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STATE OF ALABAMA
Department of Finance
Division of Risk Management

Comprehensive Annual Report
For the Fiscal Year Ended September 30, 2011



Robert Bentley
Governor

Marquita F. Davis, Ph.D.
Director of Finance

Ben M. Spillers
Risk Manager

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MESSAGE FROM THE RISK MANAGER

The 2011 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2011. 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 2011 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 2012.

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 Equipment Breakdown Coverage which is provided by Travelers Insurance Company.

The State Insurance Fund experienced its worse loss year in its history in FY 2011 when a catastrophic tornado outbreak occurred on April 27, 2011. Producing more than 550 claims from 215 locations, reserves quadrupled those of Hurricane Ivan in 2004. Tornadoes caused massive destruction to six K-12 schools, one community college and a state park and badly damaged additional structures at other multiple locations. The State Insurance Fund has excess insurance coverage which responds to occurrence claims exceeding \$3,500,000.00.



APRIL 27, 2011 TORNADO
ALBERTA ELEMENTARY, TUSCALOOSA, ALABAMA

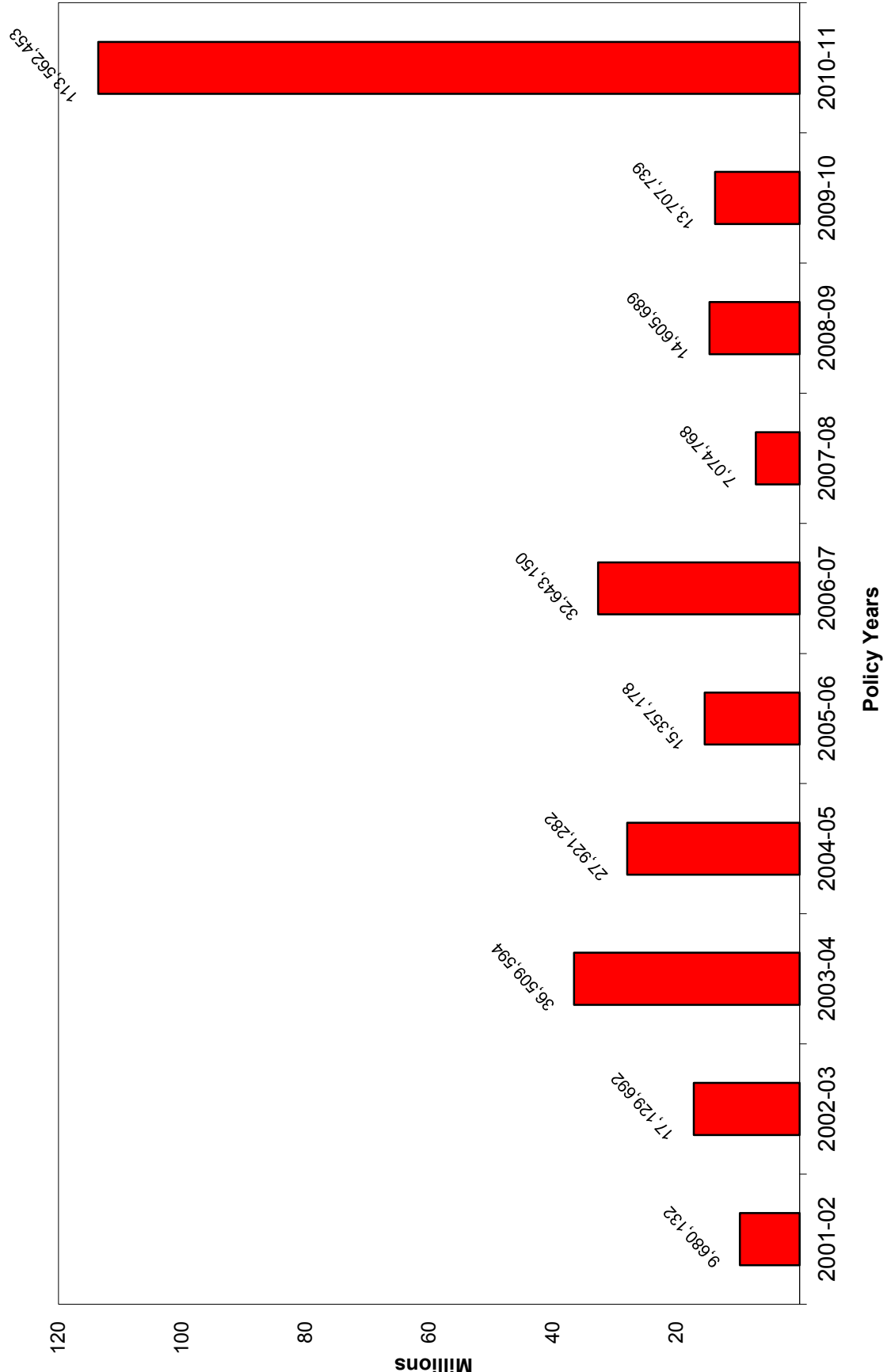
The SIF is on the right course and will continue its fundamental plan. We recognize the financial obligation arising from extraordinary growth in insured values. In 1995, we insured \$11.8 billion in values. Today, we insure over \$46 billion in values. This means our fund equity and financial structure 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
2011	46,963,653,217	375,996,648	0.80%
2010	46,587,656,569	1,730,246,082	3.71%
2009	44,857,410,487	2,889,032,251	6.44%
2008	41,968,378,236	9,654,273,107	23.00%
2007	32,314,105,129	3,085,136,998	9.55%
2006	29,228,968,131	2,413,818,467	8.26%
2005	26,815,149,664	1,042,030,042	3.89%
2004	25,773,119,622	1,273,757,518	4.94%

