

STATE OF LOUISIANA



**ANNUAL REPORT
FISCAL YEAR 2016-2017**

Division of Administration

OFFICE OF RISK MANAGEMENT

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Executive Staff

State Risk Director	J. S. “Bud” Thompson, Jr.
State Risk Assistant Director	Marsha Pemble
Assistant Director for Litigation Management	Joseph Roussel
State Risk Administrator (Claims)	Ann Wax
State Risk Administrator (Underwriting and Loss Prevention)	Melissa Harris

Contact Information

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Mission

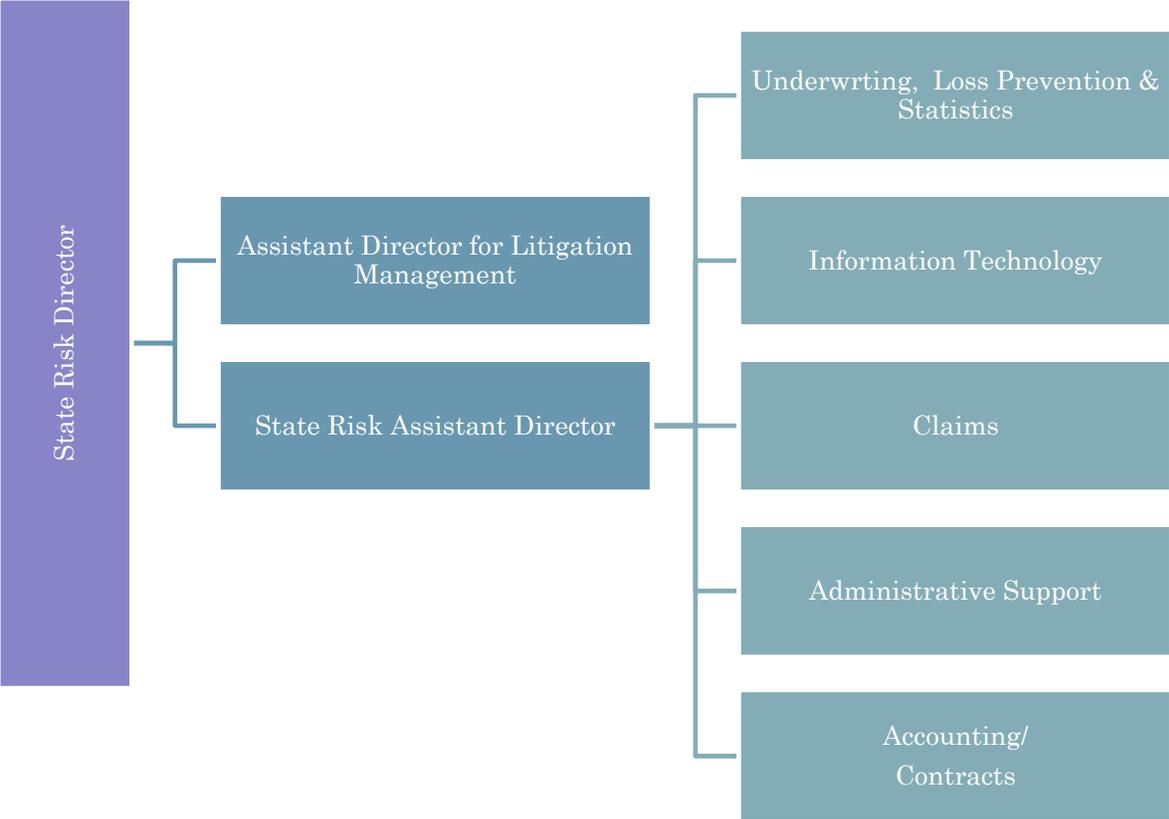
Our mission is to develop, direct, achieve and administer a cost- effective comprehensive risk management program for all agencies, boards and commissions of the State of Louisiana and for any other entity for which the state has an equity interest, in order to preserve and protect the assets of the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



Exposures Reported (Self-Insured Lines of Coverage)

COVERAGE	EXPOSURE	AMOUNT
Worker's Compensation	Regular Payroll	3,295,412,336¹
General Liability²	Total Compensation	3,340,551,505³
Automobile Liability	Total Miles	108,568,777⁴
Auto Physical Damage	# of Licensed Vehicles	10,700⁵
Boiler & Machinery	Boiler & Mach. Values	991,195,382⁶
Property	Property Values	16,537,231,902⁷
Bonds – SI	# of FTE Employees + O/S Board Members	68,020⁸
Crime – SI	Peak Exposure- Crime	3,033,010⁹
Medical Malpractice:		
Hospitals/Medical Schools:		
	Emergency Room Visits	25,216
	Hospital Clinic Visits	258,212
	Hospital Patient Days	2,169
	# of Babies Birthed	1
	# Outpatient Surgeries	2,009
	Average # of Interns/Residents	1,398
	Average # of Employee Physicians	835
	Average # of Contract Physicians	527
Non-Hospitals/Medical Schools:		
	Clinic Visits	1,353,969
	Patient Days	630,709
	Average # of Employee Physicians	91
	Average # of Contract Physicians	200
	Other Med Mal Exposures ¹⁰	29,409
	Average # of Interns/Residents	439

¹ Gross Payroll for WC excludes the payroll for the Superdome and N.O. Sports Arena since they are covered under a separate commercial WC policy, 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 # of FTE Employees - (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

Commercial Insurance Placement

The State alongside its Broker of Record, Arthur J. Gallagher, continued to build its relationships with both the domestic and international insurance markets to ensure competitive pricing and keep the increased limits that were put in place the prior fiscal year. While most carriers agreed to a two-year deal in FY16 that carried into FY17, Gallagher assisted ORM in getting these rate guarantees locked into place into FY18 as well. The Commercial Insurance Placement Report and Financial Analysis can be found on the ORM website at <http://www.doa.la.gov/Pages/orm/Reports.aspx>.

ORM continues working with Gallagher to define and implement specialty coverages and services for the State of Louisiana. This includes but is not limited to collecting and updating building data utilized in catastrophe modeling to analyzing cyber liability risk throughout the State to reviewing the types of policies. As a result, Cyber Liability was extended to the State's higher Education institutions, the Commercial General Liability policy was moved to a manuscript policy. In addition, the reviews of the aviation program and reviews of the Aviation program led to an overall reduction of premiums costs to State agencies.

Contract Review for Insurance Requirements

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. The Underwriting unit reviewed and provided feedback on over 400 contracts. ORM also collaborates with the Office of State Procurement 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.

Agency Activities

The Underwriting unit issued over 600 liability certificates of insurance and over 100 property certificates of insurance during FY17. Semi-Annual exposure collection was completed for the Property program and Quarterly exposure collection was completed and for all other programs. Additional exposure collection was performed to determine the number of Unmanned Aerial Systems (UAS), drones, to assess the State's overall exposure level, and address first party and third party coverage concerns.

The Underwriting unit continues to provide consultation to various State agencies through individual agency meetings, regional and statewide conferences and forums. Through these interactions, ORM provides education and best practices on various risk related topics including exposure reporting and third party risk transfer.

Loss Prevention Activities

Appraisals

Sedgwick completed 146 (100%) of new appraisals submitted during Fiscal Year 2016-2017. Additionally, 122 building modifications/deletions out of 120 (100%) were completed by Sedgwick during the fiscal year. Likewise, 1,502 (100%) of re-appraisals submitted were completed.

Audits/Compliance Reviews

Five Hundred Eighty-Three (583) audits/compliance reviews were assigned to and completed by Sedgwick in FY17 (07/01/2016 – 06/30/2017). In addition, 1,119 walk-through inspections were completed. All agencies except for two (99.7%) successfully passed their audits/compliance reviews in FY18.

