a worst-case scenario, ORM was able to continue its mission to preserve and protect the assets of the State of Louisiana through prompt and efficient claims management.

Claims Reported

AUTO LIABILITY (FY06)	
DEPARTMENT	CLAIMS REPORTED
0010 - EXECUTIVE DEPARTMENT	15
0400 - DIVISION OF ADMINISTRATION	8
0500 - DEPT. TRANSPORTATION & DEVELPMNT	147
0900 - LSUMC HEALTH CARE SERVICES DIVISION	0
1000 - DEPT. OF HEALTH AND HOSPITALS	37
1800 - DEPARTMENT OF SOCIAL SERVICES	21
2000 - DEPARTMENT OF CORRECTIONS	54
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	8
2200 - DEPARTMENT OF PUBLIC SAFETY	102
2300 - DEPARTMENT OF NATURAL RESOURCES	0
2400 - DEPT OF ENVIRONMENTAL QUALITY	5
2600 - DEPARTMENT OF LABOR	0
2800 - DEPT. OF WILDLIFE & FISHERIES	25
2900 - DEPARTMENT OF REVENUE	7
3100 - DEPT. CULTURE, RECREATION, TOURISM	10
3300 - DEPARTMENT OF STATE	2
3400 - DEPARTMENT OF JUSTICE	3
3700 - DEPT. OF AGRICULTURE & FORESTRY	28
4100 - DEPARTMENT OF EDUCATION	0
4350 - DEPARTMENT OF PUBLIC SERVICE	1
4400 - LSU SYSTEM	39
4600 - SOUTHERN UNIVERSITY SYSTEM	4
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	28
5800 - SPECIAL SCHOOLS & EDUCATN AGENCY	8
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	2
7200 - MISC. BOARDS & COMMISSIONS	0
7600 - LEGISLATURE	2
7700 - JUDICIARY	0
9900- MISC	2
TOTAL REPORTED	558

AUTO PHYSICAL DAMAGE (FY06)	
DEPARTMENT	CLAIMS REPORTED
0010 - EXECUTIVE DEPARTMENT	59
0400 - DIVISION OF ADMINISTRATION	8
0500 - DEPT. TRANSPORTATION & DEVELPMNT	85
0900 - LSUMC HEALTH CARE SERVICES DIVISION	15
1000 - DEPT. OF HEALTH AND HOSPITALS	63
1800 - DEPARTMENT OF SOCIAL SERVICES	46
2000 - DEPARTMENT OF CORRECTIONS	125
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	26
2200 - DEPARTMENT OF PUBLIC SAFETY	91
2300 - DEPARTMENT OF NATURAL RESOURCES	3
2400 - DEPT OF ENVIRONMENTAL QUALITY	2
2600 - DEPARTMENT OF LABOR	1
2800 - DEPT. OF WILDLIFE & FISHERIES	70
2900 - DEPARTMENT OF REVENUE	5
3000 - DEPARTMENT OF CIVIL SERVICE	1
3100 - DEPT. CULTURE, RECREATION, TOURISM	15
3200 - LIEUTENANT GOVERNOR	1
3300 - DEPARTMENT OF STATE	2
3400 - DEPARTMENT OF JUSTICE	7
3600 - DEPARTMENT OF THE TREASURY	1
3700 - DEPT. OF AGRICULTURE & FORESTRY	39
4000 - DEPARTMENT OF INSURANCE	1
4350 - DEPARTMENT OF PUBLIC SERVICE	1
4400 - LSU SYSTEM	68
4600 - SOUTHERN UNIVERSITY SYSTEM	20
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	19
5800 - SPECIAL SCHOOLS & EDUCATN AGENCY	5
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	21
7200 - MISC. BOARDS & COMMISSIONS	51
7600 - LEGISLATURE	3
7700 - JUDICIARY	2
TOTAL REPORTED	856

BONDS AND CRIME (FY06)	
DEPARTMENT	CLAIMS REPORTED
0400 - DIVISION OF ADMINISTRATION	1
TOTAL REPORTED	1

WORKERS' COMPENSATION (FY06)	
LOC DEPARTMENT	CLAIMS REPORTED
0010 - EXECUTIVE DEPARTMENT	107
0400 - DIVISION OF ADMINISTRATION	47
0500 - DEPT. TRANSPORTATION & DEVELOPMENT	365
0900 - LSUMC HEALTH CARE SERVICES DIVISION	510
1000 - DEPT. OF HEALTH AND HOSPITALS	1006
1800 - DEPARTMENT OF SOCIAL SERVICES	156
2000 - DEPARTMENT OF CORRECTIONS	385
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	160
2200 - DEPARTMENT OF PUBLIC SAFETY	232
2300 - DEPARTMENT OF NATURAL RESOURCES	5
2400 - DEPT OF ENVIRONMENTAL QUALITY	14
2500 - DEPT. ECONOMIC DEVELOPMENT	3
2600 - DEPARTMENT OF LABOR	30
2800 - DEPT. OF WILDLIFE & FISHERIES	91
2900 - DEPARTMENT OF REVENUE	7
3000 - DEPARTMENT OF CIVIL SERVICE	2
3100 - DEPT. CULTURE, RECREATION, TOURISM	36
3300 - DEPARTMENT OF STATE	8
3400 - DEPARTMENT OF JUSTICE	11
3600 - DEPARTMENT OF THE TREASURY	0
3700 - DEPT. OF AGRICULTURE & FORESTRY	125
4000 - DEPARTMENT OF INSURANCE	6
4100 - DEPARTMENT OF EDUCATION	41
4300 - DEPARTMENT OF PUBLIC SERVICE	0
4400 - LSU SYSTEM	824
4600 - SOUTHERN UNIVERSITY SYSTEM	40
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	371
5800 - SPECIAL SCHOOLS & EDUCATION AGENCY	63
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	55
7000 - EMPLOYEE BENEFIT SYSTEMS	3
7200 - MISC. BOARDS & COMMISSIONS	12
7600 - LEGISLATURE	9
7700 - JUDICIARY	8
TOTAL REPORTED	4732

PROPERTY (FY06)	
LOC DEPARTMENT	CLAIMS REPORTED
0010 - EXECUTIVE DEPARTMENT	450
0400 - DIVISION OF ADMINISTRATION	40
0500 - DEPT. TRANSPORTATION & DEVELOPMENT	130
0900 - LSUMC HEALTH CARE SERVICES DIVISION	57
1000 - DEPT. OF HEALTH AND HOSPITALS	248
1800 - DEPARTMENT OF SOCIAL SERVICES	92
2000 - DEPARTMENT OF CORRECTIONS	179
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	33
2200 - DEPARTMENT OF PUBLIC SAFETY	48
2300 - DEPARTMENT OF NATURAL RESOURCES	4
2400 - DEPT OF ENVIRONMENTAL QUALITY	7
2500 - DEPARTMENT OF ECONOMIC DEVELOPMENT	1
2600 - DEPARTMENT OF LABOR	1
2800 - DEPT. OF WILDLIFE & FISHERIES	151
2900 - DEPARTMENT OF REVENUE	2
3000 - DEPARTMENT OF CIVIL SERVICE	2
3100 - DEPT. CULTURE, RECREATION, TOURISM	217
3300 - DEPARTMENT OF STATE	34
3400 - DEPARTMENT OF JUSTICE	1
3700 - DEPT. OF AGRICULTURE & FORESTRY	57
4000 - DEPARTMENT OF INSURANCE	1
4100 - DEPARTMENT OF EDUCATION	11
4400 - LSU SYSTEM	446
4600 - SOUTHERN UNIVERSITY SYSTEM	30
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	336
5800 - SPECIAL SCHOOLS & EDUCATION AGENCY	25
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	201
7200 - MISC. BOARDS & COMMISSIONS	214
7600 - LEGISLATURE	3
7700 - JUDICIARY	5
9900 - MISC	2
TOTAL REPORTED	3028

PERSONAL INJURY (FY06)	
Department	CLAIMS REPORTED
0010 - EXECUTIVE DEPARTMENT	6
0400 - DIVISION OF ADMINISTRATION	2
0500 - DEPT. TRANSPORTATION & DEVELOPMENT	2
0900 - LSUMC HEALTH CARE SERVICES DIVISION	1
1000 - DEPT. OF HEALTH AND HOSPITALS	6
1800 - DEPARTMENT OF SOCIAL SERVICES	7
2000 - DEPARTMENT OF CORRECTIONS	114
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	5
2200 - DEPARTMENT OF PUBLIC SAFETY	14
2300 - DEPARTMENT OF NATURAL RESOURCES	0
2400 - DEPT OF ENVIRONMENTAL QUALITY	2
2500 - DEPT OF ECONOMIC DEVELOPMENT	1
2600 - DEPARTMENT OF LABOR	0
2800 - DEPT. OF WILDLIFE & FISHERIES	1
3000 - DEPARTMENT OF CIVIL SERVICE	1
3300 - DEPARTMENT OF STATE	1
3400 - DEPARTMENT OF JUSTICE	4
3700 - DEPT. OF AGRICULTURE & FORESTRY	2
4000 - DEPARTMENT OF INSURANCE	1
4100 - DEPARTMENT OF EDUCATION	5
4400 - LSU SYSTEM	6
4600 - SOUTHERN UNIVERSITY SYSTEM	4
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	9
5800 - SPECIAL SCHOOLS & EDUCATION AGENCY	2
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	1
7000 - EMPLOYEE BENEFIT SYSTEMS	0
7200 - MISC. BOARDS & COMMISSIONS	0
7600 - LEGISLATURE	1
7700 - JUDICIARY	13
9900 - MISCELLANEOUS	2
TOTAL REPORTED	213

GENERAL LIABILITY (FY06)	
DEPARTMENT	CLAIMS REPORTED
0010 - EXECUTIVE DEPARTMENT	32
0400 - DIVISION OF ADMINISTRATION	8
0500 - DEPT. TRANSPORTATION & DEVELOPMENT	39
0900 - LSUMC HEALTH CARE SERVICES DIVISION	39
1000 - DEPT. OF HEALTH AND HOSPITALS	81
1800 - DEPARTMENT OF SOCIAL SERVICES	22
2000 - DEPARTMENT OF CORRECTIONS	104
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	3
2200 - DEPARTMENT OF PUBLIC SAFETY	22
2300 - DEPARTMENT OF NATURAL RESOURCES	6
2400 - DEPT OF ENVIRONMENTAL QUALITY	8
2600 - DEPARTMENT OF LABOR	3
2800 - DEPT. OF WILDLIFE & FISHERIES	3
3100 - DEPT. CULTURE, RECREATION, TOURISM	21
3700 - DEPT. OF AGRICULTURE & FORESTRY	13
4000 - DEPT. OF INSURANCE	1
4400 - LSU SYSTEM	103
4600 - SOUTHERN UNIVERSITY SYSTEM	23
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	113
5800 - SPECIAL SCHOOLS & EDUCATION AGENCY	5
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	21
7200 - MISC. BOARDS & COMMISSIONS	9
7700 - JUDICIARY	2
9900 - MISCELLANEOUS (NON-AGENCY)	8
TOTAL REPORTED	689

MARINE, AVIATION AND BOILER & MACHINERY (FY06)

