

Annual Report

FISCAL YEAR 2014-2015

DIVISION OF ADMINISTRATION

Office of Risk Management

STATE OF LOUISIANA | POST OFFICE BOX 91106 BATON ROUGE, LOUISIANA 70821-9106

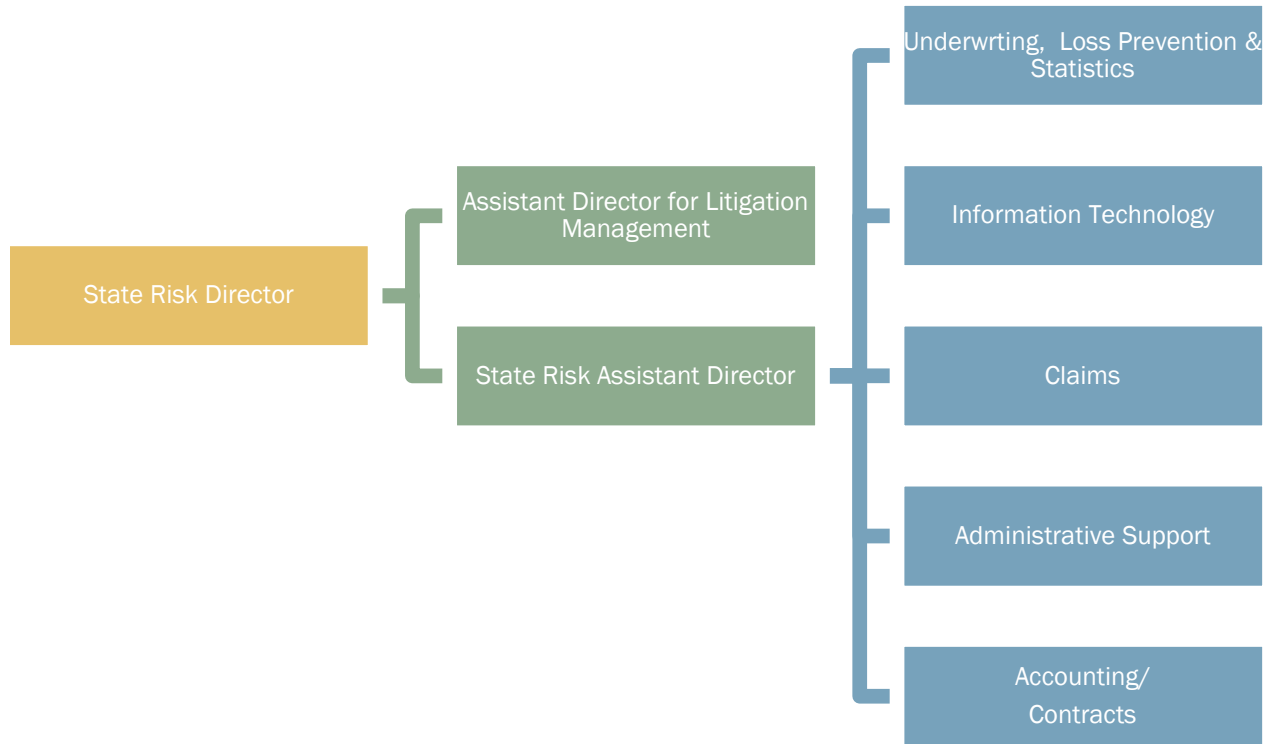
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Our mission is to develop, direct, achieve
and administer a cost-effective
comprehensive risk management program for
all agencies, boards and commissions of the
State of Louisiana and for any other entity
for which the state has an equity interest,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

ORGANIZATIONAL CHART AND CONTACT INFORMATION



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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COMMERCIAL INSURANCE PLACEMENT

Act 715 of 2014 Regular Session granted the Office of Risk Management (ORM) the authority to procure the State's insurance through a third-party insurance broker, in accordance with industry best practices. ORM has contracted with Arthur J. Gallagher Risk Management Services, Inc. (AJG) to substantively improve how the State acquires insurance in three primary ways. First, ORM and AJG have been able to clarify and improve insurance insurers' understanding of the State's insurability and bringing insurers to the table who previously had not offered coverage. Second, ORM has increased coverage limits significantly, in some cases doubling or tripling limits, bringing the State's insurance limits into closer alignment with the exposure of the highest valued structures. Third, these coverage increases have been accomplished while reducing the State's premiums, such that the State is getting more coverage, which better matches the State's needs, while saving taxpayers more than \$9 million annually.

ORM's intent with regard to Act 715 was not only to save money and significantly improve coverage limits - both of which have been accomplished, but also to take steps necessary to create a long lasting property program that will stand against another severe storm season through multi-year rate and participation guarantees to gain rate protection and program stability. Protecting the State's budget and being able to cost effectively insure the State's assets was paramount through the process.

For the insurance coverage (Property and Casualty) placed in the commercial market in FY 2014-15, ORM paid premiums of \$35,995,109, excluding LSU-dedicated coverage. For FY 2015-16, ORM paid \$26,984,086 for the same coverage lines, with a substantial betterment of limits, terms, and policy coverage. In excess property coverage alone, ORM doubled the limits for catastrophe and non-catastrophe perils.

The substantial dollar savings for all lines of coverage placed in the commercial market for both ORM and LSU, significantly increased limits, coverage improvements, program stability, and market relationships, would not have been possible under the old insurance procurement model. The enactment of Act 715, which allowed ORM to select a broker rather than bidding a predetermined insurance program, facilitated the tremendous impact made on the insurance marketplace. This impact is evidenced in the program presented in this report. This is just the beginning. Resources made available as a result of Act 715 will assist ORM in its on-going efforts to drive down the cost of risk.

THIRD PARTY ADMINISTRATOR FOR CLAIMS AND LOSS PREVENTION SERVICES

Over the five year contract period, ORM and FARA were able to reduce claims costs by approximately \$48 million. Through aggressive management of contract expenditures and other administrative costs, this resulted in a net savings to the state of approximately \$14 million. In addition to the savings already achieved, this effort has positioned ORM to achieve additional savings in the future through the strategic use of settlements and a reduction in the total volume of claims.

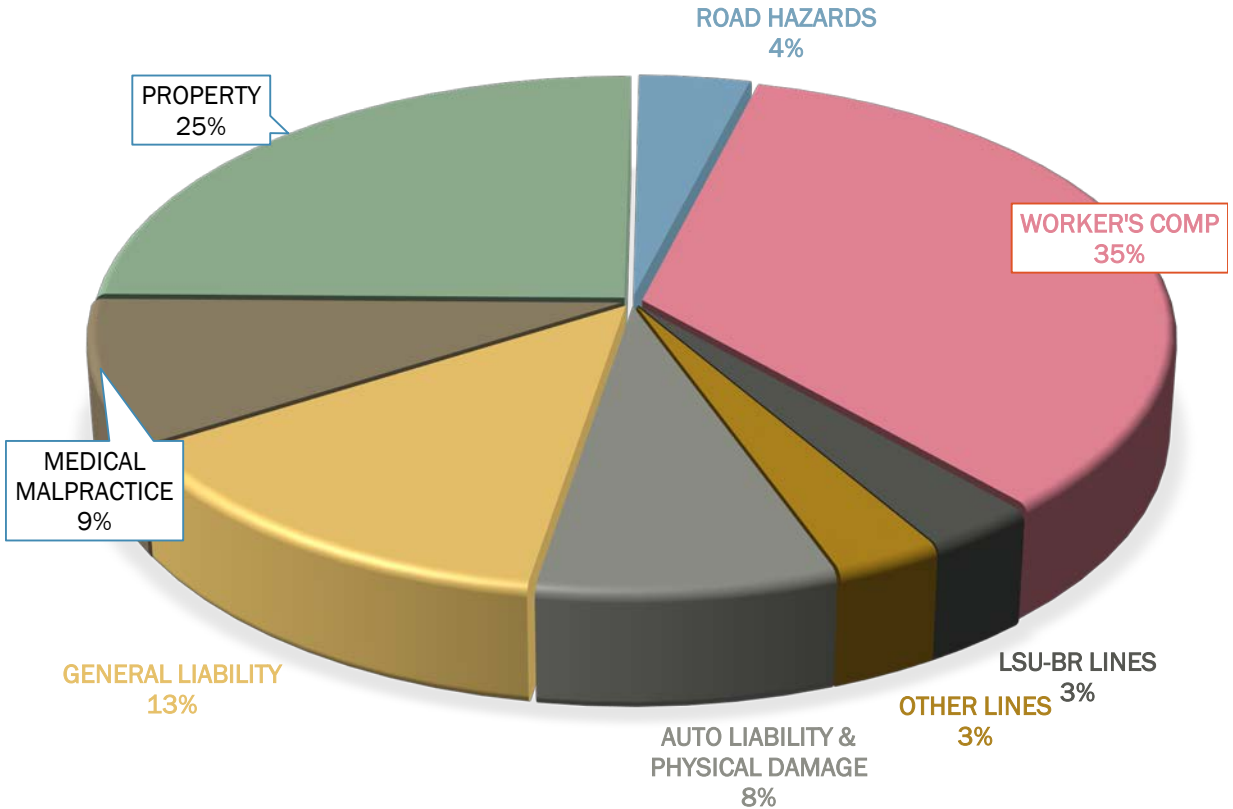
J. S. "Bud" Thompson, Jr.
State Risk Director

EXPOSURES REPORTED (SELF-INSURED LINES OF COVERAGE)

COVERAGE	EXPOSURE	AMOUNT
WORKER'S COMPENSATION	Regular Payroll	\$3,420,733,628
GENERAL LIABILITY	Total Compensation	\$3,882,614,448
AUTOMOBILE LIABILITY	Total Miles	118,721,182
AUTO PHYSICAL DAMAGE	# of Licensed Vehicles	10,994
BOILER & MACHINERY	Boiler & Mach. Values	\$974,648,478
PROPERTY	Property Values	\$16,477,698,118
BONDS - SI	# of FTE Employees + O/S Board Members	69,341
CRIME - SI	Peak Exposure- Crime	\$3,337,397
MEDICAL MALPRACTICE:	See lists below:	
	<u>Hospitals/Medical Schools:</u>	
	Emergency Room Visits	28,685
	Hospital Clinic Visits	248,558
	Hospital Patient Days	2,911
	# of Babies Birthed	0
	# Outpatient Surgeries	1,874
	Average # of Interns/Residents	1,379
	Average # of Employee Physicians	871
	Average # of Contract Physicians	576
	Other Med Mal Exposures ¹	10,773
	<u>Non-Hospitals/Medical Schools:</u>	
	Clinic Visits	1,439,679
	Patient Days	645,627
	Average # of Employee Physicians	129
	Average # of Contract Physicians	229
	Other Med Mal Exposures	31,371
	Average # of Interns/Residents	17

¹ 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.

