

2012 ANNUAL REPORT

**ALABAMA
DEPARTMENT OF FINANCE
DIVISION OF RISK MANAGEMENT**





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STATE OF ALABAMA
Department of Finance
Division of Risk Management

Comprehensive Annual Report
For the Fiscal Year Ended September 30, 2012



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 2012 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2012. 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 2012 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 2013.

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 Boiler & Machinery which is provided by Travelers Insurance Company.

Although the SIF incurred claims exceeding \$39 million in FY12, it saw decreases in the number of claims and payments per category for the major perils of fire, wind, lightning and burglary. Major claim events include the following:

January 23, 2012 – An EF-3 tornado caused extensive damage in Jefferson County to Center Point Elementary School and to the Department of Youth Services' Chalkville facility resulting in damages exceeding \$17 million.

July 19, 2012, The Retirement Systems of Alabama experienced a catastrophic failure of the electrical bus duct system in the RSA Tower located in Montgomery when water penetrated the system resulting in electrical arcing and subsequent power failure to the twenty-four story building. This loss exceeded \$3.5 million.

Fortunately, the SIF purchased excess insurance coverage which assisted with both catastrophic losses.



RSA Tower

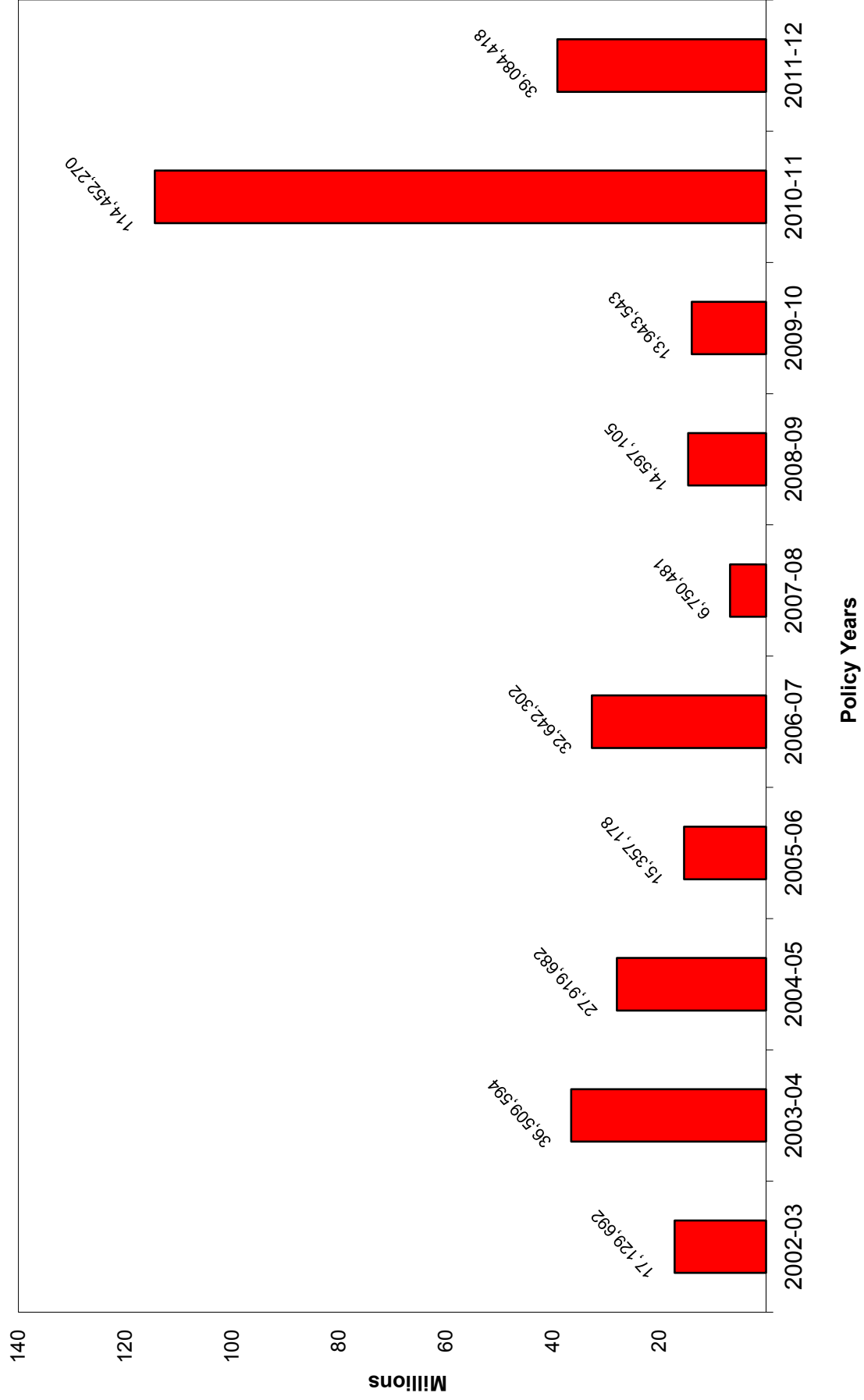
Property Claims Summary Table				
Incurred Losses as of September 30, 2012				
			Incurred Losses - FY 2012	
Perils	FY 2012	FY 2011	Amount	% of Total
Fire	27	33	\$ 1,494,922	3.83%
Lightning	307	319	\$ 1,498,296	3.84%
Wind	193	752	\$ 28,208,972	72.21%
Burglary	141	169	\$ 1,130,317	2.89%
Vandalism	20	24	\$ 339,726	0.87%
Hail	15	93	\$ 167,972	0.43%
Vehicle	19	19	\$ 70,298	0.18%
Water	56	79	\$ 5,740,450	14.69%
Freeze		2		0.00%
Collapse		19		0.00%
Other	25	65	\$ 415,032	1.06%
Totals	803	1,574	\$ 39,065,985	100%

