



ANNUAL REPORT FISCAL YEAR 2015-2016

Division of Administration

Office of Risk Management

TABLE OF CONTENTS

Executive Staff.....	3
Contact Information.....	3
Mission	4
Coverages	4
Organizational Chart.....	4
Director’s Address	5
Exposures Reported (Self-Insured Lines of Coverage).....	6
Underwriting Activities.....	7
Overview	7
2014 Regular Legislative Session Act 715	7
Statewide Insurance Programs.....	8
Excess Liability	8
Wet Marine.....	8
Property	8
Equipment Breakdown Protection (Boiler and Machinery)	8
Flood Insurance	8
Mercedes Benz Superdome, Smoothie King Center, and Champions Square.....	8
LSU-BR.....	9
Loss Prevention Activities.....	10
APPRAISALS	10
AUDITS/COMPLIANCE REVIEWS.....	10
TRAINING.....	10
Claims Activity.....	11
Claims Opened Fiscal Year 2016.....	11
5 Year Trend Table.....	Error! Bookmark not defined.
Claims Activity by Line.....	0
General Liability (GL)	0
Medical Malpractice.....	0
Property.....	0
Road Hazards	0
Transportation (Auto Liability and Physical Damage).....	1
Worker’s Compensation.....	1
Financial Activity.....	0
Cash Expenditures by Line of Insurance	0

Cash Balance	1
Premiums Collected (10 Year).....	2
Financial Statements	3
Notes to the Financial Statements.....	14
State Comparisons.....	22

EXECUTIVE STAFF

State Risk Director
State Risk Assistant Director
Assistant Director for Litigation Management
State Risk Administrator (Claims)
State Risk Administrator (Underwriting and Loss Prevention)

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MISSION

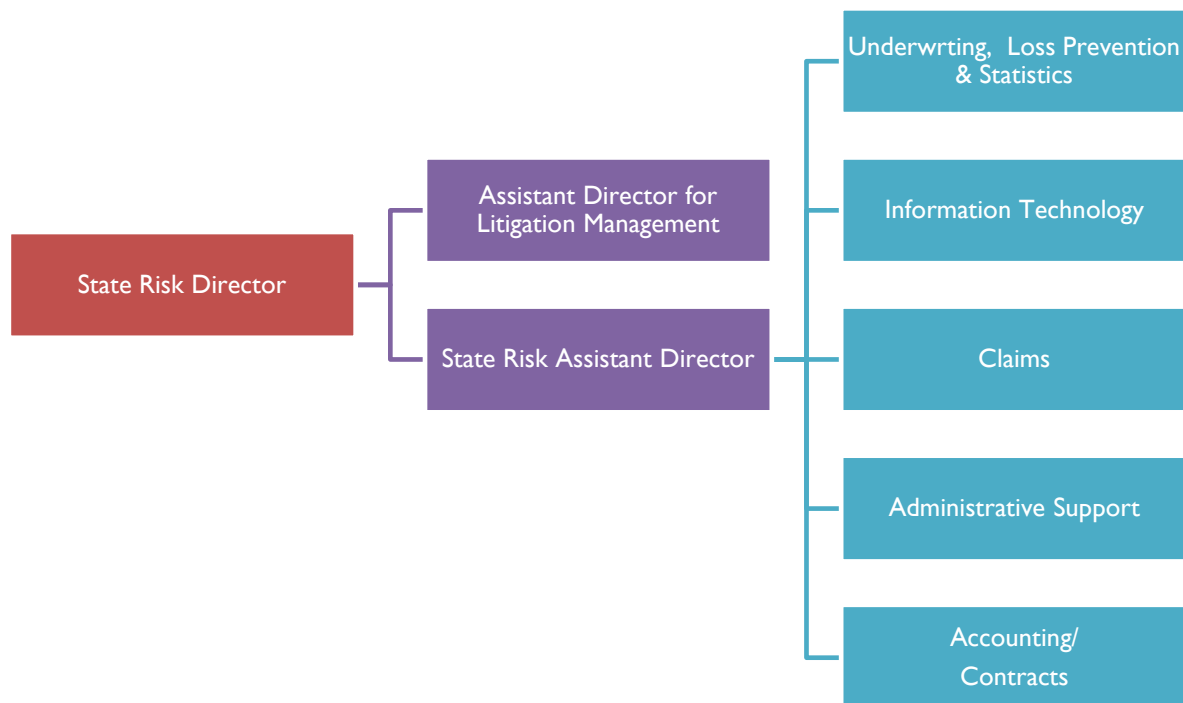
Our mission is to develop, direct, achieve and administer a cost- effective comprehensive risk management program for all agencies, boards and commissions of the State of Louisiana and for any other entity for which the state has an equity interest, in order to preserve and protect the assets of the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

COVERAGES

Louisiana Revised Statutes 39:1527, et seq., further designates the Office of Risk Management to be solely responsible for all Property and Casualty and Worker’s Compensation insurance purchased by ORM or self-insured by ORM for all State departments, agencies, boards, and commissions.

ORM currently self-insures include property, workers' compensation, commercial general liability and personal injury liability, road and bridge hazards, automobile liability and physical damage, boiler and machinery, medical malpractice liability, bond, crime, aviation hull and liability, airport liability, bridge property, publishers media liability, and miscellaneous tort liability. Other coverages are provided as needed, including excess over self-insurance or specific commercial coverage, wet marine and Superdome workers' compensation.

ORGANIZATIONAL CHART



DIRECTOR'S ADDRESS

Sedgwick Claims Management Services, Inc. is the successful proposer for the 2014 Claims and Loss Prevention Request for Proposals. On December 3, 2014, the State of Louisiana, Office of Risk Management (“ORM”) issued a Request for Proposals for Claims Management and Loss Prevention Services. Four proposers submitted a proposal in response to the RFP. ORM determined that Sedgwick’s proposal offered the best plan for moving ORM’s program forward and achieving continued improvement in claims management and loss prevention services. Sedgwick has a

superior technology solution. Sedgwick offered improved access to data, which will enable ORM to monitor the program more effectively and positively impact claims outcomes. In addition, Sedgwick proposed using Vericlim (now a subsidiary of Sedgwick) for property field adjusting services. Vericlim is a leader in this market, and ORM believes that in a catastrophic situation, Vericlim will offer better service.

SEDGWICK FIRST YEAR ACTIVITIES

1. Transitioned and redesigned www.LAORM.com
2. Set up viaOne auto-delivery reports 600+ recipients
3. Custom feed from to Acuity (legal bill)
4. Developed extranet for photo and video storage
5. Built Loss Prevention compliance audit tool
6. Instituted premium invoicing tool for ORM
7. Monthly strategy meetings on WC and GL with ORM, resource teams
8. viaOne training sessions ongoing — three with ORM since 2015
9. Key client benefits: dashboards, alerts, diaries, notes, images and reports
10. Embedded property CAT adjusting services deployed Q2 2016
11. Ongoing monthly training of Sedgwick dedicated staff custom to ORM requirements
12. ORM leveraging Sedgwick COMPASS tool (Sedgwick application used to audit claim file activity according to Sedgwick’s Service Expectations as well as regulatory, carrier, and client compliance) to effectively manage compliance
13. Deployed nurse liability program — objective cost containment
14. Introduced UIS-led triage program for road hazard

Sedgwick also proposed a specialty claims unit to provide support to the in-house adjusters for unusual and high-exposure claims. Sedgwick’s proposal to provide expert support will result in improved outcomes for some of ORM’s most difficult claims, including medical malpractice and prisoner claims. Sedgwick’s program to recruit, develop and retain knowledgeable employees was also superior to the program offered by other proposers. Attracting and retaining the best employees is critical to any organization, and ORM believes that Sedgwick’s plan will result in improved service for the State.

Sedgwick began handling ORM claims on August 1, 2015. The data conversion was completed in September of 2015 and included:

- 346K claims, > \$4B in historical payments
- Addition of time tracking to improve RTW
- Scrubbing and updating historical data to improve coding
- Conversion of >10M historical images

The ORM dedicated team is fully staffed with 86 FTEs. This includes a Property Unit in Baton Rouge with 24-hour, 7 day-a-week CAT services. Sedgwick successfully triaged all pending claims by October 2015.

These are just some of the enhancement Sedgwick has brought to the ORM program. We are looking forward to a successful partnership with Sedgwick and the efficiencies and resource they bring to ORM program.

J. S. “Bud” Thompson, Jr.
State Risk Director

EXPOSURES REPORTED (SELF-INSURED LINES OF COVERAGE)

SELF-INSURED LINES OF COVERAGE (EXPOSURES @ 6/30/2016)		
COVERAGE	EXPOSURE	AMOUNT
WORKER'S COMPENSATION	Regular Payroll	3,419,822,994 ¹
GENERAL LIABILITY²	Total Compensation	3,465,046,628 ³
AUTOMOBILE LIABILITY	Total Miles	109,937,218 ⁴
AUTO PHYSICAL DAMAGE	# of Licensed Vehicles	10,713 ⁵
BOILER & MACHINERY	Boiler & Mach. Values	979,287,028 ⁶
PROPERTY	Property Values	16,519,273,683 ⁷
BONDS - SI	# of FTE Employees + O/S Board Members	69,162 ⁸
CRIME - SI	Peak Exposure- Crime	3,516,136 ⁹
MEDICAL MALPRACTICE:	See lists below:	
Hospitals/Medical Schools:		
	Emergency Room Visits	27,294
	Hospital Clinic Visits	256,874
	Hospital Patient Days	2,527
	# of Babies Birthed	1
	# Outpatient Surgeries	2,214
	Average # of Interns/Residents	1,393
	Average # of Employee Physicians	871
	Average # of Contract Physicians	562
Non-Hospitals/Medical Schools:		
	Clinic Visits	1,478,773
	Patient Days	642,911
	Average # of Employee Physicians	127
	Average # of Contract Physicians	221
	Other Med Mal Exposures ¹⁰	43,460
	Average # of Interns/Residents	186

¹ Gross Payroll for WC excludes payroll for the Superdome and N.O. Sports Arena (covered under a separate commercial WC policy) and LSU-Baton Rouge, Board of Supervisors, and Law School (due to their withdrawal from the program).

² General Liability and Personal Injury Liability combined.

³ Total Compensation is all Gross Payroll (including the Superdome/Arena and LSU locations) plus (# of O/S Board Members X \$15,000).

⁴ Total Miles is Total Public Vehicle Miles plus 5% of Private Vehicle Miles

⁵ Licensed vehicles includes licensed trailers as well as licensed motorized vehicles.

⁶ Boiler & Machinery LSU-Baton Rouge, Board of Supervisors and Law School values excluded.

⁷ Property LSU-Baton Rouge, Board of Supervisors and Law School values excluded.

⁸ Number of Fulltime Employees (FTEs) - (Full time EE + Part time EE X .5) + # of O/S Board Members.

⁹ Peak Exposure - Crime - The total sum of the largest amount of cash on hand at any one time for each agency during 4th quarter.

¹⁰ Consists primarily of nursing exposure which include medical students involved in clinical training and the exposure is per student per clinical training course per quarter.

