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STATE OF ALABAMA
Department of Finance
Division of Risk Management

Comprehensive Annual Report
For the Fiscal Year Ended September 30, 2008



Bob Riley
Governor

Bill Newton
Acting Director of Finance

Ben M. Spillers
Risk Manager

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MESSAGE FROM THE RISK MANAGER

The 2008 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2008. 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 2008 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 2009.

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.

Although the number of property claims increased in FY 2008 to 828 claims, the amount paid decreased to \$8,785,798. A significant increase in the number of burglary claims occurred due in part to the increased value of copper. The only claim that exceeded \$1 million was a wind event that occurred May 8, 2008 in the Montgomery area totaling \$1,708,756 in which several locations were damaged.

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 \$41 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.

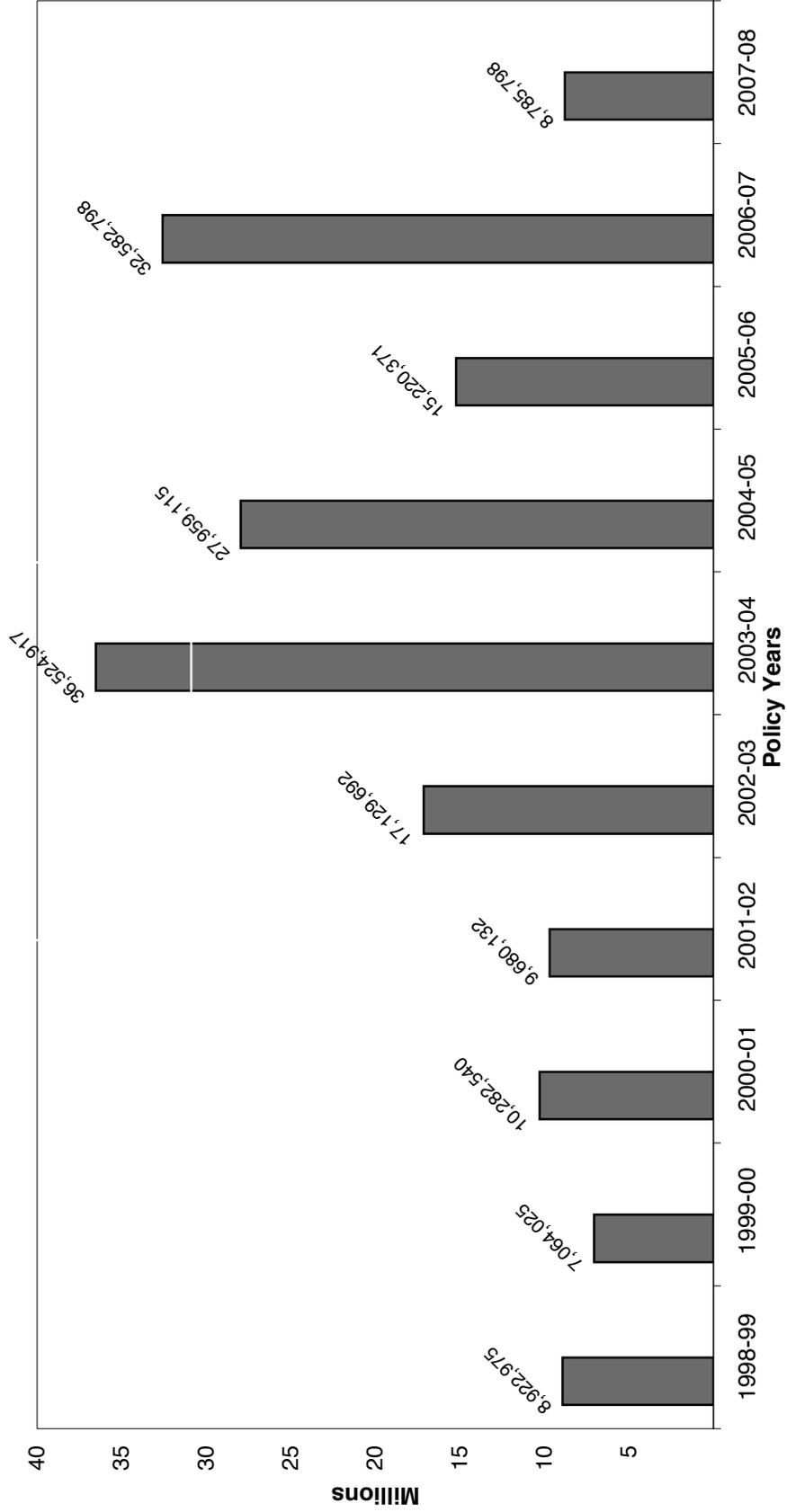
Values Table			
FY	Statewide Insured Values	Value Increase From Previous Year	Increase
2008	41,968,378,236	9,654,273,107	23.00%
2007	32,314,105,129	3,085,136,998	9.55%
2006	29,228,968,131	2,413,818,467	8.26%
2005	26,815,149,664	1,042,030,042	3.89%
2004	25,773,119,622	1,273,757,518	4.94%
2003	24,499,362,104	2,641,099,820	10.78%
2002	21,858,262,284	1,968,635,457	9.01%
2001	19,889,626,827	1,201,401,396	6.04%