Property Claims Summary Table				
Incurred Losses as of September 30, 2011				
			Incurred Losses - FY 2011	
Perils	FY 2011	FY 2010	Amount	% of Total
Fire	33	29	\$ 3,221,581	2.84%
Lightning	319	304	\$ 2,055,117	1.81%
Wind	752	127	\$ 98,571,764	86.80%
Burglary	169	139	\$ 1,581,903	1.39%
Vandalism	24	15	\$ 217,536	0.19%
Hail	93	22	\$ 1,857,991	1.64%
Vehicle	19	7	\$ 32,942	0.03%
Water	79	66	\$ 2,716,631	2.39%
Freeze	2	17	\$ 101,113	0.09%
Collapse	19	5	\$ 2,460,773	2.17%
Other	65	16	\$ 745,102	0.66%
Totals	1,574	747	\$ 113,562,453	100%

Claims Summary					
	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Claims Handled	1574	747	990	828	593
Outside Adjusted	1198	421	618	479	343
Inside Adjusted	376	326	372	349	250
Average Claim Size	\$ 27,701**	\$ 22,936	\$ 15,555	\$ 10,611	\$ 20,184*
*Removed Enterprise tornado for averaging purposes.					
**Removed 4-27-2011 tornado for averaging purposes.					

HISTORY OF PROPERTY LOSS 2001-2011



GENERAL LIABILITY TRUST FUND

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

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

EMPLOYEE AUTOMOBILE LIABILITY

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

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

Auto Exposure Table

Number of Vehicles Insured

Class	Description	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
001	Private Passenger	2,002	1,998	2,003	2,076	2,020
002	Pickups & Vans	3,780	3,710	3,705	3,677	3,697
003	Trucks & Tractors	1,534	1,512	1,539	1,505	1,541
004	Law Enforcement	1,120	1,146	1,080	978	909
005	Buses	360	367	376	388	429
006	Motorcycle	28	22	21	20	6
	Total Vehicles	8,824	8,755	8,724	8,644	8,602

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 2011:

- 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.
- Subrogation recoveries exceeded \$116,000.00
- A 24 hour emergency phone line was utilized for the convenience of State agencies operating outside normal business hours.

Claims Frequency

	2011	2010	2009	2008
Indemnity	266	282	247	239
Medical Only	1,931	1,941	2,109	2,051
Incident Only	995	1,070	1,115	1,234
Total # of Claims	3,192	3,293	3,471	3,524

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 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 5,000 boilers and other items of pressurized equipment were inspected during 2011. 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 33,344 employees and their family members.

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

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-11

- There were 575 total cases of treatment for a total of 1,291 counseling sessions.
- Females represented 67% of clients and males 33%.
- Family members of employees represented 21% and employees represented 79% of our total participation.
- Emotional stress related problems were the most frequent primary issue for clients (39%), followed by relational issues (25%), depressive disorders (15%), anxiety/panic issues (12%), and other issues 9%.
- 79% of participants were self-referred, 9% were supervisor referred, 7% were family recommended, and 5% was due to promotional material and others sources.
- 94% of participants were seen by a counselor, 5% by a psychologist, and 1% by other.
- 43% of participants were age 41-60, 26% were 31-40, and 15% were 21-30.
- We provided 20 training sessions covering a wide variety of topics for our employees, three CISD (Critical Incident Stress Debriefing) and grief support sessions, and participated in three health fair/fitness day events.

THE ALABAMA EQUIPMENT MAINTENANCE PROGRAM (EMP)

The Alabama Equipment Maintenance Program (EMP) allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program. By replacing existing service agreements with this program, agencies will gain a programmatic solution that delivers significant cost 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 2011 savings were \$1,142,846.

STATE INSURANCE FUND
STATEMENT OF NET ASSETS
 UNAUDITED
 As of September 30, 2011

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 6,113,515	\$ 1,279,309	\$ 653,656
Cash - Outside Bank Account	4,357,633	1,013,307	38,334,841
Cash - In Transit / Board	3,982	583	1,701
Investments (Fair Value)	30,833,842	15,833,694	8,621,292
Accounts Receivable	11,934	103,463	44,769
Advances to Other Funds	844,961	698,494	712,705
Accounts Receivable - Reinsurance Recoveries	-	-	-
Accrued Interest Receivable	111,840	68,447	91,837
Prepaid Insurance	7,761,982	8,544,000	8,188,807
Total Current Assets	50,039,689	27,541,297	56,649,608
Noncurrent Assets			
Investments (Fair Value)	50,976,191	55,386,054	32,259,379
Investments - Real Estate	9,706,881	10,251,008	5,128,119
Advances to Other Funds - LT	12,676,854	10,168,496	10,799,248
Accounts Receivable - Reinsurance Recoveries - LT	-	-	-
Construction in Progress	1,822,982	5,138,953	2,424,250
Fixed Assets (Net)	94,199	162,168	179,974
Total Noncurrent Assets	75,277,107	81,106,679	50,790,970
Total Assets	125,316,796	108,647,976	107,440,578
LIABILITIES			
Current Liabilities			
Vouchers Payable	175,519	401,288	144,884
Unpaid Claims & Expenses	10,017,627	6,751,095	7,929,628
Total Current Liabilities	10,193,146	7,152,383	8,074,512
Long-term Liabilities			
Unpaid Claims & Expenses - LT	67,625,944	6,538,557	3,790,044
Reinsurance Advance Payment	22,271,694	-	-
Estimated Recovery of Reserves	(63,534,237)	(3,781,067)	(227,457)
Claims Incurred But Not Reported	467,279	583,033	809,382
Total Long-term Liabilities	26,830,680	3,340,523	4,371,969
Total Liabilities	37,023,826	10,492,906	12,446,481
NET ASSETS			
Investment in Capital Assets	1,917,181	5,301,121	2,604,224
Reserved for Encumbrances	940,252	1,573,427	2,025,255
Unrestricted	85,435,537	91,280,522	90,364,618
TOTAL NET ASSETS	\$ 88,292,970	\$ 98,155,070	\$ 94,994,097

