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STATE OF ALABAMA
Department of Finance
Division of Risk Management

Comprehensive Annual Report
For the Fiscal Year Ended September 30, 2014



Robert Bentley
Governor

Bill Newton
Acting Director of Finance

Ben M. Spillers
Risk Manager

TABLE OF CONTENTS

MESSAGE FROM THE RISK MANAGER.....	7
STATE INSURANCE FUND.....	9
GENERAL LIABILITY TRUST FUND.....	12
EDUCATORS LIABILITY TRUST FUND	13
STATE EMPLOYEE INJURY COMPENSATION TRUST FUND.....	14
RISK MANAGEMENT SERVICES.....	15
EMPLOYEE ASSISTANCE PROGRAM	16
THE ALABAMA EQUIPMENT MAINTENANCE PROGRAM (EMP).....	17
 DETAILED FINANCIAL AND OTHER REPORTS	
State Insurance Fund	
Statement of Net Assets.....	18
Statement of Revenue, Expenses, and Changes in Net Assets.....	19
Notes to Financial Statements.....	20
Investment Notes.....	21
Revenue Exhibit - Return on Equity	22
Loss Experience by Fiscal Year	23
Ten Year Income Summary.....	24
Ten Year Loss Development.....	25
General Liability Trust Fund	
Statement of Net Assets.....	26
Statement of Revenue, Expenses, and Changes in Net Assets.....	27
Notes to Financial Statements.....	28
Investment Notes.....	29
Ten Year Income Summary.....	30
Educators Liability Trust Fund	
Statement of Net Assets.....	31
Statement of Revenue, Expenses, and Changes in Net Assets.....	32
Notes to Financial Statements.....	33
Ten Year Income Summary.....	34
State Employee Injury Compensation Trust Fund	
Statement of Net Assets.....	35
Statement of Revenue, Expenses, and Changes in Net Assets.....	36
Notes to Financial Statements.....	37
Investment Notes.....	38
Ten Year Income Summary.....	39
STAFF	Inside Back Cover

MESSAGE FROM THE RISK MANAGER

The 2014 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2014. 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 Educators Liability Trust Fund (ELTF)** protects employees of public K-12 schools 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 2014 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 2015.

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, GAP, and Equipment Breakdown Coverage which is provided by Travelers Insurance Company.

The SIF experienced positive claims results for FY14 receiving 682 claims and incurring just over \$10,000,000 in loss which was approximately 25% fewer claims and two-thirds less cost than in FY13. The only loss which exceeded \$1,000,000 was a freeze loss which occurred January 5-8, 2014 and for which the SIF paid \$1,364,555.

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 approximately \$56 billion in values. The means our fund equity and financial structure must be adequate to meet the financial demands that are certain to occur in the future.

Statewide Insured Values	Value Increase From Previous Year	Increase
56,430,064,966	2,504,503,750	4.45%
53,925,561,216	4,878,651,165	9.05%
49,046,910,051	2,083,256,834	4.25%
46,963,653,217	591,832,324	1.26%
46,371,820,893	1,514,410,406	3.27%
44,857,410,487	2,889,032,251	6.44%
41,968,378,236	9,654,273,107	23.00%
32,314,105,129	3,085,136,998	9.55%
29,228,968,131	2,413,818,467	8.26%

Incurred Losses as of September 30, 2014

Perils	FY 2014	FY 2013	Incurred Losses - FY 2014	
			Amount	% of Total
Fire	17	27	\$ 571,665	5.64%
Lightning	230	285	\$ 1,229,853	12.13%
Wind	100	304	\$ 3,657,875	36.08%
Burglary	45	74	\$ 281,069	2.77%
Vandalism	15	13	\$ 56,730	0.56%
Hail	0	55	\$ -	0.00%
Freeze	134	0	\$ 2,220,904	21.91%
Water	80	61	\$ 1,895,681	18.70%
Vehicle	19	18	\$ 107,622	1.06%
Other	42	12	\$ 115,608	1.14%
Totals	682	849	\$ 10,137,007	100%

Claims Summary

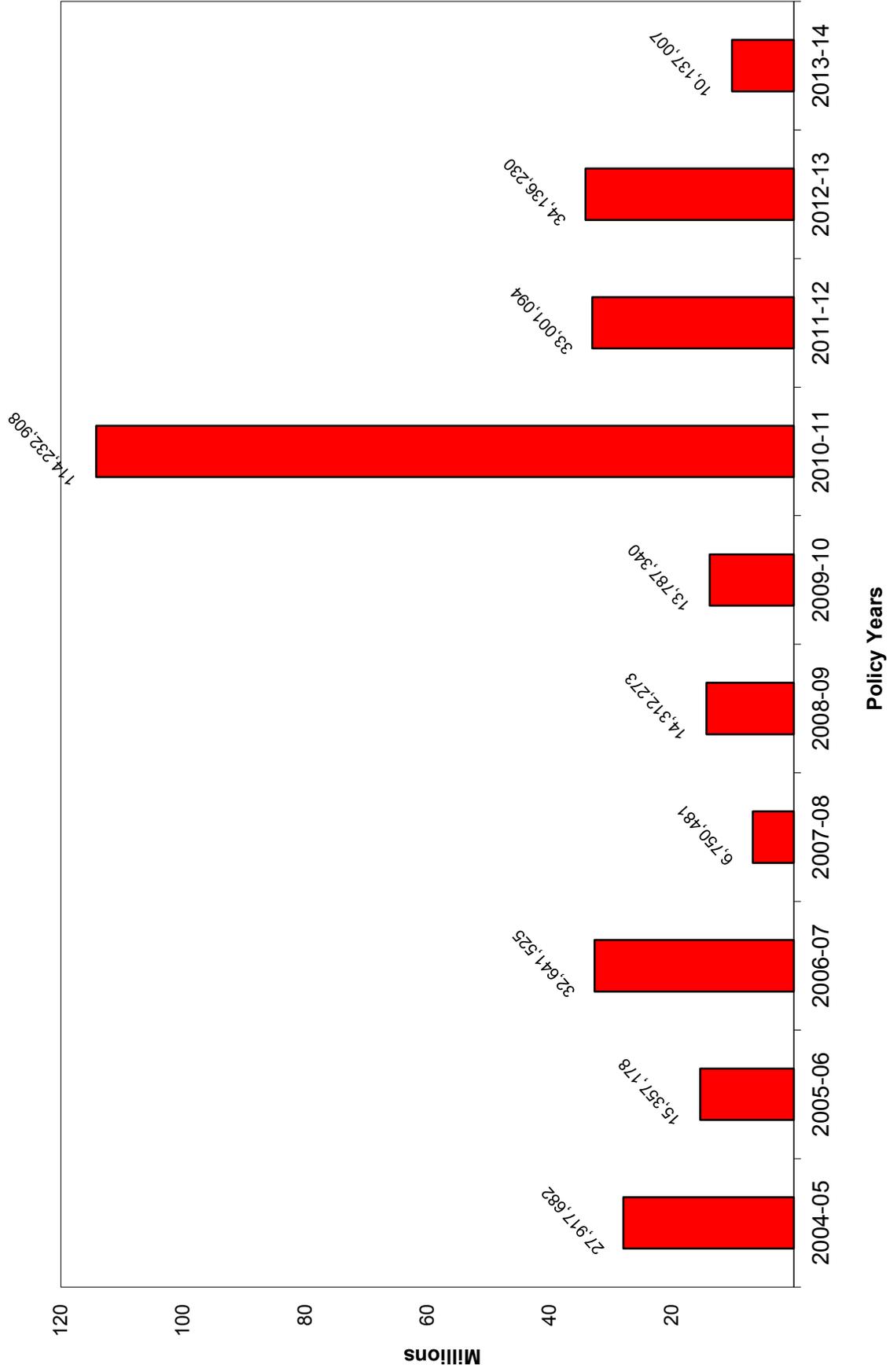
	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Claims Handled	682	849	803	1574	747
Outside Adjusted	448	569	515	1198	421
Inside Adjusted	234	280	288	376	326
Average Claim Size \$	14,864	\$ 25,902	\$ 28,417**	\$ 27,701*	\$ 22,936