UNDERWRITING ACTIVITIES

OVERVIEW

FY 16 continued to be a somewhat stable and softer insurance market in most coverage lines; catastrophe exposure and property insurance maintained flat rates and some capacity enlargement. Louisiana sustained a moderate flooding event in March 2016. Thunderstorms and their associated winds created some heavier payout situations. Economic losses from disaster events increased by approx. \$16 billion from 2015. Severe thunderstorms and flash floods accounted for approx. 75% of the losses. National and international events can affect the property insurance market negatively, especially in catastrophe-prone areas like Louisiana. During this period, renewals of both liability lines and property lines of insurance for governmental entities were similar in cost to previous years.

2014 REGULAR LEGISLATIVE SESSION ACT 715

This Act allows ORM, under the direction of the Commissioner of Administration, to enter into contracts with insurance brokers for consulting services and the direct purchase of insurance. ORM awarded two (2) broker services contracts through separate RFP processes, one for property insurance services and one for casualty insurance services, to Arthur J. Gallagher Risk Management Services, Inc. The contracts are both three (3) years in length and include segregated services for LSU. The fees paid to Gallagher for commercial insurance placement and consulting of the statewide program, excluding LSU, total \$990,000 annually, a \$3,110,000 reduction in broker fees paid in FY 2015.

Contracted services include negotiated placement of commercial insurance in the international market, tailored loss control services for public entities, and more specifically higher education, and access to specialty resources, such as cyber liability experts, terrorism and violent and malicious acts, crisis management, and catastrophe modeling services, to name a few. ORM and AJG met with over fifty (50) insurers/underwriters, many of whom, because of the former procurement model, had shown no previous interest in participating in the State's program. The most significant outcome of the meetings was the elimination of misperceptions about the State's risk and the establishment of a positive image with the insurers. The elimination of the misperception about the State's program was vital to maximizing insurance limits and receiving competitive pricing. Following Hurricane Katrina, insurance coverage for our State changed severely and negatively. Capacity in the insurance marketplace was almost non-existent, rates skyrocketed and coverage terms were reduced. The marketplace looked negatively upon the Gulf Coast region, in particular Louisiana. New catastrophic modeling of risks by insurers caused further pricing increases. The new insurance procurement model made possible by Act 715 allowed ORM through its broker to discuss the State's program directly with the marketplace to eliminate misperceptions and provide an accurate detailed picture of the program. Through these discussions, the Statewide Property Program went from being viewed as an adverse risk to a preferred one.

The soft property insurance market was also leveraged to increase limits and reduce rates, so the program's commercial premium was reduced over \$9 million. The casualty insurance placements were also successful in increasing coverage and reducing rates.

Commercial Insurance Placement Report and Financial Analysis can be found on the ORM website at <http://www.doa.la.gov/Pages/orm/Reports.aspx>.

STATEWIDE INSURANCE PROGRAMS

EXCESS LIABILITY

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

WET MARINE

The wet marine coverage was marketed under Arthur J. Gallagher's direction and ORM approved placement in a layered program, which included both domestic and London carriers. The annual premium was reduced to \$652,743, for a savings of \$499,000 from the previous year (under the previous procurement method).

PROPERTY

The property insurance program was also marketed under Arthur J. Gallagher's direction with many changes incorporated to broaden limits and reduce premium. The limits for FY 15-16 are as follows:

- Named windstorm: \$400,000,000 excess of \$50,000,000 SIR
- Flood: \$325,000,000 excess of \$50,000,000 SIR
- Fire and All Other Perils: \$800,000,000 excess of \$10,000,000 SIR
- Stand-alone terrorism coverage, including nuclear, chemical, biological & radiation, was added with a limit of \$150,000,000 at a cost of \$248,000. In addition, fine art coverage was segregated from the property policy to provide stand-alone limits of \$250,000,000 at an annual cost of \$155,473.

The total premium for all of these coverages was reduced to \$23,974,223, for a savings of \$9,396,400 from the previous year.

EQUIPMENT BREAKDOWN PROTECTION (BOILER AND MACHINERY)

ORM approved the placement of this program with a new carrier, XL Catlin, and with increased limits of \$250,000,000 for an annual premium of \$296,244. Even with higher limits, \$132,730 was saved from the prior year premium. This program includes annual boiler inspections statewide and primary claims adjusting services in addition to the insurance coverage.

FLOOD INSURANCE

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

MERCEDES BENZ SUPERDOME, SMOOTHIE KING CENTER, AND CHAMPIONS SQUARE

The Superdome/Arena/Champions Square has three lines of insurance (Commercial General Liability, Workers Compensation, and Crime programs) where coverage is purchased as excess or commercial; the remaining coverages are part of the statewide self-insurance program. These programs insure the Louisiana Stadium and

Exposition District Board and SMG, the management company, as per the management agreement contract. The Commercial General Liability, Workers Compensation, and Crime programs were placed through Gallagher as outlined below:

Coverage	ORM SIR	Limit	Premium
General Liability	\$5,000,000	\$100,000,000	\$587,386
Workers Compensation		\$1,000,000 ^[2]	\$153,112 *
Crime (including employee theft)		\$500,000	\$13,385

The General Liability premium increased slightly from the previous year due to the addition of extended law enforcement coverage in the excess program. It was well worth the increase of \$62,000 to extend limits for this crucial exposure in the Superdome’s operations.

The Workers Compensation policy through LWCC continues to see large annual dividends being returned to the Superdome due to the positive loss history and safety practices employed by LSED and SMG.

* The above premium included a dividend refund of \$350,152 for FY 14-15.

LSU-BR

Louisiana State University (LSU) received their approval of GRAD Act 2.1 risk management autonomy October 2014. They are prepared to operate their own risk management program and purchase insurance coverage as needed with high-level oversight from ORM. They removed the property and workers compensation coverage lines and associated services from the ORM program beginning July 1, 2015. The liability lines of coverage are expected to transition out of the ORM program July 1, 2016. The only coverage line that will remain with ORM is Medical Malpractice.

Under the terms of the insurance broker contracts, Gallagher has assisted LSU with placing stand-alone coverage effective July 1, 2015. The fees paid to Gallagher for commercial insurance placement and consulting of the LSU program total \$220,000 annually, over a \$500,000 savings in broker commissions paid in FY 2015.

Their renewal property rate decreased by approximately 40%, but with a large increase in property values, LSU’s overall premium, compared to the expiring commercial premium through ORM, and decreased 17% to \$4,633,524.

Workers Compensation was placed with a \$1M LSU self-insured retention in the commercial market for an annual premium of \$250,782. Crime coverage was placed commercially for an annual premium of \$29,077. LSU and Gallagher continue discussions concerning potential placement of other lines of coverage.

Other Services

ORM continues working with Gallagher to define and implement specialty coverages and services for the State’s higher education institutions, collect and update building data that is utilized in catastrophe modeling, and analyze cyber liability risk throughout the State.

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

Contract review continues to be a substantial service that the Underwriting Unit provides. ORM maintains an Insurance Requirements in Contracts guide, published to the ORM website, for agencies to utilize when soliciting RFPs and entering into contracts. We also collaborate with the Office of State Purchasing in the review of agency RFPs and contracts that must be approved by OSP. Opinions and recommended changes to the language are provided to comply with statutes and to protect the State from transferred risks. Thus, the State assumes less risk, claims and defense costs are limited, and ultimately the overall cost of risk is reduced.

LOSS PREVENTION ACTIVITIES

APPRAISALS

Sedgwick completed 176 (100%) of the 176 new appraisals submitted during the FY 15 (08/03/2015 – 06/30/2016). Additionally 45 building modifications/deletions out of 45 (100%) were completed by Sedgwick during the fiscal year. Likewise, 1,218 (100%) of the 1,218 re-appraisals submitted were completed.

AUDITS/COMPLIANCE REVIEWS

Four hundred forty-six (446) audits/compliance reviews were assigned to and completed by Sedgwick in FY15 (08/03/2015 – 06/30/2016). In addition, seven hundred fifty (750) walk-throughs were completed. All agencies successfully passed their audits/compliance reviews in FY16.

TRAINING

Sixty-five training sessions were conducted during FY 15 (08/03/2015 – 06/30/2016). These sessions varied from training one individual to multiples in a group session.

CLAIMS ACTIVITY

CLAIMS OPENED FISCAL YEAR 2016

DEPT/AGY	GL	MM	PR	RH	TR	WC	TOT
DEPARTMENT OF CHILDREN AND FAMILY SERVIC	49		1		149	121	320
OFF OF CHILDREN & FAMILY SERVICES (OCFS)	49		1		149	121	320
DEPARTMENT OF CIVIL SERVICE	1					1	2
ETHICS ADMINISTRATION	1						1
STATE POLICE COMMISSION						1	1
DEPARTMENT OF CORRECTIONS	146	4	28		247	283	708
ALLEN CORRECTIONAL CENTER	3		4				7
DIVISION OF PROBATION & PAROLE	7	1	1		148	44	201
DIXON CORRECTIONAL INSTITUTE	15		1		13	15	44
DOC - ADMINISTRATION	13	1			10	3	27
ELAYN HUNT CORRECTIONAL CENTER	17	1	5		16	91	130
LA. CORRECTN INSTITUTE FOR WOMEN	6				4	8	18
LOUISIANA STATE PENITENTIARY	57		10		36	62	165
PRISON ENTERPRISES	4		2		6	1	13
RAYBURN CORRECTIONAL CENTER	9		1		1	30	41
RAYMOND LABORDE CORRECTIONAL CTR	7		4		12	20	43
WADE CORRECTIONAL CENTER	8	1			1	9	19
DEPARTMENT OF EDUCATION	13		16			10	39
EDUCATION STATE ACTIVITIES	4					1	5
RECOVERY SCHOOL DISTRICT (RSD)	9		16			4	29
SPECIAL SCHOOL DISTRICT #1						5	5
DEPARTMENT OF HEALTH	58	1	132		67	529	787
ACADIANA AREA HUMAN SERV DIST (AAHSD)	1	1	1			3	6
CAPITAL AREA HUMAN SERVICES DIST (CAHSD)					2	2	4
CENTRAL LA HUMAN SERVICES DIST (CLAHSD)	2				1	5	8
DHH - OFFICE OF THE SECRETARY	2				1	12	15
FLORIDA PARISHES HUMAN SERVICES AUTHORITY	4		2		1	5	12
IMPERIAL CALCASIEU HUMAN SVC DIST(ICHSD)					2	2	4
JEFFERSON PARISH HUMAN SERVICES AUTH					8	6	14
MEDICAL VENDOR ADMINISTRATION	3					8	11
METROPOLITAN HUMAN SERVICES AUTH (MHSA)	2				2	2	6
NORTHEAST DELTA HUMAN SERV AUTH (NEDHSA)	1						1
NORTHWEST LA HUMAN SERV DIST (NWLHSD)						2	2
OFF OF CITIZENS W DEV DISABILITY (OCDD)	29		119		23	228	399
OFFICE OF AGING & ADULT SERVICES (OAAS)	1		2		4	20	27
OFFICE OF BEHAVIORAL HEALTH (OBH)	9		7		15	205	236
OFFICE OF PUBLIC HEALTH (OPH)	4				7	25	36
SOUTHCENTRAL LA HUMAN SERV AUTH (SCLHSA)			1		1	4	6