Department	CLAIMS REPORTED		
	AVIATION	MARINE	BOILER
0400 - DIVISION OF ADMINISTRATION			1
0500 - DEPT. TRANSPORTATION & DEVELOPMNT		37	
0900 - LSUMC HCSD			4
1000 - DEPARTMENT OF HEALTH AND HOSPITALS			7
2000 - DEPARTMENT OF CORRECTIONS			4
2200 - DEPARTMENT OF PUBLIC SAFETY			3
2800 - DEPARTMENT OF WILDLIFE & FISHERIES	2	5	
3700 - DEPARTMENT OF AGRICULTURE & FORESTRY	1		
4000 - LSU SYSTEM			10
4600 - SOUTHERN UNIVERSITY SYSTEM			7
4800 - TRUSTEES SYSTEM OF UNIVERSITIES			10
TOTAL REPORTED	3	42	46

MEDICAL MALPRACTICE (FY06)	
DEPARTMENT	CLAIMS REPORTED
0900 - LSUMC HEALTH CARE SERVICES DIVISION	101
1000 - DEPT. OF HEALTH AND HOSPITALS	11
4400 - LSU SYSTEM	110
9900 - MISCELLANEOUS (NON-AGENCY)	2
TOTAL REPORTED	224

MEDICAL MALPRACTICE (FY06) <i>(LSUMC HEALTH CARE SERVICES)</i>	
Department	CLAIMS REPORTED
0912 - EARL K. LONG MEDICAL CENTER	4
0914 - HUEY P. LONG MEDICAL CENTER	8
0916 - UNIVERSITY MEDICAL CENTER	19
0918 - W. O. MOSS REGIONAL MED. CENTER	5
0920 - LALLIE KEMP REGIONAL MED. CENTER	5
0922 - WASHINGTON-ST. TAMMANY RMC	10
0924 - LEONARD J. CHABERT MEDICAL CNTR	16
0926 - MEDICAL CENTER OF LA AT N.O.	34
Total By LSUMC	101

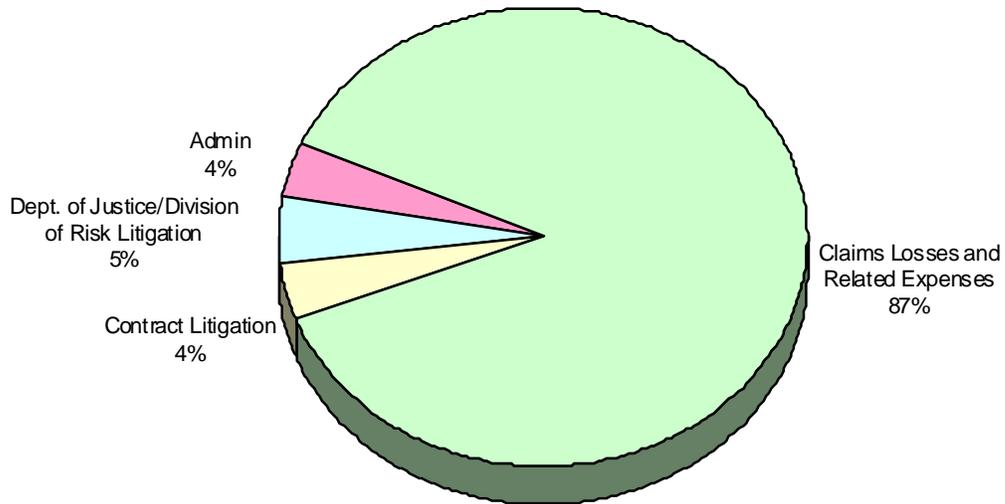
MEDICAL MALPRACTICE (FY06) <i>(LSU SYSTEM)</i>	
DEPARTMENT	CLAIMS REPORTED
4485 - LSU HEALTH SERVICES-SHREVE-GENERAL OPER.	72
4488 - E.A. CONWAY MEDICAL CENTER	14
4490 - LSU HEALTH SERVICES-N.O.-GENERAL OPER.	24
Total LSU	110

ROAD HAZARDS (FY06)*(BY PARISH)*

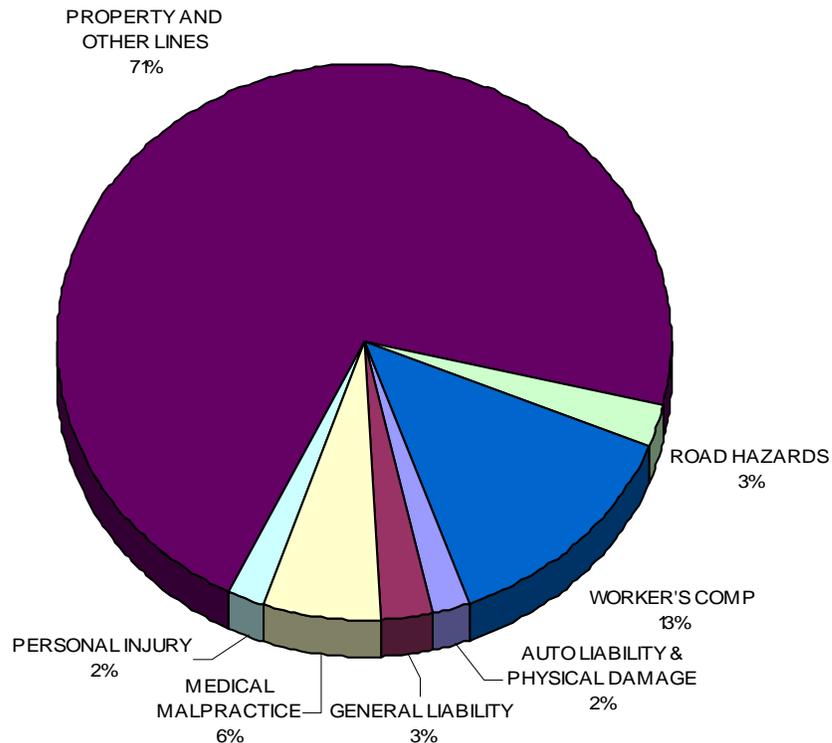
PARISH	NUMBER OF CLAIMS REPORTED	PARISH	CLAIMS REPORTED
01 - ACADIA	11	35 - NATCHITOCHE	9
02 - ALLEN	7	36 - ORLEANS	16
03 - ASCENSION	17	37 - OUACHITA	14
04 - ASSUMPTION	12	38 - PLAQUEMINES	3
05 - AVOUELLES	11	39 - POINT COUPEE	6
06 - BEAUREGARD	2	40 - RAPIDES	12
07 - BIENVILLE	1	41 - RED RIVER	3
08 - BOSSIER	11	42 - RICHLAND	3
09 - CADDO	28	43 - SABINE	1
10 - CALCASIEU	24	44 - ST. BERNARD	4
11 - CALDWELL	4	45 - ST. CHARLES	10
14 - CLAIBORNE	3	46 - ST. HELENA	2
15 - CONCORDIA	3	47 - ST. JAMES	7
16 - DESOTO	4	48 - ST. JOHN THE BAPTIST	5
17 - EAST BATON ROUGE	79	49 - ST. LANDRY	9
19 - EAST FELICIANA	1	50 - ST. MARTIN	8
20 - EVANGELINE	4	51 - ST. MARY	7
21 - FRANKLIN	9	52 - ST. TAMMANY	21
22 - GRANT	3	53 - TANGIPAHOA	21
23 - IBERIA	7	54 - TENSAS	1
24 - IBERVILLE	17	55 - TERREBONNE	13
25 - JACKSON	6	56 - UNION	6
26 - JEFFERSON	19	57 - VERMILLION	7
27 - JEFFERSON DAVIS	1	58 - VERNON	6
28 - LAFAYETTE	50	59 - WASHINGTON PARISH	3
29 - LAFOURCHE	7	60 - WEBSTER	1
30 - LASALLE	2	61 - WEST BATON ROUGE	7
31 - LINCOLN	1	63 - WEST FELICIANA	8
32 - LIVINGSTON	13	64 - WINN	3
34 - MOREHOUSE	1	TOTAL REPORTED	574

ROAD HAZARDS (FY06) <i>(BY CAUSE)</i>	
CAUSE	CLAIMS REPORTED
Cause: 3000 - FAILURE TO MAINTAIN/UPGRADE	
3001 - POT HOLE	82
3002 - WATER ON ROAD	23
3003 - ICE ON ROAD	3
3004 - MUD ON ROAD	1
3005 - OIL/CHEMICALS ON ROAD	2
3006 - LOOSE MATERIAL ON ROAD	4
3007 - EDGE RUT ON ROAD	9
3008 - TREE ON ROAD	12
3009 - TREE OVERHANGING ROAD	2
3010 - VISION OBSTRUCTION	10
3011 - OTHER OBJECT ON ROAD	54
3012 - MISSING SIGNS	11
3013 - ROUGH CROSSING	4
3014 - SIGNAL MALFUNCTION	20
3015 - OTHER MALFUNCTION	29
3016 - PAVEMENT MARKINGS NOT VISIBLE	3
3017 - FAILS TO MEET AASHTO STANDARDS	4
3018 - FAILS TO MEET DOTD STANDARDS	2
3099 - UNKNOWN	53
Total By Cause	328
Cause: 3100 - IMPROPER CONSTRUCTION	
3119 - ROAD SURFACE	4
3124 - INSUFFICIENT/MISSING SIGNS	1
3128 - SIGNALS	2
3125 - BARRICADES	3
3131 - FLOODING	1
3199 - UNKNOWN	7
Total By Cause	18
Cause: 3200 - IMPROPER DESIGN	
3250 - ROAD SURFACE	12
3251 - CURVE RADIUS	2
3252 - CURVE SUPER-ELEVATION	1
3253 - DITCH SLOPE	2
3254 - GRADE/SLOPE	1
3255 - INSUFFICIENT/MISSING SIGNS	5
3259 - SIGNALS	5
3260 - MARKINGS	2
3262 - FLOODING	2
3299 - UNKNOWN	9
Total By Cause	41
Cause: 3900 - MISCELLANEOUS	
3999 - OTHER	188
Total By Cause	188

