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STATE OF ALABAMA
Department of Finance
Division of Risk Management

Comprehensive Annual Report
For the Fiscal Year Ended September 30, 2009



Bob Riley
Governor

Bill Newton
Acting Director of Finance

Ben M. Spillers
Risk Manager

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MESSAGE FROM THE RISK MANAGER

The 2009 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2009. An important part of DORM's operation is successful investment of the equity of each trust fund. Strong investment returns help hold down premiums paid by our client agencies, and assure strong response when disaster strikes.

The Division of Risk Management provides the following services to our clients:

- **The State Insurance Fund (SIF)** provides quality property insurance for state properties, colleges and universities and most public school systems.
- **The General Liability Trust Fund (GLTF)** protects state employees who are subjected to lawsuits arising from the performance of their job duties.
- **The State Employee Injury Compensation Trust Fund (SEICTF)** covers state employees for lost time and medical expenses resulting from accidental injuries while on the job.
- **The Employee Assistance Program** provides counseling and referral for employees with problems that affect job performance.
- **Risk Management Services** delivers an array of skilled services designed to avoid loss, both human and financial.
- **The Alabama Equipment Maintenance Program (EMP)** allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program.

The 2009 operations of each of these major areas are outlined in this report.

The constant operating philosophy of the Division is that we are a service organization whose objective is to best meet the needs of our client state agencies. Our staff is productive, professional and motivated. We all look forward to serving our clients even better in 2010.

Ben M. Spillers
Risk Manager

STATE INSURANCE FUND

The State Insurance Fund (SIF) was established in 1923 to provide secure, adequate and economical property insurance on State-owned properties. Our operation closely parallels that of private industry insurance companies in the following ways:

- We establish rates, premium discounts and experience credits to result in equitable premiums charged to the policyholders.
- We adjust and pay losses promptly, recognizing that the SIF has a high obligation to its policyholders due to the legislative act that brought us together.
- We purchase Excess Insurance to protect the State from disasters such as hurricanes and tornadoes.
- We survey properties for safety, loss prevention and property cost evaluations.
- We invest premiums collected to keep future costs low and to build fund equity.

SIF clients whose properties have been inspected are offered replacement cost value coverage for qualified buildings and contents. This valuable coverage provides replacement cost up to 115% of scheduled value in the event of a total loss. Other valuable coverages are Extra Expense, Electronic Data Processing, Builders Risk, Transit, and Boiler & Machinery which is provided by Travelers Insurance Company.

Our five largest claims of the year are listed below:

- 12/9/2008 – Walker County Board of Education; Oakman Elementary and High School sustained extensive damage when a tornado severely damaged several structures on campus. Total Incurred: \$2,649,524
- 12/16/2008 – Bibb County Board of Education; One hundred year old Bibb County Junior High School was destroyed by an electrical fire. Total Incurred: \$2,900,908
- 2/28/2009 – Lee County Board of Education; Wachoochee Junior High School and Service Center sustained extensive damage from a tornado. Total Incurred: \$1,271,280
- 4/10/2009 – Multiple Locations; Wind and hail damage from a storm system that moved across the State. Total Incurred: \$1,804,450
- 4/13/2009 – Multiple Locations; Wind and hail damage from a storm system. Total Incurred: \$1,303,914



Oakman HS



Bibb Co. JHS

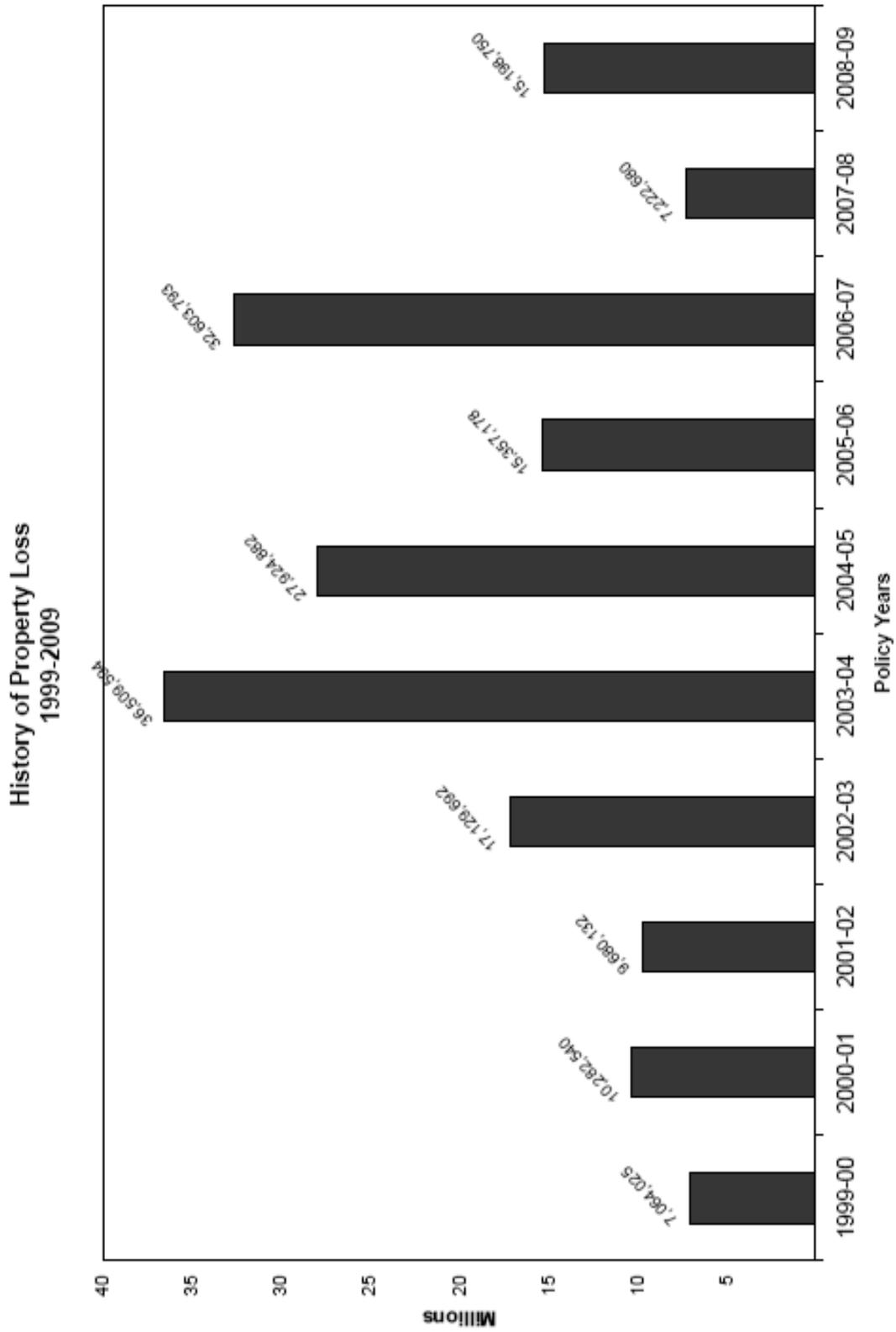
The SIF is on the right course and will continue its fundamental plan. We recognize the financial obligation arising from extraordinary growth in insured values. In 1995, we insured \$11.8 billion in values. Today, we insure over \$44 billion in values. This means our fund equity and financial structure must be adequate to meet the financial demands that are certain to occur in the future.