DEPT/AGY	GL	MM	PR	RH	TR	WC	TOT
DEPT OF INSURANCE						1	1
COMMISSIONER OF INSURANCE						1	1
DEPT OF JUSTICE	6				33	26	65
OFFICE OF ATTORNEY GENERAL	6				33	26	65
DEPT OF NATURAL RESOURCES	9				11	2	22
DNR - OFFICE OF THE SECRETARY	8				5	1	14
OFFICE OF COASTAL MANAGEMENT	1						1
OFFICE OF CONSERVATION					6	1	7
DEPT OF PUBLIC SAFETY	35		15		506	159	715
DPS - MANAGEMENT & FINANCE					2	4	6
LA. HIGHWAY SAFETY COMMISSION					1		1
LIQUIFIED PETROLEUM GAS COMMISSN					2		2
OFFICE OF MOTOR VEHICLES	9		4		2	7	22
OFFICE OF STATE FIRE MARSHAL	3				34	8	45
OFFICE OF STATE POLICE	23		11		465	140	639
DEPT OF REVENUE	3				4	5	12
LA. OFFICE OF ALCOHOL & TOBACCO CONTROL	1				4		5
OFFICE OF REVENUE	2					5	7
DEPT OF STATE	4		6			7	17
SECRETARY OF STATE	4		6			7	17
DEPT OF THE TREASURY	1				1		2
OFFICE OF THE STATE TREASURER	1				1		2
DEPT OF TRANSPORTATION & DEVELOPME	14		23	596	221	234	1088
DOTD H.Q./MANAGEMENT AND FINANCE	1		1		2	2	6
DOTD OFFICE OF ENGINEERING	13		22	596	219	232	1082
DEPT OF AGRICULTURE & FORESTRY	7		10		70	19	106
OFFICE OF AGRICULTURE	4		3		53	10	70
OFFICE OF FORESTRY	3		7		17	9	36
DEPT OF ECONOMIC DEVELOPMENT	1		1		1	2	5
DED - OFFICE OF SECRETARY	1		1		1		3
OFFICE OF BUSINESS DEVELOPMENT						2	2
DEPT OF ENVIRONMENTAL QUALITY	3				13	13	29
Department of Environmental Quality	3				13	13	29
DEPT CULTURE, RECREATION, TOURISM	62		85		22	27	196
DCRT - OFFICE OF THE SECRETARY					4	1	5
OFFICE OF STATE MUSEUM	6		10		1	3	20
OFFICE OF STATE PARKS	56		71		17	20	164
OFFICE OF TOURISM			4			3	7
DEPT OF PUBLIC SAFETY & CORRECTIONS	11		12		37	141	201
OFFICE OF JUVENILE JUSTICE (OJJ)	11		12		37	141	201
DEPT OF WILDLIFE & FISHERIES	5		50		127	54	236
DWLF-OFFICE OF THE SECRETARY	2		28		90	30	150

DEPT/AGY	GL	MM	PR	RH	TR	WC	TOT
OFFICE OF FISHERIES			5		9	11	25
OFFICE OF WILDLIFE	3		17		28	13	61
DIVISION OF ADMINISTRATION	14		16		9	28	67
FEDERAL PROPERTY ASSISTANCE AGENCY						1	1
LA PROPERTY ASSISTANCE AGENCY					3	1	4
OFFICE OF COMMUNITY DEVELOPMENT	1						1
OFFICE OF GROUP BENEFITS	1					1	2
OFFICE OF HUMAN RESOURCES					1	2	3
OFFICE OF RISK MANAGEMENT						1	1
Office of State Procurement						2	2
OFFICE OF TECHNOLOGY SERVICES					5	19	24
STATE BUILDINGS	11		16			1	28
STATE LAND OFFICE	1						1
EMPLOYEE BENEFIT SYSTEMS						1	1
LA. TEACHERS RETIREMENT SYSTEM						1	1
EXECUTIVE BRANCH	70	1	59		27	123	280
DEPARTMENT OF MILITARY AFFAIRS	21		42		7	42	112
GOV OFFICE OF HOMELAND SEC & EMERG PREP	1				6	5	12
JEFFERSON BASEBALL STADIUM	1						1
LA COMM ON LAW ENFORCEMENT	1				1	2	4
LA PUBLIC DEFENDER BOARD	1						1
LA RACING COMMISSION					1	1	2
LA STADIUM & EXPOSITION DISTRICT COMM	1						1
MENTAL HEALTH ADVOCACY	1					2	3
MERCEDES-BENZ SUPERDOME	34		10			1	45
NEW ORLEANS SPORTS ARENA	3						3
NORTHEAST LA WAR VETERANS HOME					1	10	11
NORTHWEST LA WAR VETERANS HOME			1			13	14
OFFICE OF COASTAL PROTECTION & RESTORATI	1		1		4		6
OFFICE OF ELDERLY AFFAIRS						1	1
OFFICE OF FINANCIAL INSTITUTIONS					4	3	7
OFFICE OF STATE INSPECTOR GENERAL	1					4	5
OFFICE OF THE GOVERNOR	1						1
OFFICE OFCOSMETOLOGY						1	1
SOUTHEAST LA WAR VETERANS HOME	1	1	1			3	6
SOUTHWEST LA WAR VETERANS HOME	1					13	14
VETERAN'S AFFAIRS	1		3		2	4	10
WAR VETERAN'S CENTER			1		1	18	20
Inactive/Default Locations	6						6
Inactive/Default Locations	6						6
JUDICIARY	22		2		21	6	51
1ST CIRCUIT COURT OF APPEAL						2	2

DEPT/AGY	GL	MM	PR	RH	TR	WC	TOT
2ND CIRCUIT COURT OF APPEAL	1		1				2
4TH CIRCUIT COURT OF APPEAL	1						1
CRIMINAL COURT-PARISH OF ORLEANS	1					2	3
JUDICIAL DISTRICT COURTS (JDC)	15		1		21	2	39
LOUISIANA SUPREME COURT	4						4
LA COMMUNITY & TECHNICAL COLLEGE	34		37		17	57	145
BATON ROUGE COMMUNITY COLLEGE	8		2		7	19	36
BOSSIER PARISH COMMUNITY COLLEGE			2		3	7	12
CENTRAL LA TECH COMM COLLEGE (CLTCC)	2		6		2	2	12
ELAINE P NUNEZ COMMUNITY COLLEGE						4	4
ISAAC DELGADO COMMUNITY COLLEGE	4		8		3	4	19
L. E. FLETCHER COMMUNITY COLLEGE	1					1	2
LA DELTA COMMUNITY COLLEGE (LDCC)	3		13		1	1	18
LCTCS- BOARD OF SUPERVISORS						1	1
NORTHSHORE TECH COMM COLLEGE (NTCC)			4			7	11
NORTHWEST LOUISIANA TECHNICAL COLLEGE	3		1			1	5
SOUTH CENTRAL LOUISIANA TECHNICAL COLLEGE	1				1	2	4
SOUTH LA COMMUNITY COLLEGE (SLCC)	9					6	15
SOWELA COMMUNITY COLLEGE	3		1			2	6
LA WORKFORCE COMMISSION	8		1			9	18
OFF OF WORKFORCE SUPP & TRAINING (OWST)	8		1			9	18
LEGISLATURE	2				2	5	9
LA. HOUSE OF REPRESENTATIVES	1						1
LEGISLATIVE AUDITOR	1				2	4	7
LOUISIANA SENATE						1	1
LSU SYSTEM	18	96	18		41	237	410
E. A. CONWAY MEDICAL CENTER		7					7
LSU - AGRICULTURAL CENTER	4		9		24	43	80
LSU - ALEXANDRIA					1	4	5
LSU - EUNICE	1	1	1		2	1	6
LSU - SHREVEPORT			2		3	6	11
LSU HEALTH SCI CTR (LSUHSC) NEW ORLEANS	9	55	6		7	87	164
LSU HEALTH SCIENCES CTR - SHREVEPORT	3	33				86	122
PENNINGTON BIOMEDICAL RESEARCH CTR	1				4	10	15
LSUMC HEALTH CARE SERVICES DIV.	3	28	3			16	50
EARL K. LONG MEDICAL CENTER		1					1
LALLIE KEMP REGIONAL MED CENTR	1	1	1			14	17
LEONARD J. CHABERT MEDICAL CNTR	1	4					5
MEDICAL CENTER OF LA AT N.O.	1	16	2				19
UNIVERSITY MEDICAL CENTER		4				2	6
WASHINGTON-ST. TAMMANY RMC		2					2
NON-APPROPRIATED MISC. BOARDS & COMMISSI	37		8		12	16	73

DEPT/AGY	GL	MM	PR	RH	TR	WC	TOT
BOARD OF DENTISTRY	2						2
BOARD OF MEDICAL EXAMINERS	4					2	6
BOARD OF PRIVATE SECURITY EXAMINERS	1						1
ENGINEERING AND LAND SURVEYING BOARD	1						1
LA. BOARD OF PHARMACY					2		2
LA. NAVAL MEMORIAL COMMISSION						1	1
LICENSING BOARD OF CONTRACTORS					2		2
LOUISIANA HOUSING CORPORATION	3				3	2	8
MOTOR VEHICLE COMMISSION			1		1	1	3
NEW ORLEANS CITY PARK IMPROVEMENT ASSOC	13		5			3	21
OFFICE FACILITIES CORPORATION	4		1				5
SABINE RIVER AUTHORITY	8		1		4	7	20
STATE PLUMBING BOARD OF LA.	1						1
SOUTHERN UNIVERSITY SYSTEM	19		55		15	28	117
SOUTHERN UNIV. BOARD OF SUPERVISORS	1						1
SOUTHERN UNIVERSITY - AGRICULTURAL CTR			3				3
SOUTHERN UNIVERSITY - BATON ROUGE	13		45		9	18	85
SOUTHERN UNIVERSITY - LAW CENTER	1		1				2
SOUTHERN UNIVERSITY - NEW ORLEANS	3				6		9
SOUTHERN UNIVERSITY - SHREVEPORT	1		6			10	17
SPECIAL SCHOOLS & EDUCATION AGY.	7		9		6	52	74
BD. REGENTS FOR HIGHER EDUCATION						1	1
LA SPECIAL EDUCATION CENTER	1				2	16	19
LA. EDUCATIONAL TELEVISION AUTH			2			3	5
LA. SCHOOL FOR MATH, SCIENCE,ART			6		1	1	8
LA. SCHOOLS FOR THE DEAF AND VISUALLY IM	4		1		1	24	30
LA. UNIVERSITY MARINE CONSORTIUM						4	4
N. O. CENTER FOR CREATIVE ARTS	1					1	2
OFFICE OF STUDENT FINANCIAL ASST					2	2	4
ST. BD. ELEMEN & SECONDARY EDUC	1						1
UNIVERSITY OF LOUISIANA SYSTEM	112		169		69	218	568
GRAMBLING STATE UNIVERSITY	4		39			11	54
LOUISIANA TECH UNIVERSITY	9		23		12	18	62
MCNEESE STATE UNIVERSITY	9		11		2	17	39
NICHOLLS STATE UNIVERSITY	5		12		1	9	27
NORTHWESTERN STATE UNIVERSITY	14		21		9	18	62
SOUTHEASTERN LA. UNIVERSITY	14		10		4	29	57
UNIVERSITY OF LA BD. OF SUPERVISORS	1					1	2
UNIVERSITY OF LOUISIANA AT LAF.	29		37		22	86	174
UNIVERSITY OF LOUISIANA AT MONR.	15		8		15	20	58
UNIVERSITY OF NEW ORLEANS	12		8		4	9	33
Grand Total	780	130	756	596	1728	2430	6420