CASH EXPENDITURES BY LINE OF INSURANCE



R.S. 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.

OVERVIEW

FY 2014-2015 was a stable and somewhat softer insurance market in most coverage lines; even catastrophe exposure property insurance saw some minor rate decreases and capacity enlargement. Although Hurricane Arthur on the East Coast and the Napa Valley earthquake on the West Coast did some damage, the flooding and tornado events in the U.S. were relatively small. The economic losses from disaster events were below the annual average for this period. 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 more favorable than in previous years.

STATEWIDE INSURANCE PROGRAM

EXCESS LIABILITY

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

WET MARINE

The marine market remains relatively stable. The program was bid for July 1, 2012 for a three-year contract. The third of three renewals of the program produced an annual premium of \$1,152,406.

PROPERTY

The property insurance program was procured through an RFP process for July 1, 2012 for a three-year contract with many changes incorporated to extend coverage and reduce premium, including 1) non-concurrent coverage layers, 2) extensive underlying policy changes to broaden coverage in the excess layers, and 3) additional building data supplied for the highest valued buildings to market our risk more proactively. LSU continues with their own dedicated program (see LSU below). The limit for FY 14-15 continues as \$200,000,000 excess of \$50,000,000 SIR for flood and named windstorm and \$10,000,000 SIR for all other perils. Even with the substantial changes made, excess property insurance does continue to be the most expensive coverage line at \$33,370,622 for FY 14-15.

EQUIPMENT BREAKDOWN PROTECTION (BOILER AND MACHINERY)

The Equipment Breakdown program is also stable. The program was procured as part of the RFP for the property insurance program for July 1, 2012. Its renewed annual premium for FY 14-15 is \$428,974. This program includes annual boiler inspections statewide and primary claims adjusting services in addition to the insurance coverage. LSU is excepted from this coverage (see LSU below).

FLOOD INSURANCE

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

LSU

Louisiana State University (LSU) approached ORM regarding their application for the Louisiana Granting Resources and Autonomy for Diplomas Act (GRAD Act) requesting assistance in the transition from the statewide insurance programs to dedicated high-deductible programs for Workers Compensation and Property. Much research, collaboration, and business practice changes were performed to transition LSU into the type of programs they were seeking. The Underwriting unit created separate insurance policies for these two coverage lines and assisted in developing the premiums that would be charged. The new high-deductible policies and claims handling procedures were effective July 1, 2012 and continued through FY 14-15.

LSU Workers Compensation has an LSU deductible of \$500,000 per occurrence with a \$3,000,000 annual aggregate. ORM self-insures the program with no commercial excess.

The LSU Excess Property and Equipment Breakdown Protection (Boiler and Machinery) was renewed June 1, 2014. The limits are \$250,000,000, with a named windstorm sublimit of \$150,000,000, excess of \$2,500,000 SIR with an LSU deductible of \$250,000 per occurrence. It also includes an extended fire limit and certified and non-certified terrorism coverage. The premium is \$4,370,872.

LSU was granted their risk management autonomy approval in October 2014. They are preparing to remove all of their coverage lines and associated services from ORM beginning July 1, 2015. They will run their own risk management program and purchase insurance coverage as needed with high-level oversight from ORM.

MERCEDES BENZ SUPERDOME, SMOOTHIE KING CENTER, AND CHAMPIONS SQUARE

The Superdome/Arena/Champions Square has three lines of insurance where coverage is purchased as excess or commercial; the remaining coverages are part of the statewide self-insurance program. These programs insure the Louisiana Stadium and Exposition District Board and SMG, the management company, as per the management agreement contract. The Commercial General Liability program was bid for July 1, 2011 for a three-year contract. An RFP was advertised for July 1, 2014, but subsequently cancelled. An emergency extension was negotiated with the broker for the FY 14-15. The premium is shown below.

The Workers Compensation and Crime coverages were bid for July 1, 2012 for three-year contracts each. These coverages renewed for July 1, 2014 at the same rates. The following is a breakdown of lines, limits and premiums for FY 14-15:

Coverage	ORM SIR	Limit	Premium
General Liability	\$5,000,000	\$100,000,000	\$524,925
Workers Compensation		\$1,000,000 ^[2]	\$220,266 ²
Crime (including employee theft)		\$500,000	\$16,310

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

² The premium includes a dividend refund of \$281,606 for a lowered experience modification factor in FY 13-14.

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.

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. Business trips to London, Bermuda, and Atlanta were scheduled so ORM could tell the State's story directly to commercial underwriters, who would be providing quotes for the property program placement for July 1, 2015. The meetings were successful in that more insurance markets wanted to write our business than in years past. The soft property insurance market was also leveraged to increase limits and reduce rates, so the program's commercial premium was reduced nearly \$10 million. The casualty insurance placements were also successful in increasing coverage and reducing rates.

UNIVERSITY MEDICAL CENTER (UMC) NEW ORLEANS

The nearly \$1 billion hospital construction project was completed and accepted by the State April 15, 2015. ORM added the eight new buildings on the campus to the State's property schedule. The site's highly-rated construction class, building envelope rated to hurricane-force winds, and increased flood elevation levels, along with the improved New Orleans levee system, to reduce flood loss, made the new construction project an excellent example for discussion with the underwriters when negotiating placement of property insurance for July 1, 2015.

OTHER ACTIVITIES

ORM is beginning work with Arthur J. 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.

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

APPRAISALS

FARA completed 217 (99%) of the 227 of the new appraisals submitted during the fiscal year. Likewise, 2,324 (99.8%) of the 2,327 re-appraisals submitted were completed

AUDITS/COMPLIANCE REVIEWS

Five hundred and seventy-three (573) audits/compliance were reviews assigned to and completed by FARA in FY15. All agencies successfully passed their audits/compliances review in FY15.

TRAINING

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

CLAIMS REPORTED FISCAL YEAR 2015

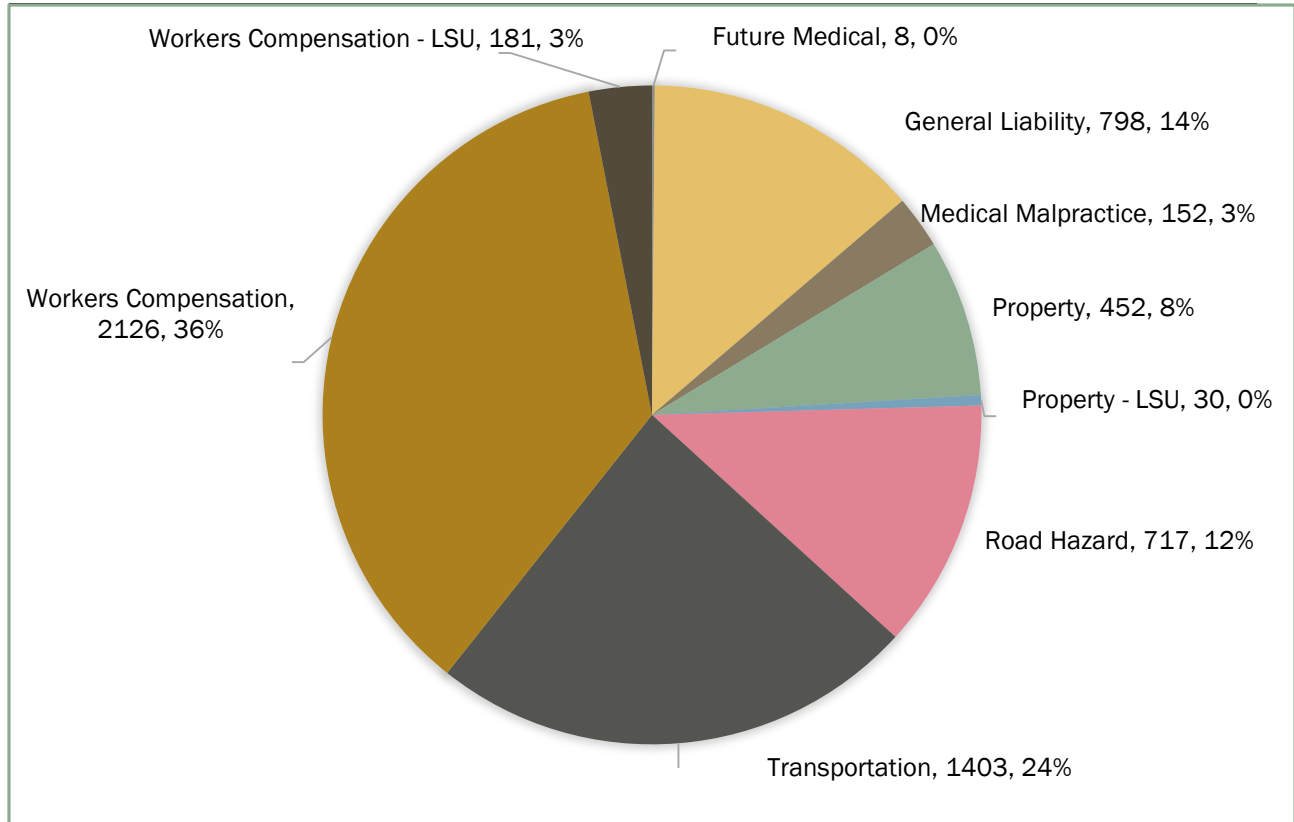
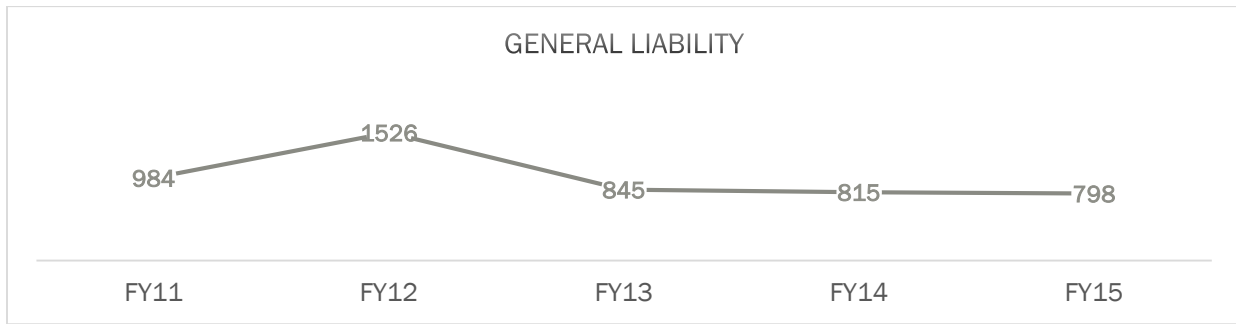