Values Table			
FY	Statewide Insured Values	Value Increase From Previous Year	Increase
2009	44,857,410,487	2,889,032,251	6.44%
2008	41,968,378,236	9,654,273,107	23.00%
2007	32,314,105,129	3,085,136,998	9.55%
2006	29,228,968,131	2,413,818,467	8.26%
2005	26,815,149,664	1,042,030,042	3.89%
2004	25,773,119,622	1,273,757,518	4.94%
2003	24,499,362,104	2,641,099,820	10.78%
2002	21,858,262,284	1,968,635,457	9.01%

Property Claims Summary Table				
Incurred Losses as of September 30, 2009				
Perils	FY 2008	FY 2009	Incurred Losses - FY 2009	
			Amount	% of Total
Fire	30	26	\$ 5,475,433	35.56%
Lightning	257	280	\$ 1,011,970	6.57%
Wind	207	320	\$ 5,743,493	37.30%
Burglary	190	142	\$ 590,492	3.83%
Vandalism	33	30	\$ 106,091	0.69%
Hail	10	91	\$ 1,757,759	11.41%
Vehicle	16	11	\$ 40,337	0.26%
Water	60	53	\$ 353,045	2.29%
Freeze	7	6	\$ 156,278	1.01%
Other	18	31	\$ 164,673	1.07%
Totals	828	990	\$ 15,399,571	100%

Claims Summary					
	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Claims Handled	990	828	593	758	1,387
Outside Adjusted	618	479	343	393	923
Inside Adjusted	372	349	250	365	464
Average Claim Size	\$ 15,555	\$ 10,611	\$ 20,184*	\$ 21,720	\$ 9,971
*Removed Enterprise tornado for averaging purposes.					

SIF History of Property Losses



GENERAL LIABILITY TRUST FUND

State employees are subject to being sued for their acts and omissions in the performance of their official duties. The General Liability Trust Fund (GLTF) defends and indemnifies eligible employees for up to \$1 million per occurrence. In the event a single occurrence, as declared by the Risk Manager, is later judicially determined to be more than one occurrence, the maximum liability of the GLTF is \$1.2 million. The GLTF does not cover the State of Alabama or its agencies; it covers employees who are sued individually and are at risk of having to pay damages from their personal assets.

The GLTF sets aside a monetary reserve for each covered claim in the amount of the ultimate expected loss. Defense of covered employees is conducted by the Office of the Attorney General, or by attorneys appointed by the Attorney General, in collaboration with the GLTF.

Employee Automobile Liability

The GLTF provides liability coverage for the operators of more than 8,000 state-owned vehicles. These include trucks, tractor-trailer rigs, state trooper and other law enforcement cars, buses and service vehicles, as well as passenger cars. All claims are adjusted by the American Southern Insurance Company.

In addition, thousands of employees regularly or occasionally use their personal autos in their state jobs. For these individuals, the GLTF coverage is excess of their personal auto insurance limits as mandated by our State Legislature.

Auto Exposure Table						
Number of Vehicles Insured						
Class	Description	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
001	Private Passenger	2,003	2,076	2,020	2,025	1,907
002	Pickups & Vans	3,705	3,677	3,697	3,531	3,377
003	Trucks & Tractors	1,539	1,505	1,541	1,464	1,401
004	Law Enforcement	1,080	978	909	1,054	994
005	Buses	376	388	429	398	407
006	Motorcycle	21	20	6	0	0
	Total Vehicles	8,724	8,644	8,602	8,472	8,086

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

The State Employee Injury Compensation Trust Fund (SEICTF) pays medical costs for work-related injuries and compensates injured employees for resulting lost work time. This program is similar to the private sector workers' compensation programs.

In 2009:

- There was no increase in administration fees charged to self-funded agencies.
- Less than 1% of claims resulted in a formal hearing to address a claim dispute.
- Mediation was offered as an option in lieu of a formal hearing for resolution of claim disputes.
- Medical case management services were utilized to assist injured workers in coordination of medical treatment in order to facilitate optimal healing and early return to work.
- The pharmacy management initiative continued to provide cost savings for the sixth consecutive year.
- Subrogation recoveries exceeded \$307,833.61
- A 24 hour emergency phone line was implemented for the convenience of State agencies operating outside normal business hours.