NEW CLAIMS OPENED 5-YEAR HISTORY BY COVERAGE

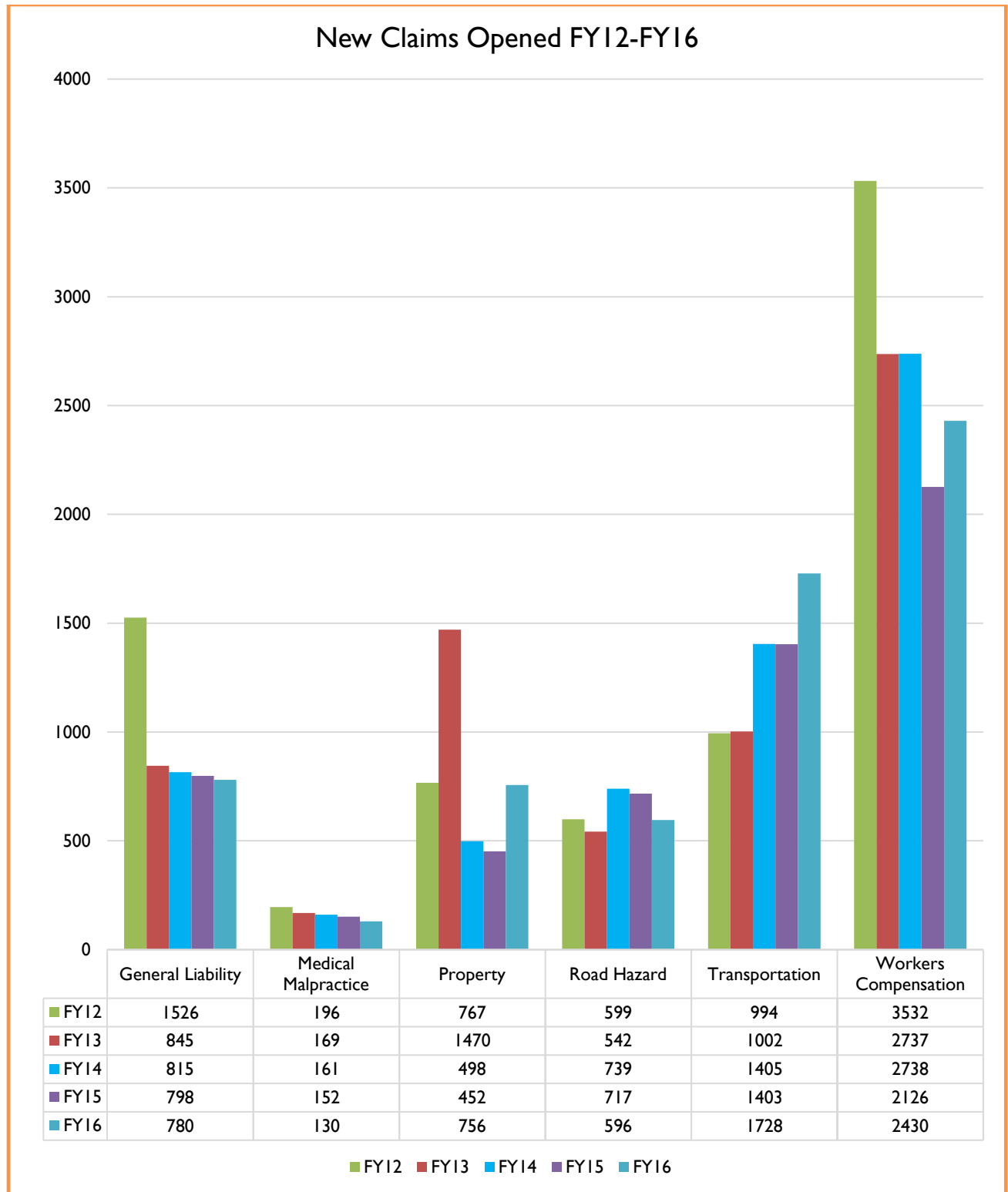
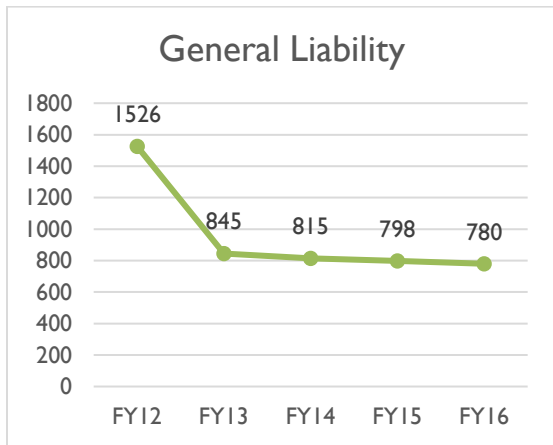


FIGURE I-CLAIMS OPENED IN FY1 - RPOS ARE NOT INCLUDED.

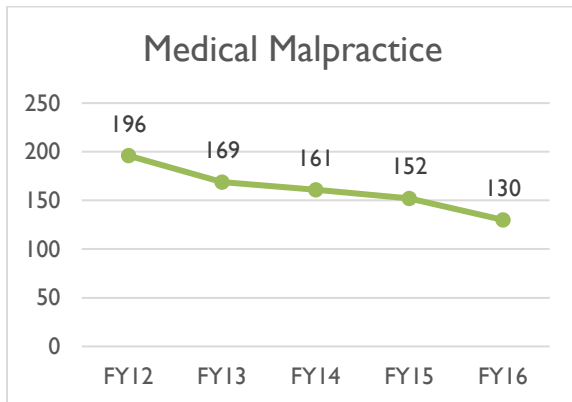
CLAIMS ACTIVITY BY LINE

GENERAL LIABILITY (GL)



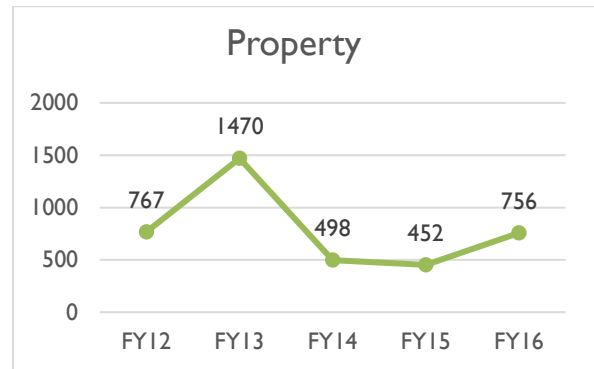
New GL claims dropped slightly from the prior fiscal year. DOC had the highest number of new claims opened.

MEDICAL MALPRACTICE



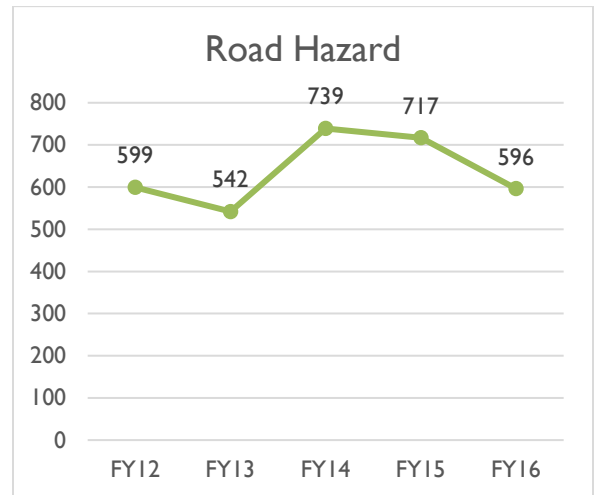
The number of new Medical Malpractice claims opened has continued to decline. This reduction is most likely attributable to the privatization of state hospitals.

PROPERTY



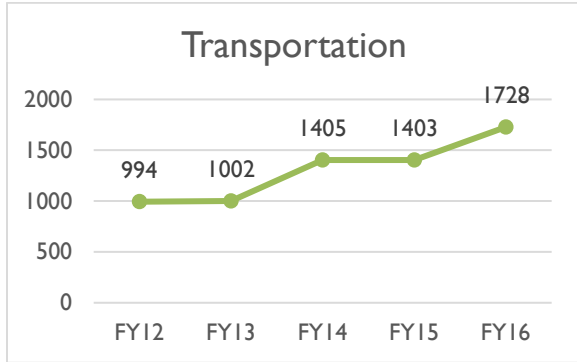
Overall property claims are up over 60%. This is primarily due to flooding claims.

ROAD HAZARDS



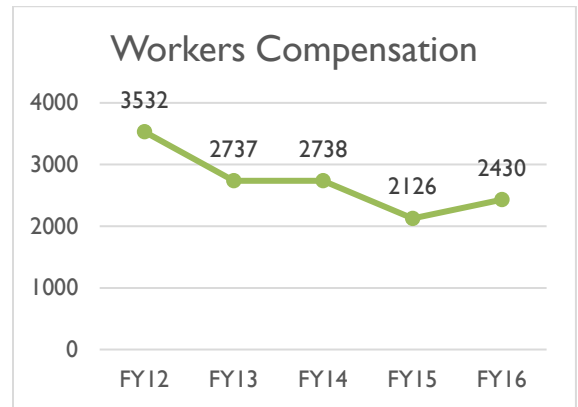
Road hazard claims continued to decline. Road Hazard Judgments were not appropriated during the 2016 Regular Session of the Legislature due to budget constraints.

TRANSPORTATION (AUTO LIABILITY AND PHYSICAL DAMAGE)



Claims volume of has increased over the prior year. The only remarkable loss we saw in 2015 was the Linda Bass case. This accident caused serious injuries to Ms. Bass when a DOC driver failed to yield at a stop sign and struck her vehicle broadside. Payment of the \$1,157,037.66 judgment was made this fiscal year.