Property Claims Summary Table				
Incurred Losses as of September 30, 2008				
Perils	Number of Claims		Incurred Losses - FY 2008	
	FY 2007	FY 2008	Amount	% of Total
Fire	25	30	\$ 1,177,850	13.41%
Lightning	222	257	\$ 1,629,009	18.54%
Wind	145	207	\$ 3,094,084	35.22%
Burglary	86	190	\$ 1,077,609	12.27%
Vandalism	24	33	\$ 189,022	2.15%
Hail	18	10	\$ 52,069	0.59%
Vehicle	14	16	\$ 35,636	0.41%
Water	36	60	\$ 1,382,224	15.73%
Freeze	2	7	\$ 117,956	1.34%
Other	21	18	\$ 30,339	0.35%
Totals	593	828	\$ 8,785,798	100%

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

SIF History of Property Losses

History of Property Losses 1998-2008



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.

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

A careful and thorough review of all open claims in 2008 proved very beneficial for the GLTF. More than 200 files which had become inactive were closed and their financial reserves released. Expense and indemnity reserves on the remaining open claims were reviewed and adjusted to more accurately reflect the potential risks.

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 2008	FY 2007	FY 2006	FY 2005	FY 2004
001	Private Passenger	2,076	2,020	2,025	1,907	1,756
002	Pickups & Vans	3,677	3,697	3,531	3,377	3,109
003	Trucks & Tractors	1,505	1,541	1,464	1,401	1,289
004	Law Enforcement	978	909	1,054	994	975
005	Buses	388	429	398	407	417
006	Motorcycle	20	6	0	0	0
	Total Vehicles	8,644	8,602	8,472	8,086	7,546

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 2008:

- 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 fifth consecutive year. Costs for FY08 were \$29,159.44 below total costs incurred in FY04, the year the program was implemented. Comparatively, Price Waterhouse reports a national increase of 33% in pharmacy costs for Private indemnity plans for the same period.
- Subrogation recoveries exceeded \$108,000
- A 24 hour emergency phone line was implemented for the convenience of State agencies operating outside normal business hours.

Claims Frequency				
	2008	2007	2006	2005
Indemnity	239	219	223	199
Medical Only	2,051	2,087	2,192	2,239
Incident Only	1,234	1,117	1,106	1,095
Total # of Claims	3,524	3,423	3,521	3,533

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 2,700 boilers and other items of pressurized equipment were inspected during 2008. 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 Employee Assistance Program (SEAP) provides services to 112 state agencies and departments covering 33,345 employees and family members.

In October 2006, the Division of Risk Management began contracting with an external vendor, Behavioral Health Systems (BHS), in order to expand and enhance the scope of the EAP. BHS 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 family member.

SEAP deals with issues such as supervisor/employee conflict, personal financial management, marital and family disruptions, drug and alcohol abuse, 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.