*Removed 4-27-11 tornado for averaging purposes.

**Removed 1-23-12 tornado for averaging purposes.

***Removed 12-25-12 tornado for averaging purposes.

History of Property Loss 2004-2014



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. Coverage is available to the following when a premium is paid by a participating state entity:

- Full and Part-time Employees of the State of Alabama
- Contract Employees (but not contractors)
- Elected Officials
- Foster Parents licensed through the Alabama Department of Human Resources and Adult Foster Care Providers

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 state employees operating 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 state 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

Class	Description	Number of Vehicles Insured				
		FY2014	FY 2013	FY 2012	FY 2011	FY 2010
001	Private Passenger	1,757	1,779	1,875	2,002	1,998
002	Pickups & Vans	3,559	3,613	3,892	3,780	3,710
003	Trucks & Tractors	1,320	1,394	1,487	1,534	1,512
004	Law Enforcement	1,018	1,015	1,015	1,120	1,146
005	Buses	402	333	327	360	367
006	Motorcycle	26	26	28	28	22
	Total Vehicles	8,082	8,160	8,624	8,824	8,755

EDUCATORS LIABILITY TRUST FUND

Employees of Alabama's public K-12 schools are subject to being sued for their acts and omissions in the performance of their official duties. The Educators Liability Trust Fund (ELTF) 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 ELTF is \$1.2 million. The ELTF does not cover the school board; however, it covers school board employees who are sued individually and are at risk of having to pay damages from their personal assets.

The ELTF sets aside a monetary reserve for each covered claim in the amount of the ultimate expected loss. Defense of covered employees is conducted by attorneys contracted with the Division of Risk Management.

The ELTF has been in effect since July 1, 2013. Because liability claims develop slowly, the current financial report is not reflective of the liabilities that will almost certainly be incurred by the fund over time.

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

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 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. In 2014:

- Fewer than 1% of claims resulted in a formal hearing to address a claim dispute.
- Vocational benefits were paid to employees who could no longer perform the essential functions of their job within the permanent activity restrictions provided by the medical provider.
- Medical Case Management services were utilized to gain control over expenses, encourage safety and productivity, and promote high quality care to injured employees. Case Managers worked with the injured worker to:
 - ensure quality, necessity and cost effectiveness of health care
 - project a realistic duration of disability
 - coordinate effective communication among all parties
 - promote understanding and encourage compliance with the managed care initiative
 - ensure a safe and expeditious return to work
- Subrogation recoveries for the fiscal year exceeded \$270,000.00.

Claims Frequency

	2014	2013	2012	2011
Indemnity	282	265	284	266
Medical Only	1409	1,438	1,588	1,931
Incident Only	939	943	959	995
Total # of Claims	2630	2,646	2,831	3,192

Indemnity claims are those resulting in payments for lost time from work. Medical claims are those resulting in medical costs but no time off work. An incident claim is one where the claimant did not seek medical attention.

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 for 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 2,000 boilers and other items of pressurized equipment were inspected during 2014. 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 121 state agencies and departments covering 32,270 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 personal and job related problems. Our EAP plan provides for up to three sessions per year for each employee and their family members.

SEAP 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-14

There were 454 total cases of treatment for a total of 1,072 counseling sessions.

Females represented 65% of clients and males 35%.

Family members of employees represented 12% and employees represented 88% of our total participation.

Emotional stress related problems were the most frequent primary issue for clients (39%), followed by relational issues (21%), depressive disorders (16%), anxiety/panic issues (11%), and other issues (13%).

We had 76% of our participants that were self-referred, 13% were supervisor referred, 10% were family recommended and 1% was due to promotional material.

We had 94% of our participants that were seen by a counselor and 6% were seen by a psychologist.

We had 16% of our participants that were age 51-60, 26% of the participants were age 41-50, 31% were 31-40, 13% were 21-30, 8% were less than 20, and 6% were 61 or older.

About 4% of our clients felt that their ability to cope with life problems and stressors was excellent before they had any counseling sessions and about 32% felt their abilities were good. However, after they finished their counseling sessions about 21% felt that their abilities to cope were excellent and about 47% felt that their abilities were good.

We provided 24 training sessions covering a variety of topics for our employees and participated in 3 Health Fair/Fitness Day events, 3 State Personnel Benefit Orientation sessions, 8 Agency EAP Awareness sessions, and 2 Agency Grief Counseling sessions and 1 Agency Work Meditation session.

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 savings, 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 2014 savings were \$1,530,747.54