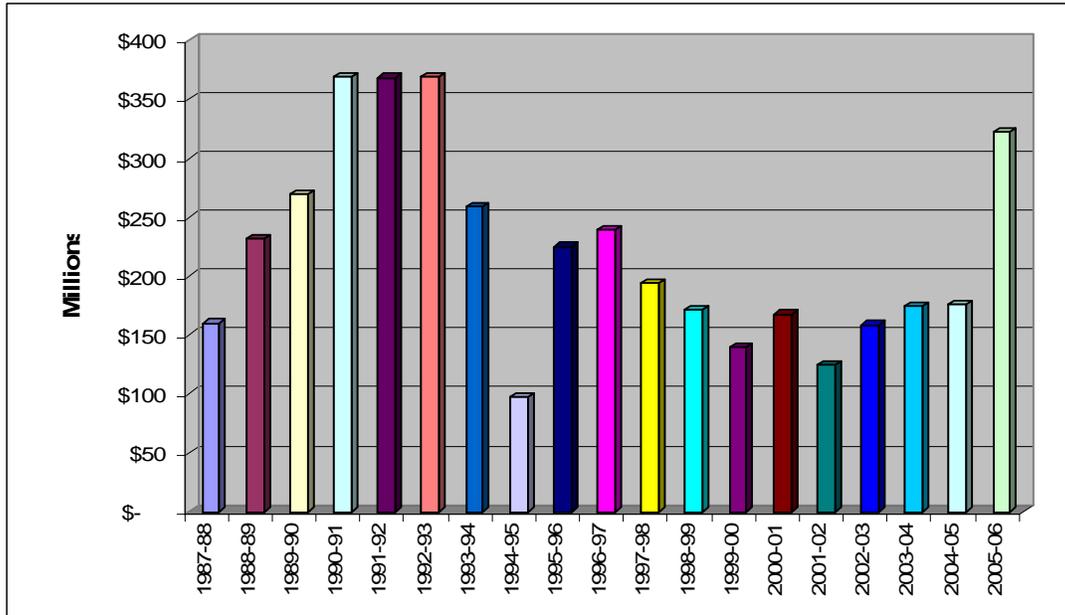
Cash Expenditures by Budget Program



Cash Expenditures by Line of Insurance

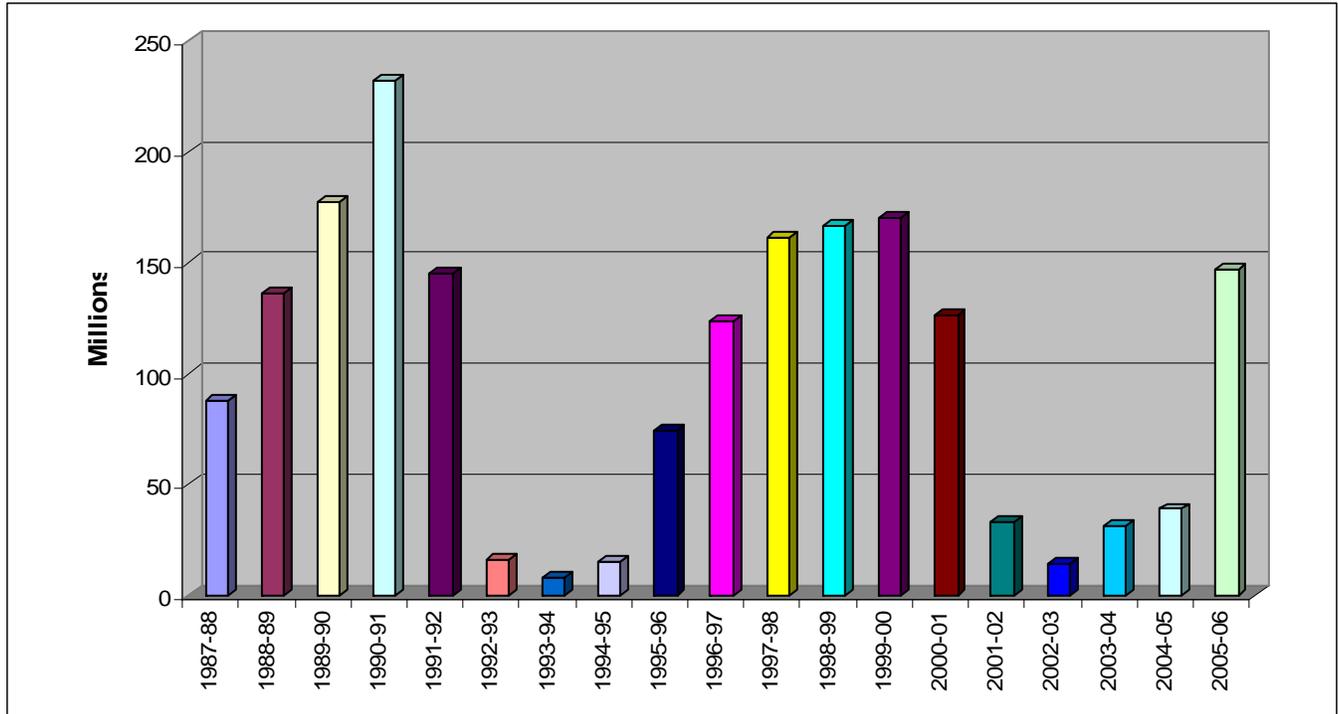


Budget



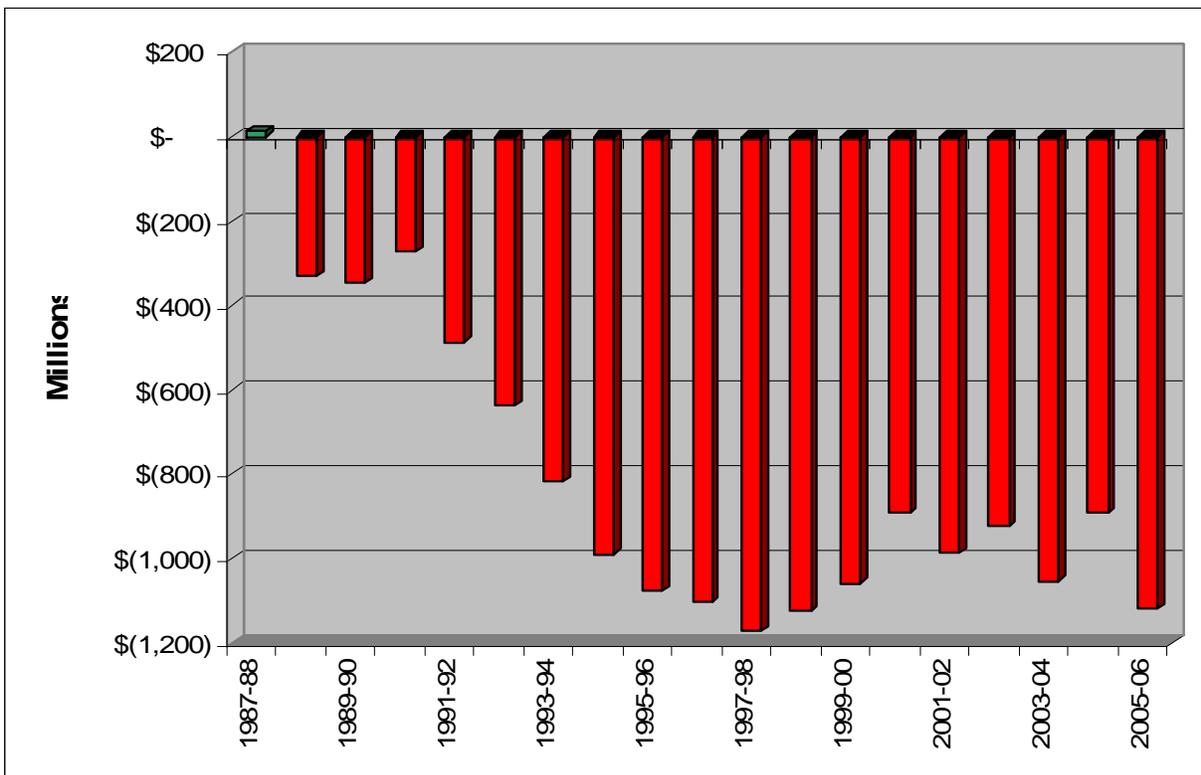
Fiscal Year	Total Budget
1987-88	\$ 160,000,000
1988-89	\$ 231,163,517
1989-90	\$ 269,404,983
1990-91	\$ 368,818,757
1991-92	\$ 368,317,741
1992-93	\$ 368,844,694
1993-94	\$ 258,879,001
1994-95	\$ 97,565,325
1995-96	\$ 224,846,405
1996-97	\$ 239,326,671
1997-98	\$ 194,393,632
1998-99	\$ 171,675,510
1999-00	\$ 139,457,883
2000-01	\$ 167,491,519
2001-02	\$ 124,096,116
2002-03	\$ 158,581,579
2003-04	\$ 174,740,353
2004-05	\$ 175,535,660
2005-06	\$ 321,701,737

Cash Balance



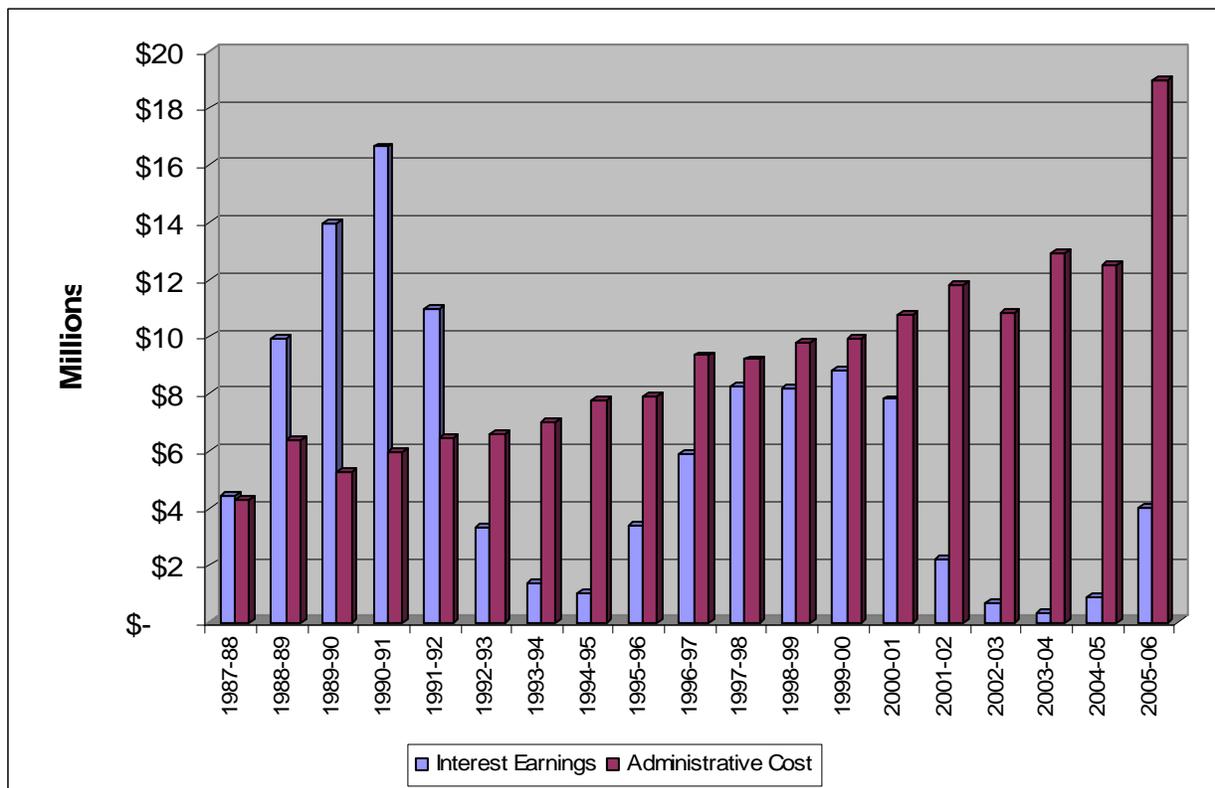
Fiscal Year	Total Cash Balance
1987-88	\$ 87,983,512
1988-89	\$ 136,197,880
1989-90	\$ 177,167,033
1990-91	\$ 232,570,471
1991-92	\$ 145,048,419
1992-93	\$ 16,054,526
1993-94	\$ 8,284,465
1994-95	\$ 15,004,482
1995-96	\$ 74,693,176
1996-97	\$ 123,354,824
1997-98	\$ 161,624,140
1998-99	\$ 166,761,033
1999-00	\$ 170,099,177
2000-01	\$ 126,071,172
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