Figure 1-Claims Opened in FY15 - RPOs are not included.

5 YEAR TRENDS TABLE

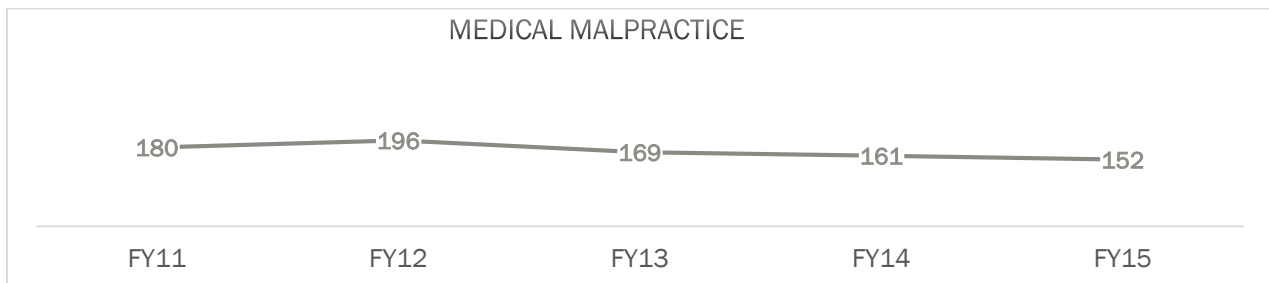
COVERAGE	FY11	FY12	FY13	FY14	FY15
General Liability	984	1526	845	815	798
Medical Malpractice	180	196	169	161	152
Property	500	767	1470	498	452
Road Hazard	556	599	542	739	717
Transportation	924	994	1002	1405	1403
Workers Compensation	3869	3532	2737	2738	2126
Grand Total	7013	7614	6765	6356	5648

GENERAL LIABILITY



The total opened General Liability claims which include Civil Rights and Professional Liability for Fiscal Year 2015 was 798 which is only slightly less than the 815 General Liability claims opened in Fiscal year 2014. The number of new Civil Rights claims in this count is 173 which is significantly lower than the 247 opened in Fiscal year 2014. 67 of these 173 claims opened were filed by inmates against the Department of Corrections compared to 136 civil rights claims filed by inmates in fiscal year 2014. 26 of these Civil Rights claims were against State Universities and Community Colleges compared to 25 opened in fiscal year 2014. The remaining 80 Civil Rights claims were against various agencies of the State.

MEDICAL MALPRACTICE



The number of new Medical Malpractice claims filed for fiscal year 2015 was 152. This is a reduction from fiscal year 2014 at 161 and fiscal year 2013 at 169. This reduction may be attributed to the privatization of state hospitals. Sixty-four of the new Medical Malpractice claims were filed against LSU Health Sciences Center in New Orleans and would be the most filed against a single institution. LSU Health Sciences Center in Shreveport was second at 39 claims and the Medical Center of New Orleans was third at 22 claims. Medical Malpractice constitutional issue claims which primarily are disputing the statutory cap were reduced significantly for fiscal year 2015 at 2. Constitutional claims filed in fiscal year 2014 were at 4 and 16 for fiscal year 2013. This reduction is probably because of recent Louisiana Supreme Court decisions which affirmed the constitutionality of the statutory cap.

PROPERTY



The volume of new property claims decreased slightly from the previous year primarily because the State had fewer weather events than previous years. ORM's property claims team and its recovery contractor are focused on the FEMA grant close out deadlines that are set for August of 2016 for hurricane Gustav.

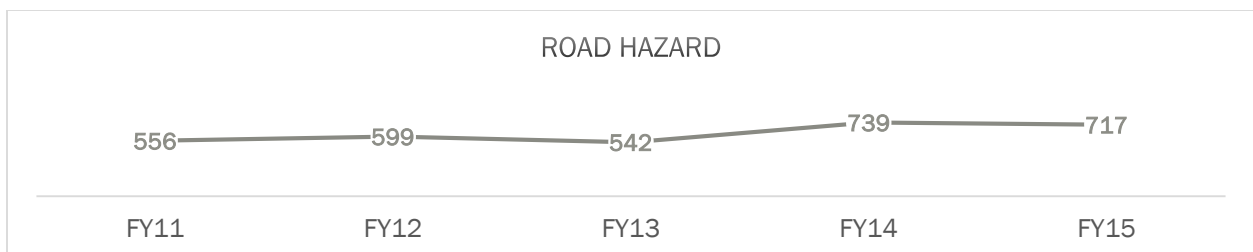
ORM served as the subgrantee (applicant) for State agencies seeking FEMA assistance for Hurricane Isaac. Due to the efficiencies and positive results experienced by the State for that catastrophe, ORM anticipates that it will be designated as the subgrantee for State agencies for future FEMA eligible catastrophes.

ORM has facilitated the creation of pre-event contracts for disaster remediation. This program should generate savings for the State and will simplify the process of procuring remediation services that are needed after a loss.

PROPERTY LSU

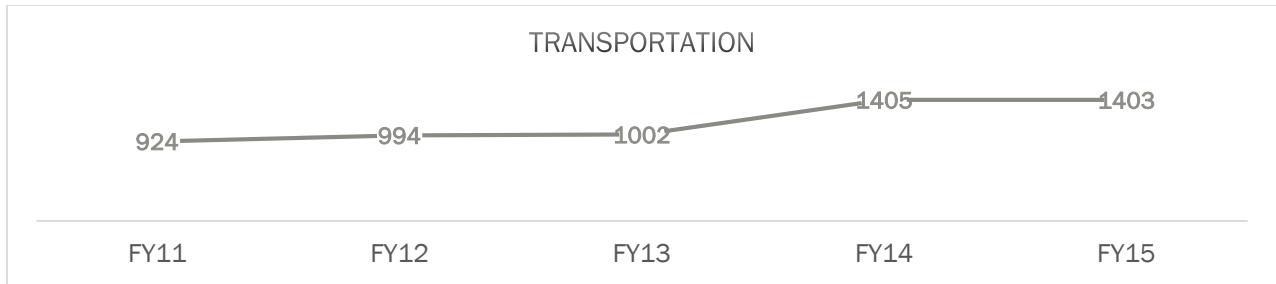
LSU's Large Deductible Property Program saw a slight decrease in claims volume for fiscal year 2015. They have elected to self-administer these claims effective June 1, 2015.

ROAD HAZARDS



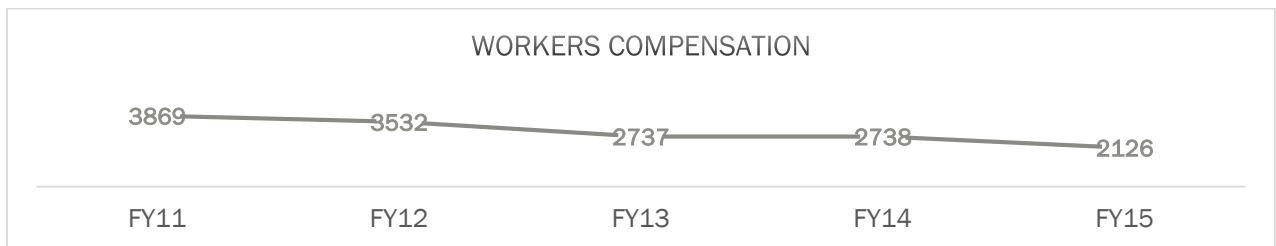
ORM saw a 5.7% decrease in the volume of Road Hazard claims from last year. Road Hazard Judgments were not appropriated during the 2015 Regular Session of the Legislature due to budget cuts.

TRANSPORTATION (AUTO LIABILITY AND PHYSICAL DAMAGE)



Claims volume of 1403 was the same as FY 2014. 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 allow an 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.

SIF Medical Inquiry Questionnaire (E-2): The State continues to seek approval to utilize the Louisiana Workforce Commission's SIF Knowledge Questionnaire to obtain information about an employee's prior medical condition to obtain Second Injury Fund approval. This form provides the needed employer knowledge about pre-existing medical conditions.