EIGHTY-TWO (82) INSTRUCTOR- LED TRAINING CLASSES CONDUCTED

ACCIDENT INVESTIGATION – 13

SAFETY MEETINGS – 13

JOB SAFETY ANALYSIS – 6

SUPERVISOR RESPONSIBILITIES – 13

LOSS PREVENTION PROGRAM – 12

BLOODBORNE PATHOGENS TRAIN-THE-TRAINER – 6

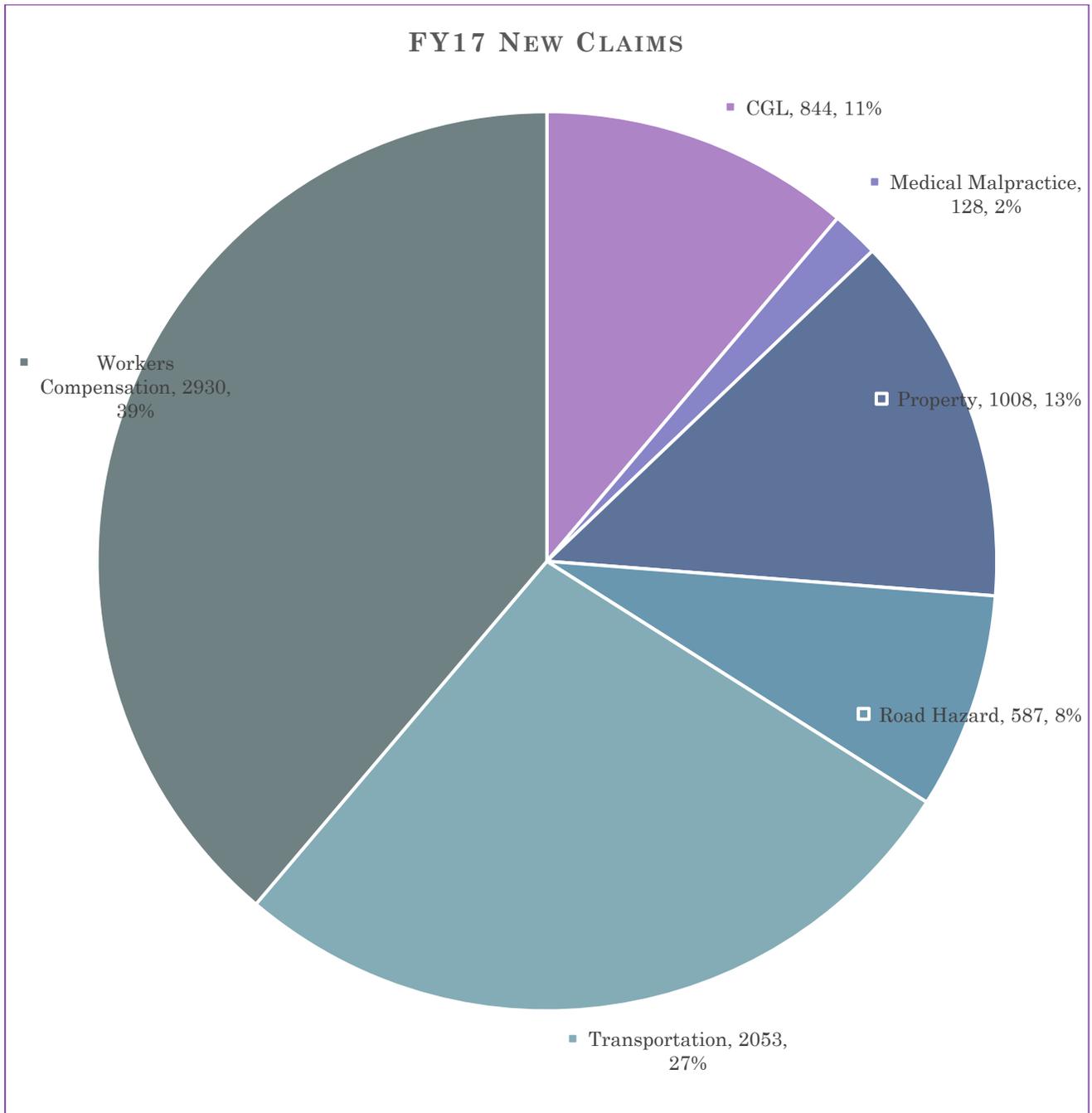
SAFETY INSPECTIONS – 13

FORKLIFT OPERATOR CERTIFICATION – 6

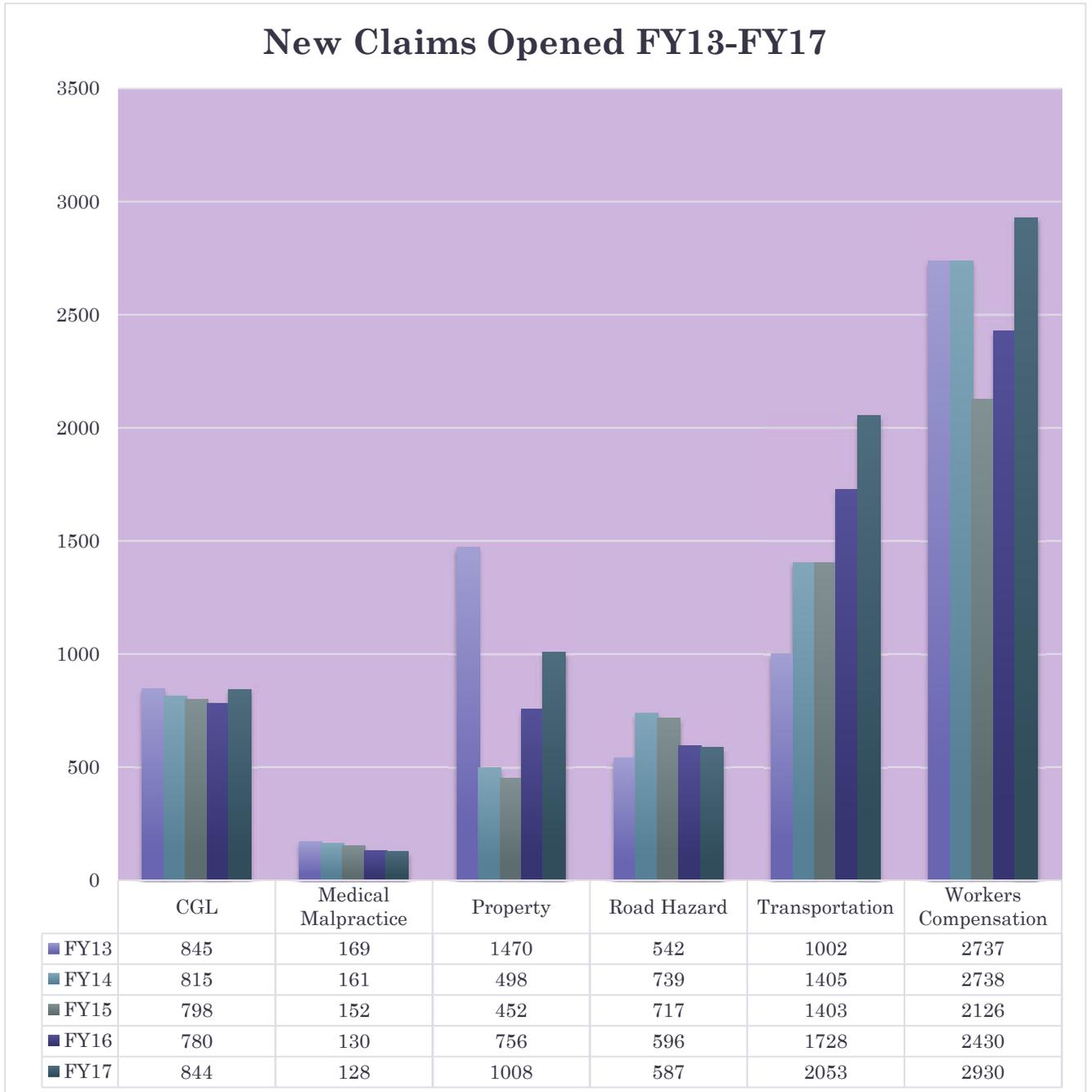
Training

Eighty-two (82) training sessions were conducted during Fiscal Year 2017-2018. These sessions varied from training one individual to multiples in a group session.

Claims Opened Fiscal Year 2017

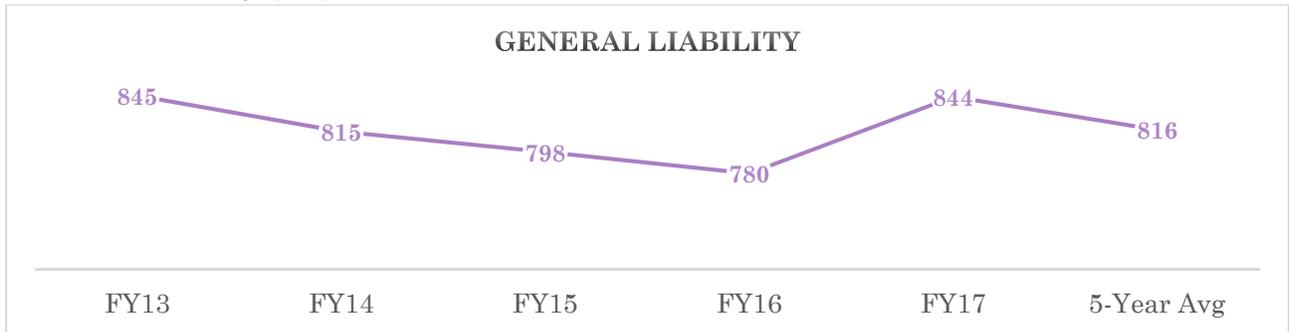


New Claims Opened 5-Year History by Coverage



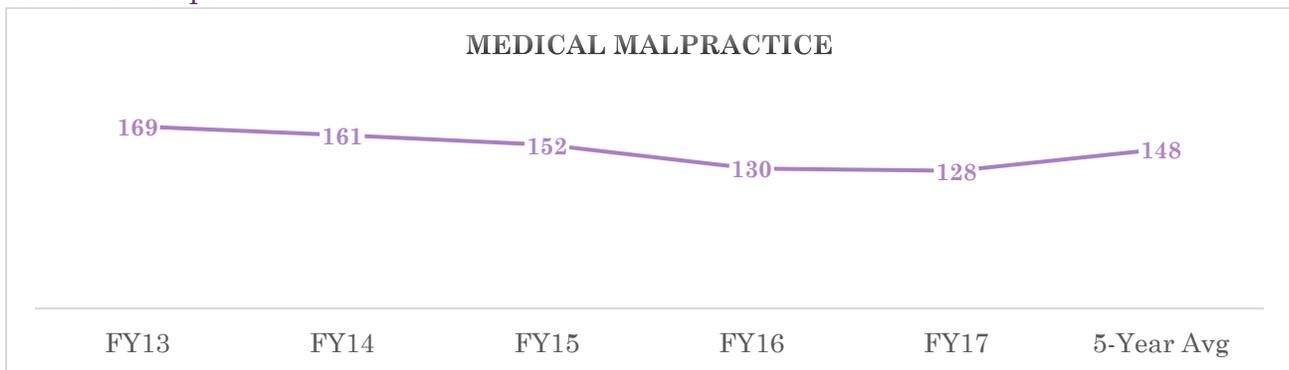
Claims Opened in FY1 - RPOs are not included.

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



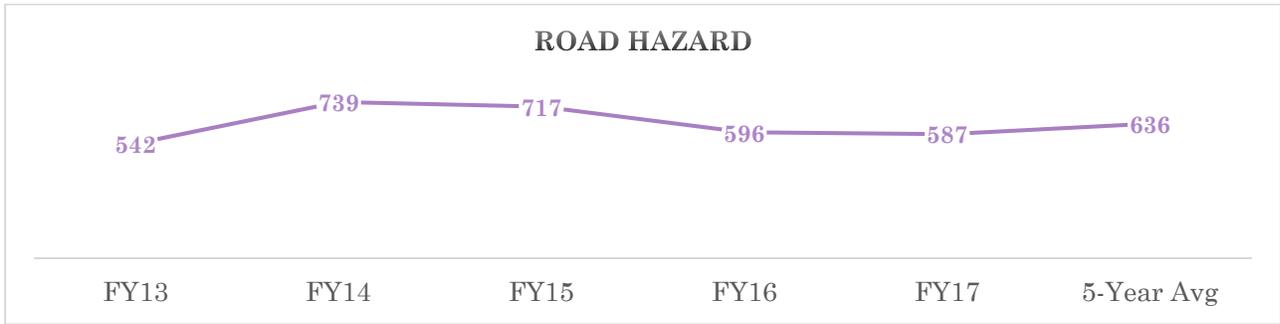
The number of new Medical Malpractice claims opened has continued to decline. This reduction is most likely attributable to the privatization of state hospitals.