Claims Summary					
	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Claims Handled	803	1574	747	990	828
Outside Adjusted	515	1198	421	618	479
Inside Adjusted	288	376	326	372	349
Average Claim Size	\$ 28,417**	\$ 27,701*	\$ 22,936	\$ 15,555	\$ 10,611
*Removed 4-27-2011 tornado for averaging purposes.					
**Removed 1-23-12 tornado for averaging purposes.					

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 \$49 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
2012	49,046,910,051	2,083,256,834	4.25%
2011	46,963,653,217	591,832,324	1.26%
2010	46,371,820,893	1,514,410,406	3.27%
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%

History of Property Loss 2002-2012



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 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						
Number of Vehicles Insured						
Class	Description	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
001	Private Passenger	1,875	2,002	1,998	2,003	2,076
002	Pickups & Vans	3,892	3,780	3,710	3,705	3,677
003	Trucks & Tractors	1,487	1,534	1,512	1,539	1,505
004	Law Enforcement	1,015	1,120	1,146	1,080	978
005	Buses	327	360	367	376	388
006	Motorcycle	28	28	22	21	20
	Total Vehicles	8,624	8,824	8,755	8,724	8,644

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 2012:

- 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 efforts were expanded with the formation of a Subrogation Team. Recoveries for the fiscal year exceeded \$180,000.00.

Claims Frequency

	2012	2011	2010	2009
Indemnity	284	266	282	247
Medical Only	1,588	1,931	1,941	2,109
Incident Only	959	995	1,070	1,115
Total # of Claims	2,831	3,192	3,293	3,471

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 2,000 boilers and other items of pressurized equipment were inspected during 2012. 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 111 state agencies and departments covering 32,221 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-12

There were 565 total cases of treatment for a total of 1,259 counseling sessions.

Females represented 68% of clients and males 32%.

Family members of employees represented 18% and employees represented 82% of our total participation.

Emotional stress related problems were the most frequent primary issue for clients (35%), followed by relational issues (26%), depressive disorders (20%), anxiety/panic issues (9%), and other issues (10%).

We had 81% of our participants that were self-referred, 9% were supervisor referred, 6% were family recommended, and 4% was due to promotional material and other sources.

We had 88% of our participants that were seen by a counselor, 12% by a psychologist, and 1% by others.

We had 18% of our participants that were age 51-60, 26% of the participants were age 41-50, 32% were 31-40, 11% were 21-30, 10% were less than 20, and 3% were 61 or older.

About 11% of our clients felt that their ability to cope with life problems and stressors was excellent before they had any counseling sessions and about 29% felt their abilities were good. However, after they finished their counseling sessions about 20% felt that their abilities to cope were excellent and about 62% felt that their abilities were good.

We provided 18 training sessions covering a wide variety of topics for our employees and participated in a health fair/fitness day event.

THE ALABAMA EQUIPMENT MAINTENANCE PROGRAM (EMP)

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

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

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

¹ The 2012 savings were \$1,654,549.79.