STATE INSURANCE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
For the Year Ended September 30, 2011

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
OPERATING REVENUES			
Earned Premiums	\$ 28,998,551	\$ 29,231,612	\$ 32,662,515
Subrogation Recoveries	-	-	-
Total Operating Revenues	<u>28,998,551</u>	<u>29,231,612</u>	<u>32,662,515</u>
OPERATING EXPENSES			
Operation:			
Loss and Adjustment Expenses	21,555,938	10,568,726	16,436,935
Incurred But Not Reported Expense	(115,754)	(226,349)	(543,284)
Actuarial Services	151,436	65,305	84,475
Appraisal Services	63,990	265,085	525,570
Program Consultants	26,647	29,151	23,319
Reinsurance Expense	<u>16,624,602</u>	<u>16,803,212</u>	<u>17,021,507</u>
Total Operations	38,306,859	27,505,130	33,548,522
Administration:			
Personnel Cost	1,223,081	1,155,699	1,083,557
Employee Benefits	407,457	441,039	383,860
Travel - In State	43,830	50,511	52,493
Travel - Out of State	735	3,744	6,287
Repairs & Maintenance	-	2,206	1,524
Rentals & Leases	3,055	6,813	6,320
Utilities & Communication	25,405	23,543	24,879
Services	355,387	456,798	468,038
Supplies, Materials & Operating Expense	174,448	164,474	174,874
Transportation Equipment Operations	23,764	20,629	21,628
Noninventoriable Equipment	-	7,453	-
Depreciation Expense	<u>80,507</u>	<u>83,214</u>	<u>77,762</u>
Total Administration	2,337,669	2,416,123	2,301,222
Total Operating Expenses	40,644,528	29,921,253	35,849,744
Operating Income (Loss)	(11,645,977)	(689,641)	(3,187,229)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	1,402,855	3,257,146	97,536
Other Income	857,525	899,721	1,496,452
Prior Year Refund	-	-	50,300
Investment Expenses	<u>(276,792)</u>	<u>(236,128)</u>	<u>(333,799)</u>
Total Nonoperating Revenues (Expenses)	1,983,588	3,920,739	1,310,489
Income (Loss) Before Contributions and Transfers	(9,662,389)	3,231,098	(1,876,740)
Transfers Out - State Personnel	<u>(6,544)</u>	<u>(5,636)</u>	<u>(4,643)</u>
Increase (Decrease) in Net Assets	(9,668,933)	3,225,462	(1,881,383)
Total Net Assets, October 1, As Restated	<u>98,220,527</u>	<u>94,929,608</u>	<u>96,875,480</u>
Total Net Assets, September 30	\$ 88,292,970	\$ 98,155,070	\$ 94,994,097

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. 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 and a \$3,500,000 specific loss deductible for all perils except named wind storms, and a \$10,000,000 specific loss deductible for named wind storms. Excess insurance covers claims exceeding the deductible with a \$200,000,000 limit for named wind storms and a \$1,000,000,000 limit for all other perils. Payments received in fiscal years 2011 and 2010 for settlements in excess of deductibles total \$50,917,117 and \$2,273,975 respectively.

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

	September 30,	
	<u>2011</u>	<u>2010</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 10,091,618	\$ 12,301,597
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	22,414,444	11,750,000
Increase (Decrease) in provision for insured events of prior years	<u>(974,260)</u>	<u>(1,407,623)</u>
Total incurred claims and adjustment expenses	21,440,184	10,342,377
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(9,192,688)	(6,493,216)
Claims and adjustment expenses attributable to insured events of prior years	<u>(7,762,501)</u>	<u>(6,059,140)</u>
Total payments	(16,955,189)	(12,552,356)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 14,576,613</u>	<u>\$ 10,091,618</u>