Property



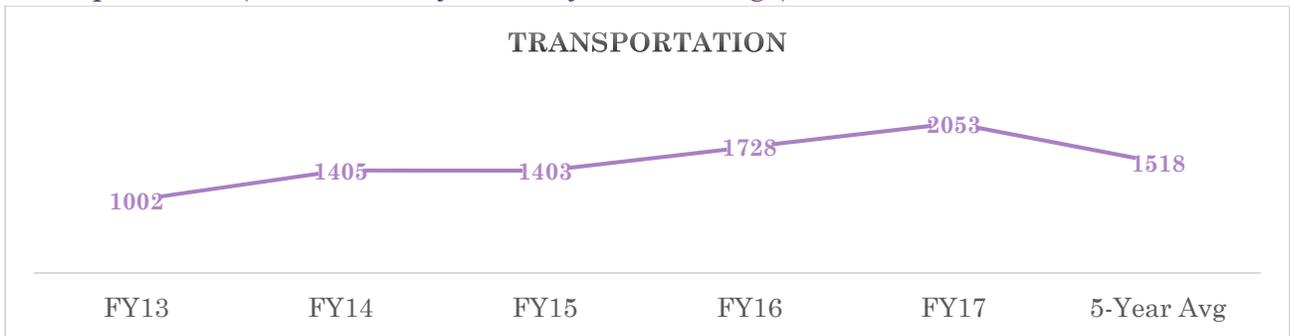
Property claims increased from 756 to 1,008. This is primarily due to flooding claims.

Road Hazards



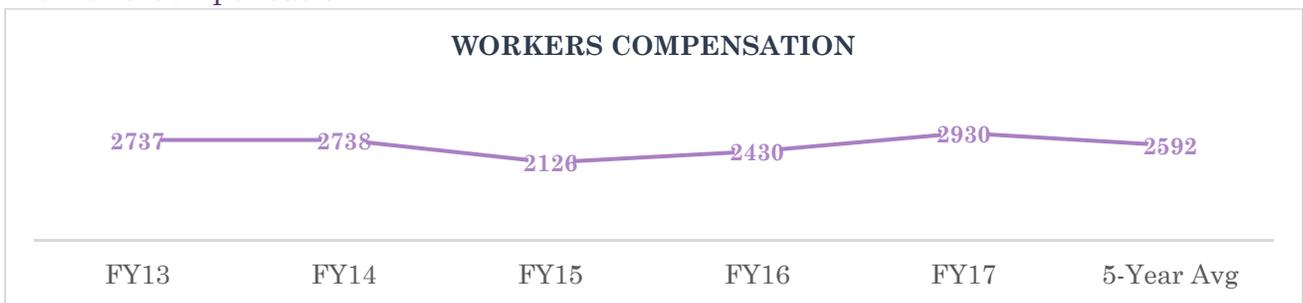
Road hazard claims continued to decline. Road Hazard Judgments were not appropriated during the 2017 Regular Session of the Legislature due to budget constraints.

Transportation (Auto Liability and Physical Damage)



Claims volume of has increased over the prior year. The only remarkable loss in 2015 was a Department of Corrections vehicle accident. Payment of the \$1,157,037.66 judgment was made this fiscal year.

Worker's Compensation



Worker's compensation claims increased from 2430 to 2930. Transitional Duty savings for FY17 totaled \$1.9 million dollars. Three hundred nineteen (319) employees returned to work from transitional duty employment. A total of \$5.4 million was recovered from the Second Injury Fund for injured State employees.

New Claims Opened by Department and Agency

DEPARTMENT/AGENCY	CGL	MM	PR	RH	TR	WC	Grand Total
DEPARTMENT OF CHILDREN AND FAMILY SERVIC	48		4		127	245	424
OFF OF CHILDREN & FAMILY SERVICES (OCFS)	48		4		127	245	424
DEPARTMENT OF CIVIL SERVICE	1		1		2	2	6
DIVISION OF ADMINISTRATIVE LAW				1	2	1	4
STATE CIVIL SERVICE						1	1
STATE POLICE COMMISSION	1						1
DEPARTMENT OF CORRECTIONS	165	2	109		243	242	761
ALLEN CORRECTIONAL CENTER	1				2		3
DIVISION OF PROBATION & PAROLE	10				151	49	210
DIXON CORRECTIONAL INSTITUTE	19		17		12	30	78
DOC - ADMINISTRATION	9	1	3		13	4	30
ELAYN HUNT CORRECTIONAL CENTER	22	1	3		16	49	91
LA. CORRECTN INSTITUTE FOR WOMEN	4		46		13	16	79
LOUISIANA STATE PENITENTIARY	60		14		27	59	160
PRISON ENTERPRISES	3		6		2	1	12
RAYBURN CORRECTIONAL CENTER	15		1		2	17	35
RAYMOND LABORDE CORRECTIONAL CTR	3		3		5	11	22
WADE CORRECTIONAL CENTER	18		15			6	39
WINN CORRECTIONAL CENTER	1		1				2
DEPARTMENT OF EDUCATION	7		31		8	19	65
EDUCATION STATE ACTIVITIES	2		1		7	15	25
RECOVERY SCHOOL DISTRICT (RSD)	5		30		1	2	38
SPECIAL SCHOOL DISTRICT #1						2	2
LOUISIANA DEPARTMENT OF HEALTH	112	4	196		68	951	1331
ACADIANA AREA HUMAN SERV DIST (AAHSD)			2			7	9
CAPITAL AREA HUMAN SERVICES DIST (CAHSD)	2	2			1	3	8
CENTRAL LA HUMAN SERVICES DIST (CLAHSD)					1	4	5
DHH - OFFICE OF THE SECRETARY	8		2		8	14	32
FLORIDA PARISHES HUMAN SERVICES AUTHORITY	4		2		3	8	17
IMPERIAL CALCASIEU HUMAN SVC DIST(ICHSD)	6				1	2	9
JEFFERSON PARISH HUMAN SERVICES AUTH					1	3	4
LOUISIANA EMERGENCY RESPONSE NETWORK BOARD		1	1				2
MEDICAL VENDOR ADMINISTRATION						12	12
METROPOLITAN HUMAN SERVICES AUTH (MHSA)	1						1
NORTHEAST DELTA HUMAN SERV AUTH (NEDHSA)	5		1		1		7
NORTHWEST LA HUMAN SERV DIST (NWLHSD)					3	2	5
OFF OF CITIZENS W DEV DISABILITY (OCDD)	63		162		21	438	684
OFFICE OF AGING & ADULT SERVICES (OAAS)	2		7		7	15	31

DEPARTMENT/AGENCY	CGL	MM	PR	RH	TR	WC	Grand Total
OFFICE OF BEHAVIORAL HEALTH (OBH)	13	1	17		10	407	448
OFFICE OF PUBLIC HEALTH (OPH)	6		2		11	31	50
SOUTHCENTRAL LA HUMAN SERV AUTH (SCLHSA)	2					5	7
DEPARTMENT OF INSURANCE						1	3
COMMISSIONER OF INSURANCE						1	3
DEPARTMENT OF JUSTICE	11					38	10
OFFICE OF ATTORNEY GENERAL	11					38	10
DEPARTMENT OF NATURAL RESOURCES						5	7
DNR - OFFICE OF THE SECRETARY						1	1
OFFICE OF COASTAL MANAGEMENT							1
OFFICE OF CONSERVATION						4	5
DEPARTMENT OF PUBLIC SAFETY	47		35		581	155	818
DPS - MANAGEMENT & FINANCE	1		4		7	1	13
LA GAMING CONTROL BOARD						3	3
LIQUIFIED PETROLEUM GAS COMMISSN						3	1
OFFICE OF MOTOR VEHICLES	5		1		4	10	20
OFFICE OF STATE FIRE MARSHAL			6		40	6	52
OFFICE OF STATE POLICE	41		24		524	137	726
DEPARTMENT OF REVENUE	5		1		16	7	29
LA. OFFICE OF ALCOHOL & TOBACCO CONTROL	2		1		10	1	14
OFFICE OF CHARITABLE GAMING						1	1
OFFICE OF REVENUE	3				6	5	14
DEPARTMENT OF STATE	2		1		1	7	11
SECRETARY OF STATE	2		1		1	7	11
DEPARTMENT OF THE TREASURY						2	2
OFFICE OF THE STATE TREASURER						2	2
DEPARTMENT OF TRANSPORTATION & DEVELOPME	23		46	587	346	208	1210
DOTD - OFFICE OF THE SECRETARY	1				1		2
DOTD H.Q./MANAGEMENT AND FINANCE	2		1		3	1	7
DOTD OFFICE OF ENGINEERING	20		45	587	342	207	1201
DEPT OF AGRICULTURE & FORESTRY	6		17		108	68	199
OFFICE OF AGRICULTURE	3		7		72	44	126
OFFICE OF FORESTRY	3		10		36	24	73
DEPT OF ECONOMIC DEVELOPMENT	1					1	2
DED - OFFICE OF SECRETARY	1						1
OFFICE OF BUSINESS DEVELOPMENT						1	1
DEPT OF ENVIRONMENTAL QUALITY	3		3		25	13	44
DEPARTMENT OF ENVIRONMENTAL QUALITY	3		3		21	13	40
OFF OF ENVIRONMENTAL COMPLIANCE					4		4
DEPT. CULTURE, RECREATION, TOURISM	45		116		4	15	180
DCRT - OFFICE OF THE SECRETARY						1	1