**STATE INSURANCE FUND
STATEMENT OF NET ASSETS
UNAUDITED
AS OF SEPTEMBER 30, 2012**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 3,036,518	\$ 6,113,515	\$ 1,279,309
Cash - Outside Bank Account	7,845,079	4,357,633	1,013,307
Cash - Correction	(54)	-	-
Cash - In Transit / Board	-	3,982	583
Investments (Fair Value)	7,619,844	30,833,842	15,833,694
Accounts Receivable	9,264	11,934	103,463
Advances to Other Funds	950,019	844,961	698,494
Accounts Receivable - Reinsurance Recoveries	136,143	-	-
Accrued Interest Receivable	110	111,840	68,447
Prepaid Insurance	13,047,133	7,761,982	8,544,000
Total Current Assets	32,644,056	50,039,689	27,541,297
Noncurrent Assets			
Investments (Fair Value)	75,672,003	50,976,191	55,386,054
Investments - Real Estate	11,056,291	9,706,881	10,251,008
Advances to Other Funds - LT	11,520,220	12,676,854	10,168,496
Accounts Receivable - Reinsurance Recoveries - LT	-	-	-
Construction in Progress	-	1,822,982	5,138,953
Accrued Interest Receivable	68,767	-	-
Fixed Assets (Net)	91,346	94,199	162,168
Total Noncurrent Assets	98,408,627	75,277,107	81,106,679
Total Assets	131,052,683	125,316,796	108,647,976
LIABILITIES			
Current Liabilities			
Vouchers Payable	205,348	175,519	401,288
Unpaid Claims & Expenses	9,359,315	10,017,627	6,751,095
Total Current Liabilities	9,564,663	10,193,146	7,152,383
Long-term Liabilities			
Unpaid Claims & Expenses - LT	80,715,466	67,625,944	6,538,557
Reinsurance Advance Payment	25,028,552	22,271,694	-
Estimated Recovery of Reserves	(77,759,893)	(63,534,237)	(3,781,067)
Claims Incurred But Not Reported	(823,336)	467,279	583,033
Total Long-term Liabilities	27,160,789	26,830,680	3,340,523
Total Liabilities	36,725,452	37,023,826	10,492,906
NET ASSETS			
Investment in Capital Assets	91,346	1,917,181	5,301,121
Reserved for Encumbrances	1,076,772	940,252	1,573,427
Unrestricted	93,159,113	85,435,537	91,280,522
TOTAL NET ASSETS	\$ 94,327,231	\$ 88,292,970	\$ 98,155,070

STATE INSURANCE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES			
Earned Premiums	\$ 30,566,484	\$ 28,998,551	\$ 29,231,612
Total Operating Revenues	30,566,484	28,998,551	29,231,612
OPERATING EXPENSES			
Operation:			
Loss and Adjustment Expenses	9,735,967	21,555,938	10,568,726
Incurred But Not Reported Expense	(1,290,615)	(115,754)	(226,349)
Actuarial Services	202,645	151,436	65,305
Appraisal Services	-	63,990	265,085
Program Consultants	27,487	26,647	29,151
Reinsurance Expense	20,834,084	16,624,602	16,803,212
Total Operations	29,509,568	38,306,859	27,505,130
Administration:			
Personnel Cost	1,114,528	1,223,081	1,155,699
Employee Benefits	381,764	407,457	441,039
Travel - In State	35,146	43,830	50,511
Travel - Out of State	4,729	735	3,744
Repairs & Maintenance	250	-	2,206
Rentals & Leases	2,873	3,055	6,813
Utilities & Communication	26,202	25,405	23,543
Services	437,104	355,387	456,798
Supplies, Materials & Operating Expense	163,721	174,448	164,474
Transportation Equipment Operations	17,185	23,764	20,629
Noninventoriable Equipment	-	-	7,453
Depreciation Expense	53,429	80,507	83,214
Total Administration	2,236,931	2,337,669	2,416,123
Total Operating Expenses	31,746,499	40,644,528	29,921,253
Operating Income (Loss)	(1,180,015)	(11,645,977)	(689,641)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	6,165,238	1,402,855	3,257,146
Other Income	1,069,817	857,525	899,721
Prior Year Refund	-	-	-
Investment Expenses	(301,034)	(276,792)	(236,128)
Total Nonoperating Revenues (Expenses)	6,934,021	1,983,588	3,920,739
Income (Loss) Before Contributions and Transfers	5,754,006	(9,662,389)	3,231,098
Transfers Out - State Personnel	(6,281)	(6,544)	(5,636)
Increase (Decrease) in Net Assets	5,747,725	(9,668,933)	3,225,462
Total Net Assets, October 1, As Restated	88,649,999	98,220,527	94,929,608
Total Net Assets, September 30	\$ 94,327,231	\$ 88,292,970	\$ 98,155,070

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 \$1,000,000,000 limit for all other perils. Payments received in fiscal years 2012 and 2011 for settlements in excess of deductibles total \$18,500,000 and \$50,917,117 respectively.

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

	September 30,	
	<u>2012</u>	<u>2011</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 14,576,613	\$ 10,091,618
Included claims and adjustment expenses:		
Provision for insured events of the current year	10,502,458	22,414,444
Increase (Decrease) in provision for insured events of prior years	<u>(2,057,106)</u>	<u>(974,260)</u>
Total incurred claims and adjustment expenses	8,445,352	21,440,184
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(3,842,095)	(9,192,688)
Claims and adjustment expenses attributable to insured events of prior years	<u>(7,688,318)</u>	<u>(7,762,501)</u>
Total payments	(11,530,413)	(16,955,189)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 11,491,552</u>	<u>\$ 14,576,613</u>