WORKER'S COMPENSATION

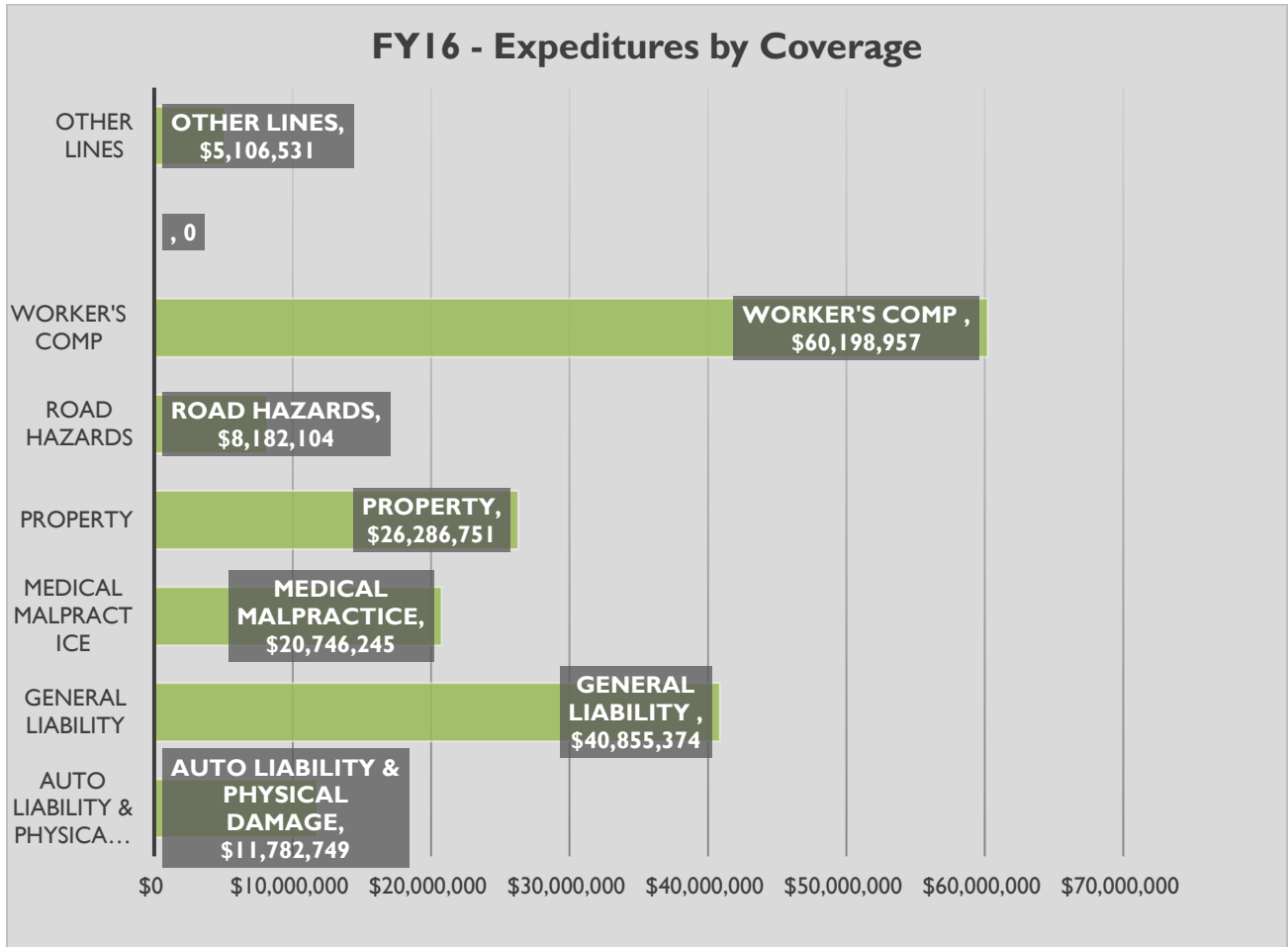


Post-Accident Drug Testing: The State began requiring state agencies to perform post-accident drug testing for all work-related accidents in March 2015. Statutory provisions allows and employer to deny benefits if it can be proven that the intoxication contributed to the accident.

Transitional Duty Employment: The State began re-emphasizing early return to work through transitional duty employment once an injured worker has been released to some form of gainful employment. Through individual agency meetings and education, there has been a renewed interest in returning injured workers back to work once they have been released to return to gainful employment, even if the injured worker is not at full duty.

FINANCIAL ACTIVITY

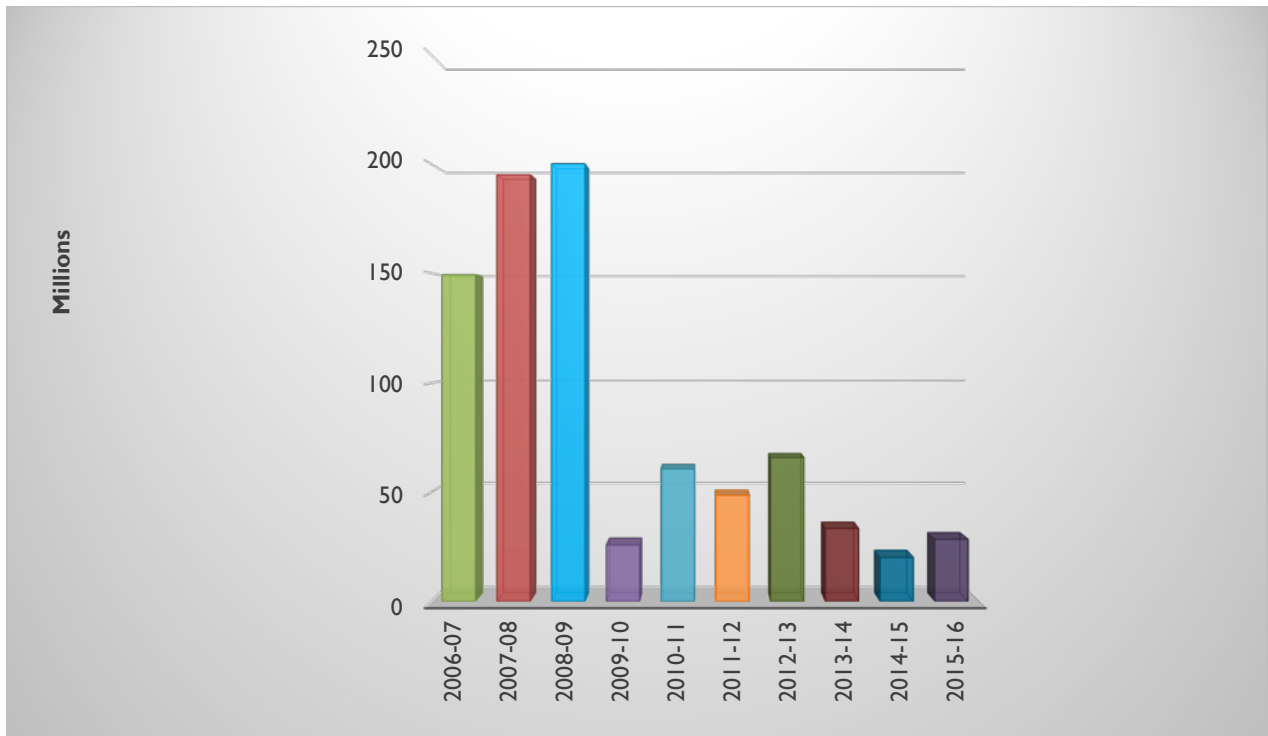
CASH EXPENDITURES BY LINE OF INSURANCE



Coverage Lines	Cash Expenditures
Auto Liability & Physical Damage	\$11,782,749
General Liability	\$40,855,374
Medical Malpractice	\$20,746,245
Property	\$26,286,751
Road Hazards	\$8,182,104
Worker's Comp	\$60,198,957
Other Lines ¹¹	\$5,106,531
Grand Total	\$173,158,711

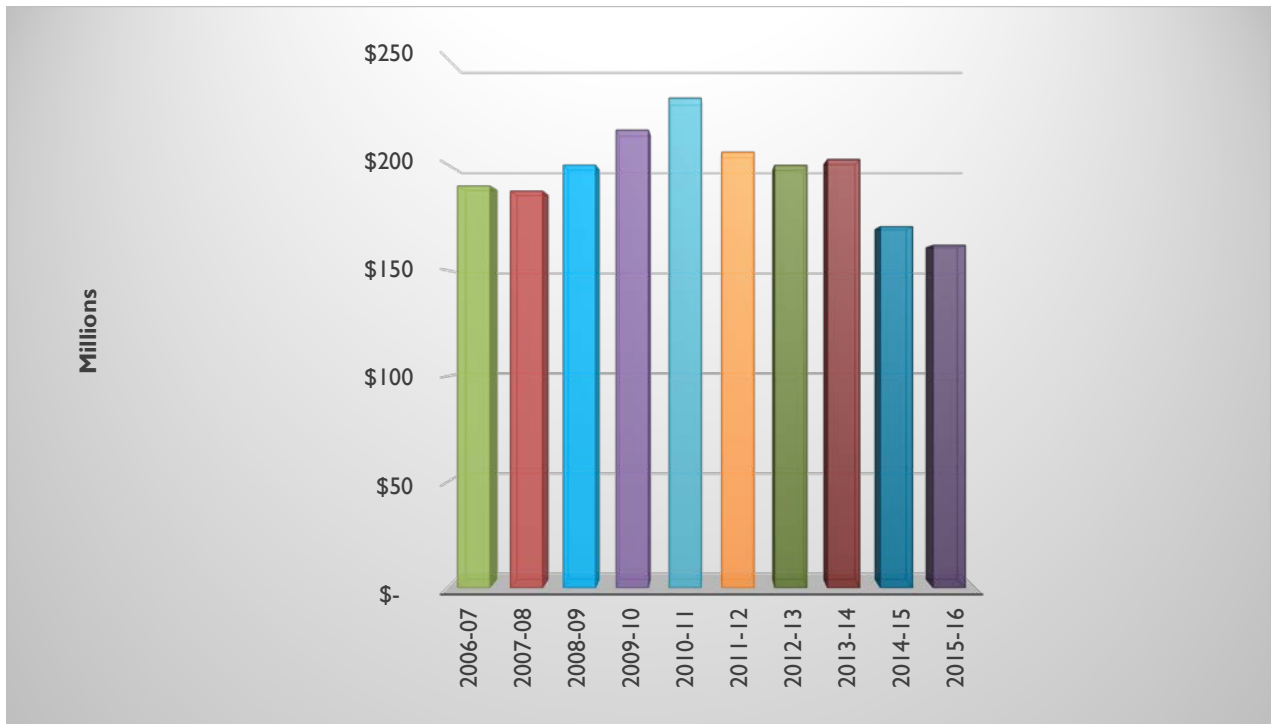
¹¹ Other Lines include

CASH BALANCE



Fiscal Year	Total Cash Balance
2001-02	\$ 33,018,390
2002-03	\$ 13,960,861
2003-04	\$ 31,102,806
2004-05	\$ 38,890,171
2005-06	\$ 146,762,225
2006-07	\$ 149,320,353
2007-08	\$ 195,228,282
2008-09	\$ 200,165,299
2009-10	\$ 25,752,191
2010-11	\$ 60,556,638
2011-12	\$ 48,472,331
2012-13	\$ 65,786,838
2013-14	\$ 33,323,355
2014-15	\$ 20,035,616
2015-16	\$ 28,348,188

PREMIUMS COLLECTED (10 YEAR)



Fiscal Year	Total Premium Collected
2001-02	\$ 99,215,760
2002-03	\$ 107,363,592
2003-04	\$ 156,403,159
2004-05	\$ 156,848,117
2005-06	\$ 157,766,241
2006-07	\$ 189,776,122
2007-08	\$ 187,357,889
2008-09	\$ 199,656,108
2009-10	\$ 216,203,915
2010-11	\$ 231,293,527
2011-12	\$ 205,738,206
2012-13	\$ 199,555,082
2013-14	\$ 202,365,446
2014-15	\$ 170,612,050
2015-16	\$ 161,802,230