During Fiscal Year 08,

- There were 529 intake sessions, 503 initial assessments, and 444 follow-up sessions.
- Females represented 53% of clients and males 47%.
- Family members of employees represented 18% and employees represented 82% of the total participation.
- Emotional problems were the most frequent primary issue for clients (42%), followed by marital/family issues (38%), and alcohol and other drug (7%).
- 76% of participants were self-referred, 15% were supervisor referred and 5% were family recommended.
- 87% of participants were seen by a counselor 7% by a psychiatrist, and 2% by a psychologist.
- 37% of participants were age 41-60, 27% were 31-40, and 20% were 21-30.
- We provided 22 training sessions covering a wide variety of topics for our employees and three CISD (Critical Incident Stress Debriefing) sessions.

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 2008 savings were \$1,284,913.

**STATE INSURANCE FUND
STATEMENT OF NET ASSETS
UNAUDITED
AS OF SEPTEMBER 30, 2008**

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 9,154,238	\$ 2,837,567	\$ 2,872,210
Accounts Receivable - Recoveries	-	5,618,101	-
Due From Other Funds-Premiums	5,142	204,107	205,716
Advances to Other Funds - Current	646,934	303,132	284,331
Accrued Interest Receivable	182,915	256,066	275,862
Investments (Fair Value)	-	-	4,248,661
Prepaid Insurance	<u>7,725,000</u>	<u>8,063,375</u>	<u>5,864,601</u>
Total Current Assets	17,714,229	17,282,348	13,751,381
Noncurrent Assets			
Accounts Receivable-Recoveries - Long Term	6,132,092	-	-
Investments (Fair Value)	27,218,664	38,244,346	37,253,264
Investments - Real Estate	5,870,256	5,810,514	6,137,968
Due from Component Unit	36,533,000	35,985,000	35,445,000
Advances to Other Funds - Long Term	11,477,820	8,941,360	9,240,086
Construction in Progress	-	1,225,726	-
Fixed Assets (Net)	<u>192,479</u>	<u>86,295</u>	<u>148,009</u>
Total Noncurrent Assets	87,424,311	90,293,241	88,224,327
Total Assets	105,138,540	107,575,589	101,975,708
LIABILITIES			
Current Liabilities			
Vouchers Payable	<u>201,037</u>	<u>46,434</u>	<u>316,082</u>
Total Current Liabilities	201,037	46,434	316,082
Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	17,204,944	45,367,709	39,540,699
Estimated Recovery of Reserves	(10,686,476)	(34,781,511)	(24,820,560)
Claims Incurred But Not Reported	<u>1,352,666</u>	<u>1,007,959</u>	<u>1,811,480</u>
Total Claim Liabilities	7,871,134	11,594,157	16,531,619
Total Liabilities	8,072,171	11,640,591	16,847,701
NET ASSETS			
Investment in Capital Assets	192,479	86,295	148,009
Unrestricted	<u>96,873,890</u>	<u>95,848,703</u>	<u>84,979,998</u>
TOTAL NET ASSETS	\$ 97,066,369	\$ 95,934,998	\$ 85,128,007

STATE INSURANCE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
OPERATING REVENUES			
Earned Premiums	\$ 31,948,049	\$ 24,080,167	\$ 22,892,071
Investment Income	(442,905)	7,544,754	5,789,560
Other Income	<u>1,376,226</u>	<u>1,294,509</u>	<u>1,303,874</u>
Total Operating Revenues	32,881,370	32,919,430	29,985,505
OPERATING EXPENSES			
OPERATION:			
Loss and Adjustment Expenses	(22,740,687)	33,164,117	31,713,538
Incurred But Not Reported Expense	344,707	(803,521)	(424,750)
Reinsurance Expense	16,582,458	15,066,930	11,097,719
Actuarial Services	15,576	46,413	28,917
Investment Expenses	329,991	427,497	573,851
Program Consultants	93,888	43,697	7,857
Appraisal Services	619,960	-	-
Supplies-Software	-	33,433	-
ADMINISTRATION:			
Personnel Salaries	861,633	708,682	758,311
Employee Benefits	295,940	227,325	223,540
Travel In-State	22,697	16,219	29,972
Travel Out-of-State	3,869	8,823	3,471
Repairs and Maintenance	1,788	1,101	3,343
Rentals and Leases	6,733	6,118	2,957
Utilities and Communication	20,449	18,144	14,983
Professional Services	610,768	373,401	217,396
Supplies, Materials & Operating Expense	66,530	68,130	60,147
Transportation Equipment Operations	20,524	10,846	10,247
Depreciation Expense	<u>55,607</u>	<u>18,598</u>	<u>74,833</u>
Total Operating Expenses	(2,787,569)	49,435,953	44,396,332
Operating Income (Loss)	35,668,939	(16,516,523)	(14,410,827)
NONOPERATING REVENUES (EXPENSES)			
Subrogation Recoveries	162,982	1,104,199	110,581
Miscellaneous Income	-	284	-
Prior Year Refund	<u>5,918</u>	<u>29,999</u>	<u>5,537</u>
Total Nonoperating Revenues (Expenses)	168,900	1,134,482	116,118
Income (Loss) Before Contributions and Transfers	35,837,839	(15,382,041)	(14,294,709)
State Personnel - Transfers Out	(3,922)	(3,385)	(2,253)
Intra Fund - Transfers Out	(2,171,000)	(1,525,000)	(1,321,000)
Intra Fund - Transfers In	<u>2,171,000</u>	<u>1,525,000</u>	<u>1,321,000</u>
Increase (Decrease) in Net Assets	35,833,917	(15,385,426)	(14,296,962)
Total Net Assets, October 1, As Restated	<u>61,232,452</u>	<u>111,320,424</u>	<u>99,424,969</u>
Total Net Assets, September 30	\$ 97,066,369	\$ 95,934,998	\$ 85,128,007