CLAIMS REPORTED FY15 BY AGENCY

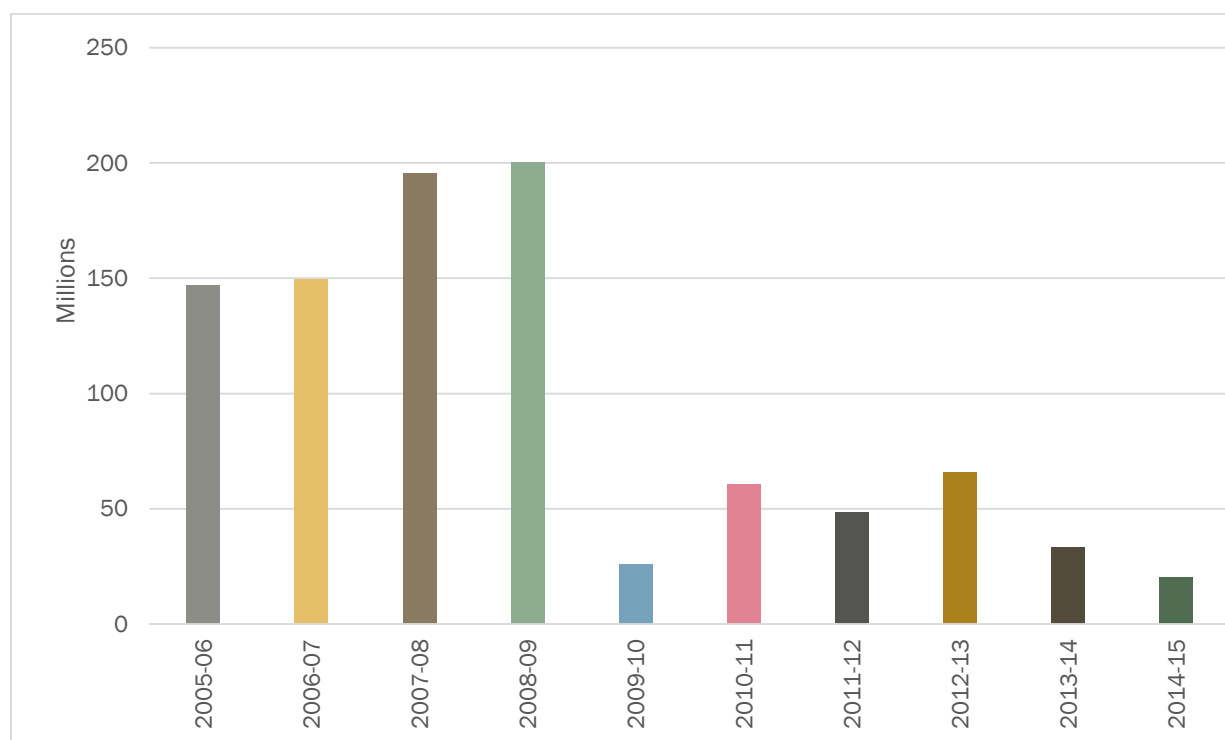
AGENCY	GL	MM	PR	RH	TR	WC	Grand Total
Acadiana Area Human Services District					1	2	3
Board Of Medical Examiners						2	2
Board Regents For Higher Education						1	1
Board Veterinary Medical Exam			1				1
Central LA Human Services District						5	5
CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE	1		2			2	5
Commissioner Of Insurance	2					2	4
Constitutional Claims	4						4
Criminal Court-Parish Of Orleans					1	4	5
CRT - Office Of State Museum	2		2		3	2	9
CRT - Office Of The Secretary	1					3	4
CRT - Office of Tourism	1		1		2	2	6
DED - Office Of Secretary						1	1
Department Of Military Affairs	25		35		7	38	105
DEQ - Management And Finance						1	1
DEQ - Office Of Envir Services	1				1	6	8
DEQ - Office Of Envir. Compliance	1		1		3	8	13
DEQ - Office Of The Secretary	1				4	1	6
DHH - Capitol Area Human Services District	4		1		5	4	14
DHH - Florida Parishes Human Services Authority	1				3	4	8
DHH - Jefferson Parish Human Services Auth		1			2		3
DHH - Medical Vendor Administration	2					7	9
DHH - Metropolitan Human Services District					4	5	9
DHH - Office For Citizens With Dev. Disabilities	21	2	2		24	185	234
DHH - Office Of Aging & Adult Services (OAAS)	1		1		3	12	17
DHH - Office Of Behavioral Health	25	1	2		9	179	216
DHH - Office Of Public Health	6	1	1		16	15	39
DHH - Office Of The Secretary	7		1		9	10	27
DHH - South Central LA Human Services Authority	1				1	3	5
District Courts	15						15
DNR - Office Of Conservation					8	3	11
DNR-Office of the Secretary					1		1
DOA - Facility Planning & Control			3			6	9
DOA - Louisiana Property Assistance Agency	1				1	1	3
DOA - Office Of Community Development	2					1	3
DOA - Office Of Group Benefits	1				1	1	3
DOA - Office Of Risk Management					1	1	2
DOA - Office of Technology Services					2	8	10
DOA - Patients Compensation Fund						1	1
DOA - State Building	14		11		2	7	34
DOA - State Land Office	1						1
DOA - State Purchasing Office						3	3
DOC - Administration	13				2	2	17
DOC - Allen Correctional Center	1						1
DOC - Avoyelles Correctional Center	6		2		11	19	38

AGENCY	GL	MM	PR	RH	TR	WC	Grand Total
DOC - Division Of Probation & Parole	7				101	43	151
DOC - Dixon Correctional Institute	13	1	3		5	24	46
DOC - Elayn Hunt Correctional Center	17		8		12	40	77
DOC - Louisiana Correctn Institute For Women	1				1	12	14
DOC - Louisiana State Penitentiary	62		20		31	55	168
DOC - Prison Enterprises	1		2		12	4	19
DOC - Rayburn Correctional Center	5				6	15	26
DOC - Wade Correctional Center	13		8			10	31
DOC - Winn Correctional Center	2						2
DOJ - Office Of Attorney General	7				32	9	48
DOTD - H.Q./Management & Finance						2	2
DOTD - Office Of Engineering	23		35	717	271	217	1263
DOTD - Office Of The Secretary	1					1	2
DPS - Liquified Petroleum Gas Commission					1		1
DPS - Louisiana Gaming Control Board					2		2
DPS - Management & Finance			2		1	4	7
DPS - Office Of Motor Vehicles	5		1		5	5	16
DPS - Office Of State Fire Marshal	7				21	8	36
DPS - Office Of State Police	21		4		340	116	481
DPS - Public Service Commission					3	3	6
DWLF - Office Of Fisheries	1				3	12	16
DWLF - Office Of Management & Finance						2	2
DWLF - Office Of Secretary	3		6		30	13	52
DWLF - Office Of Wildlife	1		8		12	10	31
E.A. Conway Medical Center		5					5
Education - Recovery School District	6		8		4	3	21
Education - Special School District #1						2	2
Education - State Activities					1	10	11
Ethics Administration					1		1
Governor's Office Of Homeland Security & Emerg Prep	1		1		7	5	14
Grambling State University	8		11		3	9	31
HCSO Administration	1				1		2
Huey P. Long Medical Center		2				4	6
Imperial Calcasieu Human Services District	2				1		3
La Addictive Disorder Regulatory Authority	1						1
LA Housing Corporation	7		1				8
Lallie Kemp Regional Med. Center	2	1				14	17
LCTCS - Baton Rouge Community College	6		7		2	13	28
LCTCS - Board Of Supervisors					1	2	3
LCTCS - Bossier Parish Community College			5			1	6
LCTCS - Elaine Nunez Community College						4	4
LCTCS - Isaac Delgado Community College	12		3		4	9	28
LCTCS - L.E. Fletcher Community College	1						1
LCTCS - Louisiana Delta Community College	15					1	16
LCTCS - Northwest Louisiana Technical College Region			1		1	1	3
LCTCS - River Parishes Community College	2					1	3
LCTCS - South Central Louisiana Technical College Region					1	2	3

AGENCY	GL	MM	PR	RH	TR	WC	Grand Total
LCTCS - South La Community College	5				2	6	13
LCTCS - SOWELA Community College						3	3
Legislative Auditor			1		3	3	7
Leonard J. Chabert Medical Cntr	1	2					3
Louisiana Auctioneers Licensing Board	1						1
Louisiana Comm. On Law Enforcement					2		2
Louisiana Educational Television Auth					1	1	2
Louisiana Naval Memorial Commission			1			2	3
Louisiana School For Math, Science, Arts					1		1
Louisiana Teachers Retirement System						1	1
Louisiana University Marine Consortium			1			4	5
Louisiana House Of Representatives						6	6
Louisiana Licensed Prof. Voc. Rehab. Co.Board Exam	1						1
Louisiana Office Facilities Corp.	4		1				5
Louisiana Office Of Alcohol and Tobacco Control	5				9	1	15
Louisiana Public Defender Board					1		1
Louisiana Schools For The Deaf And Visually Impaired	1				1	19	21
Louisiana Senate					2	3	5
Louisiana Special Education Center	4		1		1	19	25
Louisiana State Employees Retire System						1	1
Louisiana Supreme Court	3					2	5
Louisiana Tech. University	8		6		18	21	53
Louisiana Used Motor Vehicle Commission					1	1	2
LSED - Superdome	13		3				16
LSU A & M College	56				17	1	285
LSU Board Of Super. Staff	2		1				3
LSU Health Sciences Center-New Orleans	1	64	5		5	97	172
LSU Health Sciences Ctr.-Shreveport	7	39				56	102
LSU-Agricultural Center	7		22		19	56	104
LSU-Alexandria	4		19			5	28
LSU-Eunice	1		4		1	4	10
LSU-Shreveport			9			5	14
LWC - Workforce Support And Training	5				10	17	32
Mcneese State University	4		9		4	11	28
Medical Center Of La At N.O.		22				1	23
Motor Vehicle Commission					2		2
New Orleans Center For The Creative Arts	1		1			4	6
New Orleans City Park Improvement Assoc.	6					4	10
New Orleans Sports Arena	2						2
Nicholls State University	11		15		3	8	37
Non-agency Claims	8					1	9
Northeast Delta Human Services Authority	1		1				2
Northeast La War Veteran's Home						6	6
Northshore Technical Community College	3		4		4	2	13
Northwest LA Human Services District						1	1
Northwest La War Veterans Home			1			6	7
Northwestern State University	13		5		7	10	35