Fund Equity



Fiscal Year	Total Fund Equity
1987-88	\$ 13,014,112
1988-89	\$ (331,090,858)
1989-90	\$ (346,662,508)
1990-91	\$ (271,958,071)
1991-92	\$ (486,507,461)
1992-93	\$ (637,901,253)
1993-94	\$ (818,644,299)
1994-95	\$ (989,537,511)
1995-96	\$ (1,078,065,151)
1996-97	\$ (1,103,819,414)
1997-98	\$ (1,169,748,070)
1998-99	\$ (1,126,332,490)
1999-00	\$ (1,058,050,563)
2000-01	\$ (892,190,771)
2001-02	\$ (984,477,740)
2002-03	\$ (925,082,756)
2003-04	\$ (1,052,983,515)
2004-05	\$ (889,864,059)
2005-06	\$ (1,119,192,580)

Interest Earnings vs. Administrative Cost

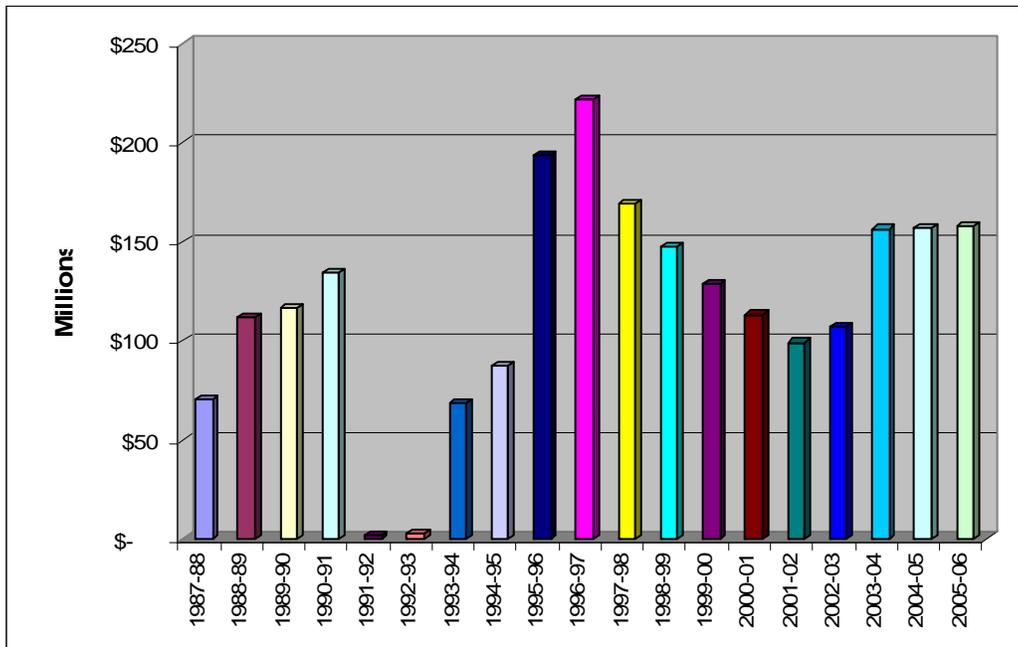


Fiscal Year Interest Earnings Administrative Costs ¹

1987-88	\$ 4,412,202	\$ 4,313,789
1988-89	\$ 9,900,102	\$ 6,383,078
1989-90	\$13,999,243	\$ 5,290,218
1990-91	\$16,648,961	\$ 5,976,164
1991-92	\$10,973,250	\$ 6,437,556
1992-93	\$ 3,346,419	\$ 6,574,934
1993-94	\$ 1,342,554	\$ 6,995,833
1994-95	\$ 1,042,107	\$ 7,794,305
1995-96	\$ 3,396,422	\$ 7,908,967
1996-97	\$ 5,887,778	\$ 9,338,184
1997-98	\$ 8,264,904	\$ 9,201,017
1998-99	\$ 8,177,315	\$ 9,818,911
1999-00	\$ 8,829,597	\$ 9,944,946
2000-01	\$ 7,808,733	\$10,779,811
2001-02	\$ 2,222,094	\$11,794,262
2002-03	\$ 659,603	\$10,829,741
2003-04	\$ 353,451	\$12,920,958
2004-05	\$ 853,364	\$12,487,595
2005-06	\$ 3,546,753	\$18,890,173

¹ Includes Administrative and unallocated expenses (adjusting and Second Injury/Workers' Comp Assessments).

Premiums Collected



Fiscal Year	Total Premium Collected
1987-88	\$ 70,933,701
1988-89	\$ 111,864,517
1989-90	\$ 116,745,861
1990-91	\$ 134,591,411
1991-92	\$ 1,775,132
1992-93	\$ 3,145,241
1993-94	\$ 68,845,869
1994-95	\$ 87,348,273
1995-96	\$ 193,360,233
1996-97	\$ 221,425,973
1997-98	\$ 169,004,359
1998-99	\$ 147,388,790
1999-00	\$ 128,793,146
2000-01	\$ 113,254,354
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

R. S. 39 1536.1 Every agency shall timely pay premiums billed by the office of risk management. In the event any agency fails to pay any premiums due the office of risk management within one hundred twenty days of the effective date of the appropriated insurance coverages, the commissioner of administration may upon request by the office of risk management draw a warrant against budgeted funds of any delinquent agency directing the treasurer to pay the office of risk management for the unpaid premiums.

Premium Comparison and Program Savings

RS 39:1536 A. (1) The office of risk management shall assess premiums to each agency based on its actual loss experience and exposure levels for both self-insured and commercial coverage. Such assessment may be on a retrospective basis.

Shown in the following chart are the Office of Risk Management's Billed Premiums for Fiscal Year 2005-2006 Equivalent Commercial Premiums and the indicated statewide savings by line of coverage. Since Fiscal Year 1997-98 the Billed Premiums have been calculated based on "cash needs" and have not included deficit amounts needed to recoup uncollected premiums from prior years. Again, in Fiscal Year 2005-2006, ORM was not allowed by the Legislature to collect 100% of the premiums developed on an actuarially sound basis. The Commercial Premiums do not include any deficit amounts. For comparison purposes on this chart, we have used the billed premium amounts as opposed to the budgeted recommendations that have been used in the past.

Self Insured Coverages	Billed Premium	Equivalent Commercial Premium****	Program Savings
Workers' Compensation	\$39,585,498.00	\$ 46,292,716.79	(\$6,707,219)
W. C. Maritime	\$2,085,185.00	\$ 2,413,023.89	(\$327,839)
General Liability	\$37,290,320.00	\$ 33,854,332.37	\$3,435,988
Personal Injury Liability	\$0.00	\$ 26,518,659.46	(\$26,518,659)
Auto Liability	\$8,312,397.00	\$ 15,775,422.07	(\$7,463,025)
Auto Physical Damage	\$1,091,365.00	\$ 3,596,672.81	(\$2,505,308)
Property Damage	\$20,739,366.00	\$32,944,205	(\$12,204,839)
Boiler and Machinery	\$1,444,898.00	\$ 4,978,491.68	(\$3,533,594)
Bonds	\$104,772.00	\$516,461	(\$411,689)
Crime	\$61,728.00	\$408,301	(\$346,573)
Marine	\$2,269,991.00	\$715,743	\$1,554,248
Aviation	\$888,720.00	\$679,854	\$208,866
Medical Malpractice	\$43,265,561.00	\$ 93,610,578.76	(\$50,345,018)
Road and Bridge Hazard***	\$0.00	\$ 59,592,852.59	(\$59,592,853)
Miscellaneous Tort	\$626,440.00	\$ 3,195,933.09	(\$2,569,493)
GRAND TOTALS	\$157,766,241.00	\$ 325,093,247.51	(\$167,327,007)

***Road and Bridge Hazard premiums in the amount of \$95,491,605 were not billed in Fiscal Year 2005/2006. Funds were not appropriated by the Legislature. This premium is greater than the commercial equivalent because the commercial equivalent does not include the deficit reduction which resulted when ORM was unable to collect self-insured premiums for this coverage for eight of the last eleven years.

The commercial equivalent does not include the deficit reduction amount. If we added the deficit amount to the equivalent commercial premium, it would be greater than the self-insured premium.

Financial Statements

Office of Risk Management

Balance Sheet

<u>ASSETS</u>	
Cash and investments	\$146,762,225
Insurance/reinsurance balances receivable	\$30,477,501
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$28,013,269
Prepaid insurance	\$28,513,286
Machinery	\$603,468
Less: Accumulated depreciation	\$323,522
TOTAL ASSETS	\$234,046,227
<u>LIABILITIES AND FUND EQUITY</u>	
LIABILITIES	
Loss and expense reserves	\$1,189,294,251
Unearned premium	\$158,210
Other liabilities	\$163,786,346
TOTAL LIABILITIES	\$1,353,238,807
FUND EQUITY	
TOTAL FUND EQUITY	(\$1,119,192,580)
TOTAL LIABILITIES AND FUND EQUITY	\$240,046,227

Statement of Revenues and Expenses

<u>OPERATING REVENUES</u>	
Premiums written	\$157,766,241
Other Revenue	\$34,850
Hurricane Recoveries	\$229,804,980
General fund appr./non-tort reimbursement	\$123,135
Add unearned premium from prior year	\$90,535
Less unfunded premium	\$0
Less unearned premium at statement date	\$158,210
Less cost of insurance	\$11,744,384
TOTAL INCOME	\$375,917,147
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$10,680,602
Claims cost:	
Losses	\$340,899,650
Allocated loss adjustment expense	\$32,216,978
Unallocated loss adjustment expense	\$8,209,571
Change in provision for losses/expenses	\$217,486,147
TOTAL EXPENSES	\$609,492,948
NET INCOME(LOSS) FROM OPERATIONS	(\$233,575,801)
<u>NON-OPERATING REVENUES AND EXPENSES</u>	
Interest income	\$3,546,753
Gain(loss) on sale of fixed assets/misc. inc.	\$0
TOTAL OTHER INCOME/LOSS	\$3,546,753
	(\$230,029,048)
TOTAL NET INCOME/LOSS	
RETAINED EARN./FUND BAL. JULY 1, 2005	(\$899,864,059)
Current income(loss)	(\$230,029,048)
Prior year adjustments	(\$11,874)
RETAINED EARN./FUND BAL. JUNE 30, 2006	(\$1,119,904,981)

NOTE: The statements contained in this report are unaudited.