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

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
UNDERWRITING REVENUES:										
Earned Premium	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	10,258,420
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	16,108,554	27,337,108	30,031,276	18,212,125	10,569,533	14,373,351	7,949,769	9,689,827	5,319,982	10,188,763
Claims and Expenses Unpaid	(38,849,241)	5,827,009	1,682,262	7,287,315	(1,956,008)	585,467	569,582	997,927	724,523	(145,714)
IBNR Expenses	344,707	(803,521)	(424,750)	(3,745,955)	5,281,406	(32,283)	(730,525)	9,992	112,975	(2,781,107)
Total Losses Incurred	(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	7,261,942
Less Recoveries	162,982	1,104,199	110,581	6,081,322	351,428	163,817	16,451	28,529	91,560	44,540
Net Claims	(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	7,217,402
Reinsurance Premium	16,582,458	15,066,990	11,097,719	8,866,003	9,354,929	9,220,295	6,818,750	4,625,350	3,720,562	4,057,885
Actuarial Services	15,576	46,413	28,917	13,250	12,600	12,000	12,130	11,560	11,030	25,564
Program Consultants	93,888	43,697	7,857	-	-	-	-	-	-	-
Appraisal Services	619,960	-	-	-	-	-	-	-	-	-
Supplies-Software	-	33,433	-	-	-	-	-	-	-	-
Administrative Expenses	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	1,127,719
Total Underwriting Expense	(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	12,428,570
Net Underwriting Revenues	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)	(2,170,150)
OTHER REVENUES:										
Investment Income	(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	4,826,420
Other Income	1,382,144	1,324,792	1,309,411	841,494	3,692,660	26,447	97,371	3,188,538	348,119	19,369
Total Other Revenues	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	4,845,789
OTHER EXPENSES:										
Investment Expenses	329,991	427,497	573,851	303,953	246,698	160,560	222,588	182,429	236,109	157,820
Legal Defense Fees	-	-	-	-	-	210	153,616	274,053	174,188	24,301
Total Other Expenses	329,991	427,497	573,851	303,953	246,698	160,770	376,204	456,482	410,297	182,121
Net Other Revenues	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	4,663,668
NET REVENUES	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	2,493,518

STATE INSURANCE FUND INVESTMENT NOTES

Status - September 30, 2008	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Investments			
Commercial Paper	\$ -	\$ -	-
US Agency Securities	12,333,010	21,222,970	(41.9)
US Treasury Securities	984,659	-	100.0
Mortgage Backed Securities	3,422,808	3,635,793	(5.9)
Mutual Funds	2,009,041	107,438	1,770.0
Domestic Corporate Stocks	<u>8,469,146</u>	<u>13,278,145</u>	(36.2)
Total Cash Securities	27,218,664	38,244,346	(28.8)
Real Estate Investments	<u>5,870,256</u>	<u>5,810,514</u>	1.0
Total Investments	<u>\$ 33,088,920</u>	<u>\$ 44,054,860</u>	(24.9)
Investment Income			
Interest Income	\$ 1,832,628	\$ 2,216,367	(17.3)
Change in Fair Value of Investments	(2,979,630)	3,842,482	(177.5)
Gain(Loss) on Sale of Investments	79,100	625,248	(0.9)
Stock Dividends	224,097	284,748	(21.3)
Amortization/Depr Income	(342,097)	(331,233)	3.3
Rental Income	<u>742,997</u>	<u>907,142</u>	(18.1)
Total Investment Income	<u>\$ (442,905)</u>	<u>\$ 7,544,754</u>	(105.9)