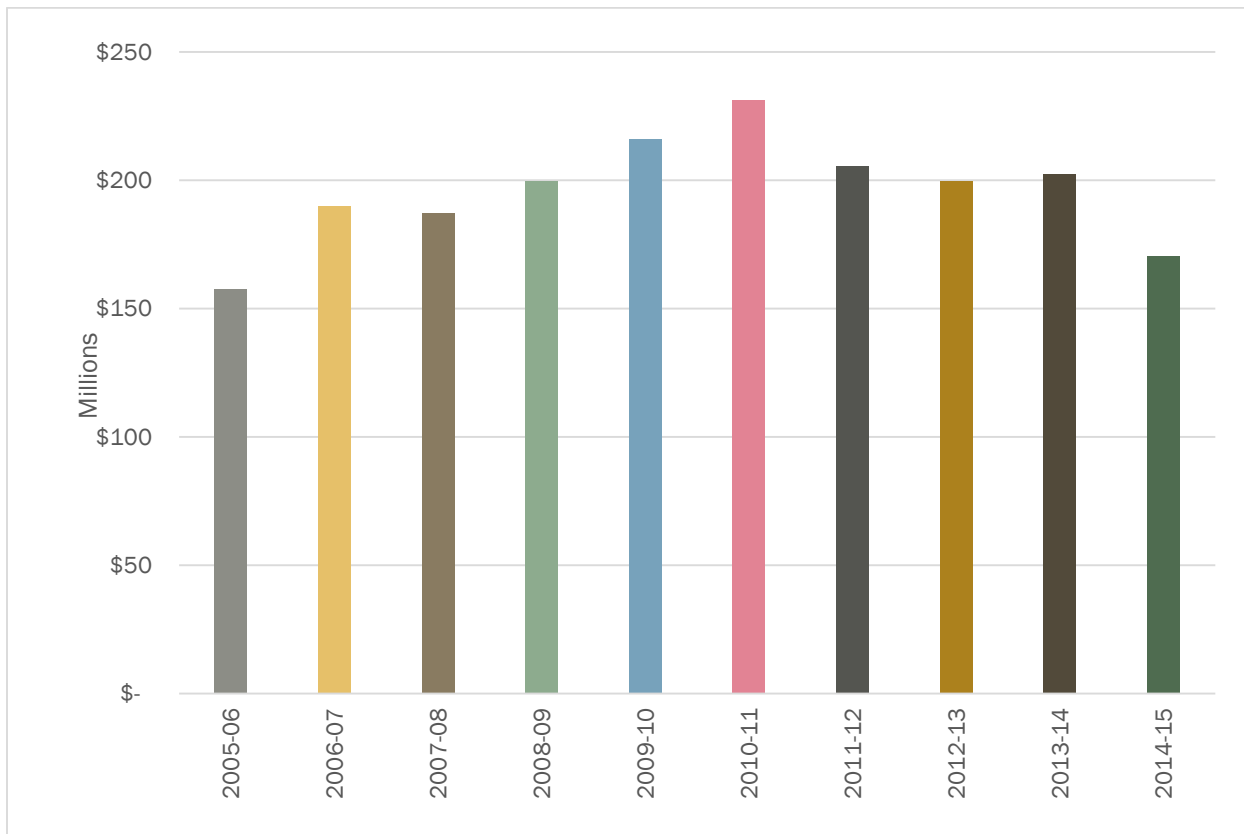
AGENCY	GL	MM	PR	RH	TR	WC	Grand Total
OCFS - Office of Children & Family Services	33		4		94	93	224
Office of Coastal Management					2		2
Office Of Agriculture	2		5		21	11	39
Office Of Coastal Protection And Restoration					1	1	2
Office Of Elderly Affairs	1						1
Office Of Financial Institutions						1	1
Office Of Forestry	3		7		16	7	33
Office Of Juvenile Justice	12	1	7		46	80	146
Office Of Lieutenant Governor					1		1
Office Of Revenue	3		1		5	14	23
Office Of State Parks	55		15		8	20	98
Office Of Student Financial Asst.					1	1	2
Office Of The Governor					1		1
Paul M. Hebert Law Center						1	1
Pennington Biomed. Research Ctr.					1	1	2
Sabine River Authority	6		2			2	10
Secretary Of State	2					13	15
Southeast La War Veterans Home	5					8	13
Southeastern Louisiana University	17		8		10	38	73
Southern University - Agricultural Center	1		1		1		3
Southern University - Baton Rouge	14		30		4	15	63
Southern University - New Orleans	8						8
Southern University - Shreveport	1				5	13	19
Southern University Board Of Supervisor	1						1
Southwest Louisiana War Veterans Home						17	17
St. Board Elemen. & Secondary Educ	2						2
University Medical Center	1	2					3
University Of Louisiana At Lafayette	23		29		13	98	163
University Of Louisiana At Monroe	10		24		6	10	50
University Of New Orleans	4		8		7	21	40
Veteran's Affairs			1		3	2	6
W. O. Moss Regional Med. Center	1	4					5
War Veteran's Center						28	28
Washington-St. Tammany RMC		4					4
Grand Total	798	152	452	717	1403	2126	5859

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

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

FINANCIAL STATEMENTS

Office of Risk Management

Self-Insurance Fund

June 30, 2015

Statement of Financial Position

ASSETS

Cash and investments	\$20,035,616
Insurance receivables	\$18,144,103
Interest receivable and other assets	\$543,180
Prepaid insurance	\$25,994,084
Capital assets, net of accumulated depreciation	\$798
Total assets	\$64,717,781

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$977,027,181
Unearned premium	\$0
Other liabilities	\$8,352,178
Total liabilities	\$985,379,359
Net assets	
Unrestricted net assets	(\$920,661,578)
Total liabilities and net assets	\$64,717,781

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$170,513,750
Other revenue	\$30,800
Hurricane recoveries	\$1,072,644
General fund appr./non-tort reimbursement	\$12,889,752
Add unearned premium from prior year	\$4,370,872
Less: Cost of insurance	(\$40,458,780)
Total operating revenues	\$148,419,038

OPERATING EXPENSES

General and administrative expenses	\$6,224,643
Claims cost:	
Losses	\$105,177,049
Less: Deductible payment in lieu of premiums	(\$1,261,011)
Allocated loss adjustment expense	\$36,414,783
Unallocated loss adjustment expense	\$19,792,225
Change in provision for losses/expenses	\$6,373,337
Total operating expenses	\$172,721,026
Operating income (losses)	(\$24,301,988)

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$67,404
Gain(loss) on disposal of capital assets	\$7,375
Total non-operating revenues (expenses)	\$74,779
Net income (losses) before transfers	(\$24,227,209)

Transfers in	\$1,229,166
Transfers out	(\$14,863,595)
Total (net) transfers	(\$13,634,429)
Change in net assets	(\$37,861,638)

Total net assets - beginning	(\$882,799,940)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$882,799,940)

Total net assets - ending	(\$920,661,578)
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June 30, 2015

Statement of Financial Position

ASSETS

Cash and investments	\$7,229,507
Insurance receivables	\$767,277
Interest receivable and other assets	\$66
Prepaid insurance	\$0
Capital assets, net of accumulated depreciation	\$30
Total assets	<u><u>\$7,996,880</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$46,757,182
Unearned premium	\$0
Other liabilities	\$254,772
Total liabilities	<u>\$47,011,954</u>
Net assets	
Unrestricted net assets	<u>(\$39,015,074)</u>
Total liabilities and net assets	<u><u>\$7,996,880</u></u>

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$10,714,732
Other revenue	\$0
Total operating revenues	<u>\$10,714,732</u>

OPERATING EXPENSES

General and administrative expenses	\$266,685
Claims cost:	
Losses	\$11,910,264
Allocated loss adjustment expense	\$2,827,336
Unallocated loss adjustment expense	\$1,015,319
Change in provision for losses/expenses	\$1,168,717
Total operating expenses	<u>\$17,188,321</u>
Operating income (losses)	<u>(\$6,473,589)</u>

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$1,320
Gain(loss) on disposal of capital assets	\$325
Total non-operating revenues (expenses)	<u>\$1,645</u>
Net income (losses) before transfers	<u>(\$6,471,944)</u>

Transfers in	\$0
Transfers out	(\$128,613)
Total (net) transfers	<u>(\$128,613)</u>
Change in net assets	<u>(\$6,600,557)</u>

Total net assets - beginning	(\$32,414,517)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	<u>(\$32,414,517)</u>
Total net assets - ending	<u><u>(\$39,015,074)</u></u>

June 30, 2015

Statement of Financial Position

ASSETS

Cash and investments	\$862,210
Insurance receivables	\$514,990
Interest receivable and other assets	\$8
Capital assets, net of accumulated depreciation	\$7
Total assets	<u><u>\$1,377,215</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Loss and expense reserves	\$828,443
Unearned premium	\$0
Other liabilities	\$6,326
Total liabilities	<u><u>\$834,769</u></u>
<u>Net assets</u>	
Unrestricted net assets	\$542,446
Total liabilities and net assets	<u><u>\$1,377,215</u></u>

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$850,817
Other revenue	\$0
Total operating revenues	<u><u>\$850,817</u></u>

OPERATING EXPENSES

General and administrative expenses	\$6,421
<u>Claims cost:</u>	
Losses	\$762,199
Allocated loss adjustment expense	\$184,236
Unallocated loss adjustment expense	\$23,897
Change in provision for losses/expenses	(\$312,255)
Total operating expenses	<u><u>\$664,498</u></u>
Operating income (losses)	<u><u>\$186,319</u></u>

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$113
Gain(loss) on disposal of capital assets	\$8
Total non-operating revenues (expenses)	<u><u>\$121</u></u>
Net income (losses) before transfers	<u><u>\$186,440</u></u>

Transfers in	\$0
Transfers out	\$0
Total (net) transfers	<u><u>\$0</u></u>
Change in net assets	<u><u>\$186,440</u></u>

Total net assets - beginning	\$356,006
Prior period adjustment	\$0
Total net assets - beginning, adjusted	<u><u>\$356,006</u></u>
Total net assets - ending	<u><u>\$542,446</u></u>