Auto Liability

Balance Sheet

ASSETS

Cash & investments - State Treasury	\$20,932,512
Insurance/reinsurance balances receivable	\$362,462
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$26,770
Prepaid insurance	\$0
Machinery	\$74,152
Less: Accumulated depreciation	\$54,791
TOTAL ASSETS	\$21,341,105

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$25,322,691
Unearned premium	\$0
Other liabilities	\$36,500
TOTAL LIABILITIES	\$25,096,668

FUND EQUITY

TOTAL FUND EQUITY	(\$4,018,086)
TOTAL LIABILITIES AND FUND EQUITY	\$21,341,105

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$8,312,397
Other Revenues	\$0
Hurricane Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$0
TOTAL INCOME	\$8,312,397

OPERATING EXPENSES

General and administrative expenses	\$194,316
Claims cost:	
Losses	\$4,754,129
Allocated loss adjustment expense	\$1,350,359
Unallocated loss adjustment expense	\$148,550
Change in provision for losses/expenses	\$279,443
TOTAL EXPENSES	\$6,726,797

NET INCOME(LOSS) FROM OPERATIONS **\$1,585,600**

NON-OPERATING REVENUES AND EXPENSES

Interest income	\$139,497
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$139,497

TOTAL NET INCOME/LOSS **\$1,725,097**

RETAINED EARN./FUND BAL. JULY 1, 2005	(\$5,743,183)
Current year income(loss)	\$1,725,097
Prior year adjustments	
RETAINED EARN./FUND BAL. JUNE 30, 2006	(\$4,018,086)

Auto Physical Damage

Balance Sheet

ASSETS

Cash & investments - State Treasury	(\$1,898,589)
Insurance/reinsurance balances receivable	\$60,156
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$0
Machinery	\$4,647
Less: Accumulated depreciation	(\$2,728)
TOTAL ASSETS	(\$1,831,058)

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$2,273,920
Unearned premium	\$0
Other liabilities	\$21,006
TOTAL LIABILITIES	\$2,294,926

FUND EQUITY

TOTAL FUND EQUITY	(\$4,125,984)
TOTAL LIABILITIES AND FUND EQUITY	(\$1,831,058)

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$1,091,365
Other Revenue	\$0
Hurricane Recoveries	\$1,128,014
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$0
TOTAL INCOME	\$2,219,379

OPERATING EXPENSES

General and administrative expenses	\$244,462
Claims cost:	
Losses	\$1,358,330
Allocated loss adjustment expense	\$48,016
Unallocated loss adjustment expense	\$168,271
Change in provision for losses/expenses	\$1,891,880
TOTAL EXPENSES	\$3,710,959

NET INCOME(LOSS) FROM OPERATIONS	(\$1,491,580)
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NON-OPERATING REVENUES AND EXPENSES

Interest income	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$0

TOTAL NET INCOME/LOSS	(\$1,491,580)
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RETAINED EARN./FUND BAL. JULY 1, 2005	(\$2,634,404)
Current year income(loss)	(\$1,491,580)
Prior year adjustments	
RETAINED EARN./FUND BAL. JUNE 30, 2006	(\$4,125,984)

Bonds and Crime

Balance Sheet

	BONDS	CRIME
<u>ASSETS</u>		
Cash & investments - State Treasury	\$713,432	\$910,707
Insurance/reinsurance balances receivable	\$202	\$5,094
Less reserve for abolished agencies	\$0	\$0
Interest receivable and other assets	\$913	\$1,165
Prepaid insurance	\$0	\$0
Machinery	\$764	\$1,990
Less: Accumulated depreciation	\$353	\$1,536
TOTAL ASSETS	\$714,958	\$917,420
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Loss and expense reserves	\$214,514	\$13,162
Unearned premium	\$0	\$0
Other liabilities	\$522	\$224
TOTAL LIABILITIES	\$215,036	\$13,386
 <u>FUND EQUITY</u>		
TOTAL FUND EQUITY	\$499,922	\$904,034
TOTAL LIABILITIES AND FUND EQUITY	\$714,958	\$917,420

Statement of Revenues and Expenses

<u>OPERATING REVENUES</u>		
Premiums written	\$104,772	\$61,728
Other Revenue	\$0	\$0
Hurricane Recoveries	\$0	\$0
General fund appr./non-tort reimbursement	\$0	\$0
Add unearned premium from prior year	\$0	\$0
Less unfunded premium	\$0	\$0
Less unearned premium as of date of statement	\$0	\$0
Less cost of insurance	\$0	\$41,553
TOTAL INCOME	\$104,772	\$20,175
<u>OPERATING EXPENSES</u>		
General and administrative expenses	\$7,978	\$3,420
Claims cost:		
Losses	(\$4,161)	\$19
Allocated loss adjustment expense	\$48	\$21
Unallocated loss adjustment expense	\$2,082	\$892
Change in provision for losses/expenses	\$113,332	\$7,722
TOTAL EXPENSES	\$119,279	\$12,074
 NET INCOME(LOSS) FROM OPERATIONS	(\$14,507)	\$8,101
 <u>NON-OPERATING REVENUES AND EXPENSES</u>		
Interest income	\$4,517	\$5,869
Gain(loss) on sale of fixed assets and misc. income	\$0	\$0
TOTAL OTHER INCOME/LOSS	\$4,517	\$5,869
 TOTAL NET INCOME/LOSS	(\$9,990)	\$13,970
 RETAINED EARN./FUND BAL. JULY 1, 2005	 \$509,912	 \$890,064
Current year income(loss)	(\$9,990)	\$13,970
Prior year adjustments		
RETAINED EARN./FUND BAL. JUNE 30, 2006	\$499,922	\$904,034

Workers Comp and Maritime

Balance Sheet

	WORKER'S COMP	MARITIME
<u>ASSETS</u>		
Cash & investments - State Treasury	\$10,261,025	\$2,305,549
Insurance/reinsurance balances receivable	\$2,026,881	\$0
Less reserve for abolished agencies	\$0	\$0
Interest receivable and other assets	\$1,177,198	\$2,953
Prepaid insurance	\$263,156	\$0
Machinery	\$262,546	\$27,416
Less: Accumulated depreciation	\$147,469	\$21,476
TOTAL ASSETS	\$13,843,337	\$2,314,442
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Loss and expense reserves	\$262,168,988	\$6,223,720
Unearned premium	\$0	\$0
Other liabilities	\$2,564,187	\$14,785
TOTAL LIABILITIES	\$264,733,175	\$6,238,505
 <u>FUND EQUITY</u>		
TOTAL FUND EQUITY	(\$250,889,838)	(\$3,924,063)
TOTAL LIABILITIES AND FUND EQUITY	\$13,843,337	\$2,314,442
 Statement of Revenues and Expenses		
<u>OPERATING REVENUES</u>		
Premiums written	\$39,585,498	\$2,085,185
Other Revenues	\$0	\$0
Hurricane Recoveries	\$0	\$0
General fund appr./non-tort reimbursement	\$0	\$0
Add unearned premium from prior year	\$0	\$0
Less unfunded premium	\$0	\$0
Less unearned premium as of date of statement	\$0	\$0
Less cost of insurance	\$599,173	\$0
TOTAL INCOME	\$38,986,325	\$2,085,185
<u>OPERATING EXPENSES</u>		
General and administrative expenses	\$1,916,950	\$40,457
Claims cost:		
Losses	\$42,271,932	\$1,022,785
Allocated loss adjustment expense	\$2,643,050	\$44,300
Unallocated loss adjustment expense	\$4,854,778	\$10,561
Change in provision for losses/expenses	\$15,404,837	\$2,129,434
TOTAL EXPENSES	\$67,091,547	\$3,247,537
 NET INCOME(LOSS) FROM OPERATIONS	 (\$28,105,222)	 (\$1,162,352)
 <u>NON-OPERATING REVENUES AND EXPENSES</u>		
Interest income	\$109,928	\$12,137
Gain(loss) on sale of fixed assets and misc. income	\$0	\$0
TOTAL OTHER INCOME/LOSS	\$109,928	\$12,137
 TOTAL NET INCOME/LOSS	 (\$27,995,294)	 (\$1,150,215)
 RETAINED EARN./FUND BAL. JULY 1, 2005	 (\$222,894,544)	 (\$2,773,848)
Current year income(loss)	(\$27,995,294)	(\$1,150,215)
Prior year adjustments		
RETAINED EARN./FUND BAL. JUNE 30, 2006	(\$250,889,838)	(\$3,924,063)

Property

Balance Sheet

ASSETS

Cash & investments - State Treasury	\$53,729,982
Insurance/reinsurance balances receivable	\$3,355,398
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$26,641,278
Prepaid insurance	\$24,043,261
Machinery	\$19,584
Less: Accumulated depreciation	\$9,265
TOTAL ASSETS	\$104,780,238

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$38,685,211
Unearned premium	\$158,210
Other liabilities	
TOTAL LIABILITIES	\$160,504,664
	\$199,348,085

FUND EQUITY

TOTAL FUND EQUITY	(\$94,567,847)
TOTAL LIABILITIES AND FUND EQUITY	\$104,780,238

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$20,739,366
Other Revenues	\$0
Hurricane Recoveries	\$225,482,552
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$90,535
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$158,210
Less cost of insurance	\$8,722,321
TOTAL INCOME	\$237,431,922

OPERATING EXPENSES

General and administrative expenses	\$5,147,290
Claims cost:	
Losses	\$260,736,400
Allocated loss adjustment expense	\$4,657,694
Unallocated loss adjustment expense	\$585,809
Change in provision for losses/expenses	\$20,041,700
TOTAL EXPENSES	\$291,168,893

NET INCOME(LOSS) FROM OPERATIONS (\$53,736,971)

NON-OPERATING REVENUES AND EXPENSES

Interest income	\$318,801
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$318,801

TOTAL NET INCOME/LOSS (\$53,418,170)

RETAINED EARN./FUND BAL. JULY 1, 2005	(\$41,149,677)
Current year income (loss)	(\$53,418,170)
Prior year adjustments	
RETAINED EARN./FUND BAL. JUNE 30, 2006	(\$94,567,847)

General Liability

Balance Sheet

ASSETS

Cash & investments - State Treasury	\$146,831,805
Insurance/reinsurance balances receivable	\$7,042,996
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$187,842
Prepaid insurance	\$333,273
Machinery	\$114,600
Less: Accumulated depreciation	\$78,102
TOTAL ASSETS	\$154,432,414

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$120,365,756
Unearned premium	\$0
Other liabilities	\$68,304
TOTAL LIABILITIES	\$120,434,060

FUND EQUITY

TOTAL FUND EQUITY	\$33,998,354
TOTAL LIABILITIES AND FUND EQUITY	\$154,432,414

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$37,290,320
Other Revenue	\$0
Hurricane Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$662,281
TOTAL INCOME	\$36,628,039

OPERATING EXPENSES

General and administrative expenses	\$527,640
Losses	\$4,251,200
Allocated loss adjustment expense	\$5,444,108
Unallocated loss adjustment expense	\$232,431
Change in provision for losses/expenses	(\$26,755,973)
TOTAL EXPENSES	(\$16,237,878)

NET INCOME(LOSS) FROM OPERATIONS \$52,865,917

NON-OPERATING REVENUES AND EXPENSES

Interest income	\$931,354
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$931,354

TOTAL NET INCOME/LOSS \$53,797,271

RETAINED EARN./FUND BAL. JULY 1, 2005	(\$19,798,160)
Current year income(loss)	\$53,797,271
Prior year adjustments	\$0
RETAINED EARN./FUND BAL. JUNE 30, 2006	\$33,998,354

Personal Injury

Balance Sheet

ASSETS

Cash & investments - State Treasury	(\$1,807,554)
Insurance/reinsurance balances receivable	\$51,791
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$0
Machinery	(\$6,795)
Less: Accumulated depreciation	(\$5,053)
TOTAL ASSETS	(\$1,757,505)