DEPARTMENT/AGENCY	CGL	MM	PR	RH	TR	WC	Grand Total
OFFICE OF CULTURAL DEVELOPMENT						1	1
OFFICE OF STATE MUSEUM	5		30		1	2	38
OFFICE OF STATE PARKS	39		86		2	8	135
OFFICE OF TOURISM	1				1	3	5
DEPT. OF PUBLIC SAFETY & CORRECTIONS	9		2		27	103	141
OFFICE OF JUVENILE JUSTICE (OJJ)	9		2		27	103	141
DEPT. OF WILDLIFE & FISHERIES	7		73		214	43	337
DWLF - MANAGEMENT & FINANCE						1	1
DWLF-OFFICE OF THE SECRETARY	5		42		175	19	241
OFFICE OF FISHERIES	2		4		9	14	29
OFFICE OF WILDLIFE			27		30	9	66
DIVISION OF ADMINISTRATION	16		20		22	21	79
DOA-COMMISSIONER'S OFFICE						1	1
FACILITY PLANNING & CONTROL	1						1
LA PROPERTY ASSISTANCE AGENCY			1		7	2	10
LA TAX COMMISSION	1						1
OFFICE OF COMMUNITY DEVELOPMENT					2		2
OFFICE OF GROUP BENEFITS			1				1
OFFICE OF RISK MANAGEMENT					7		7
OFFICE OF STATE PROCUREMENT						4	4
OFFICE OF STATE REPORTING & ACCT POLICY	1				1		2
OFFICE OF TECHNOLOGY SERVICES					4	10	14
PATIENT'S COMPENSATION FUND OVERSIGHT BD	1					1	2
STATE BUILDINGS	10		17		1	2	30
STATE LAND OFFICE	2		1			1	4
EMPLOYEE BENEFIT SYSTEMS						2	2
LA STATE EMPLOYEES RETIREMENT SYSTEM						1	1
LA. TEACHERS RETIREMENT SYSTEM						1	1
EXECUTIVE BRANCH	84	2	28		20	187	321
DEPARTMENT OF MILITARY AFFAIRS	46	1	23		16	80	166
GOV OFFICE OF HOMELAND SEC & EMERG PREP					1	4	5
LA COMM ON LAW ENFORCEMENT						1	1
LA PUBLIC DEFENDER BOARD	2						2
LA RACING COMMISSION						1	1
LA STADIUM & EXPOSITION DISTRICT COMM	1						1
MENTAL HEALTH ADVOCACY	1	1					2
MERCEDES-BENZ SUPERDOME	15						15
NEW ORLEANS SPORTS ARENA	5		1				6
NORTHEAST LA WAR VETERANS HOME						14	14
NORTHWEST LA WAR VETERANS HOME						19	19
OFFICE OF COASTAL PROTECTION & RESTORATI	1		2			1	4

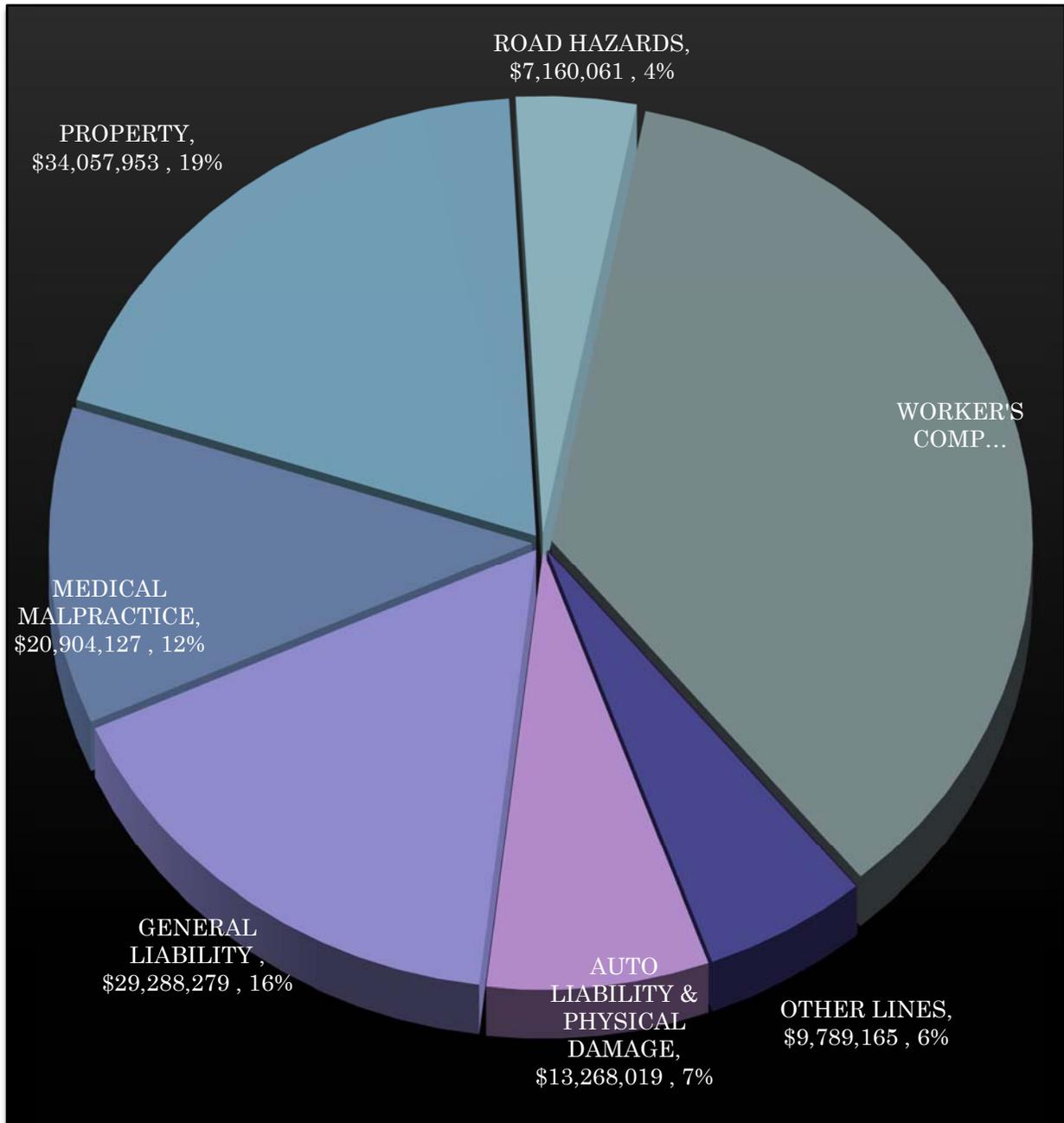
DEPARTMENT/AGENCY	CGL	MM	PR	RH	TR	WC	Grand Total
OFFICE OF FINANCIAL INSTITUTIONS					1	2	3
OFFICE OF STATE INSPECTOR GENERAL	2						2
OFFICE OF THE GOVERNOR	3		1				4
OFFICE OF COSMETOLOGY	2					1	3
SOUTHEAST LA WAR VETERANS HOME	1					10	11
SOUTHWEST LA WAR VETERANS HOME	2					27	29
VETERAN'S AFFAIRS	1		1		2	2	6
WAR VETERAN'S CENTER	2					25	27
INACTIVE/DEFAULT LOCATIONS	12					2	14
INACTIVE/DEFAULT LOCATIONS	12					2	14
JUDICIARY	27		6		30	4	67
1ST CIRCUIT COURT OF APPEAL					1		1
2ND CIRCUIT COURT OF APPEAL	1		3				4
3RD CIRCUIT COURT OF APPEAL			1			1	2
4TH CIRCUIT COURT OF APPEAL			1		2		3
5TH CIRCUIT COURT OF APPEAL					2		2
CRIMINAL COURT-PARISH OF ORLEANS	2					2	4
JUDICIAL DISTRICT COURTS (JDC)	22		1		24	1	48
LOUISIANA SUPREME COURT	2				1		3
LA COMMUNITY & TECHNICAL COLLEGE	14		22		20	43	99
BATON ROUGE COMMUNITY COLLEGE	2		9		4	9	24
BOSSIER PARISH COMMUNITY COLLEGE			1			8	9
CENTRAL LA TECH COMM COLLEGE (CLTCC)			1			3	4
ELAINE P NUNEZ COMMUNITY COLLEGE	1		2			3	6
ISAAC DELGADO COMMUNITY COLLEGE	1		1			4	6
L. E. FLETCHER COMMUNITY COLLEGE					3	3	6
LA DELTA COMMUNITY COLLEGE (LDCC)	1		2		4	3	10
LCTCS- BOARD OF SUPERVISORS						1	1
NORTHSHORE TECHNICAL COMM COLLEGE (NTCC)	2		3			2	7
NORTHWEST LOUISIANA TECHNICAL COLLEGE					1	2	3
RIVER PARISH COMMUNITY COLLEGE			1				1
SOUTH LA COMMUNITY COLLEGE (SLCC)	7		1		8	4	20
SOWELA COMMUNITY COLLEGE			1			1	2
LA WORKFORCE COMMISSION	1		1		9	7	18
OFF OF WORKFORCE SUPP & TRAINING (OWST)	1		1		9	7	18
LEGISLATURE	2		6		2	4	14
LA. HOUSE OF REPRESENTATIVES						3	3
LEGISLATIVE AUDITOR	2		4			1	7
LOUISIANA SENATE			2		2		4
LIEUTENANT GOVERNOR					1		1
OFFICE OF THE LIEUTENANT GOVERNOR					1		1

DEPARTMENT/AGENCY	CGL	MM	PR	RH	TR	WC	Grand Total
LSU SYSTEM	29	110	44		39	250	472
E. A. CONWAY MEDICAL CENTER		1					1
LSU - AGRICULTURAL CENTER	7		26		20	42	95
LSU - ALEXANDRIA	1		8		1	7	17
LSU - BATON ROUGE		1					1
LSU - EUNICE	1		5		1	3	10
LSU - SHREVEPORT			1		2	11	14
LSU BOARD OF SUPV & STAFF NON-ORM	1	1					2
LSU HEALTH SCI CTR (LSUHSC) NEW ORLEANS	9	72	3		14	78	176
LSU HEALTH SCIENCES CTR - SHREVEPORT	9	35	1		1	103	149
PENNINGTON BIOMEDICAL RESEARCH CTR	1					6	7
LSUMC HEALTH CARE SERVICES DIV.	5	9	8		3	31	56
HCSA ADMINISTRATION	1	3				1	5
LALLIE KEMP REGIONAL MED CENTR					2	30	32
LEONARD J. CHABERT MEDICAL CNTR	1	3					4
MEDICAL CENTER OF LA AT N.O.		1	8		1		10
UNIVERSITY MEDICAL CENTER	3	1					4
WASHINGTON-ST. TAMMANY RMC		1					1
NON-APPROPRIATED MISC. BOARDS & COMMISSI	33		15		14	13	75
BOARD OF ARCHITECTURAL EXAMINERS			1				1
BOARD OF CERTIFIED PUBLIC ACCOUNTANTS	1						1
BOARD OF CERTIFIED SHORTHAND REPORTERS	1						1
BOARD OF MASSAGE THERAPY			2				2
BOARD OF MEDICAL EXAMINERS	4						4
BOARD OF NURSING	2						2
BOARD OF PRIVATE INVESTIGATOR EXAMINERS	5						5
BOARD OF PRIVATE SECURITY EXAMINERS			1				1
BOARD OF SOCIAL WORK EXAMINERS						1	1
LA USED MOTOR VEHICLE COMMISSION					2		2
LA. BOARD OF PHARMACY	1				1		2
LA. NAVAL MEMORIAL COMMISSION					1		1
LOUISIANA HOUSING CORPORATION	6		2		2	3	13
MOTOR VEHICLE COMMISSION					7	1	8
NEW ORLEANS CITY PARK IMPROVEMENT ASSOC	4		1			3	8
OFFICE FACILITIES CORPORATION			5				5
SABINE RIVER AUTHORITY	9		3		1	5	18
SOUTHERN UNIVERSITY SYSTEM	21		59		13	20	113
SOUTHERN UNIV. BOARD OF SUPERVISORS	4						4
SOUTHERN UNIVERSITY - AGRICULTURAL CTR			2		1		3
SOUTHERN UNIVERSITY - BATON ROUGE	11		57		8	10	86
SOUTHERN UNIVERSITY - LAW CENTER	1						1