June 30, 2015

Statement of Financial Position

ASSETS

Cash and investments	\$1,296,569
Insurance receivables	\$1,296
Interest receivable and other assets	\$12
Prepaid insurance	\$13,385
Capital assets, net of accumulated depreciation	\$0
Total assets	\$1,311,262

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$361,123
Unearned premium	\$0
Other liabilities	\$140
Total liabilities	\$361,263
Net assets	
Unrestricted net assets	\$949,999
Total liabilities and net assets	\$1,311,262

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$123,442
Other revenue	\$0
Less: Cost of insurance	(\$16,310)
Total operating revenues	\$107,132

OPERATING EXPENSES

General and administrative expenses	\$1,221
Claims cost:	
Losses	(\$228,342)
Allocated loss adjustment expense	\$94,076
Unallocated loss adjustment expense	\$1,033
Change in provision for losses/expenses	(\$135,294)
Total operating expenses	(\$267,306)
Operating income (losses)	\$374,438

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$138
Gain(loss) on disposal of capital assets	\$1
Total non-operating revenues (expenses)	\$139
Net income (losses) before transfers	\$374,577

Transfers in	\$0
Transfers out	(\$2,417)
Total (net) transfers	(\$2,417)
Change in net assets	\$372,160

Total net assets - beginning	\$577,839
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$577,839
Total net assets - ending	\$949,999

June 30, 2015

Statement of Financial Position

ASSETS

Cash and investments	\$96,793,855
Insurance receivables	\$3,676,702
Interest receivable and other assets	\$16,864
Prepaid insurance	\$470,104
Capital assets, net of accumulated depreciation	\$236
Total assets	\$100,957,761

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$521,089,164
Unearned premium	\$0
Other liabilities	\$3,562,178
Total liabilities	\$524,651,342
Net assets	
Unrestricted net assets	(\$423,693,581)
Total liabilities and net assets	\$100,957,761

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$76,594,631
Other revenue	\$0
Less: Cost of insurance	(\$199,524)
Total operating revenues	\$76,395,107

OPERATING EXPENSES

General and administrative expenses	\$2,345,429
Claims cost:	
Losses	\$55,975,798
Less: Deductible payment in lieu of premiums	(\$15,985)
Allocated loss adjustment expense	\$3,797,791
Unallocated loss adjustment expense	\$9,405,161
Change in provision for losses/expenses	\$14,747,657
Total operating expenses	\$86,255,851
Operating income (losses)	(\$9,860,744)

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$12,915
Gain(loss) on disposal of capital assets	\$2,847
Total non-operating revenues (expenses)	\$15,762
Net income (losses) before transfers	(\$9,844,982)

Transfers in	\$0
Transfers out	(\$73,027)
Total (net) transfers	(\$73,027)
Change in net assets	(\$9,918,009)

Total net assets - beginning	(\$413,775,572)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$413,775,572)
Total net assets - ending	(\$423,693,581)

Property
June 30, 2015

Statement of Financial Position

ASSETS

Cash and investments	(\$101,121,314)
Insurance receivables	\$1,953,391
Interest receivable and other assets	\$0
Prepaid insurance	\$23,974,223
Capital assets, net of accumulated depreciation	\$269
Total assets	(\$75,193,431)

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$28,149,935
Unearned premium	\$0
Other liabilities	\$2,569,860
Total liabilities	\$30,719,795
Net assets	
Unrestricted net assets	(\$105,913,226)
Total liabilities and net assets	(\$75,193,431)

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$41,122,874
Hurricane recoveries	\$1,060,618
Less: Cost of insurance	(\$33,865,549)
Total operating revenues	\$8,317,943

OPERATING EXPENSES

General and administrative expenses	\$1,782,190
Claims cost:	
Losses	\$11,899,992
Allocated loss adjustment expense	\$445,677
Unallocated loss adjustment expense	\$3,953,048
Change in provision for losses/expenses	(\$7,409,170)
Total operating expenses	\$10,671,737
Operating income (losses)	(\$2,353,794)

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$0
Gain(loss) on disposal of capital assets	\$2,114
Total non-operating revenues (expenses)	\$2,114
Net income (losses) before transfers	(\$2,351,680)

Transfers in	\$0
Transfers out	(\$12,015,365)
Total (net) transfers	(\$12,015,365)
Change in net assets	(\$14,367,045)

Total net assets - beginning	(\$91,546,181)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$91,546,181)
Total net assets - ending	(\$105,913,226)

Note: Includes Builder's Risk

June 30, 2015

Statement of Financial Position

ASSETS

Cash and investments	\$170,771,346
Insurance receivables	\$1,066,932
Interest receivable and other assets	\$1,632
Prepaid insurance	\$587,385
Capital assets, net of accumulated depreciation	\$89
Total assets	\$172,427,384

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$162,887,555
Unearned premium	\$0
Other liabilities	\$568,695
Total liabilities	\$163,456,250
Net assets	
Unrestricted net assets	\$8,971,134
Total liabilities and net assets	\$172,427,384

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$21,841,643
Other revenue	\$0
Less: Cost of insurance	(\$524,925)
Total operating revenues	\$21,316,718

OPERATING EXPENSES

General and administrative expenses	\$549,794
Claims cost:	
Losses	\$8,615,417
Allocated loss adjustment expense	\$16,219,724
Unallocated loss adjustment expense	\$2,040,814
Change in provision for losses/expenses	\$1,060,467
Total operating expenses	\$28,486,216
Operating income (losses)	(\$7,169,498)

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$21,908
Gain(loss) on disposal of capital assets	\$670
Total non-operating revenues (expenses)	\$22,578
Net income (losses) before transfers	(\$7,146,920)

Transfers in	\$0
Transfers out	(\$1,444,893)
Total (net) transfers	(\$1,444,893)
Change in net assets	(\$8,591,813)

Total net assets - beginning	\$17,562,947
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$17,562,947
Total net assets - ending	\$8,971,134

June 30, 2015

Statement of Financial Position

	Marine Risk Group	Aviation Risk Group	Boiler & Machinery Risk Group
ASSETS			
Cash and investments	(\$4,551,779)	\$6,069,726	(\$2,581,814)
Insurance receivables	\$41,733	\$53,257	\$89,510
Interest receivable and other assets	\$0	\$55	\$0
Prepaid insurance	\$652,743	\$0	\$296,244
Capital assets, net of accumulated depreciation	\$9	\$4	\$0
Total assets	(\$3,857,294)	\$6,123,042	(\$2,196,060)
LIABILITIES AND NET ASSETS			
Liabilities			
Loss and expense reserves	\$1,376,236	\$883,182	\$533,681
Unearned premium	\$0	\$0	\$0
Other liabilities	\$41,593	\$7,154	\$6,151
Total liabilities	\$1,417,829	\$890,336	\$539,832
Net assets			
Unrestricted net assets	(\$5,275,123)	\$5,232,706	(\$2,735,892)
Total liabilities and net assets	(\$3,857,294)	\$6,123,042	(\$2,196,060)

Statement of Activities and Changes in Net Assets

OPERATING REVENUES			
Premiums written	\$1,715,911	\$675,999	\$1,411,291
Other revenue	\$0	\$0	\$0
Hurricane recoveries	\$3,578		\$8,448
Less: Cost of insurance	(\$1,052,626)	\$0	(\$428,974)
Total operating revenues	\$666,863	\$675,999	\$990,765
OPERATING EXPENSES			
General and administrative expenses	\$60,094	\$19,490	\$28,419
Claims cost:			
Losses	\$150,649	\$2,039	\$958,295
Allocated loss adjustment expense	\$65,477	\$0	\$17,640
Unallocated loss adjustment expense	\$229,252	\$74,921	\$25,325
Change in provision for losses/expenses	\$116,048	\$820,656	(\$281,153)
Total operating expenses	\$621,520	\$917,106	\$748,526
Operating income (losses)	\$45,343	(\$241,107)	\$242,239
NON-OPERATING REVENUES (EXPENSES)			
Interest income	\$0	\$688	\$0
Gain(loss) on disposal of capital assets	\$74	\$24	\$35
Total non-operating revenues (expenses)	\$74	\$712	\$35
Net income (losses) before transfers	\$45,417	(\$240,395)	\$242,274
Transfers in	\$0	\$0	\$0
Transfers out	\$0	\$0	\$0
Total (net) transfers	\$0	\$0	\$0
Change in net assets	\$45,417	(\$240,395)	\$242,274
Total net assets - beginning	(\$5,320,540)	\$5,473,101	(\$2,978,166)
Prior period adjustment	\$0	\$0	\$0
Total net assets - beginning, adjusted	(\$5,320,540)	\$5,473,101	(\$2,978,166)

Total net assets - ending	<u>(\$5,275,123)</u>	<u>\$5,232,706</u>	<u>(\$2,735,892)</u>
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Medical Malpractice

June 30, 2015

Statement of Financial Position

<u>ASSETS</u>		
Cash and investments		\$215,339,035
Insurance receivables		\$9,979,015
Interest receivable and other assets		\$2,318
Capital assets, net of accumulated depreciation		<u>\$52</u>
Total assets		<u><u>\$225,320,420</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Loss and expense reserves		\$90,071,991
Unearned premium		\$0
Other liabilities		<u>\$286,730</u>
Total liabilities		<u>\$90,358,721</u>
Net assets		
Unrestricted net assets		<u>\$134,961,699</u>
Total liabilities and net assets		<u><u>\$225,320,420</u></u>