STATE INSURANCE FUND INVESTMENT NOTES

	September 30,		% Change
	<u>2012</u>	<u>2011</u>	
Investments			
Money Market	\$ 4,620,334	\$ 9,837,655	(53.0)
Commercial Paper	2,999,510	20,996,187	(85.7)
Time Deposits	27,920,999	20,103,943	38.9
US Treasury Securities	1,636,128	580,588	181.8
US Agency Securities	3,079,720	424,501	625.5
State & Local Gov Securities	762,102	764,943	(0.4)
Mortgage Backed Securities	38,147	48,601	(21.5)
Domestic Corporate Stocks	20,792,397	13,847,919	50.1
Domestic Corporate Bonds	18,594,056	15,205,696	22.3
International Stocks	223,474	-	100.0
Mutual Funds	2,624,980	-	100.0
	83,291,847	81,810,033	1.8
Real Estate Investments	11,056,291	9,706,881	13.9
Total Investments	<u>\$ 94,348,138</u>	<u>\$ 91,516,914</u>	3.1
Investment Income			
Interest Income	\$ 1,169,074	\$ 1,362,065	(14.2)
Change in Fair Value of Investments	3,635,322	(1,208,487)	400.8
Gain(Loss) on Sale of Investments	244,300	285,654	(14.5)
Stock Dividends	483,322	367,171	31.6
Amortization/Depr Income	(670,905)	(544,127)	23.3
Rental Income	1,304,125	1,140,579	14.3
Total Investment Income	<u>\$ 6,165,238</u>	<u>\$ 1,402,855</u>	339.5

STATE INSURANCE FUND RETURN ON EQUITY (ROE)

Fiscal Year	Fund Equity	Net Revenue		Underwriting Net Revenue		Investment Net Revenue	
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%
2004	89,671,432	5,619,706	6.3%	(4,022,841)	-4.5%	5,949,886	6.6%
2003	85,009,572	(5,169,830)	-6.1%	(8,424,388)	-9.9%	3,228,321	3.8%
Average Return On Equity		1.7%		-4.9%		5.2%	

STATE INSURANCE FUND LOSS EXPERIENCE BY FISCAL YEAR

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Earned Premium	\$ 30,566,484	\$ 28,998,551	\$ 29,231,612	\$ 32,662,515	\$ 31,948,049
Less Reinsurance Cost	<u>20,834,084</u>	<u>16,624,602</u>	<u>16,803,212</u>	<u>17,021,507</u>	<u>16,582,458</u>
Net Premium	\$ 9,732,400	\$ 12,373,949	\$ 12,428,400	\$ 15,641,008	\$ 15,365,591
Claims and Expenses Paid	\$ 11,530,413	\$ 16,955,189	\$ 12,552,356	\$ 11,463,188	\$ 15,945,572
Claims and Expenses Unpaid	(1,794,446)	4,600,749	(1,983,630)	4,973,747	(38,849,241)
Loss Incurred But Not Reported	<u>(1,290,615)</u>	<u>(115,754)</u>	<u>(226,349)</u>	<u>(543,284)</u>	<u>344,707</u>
Net Losses	\$ 8,445,352	\$ 21,440,184	\$ 10,342,377	\$ 15,893,651	\$ (22,558,962)
Loss Ratio	86.8%	173.3%	83.2%	101.6%	-146.8%

*Loss Ratio = Net Losses divided by Net Premium

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

	<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>	<u>2003-04</u>	<u>2002-03</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 9,117,114	\$ 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
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	6,348,516	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
Claims and Expenses Unpaid	1,250,590	(927,459)	1,885,098	(2,032,005)	(643,542)	(1,301,463)	(4,513,421)	1,591,690	(101,060)	5,347,124
IBNR Expenses	(2,147,336)	(252,266)	(879,202)	3,336,687	1,345,152	(3,160,995)	3,413,026	3,711,003	(116,919)	1,256,681
Net Claims	5,451,770	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
Reinsurance Premium - Automobile	3,517,217	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
Actuarial Services	15,163	16,689	13,801	12,708	13,683	13,494	13,313	11,000	10,500	10,000
Program Consultants	3,927	3,807	4,165	3,331	16,237	29,622	18,417	-	-	-
Interest Expense	-	-	-	-	15,000	45,000	-	-	-	-
Administrative Expenses	695,795	688,464	621,858	693,374	781,799	825,075	698,461	591,506	506,908	488,084
Total Underwriting Expenses	9,683,872	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
Net Underwriting Revenues	(566,758)	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)
OTHER REVENUES:										
Investment Income	415,231	231,178	478,624	754,184	1,315,627	1,007,298	1,037,055	1,158,129	1,003,052	950,678
Other Income	96	480	6,048	-	5,446	250,464	3,387	1,935,522	1,254,458	-
Total Other Revenues	415,327	231,658	484,672	754,184	1,321,073	1,257,762	1,040,442	3,093,651	2,257,510	950,678
OTHER EXPENSES:										
Investment Expenses	63	221	-	-	-	-	-	-	-	-
	63	221	-	-	-	-	-	-	-	-
NET REVENUES	\$ (151,494)	\$ 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)