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

	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Earned Premium	\$31,948,049	\$24,080,167	\$22,892,071	\$21,110,177	\$19,854,768
Less Reinsurance Cost	16,582,458	15,066,930	11,097,719	8,866,003	9,354,929
Net Premium	\$15,365,591	\$9,013,237	\$11,794,352	\$12,244,174	\$10,499,839
Losses Incurred	16,108,554	27,337,108	30,031,276	18,212,125	10,569,533
Loss and Expense Incurred	(38,849,241)	5,827,009	1,682,262	7,287,315	(1,956,008)
Loss Incurred But Not Reported	344,707	(803,521)	(424,750)	(3,745,955)	5,281,406
Total Losses Incurred	(\$22,395,980)	\$32,360,596	\$31,288,788	\$21,753,485	\$13,894,931
Less Recoveries	162,982	1,104,199	110,581	6,081,322	351,428
Net Losses	(\$22,558,962)	\$31,256,397	\$31,178,207	\$15,672,163	\$13,543,503
Loss Ratio	-146.8%	346.8%	264.3%	128.0%	129.0%

*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 \$10,000,000 with a \$750,000,000 limit. Payments received in fiscal year 2008 and 2007 for settlements in excess of deductibles total \$14,655,159 and \$13,230,941 respectively.

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

	<u>2008</u>	<u>2007</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 11,594,157	\$ 16,531,619
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	1,910,014	9,173,841
Increases in provision for insured events of prior years	<u>10,475,517</u>	<u>13,225,805</u>
Total incurred claims and claim adjustment expenses	12,385,531	22,399,646
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(1,449,770)	(7,280,429)
Claims and claim adjustment expenses attributable to insured events of prior year	<u>(14,658,784)</u>	<u>(20,056,679)</u>
Total payments	(16,108,554)	(27,337,108)
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 7,871,134</u>	<u>\$ 11,594,157</u>

**STATE INSURANCE FUND REVENUE EXHIBIT
RETURN ON EQUITY (R O E)**

Fiscal Year	FUND EQUITY	NET REVENUES	UNDERWRITING NET REVENUES	INVESTMENT NET REVENUES
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
1999	84,734,741	2,493,518	(2,170,150)	4,668,600
Average Return On Equity		1.0%	-4.5%	4.3%

GENERAL LIABILITY TRUST FUND
STATEMENT OF NET ASSETS
UNAUDITED
SEPTEMBER 30, 2008

ASSETS	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Current Assets			
Cash and Cash Equivalents	\$ 5,268,170	\$ 718,028	\$ 13,747
Due From Other Funds	415	1,667	2,671
Accounts Receivable	578,877	6,237,662	571,906
Accrued Interest Receivable	146,161	296,966	280,853
Investments (Fair Value)	7,932,644	-	1,645,523
Prepaid Reinsurance	<u>1,963,674</u>	<u>1,305,437</u>	<u>487,500</u>
Total Current Assets	15,889,941	8,559,760	3,002,200
Noncurrent Assets			
Accounts Receivable Recoveries-Long Term	4,289,337	-	5,561,286
Investments (Fair Value)	<u>12,817,793</u>	<u>19,734,175</u>	<u>20,565,811</u>
Total Noncurrent Assets	17,107,130	19,734,175	26,127,097
 Total Assets	 32,997,071	 28,293,935	 29,129,297
 LIABILITIES			
Current Liabilities			
Vouchers Payable	194	-	527,944
Due To Funds	-	1,000,000	3,000,000
Unearned Premium	<u>-</u>	<u>4,941</u>	<u>-</u>
Total Current Liabilities	194	1,004,941	3,527,944
Liabilities for Unpaid Claims			
Unpaid Claims & Expenses	10,822,371	10,834,339	12,135,802
Estimated Recovery of Reserves	(631,574)	(713,709)	(2,384,614)
Claims Incurred But Not Reported	<u>17,225,257</u>	<u>15,880,105</u>	<u>19,041,100</u>
Total Claim Liabilities	27,416,054	26,000,735	28,792,288
 Total Liabilities	 27,416,248	 27,005,676	 32,320,232
 NET ASSETS			
Unrestricted	<u>5,580,823</u>	<u>1,288,259</u>	<u>(3,190,935)</u>
TOTAL NET ASSETS	<u>\$ 5,580,823</u>	<u>\$ 1,288,259</u>	<u>\$ (3,190,935)</u>

GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
OPERATING REVENUES			
Earned Premiums	\$ 13,537,260	\$ 12,590,391	\$ 9,226,426
Investment Income	<u>1,315,627</u>	<u>1,007,298</u>	<u>1,037,055</u>
Total Operating Revenues	14,852,887	13,597,689	10,263,481
OPERATING EXPENSES			
OPERATION:			
Loss and Adjustment Expenses	5,758,260	6,698,647	4,725,623
Incurred But Not Reported Expense	1,345,152	(3,160,995)	3,413,026
Reinsurance Expense	1,897,004	3,915,990	3,723,333
Interest Expense	15,000	45,000	-
Professional Services-Non-Claim	16,237	29,622	18,417
Actuarial Services	13,683	13,494	13,313
ADMINISTRATION:			
Personnel Salaries	393,701	435,578	381,120
Employee Benefits	118,985	129,701	117,874
Travel In-State	363	3,900	10,053
Out-State Travel	1,486	-	203
Repairs and Maintenance	92	130	931
Rentals and Leases	3,269	2,731	2,748
Utilities and Communication	3,165	3,621	4,237
Professional Services	214,029	205,890	129,268
Supplies, Materials & Operating Expense	45,140	37,577	47,173
Transportation Equipment Operations	<u>-</u>	<u>2,900</u>	<u>3,854</u>
Total Operating Expenses	9,825,566	8,363,786	12,591,173
Operating Income (Loss)	5,027,321	5,233,903	(2,327,692)
NONOPERATING REVENUES (EXPENSES)			
Subrogation Recoveries	-	2,517	664
Prior Year Refund	<u>5,446</u>	<u>250,464</u>	<u>3,387</u>
Total Nonoperating Revenues (Expenses)	5,446	252,981	4,051
Income (Loss) Before Contributions and Transfers	5,032,767	5,486,884	(2,323,641)
State Personnel - Transfers Out	(1,569)	(3,047)	(999)
Intra Fund - Transfers Out	(826,000)	(826,000)	(672,400)
Intra Fund - Transfers In	<u>826,000</u>	<u>826,000</u>	<u>672,400</u>
Increase (Decrease) in Net Assets	5,031,198	5,483,837	(2,324,640)
Total Net Assets, October 1, As Restated	<u>549,625</u>	<u>(4,195,578)</u>	<u>(866,295)</u>
Total Net Assets, September 30	<u>\$ 5,580,823</u>	<u>\$ 1,288,259</u>	<u>\$ (3,190,935)</u>