FINANCIAL STATEMENTS

Office of Risk Management

Self Insurance Fund

June 30, 2016

Statement of Financial Position

ASSETS

Cash and investments	\$28,348,188
Insurance receivables	\$13,955,950
Interest receivable and other assets	\$101,170
Prepaid insurance	\$25,249,498
Capital assets, net of accumulated depreciation	\$532
Total assets	\$67,655,338

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$976,285,870
Unearned premium	\$0
Other liabilities	\$8,983,794
Total liabilities	\$985,269,664
Net assets	
Unrestricted net assets	(\$917,614,326)
Total liabilities and net assets	\$67,655,338

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$161,967,239
Other revenue	\$390,090
General fund appr./non-tort reimbursement	\$12,889,752
Add unearned premium from prior year	\$0
Less: Cost of insurance	(\$26,301,225)
Total operating revenues	\$148,945,856

OPERATING EXPENSES

General and administrative expenses	\$6,948,815
Claims cost:	
Losses	\$81,913,586
Less: Deductible payment in lieu of premiums	(\$197,754)
Allocated loss adjustment expense	\$37,803,727
Unallocated loss adjustment expense	\$20,389,112
Change in provision for losses/expenses	(\$741,311)
Total operating expenses	\$146,116,175
Operating income (losses)	\$2,829,681

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$177,820
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$177,820
Net income (losses) before transfers	\$3,007,501

Transfers in	\$1,137,193
Transfers out	(\$1,105,283)
Total (net) transfers	\$31,910
Change in net assets	\$3,039,411

Total net assets - beginning	(\$920,653,737)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$920,653,737)
Total net assets - ending	(\$917,614,326)

June 30, 2016

Statement of Financial Position

ASSETS

Cash and investments	\$6,364,256
Insurance receivables	\$1,884,850
Interest receivable and other assets	\$181
Prepaid insurance	\$0
Capital assets, net of accumulated depreciation	\$22
Total assets	\$8,249,309

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$49,134,136
Unearned premium	\$0
Other liabilities	\$214,903
Total liabilities	\$49,349,039
Net assets	
Unrestricted net assets	(\$41,099,730)
Total liabilities and net assets	\$8,249,309

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$10,786,292
Other revenue	\$342
Total operating revenues	\$10,786,634

OPERATING EXPENSES

General and administrative expenses	\$400,502
Claims cost:	
Losses	\$5,419,804
Allocated loss adjustment expense	\$3,528,295
Unallocated loss adjustment expense	\$988,104
Change in provision for losses/expenses	\$2,376,954
Total operating expenses	\$12,713,659
Operating income (losses)	(\$1,927,025)

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$2,763
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$2,763
Net income (losses) before transfers	(\$1,924,262)

Transfers in	\$0
Transfers out	(\$160,397)
Total (net) transfers	(\$160,397)
Change in net assets	(\$2,084,659)

Total net assets - beginning	(\$39,015,071)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$39,015,071)

Total net assets - ending	(\$41,099,730)
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June 30, 2016

Statement of Financial Position

ASSETS

Cash and investments	\$407,612
Insurance receivables	\$510,285
Interest receivable and other assets	\$12
Capital assets, net of accumulated depreciation	\$0
Total assets	\$917,909

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$689,912
Unearned premium	\$0
Other liabilities	\$4,218
Total liabilities	\$694,130
Net assets	
Unrestricted net assets	\$223,779
Total liabilities and net assets	\$917,909

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$988,497
Other revenue	\$27
Total operating revenues	\$988,524

OPERATING EXPENSES

General and administrative expenses	\$32,367
Claims cost:	
Losses	\$1,236,852
Allocated loss adjustment expense	\$112,929
Unallocated loss adjustment expense	\$63,896
Change in provision for losses/expenses	(\$138,531)
Total operating expenses	\$1,307,513
Operating income (losses)	(\$318,989)

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$322
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$322
Net income (losses) before transfers	(\$318,667)

Transfers in	\$0
Transfers out	\$0
Total (net) transfers	\$0
Change in net assets	(\$318,667)

Total net assets - beginning	\$542,446
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$542,446
Total net assets - ending	\$223,779

June 30, 2016

Statement of Financial Position

ASSETS

Cash and investments	\$1,367,660
Insurance receivables	(\$2,341)
Interest receivable and other assets	\$38
Prepaid insurance	\$13,385
Capital assets, net of accumulated depreciation	\$0
Total assets	\$1,378,742

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$567,871
Unearned premium	\$0
Other liabilities	\$168
Total liabilities	\$568,039
Net assets	
Unrestricted net assets	\$810,703
Total liabilities and net assets	\$1,378,742

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$175,546
Other revenue	\$4
Less: Cost of insurance	(\$13,385)
Total operating revenues	\$162,165

OPERATING EXPENSES

General and administrative expenses	\$4,816
Claims cost:	
Losses	\$75,453
Allocated loss adjustment expense	\$11,940
Unallocated loss adjustment expense	\$2,952
Change in provision for losses/expenses	\$206,748
Total operating expenses	\$301,909
Operating income (losses)	(\$139,744)

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$448
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$448
Net income (losses) before transfers	(\$139,296)

Transfers in	\$0
Transfers out	\$0
Total (net) transfers	\$0
Change in net assets	(\$139,296)

Total net assets - beginning	\$949,999
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$949,999
Total net assets - ending	\$810,703

June 30, 2016

Statement of Financial Position

ASSETS

Cash and investments	\$105,114,294
Insurance receivables	\$920,397
Interest receivable and other assets	\$59,275
Prepaid insurance	\$217,159
Capital assets, net of accumulated depreciation	\$167
Total assets	\$106,311,292

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$514,787,299
Unearned premium	\$0
Other liabilities	\$3,897,092
Total liabilities	\$518,684,391
Net assets	
Unrestricted net assets	(\$412,373,099)
Total liabilities and net assets	\$106,311,292

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$78,908,057
Other revenue	\$2,444
Less: Cost of insurance	(\$134,048)
Total operating revenues	\$78,776,453

OPERATING EXPENSES

General and administrative expenses	\$2,854,577
Claims cost:	
Losses	\$42,748,903
Less: Deductible payment in lieu of premiums	(\$197,754)
Allocated loss adjustment expense	\$5,060,234
Unallocated loss adjustment expense	\$9,598,949
Change in provision for losses/expenses	(\$11,965,297)
Total operating expenses	\$48,099,612
Operating income (losses)	\$30,676,841

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$39,373
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$39,373
Net income (losses) before transfers	\$30,716,214

Transfers in	\$0
Transfers out	\$0
Total (net) transfers	\$0
Change in net assets	\$30,716,214

Total net assets - beginning	(\$443,089,313)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$443,089,313)
Total net assets - ending	(\$412,373,099)

June 30, 2016

Statement of Financial Position

ASSETS

Cash and investments	(\$93,697,902)
Insurance receivables	\$577,607
Interest receivable and other assets	\$29,916
Prepaid insurance	\$23,188,358
Capital assets, net of accumulated depreciation	\$190
Total assets	<u><u>(\$69,901,831)</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Loss and expense reserves	\$31,135,065
Unearned premium	\$0
Other liabilities	\$146,298
Total liabilities	<u><u>\$31,281,363</u></u>
<u>Net assets</u>	
Unrestricted net assets	(\$101,183,194)
Total liabilities and net assets	<u><u>(\$69,901,831)</u></u>

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$39,082,739
Other revenue	\$356,768
Less: Cost of insurance	(\$24,682,729)
Total operating revenues	<u><u>\$14,756,778</u></u>

OPERATING EXPENSES

General and administrative expenses	\$1,521,849
<u>Claims cost:</u>	
Losses	(\$3,456,358)
Allocated loss adjustment expense	\$150,839
Unallocated loss adjustment expense	\$3,387,692
Change in provision for losses/expenses	\$1,960,960
Total operating expenses	<u><u>\$3,564,982</u></u>
Operating income (losses)	<u><u>\$11,191,796</u></u>

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$0
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	<u><u>\$0</u></u>
Net income (losses) before transfers	<u><u>\$11,191,796</u></u>

Transfers in	\$0
Transfers out	\$0
Total (net) transfers	<u><u>\$0</u></u>
Change in net assets	<u><u>\$11,191,796</u></u>

Total net assets - beginning	(\$112,374,990)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	<u><u>(\$112,374,990)</u></u>
Total net assets - ending	<u><u>(\$101,183,194)</u></u>

General Liability

June 30, 2016

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	\$155,063,301
Insurance receivables	\$40,156
Interest receivable and other assets	\$4,665
Prepaid insurance	\$918,959
Capital assets, net of accumulated depreciation	\$44
Total assets	\$156,027,125
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$157,274,252
Unearned premium	\$0
Other liabilities	\$3,158,595
Total liabilities	\$160,432,847
Net assets	
Unrestricted net assets	(\$4,405,722)
Total liabilities and net assets	\$156,027,125

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$21,867,895
Other revenue	\$697
Less: Cost of insurance	(\$587,385)
Total operating revenues	\$21,281,207
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$816,643
Claims cost:	
Losses	\$20,452,839
Allocated loss adjustment expense	\$16,315,245
Unallocated loss adjustment expense	\$2,683,262
Change in provision for losses/expenses	(\$5,613,303)
Total operating expenses	\$34,654,686
Operating income (losses)	(\$13,373,479)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$55,200
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$55,200
Net income (losses) before transfers	(\$13,318,279)
Transfers in	\$0
Transfers out	(\$66,415)
Total (net) transfers	(\$66,415)
Change in net assets	(\$13,384,694)
Total net assets - beginning	\$8,978,972
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$8,978,972
Total net assets - ending	(\$4,405,722)

June 30, 2016

Statement of Financial Position

	Marine Risk Group	Aviation Risk Group	Boiler & Machinery Risk Group
ASSETS			
Cash and investments	(\$3,253,680)	\$6,790,702	(\$2,629,983)
Insurance receivables	\$68,793	\$22,851	\$13,592
Interest receivable and other assets	\$0	\$194	\$0
Prepaid insurance	\$615,861	\$0	\$295,776
Capital assets, net of accumulated depreciation	\$0	\$0	\$0
Total assets	(\$2,569,026)	\$6,813,747	(\$2,320,615)
LIABILITIES AND NET ASSETS			
Liabilities			
Loss and expense reserves	\$1,301,756	\$769,365	\$517,218
Unearned premium	\$0	\$0	\$0
Other liabilities	\$643,486	\$1,034	\$10,493
Total liabilities	\$1,945,242	\$770,399	\$527,711
Net assets			
Unrestricted net assets	(\$4,514,268)	\$6,043,348	(\$2,848,326)
Total liabilities and net assets	(\$2,569,026)	\$6,813,747	(\$2,320,615)