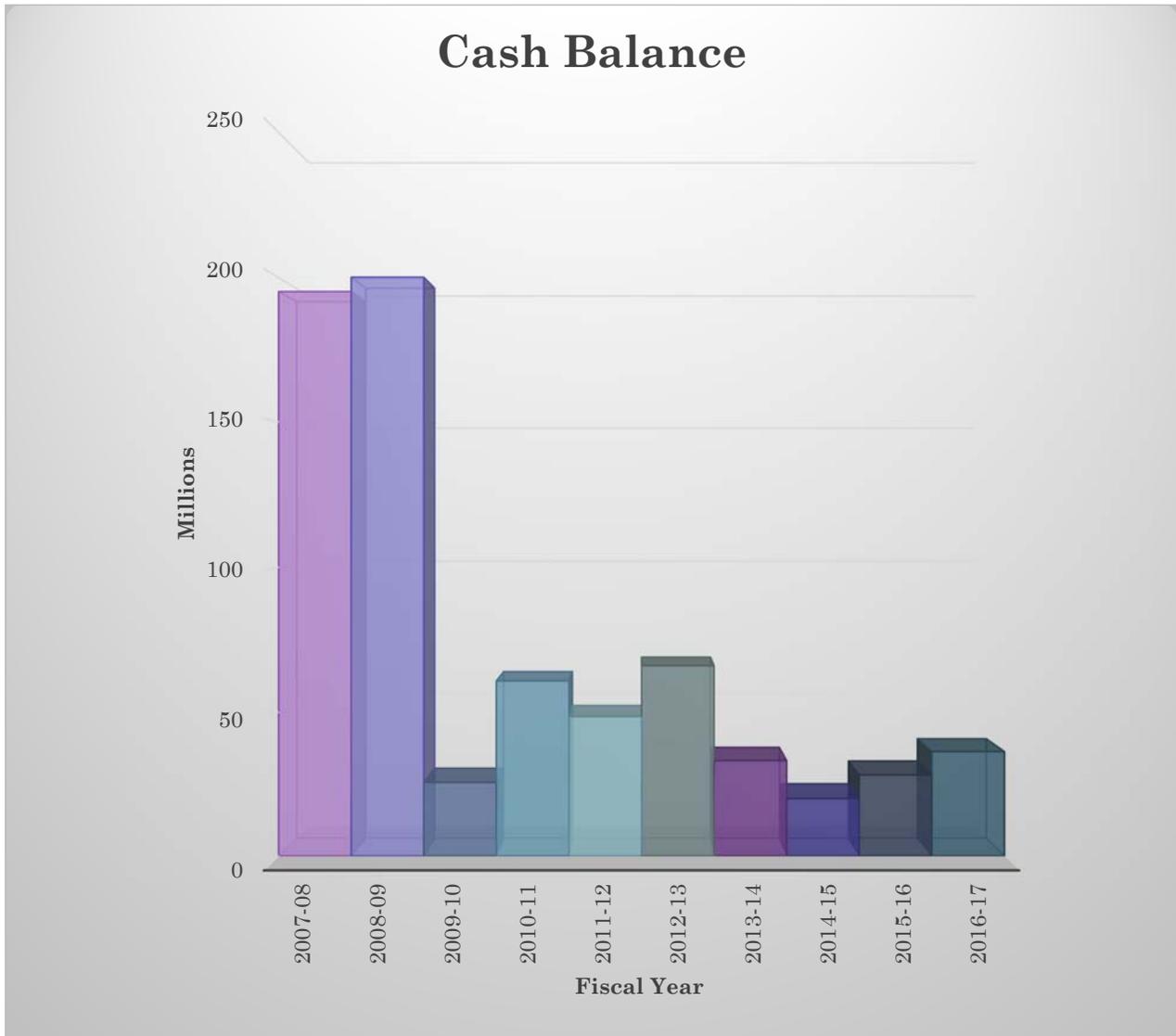
DEPARTMENT/AGENCY	CGL	MM	PR	RH	TR	WC	Grand Total
SOUTHERN UNIVERSITY - NEW ORLEANS	4				3	4	11
SOUTHERN UNIVERSITY - SHREVEPORT	1				1	6	8
SPECIAL SCHOOLS & EDUCATION AGY.	16		6		7	40	69
BD. REGENTS FOR HIGHER EDUCATION	1						1
JIMMY LONG SR LA SCHOOL MATH SCIENCE ART	1					1	2
LA SPECIAL EDUCATION CENTER	1				2	13	16
LA. EDUCATIONAL TELEVISION AUTH			1		1	1	3
LA. SCHOOLS FOR THE DEAF AND VISUALLY IM	11		2		1	13	27
LA. UNIVERSITY MARINE CONSORTIUM						5	5
N. O. CENTER FOR CREATIVE ARTS	1		2			3	6
OFFICE OF STUDENT FINANCIAL ASST					3	4	7
ST. BD. ELEMEN & SECONDARY EDUC	1		1				2
UNIVERSITY OF LOUISIANA SYSTEM	92	1	158		59	205	515
GRAMBLING STATE UNIVERSITY	6		7		1	2	16
LOUISIANA TECH UNIVERSITY	11		3		4	18	36
MCNEESE STATE UNIVERSITY	2	1	22		11	16	52
NICHOLLS STATE UNIVERSITY	3		4			10	17
NORTHWESTERN STATE UNIVERSITY	2		10		8	15	35
SOUTHEASTERN LA. UNIVERSITY	13		27		4	33	77
UNIVERSITY OF LA BD. OF SUPERVISORS	1				1		2
UNIVERSITY OF LOUISIANA AT LAF.	19		70		14	86	189
UNIVERSITY OF LOUISIANA AT MONR.	26		7		6	14	53
UNIVERSITY OF NEW ORLEANS	9		8		10	11	38
GRAND TOTAL	844	128	1008	587	2053	2930	7550

Financial Activity

Cash Expenditures by Line of Insurance

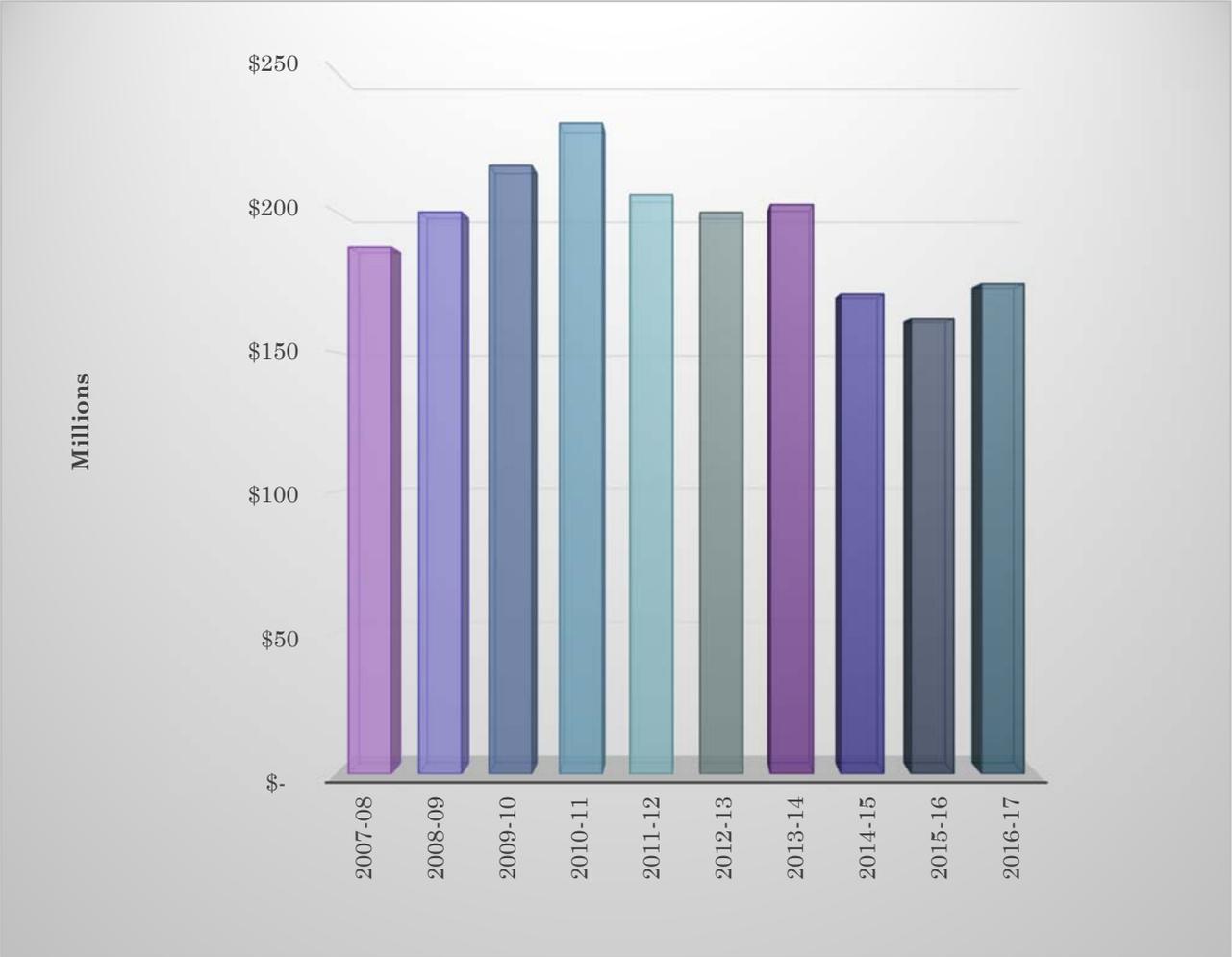


Cash Balance



Fiscal Year	Total Cash Balance
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
2016-17	\$ 36,417,223