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Premiums and investment revenue:										
Earned	\$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	\$36,731,722
Ceded	<u>9,220,295</u>	<u>9,354,929</u>	<u>8,866,003</u>	<u>11,097,719</u>	<u>15,066,930</u>	<u>16,582,458</u>	<u>17,021,507</u>	<u>16,803,212</u>	<u>16,624,602</u>	<u>20,834,084</u>
Net Earned	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	15,897,638
2. Unallocated expenses	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	2,774,378
3. Estimated losses and expenses, end of accident year:										
Incurred	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	38,861,612
Ceded	<u>6,950,182</u>	<u>5,857,254</u>	<u>990,374</u>	<u>89,424</u>	<u>23,972,792</u>	<u>-</u>	<u>-</u>	<u>5,781,067</u>	<u>91,228,189</u>	<u>28,359,154</u>
Net incurred	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	10,502,458
4. Net paid (cumulative) as of:										
End of accident year	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	3,842,095
One year later	12,336,940	8,431,874	10,067,705	12,391,469	14,467,870	6,256,552	11,681,390	10,177,985	16,880,437	
Two years later	11,635,926	9,549,266	12,021,218	14,930,417	15,892,504	6,613,211	14,306,765	10,241,179		
Three years later	11,983,268	10,301,094	12,137,602	14,976,699	16,159,863	6,710,410	14,310,211			
Four years later	11,066,387	10,347,363	12,095,726	15,160,229	16,159,438	6,749,906				
Five years later	10,956,805	10,230,661	12,093,526	15,158,793	16,158,466					
Six years later	10,730,282	10,230,661	12,091,326	15,158,792						
Seven years later	10,730,282	10,230,661	12,089,126							
Eight years later	10,730,282	10,230,661								
Nine years later	10,730,282									
5. Reestimated ceded losses and expenses	6,172,887	26,157,604	15,667,844	87,300	16,293,046	-	-	2,953,537	93,029,320	28,359,154
6. Reestimated net incurred losses and expenses:										
End of accident year	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	10,502,458
One year later	13,057,529	10,602,396	13,800,922	16,170,317	16,661,283	7,534,616	14,850,000	10,750,000	21,000,000	
Two years later	12,054,404	10,662,436	13,247,344	15,133,071	16,119,961	7,239,999	14,605,689	10,883,007		
Three years later	11,999,278	10,622,839	12,291,649	15,160,229	16,159,863	7,072,120	14,527,550			
Four years later	11,112,841	10,347,363	12,095,726	15,160,229	16,159,438	6,749,906				
Five years later	10,956,805	10,230,661	12,093,526	15,158,793	16,158,466					
Six years later	10,730,282	10,230,661	12,091,326	15,158,792						
Seven years later	10,730,282	10,230,661	12,089,126							
Eight years later	10,730,282	10,230,661								
Nine years later	10,730,282									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(2,891,010)	(3,024,780)	(2,726,547)	(2,730,179)	5,380,463	(3,093,261)	(1,447,308)	(866,993)	(1,414,444)	-

GENERAL LIABILITY TRUST FUND
STATEMENT OF NET ASSETS
Unaudited
September 30, 2012

ASSETS	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Current Assets			
Cash and Cash Equivalent	\$ 1,812,799	\$ 621,527	\$ 1,077,020
Cash - Outside Bank Account	1,436,602	43,035	3,883,662
Investments (Fair Value)	31,201,478	36,866,946	22,313,434
Interfund Vouchers Receivable	-	235	135
Accounts Receivable	979,002	543,702	944,193
Accrued Interest Receivable	6,012	77,870	48,728
Prepaid Insurance	-	-	2,029,293
Total Current Assets	35,435,893	38,153,315	30,296,465
Noncurrent Assets			
Investments (Fair Value)	5,901,218	4,695,357	10,854,423
Accounts Receivable	18,143	18,143	21,167
Accrued Interest Receivable	94,218	-	-
Total Noncurrent Assets	6,013,579	4,713,500	10,875,590
TOTAL ASSETS	41,449,472	42,866,815	41,172,055
LIABILITIES			
Current Liabilities			
Vouchers Payable	60,771	329,193	40,222
Unpaid Claims & Expenses	2,384,415	2,096,779	2,109,217
Total Current Liabilities	2,445,186	2,425,972	2,149,439
Long-term Liabilities			
Unpaid Claims & Expenses - LT	7,982,606	7,074,488	8,214,600
Estimated Recovery of Reserves	-	(54,836)	(279,927)
Claims Incurred But Not Reported	17,283,140	19,430,476	19,682,742
Total Long-term Liabilities	25,265,746	26,450,128	27,617,415
Total Liabilities	27,710,932	28,876,100	29,766,854
NET ASSETS			
Reserve for Encumbrances	284,833	452,069	814,736
Unrestricted	13,453,707	13,538,646	10,590,465
TOTAL NET ASSETS	\$ 13,738,540	\$ 13,990,715	\$ 11,405,201

GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
Unaudited
For the Year Ended September 30, 2012