**STATE INSURANCE FUND
INVESTMENT NOTES**

	September 30,		<u>% Change</u>
	<u>2011</u>	<u>2010</u>	
Investments			
Money Market	\$ 9,837,655	\$ 12,834,090	(23.3)
Commercial Paper	20,996,187	2,999,603	600.0
Time Deposits	20,103,943	17,458,228	15.2
US Treasury Securities	580,588	6,584,050	(91.2)
US Agency Securities	424,501	8,722,518	(95.1)
State & Local Gov Securities	764,943	749,561	2.1
Mortgage Backed Securities	48,601	3,224,885	(98.5)
Domestic Corporate Stocks	13,847,919	13,893,832	(0.3)
Domestic Corporate Bonds	15,205,696	4,593,252	231.0
International Bonds	-	159,729	(100.0)
	<hr/>	<hr/>	
	81,810,033	71,219,748	14.9
Real Estate Investments	9,706,881	10,251,008	(5.3)
	<hr/>	<hr/>	
Total Investments	\$ 91,516,914	\$ 81,470,756	12.3
 Investment Income			
Interest Income	\$ 1,362,065	\$ 1,061,877	28.3
Change in Fair Value of Investments	(1,208,487)	742,151	(262.8)
Gain(Loss) on Sale of Investments	285,654	650,655	(56.1)
Stock Dividends	367,171	309,357	18.7
Amortization/Depr Income	(544,127)	(449,047)	21.2
Rental Income	1,140,579	942,153	21.1
	<hr/>	<hr/>	
Total Investment Income	\$ 1,402,855	\$ 3,257,146	(56.9)

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

Fiscal Year	Fund Equity	Net Revenue		Underwriting Net Revenue		Investment Net Revenue	
2011	88,292,970	(9,668,933)	-10.4%	(11,652,521)	-12.5%	1,126,063	1.2%
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)	-3.3%	(236,263)	-0.2%
2008	97,066,369	35,833,917	37.1%	35,224,669	36.5%	(112,914)	-0.1%
2007	95,934,998	(15,385,426)	-17.0%	(23,827,475)	-26.3%	7,117,257	7.9%
2006	85,128,007	(14,296,962)	-16.4%	(20,822,082)	-23.8%	5,215,709	6.0%
2005	89,697,124	2,880,592	3.2%	(4,558,757)	-5.1%	6,597,855	7.4%
2004	89,671,432	5,619,706	6.4%	(4,022,841)	-4.6%	5,949,886	6.8%
2003	85,009,572	(5,169,830)	-5.9%	(8,424,388)	-9.7%	3,228,321	3.7%
2002	89,398,395	(4,339,111)	-4.9%	(3,484,064)	-3.9%	(798,802)	-0.9%
Average Return On Equity			0.8%			-4.7%	4.3%

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

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
Earned Premium	\$ 28,998,551	\$ 29,231,612	\$ 32,662,515	\$ 31,948,049	\$ 24,080,167
Less Reinsurance Cost	<u>16,624,602</u>	<u>16,803,212</u>	<u>17,021,507</u>	<u>16,582,458</u>	<u>15,066,930</u>
Net Premium	<u>\$ 12,373,949</u>	<u>\$ 12,428,400</u>	<u>\$ 15,641,008</u>	<u>\$ 15,365,591</u>	<u>\$ 9,013,237</u>
Claims and Expenses Paid	\$ 16,955,189	\$ 12,552,356	\$ 11,463,188	\$ 15,945,572	\$ 26,232,909
Claims and Expenses Unpaid	4,600,749	(1,983,630)	4,973,747	(38,849,241)	5,827,009
Loss Incurred But Not Reported	<u>(115,754)</u>	<u>(226,349)</u>	<u>(543,284)</u>	<u>344,707</u>	<u>(803,521)</u>
Net Losses	<u>\$ 21,440,184</u>	<u>\$ 10,342,377</u>	<u>\$ 15,893,651</u>	<u>\$ (22,558,962)</u>	<u>\$ 31,256,397</u>
Loss Ratio	173.3%	83.2%	101.6%	-146.8%	346.8%