Claims Frequency				
	2009	2008	2007	2006
Indemnity	247	239	219	223
Medical Only	2,109	2,051	2,087	2,192
Incident Only	1,115	1,234	1,117	1,106
Total # of Claims	3,471	3,524	3,423	3,521

RISK MANAGEMENT SERVICES

Driver Training Courses for covered personnel are available to state agencies through DORM.

With the enactment of the Boiler & Pressure Law on February 5, 2004, mandatory boiler inspections must be performed, at a minimum of, every two years. The state charges a minimum inspection fee of \$60 per boiler, in addition to a fee for the certificate of compliance. As a benefit of your premium with Risk Management, we contract with Travelers Insurance Company to provide this valuable service free to you, which saves you the inspection fee.

A Boiler Operator Training Course for boiler operators and maintenance personnel is conducted at no cost for agencies which participate in the State Insurance Fund. The course focuses on proper maintenance and safe operation of pressurized equipment.

More than 4,000 boilers and other items of pressurized equipment were inspected during 2009. These inspections assist agencies in identifying and correcting conditions that could result in sudden breakdown, property damage and personal injury.



THE EMPLOYEE ASSISTANCE PROGRAM

The State's Employee Assistance Program (EAP) provides services to 114 state agencies and departments covering 34,119 employees and their family members.

The Division of Risk Management has contracted with an external national vendor to provide our EAP services in order to expand and enhance the scope of the program. Our vendor is a preferred provider organization specializing in behavioral health care and comprised of high quality providers across the nation. The program is designed to help employees become more effective in their job performance by providing professional, confidential counseling and assistance with various problems. Our EAP plan provides for up to three sessions per year for each employee and their family members.

EAP deals with issues such as supervisor/employee conflict, personal financial management, marital and family disruptions, drug and alcohol abuse, and emotional and mental stressors. We also provide services which include Critical Incident Stress Debriefing (CISD); supervisor and employee training; referral to community resources, online resources, and 24/7 clinician access.

In FY-09

- There were 572 employees who sought treatment for a total of 1,215 counseling sessions.
- Females represented 40% of clients and males 60%.
- Family members of employees represented 20% and employees represented 80% of our total participation.
- Emotional problems were the most frequent primary issue for clients (31%), followed by marital/family issues (28%), alcohol and other drug issues (7%), behavioral issues (7%), and work related issues (5%).
- 78% of participants were self-referred, 16% were supervisor referred, 5% were family recommended, and 1% was due to promotional material.
- 93% of participants were seen by a counselor, 3% by a psychiatrist, 2% by a psychologist, and 2% by others.
- 43% of participants were age 41-60, 26% were 31-40, and 14% were 21-30.
- We provided 25 training sessions covering a wide variety of topics for our employees, three CISD (Critical Incident Stress Debriefing) and grief support sessions, and participated in two health fair/fitness day events.

The Alabama Equipment Maintenance Program (EMP)

The Alabama Equipment Maintenance Program (EMP) allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program. By replacing existing service agreements with this program, agencies will gain a programmatic solution that delivers significant cost savings¹, enhanced equipment protection, the freedom to utilize the best service vendor for each and every maintenance action, program management tools and information, and achieve positive control over the financial and operational performance of their equipment maintenance portfolio.

Effective December 1, 2005, The Remi Group (TRG) assumed all administrative operations including payment for service events, management of the EMP, and decreasing the total state expenditures on equipment maintenance. Alabama state agencies can save 25% off vendor maintenance contracts.

The Remi Group's programs are backed by the full faith and credit of leading insurance providers and their financial standing is assured by years of successful operation, outstanding financial structure, and independent rating agencies such as A.M. Best.

¹ The 2009 savings were \$1,145,741.

**STATE INSURANCE FUND
STATEMENT OF NET ASSETS
UNAUDITED
AS OF SEPTEMBER 30, 2009**

	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 653,656	\$ 9,154,238	\$ 2,837,567
Cash - Outside Bank Account	38,334,841	-	-
Cash in Transit	1,701	-	-
Investments (Fair Value)	8,752,422	-	-
Accounts Receivable	6,635	-	5,618,101
Interfund Vouchers Receivable	38,134	5,142	204,107
Advances to Other Funds	712,705	646,934	303,132
Accounts Receivable - Reinsurance Recoveries	-	-	-
Accrued Interest Receivable	91,837	182,915	256,066
Prepaid Insurance	8,188,807	7,725,000	8,063,375
Total Current Assets	56,780,738	17,714,229	17,282,348
Noncurrent Assets			
Investments (Fair Value)	32,128,249	27,218,664	38,244,346
Investments - Real Estate	5,128,119	5,870,256	5,810,514
Advances to Other Funds - LT	10,799,248	11,477,820	8,941,360
Due from Component Unit	-	36,533,000	35,985,000
Accounts Receivable - Reinsurance Recoveries - LT	-	6,132,092	-
Construction in Progress	2,424,250	-	1,225,726
Fixed Assets (Net)	179,974	192,479	86,295
Total Noncurrent Assets	50,659,840	87,424,311	90,293,241
Total Assets	107,440,578	105,138,540	107,575,589
LIABILITIES			
Current Liabilities			
Vouchers Payable	144,884	201,037	46,434
Unpaid Claims & Expenses	7,929,628	14,108,054	38,108,876
Total Current Liabilities	8,074,512	14,309,091	38,155,310
Long-term Liabilities			
Unpaid Claims & Expenses - LT	3,790,044	3,096,890	7,258,833
Estimated Recovery of Reserves	(227,457)	(10,686,476)	(34,781,511)
Claims Incurred But Not Reported	809,382	1,352,666	1,007,959
Total Long-term Liabilities	4,371,969	(6,236,920)	(26,514,719)
Total Liabilities	12,446,481	8,072,171	11,640,591
NET ASSETS			
Investment in Capital Assets	179,974	192,479	86,295
Unrestricted	94,814,123	96,873,890	95,848,703
TOTAL NET ASSETS	\$ 94,994,097	\$ 97,066,369	\$ 95,934,998