Statement of Activities and Changes in Net Assets

OPERATING REVENUES			
Premiums written	\$1,421,617	\$787,872	\$1,399,309
Other revenue	\$55	\$22	\$45
Less: Cost of insurance	(\$587,434)	\$0	(\$296,244)
Total operating revenues	\$834,238	\$787,894	\$1,103,110
OPERATING EXPENSES			
General and administrative expenses	\$63,961	\$25,250	\$52,557
Claims cost:			
Losses	(\$142,651)	\$9,828	\$1,083,356
Allocated loss adjustment expense	\$99,491	\$7,893	\$7,372
Unallocated loss adjustment expense	\$127,062	\$50,186	\$33,453
Change in provision for losses/expenses	(\$74,480)	(\$113,817)	(\$62,923)
Total operating expenses	\$73,383	(\$20,660)	\$1,113,815
Operating income (losses)	\$760,855	\$808,554	(\$10,705)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	\$0	\$2,088	\$0
Gain(loss) on disposal of capital assets	\$0	\$0	\$0
Total non-operating revenues (expenses)	\$0	\$2,088	\$0
Net income (losses) before transfers	\$760,855	\$810,642	(\$10,705)
Transfers in	\$0	\$0	\$0
Transfers out	\$0	\$0	\$0
Total (net) transfers	\$0	\$0	\$0
Change in net assets	\$760,855	\$810,642	(\$10,705)
Total net assets - beginning	(\$5,275,123)	\$5,232,706	(\$2,837,621)
Prior period adjustment	\$0	\$0	\$0
Total net assets - beginning, adjusted	(\$5,275,123)	\$5,232,706	(\$2,837,621)
Total net assets - ending	(\$4,514,268)	\$6,043,348	(\$2,848,326)

June 30, 2016

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	\$201,108,996
Insurance receivables	\$9,919,760
Interest receivable and other assets	\$6,861
Capital assets, net of accumulated depreciation	\$37
Total assets	\$211,035,654
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$87,098,403
Unearned premium	\$0
Other liabilities	\$92,357
Total liabilities	\$87,190,760
Net assets	
Unrestricted net assets	\$123,844,894
Total liabilities and net assets	\$211,035,654

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$6,549,415
Other revenue	\$29,218
Total operating revenues	\$6,578,633
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$631,765
Claims cost:	
Losses	\$11,826,947
Allocated loss adjustment expense	\$6,713,393
Unallocated loss adjustment expense	\$1,574,140
Change in provision for losses/expenses	(\$2,973,588)
Total operating expenses	\$17,772,657
Operating income (losses)	(\$11,194,024)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$77,221
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$77,221
Net income (losses) before transfers	(\$11,116,803)
Transfers in	\$0
Transfers out	\$0
Total (net) transfers	\$0
Change in net assets	(\$11,116,803)
Total net assets - beginning	\$134,961,697
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$134,961,697
Total net assets - ending	\$123,844,894

June 30, 2016

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	(\$350,296,076)
Insurance receivables	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$0
Capital assets, net of accumulated depreciation	\$72
Total assets	(\$350,296,004)
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$133,010,593
Unearned premium	\$0
Other liabilities	\$813,673
Total liabilities	\$133,824,266
Net assets	
Unrestricted net assets	(\$484,120,270)
Total liabilities and net assets	(\$350,296,004)

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$0
Other revenue	\$468
General fund appr./non-tort reimbursement	\$9,939,752
Total operating revenues	\$9,940,220
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$544,528
Claims cost:	
Losses	(\$37,936)
Allocated loss adjustment expense	\$5,796,096
Unallocated loss adjustment expense	\$1,879,416
Change in provision for losses/expenses	\$15,655,966
Total operating expenses	\$23,838,070
Operating income (losses)	(\$13,897,850)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$0
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$0
Net income (losses) before transfers	(\$13,897,850)
Transfers in	
Transfers out	(\$878,471)
Total (net) transfers	(\$878,471)
Change in net assets	(\$14,776,321)
Total net assets - beginning	(\$469,343,949)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$469,343,949)
Total net assets - ending	(\$484,120,270)

June 30, 2016

Statement of Financial Position

	Survivor Benefits Payments	Future Medical Fund
ASSETS		
Cash and investments	\$979,079	\$1,029,929
Insurance/reinsurance balances receivable	\$0	\$0
Insurance receivables	\$28	\$0
Prepaid insurance	\$0	\$0
Capital assets, net of accumulated depreciation	\$0	\$0
Total assets	\$979,107	\$1,029,929
LIABILITIES AND NET ASSETS		
Liabilities		
Loss and expense reserves	\$0	\$0
Unearned premium	\$0	\$0
Other liabilities	\$0	\$1,477
Total liabilities	\$0	\$1,477
Net assets		
Unrestricted net assets	\$979,107	\$1,028,452
Total liabilities and net assets	\$979,107	\$1,029,929

Statement of Activities and Changes in Net Assets

OPERATING REVENUES		
General fund appr./non-tort reimbursement	\$2,950,000	\$0
Total operating revenues	\$2,950,000	\$0
OPERATING EXPENSES		
Claims cost:		
Losses	\$1,725,000	\$971,549
Total operating expenses	\$1,725,000	\$971,549
Operating income (losses)	\$1,225,000	(\$971,549)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	\$405	\$0
Total non-operating revenues (expenses)	\$405	\$0
Net income (losses) before transfers	\$1,225,405	(\$971,549)
Transfers in	\$0	\$1,137,193
Transfers out	\$0	\$0
Total (net) transfers	\$0	\$1,137,193
Change in net assets	\$1,225,405	\$165,644
Total net assets - beginning	(\$246,298)	\$862,808
Prior period adjustment	\$0	\$0
Total net assets - beginning, adjusted	(\$246,298)	\$862,808
Total net assets - ending	\$979,107	\$1,028,452

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Annually the State of Louisiana issues a comprehensive annual financial report that complies with requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34), which includes the activity

contained in the Office of Risk Management annual financial statements prepared under generally accepted accounting principles. The comprehensive annual financial report is audited by the Louisiana Legislative Auditor.

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

I. SELF-INSURANCE FUND – LINES OF COVERAGE AND MISCELLANEOUS PROGRAMS

Auto Liability

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

Auto Physical Damage

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

Bonds and Crime

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

Workers' Compensation

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

Property

The property line of coverage is used to account for first party losses to buildings and contents in which the State has an insurable interest. In addition, it is used to account for scheduled bridge property losses, equipment breakdown losses, fixed marine facility losses and flood claims. The State of Louisiana provides property coverage for losses up to a limit of \$250,000,000, which includes commercial excess insurance coverage of \$200,000,000 and a Self-Insured Retention (SIR) of \$50,000,000 for the perils of flood, wind and earthquake. A sublimit of \$10,000,000 was provided for all other perils. Flood coverage for 2013-2014 is included in the program and has a \$100,000,000 excess sublimit. An additional \$50,000,000 excess of \$200,000,000 was purchased for all perils, excluding flood and earthquake, to provide for more wind cover. In addition, an additional \$100,000,000 excess of \$250,000,000 was purchased for fire losses only.

General Liability

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

Personal Injury

The personal liability line of coverage is used to account for claims for damages based on false arrest, detention or imprisonment; malicious prosecution; wrongful entry or eviction; libel, slander or defamation of character; or violation or deprivation of rights, privileges, or immunities secured by law. This coverage is fully self-insured by the State of Louisiana.

Marine, Aviation and Equipment Breakdown

- a) The marine line of coverage is used to account for watercraft liability and loss or damage to covered vessels, including its machinery, fittings and equipment. This coverage is provided through a combination of State self-insurance and commercial insurance policies.
- b) The aviation line of coverage is used to account for aircraft liability, airport liability and physical damage to aircraft that are covered under the policy. This coverage is fully self-insured by the State of Louisiana.
- c) The equipment breakdown line of coverage is used to account for loss or damages to boilers and certain machinery located in buildings for which the State has legal liability. This coverage is provided through a combination of State self-insurance and commercial insurance policies.

Medical Malpractice

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

Road Hazard

The road hazard line of coverage is used to account for Office of Risk Management costs for investigating, adjusting and managing claims against the State of Louisiana's Department of Transportation and Development (DOTD) for damages resulting from the establishment, design, construction, existence, ownership, maintenance, use, extension, improvement, repair, or regulation of any State bridge, tunnel, dam, street, road, highway, or expressway. The Office of Risk Management does not insure this coverage, but receives general fund appropriations to cover costs of services noted above and for settlement of small non-litigated claims. DOTD became self-insured for litigated road hazard claims liability on July 1, 1988.

Miscellaneous Programs

- a) Survivor's benefits payments made in accordance with RS 33:1947 Et al. are accounted for as a miscellaneous program. Premiums are not billed or collected for these payments, but funding is provided through State General Fund appropriations made to the Office of Risk Management.
- b) Medical care costs, paid through the Future Medical Care Fund established in the State Treasury by RS 39:1533.2, are accounted for as a miscellaneous program. At the close of each fiscal year, the treasurer reimburses the Future Medical Care Fund from the Self-Insurance Fund an amount equal to the monies expended from the Future Medical Care Fund during that fiscal year.

2. BASIS OF ACCOUNTING

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

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

B. ASSETS

1. **CASH AND INVESTMENTS** – All cash and investments of the Office of Risk Management are held in accounts approved by the State Treasury and under the oversight of the cash management program of the State of Louisiana. Balances at June 30, 2016 are as follows:

Self-insurance fund	\$23,318,259
Future medical care fund	\$1,029,929
Total	<u>\$28,348,188</u>

2. **Insurance receivables** – Balances at June 30, 2016, are as follows:

Insurance premiums due from State agencies	\$13,380,139
Excess insurance receivable due from reinsurers	575,811
Total	<u>\$13,955,950</u>

3. **Prepaid insurance** – Payments had been made as of the balance sheet date for certain commercial excess insurance policies where the coverage period(s) extend beyond June 30, 2016.

C. LIABILITIES

1. **Loss and expense reserves** – Reserves for losses and loss expense liability within risk limitations, net of excess insurance. Balances at June 30, 2016, are as follows:

Reserves for payment of claims	\$284,380,988
Reserves for allocated loss adjustment expenses	73,214,856
Reserves for unallocated loss adjustment expenses	119,278,962
Reserves for incurred but not reported	522,420,615
Estimated recoveries	(23,009,551)
Total	<u>\$976,285,870</u>

2. **Other Liabilities** – Balances at June 30, 2016, are as follows:

Accounts payable and other accrued liabilities	\$5,136,146
Amount payable to State Treasury for FUMD	971,549
Workers' compensation assessment payable	2,876,099
Total	<u>\$8,983,794</u>

D. NET ASSETS

In the equity section of the Office of Risk Management's financial statements, net assets represent the accumulation over time of any differences (positive or negative) between accrual revenues and expenses. For many years, the budgets for the Office of Risk Management have been appropriated at less than actuarial cost requirements; therefore, the Self Insurance Fund accrual financial statements reflect a deficit net asset balance. The deficit of (\$917,614,326) incorporates the net unfunded accrued claims liability at June 30, 2016.

E. REVENUES

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

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

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

F. EXPENSES

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

1. General and administrative expenses include costs for administrative salaries and related benefits, travel, training, operating services, supplies, professional services for loss prevention and other consulting services.
2. Claims loss payments are direct costs necessary in managing specific claims. Medical and indemnity payments on workers' compensation claims are examples.
3. Allocated loss adjustment expenses include costs that are assignable or allocable to specific claims. Fees paid to attorneys, experts, and investigators used to defend claims are examples.
4. Unallocated loss adjustment expenses include external, internal, and administrative claims handling expenses, including determination of coverage, that are not included in allocated loss adjustment expenses. Third party administrator fees and State assessments for worker compensation self-insured programs are examples.
5. Change in provision for losses/expenses relates to any adjustments to reserves liabilities necessary during the fiscal period, to arrive at the total reserves liabilities recognized on accrual financial statements prepared.