**STATE INSURANCE FUND
STATEMENT OF NET ASSETS
UNAUDITED
AS OF SEPTEMBER 30, 2014**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 1,902,163	\$ 332,667	\$ 3,036,518
Cash - Outside Bank Account	378,052	43,461	7,845,079
Cash - Correction	-	-	(54)
Cash - In Transit	85,546	82	-
Investments (Fair Value)	3,881,877	4,603,967	7,619,844
Accounts Receivable	14,273	5,098	9,264
Advances to Other Funds	647,453	573,267	950,019
Accounts Receivable - Reinsurance Recoveries	4,259,664	1,193,365	136,143
Accrued Interest Receivable	-	-	110
Prepaid Insurance	11,009,676	11,959,198	13,047,133
Total Current Assets	22,178,704	18,711,105	32,644,056
Noncurrent Assets			
Investments (Fair Value)	61,041,886	74,939,037	75,672,003
Investments - Real Estate	9,751,691	10,386,096	11,056,291
Advances to Other Funds - LT	10,400,537	11,301,288	11,520,220
Construction in Progress	1,859,319	783,289	-
Accrued Interest Receivable	48,738	90,826	68,767
Fixed Assets (Net)	70,945	70,216	91,346
Total Noncurrent Assets	83,173,116	97,570,752	98,408,627
Total Assets	105,351,820	116,281,857	131,052,683
LIABILITIES			
Current Liabilities			
Vouchers Payable	272,408	256,017	205,348
Unpaid Claims & Expenses	12,658,356	18,327,786	9,359,315
Total Current Liabilities	12,930,764	18,583,803	9,564,663
Long-term Liabilities			
Due to Other Funds	10,000,000	17,200,000	-
Unpaid Claims & Expenses - LT	5,596,176	52,663,269	80,715,466
Reinsurance Advance Payment	-	20,447,812	25,028,552
Estimated Recovery of Reserves	(5,596,176)	(52,663,269)	(77,759,893)
Claims Incurred But Not Reported	1,206,674	-	(823,336)
Total Long-term Liabilities	11,206,674	37,647,812	27,160,789
Total Liabilities	24,137,438	56,231,615	36,725,452
NET ASSETS			
Investment in Capital Assets	1,930,264	853,505	91,346
Reserved for Encumbrances	3,033,548	1,798,082	1,076,772
Unrestricted	76,250,570	57,398,655	93,159,113
TOTAL NET ASSETS	\$ 81,214,382	\$ 60,050,242	\$ 94,327,231

**STATE INSURANCE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES			
Earned Premiums	\$ 39,743,578	\$ 35,314,175	\$ 30,566,484
Total Operating Revenues	39,743,578	35,314,175	30,566,484
OPERATING EXPENSES			
Operation:			
Loss and Adjustment Expenses	9,143,769	47,912,664	9,735,967
Incurred But Not Reported Expense	1,206,674	(823,336)	(1,290,615)
Actuarial Services	154,987	120,963	202,645
Program Consultants	-	30,659	27,487
Interest Expense	54,050.00	-	-
Reinsurance Expense	24,152,880	26,115,252	20,834,084
Total Operations	34,712,360	73,356,202	29,509,568
Administration:			
Personnel Cost	1,256,620	1,170,571	1,114,528
Employee Benefits	473,995	437,651	381,764
Travel - In State	41,175	60,727	35,146
Travel - Out of State	12,647	8,401	4,729
Repairs & Maintenance	756	1,285	250
Rentals & Leases	5,088	3,652	2,873
Utilities & Communication	33,640	28,195	26,202
Services	577,572	580,409	437,104
Supplies, Materials & Operating Expense	190,251	198,685	163,721
Transportation Equipment Operations	17,916	25,652	17,185
Depreciation Expense	50,127	52,264	53,429
Total Administration	2,659,787	2,567,492	2,236,931
Total Operating Expenses	37,372,147	75,923,694	31,746,499
Operating Income (Loss)	2,371,431	(40,609,519)	(1,180,015)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	4,599,579	5,443,921	6,165,238
Other Income	848,201	901,519	1,069,817
Investment Expenses	(523,121)	(364,775)	(301,034)
Total Nonoperating Revenues (Expenses)	4,924,659	5,980,665	6,934,021
Income (Loss) Before Contributions and Transfers	7,296,090	(34,628,854)	5,754,006
Transfers Out - State Personnel	(6,520)	(6,050)	(6,281)
Increase (Decrease) in Net Assets	7,289,570	(34,634,904)	5,747,725
Total Net Assets, October 1, As Restated	73,924,812	94,667,709	88,649,999
Total Net Assets, September 30	\$ 81,214,382	\$ 60,050,242	\$ 94,327,231

STATE INSURANCE FUND NOTES TO FINANCIAL STATEMENTS

The State Insurance Fund (SIF) was established in 1923 and is under 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. Salvage value coverage, used on property that is normally uninsurable, is determined by applying eight percent of the property's reconstruction value. 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 and a \$3,500,000 specific loss deductible for all perils except wind, and a \$20,000,000 specific loss deductible for wind losses. Excess insurance covers claims exceeding the deductible with a \$200,000,000 limit for named wind storms and a \$1,500,000,000 limit for all other perils. Second event wind coverage for \$19,000,000 in excess of \$1,000,000 is purchased to provide additional protection for the SIF. Payments received in fiscal years 2014 and 2013 for settlements in excess of deductibles total \$15,304,866 and \$0 respectively.

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

	September 30,	
	2014	2013
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 17,862,426	\$ 11,491,552
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	11,500,000	30,709,983
Increase (Decrease) in provision for insured events of prior years	(1,149,557)	16,379,345
Total incurred claims and adjustment expenses	10,350,443	47,089,328
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(3,823,239)	(16,000,360)
Claims and adjustment expenses attributable to insured events of prior years	(10,524,600)	(24,252,734)
Total payments	(14,347,839)	(40,253,094)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 13,865,030	\$ 18,327,786

**STATE INSURANCE FUND
INVESTMENT NOTES**

	September 30,		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Investments			
Money Market	\$ 3,881,877	\$ 4,603,967	(15.7)
Commercial Paper	-	-	-
Time Deposits	22,170,046	25,730,040	(13.8)
US Treasury Securities	2,079,745	1,588,586	30.9
US Agency Securities	2,201,198	3,058,085	(28.0)
State & Local Gov Securities	269,637	494,301	(45.5)
Mortgage Backed Securities	21,876	27,785	(21.3)
Domestic Corporate Stocks	25,991,785	24,658,054	5.4
Domestic Corporate Bonds	4,152,680	15,858,408	(73.8)
International Stocks	289,920	165,671	75.0
Mutual Funds	3,360,791	3,358,107	0.1
Investment Not Otherwise Classified	<u>504,207.44</u>	<u>-</u>	<u>-</u>
	64,923,762	79,543,004	(18.4)
Real Estate Investments	<u>9,751,691</u>	<u>10,386,096</u>	<u>(6.1)</u>
Total Investments	<u><u>\$ 74,675,453</u></u>	<u><u>\$ 89,929,100</u></u>	<u><u>(17.0)</u></u>
Investment Income			
Interest Income	\$ 960,195	\$ 1,315,447	(27.0)
Change in Fair Value of Investments	891,494	2,505,942	(64.4)
Gain(Loss) on Sale of Investments	1,601,739	495,788	223.1
Stock Dividends	658,357	641,831	2.6
Amortization/Depr Income	(666,399)	(670,195)	(0.6)
Rental Income	<u>1,154,193</u>	<u>1,155,108</u>	<u>(0.1)</u>
Total Investment Income	<u><u>\$ 4,599,579</u></u>	<u><u>\$ 5,443,921</u></u>	<u><u>(15.5)</u></u>