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

	<u>2008-07</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>	<u>1998-99</u>
UNDERWRITING REVENUES:										
Earned Premium	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	\$ 7,269,520
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	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	4,227,670
Claims and Expenses Unpaid	(643,542)	(1,301,463)	(4,513,421)	1,591,690	(101,060)	5,347,124	4,094,460	1,257,543	864,884	579,775
IBNR Expenses	1,345,152	(3,160,995)	3,413,026	3,711,003	(116,919)	1,256,681	(242,402)	1,649,106	(1,196,798)	(1,552,032)
Total Losses Incurred	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	3,255,413
Less Recoveries	-	2,517	664	-	3,024	7,679	600	2,386	1,843	150
Net Claims	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	3,255,263
Reinsurance Premium - Liability	-	-	-	-	-	-	290,333	517,667	454,667	334,950
Reinsurance Premium - Automobile	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	1,944,327
Actuarial Services	13,683	13,494	13,313	11,000	10,500	10,000	10,475	9,985	9,500	4,988
Professional Services-Non Claim	16,237	29,622	18,417	-	-	-	-	-	12,838	-
Interest Expense	15,000	45,000	-	-	-	-	-	-	-	-
Administrative Expenses	781,799	825,075	698,461	591,506	506,908	488,084	478,290	400,143	474,285	536,187
Total Underwriting Expenses	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	6,075,715
Net Underwriting Revenues	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	1,193,805
OTHER REVENUES:										
Investment Income	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	945,845
Prior Year Refund	5,446	250,464	3,387	1,935,522	1,254,458	-	15,119	-	450	-
Total Other Revenues	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	945,845
NET REVENUES	\$ 5,031,198	\$ 5,483,837	\$ (2,324,641)	\$ (6,548,350)	\$ (158,067)	\$ (6,442,125)	\$ (1,838,806)	\$ (48,670)	\$ 2,019,321	\$ 2,139,650

**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 for settlements in excess of deductibles for prior years total \$1,010,532.

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

	<u>2008</u>	<u>2007</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 26,714,444	\$ 31,176,902
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	3,130,213	(1,017,428)
Increases in provision for insured events of prior years	<u>3,973,199</u>	<u>4,555,080</u>
Total incurred claims and claim adjustment expenses	7,103,412	3,537,652
Payments:		
Claims and claim adjustment expenses attributable to insured events of current	(832,234)	(786,719)
Claims and claim adjustment expenses attributable to insured events of prior year	<u>(5,569,568)</u>	<u>(7,213,391)</u>
Total payments	(6,401,802)	(8,000,110)
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 27,416,054</u>	<u>\$ 26,714,444</u>

GENERAL LIABILITY TRUST FUND
INVESTMENT NOTES

Status - September 30, 2008

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Investments			
Commercial Paper	\$ 7,932,644	\$ -	100.0
US Agency Securities	9,856,760	19,588,068	(49.7)
US Treasury Securities	2,827,466	-	100.0
Mortgage Backed Securities	133,567	146,107	(8.6)
Total Investments	<u>\$ 20,750,437</u>	<u>\$ 19,734,175</u>	5.1
Investment Income			
Interest Income	\$ 1,201,730	\$ 1,285,486	(6.5)
Change in Fair Value of Investments	155,505	(246,938)	163.0
Gain(Loss)on Sale of Investments	(41,608)	(31,250)	33.1
Total Investment Income	<u>\$ 1,315,627</u>	<u>\$ 1,007,298</u>	30.6

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF NET ASSETS
UNAUDITED
September 30, 2008

ASSETS	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Current Assets			
Cash and Cash Equivalents	\$ 5,605,241	\$ 5,523,863	\$ 26,119
Due From Other Funds- Premiums	277,103	910,882	832,040
Due From Other Funds - Other	-	1,164,184	3,000,000
Accrued Interest Receivable	127,241	227,759	229,342
Investments (Fair Value)	<u>11,578,150</u>	<u>1,006,910</u>	<u>2,291,335</u>
Total Current Assets	17,587,735	8,833,598	6,378,836
Noncurrent Assets			
Investments (Fair Value)	<u>8,888,919</u>	<u>15,822,460</u>	<u>16,159,450</u>
Total Noncurrent Assets	8,888,919	15,822,460	16,159,450
Total Assets	26,476,654	24,656,058	22,538,286
LIABILITIES			
Current Liabilities			
Vouchers Payable	203,693	106,550	947,106
SEICTF Self Insured Deposits	<u>120,000</u>	<u>257,000</u>	<u>257,000</u>
Total Current Liabilities	323,693	363,550	1,204,106
Liabilities for Unpaid Claims			
Unpaid Claims & Expenses	9,489,168	4,161,717	4,578,312
Claims Incurred But Not Reported	<u>7,702,557</u>	<u>2,056,106</u>	<u>4,246,508</u>
Total Claim Liabilities	17,191,725	6,217,823	8,824,820
Total Liabilities	17,515,418	6,581,373	10,028,926
NET ASSETS			
Unrestricted	<u>8,961,236</u>	<u>18,074,685</u>	<u>12,509,360</u>
TOTAL NET ASSETS	\$ 8,961,236	\$ 18,074,685	\$ 12,509,360