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES			
Earned Premiums	\$ 9,117,114	\$ 14,081,440	\$ 13,286,552
Total Operating Revenues	9,117,114	14,081,440	13,286,552
OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	7,599,106	7,357,464	6,190,260
Incurred But Not Reported Expense	(2,147,336)	(252,266)	(879,202)
Actuarial Services	15,163	16,689	13,801
Program Consultants	3,927	3,807	4,165
Reinsurance Expense	3,517,217	3,858,871	3,276,588
Total Operations	8,988,077	10,984,565	8,605,612
Administration:			
Personnel Costs	380,916	379,508	350,237
Employee Benefits	116,765	125,231	116,481
Travel - In State	-	-	-
Travel - Out of State	-	177	1,483
Repair & Maintenance	-	-	-
Rentals & Leases	4,473	4,392	3,261
Utilities & Communication	2,394	2,298	2,642
Services	128,360	111,492	113,122
Supplies, Materials & Operating Expense	61,294	63,749	33,092
Transportation Equipment Operations	-	-	-
Total Administration	694,202	686,847	620,318
Total Operating Expenses	9,682,279	11,671,412	9,225,930
Operating Income (Loss)	(565,165)	2,410,028	4,060,622
NONOPERATING REVENUES (EXPENSES)			
Investment Income	415,231	231,178	478,624
Other Income	96	480	6,048
Investment Expenses	(63)	(221)	-
Total Nonoperating Revenues (Expenses)	415,264	231,437	484,672
Income (Loss) Before Contributions and Transfers	(149,901)	2,641,465	4,545,294
Transfers Out - State Personnel	(1,593)	(1,617)	(1,540)
Increase (Decrease) in Net Assets	(151,494)	2,639,848	4,543,754
Total Net Assets, October 1, As Restated	13,847,571	11,388,009	6,861,447
Total Net Assets, September 30	\$ 13,738,540	\$ 13,990,715	\$ 11,405,201

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 2012, 2011 and 2010 for settlements in excess of deductibles for old claims (prior to April 2002) totaled \$0, \$198,644 and \$0, respectively.

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

	September 30,	
	<u>2012</u>	<u>2011</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 28,546,907	\$ 29,726,632
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	7,600,000	2,102,122
Increase (Decrease) in provision for insured events of prior years	<u>(2,148,230)</u>	<u>5,003,076</u>
Total incurred claims and adjustment expenses	5,451,770	7,105,198
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(607,602)	(816,065)
Claims and adjustment expenses attributable to insured events of prior years	<u>(5,740,914)</u>	<u>(7,468,858)</u>
Total payments	(6,348,516)	(8,284,923)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 27,650,161</u>	<u>\$ 28,546,907</u>

GENERAL LIABILITY TRUST FUND **INVESTMENT NOTES**

	September 30,		<u>% Change</u>
	<u>2012</u>	<u>2011</u>	
Investments			
Money Market Funds	\$ 2,205,430	\$ 27,869,555	(92.1)
Commercial Paper	28,996,048	8,997,391	222.3
US Agency Securities	-	-	-
US Treasury Securities	311,395	290,294	7.3
Mortgage Backed Securities	33,364	63,122	(47.1)
Domestic Corporate Bonds	<u>5,556,459</u>	<u>4,341,941</u>	28.0
Total Investments	<u>\$ 37,102,696</u>	<u>\$ 41,562,303</u>	(10.7)
 Investment Income			
Interest Income	\$ 329,526	\$ 324,842	1.4
Change in Fair Value of Investments	85,705	(266,620)	132.1
Gain(Loss) on Sale of Investments	<u>-</u>	<u>172,956</u>	(100.0)
Total Investment Income	<u>\$ 415,231</u>	<u>\$ 231,178</u>	79.6

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

	<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>	<u>2003-04</u>	<u>2002-03</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 9,117,114	\$ 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
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	6,348,516	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
Claims and Expenses Unpaid	1,250,590	(927,459)	1,885,098	(2,032,005)	(643,542)	(1,301,463)	(4,513,421)	1,591,690	(101,060)	5,347,124
IBNR Expenses	(2,147,336)	(252,266)	(879,202)	3,336,687	1,345,152	(3,160,995)	3,413,026	3,711,003	(116,919)	1,256,681
Net Claims	5,451,770	7,105,198	5,311,058	8,964,207	7,103,412	3,536,135	8,137,985	15,039,131	6,858,817	10,636,634
Reinsurance Premium - Automobile	3,517,217	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
Actuarial Services	15,163	16,689	13,801	12,708	13,683	13,494	13,313	11,000	10,500	10,000
Program Consultants	3,927	3,807	4,165	3,331	16,237	29,622	18,417	-	-	-
Interest Expense	-	-	-	-	15,000	45,000	-	-	-	-
Administrative Expenses	695,795	688,464	621,858	693,374	781,799	825,075	698,461	591,506	506,908	488,084
Total Underwriting Expenses	9,683,872	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
Net Underwriting Revenues	(566,758)	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)
OTHER REVENUES:										
Investment Income	415,231	231,178	478,624	754,184	1,315,627	1,007,298	1,037,055	1,158,129	1,003,052	950,678
Other Income	96	480	6,048	-	5,446	250,464	3,387	1,935,522	1,254,458	-
Total Other Revenues	415,327	231,658	484,672	754,184	1,321,073	1,257,762	1,040,442	3,093,651	2,257,510	950,678
OTHER EXPENSES:										
Investment Expenses	63	221	-	-	-	-	-	-	-	-
	63	221	-	-	-	-	-	-	-	-
NET REVENUES	\$ (151,494)	\$ 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)