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

Fiscal Year	Fund Equity	Net Revenue		Underwriting Net Revenue		Investment Net Revenue	
2014	81,214,382	7,289,570	9.0%	2,364,911	2.9%	4,076,458	5.0%
2013	60,050,242	(34,634,904)	-57.7%	(40,615,569)	-67.6%	5,079,146	8.5%
2012	94,327,231	5,747,725	6.1%	(1,186,296)	-1.3%	5,861,204	6.2%
2011	88,292,970	(9,668,933)	-11.0%	(11,652,521)	-13.2%	1,126,063	1.3%
2010	98,155,070	3,225,462	3.3%	(695,277)	-0.7%	3,021,018	3.1%
2009	94,994,097	(1,881,383)	-2.0%	(3,191,872)	-3.4%	(236,263)	-0.2%
2008	97,066,369	35,833,917	36.9%	35,224,669	36.3%	(112,914)	-0.1%
2007	95,934,998	(15,385,426)	-16.0%	(23,827,475)	-24.8%	7,117,257	7.4%
2006	85,128,007	(14,296,962)	-16.8%	(20,822,082)	-24.5%	5,215,709	6.1%
2005	89,697,124	2,880,592	3.2%	(4,558,757)	-5.1%	6,597,855	7.4%
Average Return On Equity		1.5%		-3.7%		4.0%	

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

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Earned Premium	\$ 39,743,578	\$ 35,314,175	\$ 30,566,484	\$ 28,998,551	\$ 29,231,612
Less Reinsurance Cost	<u>24,152,880</u>	<u>26,115,252</u>	<u>20,834,084</u>	<u>16,624,602</u>	<u>16,803,212</u>
Net Premium	<u>\$ 15,590,698</u>	<u>\$ 9,198,923</u>	<u>\$ 9,732,400</u>	<u>\$ 12,373,949</u>	<u>\$ 12,428,400</u>
Claims and Expenses Paid	\$ 14,347,839	\$ 40,253,094	\$ 11,530,413	\$ 16,955,189	\$ 12,552,356
Claims and Expenses Unpaid	(5,204,070)	7,659,570	(1,794,446)	4,600,749	(1,983,630)
Loss Incurred But Not Reported	<u>1,206,674</u>	<u>(823,336)</u>	<u>(1,290,615)</u>	<u>(115,754)</u>	<u>(226,349)</u>
Net Losses	<u>\$ 10,350,443</u>	<u>\$ 47,089,328</u>	<u>\$ 8,445,352</u>	<u>\$ 21,440,184</u>	<u>\$ 10,342,377</u>
Loss Ratio	66.4%	511.9%	86.8%	173.3%	83.2%

*Loss Ratio = Net Losses divided by Net Premium

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

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
UNDERWRITING REVENUES:										
Earned Premium	\$ 39,743,578	\$ 35,314,175	\$ 30,566,484	\$ 28,998,551	\$ 29,231,612	\$ 32,662,515	\$ 31,948,049	\$ 24,080,167	\$ 22,892,071	\$ 21,110,177
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	14,347,839	40,253,094	11,530,413	16,955,189	12,552,356	11,463,188	15,945,572	26,232,909	29,920,695	12,130,803
Claims and Expenses Unpaid	(5,204,070)	7,659,570	(1,794,446)	4,600,749	(1,983,630)	4,973,747	(38,849,241)	5,827,009	1,682,262	7,287,315
IBNR Expenses	1,206,674	(823,336)	(1,290,615)	(115,754)	(226,349)	(543,284)	344,707	(603,521)	(424,750)	(3,745,955)
Net Claims	10,350,443	47,089,329	8,445,352	21,440,184	10,342,377	15,893,651	(22,558,962)	31,256,397	31,178,207	15,672,163
Reinsurance Premium	24,152,880	26,115,252	20,834,084	16,624,602	16,803,212	17,021,507	16,582,458	15,066,930	11,097,719	8,866,003
Actuarial Services	154,987	120,963	202,645	151,436	65,305	84,475	15,576	46,413	28,917	13,250
Appraisal Services	-	-	-	63,990	265,085	525,570	619,960	-	-	-
Program Consultants	-	30,659	27,487	26,647	29,151	23,319	93,888	43,697	7,857	-
Supplies-Software	-	-	-	-	-	-	-	33,433	-	-
Interest Expense	54,050	-	-	-	-	-	-	-	-	-
Administrative Expenses	2,666,307	2,573,542	2,243,212	2,344,213	2,421,759	2,305,865	1,970,460	1,460,772	1,401,453	1,117,518
Total Underwriting Expense	37,378,667	75,929,745	31,752,780	40,651,072	29,926,889	35,854,387	(3,276,620)	47,907,642	43,714,153	25,668,934
Net Underwriting Revenues	2,364,911	(40,615,570)	(1,186,296)	(11,652,521)	(695,277)	(3,191,872)	35,224,669	(23,827,475)	(20,822,082)	(4,558,757)
OTHER REVENUES:										
Investment Income	4,599,579	5,443,921	6,165,238	1,402,855	3,257,146	97,536	(442,905)	7,544,754	5,789,560	6,901,808
Other Income	848,201	901,519	1,069,817	887,525	899,721	1,546,752	1,382,144	1,324,792	1,309,411	841,494
Total Other Revenues	5,447,780	6,345,440	7,235,055	2,290,380	4,156,867	1,644,288	939,239	8,869,546	7,098,971	7,743,302
OTHER EXPENSES:										
Investment Expenses	523,121	364,775	301,034	276,792	236,128	333,799	329,991	427,497	573,851	303,953
Total Other Expenses	523,121	364,775	301,034	276,792	236,128	333,799	329,991	427,497	573,851	303,953
Net Other Revenues	4,924,659	5,980,665	6,934,021	1,983,588	3,920,739	1,310,489	609,248	8,442,049	6,525,120	7,439,349
NET REVENUES	\$ 7,289,570	\$ (34,634,905)	\$ 5,747,725	\$ (9,668,933)	\$ 3,225,462	\$ (1,881,383)	\$ 35,833,917	\$ (15,385,426)	\$ (14,296,962)	\$ 2,880,592

**State of Alabama
State Insurance Fund
Ten Year Loss Development**

The following table illustrates how the State Insurance Fund's (Fund) earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the previous ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue, amounts of premiums ceded, and reported premiums (net of reinsurance) and reported investment revenue. (2) This line shows each fiscal year's other operating costs of the Fund including overhead and loss adjustment expenses not allocable to individual claims. (3) This line shows the Fund's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year). (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each accident year. (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each accident year. (6) This section of ten rows shows how each accident year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergency of new losses not previously known.) (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally estimated. As data for individual accident years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years.