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>		
Premiums written		\$13,087,007
Other revenue		<u>\$30,800</u>
Total operating revenues		<u>\$13,117,807</u>
<u>OPERATING EXPENSES</u>		
General and administrative expenses		\$371,467
Claims cost:		
Losses		\$10,666,120
Allocated loss adjustment expense		\$6,431,487
Unallocated loss adjustment expense		\$1,659,690
Change in provision for losses/expenses		<u>(\$13,720,542)</u>
Total operating expenses		<u>\$5,408,222</u>
Operating income (losses)		<u>\$7,709,585</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income		\$30,171
Gain(loss) on disposal of capital assets		<u>\$308</u>
Total non-operating revenues (expenses)		<u>\$30,479</u>
Net income (losses) before transfers		<u>\$7,740,064</u>
Transfers in		\$0
Transfers out		<u>(\$228,748)</u>
Total (net) transfers		<u>(\$228,748)</u>
Change in net assets		<u>\$7,511,316</u>
Total net assets - beginning		\$127,450,383
Prior period adjustment		<u>\$0</u>
Total net assets - beginning, adjusted		<u>\$127,450,383</u>
Total net assets - ending		<u><u>\$134,961,699</u></u>

June 30, 2015

Statement of Financial Position

ASSETS

Cash and investments	(\$351,037,466)
Insurance receivables	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$0
Capital assets, net of accumulated depreciation	\$102
Total assets	(\$351,037,364)

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$117,354,627
Unearned premium	\$0
Other liabilities	\$951,958
Total liabilities	\$118,306,585
Net assets	
Unrestricted net assets	(\$469,343,949)
Total liabilities and net assets	(\$351,037,364)

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$0
Other revenue	\$0
General fund appr./non-tort reimbursement	\$9,939,752
Total operating revenues	\$9,939,752

OPERATING EXPENSES

General and administrative expenses	\$586,448
Claims cost:	
Losses	\$57,680
Allocated loss adjustment expense	\$6,286,933
Unallocated loss adjustment expense	\$978,030
Change in provision for losses/expenses	\$8,610,005
Total operating expenses	\$16,519,096
Operating income (losses)	(\$6,579,344)

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$0
Gain(loss) on disposal of capital assets	\$715
Total non-operating revenues (expenses)	\$715
Net income (losses) before transfers	(\$6,578,629)

Transfers in	\$0
Transfers out	(\$970,532)
Total (net) transfers	(\$970,532)
Change in net assets	(\$7,549,161)

Total net assets - beginning	(\$463,019,788)
Prior period adjustment	\$1,225,000
Total net assets - beginning, adjusted	(\$461,794,788)
Total net assets - ending	(\$469,343,949)

June 30, 2015

Statement of Financial Position

	<u>Survivor Benefits Payments</u>	<u>Future Medical Fund</u>
<u>ASSETS</u>		
Cash and investments	(\$246,298)	\$862,808
Total assets	<u>(\$246,298)</u>	<u>\$862,808</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Loss and expense reserves	\$0	\$0
Unearned premium	\$0	\$0
Other liabilities	\$0	\$0
Total liabilities	<u>\$0</u>	<u>\$0</u>
Net assets		
Unrestricted net assets	(\$246,298)	\$862,808
Total liabilities and net assets	<u>(\$246,298)</u>	<u>\$862,808</u>

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>		
General fund appr./non-tort reimbursement	\$2,950,000	\$0
Total operating revenues	<u>\$2,950,000</u>	<u>\$0</u>
<u>OPERATING EXPENSES</u>		
Claims cost:		
Losses	\$1,975,000	\$1,137,193
Total operating expenses	<u>\$1,975,000</u>	<u>\$1,137,193</u>
Operating income (losses)	<u>\$975,000</u>	<u>(\$1,137,193)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	\$151	\$0
Total non-operating revenues (expenses)	<u>\$151</u>	<u>\$0</u>
Net income (losses) before transfers	<u>\$975,151</u>	<u>(\$1,137,193)</u>
Transfers in	\$0	\$1,229,166
Transfers out	\$0	\$0
Total (net) transfers	<u>\$0</u>	<u>\$1,229,166</u>
Change in net assets	<u>\$975,151</u>	<u>\$91,973</u>
Total net assets - beginning	\$3,551	\$770,835
Prior period adjustment	(\$1,225,000)	\$0
Total net assets - beginning, adjusted	(\$1,221,449)	\$770,835
Total net assets - ending	<u>(\$246,298)</u>	<u>\$862,808</u>

June 30, 2015

Statement of Financial Position

	Workers' Compensation	Boiler & Machinery Risk Group	Property
ASSETS			
Cash and investments	(\$13,906,502)	(\$188,056)	(\$5,556,211)
Insurance receivables	\$0	\$0	\$0
Interest receivable and other assets	\$252,206	\$133,500	\$136,519
Prepaid insurance	\$0	\$0	\$0
Capital assets, net of accumulated depreciation	\$0	\$0	\$0
Total assets	(\$13,654,296)	(\$54,556)	(\$5,419,692)
LIABILITIES AND NET ASSETS			
Liabilities			
Loss and expense reserves	\$5,663,432	\$46,460	\$1,024,170
Unearned premium	\$0	\$0	\$0
Other liabilities	\$78,004	\$713	\$17,904
Total liabilities	\$5,741,436	\$47,173	\$1,042,074
Net assets			
Unrestricted net assets	(\$19,395,732)	(\$101,729)	(\$6,461,766)
Total liabilities and net assets	(\$13,654,296)	(\$54,556)	(\$5,419,692)

Statement of Activities and Changes in Net Assets

OPERATING REVENUES			
Premiums written	\$1,324,031	\$106,586	\$944,786
Add unearned premium from prior year	\$0	\$143,668	\$4,227,204
Less unearned premium at statement date	\$0	\$0	\$0
Less cost of insurance	\$0	(\$143,668)	(\$4,227,204)
Total operating revenues	\$1,324,031	\$106,586	\$944,786
OPERATING EXPENSES			
General and administrative expenses	\$51,596	\$6,069	\$149,320
Claims cost:			
Losses	\$847,332	\$165,506	\$281,907
Less: Deductible payment in lieu of premiums	(\$829,619)	(\$133,500)	(\$281,907)
Allocated loss adjustment expense	\$41,633	\$0	\$2,773
Unallocated loss adjustment expense	\$213,739	\$5,360	\$166,636
Change in provision for losses/expenses	\$1,839,933	(\$129,444)	(\$2,288)
Total operating expenses	\$2,164,614	(\$86,009)	\$316,441
Operating income (losses)	(\$840,583)	\$192,595	\$628,345
NON-OPERATING REVENUES (EXPENSES)			
Interest income	\$0	\$0	\$0
Gain(loss) on disposal of capital assets	\$63	\$7	\$184
Total non-operating revenues (expenses)	\$63	\$7	\$184
Net income (losses) before transfers	(\$840,520)	\$192,602	\$628,529
Transfers in	\$0	\$0	\$0
Transfers out	\$0	\$0	\$0
Total (net) transfers	\$0	\$0	\$0
Change in net assets	(\$840,520)	\$192,602	\$628,529
Total net assets - beginning	(\$18,555,212)	(\$294,331)	(\$7,090,295)
Prior period adjustment	\$0	\$0	\$0
Total net assets - beginning, adjusted	(\$18,555,212)	(\$294,331)	(\$7,090,295)
Total net assets - ending	(\$19,395,732)	(\$101,729)	(\$6,461,766)

INTRODUCTION

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

statements prepared under generally accepted accounting principles. The comprehensive annual financial report is audited by the Louisiana Legislative Auditor.

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

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

Auto Liability

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

Auto Physical Damage

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

Bonds and Crime

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

Workers' Compensation

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

Property

The property line of coverage is used to account for first party losses to buildings and contents in which the State has an insurable interest. In addition, it is used to account for scheduled bridge property losses, equipment breakdown losses, fixed marine facility losses and flood claims. The State of Louisiana provides property coverage for losses up to a limit of \$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. Also, 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. Commercial insurance coverage, however, is purchased and provides coverage to certain other entities for which the State has an equity interest.

Personal Injury

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

Marine, Aviation and Equipment Breakdown

- 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, 2015 are as follows:

Self-insurance fund	\$ 19,172,808
Future medical care fund	<u>862,808</u>
Total	<u>\$ 20,035,616</u>

- 2. Insurance receivables – Balances at June 30, 2015, are as follows:

Insurance premiums due from State agencies	\$ 15,753,903
Excess insurance receivable due from reinsurers	<u>2,390,200</u>
Total	<u>\$ 18,144,103</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, 2015.

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, 2015, are as follows:

Reserves for payment of claims	\$ 284,678,314
Reserves for allocated loss adjustment expenses	79,524,145
Reserves for unallocated loss adjustment expenses	101,139,444
Reserves for incurred but not reported	528,481,569
Estimated recoveries	<u>(16,796,291)</u>
Total	<u>\$ 977,027,181</u>

2. Other Liabilities – Balances at June 30, 2015, are as follows:

Accounts payable and other accrued liabilities	\$ 4,122,913
Amount payable to State Treasury for FUMD	1,137,193
Workers' compensation assessment payable	<u>3,092,072</u>
Total	<u>\$ 8,352,178</u>

D. NET ASSETS

In the equity section of the Office of Risk Management's financial statements, net assets represents 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 (\$920,661,578) incorporates the net unfunded accrued claims liability at June 30, 2015.

E. REVENUES

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

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

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

F. EXPENSES

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

1. General and administrative expenses includes costs for administrative salaries and related benefits, travel, training, operating services, supplies, professional services for loss prevention and other consulting services.
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 includes external, internal, and administrative claims handling expenses, including determination of coverage, that are not included in allocated loss adjustment expenses. Third party administrator fees and State assessments for worker compensation self-insured programs are examples.
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, 2015, relate to:

Transfer to State Treasury under Act 121 of 2015	\$ 12,000,000
Transfer to State Treasury to V25	1,726,402
Transfer to reimburse the future medical care cash fund	<u>1,137,193</u>
Total	<u>\$ 14,863,595</u>

H. RISK EXPOSURES

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

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

The best way to mitigate against loss, however, is through loss prevention and safety programs. Such programs help minimize losses, save money, and most importantly, protect State employees and citizens. The Office of Risk Management aggressively pursues loss prevention through utilization of

a third party administrator for loss control inspections, training and consultation with agencies on their safety programs.