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF NET ASSETS
Unaudited
September 30, 2012

ASSETS	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Current Assets			
Cash and Cash Equivalent	\$ 941,857	\$ 686,898	\$ 776,716
Cash - Outside Bank Account	3,143,234	123,038	712,156
Cash - In Transit / Board	-	150	-
Investments (Fair Value)	24,262,593	26,221,816	19,679,903
Accounts Receivable	373,433	376,502	397,697
Due From Other Funds	-	-	-
Accrued Interest Receivable	5,470	41,805	24,868
Prepaid Expense	-	-	56,069
Total Current Assets	28,726,587	27,450,209	21,647,409
Noncurrent Assets			
Investments (Fair Value)	5,862,120	5,660,366	8,757,330
Accrued Interest Receivable	44,577	-	-
Total Noncurrent Assets	5,906,697	5,660,366	8,757,330
TOTAL ASSETS	34,633,284	33,110,575	30,404,739
LIABILITIES			
Current Liabilities			
Vouchers Payable	351,604	892,043	488,562
Self-Insured Deposits	120,000	120,000	120,000
Unpaid Claims & Expenses	1,127,863	1,423,812	1,753,115
Total Current Liabilities	1,599,467	2,435,855	2,361,677
Long-term Liabilities			
Unpaid Claims & Expenses - LT	6,391,227	7,475,013	7,986,415
Claims Incurred But Not Reported	10,843,453	11,392,604	9,724,977
Total Long-term Liabilities	17,234,680	18,867,617	17,711,392
Total Liabilities	18,834,147	21,303,472	20,073,069
NET ASSETS			
Reserved for Encumbrances	2,002,278	1,537,782	1,910,096
Unrestricted	13,796,859	10,269,321	8,421,574
TOTAL NET ASSETS	\$ 15,799,137	\$ 11,807,103	\$ 10,331,670

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Unaudited
For the Year Ended September 30, 2012

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES			
Earned Premiums	\$ 7,977,807	\$ 8,917,765	\$ 9,172,759
Administrative Fees - Self Insured Agencies	<u>283,435</u>	<u>309,488</u>	<u>315,152</u>
Total Operating Revenues	8,261,242	9,227,253	9,487,911
OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	2,421,660	3,211,624	3,420,887
Incurred But Not Reported Expense	(549,151)	1,667,627	2,119,918
Actuarial Services	26,213	68,648	37,179
Medical Services	248,336	163,461	470,239
Program Consultants	201,552	461,424	295,009
Other Non-Claim Operational Expenses	<u>-</u>	<u>-</u>	<u>397</u>
Total Operations	2,348,610	5,572,784	6,343,629
Administration:			
Personnel Costs	1,590,084	1,516,151	1,425,147
Employee Benefits	553,350	551,909	515,444
Travel - In State	1,372	7,609	3,154
Travel - Out of State	-	385	3,663
Repair & Maintenance	119	480	2,259
Rentals & Leases	4,352	4,491	5,666
Utilities & Communication	20,892	20,911	20,825
Services	164,558	181,539	210,440
Supplies, Materials & Operating Expense	88,984	89,549	105,249
Transportation Equipment Operations	<u>1,050</u>	<u>3,336</u>	<u>1,766</u>
Total Administration	2,424,761	2,376,360	2,293,613
Total Operating Expenses	4,773,371	7,949,144	8,637,242
Operating Income (Loss)	3,487,871	1,278,109	850,669
NONOPERATING REVENUES (EXPENSES)			
Investment Income	513,494	199,342	399,581
Miscellaneous Fees	-	-	213
Court Ordered Settlements	90	263	-
Reimbursement Not Otherwise Classified	63	-	-
Investment Expense	<u>(63)</u>	<u>(221)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	513,584	199,384	399,794
Income (Loss) Before Contributions and Transfers	4,001,455	1,477,493	1,250,463
Transfers In	-	-	-
Transfers Out - State Personnel	<u>(7,800)</u>	<u>(8,214)</u>	<u>(7,081)</u>
Increase (Decrease) in Net Assets	3,993,655	1,469,279	1,243,382
Total Net Assets, October 1, As Restated	<u>11,729,908</u>	<u>10,331,130</u>	<u>9,088,288</u>
Total Net Assets, September 30	\$ 15,799,137	\$ 11,807,103	\$ 10,331,670