	Fiscal and Accident Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Premiums and investment revenue:										
Earned	\$28,011,985	\$28,681,631	\$31,624,921	\$31,505,144	\$32,760,051	\$32,488,658	\$30,401,406	\$36,731,722	\$40,758,096	\$44,343,156
Ceded	8,866,003	11,097,719	15,066,930	16,582,458	17,021,507	16,803,212	16,624,602	20,834,084	26,115,252	24,152,880
Net Earned	19,145,982	17,583,912	16,557,991	14,922,686	15,738,544	15,685,446	13,776,804	15,897,638	14,642,844	20,190,276
2. Unallocated expenses	1,434,721	2,012,079	2,011,812	3,029,874	3,273,028	3,009,975	2,863,078	2,774,378	3,089,939	3,375,456
3. Estimated losses and expenses, end of accident year:										
Incurred	15,806,047	17,978,395	34,750,795	9,843,167	15,974,858	17,531,067	113,642,633	38,861,612	33,467,018	11,500,000
Ceded	990,374	89,424	23,972,792	-	-	5,781,067	91,228,189	28,359,154	2,757,035	-
Net incurred	14,815,673	17,888,971	10,778,003	9,843,167	15,974,858	11,750,000	22,414,444	10,502,458	30,709,983	11,500,000
4. Net paid (cumulative) as of:										
End of accident year	2,229,160	6,244,752	4,616,761	2,840,393	5,134,855	6,493,216	9,192,688	3,842,095	16,000,360	3,823,239
One year later	10,067,705	12,391,469	14,467,870	6,256,552	11,681,390	10,177,985	16,880,437	22,702,692	26,555,352	
Two years later	12,021,218	14,930,417	15,892,504	6,613,211	14,306,765	10,241,179	22,069,924	4,350,548		
Three years later	12,137,602	14,976,699	16,159,863	6,710,410	14,310,211	10,858,760	21,604,255			
Four years later	12,095,726	15,160,229	16,159,438	6,749,906	14,312,273	10,857,671				
Five years later	12,093,526	15,158,793	16,158,466	6,749,906	14,312,273					
Six years later	12,091,326	15,158,792	16,157,689	6,749,906						
Seven years later	12,089,126	15,158,793	16,156,527							
Eight years later	12,087,126	15,158,792								
Nine years later	12,084,926									
5. Reestimated ceded losses and expenses	15,667,844	87,300	16,293,046	-	-	2,928,580	72,691,346	20,604,276	1,215,289	-
6. Reestimated net incurred losses and expenses:										
End of accident year	14,815,673	17,888,971	10,778,003	9,843,167	15,974,858	11,750,000	22,414,444	10,502,458	30,709,983	11,500,000
One year later	13,800,922	16,170,317	16,661,283	7,534,616	14,850,000	10,750,000	21,000,000	32,434,640	29,711,248	
Two years later	13,247,344	15,133,071	16,119,961	7,239,999	14,605,689	10,883,007	22,900,000	11,044,723		
Three years later	12,291,649	15,160,229	16,159,863	7,072,120	14,527,550	10,858,760	22,062,092			
Four years later	12,095,726	15,160,229	16,159,438	6,749,906	14,312,273	10,857,671				
Five years later	12,093,526	15,158,793	16,158,466	6,749,906	14,312,273					
Six years later	12,091,326	15,158,792	16,157,689	6,749,906						
Seven years later	12,089,126	15,158,793	16,156,527							
Eight years later	12,087,126	15,158,792								
Nine years later	12,084,926									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(2,730,747)	(2,730,179)	5,378,524	(3,093,261)	(1,662,585)	(892,329)	(352,352)	542,265	(998,735)	-

**GENERAL LIABILITY TRUST FUND
STATEMENT OF NET ASSETS
UNAUDITED
SEPTEMBER 30, 2014**

ASSETS	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Current Assets			
Cash and Cash Equivalent	\$ 5,833,972	\$ 1,545,845	\$ 1,812,799
Cash - Outside Bank Account	16,338,302	15,230,515	1,436,602
Investments (Fair Value)	1,428,141	1,418,341	31,201,478
Interfund Vouchers Receivable	-	1,870	-
Accounts Receivable	-	-	979,002
Accrued Interest Receivable	-	-	6,012
Prepaid Insurance	-	-	-
Total Current Assets	23,600,415	18,196,571	35,435,893
Noncurrent Assets			
Investments (Fair Value)	15,185,817	16,293,226	5,901,218
Advance to Other Funds - LT	10,000,000	10,000,000	-
Accounts Receivable	-	-	18,143
Accrued Interest Receivable	103,023	98,444	94,218
Total Noncurrent Assets	25,288,840	26,391,670	6,013,579
TOTAL ASSETS	48,889,255	44,588,241	41,449,472
LIABILITIES			
Current Liabilities			
Vouchers Payable	53,245	82,983	60,771
Due To Other Funds	46	-	-
Unpaid Claims & Expenses	2,288,348	2,354,603	2,384,415
Total Current Liabilities	2,341,639	2,437,586	2,445,186
Long-term Liabilities			
Unpaid Claims & Expenses - LT	6,187,016	7,882,800	7,982,606
Estimated Recovery of Reserves	-	-	-
Claims Incurred But Not Reported	16,939,553	16,908,470	17,283,140
Total Long-term Liabilities	23,126,569	24,791,270	25,265,746
Total Liabilities	25,468,208	27,228,856	27,710,932
NET ASSETS			
Reserve for Encumbrances	962,709	249,858	284,833
Unrestricted	22,458,338	17,109,527	13,453,707
TOTAL NET ASSETS	\$ 23,421,047	\$ 17,359,385	\$ 13,738,540

**GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES			
Earned Premiums	\$ 8,228,228	\$ 8,550,756	\$ 9,117,114
Total Operating Revenues	8,228,228	8,550,756	9,117,114
 OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	1,043,870	4,021,517	7,599,106
Incurred But Not Reported Expense	31,083	(374,670)	(2,147,336)
Actuarial Services	15,521	12,769	15,163
Program Consultants	-	7,188	3,927
Reinsurance Expense	555,000	465,000	3,517,217
Total Operations	1,645,474	4,131,804	8,988,077
Administration:			
Personnel Costs	485,069	440,701	380,916
Employee Benefits	152,627	132,880	116,765
Travel - In State	-	-	-
Travel - Out of State	-	-	-
Repair & Maintenance	335	545	-
Rentals & Leases	5,464	4,629	4,473
Utilities & Communication	2,642	2,652	2,394
Services	174,606	153,833	128,360
Supplies, Materials & Operating Expense	49,159	77,040	61,294
Transportation Equipment Operations	-	-	-
Total Administration	869,902	812,280	694,202
 Total Operating Expenses	2,515,376	4,944,084	9,682,279
 Operating Income (Loss)	5,712,852	3,606,672	(565,165)
 NONOPERATING REVENUES (EXPENSES)			
Investment Income	323,427	9,040	415,231
Other Income	-	-	96
Investment Expenses	(4,121)	-	(63)
Total Nonoperating Revenues (Expenses)	319,306	9,040	415,264
 Income (Loss) Before Contributions and Transfers	6,032,158	3,615,712	(149,901)
Transfers Out - State Personnel	(2,371)	(1,590)	(1,593)
 Increase (Decrease) in Net Assets	6,029,787	3,614,122	(151,494)
Total Net Assets, October 1, As Restated	17,391,260	13,722,468	13,847,571
 Total Net Assets, September 30	\$ 23,421,047	\$ 17,359,385	\$ 13,738,540

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 reinsured 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 procured effective January 15, 2011. The coverage will aggregate paid losses in excess of \$500,000 per claim. When these losses exceed \$3,000,000 in a policy year, claims in excess of the \$500,000 deductible will be reimbursed up to a maximum recovery of \$10,000,000 in any policy year. Payments received in fiscal years 2014, 2013, and 2012 for settlements in excess of deductibles for old claims (prior to April 2002) totaled \$0, \$979,002 and \$0, respectively.