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$66,855,967
Unearned premium	\$0
Other liabilities	\$89,266
TOTAL LIABILITIES	\$66,945,233

FUND EQUITY

TOTAL FUND EQUITY	(\$68,702,738)
TOTAL LIABILITIES AND FUND EQUITY	(\$1,757,505)

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$0
Other Revenue	\$0
Hurricane Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$0
TOTAL INCOME	\$0

OPERATING EXPENSES

General and administrative expenses	\$398,320
Claims cost:	
Losses	\$2,354,772
Allocated loss adjustment expense	\$4,480,031
Unallocated loss adjustment expense	\$232,431
Change in provision for losses/expenses	(\$103,529)
TOTAL EXPENSES	\$7,362,025

NET INCOME(LOSS) FROM OPERATIONS **(\$7,362,025)**

NON-OPERATING REVENUES AND EXPENSES

Interest income	\$6,427
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$6,427

TOTAL NET INCOME/LOSS **(\$7,355,598)**

RETAINED EARN./FUND BAL. JULY 1, 2005	(\$61,347,140)
Current year income(loss)	(\$7,355,598)
Prior year adjustments	\$0
RETAINED EARN./FUND BAL. JUNE 30, 2006	(\$68,702,738)

Marine, Aviation, and Boiler & Machinery

Balance Sheet

	MARINE RISK GROUP	AVIATION RISK GROUP	BOILER & MACHINERY RISK GROUP
<u>ASSETS</u>			
Cash & investments - State Treasury	(\$8,371,799)	(\$716,077)	(\$2,530,728)
Insurance/reinsurance balances receivable	\$40,979	\$16,320	\$148,263
Less reserve for abolished agencies	\$0	\$0	\$0
Interest receivable and other assets	\$0	\$0	\$0
Prepaid insurance	\$1,843,494	\$0	\$817,896
Machinery	\$1,065	\$472	\$7,350
Less: Accumulated depreciation	(\$133)	\$234	\$4,984
TOTAL ASSETS	(\$6,486,128)	(\$699,519)	(\$1,562,203)
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Loss and expense reserves	\$1,781,018	\$39,449	\$674,992
Unearned premium	\$0	\$0	\$0
Other liabilities	\$2,614	\$75	\$2,924
TOTAL LIABILITIES	\$1,783,632	\$39,524	\$677,946
<u>FUND EQUITY</u>			
TOTAL FUND EQUITY	(\$8,269,760)	(\$739,043)	(\$2,240,149)
TOTAL LIABILITIES AND FUND EQUITY	(\$6,486,128)	(\$699,519)	(\$1,562,203)
Statement of Revenues and Expenses			
<u>OPERATING REVENUES</u>			
Premiums written	\$2,269,991	\$888,720	\$1,444,898
Other Revenue	\$0	\$0	\$0
Hurricane Recoveries	\$3,180,082	\$14,332	\$0
General fund appr./non-tort reimbursement	\$0	\$0	\$0
Add unearned premium from prior year	\$0	\$0	\$0
Less unfunded premium	\$0	\$0	\$0
Less unearned premium as of date of statement	\$0	\$0	\$0
Less cost of insurance	\$1,029,387	\$0	\$689,669
TOTAL INCOME	\$4,420,686	\$903,052	\$755,229
<u>OPERATING EXPENSES</u>			
General and administrative expenses	\$17,094	\$1,140	\$33,623
Claims cost:			
Losses	\$4,230,198	\$110,733	\$875,229
Allocated loss adjustment expense	\$41,703	\$1,968	\$8,222
Unallocated loss adjustment expense	\$4,462	\$297	\$59,201
Change in provision for losses/expenses	\$1,503,755	\$13,513	(\$179,249)
TOTAL EXPENSES	\$5,797,212	\$127,651	\$797,026
NET INCOME(LOSS) FROM OPERATIONS	(\$1,376,526)	\$775,401	(\$41,797)
<u>NON-OPERATING REVENUES AND EXPENSES</u>			
Interest income	\$0	\$0	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0	\$0	\$0
TOTAL OTHER INCOME/LOSS	\$0	\$0	\$0
TOTAL NET INCOME/LOSS	(\$1,376,526)	\$775,401	(\$41,797)
RETAINED EARN./FUND BAL. JULY 1, 2005	(\$6,893,234)	(\$1,514,444)	(\$2,198,532)
Current year income(loss)	(\$1,376,526)	\$775,401	(\$41,797)
Prior year adjustments			
RETAINED EARN./FUND BAL. JUNE 30, 2006	(\$8,269,760)	(\$739,043)	(\$2,240,149)

Medical Malpractice

Balance Sheet

ASSETS

Cash & investments - State Treasury	\$254,997,876
Insurance/reinsurance balances receivable	\$17,358,269
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$376,164
Prepaid insurance	\$0
Machinery	\$28,001
Less: Accumulated depreciation	(\$5,766)
TOTAL ASSETS	\$272,766,076

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$197,673,355
Unearned premium	\$0
Other liabilities	\$209,246
TOTAL LIABILITIES	\$197,882,601

FUND EQUITY

TOTAL FUND EQUITY	\$74,883,475
TOTAL LIABILITIES AND FUND EQUITY	\$272,766,076

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums Written	\$43,265,561
Other Revenue	34,850
Hurricane Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	
TOTAL INCOME	\$43,300,411

OPERATING EXPENSES

General and administrative expenses	\$811,633
Losses	\$16,812,232
Allocated loss adjustment expense	\$6,294,916
Unallocated loss adjustment expense	\$793,280
Change in provision for losses/expenses	(\$33,055,666)
TOTAL EXPENSES	(\$8,343,605)

NET INCOME(LOSS) FROM OPERATIONS \$51,644,016

NON-OPERATING REVENUES AND EXPENSES

Interest income	\$1,844,756
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$1,844,756

TOTAL NET INCOME/LOSS \$53,488,772

RETAINED EARN./FUND BAL. JULY 1, 2005	\$21,394,703
Current year income(loss)	\$53,488,772
Prior year adjustments	
RETAINED EARN./FUND BAL. JUNE 30, 2006	\$74,883,475

Road Hazards

Balance Sheet

ASSETS

Cash & investments - State Treasury	(\$353,052,349)
Insurance/reinsurance balances receivable	\$3,776,653
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$0
Machinery	\$33,772
Less: Accumulated depreciation	(\$6,930)
TOTAL ASSETS	(\$349,234,994)

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$466,656,999
Unearned premium	\$0
Other liabilities	\$268,566
TOTAL LIABILITIES	\$466,925,565

FUND EQUITY

TOTAL FUND EQUITY	(\$816,160,559)
TOTAL LIABILITIES AND FUND EQUITY	(\$349,234,994)

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$0
Other Revenue	\$0
Hurricane Recoveries	\$0
General fund appr./non-tort reimbursement	\$123,135
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$0
TOTAL INCOME	\$123,135

OPERATING EXPENSES

General and administrative expenses	\$1,652,914
Losses	\$548,795
Allocated loss adjustment expense	\$6,294,916
Unallocated loss adjustment expense	\$793,280
Change in provision for losses/expenses	\$244,665,166
TOTAL EXPENSES	\$255,000,363

NET INCOME(LOSS) FROM OPERATIONS **(\$254,877,228)**

NON-OPERATING REVENUES AND EXPENSES

Interest income	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$0

TOTAL NET INCOME/LOSS **(\$254,877,228)**

RETAINED EARN./FUND BAL. JULY 1, 2005	(\$561,283,331)
Current year income(loss)	(\$254,877,228)
Prior year adjustments	
RETAINED EARN./FUND BAL. JUNE 30, 2006	(\$816,160,559)

Miscellaneous

Balance Sheet

	MISC. TORT OTHER	NON-TORT PAYMENTS	FUTURE MEDICAL FUND
<u>ASSETS</u>			
Cash & investments - State Treasury	\$18,059,698	(\$2,480,000)	\$8,876,735
Insurance/reinsurance balances receivable	\$8,690	\$0	\$0
Less reserve for abolished agencies	\$0	\$0	\$0
Interest receivable and other assets	\$34,539	\$0	\$0
Prepaid insurance	\$0	\$0	\$0
Machinery	\$33,904	\$0	\$0
Less: Accumulated depreciation	\$25,922	\$0	\$0
TOTAL ASSETS	\$18,110,909	(\$2,480,000)	\$8,876,735
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Loss and expense reserves	\$344,509	\$0	\$0
Unearned premium	\$0	\$0	\$0
Other liabilities	\$3,433	\$0	\$0
TOTAL LIABILITIES	\$347,942	\$0	\$0
<u>FUND EQUITY</u>			
TOTAL FUND EQUITY	\$17,762,967	(\$2,480,000)	\$8,876,359
TOTAL LIABILITIES AND FUND EQUITY	\$18,110,909	(\$2,480,000)	\$8,876,535

Statement of Revenues and Expenses

<u>OPERATING REVENUES</u>			
Premiums written	\$626,440	\$0	\$0
Other Revenue	\$0	\$0	\$0
Hurricane Recoveries	\$0	\$0	\$0
General fund appr./non-tort reimbursement	\$0	\$0	\$0
Add unearned premium from prior year	\$0	\$0	\$0
Less unfunded premium	\$0	\$0	\$0
Less unearned premium as of date of statement	\$0	\$0	\$0
Less cost of insurance	\$0	\$0	\$0
TOTAL INCOME	\$626,440	\$0	\$0
<u>OPERATING EXPENSES</u>			
General and administrative expenses	(\$316,634)	\$0	(\$1)
Losses	\$3,791	\$450,000	\$1,123,266
Allocated loss adjustment expense	\$109,180	\$0	\$0
Unallocated loss adjustment expense	\$13,684	\$0	\$0
Change in provision for losses/expenses	(\$8,470,218)	\$0	\$0
TOTAL EXPENSES	(\$8,660,197)	\$450,000	\$1,123,265
NET INCOME(LOSS) FROM OPERATIONS	\$9,286,637	(\$450,000)	(\$1,123,265)
<u>NON-OPERATING REVENUES AND EXPENSES</u>			
Interest income	\$173,467	\$0	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0	\$0	\$0
TOTAL OTHER INCOME/LOSS	\$173,467	\$0	\$0
TOTAL NET INCOME/LOSS	\$9,460,104	(\$450,000)	(\$1,123,265)
RETAINED EARN./FUND BAL. JULY 1, 2004	\$8,314,737	(\$2,030,000)	\$9,287,599
Current year income(loss)	\$9,460,104	(\$450,000)	(\$1,123,265)
Transfer of Funds			\$712,401
Prior year adjustments	\$0	\$0	\$0
RETAINED EARN./FUND BAL. JUNE 30, 2005	\$8,314,737	(\$2,030,000)	\$8,876,735

Notes to 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.

A. *Summary of Significant Accounting Practices*

The Office of Risk Management prepared its financial statements in accordance with the procedures established by the Division of Administration. The financial activities of the Office of Risk Management are accounted for on a fund basis whereby a set of separate, self-balancing accounts are maintained to account for appropriated or authorized activities. The information presented herein, is reported under the modified accrual basis of accounting as prescribed by GAAP for fund level reporting.