G. TRANSFERS

Amounts transferred out of the Self-Insurance Fund during the fiscal year ended June 30, 2016, relate to:

Transfer to State Treasury under Act 27 of 2016ES	\$133,734
Transfer to reimburse the future medical care cash fund	971,549
Total	<u>\$1,105,283</u>

H. RISK EXPOSURES

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

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

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

I. CHANGES IN COVERAGE

During fiscal year 2015-2016, The State of Louisiana provided property coverage for Named Windstorm losses up to a limit of \$450,000,000, which included excess coverage of \$400,000,000 plus a Self-Insured Retention (SIR) of \$50,000,000 per occurrence. The flood peril had a total of \$325,000,000 plus a SIR of \$50,000,000. All other perils had a limit of \$800,000,000, each with a SIR of \$10,000,000.

During the 2011 Regular Legislative Session, legislation was passed relative to the Louisiana Granting Resources and Autonomy for Diplomas Act (Act No. 418). The act provides for additional operational autonomies to be granted to public postsecondary education institutions, including but not limited to authority and exemptions relative to budgetary management, capital outlay, risk management, and procurement. LSU was granted their risk management autonomy October 2014. LSU exercised this authority in a limited capacity by withdrawing three insurance programs from ORM beginning July 1, 2015: Workers' Compensation, Property (including boiler), and bond/crime. LSU is anticipated to withdraw the remaining liability lines of coverage, excluding medical malpractice, July 1, 2016.

J. UPDATE ON CASE LAW IMPACT

Past significant changes in case law continue to have an adverse impact on the state's liability in general liability claims. On September 3, 1993, the Supreme Court of Louisiana, per case No. 93-C-0472, reversed a lower court's decision in applying Louisiana Revised Statute 13:5106 (B)(1) which provides that "(1) 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 LA -

Constitution, Article XII, § 10. As a result of this ruling, the \$500,000 ceiling on general damages in a personal injury suit was removed and the State of Louisiana faced larger exposure in suits of this nature. This action has the potential to have an adverse effect on 36 claims with outstanding reserves that total \$9,260,000.

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

On May 9, 1996, Act No. 63, known as the "Louisiana Governmental Claims Act" was approved by the governor. This act placed limits on all suits for personal injury and wrongful death. The act states, "the total amount recoverable, including all derivative claims, exclusive of property damages, medical care and related benefits and loss of earnings, and loss of future earnings, shall not exceed five hundred thousand dollars." This Act was not applied retroactively. The Act did provide for a reduction of costs in claims following its enactment. In February of 2004, the Louisiana Supreme Court ruled that La. R.S. 13:5106, as amended by said Act 63, limits the recovery of wrongful death damages, exclusive of loss of earnings, to \$500,000 per claimant and is not a limit per victim. The result was to expand the potential liability associated with such claims. By Act 1 of 2005, the Legislature further amended such statute to change the effect of the Supreme Court ruling by making explicit the limit is, in fact, per victim, or \$500,000, in toto, exclusive of earning loss.

K. ESTIMATING UNPAID CLAIM LIABILITIES

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

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

L. CATASTROPIC EVENTS

Hurricane Katrina

Hurricane Katrina struck the state of Louisiana on August 29, 2005. As of June 30, 2016, state agencies have filed claims for Hurricane Katrina property losses with reserves in excess of \$515.7 million. Through June 30, 2016, ORM has paid state agencies in excess of \$215.2 million for Hurricane Katrina property claims. State agencies continue to make requests for reimbursement of damages. In Fiscal Year 2012-2013, ORM received the final payment from the excess insurance carriers.

Hurricane Rita

Hurricane Rita struck the state of Louisiana on September 24, 2005. As of June 30, 2016, state agencies have filed claims for Hurricane Rita property losses with reserves of \$13.0 million. In Fiscal Year 2014-2015, ORM received payment from the excess insurance carriers for \$4.75 million. Payments to state agencies total \$11.9 million through June 30, 2016, and ORM continues to receive requests from state agencies for reimbursement of property losses. Based on information from GOHSEP, state agencies presented claims directly to FEMA for payment, which has affected ORM's ability to analyze fully the state's losses from disaster.

Hurricane Gustav

Hurricane Gustav struck the State of Louisiana on September 1, 2008. As of June 30, 2016, State agencies have filed claims for Hurricane Gustav property losses with reserves in excess of \$122.6 million. Property claims paid through June 30, 2016, are more than \$102.3 million. In Fiscal Year 2013-2014, ORM received the final payment from the excess insurance carriers.

Hurricane Ike

Hurricane Ike struck the State of Louisiana on September 13, 2008. As of June 30, 2016, State agencies have filed claims for Hurricane Ike property losses with reserves in excess of \$3.8 million. Property claims paid through June 30, 2016, were \$2.0 million.

Hurricane Isaac

ORM is the applicant for the state for reimbursement from FEMA for repairs to building and content damage caused by Hurricane Isaac. ORM received \$1.7 million in FEMA reimbursements from GOHSEP as of June 30, 2016. State agencies have filed claims for Hurricane Isaac property losses with reserves of \$10.5 million with payments made on claims totaling \$7.9 million through June 30, 2016.

2016 Flooding in North Louisiana

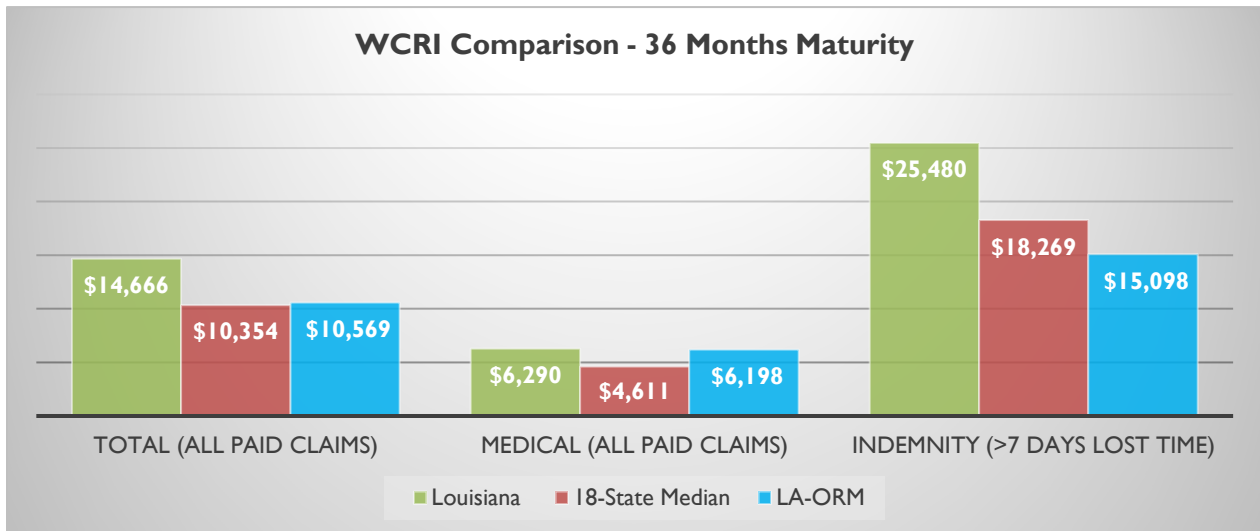
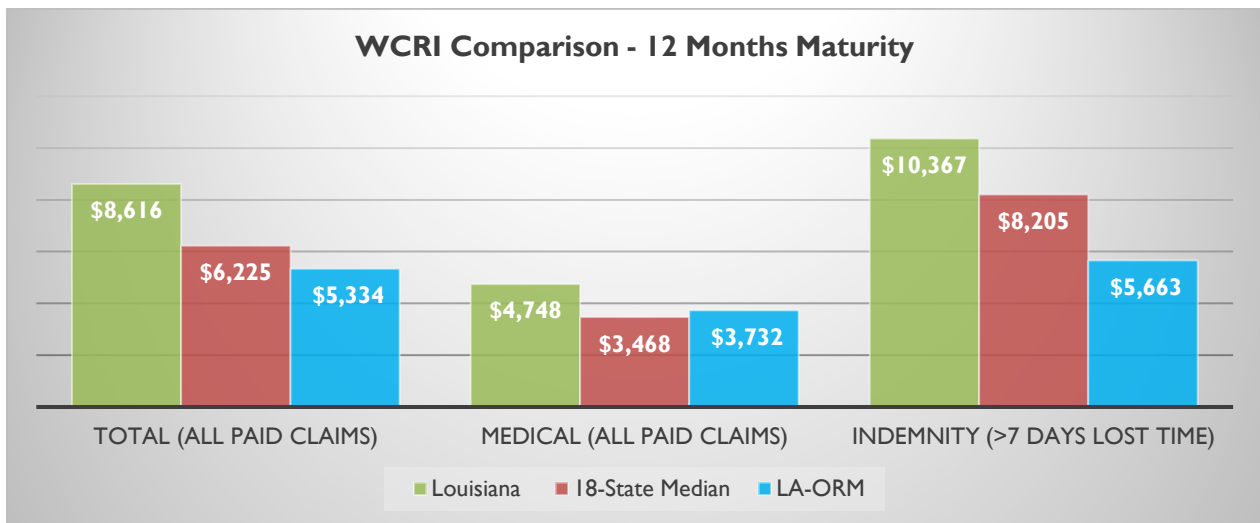
Parts of northern Louisiana weathered an extreme amount of rainfall from March 9-12, 2016. As a result, the Sabine and Pearl Rivers rose to record levels inflicting massive amounts of property damage Statewide. Reimbursement from FEMA is expected. As of June 30, 2016, state agencies have filed claims for property losses from the March 2016 Flood Event with reserves of \$15.2 million. Payments made on claims total \$1.9 million through June 30, 2016. No FEMA reimbursements have been received as of June 30, 2016.

M. OTHER CLAIMS DISCLOSURES

Boudreaux vs. State of Louisiana - A judgment of \$93 million was awarded and with interest is now estimated to be in excess of \$312 million. Attempts to reach a compromise on this judgment have been unsuccessful to date.

STATE COMPARISONS

According to the Workers Compensation Research Institute CompScope Benchmarks for Louisiana (17th Edition), the current average state (LA-ORM) total cost per claim is less than the total cost per claim of the Louisiana statewide average for claims evaluated at both 12 months and 36 months. The average medicals paid at 36 months was higher than the 18-state median but less than the Louisiana average. This may be attributed to the shift towards hospital outpatient services in Louisiana. Providers are able to charge a higher amount for these services as they are paid at 90% of usual and customary rather than fee scheduled as inpatient services are. The surveyed states are California, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, New Jersey, North Carolina, Pennsylvania, Texas, Virginia, and Wisconsin.



Note: Thirty-six (36) months maturity refers to claims arising from October 1, 2012, through September 30, 2013, evaluated as of March 31, 2016. Twelve (12) months maturity refers to claims arising from October 1, 2014, through September 30, 2015, evaluated as of March 31, 2016. The 18-state median is the average of the states ranked 9th and 10th on a given measure; these states change depending on the measure being evaluated. If a measure is not applicable or meaningful for a state, the state is not included in the calculation of the median.