STATE INSURANCE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	FY 2009	FY 2008	FY 2007
OPERATING REVENUES			
Earned Premiums	\$ 32,662,515	\$ 31,948,049	\$ 24,080,167
Subrogation Recoveries	<u>75,567</u>	<u>162,982</u>	<u>1,104,199</u>
Total Operating Revenues	32,738,082	32,111,031	25,184,366
OPERATING EXPENSES			
Operation:			
Loss and Adjustment Expenses	16,512,502	(22,740,687)	33,164,117
Incurred But Not Reported Expense	(543,284)	344,707	(803,521)
Actuarial Services	84,475	15,576	46,413
Appraisal Services	525,570	619,960	-
Program Consultants	23,319	93,888	43,697
Supplies-Software	-	-	33,433
Reinsurance Expense	<u>17,021,507</u>	<u>16,582,458</u>	<u>15,066,930</u>
Total Operations	33,624,089	(5,084,098)	47,551,069
Administration:			
Personnel Cost	1,083,557	861,633	708,682
Employee Benefits	383,860	295,940	227,325
Travel - In State	52,493	22,697	16,219
Travel - Out of State	6,287	3,869	8,823
Repairs & Maintenance	1,524	1,788	1,101
Rentals & Leases	6,320	6,733	6,118
Utilities & Communication	24,879	20,449	18,144
Services	468,038	610,768	373,401
Supplies, Materials & Operating Expense	174,874	66,530	68,130
Transportation Equipment Operations	21,628	20,524	10,846
Depreciation Expense	<u>77,762</u>	<u>55,607</u>	<u>18,598</u>
Total Administration	2,301,222	1,966,538	1,457,387
Total Operating Expenses	35,925,311	(3,117,560)	49,008,456
Operating Income (Loss)	(3,187,229)	35,228,591	(23,824,090)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	97,536	(442,905)	7,544,754
Other Income	1,494,689	1,376,226	1,294,509
Miscellaneous Income	1,763	-	284
Prior Year Refund	50,300	5,918	29,999
Investment Expenses	<u>(333,799)</u>	<u>(329,991)</u>	<u>(427,497)</u>
Total Nonoperating Revenues (Expenses)	1,310,489	609,248	8,442,049
Income (Loss) Before Contributions and Transfers	(1,876,740)	35,837,839	(15,382,041)
Transfers In - Intra Fund	2,358,000	(3,922)	(3,385)
Transfers Out - Intra Fund	(2,358,000)	(2,171,000)	(1,525,000)
Transfers Out - State Personnel	<u>(4,643)</u>	<u>2,171,000</u>	<u>1,525,000</u>
Increase (Decrease) in Net Assets	(1,881,383)	35,833,917	(15,385,426)
Total Net Assets, October 1, As Restated	<u>96,875,480</u>	<u>61,232,452</u>	<u>111,320,424</u>
Total Net Assets, September 30	\$ 94,994,097	\$ 97,066,369	\$ 95,934,998

STATE INSURANCE FUND
Underwriting Revenues and Expenditures
Other Revenues and Expenditures
Ten Year Income Summary

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
UNDERWRITING REVENUES:										
Earned Premium	32,662,515	31,948,049	24,080,167	22,892,071	21,110,177	19,854,768	16,718,865	12,360,840	11,504,086	10,611,168
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	11,538,755	16,108,554	27,937,108	30,031,276	18,212,125	10,569,533	14,373,351	7,949,769	9,689,827	5,319,982
Claims and Expenses Unpaid	4,973,747	(38,849,241)	5,827,009	1,682,262	7,287,315	(1,956,008)	585,467	569,582	997,927	724,523
IBNR Expenses	(543,284)	344,707	(803,521)	(424,750)	(3,745,955)	5,281,406	(32,283)	(730,525)	9,992	112,975
Total Losses Incurred	15,969,218	(22,395,980)	32,360,596	31,288,788	21,753,485	13,894,931	14,926,535	7,788,826	10,697,746	6,157,480
Less Recoveries	75,567	162,982	1,104,199	110,581	6,081,322	351,428	163,817	16,451	28,529	91,560
Net Claims	15,893,651	(22,558,962)	31,256,397	31,178,207	15,672,163	13,543,503	14,762,718	7,772,375	10,669,217	6,065,920
Reinsurance Premium	17,021,507	16,582,458	15,066,930	11,097,719	8,866,003	9,354,929	9,220,295	6,818,750	4,625,350	3,720,562
Actuarial Services	84,475	15,576	46,413	28,917	13,250	12,600	12,000	12,130	11,560	11,030
Program Consultants	23,319	93,888	43,697	7,857	-	-	-	-	-	-
Appraisal Services	525,570	619,960	-	-	-	-	-	-	-	-
Supplies-Software	-	-	33,433	-	-	-	-	-	-	-
Administrative Expenses	2,305,865	1,970,460	1,460,772	1,401,453	1,117,518	966,577	1,148,240	1,241,649	1,023,677	905,797
Total Underwriting Expense	35,854,387	(3,276,620)	47,907,642	43,714,153	25,668,934	23,877,609	25,143,253	15,844,904	16,329,804	10,703,309
Net Underwriting Revenues	(3,191,872)	35,224,669	(23,827,475)	(20,822,082)	(4,558,757)	(4,022,841)	(8,424,388)	(3,484,064)	(4,825,718)	(92,141)
OTHER REVENUES:										
Investment Income	97,536	(442,905)	7,544,754	5,789,560	6,901,808	6,196,585	3,388,881	(576,214)	2,366,716	4,856,766
Other Income	1,546,752	1,382,144	1,324,792	1,309,411	841,494	3,692,660	26,447	97,371	3,188,538	348,119
Total Other Revenues	1,644,288	939,239	8,869,546	7,098,971	7,743,302	9,889,245	3,415,328	(478,843)	5,555,254	5,204,885
OTHER EXPENSES:										
Investment Expenses	333,799	329,991	427,497	573,851	303,953	246,698	160,560	222,588	182,429	236,109
Legal Defense Fees	-	-	-	-	-	-	210	153,616	274,053	174,188
Total Other Expenses	333,799	329,991	427,497	573,851	303,953	246,698	160,770	376,204	456,482	410,297
Net Other Revenues	1,310,489	609,248	8,442,049	6,525,120	7,439,349	9,642,547	3,254,558	(855,047)	5,098,772	4,794,588
NET REVENUES	(1,881,383)	35,833,917	(15,385,426)	(14,296,962)	2,880,592	5,619,706	(5,169,830)	(4,339,111)	273,054	4,702,447