*Loss Ratio = Net Losses divided by Net Premium

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

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
UNDERWRITING REVENUES:										
Earned Premium	\$ 28,988,551	\$ 29,231,612	\$ 32,662,515	\$ 31,948,049	\$ 24,080,167	\$ 22,892,071	\$ 21,110,177	\$ 19,854,768	\$ 16,718,865	\$ 12,360,840
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	16,955,189	12,552,356	11,463,188	15,945,572	26,232,909	29,920,695	12,130,803	10,218,105	14,209,534	7,933,318
Claims and Expenses Unpaid	4,600,749	(1,983,630)	4,973,747	(38,849,241)	5,827,009	1,682,262	7,287,315	(1,956,008)	585,467	569,582
IBNR Expenses	(115,754)	(226,349)	(543,284)	344,707	(803,521)	(424,750)	(3,745,955)	5,281,406	(32,283)	(730,525)
Net Claims	21,440,184	10,342,377	15,893,651	(22,558,962)	31,256,397	31,178,207	15,672,163	13,543,503	14,762,718	7,772,375
Reinsurance Premium	16,624,602	16,803,212	17,021,507	16,582,458	15,066,930	11,097,719	8,866,003	9,354,929	9,220,295	6,818,750
Actuarial Services	151,436	65,305	84,475	15,576	46,413	28,917	13,250	12,600	12,000	12,130
Appraisal Services	63,990	265,085	525,570	619,960	-	-	-	-	-	-
Program Consultants	26,647	29,151	23,319	93,888	43,697	7,857	-	-	-	-
Supplies-Software	-	-	-	-	33,433	-	-	-	-	-
Administrative Expenses	2,344,213	2,421,759	2,305,865	1,970,460	1,460,772	1,401,453	1,117,518	966,577	1,148,240	1,241,649
Total Underwriting Expense	40,651,072	29,926,889	35,854,387	(3,276,620)	47,907,642	43,714,153	25,668,934	23,877,609	25,143,253	15,844,904
Net Underwriting Revenues	(11,652,521)	(695,277)	(3,191,872)	35,224,669	(23,827,475)	(20,822,082)	(4,558,757)	(4,022,841)	(8,424,388)	(3,484,064)
OTHER REVENUES:										
Investment Income	1,402,855	3,257,146	97,536	(442,905)	7,544,754	5,789,560	6,901,808	6,196,585	3,388,881	(576,214)
Other Income	857,525	899,721	1,546,752	1,382,144	1,324,792	1,309,411	841,494	3,692,660	26,447	97,371
Total Other Revenues	2,260,380	4,156,867	1,644,288	939,239	8,869,546	7,098,971	7,743,302	9,889,245	3,415,328	(478,843)
OTHER EXPENSES:										
Investment Expenses	276,792	236,128	333,799	329,991	427,497	573,851	303,953	246,698	160,560	222,588
Legal Defense Fees	-	-	-	-	-	-	-	-	210	153,616
Total Other Expenses	276,792	236,128	333,799	329,991	427,497	573,851	303,953	246,698	160,770	376,204
Net Other Revenues	1,983,588	3,920,739	1,310,489	609,248	8,442,049	6,525,120	7,439,349	9,642,547	3,254,558	(855,047)
NET REVENUES	\$ (9,668,933)	\$ 3,225,462	\$ (1,881,383)	\$ 35,833,917	\$ (15,385,426)	\$ (14,296,962)	\$ 2,880,592	\$ 5,619,706	\$ (5,169,830)	\$ (4,339,111)

**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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Premiums and investment revenue:										
Earned	\$11,784,626	\$20,107,746	\$26,051,353	\$28,011,985	\$28,681,631	\$31,624,921	\$31,505,144	\$32,760,051	\$32,488,658	\$30,401,406
Ceded	6,818,750	9,220,295	9,354,929	8,866,003	11,097,719	15,066,930	16,582,458	17,021,507	16,803,212	16,624,602
Net Earned	4,965,876	10,887,451	16,696,424	19,145,982	17,583,912	16,557,991	14,922,686	15,738,544	15,685,446	13,776,804
2. Unallocated expenses	1,629,983	1,321,010	1,225,875	1,434,721	2,012,079	2,011,812	3,029,874	3,273,028	3,009,975	2,863,078
3. Estimated losses and expenses, end of accident year:										
Incurred	9,032,692	20,571,474	19,112,695	15,806,047	17,978,395	34,750,795	9,843,167	15,974,858	17,531,067	113,642,633
Ceded	1,042,092	6,950,182	5,857,254	990,374	89,424	23,972,792	-	-	5,781,067	91,228,189
Net incurred	7,990,600	13,621,292	13,255,441	14,815,673	17,888,971	10,778,003	9,843,167	15,974,858	11,750,000	22,414,444
4. Net paid (cumulative) as of:										
End of accident year	1,637,570	6,723,799	2,956,081	2,229,160	6,244,752	4,616,761	2,840,393	5,134,855	6,493,216	9,192,688
One year later	6,962,172	12,336,940	8,431,874	10,067,705	12,391,469	14,467,870	6,256,552	11,681,390	10,177,985	
Two years later	7,407,580	11,635,926	9,549,266	12,021,218	14,930,417	15,892,504	6,613,211	14,306,765		
Three years later	7,423,623	11,983,268	10,301,094	12,137,602	14,976,699	16,159,863	6,710,410			
Four years later	7,423,567	11,066,387	10,347,363	12,095,726	15,160,229	16,159,438				
Five years later	7,453,499	10,956,805	10,230,661	12,093,526	15,158,793					
Six years later	7,459,227	10,730,282	10,230,661	12,091,326						
Seven years later	7,277,754	10,730,282	10,230,661							
Eight years later	7,277,755	10,730,282								
Nine years later	7,277,755									
5. Reestimated ceded losses and expenses	2,220,905	6,172,887	26,157,604	15,667,844	87,300	16,293,046	-	-	2,951,470	91,228,189
6. Reestimated net incurred losses and expenses:										
End of accident year	7,990,600	13,621,292	13,255,441	14,815,673	17,888,971	10,778,003	9,843,167	15,974,858	11,750,000	22,414,444
One year later	7,716,161	13,057,529	10,602,396	13,800,922	16,170,317	16,661,283	7,534,616	14,850,000	10,750,000	
Two years later	7,686,755	12,054,404	10,662,436	13,247,344	15,133,071	16,119,961	7,239,999	14,605,689		
Three years later	7,470,885	11,999,278	10,622,839	12,291,649	15,160,229	16,159,863	7,072,120			
Four years later	7,448,569	11,112,841	10,347,363	12,095,726	15,160,229	16,159,438				
Five years later	7,513,241	10,956,805	10,230,661	12,093,526	15,158,793					
Six years later	7,459,227	10,730,282	10,230,661	12,091,326						
Seven years later	7,277,754	10,730,282	10,230,661							
Eight years later	7,277,755	10,730,282								
Nine years later	7,277,755									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(712,845)	(2,891,010)	(3,024,780)	(2,724,347)	(2,730,178)	5,381,435	(2,771,047)	(1,369,169)	(1,000,000)	-