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>2012</u>	<u>2011</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 20,291,429	\$ 19,464,507
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	4,500,000	1,923,248
Increase (Decrease) in provision for insured events of prior years	<u>(2,627,491)</u>	<u>2,939,638</u>
Total incurred claims and adjustment expenses	1,872,509	4,862,886
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,720,226)	(322,877)
Claims and adjustment expenses attributable to insured events of prior years	<u>(2,081,169)</u>	<u>(3,713,087)</u>
Total payments	(3,801,395)	(4,035,964)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 18,362,543</u>	<u>\$ 20,291,429</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>2012</u>	<u>2011</u>	<u>% Change</u>
Investments			
Money Market Funds	\$ 9,265,638	\$ 20,222,581	(54.2)
Commercial Paper	14,996,955	5,999,235	150.0
US Agency Securities	-	-	-
US Treasury Securities Long Term	311,395	290,294	7.3
Domestic Corporate Bonds	<u>5,550,725</u>	<u>5,370,072</u>	3.4
Total Investments	<u>\$ 30,124,713</u>	<u>\$ 31,882,182</u>	(5.5)
Investment Income			
Interest Income	\$ 304,308	\$ 293,421	3.7
Change in Fair Value of Investments	209,186	(262,200)	179.8
Gain(Loss) on Sale of Investments	<u>-</u>	<u>168,121</u>	(100.0)
Total Investment Income	<u>\$ 513,494</u>	<u>\$ 199,342</u>	157.6

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

	<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>	<u>2003-04</u>	<u>2002-03</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 7,977,807	\$ 8,917,765	\$ 9,172,759	\$ 7,717,034	\$ 7,587,499	\$ 3,384,120	\$ 3,253,101	\$ 2,936,164	\$ 2,924,803	\$ 2,837,069
Administrative Fees - Self Insured Agencies	<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>	<u>1,618,303</u>	<u>1,429,283</u>
	8,261,242	9,227,253	9,487,911	8,033,049	7,896,029	4,632,964	4,519,910	4,320,520	4,543,106	4,266,352
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	3,801,395	4,035,964	4,558,230	3,929,439	6,757,163	691,505	2,365,646	(1,957,819)	(285,448)	578,210
Claims and Expenses Unpaid	(1,379,735)	(824,340)	(1,137,343)	1,292,376	2,820,984	(416,595)	748,010	2,317,106	891,349	683,726
IBNR Expenses	<u>(549,151)</u>	<u>1,667,627</u>	<u>2,119,918</u>	<u>(97,499)</u>	<u>1,536,267</u>	<u>(2,190,402)</u>	<u>(98,137)</u>	<u>(1,213,691)</u>	<u>883,634</u>	<u>1,253,598</u>
Net Claims	1,872,509	4,879,251	5,540,805	5,124,317	11,114,414	(1,915,492)	3,015,519	(854,404)	1,489,535	2,515,534
Reinsurance Premium		-	-	-	-	-	-	-	105,843	408,376
Actuarial Services	26,213	68,648	37,179	52,436	41,054	22,986	36,468	47,388	-	21,180
Medical Services	248,336	163,461	470,239	704,383	970,597	1,096,107	1,031,917	905,595	1,877,427	1,116,522
Program Consultants	201,552	461,424	295,009	6,662	11,662	9,118	1,525	-	-	-
Administrative Expenses	<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>	<u>1,110,856</u>	<u>935,513</u>
Total Underwriting Expenses	4,781,171	7,957,358	8,643,926	8,136,388	14,065,073	742,406	5,285,313	1,274,324	4,583,661	4,997,125
Net Underwriting Revenues	3,480,071	1,269,895	843,985	(103,339)	(6,169,044)	3,890,558	(765,403)	3,046,196	(40,555)	(730,773)
OTHER REVENUES:										
Investment Income	513,494	199,342	399,581	508,059	1,189,892	1,030,081	1,016,978	870,503	734,468	631,253
Other Income	<u>153</u>	<u>263</u>	<u>213</u>	<u>96</u>	<u>16,200</u>	<u>45,420</u>	<u>-</u>	<u>219,399</u>	<u>66,590</u>	<u>1,971,705</u>
Total Other Revenues	513,647	199,605	399,794	508,155	1,206,092	1,075,501	1,016,978	1,089,902	801,058	2,602,958
OTHER EXPENSES:										
Other Non-Claim Operational Expenses	-	-	397	-	4,110,184	628	350	915	-	-
Investment Expenses	<u>63</u>	<u>221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	63	221	397	-	4,110,184	628	350	915	-	-
NET REVENUES	<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>	<u>\$ 760,503</u>	<u>\$ 1,872,185</u>

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 Kristi Griffith Kim Sides Jill Mennemeier Ann Jackson April Emfinger Jennifer Scott Dorothy Kelly Georgia Ivey Jana Valdakis Paula Cole Rosanna McHargue Sirena Sheridan Tammy Sasser Pam Bailey Beverly McDonald Terri Loving