**STATE INSURANCE FUND LOSS EXPERIENCE
BY FISCAL YEAR**

	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
Earned Premium	\$ 32,662,515	\$ 31,948,049	\$ 24,080,167	\$ 22,892,071	\$ 21,110,177
Less Reinsurance Cost	<u>17,021,507</u>	<u>16,582,458</u>	<u>15,066,930</u>	<u>11,097,719</u>	<u>8,866,003</u>
Net Premium	<u>\$ 15,641,008</u>	<u>\$ 15,365,591</u>	<u>\$ 9,013,237</u>	<u>\$ 11,794,352</u>	<u>\$ 12,244,174</u>
Losses Incurred	\$ 11,538,755	\$ 16,108,554	\$ 27,337,108	\$ 30,031,276	\$ 18,212,125
Loss and Expense Incurred	4,973,747	(38,849,241)	5,827,009	1,682,262	7,287,315
Loss Incurred But Not Reported	<u>(543,284)</u>	<u>344,707</u>	<u>(803,521)</u>	<u>(424,750)</u>	<u>(3,745,955)</u>
Total Losses Incurred	15,969,218	(22,395,980)	32,360,596	31,288,788	21,753,485
Less Recoveries	<u>75,567</u>	<u>162,982</u>	<u>1,104,199</u>	<u>110,581</u>	<u>6,081,322</u>
Net Losses	<u>\$ 15,893,651</u>	<u>\$ (22,558,962)</u>	<u>\$ 31,256,397</u>	<u>\$ 31,178,207</u>	<u>\$ 15,672,163</u>
Loss Ratio	101.6%	-146.8%	346.8%	264.3%	128.0%

*Loss Ratio = Net Losses divided by Net Premium.

**STATE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS**

The State Insurance Fund (SIF) was established in 1923 and is authorized by the Code of Alabama 1975, Section 41-15-1 for the purpose of insuring direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchases of land, construction of buildings, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. Ten percent of actual cash value, salvage value, is used for property that is normally uninsurable. City boards of education may insure school buildings and property either in the State Insurance Fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess insurance and reinsurance is acquired to assure the solvency of the fund.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible, a \$3,500,000 specific loss deductible for all perils except named wind storms, and a \$10,000,000 specific loss deductible for named wind storms. Excess insurance covers claims exceeding the deductible with a \$1,000,000,000 limit. Payments received in fiscal year 2009 and 2008 for settlements in excess of deductibles total \$14,166,261 and \$14,655,159 respectively.

The following table represents the changes in claims liabilities for the past two years:

	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 7,871,134	\$ 11,594,157
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	12,113,156	1,910,014
Increases in provision for insured events of prior years	<u>3,780,495</u>	<u>10,475,517</u>
Total incurred claims and claim adjustment expenses	15,893,651	12,385,531
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(2,980,429)	(1,449,770)
Claims and claim adjustment expenses attributable to insured events of prior year	<u>(8,482,759)</u>	<u>(14,658,784)</u>
Total payments	(11,463,188)	(16,108,554)
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 12,301,597</u>	<u>\$ 7,871,134</u>

STATE INSURANCE FUND INVESTMENT NOTES

Status - September 30, 2009	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Investments			
Money Market	\$ 8,621,292	\$ -	100.0
Commercial Paper	-	-	-
US Agency Securities	9,696,815	12,333,010	(21.4)
US Treasury Securities	494,361	984,659	(49.8)
State & Local Gov Securities	131,130	-	100.0
Mortgage Backed Securities	3,374,087	3,422,808	(1.4)
Mutual Funds	-	2,009,041	(100.0)
Time Deposits	7,536,317	-	
Domestic Corporate Stocks	8,087,083	8,469,146	(4.5)
Corporate Securities	<u>2,939,586</u>	<u>-</u>	100.0
	40,880,671	27,218,664	50.2
Real Estate Investments	<u>5,128,119</u>	<u>5,870,256</u>	(12.6)
Total Investments	<u>\$ 46,008,790</u>	<u>\$ 33,088,920</u>	39.0
Investment Income			
Interest Income	\$ 1,017,907	\$ 1,832,628	(44.5)
Change in Fair Value of Investments	(50,925)	(2,979,630)	(98.3)
Gain(Loss) on Sale of Investments	(1,089,651)	79,100	(14.8)
Stock Dividends	203,678	224,097	(9.1)
Amortization/Depr Income	(742,137)	(342,097)	116.9
Rental Income	<u>758,664</u>	<u>742,997</u>	2.1
Total Investment Income	<u>\$ 97,536</u>	<u>\$ (442,905)</u>	(122.0)