**GENERAL LIABILITY TRUST FUND
STATEMENT OF NET ASSETS**

Unaudited
September 30, 2011

ASSETS	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Current Assets			
Cash and Cash Equivalent	\$ 621,527	\$ 1,077,020	\$ 530,831
Cash - Outside Bank Account	43,035	3,883,662	1,149,928
Cash in Transit	-	-	16,262
Investments (Fair Value)	36,866,946	22,313,434	15,013,568
Interfund Vouchers Receivable	235	135	180
Accounts Receivable	543,702	944,193	393,834
Accrued Interest Receivable	77,870	48,728	98,024
Prepaid Insurance	-	2,029,293	2,144,396
Total Current Assets	38,153,315	30,296,465	19,347,023
Noncurrent Assets			
Investments (Fair Value)	4,695,357	10,854,423	16,240,424
Accounts Receivable	18,143	21,167	-
Total Noncurrent Assets	4,713,500	10,875,590	16,240,424
TOTAL ASSETS	42,866,815	41,172,055	35,587,447
LIABILITIES			
Current Liabilities			
Vouchers Payable	329,193	40,222	47,140
Due To Funds	-	-	-
Unearned Premiums	-	-	-
Unpaid Claims & Expenses	2,096,779	2,109,217	1,550,170
Total Current Liabilities	2,425,972	2,149,439	1,597,310
Long-term Liabilities			
Unpaid Claims & Expenses - LT	7,074,488	8,214,600	7,148,996
Estimated Recovery of Reserves	(54,836)	(279,927)	(540,374)
Claims Incurred But Not Reported	19,430,476	19,682,742	20,561,944
Total Long-term Liabilities	26,450,128	27,617,415	27,170,566
Total Liabilities	28,876,100	29,766,854	28,767,876
NET ASSETS			
Reserve for Encumbrances	452,069	814,736	814,736
Unrestricted	13,538,646	10,590,465	6,004,835
TOTAL NET ASSETS	\$ 13,990,715	\$ 11,405,201	\$ 6,819,571

GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

Unaudited

For the Year Ended September 30, 2011

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
OPERATING REVENUES			
Earned Premiums	\$ 14,081,440	\$ 13,286,552	\$ 13,452,191
Total Operating Revenues	14,081,440	13,286,552	13,452,191
OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	7,357,464	6,190,260	5,627,520
Incurred But Not Reported Expense	(252,266)	(879,202)	3,336,687
Actuarial Services	16,689	13,801	12,708
Program Consultants	3,807	4,165	3,331
Reinsurance Expense	3,858,871	3,276,588	3,249,806
Total Operations	10,984,565	8,605,612	12,230,052
Administration:			
Personnel Costs	379,508	350,237	352,423
Employee Benefits	125,231	116,481	112,943
Travel - In State	-	-	450
Travel - Out of State	177	1,483	2,602
Repair & Maintenance	-	-	-
Rentals & Leases	4,392	3,261	3,357
Utilities & Communication	2,298	2,642	2,879
Services	111,492	113,122	160,514
Supplies, Materials & Operating Expense	63,749	33,092	56,567
Transportation Equipment Operations	-	-	-
Total Administration	686,847	620,318	691,735
Total Operating Expenses	11,671,412	9,225,930	12,921,787
Operating Income (Loss)	2,410,028	4,060,622	530,404
NONOPERATING REVENUES (EXPENSES)			
Investment Income	231,178	478,624	754,184
Other Income	480	6,048	-
Investment Expenses	(221)	-	-
Total Nonoperating Revenues (Expenses)	231,437	484,672	754,184
Income (Loss) Before Contributions and Transfers	2,641,465	4,545,294	1,284,588
Transfers Out - State Personnel	(1,617)	(1,540)	(1,639)
Increase (Decrease) in Net Assets	2,639,848	4,543,754	1,282,949
Total Net Assets, October 1, As Restated	11,388,009	6,861,447	5,536,622
Total Net Assets, September 30	\$ 13,990,715	\$ 11,405,201	\$ 6,819,571

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 2010 and 2011 for settlements in excess of deductibles for old claims (prior to April 2002) totaled \$0 and \$198,644, respectively.

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

	September 30,	
	<u>2011</u>	<u>2010</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 29,726,632	\$ 28,720,736
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	2,102,122	668,363
Increase (Decrease) in provision for insured events of prior years	<u>5,003,076</u>	<u>4,642,695</u>
Total incurred claims and adjustment expenses	7,105,198	5,311,058
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(816,065)	(654,384)
Claims and adjustment expenses attributable to insured events of prior years	<u>(7,468,858)</u>	<u>(3,650,778)</u>
Total payments	(8,284,923)	(4,305,162)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 28,546,907</u>	<u>\$ 29,726,632</u>