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

	September 30,	
	<u>2014</u>	<u>2013</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 27,145,873	\$ 27,650,161
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	6,663,790	7,000,000
Increase (Decrease) in provision for insured events of prior years	(5,588,837)	(3,353,153)
Total incurred claims and adjustment expenses	1,074,953	3,646,847
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(600,000)	(604,465)
Claims and adjustment expenses attributable to insured events of prior years	(2,205,909)	(3,546,670)
Total payments	(2,805,909)	(4,151,135)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 25,414,917	\$ 27,145,873

**GENERAL LIABILITY TRUST FUND
INVESTMENT NOTES**

	September 30,		<u>% Change</u>
	<u>2014</u>	<u>2013</u>	
Investments			
Money Market Funds	\$ 1,428,141	\$ 1,418,341	0.7
Commercial Paper	-	-	-
US Treasury Securities	293,418	297,260	(1.3)
Mortgage Backed Securities	16,826	26,806	(37.2)
Domestic Corporate Bonds	<u>14,875,573</u>	<u>15,969,160</u>	(6.8)
Total Investments	<u>\$ 16,613,958</u>	<u>\$ 17,711,567</u>	(6.2)
 Investment Income			
Interest Income	\$ 412,276	\$ 337,671	22.1
Change in Fair Value of Investments	75,361	(242,171)	(131.1)
Gain(Loss)on Sale of Investments	<u>(164,210)</u>	<u>(86,460)</u>	89.9
Total Investment Income	<u>\$ 323,427</u>	<u>\$ 9,040</u>	3,477.7

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

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 8,228,228	\$ 8,550,756	\$ 9,117,114	\$ 14,081,440	\$ 13,286,552	\$ 13,452,191	\$ 13,537,260	\$ 12,590,391	\$ 9,226,426	\$ 8,876,441
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	2,805,909	4,151,135	6,348,516	8,284,923	4,305,162	7,659,525	6,401,802	7,997,593	9,238,380	9,736,438
Claims and Expenses Unpaid	(1,762,039)	(129,618)	1,250,590	(927,459)	1,885,098	(2,032,005)	(643,542)	(1,301,463)	(4,513,421)	1,591,690
IBNR Expenses	31,083	(374,670)	(2,147,336)	(252,266)	(879,202)	3,336,687	1,345,152	(3,160,995)	3,413,026	3,711,003
Net Claims	1,074,953	3,646,847	5,451,770	7,105,198	5,311,058	8,964,207	7,103,412	3,535,135	8,137,985	15,039,131
Reinsurance Premium	555,000	465,000	3,517,217	3,858,871	3,276,588	3,249,806	1,897,004	3,915,990	3,723,333	2,876,805
Actuarial Services	15,521	12,769	15,163	16,689	13,801	12,708	13,683	13,494	13,313	11,000
Program Consultants	-	7,188	3,927	3,807	4,165	3,331	16,237	29,622	18,417	-
Interest Expense	-	-	-	-	-	-	15,000	45,000	-	-
Administrative Expenses	872,273	813,870	695,795	688,464	621,858	693,374	781,799	825,075	698,461	591,506
Total Underwriting Expenses	2,517,747	4,945,674	9,683,872	11,673,029	9,227,470	12,923,426	9,827,135	8,364,316	12,591,509	18,518,442
Net Underwriting Revenues	5,710,481	3,605,082	(566,758)	2,408,411	4,059,082	528,765	3,710,125	4,226,075	(3,365,083)	(9,642,001)
OTHER REVENUES:										
Investment Income	323,427	9,040	415,231	231,178	478,624	754,184	1,315,627	1,007,298	1,037,055	1,158,129
Other Income	-	-	96	480	6,048	-	5,446	250,464	3,387	1,935,522
Total Other Revenues	323,427	9,040	415,327	231,658	484,672	754,184	1,321,073	1,257,762	1,040,442	3,093,651
OTHER EXPENSES:										
Investment Expenses	4,121	-	63	221	-	-	-	-	-	-
	4,121	-	63	221	-	-	-	-	-	-
NET REVENUES	\$ 6,029,787	\$ 3,614,122	\$ (151,494)	\$ 2,639,848	\$ 4,543,754	\$ 1,282,949	\$ 5,031,198	\$ 5,483,837	\$ (2,324,641)	\$ (6,548,350)

**EDUCATORS LIABILITY TRUST FUND
STATEMENT OF NET ASSETS
UNAUDITED
SEPTEMBER 30, 2014**

ASSETS	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Current Assets			
Cash and Cash Equivalent	\$ 4,812,633	\$ 481,451	\$ -
Accounts Receivable	-	-	-
Total Current Assets	<u>4,812,633</u>	<u>481,451</u>	<u>-</u>
TOTAL ASSETS	4,812,633	481,451	-
LIABILITIES			
Current Liabilities			
Vouchers Payable	14,090	2,585	-
Unpaid Claims & Expenses	-	-	-
Total Current Liabilities	<u>14,090</u>	<u>2,585</u>	<u>-</u>
Long-term Liabilities			
Unpaid Claims & Expenses - LT	220,522	-	-
Claims Incurred But Not Reported	3,970,079	400,000	-
Total Long-term Liabilities	<u>4,190,601</u>	<u>400,000</u>	<u>-</u>
Total Liabilities	4,204,691	402,585	-
NET ASSETS			
Reserve for Encumbrances	1,642,149	68,520	-
Unrestricted	(1,034,207)	10,346	-
TOTAL NET ASSETS	<u>\$ 607,942</u>	<u>\$ 78,866</u>	<u>\$ -</u>