**STATE INSURANCE FUND
RETURN ON EQUITY (ROE)**

Fiscal Year	Fund Equity	Net Revenue	Underwriting Net Revenue	Investment Net Revenue
2009	94,994,097	(1,881,383)	(3,191,872)	(236,263)
2008	97,066,369	35,833,917	35,224,669	(112,914)
2007	95,934,998	(15,385,426)	(23,827,475)	7,117,257
2006	85,128,007	(14,296,962)	(20,822,082)	5,215,709
2005	89,697,124	2,880,592	(4,558,757)	6,597,855
2004	89,671,432	5,619,706	(4,022,841)	5,949,886
2003	85,009,572	(5,169,830)	(8,424,388)	3,228,321
2002	89,398,395	(4,339,111)	(3,484,064)	(798,802)
2001	91,074,862	273,054	(4,825,718)	2,184,287
2000	89,772,044	4,643,463	(92,141)	4,620,657
Average	Return On Equity	-1.7%	-7.5%	4.4%

**GENERAL LIABILITY TRUST FUND
STATEMENT OF NET ASSETS
UNAUDITED
SEPTEMBER 30, 2009**

ASSETS	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
Current Assets			
Cash and Cash Equivalent	\$ 530,831	\$ 5,268,170	\$ 718,028
Cash - Outside Bank Account	1,149,928	-	-
Cash in Transit	16,262	-	-
Investments (Fair Value)	15,013,568	7,932,644	-
Interfund Vouchers Receivable	180	415	1,667
Accounts Receivable - Misc	-	16,162	-
Accounts Receivable - Reinsurance Recoveries	-	-	5,734,682
Accrued Interest Receivable	98,024	146,161	296,966
Prepaid Insurance	2,144,396	1,963,674	1,305,437
Total Current Assets	18,953,189	15,327,226	8,056,780
Noncurrent Assets			
Investments (Fair Value)	16,240,424	12,817,793	19,734,175
Accounts Receivable - Reinsurance Recoveries	-	4,289,337	-
Accounts Receivable - Auto Premium Refund	393,834	562,715	502,980
Total Noncurrent Assets	16,634,258	17,669,845	20,237,155
TOTAL ASSETS	35,587,447	32,997,071	28,293,935
LIABILITIES			
Current Liabilities			
Vouchers Payable	47,140	194	-
Due To Funds	-	-	1,000,000
Unearned Premiums	-	-	4,941
Unpaid Claims & Expenses	1,550,170	4,761,843	6,175,573
Total Current Liabilities	1,597,310	4,762,037	7,180,514
Long-term Liabilities			
Unpaid Claims & Expenses - LT	7,148,996	6,060,528	4,658,766
Estimated Recovery of Reserves	(540,374)	(631,574)	(713,709)
Claims Incurred But Not Reported	20,561,944	17,225,257	15,880,105
Total Long-term Liabilities	27,170,566	22,654,211	19,825,162
Total Liabilities	28,767,876	27,416,248	27,005,676
NET ASSETS			
Unrestricted	6,819,571	5,580,823	1,288,259
TOTAL NET ASSETS	\$ 6,819,571	\$ 5,580,823	\$ 1,288,259

GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
OPERATING REVENUES			
Earned Premiums	\$ 13,452,191	\$ 13,537,260	\$ 12,590,391
Subrogation Recoveries:	-	-	2,517
Total Operating Revenues	13,452,191	13,537,260	12,592,908
OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	5,627,520	5,758,260	6,698,647
Incurred But Not Reported Expense	3,336,687	1,345,152	(3,160,995)
Actuarial Services	12,708	13,683	13,494
Program Consultants	3,331	16,237	29,622
Interest Expense	-	15,000	45,000
Reinsurance Expense	3,249,806	1,897,004	3,915,990
Total Operations	12,230,052	9,045,336	7,541,758
Administration:			
Personnel Costs	352,423	393,701	435,578
Employee Benefits	112,943	118,985	129,701
Travel - In State	450	363	3,900
Travel - Out of State	2,602	1,486	-
Repair & Maintenance	-	92	130
Rentals & Leases	3,357	3,269	2,731
Utilities & Communication	2,879	3,165	3,621
Services	160,514	214,029	205,890
Supplies, Materials & Operating Expense	56,567	45,140	37,577
Transportation Equipment Operation	-	-	2,900
Total Administration	691,735	780,230	822,028
Total Operating Expenses	12,921,787	9,825,566	8,363,786
Operating Income (Loss)	530,404	3,711,694	4,229,122
NONOPERATING REVENUES (EXPENSES)			
Investment Income	754,184	1,315,627	1,007,298
Prior Year Refunc	-	5,446	250,464
Total Nonoperating Revenues (Expenses)	754,184	1,321,073	1,257,762
Income (Loss) Before Contributions and Transfers	1,284,588	5,032,767	5,486,884
Transfers In - Intra Fund	677,200	826,000	826,000
Transfers Out - Intra Fund	(677,200)	(826,000)	(826,000)
Transfers Out - State Personnel	(1,639)	(1,569)	(3,047)
Increase (Decrease) in Net Assets	1,282,949	5,031,198	5,483,837
Total Net Assets, October 1, As Restated	5,536,622	549,625	(4,195,578)
Total Net Assets, September 30	\$ 6,819,571	\$ 5,580,823	\$ 1,288,259

GENERAL LIABILITY TRUST FUND
Underwriting Revenues and Expenses
Other Revenues and Expenses
Ten Year Income Summary