The general fixed assets and long-term obligations of the agency are not recognized in the accompanying financial reports presented at fund level. However, all capital assets of the primary government are, reported at the government-wide level of reporting, as required by GAAP.

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.

1. *Fund Accounting*

General Operating Appropriations

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

Non-Appropriated Funds

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. In addition, the agency collects funds specifically identified by the Division of Administration - Budget Office as Income Not Available that are remitted to the State Treasury. These amounts are not available to the agency for expenditure and are, therefore, not included on Statement B but are detailed on Schedule 4.

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.

For purpose of this statement presentation, collections in excess of Appropriated Means of Financing are not considered to be income not available and therefore are included on Statement B.

2. *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 of the Office of Risk Management are maintained in accordance with 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 the net amount warranted during the fiscal year including the 45 day close period.

Fees and self-generated revenues, interagency transfers, federal funds, intra-fund 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 modified 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.

B. *Imprest Funds*

The agency maintains a permanent Travel and Petty Cash Imprest Fund in the amount of \$ 8,500.00 as authorized by the Commissioner of Administration and advanced by the State Treasurer's Office in accordance with Title 39. The funds are permanently established and periodically replenished from agency operating funds when expenditure vouchers are presented.

C. *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, 2006 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$544,073.40. The leave payable is recorded in the accompanying financial statements.

2. *Compensatory Leave (Non-Exempt Employees)*

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2005 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$108.49. The leave payable is recorded in the accompanying financial statements.

D. *Post Retirement Health Care and Life Insurance Benefits per GASB 12*

LRS 42:821 through 42:880 establishes the self-insured and self-funded state employees group health care and life insurance program and authorizes the Office of Risk Management to provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the agency's employees become eligible for those benefits if they reach normal retirement age while working for the agency. Monthly premiums are paid jointly by the employees and the employer (from the agency appropriation) for both retirees' and active employees' benefits regardless of whether benefits are provided by Group Benefits or one of the HMOs authorized by Group Benefits. The agency recognizes the cost of providing benefits when paid during the year. For the year ended June 30, 2006 the costs of retirees' benefits totaled \$203,373.48, while the number of retirees is 36. (As defined by the GASB Statement 12, dependents of a retiree should be counted as a single unit if the retiree is deceased and should not be counted if the retiree is alive.) The cost of retirees' benefits is net of participant's contribution.

E. *Lease and Rental Commitments*

Lease agreements, if any, have non-appropriation exculpatory clauses that allow lease cancellation if the Legislature does not make an appropriation for its continuation during any future fiscal period. Total operating lease expenditures for fiscal year 2005 - 2006 amounted to \$75,638.64.

1. Operating Leases

Operating leases are all leases which do not meet the criteria of a capital lease. Operating leases are grouped by nature (i.e. office space, equipment, etc.) and the annual rental payments for the next five fiscal years are presented in the following schedule.

Nature of lease	FY2006	FY2007	FY2008	FY2009	FY2010	FY 2011- 2015
a. Office space	\$ 53,491.64	\$ 53,491.64	\$ 53,491.64	\$ 53,491.64	\$ 53,491.64	\$ 267,458.20
b. Equipment	_____	_____	_____	_____	_____	_____
c. Land	_____	_____	_____	_____	_____	_____
d. Other	_____	_____	_____	_____	_____	_____
Total	\$ 53,491.64	\$ 53,491.64	\$ 53,491.64	\$ 53,491.64	\$ 53,491.64	\$ 267,458.20

Rental expense for operating leases with scheduled rent increases is based on the relevant lease agreement except in those cases where a temporary rent reduction is used as an inducement to enter the lease. In those instances, rental expense is determined on either a straight-line or interest basis over the term of the lease, as required by GASB 13, and not in accordance with lease terms. The agency does not have leases with scheduled rent increases due to temporary rent reductions used as an inducement to enter the lease.

F. Payroll and Related Benefits Accrual

Agencies are required to reflect the 2004-2005 accrued personal services cost for this fiscal year on the accompanying financial statement. The following schedule aids in doing so. As most agency units pay their employees biweekly this would require a fiscal year 2003-04 accrual calculation based on eight (8) days and the fiscal year 2004-05 calculation will be based on nine (9) days.

	FY 2004-05	FY 2005-06
1. 07/8/05 Payroll (gross & related)	\$ 275,474.47	
2. 07/7/06 Payroll (gross & related)	X 90.0%	\$ 294,675.38 X 100.0%
2a. Payroll accrual	<u>\$ 247,927.02</u>	<u>\$294,675.38</u>
2b. Add voids and supplementals (off cycle) paid in the 45 day close with prior year appropriations.	_____	_____
3. Total payroll accruals	<u>\$ 247,927.02</u>	<u>\$ 294,675.38</u>
4. Estimated federal receivable attributed to the accrual shown above	\$ -0-	\$ -0-
	<u>_____</u>	<u>_____</u>
	<u>Total Agency Expenditures</u>	
5. Total programs from Schedule 1		\$279,226,483.91

6.	Less: 2004-05 accrual from line 3, column 1 above	(\$247,927.02)
6a.	Plus: 2004-05 accrual from Schedule 3-1	(\$1,000,843.61)
7.	Plus: 2005-06 accrual from line 3, column 2 above	\$294,675.38
7a.	Plus: 2005-06 accrual from Schedule 3-1	\$8,347,201.77
7b.	Less: 2005-06 payments during 45 day close	(\$671,389.17)
7c.	Plus: 2004-05 adjustment to Statement B	\$647,831.15
7d.	Plus: 2005-06 excess insurance payable	\$155,120,652.29
8.	To Statement B (this should be the total for <u>all</u> programs)	\$ <u>441,716,684.70</u>
9.	Federal Funds from Schedule 3, column VIII, line A or Schedule 3-1, column V, line 1	_____
10.	Less: 2004-05 accrual from line 4, column 1 above	_____
11.	Plus: 2005-06 accrual from line 4, column 2 above	_____
12.	To Statement B (line 4) Federal Funds	\$ <u>_____</u>

G. Reserve for Continuing Operation(s)

The Unit is by statute allowed to retain residual fund balance in order to finance future operations. For the fiscal year ended June 30, 2006, \$139,877,180.79 is the amount reserved.

<u>Office/Fund</u>	<u>Louisiana Revised Statutes</u>	<u>Reserve for Continuing Operations</u>
<u>Self-Insurance Fund</u>	<u>39:1533</u>	\$131,000,446.29
<u>Future Medical Fund</u>	<u>39:1533.2</u>	8,876,734.50
_____	_____	
Total		<u>\$139,877,180.79</u>

H. Liabilities for Claims and Claims Expenses

Louisiana is on the modified accrual basis. This means that expense is recognized when it becomes measurable and payable and is consequently reflected on Statements 1, 3, and 4, for example. Under GASB 34, we must also reflect those expenses which have become measurable regardless of when payable. Show in the table below those gross expenditures you have incurred which are not reflected on any of the aforementioned schedules. Show by funding source and object category.

Funding Source (list by name):	Organization #	Object	Amount
Federal:			\$
Self-Generated:			
Claims Liabilities		3650	\$1,166,731,611
Major State Revenue:			
Total GASB 34 accruals (gross)			<u>\$1,166,731,611</u>
Less: Allowance for estimated recoveries			<u>\$ 13,085,641</u>
GASB 34 liability adjustment net of estimated recoveries			<u>\$ 1,153,645,970</u>
Amount included above not expected to be paid in one year			<u>\$ 911,466,666</u>

Addendum to the Notes to the CAFR

1. A description of the risks of loss to which the state is exposed and the ways in which those risks of loss are handled.

There are four basic types of risks to which the State is exposed. Loss can occur as a result of (1) damage to property, (2) loss of property, (3) loss of income or increased costs because of damage to or loss of property, and (4) liability to others as a result of injury to persons or property. 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 70'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 above that level. The \$ limits will vary according to coverage.

The best way to insure 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 its own Loss Prevention Unit.

2. A description of any significant reductions in coverage from the prior year and whether settlements exceeded coverage for each of the three preceding fiscal years.

There were no significant reductions in coverage during FY 05/06.

During the last four fiscal years, there were no claims that exceeded coverage.

There have been significant changes in case law which will have had 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 is still having an adverse effect on claims reserves. Add Act 1, 2005 session

3. The basis for estimating unpaid claim liabilities.

The philosophy relevant to ORM's 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.

4. The carrying amount of unpaid claims liabilities included in the comprehensive annual financial statements of the State of Louisiana at present value and range of rates used to discount them.

As a result of the lack of funding over the past fiscal years, ORM's cash reserves have been depleted. Because of the lack of funding, ORM discontinued discounting and has not discounted the present value of claim liabilities since FY 89/90.

The provision for losses and loss adjustment expenses includes paid and unpaid claims and expenses associated with settling claims, including legal fees. The liability for unpaid losses and loss adjustment expenses is based on claims adjusters' evaluations of individual claims and management's evaluation and an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the estimated ultimate cost of settling the claims, including the effects of inflation and other economic factors. Adjustments resulting from the settlement of losses are reflected in earnings at the time the adjustments are determined.

The present value of reserves for claim liabilities for FY 05/06 as reported on the financial statements totals \$1,189,294,250. A further breakdown of this total follows:

	Total Reserves	Net of Estimated Recoveries
Current	\$ 40,263,134	\$39,280,265
Long-Term	\$1,166,731,611	\$1,150,013,985
Total	\$1,206,994,745	\$1,189,294,250

Changes in Aggregate Claims Liabilities

	Beg of F/Y Liab	Claims & Changes in Est	Claim Payments	Est. Recov from settled & unsettled claims	Balance @ F/Y
1993-94	\$667,720,418	\$228,995,905	(\$53,916,903)	(\$345,195)	\$842,454,225
1994-95	\$842,454,225	\$265,288,947	(\$89,878,735)	(\$345,849)	\$1,017,518,588
1995-96	\$1,017,518,588	\$273,810,423	(\$121,308,199)	(\$300,682)	\$1,169,720,130
1996-97	\$1,169,720,130	\$234,558,097	(\$150,597,533)	(\$165,541)	\$1,253,515,153
1997-98	\$1,253,515,153	\$210,274,436	(\$113,374,552)	(\$361,229)	\$1,350,053,808
1998-99	\$1,350,053,808	\$86,940,260	(\$130,637,348)	\$230,425	\$1,306,587,145
1999-00	\$1,306,587,145	\$47,490,493	(\$112,428,805)	\$902,160	\$1,242,550,593
2000-01	\$1,242,550,593	(\$67,365,094)	(\$137,702,150)	\$1,295,008	\$1,038,778,357
2001-02	\$1,038,778,357	\$136,971,803	(\$132,546,479)	\$102,913	\$1,043,306,594
2002-03	\$1,043,306,594	\$153,529,274	(\$108,999,720)	\$154,517	\$1,087,990,665
2003-04	\$1,087,990,665	\$157,975,875	(\$123,022,344)	\$(2,342,846)	\$1,120,601,350
2004-05	\$1,120,601,350	(\$13,748,340)	(\$132,988,169)	\$(2,056,739)	\$ 971,808,102
2005-06	\$1,139,808,102	\$345,186,325	(\$284,356,176)	\$(11,344,001)	\$ 1,189,294,250

The cumulative total of estimated recoveries at June 30, 2006 is \$7,050,168. Claims payments include all allocated loss adjustment expenses including legal expense and are net of actual recoveries on settled and unsettled claims.