I. CHANGES IN COVERAGE

During fiscal year 2014-2015, The State of Louisiana provided property coverage for Named Windstorm losses up to a limit of \$325,000,000, which included excess coverage of \$275,000,000 plus a Self-Insured Retention (SIR) of \$50,000,000 per occurrence. The flood peril had a total of \$100,000,000 plus a SIR of \$50,000,000. Non-named wind storm had a limit of \$275,000,000 plus a SIR of \$10,000,000. All other perils had a limit of \$250,000,000, except the fire peril which had a limit of \$350,000,000, 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. As part of the transition to full risk management autonomy, at the beginning of FY 12-13, LSU Baton Rouge elected a larger deductible for both workers' compensation and property under the state-wide self-insured program. A deductible of \$500,000 per occurrence was chosen for workers' compensation and a \$250,000 deductible per occurrence for property. The state-wide premium for those two lines of insurance was reduced due to LSU taking on more of the risk internally. The large deductible program for these two coverage lines continued for FY 14-15 in anticipation that LSU will be granted their grad autonomy and would be exercising their autonomy by July 1, 2015.

J. UPDATE ON CASE LAW IMPACT

Past significant changes in case law continue to have an adverse impact on the state's liability in general liability claims. On September 3, 1993, the Supreme Court of Louisiana, per case No. 93-C-0472, reversed a lower court's decision in applying Louisiana Revised Statute 13:5106 (B)(1) which provides that "(I) any suit for personal injury, the total amount recoverable, exclusive of medical care and related benefits and loss of earnings, and loss of future earnings, as provided in this Section, shall not exceed five hundred thousand dollars (\$500,000)." The Supreme Court held that the ceiling contravenes the constitutional proscription against sovereign immunity contained in 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 \$10.1 million.

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

On May 9, 1996, Act No. 63, known as the "Louisiana Governmental Claims Act" was approved by the governor. This act placed limits on all suits for personal injury and wrongful death. The act states "the total amount recoverable, including all derivative claims, exclusive of property damages, medical care and related benefits and loss of earnings, and loss of future earnings, shall not exceed five hundred thousand dollars." This Act was not applied retroactively, but did provide for a reduction of costs in claims following its enactment. In February of 2004, the Louisiana Supreme

Court ruled that La. R.S. 13:5106, as amended by said Act 63, limits the recovery of wrongful death damages, exclusive of loss of earnings, to \$500,000 per claimant and is not a limit per victim. The result was to expand the potential liability associated with such claims. By Act 1 of 2005, the Legislature further amended such statute to change the effect of the Supreme Court ruling by making explicit the limit is, in fact, per victim, or \$500,000, in toto, exclusive of earning loss.

K. ESTIMATING UNPAID CLAIM LIABILITIES

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

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

L. CATASTROPIC EVENTS

Hurricane Katrina

Hurricane Katrina struck the state of Louisiana on August 29, 2005. As of June 30, 2015, state agencies have filed claims for Hurricane Katrina property losses with reserves in excess of \$515.0 million. Through June 30, 2015, ORM has paid state agencies in excess of \$214.3 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, 2015 state agencies have filed claims for Hurricane Rita property losses with reserves of \$13.2 million. In Fiscal Year 2014-2015, ORM received payment from the excess insurance carriers in the amount of \$4.75 million. Payments to state agencies total \$12.0 million through June 30, 2015, 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 fully analyze the state's losses from disaster.

Hurricane Gustav

Hurricane Gustav struck the State of Louisiana on September 1, 2008. As of June 30, 2014, State agencies have filed claims for Hurricane Gustav property losses with reserves in excess of \$135.8 million. Property claims paid through June 30, 2015, are more than \$107.2 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, 2015, State agencies have filed claims for Hurricane Ike property losses with reserves in excess of \$4.2 million. Property claims paid through June 30, 2015, were \$2.0 million.

Hurricane Isaac

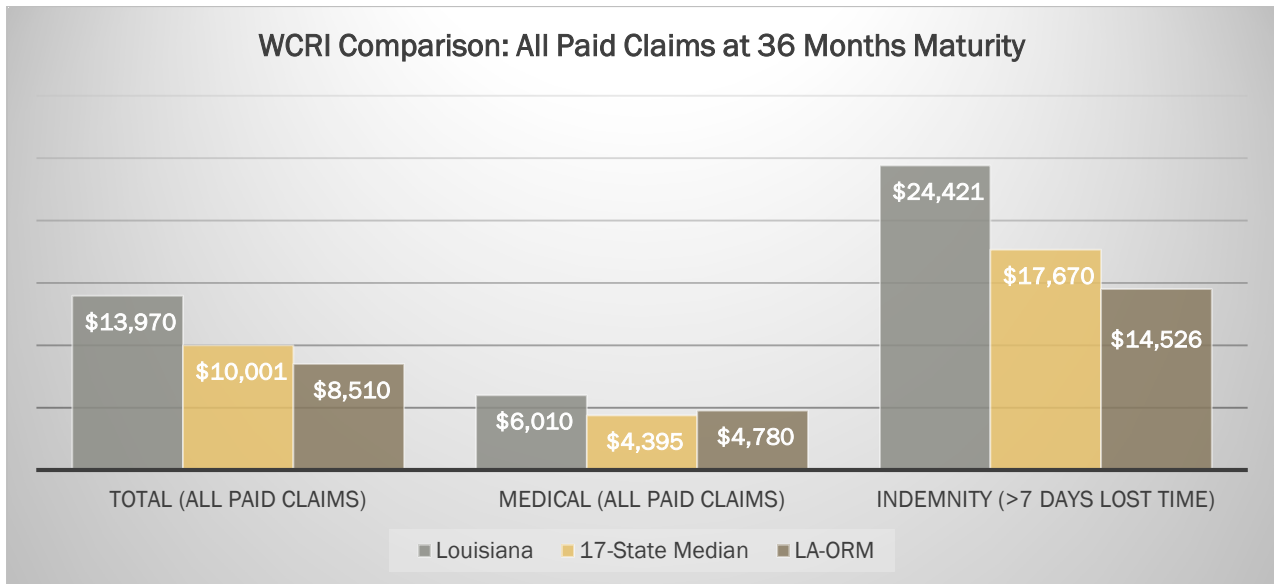
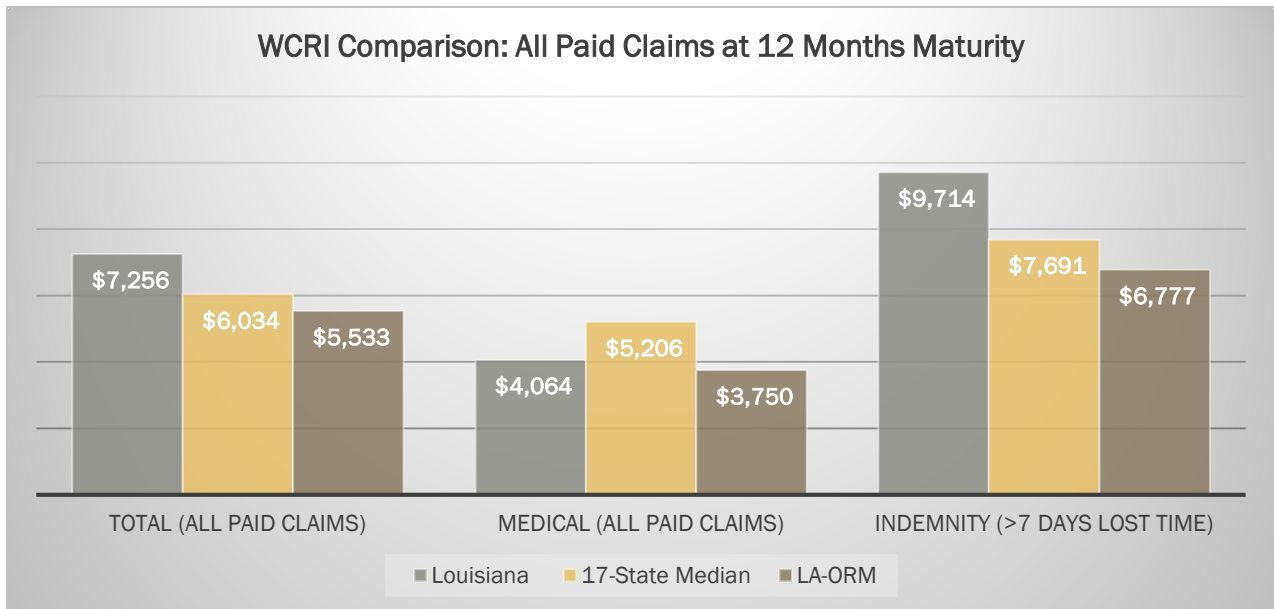
ORM is the applicant for the state for reimbursement from FEMA for repairs to building and content damage caused by Hurricane Isaac. ORM received \$1.14 million in FEMA reimbursements from GOHSEP in FY 2014-2015. As of June 30, 2015 state agencies have filed claims for Hurricane Isaac

property losses with reserves of \$11.0 million. Payments made on claims total \$6.4 million through June 30, 2015.

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 \$310.7 million. Attempts to reach a compromise on this judgment have been unsuccessful to date.

According to the Workers Compensation Research Institute CompScope Benchmarks for Louisiana, the current average state (LA-ORM) expenditure per claim is less than the expenditures of the Louisiana statewide average for claims evaluated at both 12 months and 36 months. The average medicals paid at 36 months was slightly higher than the 17-state median but less than the Louisiana average. The surveyed states are Arkansas, California, Florida, Georgia, Indiana, Iowa, Illinois, Louisiana, Massachusetts, Michigan, Minnesota, North Carolina, New Jersey, Pennsylvania, Texas, Virginia, and Wisconsin.



Note: Thirty-six (36) months maturity refers to claims arising from October 1, 2010 through September 30, 2011, evaluated as of March 31, 2014. Twelve (12) months refers to claims arising in October 1, 2012 through September 30, 2013, evaluated as of March 31, 2014. The 17-state median is the average of the states ranked 9th on a given measure; these states change depending on the measure being evaluated.