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
UNDERWRITING REVENUES:										
Earned Premium	13,452,191	13,537,260	\$ 12,590,391	\$ 9,226,426	\$ 8,876,441	\$ 8,570,498	\$ 7,761,570	\$ 7,607,325	\$ 7,369,736	\$ 7,363,084
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	7,659,525	6,401,802	8,000,110	9,239,044	9,736,438	7,079,820	4,040,508	4,183,023	3,912,007	2,927,684
Claims and Expenses Unpaid	(2,032,005)	(643,542)	(1,301,463)	(4,513,421)	1,591,690	(101,060)	5,347,124	4,094,460	1,257,543	864,884
IBNR Expenses	<u>3,336,687</u>	<u>1,345,152</u>	<u>(3,160,995)</u>	<u>3,413,026</u>	<u>3,711,003</u>	<u>(116,919)</u>	<u>1,256,681</u>	<u>(242,402)</u>	<u>1,649,106</u>	<u>(1,196,798)</u>
Total Losses Incurred	8,964,207	7,103,412	3,537,652	8,138,649	15,039,131	6,861,841	10,644,313	8,035,081	6,818,656	2,595,770
Less Recoveries	-	-	<u>2,517</u>	<u>664</u>	-	<u>3,024</u>	<u>7,679</u>	<u>600</u>	<u>2,386</u>	<u>1,843</u>
Net Claims	8,964,207	7,103,412	3,535,135	8,137,985	15,039,131	6,858,817	10,636,634	8,034,481	6,816,270	2,593,927
Reinsurance Premium - Liability	-	-	-	-	-	-	-	290,333	517,667	454,667
Reinsurance Premium - Automobile	3,249,806	1,897,004	3,915,990	3,723,333	2,876,805	3,609,850	4,019,655	1,866,455	1,340,280	2,389,277
Actuarial Services	12,708	13,683	13,494	13,313	11,000	10,500	10,000	10,475	9,985	9,500
Professional Services-Non Claim	3,331	16,237	29,622	18,417	-	-	-	-	-	12,838
Interest Expense	-	15,000	45,000	-	-	-	-	-	-	-
Administrative Expenses	<u>693,374</u>	<u>781,799</u>	<u>825,075</u>	<u>698,461</u>	<u>591,506</u>	<u>506,908</u>	<u>488,084</u>	<u>478,290</u>	<u>400,143</u>	<u>474,285</u>
Total Underwriting Expenses	12,923,426	9,827,135	8,364,316	12,591,509	18,518,442	10,986,075	15,154,373	10,680,034	9,084,345	5,934,494
Net Underwriting Revenues	528,765	3,710,125	4,226,075	(3,365,083)	(9,642,001)	(2,415,577)	(7,392,803)	(3,072,709)	(1,714,609)	1,428,590
OTHER REVENUES:										
Investment Income	754,184	1,315,627	1,007,298	1,037,055	1,158,129	1,003,052	950,678	1,218,784	1,665,939	590,281
Prior Year Refund	-	5,446	250,464	3,387	1,935,522	1,254,458	-	15,119	-	450
Total Other Revenues	754,184	1,321,073	1,257,762	1,040,442	3,093,651	2,257,510	950,678	1,233,903	1,665,939	590,731
NET REVENUES	<u>\$ 1,282,949</u>	<u>\$ 5,031,198</u>	<u>\$ 5,483,837</u>	<u>\$ (2,324,641)</u>	<u>\$ (6,548,350)</u>	<u>\$ (158,067)</u>	<u>\$ (6,442,125)</u>	<u>\$ (1,838,806)</u>	<u>\$ (48,670)</u>	<u>\$ 2,019,321</u>

**GENERAL LIABILITY TRUST FUND
NOTES TO FINANCIAL STATEMENTS**

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of the Attorney General. Auto Liability is fully re-insured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's ability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Excess insurance was not renewed in April 2002, so GLTF is currently without excess coverage. Payments received in fiscal year 2008 and 2009 for settlements in excess of deductibles total \$1,010,532 and \$2,833,932 respectively.

The following table represents the changes in claims liabilities for the past two years:

	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 27,416,054	\$ 26,714,444
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	4,968,668	3,130,213
Increases in provision for insured events of prior years	<u>3,995,539</u>	<u>3,973,199</u>
Total incurred claims and claim adjustment expenses	8,964,207	7,103,412
Payments:		
Claims and claim adjustment expenses attributable to insured events of current	(1,375,651)	(832,234)
Claims and claim adjustment expenses attributable to insured events of prior year	<u>(6,283,874)</u>	<u>(5,569,568)</u>
Total payments	(7,659,525)	(6,401,802)
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 28,720,736</u>	<u>\$ 27,416,054</u>

GENERAL LIABILITY TRUST FUND
INVESTMENT NOTES

Status - September 30, 2009

Investments

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Money Market	\$ 15,013,568	\$ -	100.0
Commercial Paper	-	7,932,644	(100.0)
US Agency Securities	11,034,070	9,856,760	11.9
US Treasury Securities	5,116,557	2,827,466	81.0
Mortgage Backed Securities	89,797	133,567	(32.8)
Total Investments	<u>\$ 31,253,992</u>	<u>\$ 20,750,437</u>	50.6

Investment Income

Interest Income	\$ 541,660	\$ 1,201,730	(54.9)
Change in Fair Value of Investments	212,596	155,505	36.7
Gain(Loss) on Sale of Investments	(72)	(41,608)	(99.8)
Total Investment Income	<u>\$ 754,184</u>	<u>\$ 1,315,627</u>	(42.7)

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF NET ASSETS
UNAUDITED
September 30, 2009

ASSETS	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
Current Assets			
Cash and Cash Equivalent	\$ 722,235	\$ 5,605,241	\$ 5,523,863
Cash - Outside Bank Account	78,253	-	-
Investments (Fair Value)	18,387,222	11,578,150	1,006,910
Interfund Vouchers Receivable	342,014	277,103	910,882
Due From Other Funds	-	-	1,164,184
Accrued Interest Receivable	47,311	127,241	227,759
Total Current Assets	19,577,035	17,587,735	8,833,598
Noncurrent Assets			
Investments (Fair Value)	<u>8,264,411</u>	<u>8,888,919</u>	<u>15,822,460</u>
Total Noncurrent Assets	8,264,411	8,888,919	15,822,460
 TOTAL ASSETS	 27,841,446	 26,476,654	 24,656,058
LIABILITIES			
Current Liabilities			
Vouchers Payable	69,443	203,693	106,550
Self-Insured Deposits	120,000	120,000	257,000
Unpaid Claims & Expenses	<u>2,264,124</u>	<u>2,941,642</u>	<u>1,123,663</u>
Total Current Liabilities	2,453,567	3,265,335	1,487,213
Long-term Liabilities			
Unpaid Claims & Expenses - LT	8,517,421	6,547,526	3,038,054
Claims Incurred But Not Reported	<u>7,605,059</u>	<u>7,702,557</u>	<u>2,056,106</u>
Total Long-term Liabilities	16,122,480	14,250,083	5,094,160
Total Liabilities	18,576,047	17,515,418	6,581,373
NET ASSETS			
Unrestricted	<u>9,265,399</u>	<u>8,961,236</u>	<u>18,074,685</u>
TOTAL NET ASSETS	<u>\$ 9,265,399</u>	<u>\$ 8,961,236</u>	<u>\$ 18,074,685</u>