The aggregate amount of claims liabilities outstanding for which annuity contracts were purchased in claimants' names and for which related liabilities have been removed from the balance sheet.

From time to time the Office of Risk Management purchases annuities as partial settlements of certain claims. The payment of the annuities to the claimants is made over a period of time by 3rd party trustees.

At June 30, 2006 there are 107 active annuities. The outstanding amount due on these 107 annuities as of June 30, 2006 was \$219,569,607.20. Of the 107 annuities, 94 contain wording which releases ORM from any and all future liability on the claims. The remaining liability, on the 13 which do not contain the wording necessary to release ORM from any possible future liability, totals \$34,784,030.11. At June 30, 2006 the total amount of annuities purchased was \$41,486,252.92.

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.

States Comparison - Immunity and Statutory Caps

STATE	IMMUNITY	STATUTORY CAPS
Alabama	Total Gov. Immunity (Alabama enjoys state sovereign immunity from suit, granted by Article I, Section 14 of the Alabama Constitution.)	No (\$100,000 on other governmental entities Ala Code 11-93-2)
Alaska	Limited or Partial (AS 09.50.250)	No
Arizona	No Immunity	No
Arkansas	Total (A.C.A. § 21-9-301)	None
California	No Immunity	No
Colorado	Limited or Partial (C.R.S. § 24-10-106)	For any injury to one person in any single occurrence \$150,000; For an injury to two or more persons in any single occurrence \$600,000, except that, in such instance, no person may recover in excess of \$150,000. (C.R.S. § 24-10-114(1)(a))
Connecticut	Partial; (Actions must be authorized by Claims Commissioner)	No
Delaware	State-Full; (Del Code Title 10 § 4001) Employee-Partial (Del Code Title 10 § 4013)	Del Code Ann title 10 § 4013 Limitation on damages. Claim for and award of damages, including costs, against both a political subdivision and its employees, shall not exceed \$300,000 for any and all claims arising out of a single occurrence, except insofar as the political subdivision elects to purchase liability insurance in excess of \$300,000 in which event the limit of recovery shall not exceed the amount of the insurance coverage.
Florida	Limited or Partial	Fla Stat § 768.28(5) cannot exceed \$100,000 or one person or \$200,000 for all arising out of the same occurrence.
Georgia	Limited or Partial	The existence of these caps on liability shall not be disclosed or suggested to the jury during the trial of any action brought under this article.
Hawaii	Limited or Partial	§661-11 Tort claims against State where covered by insurance. State's liability under this section shall not exceed the amount of, and shall be defrayed exclusively by, the primary insurance policy. §662-2 Waiver and liability of State. The State hereby waives its immunity ...but shall not be liable for interest prior to judgment or for punitive damages. [L 1957, c 312, pt of §1; Supp, §245A-2; HRS §662-2; am L 1972, c 164, §2(a)] \$375,000 - Pain & Suffering (with exceptions)
Idaho	Limited or Partial	\$500,000 CSL
Indiana	Limited or Partial	Ind Code § 34-4-16.5-4 combined aggregate liability of all governmental entities may not exceed \$300,000 for injury to or death of one person in any one occurrence not to exceed \$5,000,000 per occurrence
Iowa	None	No
Kansas	Limited or Partial	Yes
Kentucky	Total	\$100,000
Louisiana	No Immunity	\$500,000 General Damages per Individual (eff 7/1/96).
Maine	Limited or Partial	\$400,000 per occurrence.
Maryland	Limited or Partial	\$200,000 per claimant per claim.

STATE	IMMUNITY	STATUTORY CAPS
Michigan	Limited or Partial	\$1,000,000 per occurrence
Minnesota	Limited or Partial	\$300,000 BI & PD per person; \$1,000,000 per occurrence.
Mississippi	Limited or Partial	\$500,000
Missouri	Limited or Partial	\$300,000 per claimant; \$2,000,000 per occurrence.
Montana	Limited or Partial	\$750,000/\$1,500,000
Nebraska	Limited or Partial	No
Nevada	Limited or Partial	\$50,000 (cause of action)
New Hampshire	Limited or Partial	\$250,000/\$2,000,000
New Jersey	Limited or Partial	No
New Mexico	Limited or Partial	\$400,000 per person (non-medical), \$300,000 per occurrence (medical), \$100,000 per occurrence PD; \$1,050,000 grand total maximum per occurrence.
New York	No	No
North Carolina	Limited or partial	\$500,000 per claimant, unlimited per occurrence
North Dakota	Limited or Partial	\$250,000 per claim; \$1,000,000 per occurrence.
Oklahoma	Limited or Partial	up to \$175,000 per person occurrence/1 m
Oregon	Limited or Partial	\$50,000 Property; \$100,000/\$500,000 General Damages
Pennsylvania	Limited or Partial	\$250,000 per person; \$1,000,000 per occurrence
Rhode Island	Limited or Partial	\$100,000 Governmental Activities
South Carolina	Limited or Partial	\$300,000 per claim; \$600,000 per occurrence.
South Dakota	Total from discretionary acts but not ministerial acts	No
Tennessee	Limited or Partial	Tenn. Code Ann. § 9-8-307(e) (Supp. 1997) (limiting liability to \$300,000 per claimant and \$1 million per occurrence).
Texas	Total	Limits of Liability for Governmental Units a. State government liability for personal injury and death is limited to \$250,000 per person, \$500,000 per occurrence. Civ. Prac. & Rem. Code § 101.023(a). b. Local governmental units are liable for \$100,000 per person, \$300,000 for each occurrence. Civ. Prac. & Rem. Code § 101.023(b). c. Municipalities' liability for personal injury and death is limited to \$250,000 per person, \$500,000 per occurrence. Civ. Prac. & Rem. Code § 101.023(c). d. Exemplary damages are not allowed. Civ. Prac. & Rem. Code § 101.024.
Utah	Limited or Partial	\$500,000 per person/\$1,000,000 per occurrence BI; \$200,000 PD.
Vermont	Limited or Partial	\$250,000 per person/\$1 Million per occurrence
Virginia	Limited or Partial	Yes
Washington	No Immunity	No
West Virginia	Limited or Partial	None
Wisconsin	Total	\$250,000 per claimant/per defendant.
Wyoming	Limited or Partial	\$250,000 per claimant /\$500,000 per occurrence, all claimants & Claims

Summary

6 states total immunity

34 limited or partial immunity

6 states, including Louisiana, no immunity

Comparisons (States by Coverage Line)

As a member of STRIMA (State Risk & Insurance Management Association); Louisiana participates in their annual Cost of Risk Survey. The FY 2005 Survey State participants were Louisiana, Maryland, Montana, Nebraska, Nevada, North Dakota, Oregon, Utah, Washington, West Virginia and Wisconsin.

The charts on the following two pages are a comparison between Louisiana and the STRIMA survey averages of the Auto Liability, Tort Liability, Workers' Compensation and Property coverage lines.

Important Notes:

1. Tort Liability risk costs include Employment Practices and Medical Malpractice for all states except **A**, which excludes Employment Practices.
2. Paid losses were used (for payment year 2005) to tabulate risk costs because not all participants could report incurred losses.
3. Higher Education and Transportation costs are included for all states except:
 - **A** – Higher Education excluded from Property
 - **B** – Higher Education excluded from Workers Compensation
 - **C** – Higher Education exposures and costs are excluded from report
 - **N** – Higher Education is excluded from Property
 - **T** – Largest state university exposure and costs are excluded from report
4. The operations of Charity Hospital System and the Louisiana Stadium and Exposition District (LSED) consisting of the Superdome and the New Orleans Sports Arena were excluded from the survey for an objective comparison between the states. Louisiana is the only state in the survey with these types of systems.
5. Two states with potentially high exposures did not report number of Auto Liability, Property and Worker's Compensation claims this resulted in the survey average reflecting numbers which may be lower than actual (reflected in green in the following comparison charts).

AUTO LIABILITY

AUTO LIABILITY COVERAGE STRIMA State Risk Cost Survey for FY 2005		
	State of Louisiana	STRIMA Survey Average
# of Licensed Vehicles	12,478	8,273
# of AL Claims	652	342
# of Claims per 1,000 Vehicles	52	41
Total Costs per Vehicle	\$682	\$332
Total Costs per Claim	\$13,046	\$8,020

TORT

TORT LIABILITY COVERAGE STRIMA State Risk Cost Survey for FY 2005		
	State of Louisiana	STRIMA Survey Average
State Operating Expenditures	\$16,144,132,000	\$8,273,463,000
# of Tort Claims	1,705	555
# of Claims per Billion of Operating Expenditures	106	67
Total Costs per Claim (1)	\$36,196	\$23,514

(1) Of the 11 states participating in the STRIMA survey, only Louisiana and Washington have no type of immunity concerning tort liability claims. The result is that Louisiana's Paid Losses and Total Costs are much higher than the STRIMA survey average.

WORKERS' COMPENSATION

WORKERS' COMPENSATION COVERAGE STRIMA State Risk Cost Survey for FY 2005		
	State of Louisiana	STRIMA Survey Average
# of Employees	85,840	49,623
# of WC Claims	4,218	2,468
# of Claims per 1,000 Employees	49	50
Total Costs per Employee	\$532	\$588
Total Costs per Claim	\$10,834	\$11,823

PROPERTY

PROPERTY COVERAGE STRIMA State Risk Cost Survey for FY 2005		
	State of Louisiana	STRIMA Survey Average
Total Insured Values	9,878,686,000	7,233,806,000
# of Property Claims	326	124
# of Claims per Billion in Value	33	17
Total Costs of Property Program	\$18,140,784	\$5,139,340
Total Costs per Claim	\$55,647	\$41,295

Note: Louisiana's premiums paid for commercial/excess property coverage is higher than all of the other states in the survey due to the fact that Louisiana is the only state in the survey with catastrophic exposures from hurricanes or potential widespread flooding.

Contact Us

MAIN OFFICE

PHYSICAL ADDRESS

1201 North Third Street
STE G-192
Baton Rouge, LA 70802
(225) 342-8500
(225) 342-8473 <http://doa.louisiana.gov/orm/>

MAILING ADDRESS

P.O. Box 91106
Baton Rouge, LA 70821-9106

REGIONAL OFFICES

ALEXANDRIA

3744 Government Street
Alexandria, LA 71302
(318) 484-2471

NEW ORLEANS**

1600 Canal Street, Suite 521
New Orleans, LA 70112
(504) 599-1401

LAFAYETTE

825 Kaliste Saloom Road
Lafayette, LA 70508
(337) 262-5113

SHREVEPORT

800 Spring Street, Suite 110
Shreveport, LA 71101
(318) 676-7647

MONROE*

122 St. John Street, Suite 231
Monroe, LA 71210
(318) 362-3308

ACTUARY

Tillinghast-Towers Perrin
1200 Riverplace Boulevard Suite 610
Jacksonville, FL 32207-1803
Telephone: (904) 398-5661
Fax: (904) 399-8267

**Loss Prevention Only*

***Closed September 2005*