Premiums Billed (10 Year)



Fiscal Year	Total Premium Billed
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
2016-17	\$ 174,467,283

Financial Statements

Office of Risk Management Self Insurance Fund

June 30, 2017

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	\$36,417,223
Insurance receivables	\$15,875,282
Interest receivable and other assets	\$7,680,729
Prepaid insurance	\$24,533,809
Capital assets, net of accumulated depreciation	\$266
Total assets	\$84,507,309

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$978,713,432
Unearned premium	\$0
Other liabilities	\$3,212,789
Total liabilities	\$981,926,221
Net assets	
Unrestricted net assets	(\$897,418,912)
Total liabilities and net assets	\$84,507,309

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$174,467,283
Other revenue	\$23,950
Disaster Recoveries	\$3,185,903
General fund appr./non-tort reimbursement	\$14,939,752
Add unearned premium from prior year	\$0
Less: Cost of insurance	(\$25,988,650)
Total operating revenues	\$166,628,238

<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$6,220,866
Claims cost:	
Losses	\$81,619,050
Less: Deductible payment in lieu of premiums	(\$328,450)
Allocated loss adjustment expense	\$42,282,957
Unallocated loss adjustment expense	\$22,614,979
Change in provision for losses/expenses	\$2,427,562
Total operating expenses	\$154,836,964
Operating income (losses)	\$11,791,274

<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$449,818
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$449,818
Net income (losses) before transfers	\$12,241,092

Transfers in	\$10,554,476
Transfers out	(\$2,600,154)
Total (net) transfers	\$7,954,322
Change in net assets	\$20,195,414

Total net assets - beginning	(\$917,614,326)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$917,614,326)
Total net assets - ending	(\$897,418,912)

Auto Liability

June 30, 2017

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	\$7,620,603
Insurance receivables	\$2,167,771
Interest receivable and other assets	\$344
Prepaid insurance	\$0
Capital assets, net of accumulated depreciation	\$11
Total assets	\$9,788,729

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$49,990,675
Unearned premium	\$0
Other liabilities	\$50,791
Total liabilities	\$50,041,466
Net assets	
Unrestricted net assets	(\$40,252,737)
Total liabilities and net assets	\$9,788,729

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$12,712,017
Other revenue	\$0
Disaster Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less: Cost of insurance	\$0
Total operating revenues	\$12,712,017

OPERATING EXPENSES

General and administrative expenses	\$348,873
Claims cost:	
Losses	\$5,609,101
Allocated loss adjustment expense	\$4,056,771
Unallocated loss adjustment expense	\$970,718
Change in provision for losses/expenses	\$856,539
Total operating expenses	\$11,842,002
Operating income (losses)	\$870,015

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$8,572
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$8,572
Net income (losses) before transfers	\$878,587

Transfers in	\$0
Transfers out	(\$31,594)
Total (net) transfers	(\$31,594)
Change in net assets	\$846,993

Total net assets - beginning	(\$41,099,730)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$41,099,730)

Total net assets - ending	(\$40,252,737)
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Auto Physical Damage

June 30, 2017

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	(\$929,601)
Insurance receivables	\$510,131
Interest receivable and other assets	\$0
Capital assets, net of accumulated depreciation	\$0
Total assets	(\$419,470)
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$1,045,693
Unearned premium	\$0
Other liabilities	\$2,204
Total liabilities	\$1,047,897
Net assets	
Unrestricted net assets	(\$1,467,367)
Total liabilities and net assets	(\$419,470)

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$947,021
Other revenue	\$0
Disaster Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less: Cost of insurance	\$0
Total operating revenues	\$947,021
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$40,284
Claims cost:	
Losses	\$1,931,853
Allocated loss adjustment expense	\$117,918
Unallocated loss adjustment expense	\$192,501
Change in provision for losses/expenses	\$355,781
Total operating expenses	\$2,638,337
Operating income (losses)	(\$1,691,316)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$170
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$170
Net income (losses) before transfers	(\$1,691,146)
Transfers in	\$0
Transfers out	\$0
Total (net) transfers	\$0
Change in net assets	(\$1,691,146)
Total net assets - beginning	\$223,779
Prior period adjustment	\$0
Total net assets - beginning, adjusted	\$223,779
Total net assets - ending	(\$1,467,367)

June 30, 2017

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	\$1,519,179
Insurance receivables	(\$2,264)
Interest receivable and other assets	\$68
Prepaid insurance	\$13,385
Capital assets, net of accumulated depreciation	\$0
Total assets	<u><u>\$1,530,368</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$536,311
Unearned premium	\$0
Other liabilities	\$262
Total liabilities	<u>\$536,573</u>
Net assets	
Unrestricted net assets	\$993,795
Total liabilities and net assets	<u><u>\$1,530,368</u></u>

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$138,009
Other revenue	\$0
Disaster Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less: Cost of insurance	(\$13,385)
Total operating revenues	<u>\$124,624</u>
 <u>OPERATING EXPENSES</u>	
General and administrative expenses	\$5,491
Claims cost:	
Losses	(\$50,851)
Allocated loss adjustment expense	\$6,772
Unallocated loss adjustment expense	\$12,846
Change in provision for losses/expenses	(\$31,560)
Total operating expenses	<u>(\$57,302)</u>
Operating income (losses)	<u>\$181,926</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$1,166
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	<u>\$1,166</u>
Net income (losses) before transfers	<u>\$183,092</u>
 Transfers in	
Transfers out	\$0
Total (net) transfers	<u>\$0</u>
Change in net assets	<u>\$183,092</u>
 Total net assets - beginning	
Prior period adjustment	\$810,703
Total net assets - beginning, adjusted	\$0
	<u>\$810,703</u>
Total net assets - ending	<u><u>\$993,795</u></u>

Workers' Compensation

June 30, 2017

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	\$125,544,255
Insurance receivables	\$1,142,468
Interest receivable and other assets	\$60,539
Prepaid insurance	\$302,231
Capital assets, net of accumulated depreciation	\$84
Total assets	\$127,049,577
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$523,681,312
Unearned premium	\$0
Other liabilities	\$2,352,441
Total liabilities	\$526,033,753
Net assets	
Unrestricted net assets	(\$398,984,176)
Total liabilities and net assets	\$127,049,577

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$86,096,157
Other revenue	\$0
Disaster Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less: Cost of insurance	(\$250,319)
Total operating revenues	\$85,845,838
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$2,634,298
Claims cost:	
Losses	\$46,068,535
Less: Deductible payment in lieu of premiums	(\$328,450)
Allocated loss adjustment expense	\$5,993,888
Unallocated loss adjustment expense	\$9,311,858
Change in provision for losses/expenses	\$8,894,013
Total operating expenses	\$72,574,142
Operating income (losses)	\$13,271,696
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$117,227
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$117,227
Net income (losses) before transfers	\$13,388,923
Transfers in	
Transfers out	\$0
Total (net) transfers	\$0
Change in net assets	\$13,388,923
Total net assets - beginning	(\$412,373,099)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$412,373,099)
Total net assets - ending	(\$398,984,176)

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	(\$81,224,833)
Insurance receivables	\$949,883
Interest receivable and other assets	\$7,602,243
Prepaid insurance	\$21,735,007
Capital assets, net of accumulated depreciation	\$95
Total assets	(\$50,937,605)
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$36,041,102
Unearned premium	\$0
Other liabilities	\$126,437
Total liabilities	\$36,167,539
Net assets	
Unrestricted net assets	(\$87,105,144)
Total liabilities and net assets	(\$50,937,605)

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$40,273,210
Other revenue	\$0
Disaster Recoveries	\$3,185,903
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less: Cost of insurance	(\$23,911,171)
Total operating revenues	\$19,547,942
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$1,105,316
Claims cost:	
Losses	\$2,313,481
Allocated loss adjustment expense	\$382,007
Unallocated loss adjustment expense	\$6,345,978
Change in provision for losses/expenses	\$4,906,037
Total operating expenses	\$15,052,819
Operating income (losses)	\$4,495,123
<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	\$4,495,123
Transfers in	\$9,582,927
Transfers out	\$0
Total (net) transfers	\$9,582,927
Change in net assets	\$14,078,050
Total net assets - beginning	(\$101,183,194)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$101,183,194)
Total net assets - ending	(\$87,105,144)

Note: Includes Builder's Risk

General Liability

June 30, 2017

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	\$144,215,393
Insurance receivables	\$1,052,939
Interest receivable and other assets	\$6,907
Prepaid insurance	\$1,184,667
Capital assets, net of accumulated depreciation	\$21
Total assets	\$146,459,927
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$152,366,272
Unearned premium	\$0
Other liabilities	\$213,024
Total liabilities	\$152,579,296
Net assets	
Unrestricted net assets	(\$6,119,369)
Total liabilities and net assets	\$146,459,927

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$22,735,335
Other revenue	\$0
Disaster Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less: Cost of insurance	(\$935,682)
Total operating revenues	\$21,799,653
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$834,391
Claims cost:	
Losses	\$7,237,742
Allocated loss adjustment expense	\$17,762,698
Unallocated loss adjustment expense	\$2,517,766
Change in provision for losses/expenses	(\$4,907,980)
Total operating expenses	\$23,444,617
Operating income (losses)	(\$1,644,964)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$130,214
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	\$130,214
Net income (losses) before transfers	(\$1,514,750)
Transfers in	\$0
Transfers out	(\$198,897)
Total (net) transfers	(\$198,897)
Change in net assets	(\$1,713,647)
Total net assets - beginning	(\$4,405,722)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	(\$4,405,722)
Total net assets - ending	(\$6,119,369)