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
OPERATING REVENUES			
Earned Premiums	\$ 7,717,034	\$ 7,587,499	\$ 3,384,120
Administrative Fees - Self Insured Agencies	316,015	308,530	1,248,844
Subrogation Recoveries	307,738	106,555	165,013
Total Operating Revenues	8,340,787	8,002,584	4,797,977
OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	5,529,553	9,684,702	439,923
Incurred But Not Reported Expense	(97,498)	1,536,267	(2,190,402)
Actuarial Services	52,436	41,054	22,986
Medical Services	704,383	970,597	1,096,107
Program Consultants	6,662	11,662	9,118
Other Non-Claim Operational Expenses	-	-	628
Total Operations	6,195,536	12,244,282	(621,640)
Administration:			
Personnel Costs	1,319,301	1,150,313	939,217
Employee Benefits	478,369	409,788	323,386
Travel - In State	3,323	682	600
Travel - Out of State	5,021	5,620	1,571
Repair & Maintenance	1,497	201	8,599
Rentals & Leases	6,315	6,417	5,609
Utilities & Communication	19,388	16,734	17,121
Services	331,334	254,549	165,044
Supplies, Materials & Operating Expense	76,150	75,335	63,462
Transportation Equipment Operations	1,063	2,216	-
Total Administration	2,241,761	1,921,855	1,524,609
Total Operating Expenses	8,437,297	14,166,137	902,969
Operating Income (Loss)	(96,510)	(6,163,553)	3,895,008
NONOPERATING REVENUES (EXPENSES)			
Investment Income	508,059	1,189,892	1,030,081
Reimbursement Not Otherwise Classified	96		
Interest on Loan	-	15,000	45,000
Prior Year Refund	-	1,200	420
Total Nonoperating Revenues (Expenses)	508,155	1,206,092	1,075,501
Income (Loss) Before Contributions and Transfers	411,645	(4,957,461)	4,970,509
Transfers In			
Transfers In - Intra Fund	2,425,700	2,028,000	1,570,000
Transfers Out - Intra Fund	(2,425,700)	(2,028,000)	(1,570,000)
Transfers Out - State Personnel	(6,829)	(5,491)	(5,078)
Increase (Decrease) in Net Assets	404,816	(9,073,136)	4,965,431
Total Net Assets, October 1, As Restated	8,860,583	18,034,372	13,109,254
Total Net Assets, September 30	\$ 9,265,399	\$ 8,961,236	\$ 18,074,685

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
NOTES TO FINANCIAL STATEMENTS**

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF are administered by the Department of Finance, Division of Risk Management in accordance with the Alabama Administrative Code and include all reasonable medical expenses arising from a job-incurred injury, lost wages (including benefits for time lost from the job), and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and local boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary.

SEICTF assumed total claims liabilities of \$12,618,839 in 2008 for five agencies that had previously been self insured.

The following table represents the changes in claims liabilities for the past two years:

	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 17,191,725	\$ 6,217,823
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	633,556	2,698,431
Increases in provision for insured events of prior years	<u>4,490,761</u>	<u>12,632,722</u>
Total incurred claims and claim adjustment expenses	5,124,317	15,331,153
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(550,121)	(522,870)
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(3,379,317)</u>	<u>(3,834,381)</u>
Total payments	(3,929,438)	(4,357,251)
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 18,386,604</u>	<u>\$ 17,191,725</u>

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
INVESTMENT NOTES

Status - September 30, 2009

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Investments			
Money Market Funds	\$ 18,387,222	\$ -	100.0
Commercial Paper	-	11,578,150	(100.0)
US Treasury Securities Long Term	2,251,641	984,659	128.7
US Agency Securities	6,012,770	7,904,260	(23.9)
Total Investments	\$ 26,651,633	\$ 20,467,069	30.2
Investment Income			
Interest Income	387,632	1,104,409	(64.9)
Change in Fair Value of Investments	119,561	75,483	58.4
Gain(Loss) on Sale of Investments	866	10,000	(91.3)
Total Investment Income	\$ 508,059	\$ 1,189,892	(57.3)

Staff

RISK MANAGER	Ben M. Spillers
ADMINISTRATIVE	Marilyn Tucker Beverly McDonald Laura Robinson
INFORMATION SYSTEMS	Edward Morgan Sharon Henderson
LEGAL	Jerry Carpenter Hank Draughon
CLAIMS	Kim Huggins Leigh Warner Dorothy Roberts Hugh Gale Teresa Nobles Pam Bailey
EMPLOYEE ASSISTANCE	Sam Boswell
LOSS CONTROL.....	Robert Smith Jack Pierce Walter Cooper Harper Pruett Ken Barnett Allen Sanford Kyle Thomas Josh Loy Robert Borth Elizabeth Fralish Rusty Taylor
UNDERWRITING.....	Dan Burgess Carl Walter Dale Whittle Casey Dunn Janice Carter
EMPLOYEE INJURY.....	Carol Singletary Sandra Landers Melanie Longpre Dorothy Tarver Ann Jackson Dorothy Kelly Georgia Ivey Jana Blake Paula Cole Rosanna McHargue Sirena Sheridan Sylvia Williams Tammy Sasser Terri Loving