**EDUCATORS LIABILITY TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES			
Earned Premiums	\$ 4,500,000	\$ 500,000	\$ -
Total Operating Revenues	4,500,000	500,000	-
 OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	250,444	-	-
Incurred But Not Reported Expense	3,570,079	400,000	-
Actuarial Services	8,473	1,980	-
Program Consultants	-	-	-
Total Operations	3,828,996	401,980	-
Administration:			
Personnel Costs	83,007	12,986	-
Employee Benefits	42,589	6,168	-
Travel - In State	11	-	-
Travel - Out of State	-	-	-
Repair & Maintenance	-	-	-
Rentals & Leases	-	-	-
Utilities & Communication	1,934	-	-
Services	2,176	-	-
Supplies, Materials & Operating Expense	10,320	-	-
Transportation Equipment Operations	45	-	-
Total Administration	140,082	19,154	-
Total Operating Expenses	3,969,078	421,134	-
 Operating Income (Loss)	530,922	78,866	-
 Income (Loss) Before Contributions and Transfers	530,922	78,866	-
Transfers Out - State Personnel	-	-	-
 Increase (Decrease) in Net Assets	530,922	78,866	-
Total Net Assets, October 1, As Restated	<u>77,020</u>	-	-
 Total Net Assets, September 30	\$ 607,942	\$ 78,866	\$ -

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

The Educators Liability Trust Fund (ELTF) was established in 2013 to protect employees of K-12 school boards from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of their education employment. Claims are investigated and defended through the Division of Risk Management. The ELTF is managed much like a commercial insurance company. Premiums received by the fund are set for each fiscal year by the legislature. Over time the funds received in excess of those needed for immediate operations will be invested to maximize return and keep the premium needed for the continuation of the fund to a minimum.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported.

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

	September 30,	
	<u>2014</u>	<u>2013</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 400,000	\$ -
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	3,820,522	400,000
Increase (Decrease) in provision for insured events of prior years	<u>-</u>	<u>-</u>
Total incurred claims and adjustment expenses	3,820,522	400,000
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(8,149)	-
Claims and adjustment expenses attributable to insured events of prior years	<u>(21,772)</u>	<u>-</u>
Total payments	(29,921)	-
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 4,190,601</u>	<u>\$ 400,000</u>

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

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 4,500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	29,921	-	-	-	-	-	-	-	-	-
Claims and Expenses Unpaid	220,522	-	-	-	-	-	-	-	-	-
IBNR Expenses	3,570,079	400,000	-	-	-	-	-	-	-	-
Net Claims	3,820,522	400,000	-	-	-	-	-	-	-	-
Actuarial Services	8,473	1,980	-	-	-	-	-	-	-	-
Program Consultants	-	-	-	-	-	-	-	-	-	-
Administrative Expenses	140,083	19,154	-	-	-	-	-	-	-	-
Total Underwriting Expenses	3,969,078	421,134	-	-	-	-	-	-	-	-
Net Underwriting Revenues	530,922	78,866	-	-	-	-	-	-	-	-
NET REVENUES	\$ 530,922	\$ 78,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF NET ASSETS
UNAUDITED
SEPTEMBER 30, 2014

ASSETS	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Current Assets			
Cash and Cash Equivalent	\$ 2,585,960	\$ 906,919	\$ 941,857
Cash - Outside Bank Account	16,180,881	7,983,438	3,143,234
Cash - In Transit	-	-	-
Investments (Fair Value)	1,194,100	1,184,494	24,262,593
Accounts Receivable	-	-	373,433
Due From Other Funds	-	-	-
Accrued Interest Receivable	367,574	338,977	5,470
Prepaid Expense	-	-	-
Total Current Assets	20,328,515	10,413,828	28,726,587
Noncurrent Assets			
Investments (Fair Value)	16,612,378	17,805,782	5,862,120
Advance to Other Funds	-	7,200,000	-
Accrued Interest Receivable	76,330	116,459	44,577
Total Noncurrent Assets	16,688,708	25,122,241	5,906,697
TOTAL ASSETS	37,017,223	35,536,069	34,633,284
LIABILITIES			
Current Liabilities			
Vouchers Payable	511,323	780,076	351,604
Self-Insured Deposits	120,000	120,000	120,000
Unpaid Claims & Expenses	1,260,370	1,963,367	1,127,863
Total Current Liabilities	1,891,693	2,863,443	1,599,467
Long-term Liabilities			
Unpaid Claims & Expenses - LT	7,142,097	6,961,028	6,391,227
Claims Incurred But Not Reported	11,363,821	10,347,637	10,843,453
Total Long-term Liabilities	18,505,918	17,308,665	17,234,680
Total Liabilities	20,397,611	20,172,108	18,834,147
NET ASSETS			
Reserved for Encumbrances	1,262,243	2,146,089	2,002,278
Unrestricted	15,357,369	13,217,872	13,796,859
TOTAL NET ASSETS	\$ 16,619,612	\$ 15,363,961	\$ 15,799,137

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES			
Earned Premiums	\$ 6,921,659	\$ 7,353,662	\$ 7,745,888
Earned Premiums - EAP	225,870	223,485	231,919
Administrative Fees - Self Insured Agencies	<u>232,085</u>	<u>290,220</u>	<u>283,435</u>
Total Operating Revenues	7,379,614	7,867,367	8,261,242
OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	2,535,811	5,985,931	2,421,660
Incurred But Not Reported Expense	1,016,184	(495,816)	(549,151)
Actuarial Services	11,400	28,635	26,213
Medical Services	152,599	186,249	248,336
Program Consultants	5,633	22,630	42,987
EAP Expenses	133,070	155,070	158,565
Other Non-Claim Operational Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations	3,854,697	5,882,699	2,348,610
Administration:			
Personnel Costs	1,585,800	1,670,443	1,590,084
Employee Benefits	583,816	583,134	553,350
Travel - In State	1,823	1,534	1,372
Travel - Out of State	-	-	-
Repair & Maintenance	314	1,114	119
Rentals & Leases	9,063	5,872	4,352
Utilities & Communication	16,004	22,804	20,892
Services	211,901	190,972	164,558
Supplies, Materials & Operating Expense	156,227	92,715	88,984
Transportation Equipment Operations	<u>1,437</u>	<u>1,180</u>	<u>1,050</u>
Total Administration	2,566,385	2,569,768	2,424,761
Total Operating Expenses	6,421,082	8,452,467	4,773,371
Operating Income (Loss)	958,532	(585,100)	3,487,871
NONOPERATING REVENUES (EXPENSES)			
Investment Income	304,348	8,351	513,494
Miscellaneous Fees	54,050	121	-
Court Ordered Settlements	-	-	90
Reimbursement Not Otherwise Classified	-	-	63
Investment Expense	<u>(4,776)</u>	<u>-</u>	<u>(63)</u>
Total Nonoperating Revenues (Expenses)	353,622	8,472	513,584
Income (Loss) Before Contributions and Transfers	1,312,154	(576,628)	4,001,455
Transfers Out - State Personnel	<u>(9,336)</u>	<u>(8,565)</u>	<u>(7,800)</u>
Increase (Decrease) in Net Assets	1,302,818	(585,193)	3,993,655
Total Net Assets, October 1, As Restated	<u>15,316,794</u>	<u>15,799,592</u>	<u>11,729,908</u>
Total Net Assets, September 30	\$ 16,619,612	\$ 15,363,961	\$ 15,799,137

**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.

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

	September 30,	
	<u>2014</u>	<u>2013</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 19,272,032	\$ 18,362,543
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	4,500,000	4,600,000
Increase (Decrease) in provision for insured events of prior years	<u>(948,005)</u>	<u>890,115</u>
Total incurred claims and adjustment expenses	3,551,995	5,490,115
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,286,465)	(1,429,341)
Claims and adjustment expenses attributable to insured events of prior years	<u>(1,771,274)</u>	<u>(3,151,285)</u>
Total payments	(3,057,739)	(4,580,626)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 19,766,288</u>	<u>\$ 19,272,032</u>

The Department of Transportation finances its own risk for state employee injury compensation. This table does not include the changes in claims liabilities for the Department of Transportation.