**GENERAL LIABILITY TRUST FUND
INVESTMENT NOTES**

	September 30,		<u>% Change</u>
	<u>2011</u>	<u>2010</u>	
Investments			
Money Market Funds	\$ 27,869,555	\$ 16,315,184	70.8
Commercial Paper	8,997,391	5,998,250	50.0
US Agency Securities	-	5,261,747	(100.0)
US Treasury Securities	290,294	5,361,205	(94.6)
Mortgage Backed Securiites	63,122	78,281	(19.4)
Domestic Corporate Bonds	4,341,941	153,190	2,734.4
Total Investments	<u>\$ 41,562,303</u>	<u>\$ 33,167,857</u>	20.2
 Investment Income			
Interest Income	\$ 324,842	\$ 359,712	(9.7)
Change in Fair Value of Investments	(266,620)	99,610	(367.7)
Gain(Loss)on Sale of Investments	<u>172,956</u>	<u>19,302</u>	796.1
Total Investment Income	<u>\$ 231,178</u>	<u>\$ 478,624</u>	(51.7)

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

	<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>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 14,081,440	\$ 13,286,552	\$ 13,452,191	\$ 13,537,260	\$ 12,590,391	\$ 9,226,426	\$ 8,876,441	\$ 8,570,498	\$ 7,761,570	\$ 7,607,325
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	8,284,923	4,305,162	7,659,525	6,401,802	7,997,593	9,238,380	9,736,438	7,076,796	4,032,829	4,182,423
Claims and Expenses Unpaid	(927,459)	1,885,098	(2,032,005)	(643,542)	(1,301,463)	(4,513,421)	1,591,690	(101,060)	5,347,124	4,094,460
IBNR Expenses	(252,266)	(879,202)	3,336,687	1,345,152	(3,160,995)	3,413,026	3,711,003	(116,919)	1,256,681	(242,402)
Net Claims	7,105,198	5,311,058	8,964,207	7,103,412	3,535,135	8,137,985	15,039,131	6,858,817	10,636,634	8,034,481
Reinsurance Premium - Liability	-	-	-	-	-	-	-	-	-	290,333
Reinsurance Premium - Automobile	3,858,871	3,276,588	3,249,806	1,897,004	3,915,990	3,723,333	2,876,805	3,609,850	4,019,655	1,866,455
Actuarial Services	16,689	13,801	12,708	13,683	13,494	13,313	11,000	10,500	10,000	10,475
Program Consultants	3,807	4,165	3,331	16,237	29,622	18,417	-	-	-	-
Interest Expense	-	-	-	15,000	45,000	-	-	-	-	-
Administrative Expenses	688,464	621,858	693,374	781,799	825,075	698,461	591,506	506,908	488,084	478,290
Total Underwriting Expenses	11,673,029	9,227,470	12,923,426	9,827,135	8,364,316	12,591,509	18,518,442	10,986,075	15,154,373	10,680,034
Net Underwriting Revenues	2,408,411	4,059,082	528,765	3,710,125	4,226,075	(3,365,083)	(9,642,001)	(2,415,577)	(7,392,803)	(3,072,709)
OTHER REVENUES:										
Investment Income	231,178	478,624	754,184	1,315,627	1,007,298	1,037,055	1,156,129	1,003,052	950,678	1,218,784
Other Income	480	6,048	-	5,446	250,464	3,387	1,935,522	1,254,458	-	15,119
Total Other Revenues	231,658	484,672	754,184	1,321,073	1,257,762	1,040,442	3,093,651	2,257,510	950,678	1,233,903
OTHER EXPENSES:										
Investment Expenses	221	-	-	-	-	-	-	-	-	-
	221	-	-	-	-	-	-	-	-	-
NET REVENUES	\$ 2,639,848	\$ 4,543,754	\$ 1,282,949	\$ 5,031,198	\$ 5,483,837	\$ (2,324,641)	\$ (6,548,350)	\$ (158,067)	\$ (6,442,125)	\$ (1,838,806)

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF NET ASSETS**

Unaudited
September 30, 2011

ASSETS	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Current Assets			
Cash and Cash Equivalent	\$ 686,898	\$ 776,716	\$ 722,235
Cash - Outside Bank Account	123,038	712,156	78,253
Cash - In Transit / Board	150	-	-
Investments (Fair Value)	26,221,816	19,679,903	18,387,222
Accounts Receivable	376,502	397,697	342,014
Due From Other Funds	-	-	-
Accrued Interest Receivable	41,805	24,868	47,311
Prepaid Expense	-	56,069	-
Total Current Assets	27,450,209	21,647,409	19,577,035
Noncurrent Assets			
Investments (Fair Value)	<u>5,660,366</u>	<u>8,757,330</u>	<u>8,264,411</u>
Total Noncurrent Assets	5,660,366	8,757,330	8,264,411
 TOTAL ASSETS	 33,110,575	 30,404,739	 27,841,446
 LIABILITIES			
Current Liabilities			
Vouchers Payable	892,043	488,562	69,443
Self-Insured Deposits	120,000	120,000	120,000
Unpaid Claims & Expenses	<u>1,423,812</u>	<u>1,753,115</u>	<u>2,264,124</u>
Total Current Liabilities	2,435,855	2,361,677	2,453,567
Long-term Liabilities			
Unpaid Claims & Expenses - LT	7,475,013	7,986,415	8,517,421
Claims Incurred But Not Reported	<u>11,392,604</u>	<u>9,724,977</u>	<u>7,605,059</u>
Total Long-term Liabilities	18,867,617	17,711,392	16,122,480
Total Liabilities	21,303,472	20,073,069	18,576,047
NET ASSETS			
Reserved for Encumbrances	1,537,782	1,910,096	1,510,675
Unrestricted	<u>10,269,321</u>	<u>8,421,574</u>	<u>7,754,724</u>
TOTAL NET ASSETS	\$ 11,807,103	\$ 10,331,670	\$ 9,265,399