Marine, Aviation and Boiler & Machinery

June 30, 2017

Statement of Financial Position

	Marine Risk Group	Aviation Risk Group	Boiler & Machinery Risk Group
ASSETS			
Cash and investments	(\$3,674,301)	\$6,789,223	(\$3,284,425)
Insurance receivables	\$108,675	\$22,700	\$3,219
Interest receivable and other assets	\$0	\$305	\$0
Prepaid insurance	\$507,590	\$498,434	\$292,495
Capital assets, net of accumulated depreciation	\$0	\$0	\$0
Total assets	(\$3,058,036)	\$7,310,662	(\$2,988,711)
LIABILITIES AND NET ASSETS			
Liabilities			
Loss and expense reserves	\$1,197,700	\$320,688	\$624,961
Unearned premium	\$0	\$0	\$0
Other liabilities	\$1,635	\$1,206	\$5,532
Total liabilities	\$1,199,335	\$321,894	\$630,493
Net assets			
Unrestricted net assets	(\$4,257,371)	\$6,988,768	(\$3,619,204)
Total liabilities and net assets	(\$3,058,036)	\$7,310,662	(\$2,988,711)
Statement of Activities and Changes in Net Assets			
OPERATING REVENUES			
Premiums written	\$1,139,443	\$977,991	\$1,252,103
Other revenue	\$0	\$0	\$0
Disaster Recoveries	\$0	\$0	\$0
General fund appr./non-tort reimbursement	\$0	\$0	\$0
Add unearned premium from prior year	\$0	\$0	\$0
Less: Cost of insurance	(\$582,317)	\$0	(\$295,776)
Total operating revenues	\$557,126	\$977,991	\$956,327
OPERATING EXPENSES			
General and administrative expenses	\$29,410	\$21,878	\$57,291
Claims cost:			
Losses	\$142,325	\$390,769	\$1,497,022
Allocated loss adjustment expense	\$149,416	\$13,453	\$7,801
Unallocated loss adjustment expense	\$83,134	\$60,928	\$57,348
Change in provision for losses/expenses	(\$104,056)	(\$448,677)	\$107,743
Total operating expenses	\$300,229	\$38,351	\$1,727,205
Operating income (losses)	\$256,897	\$939,640	(\$770,878)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	\$0	\$5,780	\$0
Gain(loss) on disposal of capital assets	\$0	\$0	\$0
Total non-operating revenues (expenses)	\$0	\$5,780	\$0
Net income (losses) before transfers	\$256,897	\$945,420	(\$770,878)
Transfers in			
Transfers in	\$0	\$0	\$0
Transfers out			
Transfers out	\$0	\$0	\$0
Total (net) transfers	\$0	\$0	\$0
Change in net assets	\$256,897	\$945,420	(\$770,878)
Total net assets - beginning	(\$4,514,268)	\$6,043,348	(\$2,848,326)
Prior period adjustment			
Total net assets - beginning, adjusted	(\$4,514,268)	\$6,043,348	(\$2,848,326)
Total net assets - ending	(\$4,257,371)	\$6,988,768	(\$3,619,204)

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	\$188,553,388
Insurance receivables	\$9,919,760
Interest receivable and other assets	\$10,316
Capital assets, net of accumulated depreciation	\$19
Total assets	<u><u>\$198,483,483</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Loss and expense reserves	\$84,122,472
Unearned premium	\$0
Other liabilities	\$39,200
Total liabilities	<u>\$84,161,672</u>
Net assets	
Unrestricted net assets	<u>\$114,321,811</u>
Total liabilities and net assets	<u><u>\$198,483,483</u></u>

Statement of Activities and Changes in Net Assets

<u>OPERATING REVENUES</u>	
Premiums written	\$8,195,997
Other revenue	\$23,950
Disaster Recoveries	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less cost of insurance	\$0
Total operating revenues	<u>\$8,219,947</u>
 <u>OPERATING EXPENSES</u>	
General and administrative expenses	\$614,106
Claims cost:	
Losses	\$10,027,445
Allocated loss adjustment expense	\$8,693,646
Unallocated loss adjustment expense	\$1,568,930
Change in provision for losses/expenses	(\$2,975,931)
Total operating expenses	<u>\$17,928,196</u>
Operating income (losses)	<u>(\$9,708,249)</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$185,166
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	<u>\$185,166</u>
Net income (losses) before transfers	<u>(\$9,523,083)</u>
 Transfers in	
	\$0
Transfers out	
	\$0
Total (net) transfers	<u>\$0</u>
Change in net assets	<u>(\$9,523,083)</u>
 Total net assets - beginning	
	\$123,844,894
Prior period adjustment	
	\$0
Total net assets - beginning, adjusted	<u>\$123,844,894</u>
Total net assets - ending	<u><u>\$114,321,811</u></u>

June 30, 2017

Statement of Financial Position

<u>ASSETS</u>	
Cash and investments	(\$350,279,628)
Insurance receivables	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$0
Capital assets, net of accumulated depreciation	\$36
Total assets	<u><u>(\$350,279,592)</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Loss and expense reserves	\$128,786,246
Unearned premium	\$0
Other liabilities	\$420,057
Total liabilities	<u>\$129,206,303</u>
Net assets	
Unrestricted net assets	<u>(\$479,485,895)</u>
Total liabilities and net assets	<u><u>(\$350,279,592)</u></u>

Statement of Activities and Changes in Net Assets

OPERATING REVENUES

Premiums written	\$0
Other revenue	\$0
Disaster Recoveries	\$0
General fund appr./non-tort reimbursement	\$9,939,752
Add unearned premium from prior year	\$0
Less cost of insurance	\$0
Total operating revenues	<u>\$9,939,752</u>

OPERATING EXPENSES

General and administrative expenses	\$529,528
Claims cost:	
Losses	\$38,974
Allocated loss adjustment expense	\$5,098,587
Unallocated loss adjustment expense	\$1,492,972
Change in provision for losses/expenses	(\$4,224,347)
Total operating expenses	<u>\$2,935,714</u>
Operating income (losses)	<u>\$7,004,038</u>

NON-OPERATING REVENUES (EXPENSES)

Interest income	\$0
Gain(loss) on disposal of capital assets	\$0
Total non-operating revenues (expenses)	<u>\$0</u>
Net income (losses) before transfers	<u>\$7,004,038</u>

Transfers in	\$0
Transfers out	(\$2,369,663)
Total (net) transfers	<u>(\$2,369,663)</u>
Change in net assets	<u>\$4,634,375</u>

Total net assets - beginning	(\$484,120,270)
Prior period adjustment	\$0
Total net assets - beginning, adjusted	<u>(\$484,120,270)</u>
Total net assets - ending	<u><u>(\$479,485,895)</u></u>

NOTE: Claims cost incurred - Losses does not include payments made by the Treasurer that were appropriated by the Legislature for judgments, settlements and interest. During FY 2016-17 there were no payments made by the Treasurer.

June 30, 2017

Statement of Financial Position

	Survivor Benefits Payments	Future Medical Fund
ASSETS		
Cash and investments	\$168,123	\$1,399,847
Insurance/reinsurance balances receivable	\$0	\$0
Insurance receivables	\$7	\$0
Prepaid insurance	\$0	\$0
Capital assets, net of accumulated depreciation	\$0	\$0
Total assets	\$168,130	\$1,399,847
LIABILITIES AND NET ASSETS		
Liabilities		
Loss and expense reserves	\$0	\$0
Unearned premium	\$0	\$0
Other liabilities	\$0	\$0
Total liabilities	\$0	\$0
Net assets		
Unrestricted net assets	\$168,130	\$1,399,847
Total liabilities and net assets	\$168,130	\$1,399,847

Statement of Activities and Changes in Net Assets

OPERATING REVENUES		
Premiums written	\$0	\$0
Other revenue	\$0	\$0
Disaster Recoveries	\$0	\$0
General fund appr./non-tort reimbursement	\$5,000,000	\$0
Add unearned premium from prior year	\$0	\$0
Less cost of insurance	\$0	\$0
Total operating revenues	\$5,000,000	\$0
OPERATING EXPENSES		
General and administrative expenses		
Claims cost:		
Losses	\$5,812,500	\$600,154
Total operating expenses	\$5,812,500	\$600,154
Operating income (losses)	(\$812,500)	(\$600,154)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	\$1,523	\$0
Total non-operating revenues (expenses)	\$1,523	\$0
Net income (losses) before transfers	(\$810,977)	(\$600,154)
Transfers in	\$0	\$971,549
Transfers out	\$0	\$0
Total (net) transfers	\$0	\$971,549
Change in net assets	(\$810,977)	\$371,395
Total net assets - beginning	\$979,107	\$1,028,452
Prior period adjustment	\$0	\$0
Total net assets - beginning, adjusted	\$979,107	\$1,028,452
Total net assets - ending	\$168,130	\$1,399,847

Notes to the Financial Statements

INTRODUCTION

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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. 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. 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, 2017 are as follows:

Self-insurance fund	\$ 35,017,376
Future medical care fund	<u>1,399,847</u>
Total	<u>\$ 36,417,223</u>

2. Insurance receivables – Balances at June 30, 2017, are as follows:

Insurance premiums due from State agencies	\$ 15,160,252
Excess insurance receivable due from reinsurers	<u>715,030</u>
Total	<u>\$ 15,875,282</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, 2017.

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, 2017, are as follows:

Reserves for payment of claims	\$ 317,121,219
Reserves for allocated loss adjustment expenses	75,284,133
Reserves for unallocated loss adjustment expenses	107,743,195
Reserves for incurred but not reported	516,061,275
Estimated recoveries	<u>(37,496,390)</u>
Total	<u>\$ 978,713,432</u>

2. Other Liabilities – Balances at June 30, 2017, are as follows:

Accounts payable and other accrued liabilities	\$ 376,574
Amount payable to State Treasury for FUMD	600,154
Workers' compensation assessment payable	<u>2,236,061</u>
Total	<u>\$ 3,212,789</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 (\$897,418,912) incorporates the net unfunded accrued claims liability at June 30, 2017.

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 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 in and out of the Self-Insurance Fund during the fiscal year ended June 30, 2017, relate to:

Transfer from State Treasury future medical care fund

per Act 1 of the 2 nd Extraordinary Session	\$	7,582,927
Net Transfers to and from State Treasury to set up and		
reimburse the future medical care fund		<u>371,395</u>
Total	\$	<u>7,954,322</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 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 2016-2017, 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 withdrew the remaining liability lines of coverage, excluding medical

malpractice, July 1, 2016: commercial general liability automobile liability and physical damage, wet marine, and publisher's media liability.