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
INVESTMENT NOTES**

	September 30,		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Investments			
Money Market Funds	\$ 1,194,100	\$ 1,184,494	0.8
Commercial Paper	-	-	-
US Treasury Securities Long Term	293,418	297,260	(1.3)
Domestic Corporate Bonds	<u>16,318,960</u>	<u>17,508,522</u>	(6.8)
Total Investments	<u>\$ 17,806,478</u>	<u>\$ 18,990,276</u>	(6.2)
Investment Income			
Interest Income	\$ 402,994	\$ 391,448	2.9
Change in Fair Value of Investments	(33,515)	(336,717)	(90.0)
Gain(Loss) on Sale of Investments	<u>(65,131)</u>	<u>(46,380)</u>	40.4
Total Investment Income	<u>\$ 304,348</u>	<u>\$ 8,351</u>	3,544.4

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
Underwriting Revenues and Expenses
Other Revenues and Expenses
Ten Year Income Summary

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
UNDERWRITING REVENUES:										
Earned Premiums	6,921,659	\$ 7,353,662	\$ 7,745,888	\$ 8,685,743	\$ 9,172,759	\$ 7,717,034	\$ 7,587,499	\$ 3,384,120	\$ 3,253,101	\$ 2,936,164
Earned Premiums - EAP	225,870	223,485	231,919	232,022	-	-	-	-	-	-
Administrative Fees - Self Insured Agencies	<u>232,085</u>	<u>290,220</u>	<u>283,435</u>	<u>309,488</u>	<u>315,152</u>	<u>316,015</u>	<u>308,530</u>	<u>1,248,844</u>	<u>1,266,809</u>	<u>1,384,356</u>
	7,379,614	7,867,367	8,261,242	9,227,253	9,487,911	8,033,049	7,896,029	4,632,964	4,519,910	4,320,520
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	3,057,739	4,580,626	3,801,395	4,035,964	4,558,230	3,929,439	6,757,163	691,505	2,365,646	(1,957,819)
Claims and Expenses Unpaid	(521,928)	1,405,305	(1,379,735)	(824,340)	(1,137,343)	1,292,376	2,820,984	(416,595)	748,010	2,317,106
IBNR Expenses	<u>1,016,184</u>	<u>(495,816)</u>	<u>(549,151)</u>	<u>1,667,627</u>	<u>2,119,918</u>	<u>(97,498)</u>	<u>1,536,267</u>	<u>(2,190,402)</u>	<u>(98,137)</u>	<u>(1,213,691)</u>
Net Claims	3,551,995	5,490,115	1,872,509	4,879,251	5,540,805	5,124,317	11,114,414	(1,915,492)	3,015,519	(854,404)
Reinsurance Premium	-	-	-	-	-	-	-	-	-	-
Actuarial Services	11,400	28,635	26,213	68,648	37,179	52,436	41,054	22,986	36,468	47,388
Medical Services	152,599	186,249	248,336	163,461	470,239	704,383	970,597	1,096,107	1,031,917	905,595
Program Consultants	5,633	22,630	42,987	272,292	70,069	6,662	11,662	9,118	1,525	-
EAP Expenses	133,070	155,070	158,565	189,132	224,940	-	-	-	-	-
Administrative Expenses	<u>2,575,721</u>	<u>2,578,333</u>	<u>2,432,561</u>	<u>2,384,574</u>	<u>2,300,694</u>	<u>2,248,590</u>	<u>1,927,346</u>	<u>1,529,687</u>	<u>1,199,884</u>	<u>1,175,745</u>
Total Underwriting Expenses	6,430,418	8,461,032	4,781,171	7,957,358	8,643,926	8,136,388	14,065,073	742,406	5,285,313	1,274,324
Net Underwriting Revenues	949,196	(593,665)	3,480,071	1,269,895	843,985	(103,339)	(6,169,044)	3,890,558	(765,403)	3,046,196
OTHER REVENUES:										
Investment Income	304,348	8,351	513,494	199,342	399,581	508,059	1,189,892	1,030,081	1,016,978	870,503
Other Income	<u>54,050</u>	<u>121</u>	<u>153</u>	<u>263</u>	<u>213</u>	<u>96</u>	<u>16,200</u>	<u>45,420</u>	-	<u>219,399</u>
Total Other Revenues	358,398	8,472	513,647	199,605	399,794	508,155	1,206,092	1,075,501	1,016,978	1,089,902
OTHER EXPENSES:										
Other Non-Claim Operational Expenses	-	-	-	-	397	-	4,110,184	628	350	915
Investment Expenses	<u>4,776</u>	-	<u>63</u>	<u>221</u>	-	-	-	-	-	-
	4,776	-	63	221	397	-	4,110,184	628	350	915
NET REVENUES	<u>\$ 1,302,818</u>	<u>\$ (585,193)</u>	<u>\$ 3,993,655</u>	<u>\$ 1,469,279</u>	<u>\$ 1,243,382</u>	<u>\$ 404,816</u>	<u>\$ (9,073,136)</u>	<u>\$ 4,965,431</u>	<u>\$ 251,225</u>	<u>\$ 4,135,183</u>

NOTES

STAFF

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ASSISTANT RISK MANAGER..... Kim Huggins

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Fran Lewis

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Thomas Davis
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Elizabeth Fralish
Robert Borth
Ronnie Daniels
Danny Dean
Chris Langston
Michael McCoy
Harper Pruett
Rusty Taylor
Sylvia Williams

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Dale Whittle
Casey Dunn
Regina Roughton
Amber Shaffer
Patsi Sims
Pamela Watkins
Heather Whorton

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Pam Bailey
Regina Chavez
Paula Cole
Jill Cowart
Gina Dismukes
Ife Dixon
April Emfinger
Marie Fussell
Gwendolyn Givens
Brandi Green
Kristi Griffith
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Georgia Ivey
Beth Ledbetter
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