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Unaudited

For the Year Ended September 30, 2011

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
OPERATING REVENUES			
Earned Premiums	\$ 8,917,765	\$ 9,172,759	\$ 7,717,034
Administrative Fees - Self Insured Agencies	<u>309,488</u>	<u>315,152</u>	<u>316,015</u>
Total Operating Revenues	9,227,253	9,487,911	8,033,049
 OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	3,211,624	3,420,887	5,221,815
Incurred But Not Reported Expense	1,667,627	2,119,918	(97,498)
Actuarial Services	68,648	37,179	52,436
Medical Services	163,461	470,239	704,383
Program Consultants	461,424	295,009	6,662
Other Non-Claim Operational Expenses	-	397	-
Total Operations	<u>5,572,784</u>	<u>6,343,629</u>	<u>5,887,798</u>
Administration:			
Personnel Costs	1,516,151	1,425,147	1,319,301
Employee Benefits	551,909	515,444	478,369
Travel - In State	7,609	3,154	3,323
Travel - Out of State	385	3,663	5,021
Repair & Maintenance	480	2,259	1,497
Rentals & Leases	4,491	5,666	6,315
Utilities & Communication	20,911	20,825	19,388
Services	181,539	210,440	331,334
Supplies, Materials & Operating Expense	89,549	105,249	76,150
Transportation Equipment Operations	3,336	1,766	1,063
Total Administration	<u>2,376,360</u>	<u>2,293,613</u>	<u>2,241,761</u>
 Total Operating Expenses	7,949,144	8,637,242	8,129,559
 Operating Income (Loss)	1,278,109	850,669	(96,510)
 NONOPERATING REVENUES (EXPENSES)			
Investment Income	199,342	399,581	508,059
Reimbursement Not Otherwise Classified	-	-	96
Miscellaneous Fees	-	213	-
Court Ordered Settlements	263	-	-
Prior Year Refund	-	-	-
Investment Expense	(221)	-	-
Total Nonoperating Revenues (Expenses)	<u>199,384</u>	<u>399,794</u>	<u>508,155</u>
 Income (Loss) Before Contributions and Transfers	1,477,493	1,250,463	411,645
Transfers In	-	-	-
Transfers Out - State Personnel	(8,214)	(7,081)	(6,829)
 Increase (Decrease) in Net Assets	1,469,279	1,243,382	404,816
Total Net Assets, October 1, As Restated	<u>10,331,130</u>	<u>9,088,288</u>	<u>8,860,583</u>
 Total Net Assets, September 30	\$ 11,807,103	\$ 10,331,670	\$ 9,265,399

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>2011</u>	<u>2010</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 19,464,507	\$ 18,386,604
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	1,923,248	2,471,539
Increase (Decrease) in provision for insured events of prior years	<u>2,939,638</u>	<u>3,164,594</u>
Total incurred claims and adjustment expenses	4,862,886	5,636,133
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(322,877)	(455,823)
Claims and adjustment expenses attributable to insured events of prior years	<u>(3,713,087)</u>	<u>(4,102,407)</u>
Total payments	(4,035,964)	(4,558,230)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 20,291,429</u>	<u>\$ 19,464,507</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>2011</u>	<u>2010</u>	<u>% Change</u>
Investments			
Money Market Funds	\$ 20,222,581	\$ 16,680,903	21.2
Commercial Paper	5,999,235	2,999,000	100.0
US Agency Securities	-	4,225,747	(100.0)
US Treasury Securities Long Term	290,294	4,378,392	(93.4)
Domestic Corporate Bonds	<u>5,370,072</u>	<u>153,191</u>	3,405.5
Total Investments	<u>\$ 31,882,182</u>	<u>\$ 28,437,233</u>	12.1
Investment Income			
Interest Income	\$ 293,421	\$ 257,034	14.2
Change in Fair Value of Investments	(262,200)	132,547	(297.8)
Gain(Loss) on Sale of Investments	<u>168,121</u>	<u>10,000</u>	1,581.2
Total Investment Income	<u>\$ 199,342</u>	<u>\$ 399,581</u>	(50.1)

NOTES

NOTES

STAFF

RISK MANAGER	Ben M. Spillers
ADMINISTRATIVE.....	Marilyn Tucker Mary Poe Laura Robinson
INFORMATION SYSTEMS.....	Edward Morgan Thomas Davis Sharon Henderson
LEGAL	Hank Draughon
CLAIMS	Kim Huggins Leigh Warner Dorothy Roberts Hugh Gale Teresa Nobles Leslie Smeltzer
EMPLOYEE ASSISTANCE.....	Sam Boswell
LOSS CONTROL	Robert Smith Michael McCoy Harper Pruett Chris Langston Josh Loy Robert Borth Elizabeth Fralish Rusty Taylor Sylvia Williams
UNDERWRITING.....	Max Graham Carl Walter Dale Whittle Casey Dunn Heather Whorton Regina Roughton
EMPLOYEE INJURY	Carol Singletary Sandra Landers Melanie Longpre Marie Fussell Tina Paulk Dorothy Tarver Ann Jackson Dorothy Kelly Georgia Ivey Jana Blake Paula Cole Rosanna McHargue Sirena Sheridan Tammy Sasser Pam Bailey Beverly McDonald Terri Loving