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
OPERATING REVENUES			
Earned Premiums	\$ 7,587,499	\$ 3,384,120	\$ 3,253,101
Investment Income	1,189,892	1,030,081	1,016,978
Interest Income	15,000	45,000	-
Other Income - Administrative Fees	<u>308,530</u>	<u>1,248,844</u>	<u>1,266,809</u>
Total Operating Revenues	9,100,921	5,708,045	5,536,888
OPERATING EXPENSES			
OPERATION:			
Loss and Adjustment Expenses	9,684,702	439,923	3,262,817
Incurred But Not Reported Expense	1,536,267	(2,190,402)	(98,137)
Actuarial Services	41,054	22,986	45,255
Medical Services	970,597	1,096,107	1,022,133
Professional Services	11,662	9,118	2,766
Other Services	-	628	106
	<u>12,244,282</u>	<u>(621,640)</u>	<u>4,234,940</u>
ADMINISTRATION:			
Personnel Salaries	1,150,313	939,217	727,354
Employee Benefits	409,788	323,386	253,725
Travel In-State	682	600	975
Travel Out-of-State	5,620	1,571	-
Repairs and Maintenance	201	8,599	1,121
Rentals and Leases	6,417	5,609	5,017
Utilities and Communication	16,734	17,121	19,904
Professional Services	254,549	165,044	120,696
Supplies, Materials & Operating Expense	75,335	63,462	67,799
Transportation Equipment Operations	<u>2,216</u>	<u>-</u>	<u>-</u>
Total Administration Expenses	1,921,855.00	1,524,609.00	1,196,591.00
Total Operating Expenses	14,166,137	902,969	5,431,531
Operating Income (Loss)	(5,065,216)	4,805,076	105,357
NONOPERATING REVENUES (EXPENSE)			
Subrogation Recoveries	106,555	165,013	149,161
Prior Year Refunds	<u>1,200</u>	<u>420</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	107,755	165,433	149,161
Income (Loss) Before Contributions and Transfers	(4,957,461)	4,970,509	254,518
Transfers Out - State Personnel	(5,491)	(5,078)	(3,293)
Transfers Out - Intra Fund	(2,028,000)	(1,570,000)	(910,000)
Transfer In - Intra Fund	2,028,000	1,570,000	910,000
Transfers	<u>(4,110,184)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	(9,073,136)	4,965,431	251,225
Total Net Assets, October 1, As Restated	<u>18,034,372</u>	<u>13,109,254</u>	<u>12,258,135</u>
Total Net Assets, September 30	\$ 8,961,236	\$ 18,074,685	\$ 12,509,360

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
INVESTMENT NOTES

Status - September 30, 2008

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Investments			
Commercial Paper	\$ 11,578,150	\$ -	100.0
US Treasury Securities	-	1,006,910	(100.0)
US Treasury Securities Long Term	984,659	-	100.0
US Agency Securities	7,904,260	15,822,460	(50.0)
Total Investments	<u>\$ 20,467,069</u>	<u>\$ 16,829,370</u>	21.6
Investment Income			
Interest Income	1,104,409	1,171,802	(5.8)
Change in Fair Value of Investments	75,483	(126,096)	159.9
Gain(Loss) on Sale of Investments	10,000	(15,625)	164.0
Total Investment Income	<u>\$ 1,189,892</u>	<u>\$ 1,030,081</u>	15.5

**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>2008</u>	<u>2007</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 6,217,823	\$ 8,824,820
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	2,698,431	(2,168,406)
Increases in provision for insured events of prior years	<u>12,632,722</u>	<u>417,927</u>
Total incurred claims and claim adjustment expenses	15,331,153	(1,750,479)
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(522,870)	(42,826)
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(3,834,381)</u>	<u>(813,692)</u>
Total payments	(4,357,251)	(856,518)
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 17,191,725</u>	<u>\$ 6,217,823</u>

Staff

RISK MANAGER	Ben M. Spillers
ADMINISTRATIVE	Marilyn Tucker Beverly McDonald Laura Robinson
INFORMATION SYSTEMS	Becky Cole Sharon Henderson Edward Morgan
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 Montgomery Tammy Sasser Terri Loving