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 \$9,373,152.

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, 2017, state agencies have filed claims for Hurricane Katrina property losses with reserves in excess of \$503.3 million. Through June 30, 2017, ORM has paid state agencies in excess of \$220.6 million for Hurricane Katrina property claims. State agencies continue to make requests for reimbursement of damages. In Fiscal Year 2012-2013, ORM received the final payment from the excess insurance carriers.

Hurricane Rita

Hurricane Rita struck the state of Louisiana on September 24, 2005. As of June 30, 2017, state agencies have filed claims for Hurricane Rita property losses with reserves of \$12.9 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 \$12.1 million through June 30, 2017, 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, 2017, State agencies have filed claims for Hurricane Gustav property losses with reserves in excess of \$114.0 million. Property claims paid through June 30, 2017, are more than \$102.1 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, 2017, State agencies have filed claims for Hurricane Ike property losses with reserves in excess of \$2.9 million. Property claims paid through June 30, 2017, 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 \$1.9 million in FEMA reimbursements from GOHSEP as of June 30, 2017. State agencies have filed claims for Hurricane Isaac property losses with reserves of \$9.8 million with payments made on claims totaling \$8.4 million through June 30, 2017.

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. As of June 30, 2017, state agencies have filed

claims for the March 2016 Flood Event for property losses with reserves of \$15.3 million. Payments made on claims total \$4.0 million through June 30, 2017. ORM received \$2.0 million in FEMA reimbursements from GOHSEP and \$417,210 in Community Development Block Grant proceeds for the State's Non-federal Cost Share match program through June 30, 2017.

2017 Flooding in South Louisiana

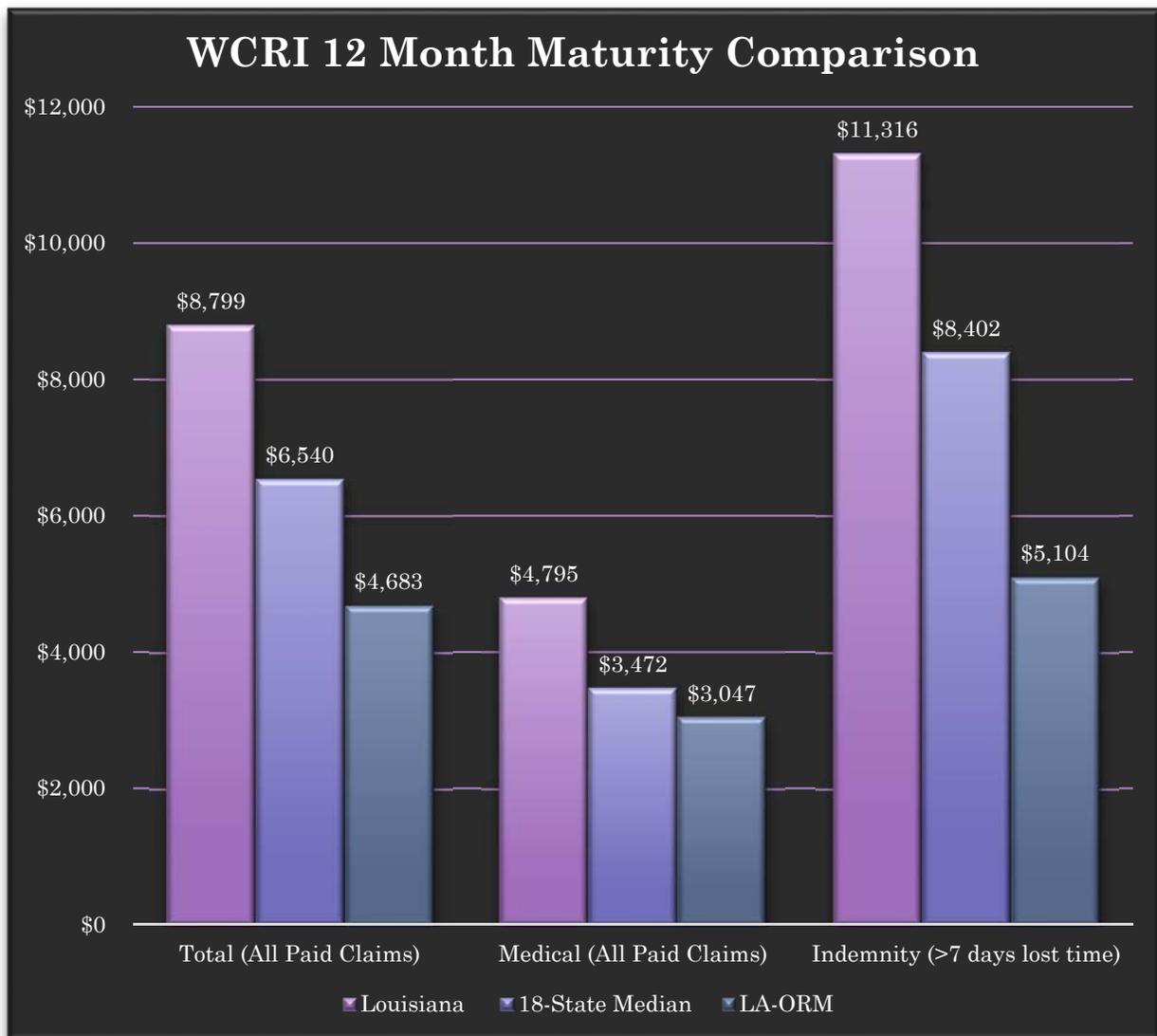
Southern Louisiana received heavy rainstorms that caused major flooding in August 2016. ORM received 340 Property Losses with total incurred losses of \$34.6 million as of June 30, 2017. Payments made on claims total \$10.5 million through June 30, 2017. ORM received \$549,662 in FEMA reimbursements from GOHSEP and \$11,192 in Community Development Block Grant proceeds for the State's Non-federal Cost Share match program through June 30, 2017.

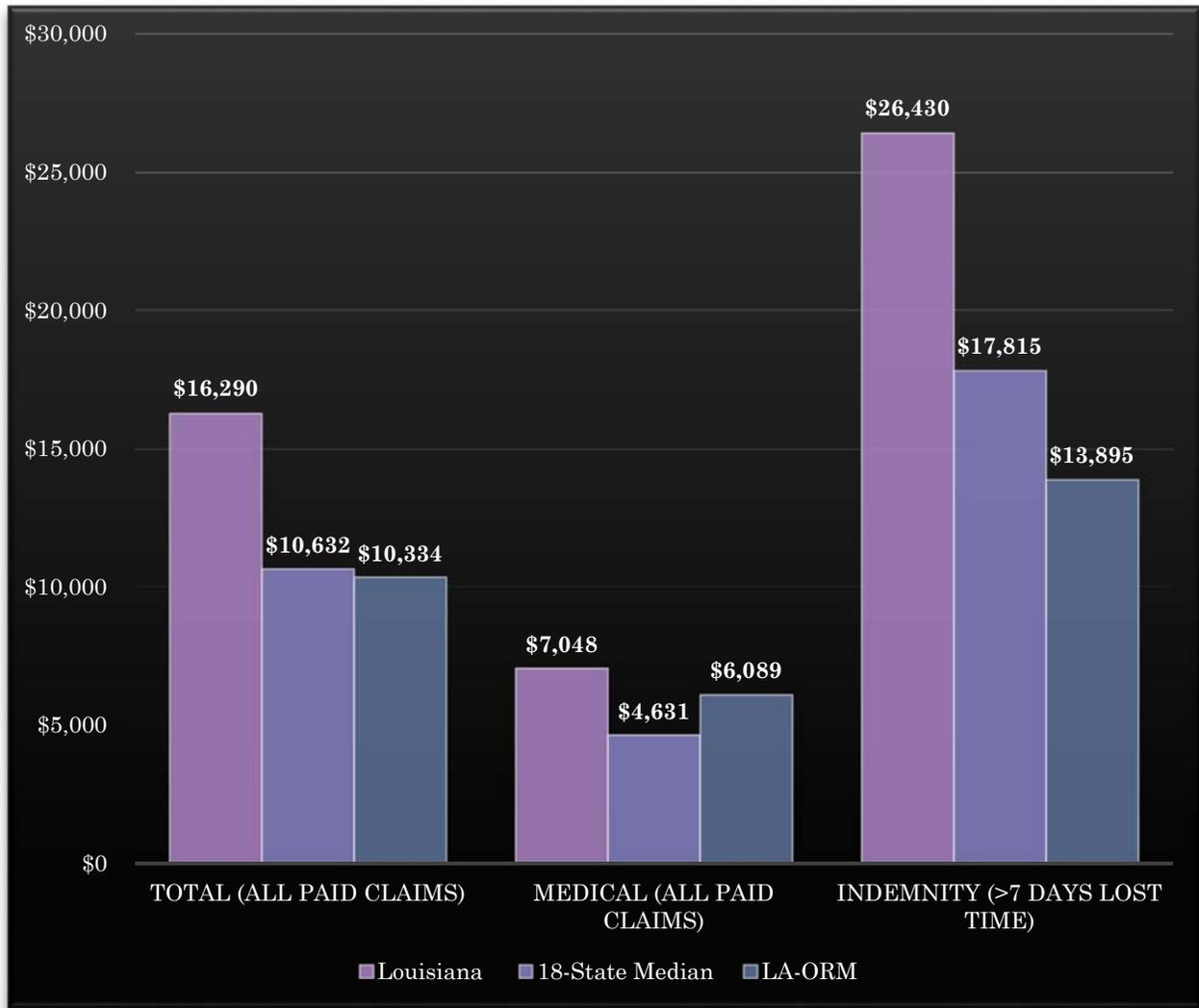
M. OTHER CLAIMS DISCLOSURES

Boudreaux vs. State of Louisiana - A judgment of \$91.8 million was awarded and with interest is now estimated to be in excess of \$319 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 (18th 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 ORM average medicals paid at 36 months was higher than the 18-state median but less than the Louisiana average. ORM indemnity paid and total paid is lower than both the 18-state median and the Louisiana average. ORM has a proactive Return to Work Program, is a key factor in lower indemnity costs. 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, 2013, through September 30, 2014, evaluated as of March 31, 2017. Twelve (12) months maturity refers to claims arising from October 1, 2015, through September 30, 2016, evaluated as of March 31, 2017. 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.