

**2013**  
**Annual Report**  
*of the*  
**LAC Self-Insured Fund**  
**(Workers' Compensation Program)**

**Agricultural Association of Louisiana**  
**(Sponsoring Trade Association)**

**Louisiana Agricultural Corporation, L.L.C.**  
**(Third Party Claims/Loss Control Services)**

**February 21, 2013**  
**Bayou DeSiard Country Club**  
**Monroe, Louisiana**

**Directors/Managers/Trustees**

**John Shackelford, III – Chairman**  
**John Carroll – Vice-Chairman**  
**Charles Noble – Secretary/Treasurer**  
**Tim Methvin**  
**Curt Leake**  
**Ted Oliver**  
**Ryan Ellington**  
**Ted Schneider - Board Advisor**

## 2013 Administrator Report to Members

While 2012 was perhaps our most challenging year, we are pleased to report that your workers' compensation program completed another successful year. On behalf of your board of directors, managers, and trustees we appreciate the members' attention to employee safety. This fact is a major contributor to our twenty-fourth consecutive successful year of operation. As your Fund Administrator, we appreciate the time and experience provided by your voluntary board. The program is made up of three parts. They are as follows:

### *Agricultural Association of Louisiana (AAL)*

A group self insurance plan by law must be sponsored by a non-profit trade association. AAL was set up to be the financial umbrella over the Louisiana Cotton & Grain Association, Louisiana Cotton Ginners' Association and the Louisiana Independent Cotton Warehouse Association. AAL provides funding for the Executive Director position occupied by David Crigler. David's duties are to promote and coordinate the objectives of Louisiana's landowners and row crop farmers on a state and national basis. He provides regulatory, lobbying and legislative monitoring for both agricultural and worker's compensation issues. A condensed financial statement for AAL is on page six (6) of this report.

### *Louisiana Agricultural Corporation, LLC (LAC, LLC)*

LAC, LLC is a third party claims administration (TPA) that is owned by the members of the LAC Self Insured Fund. LAC, LLC is licensed in Arkansas and Louisiana. We have offices in Monroe, LA and Jonesboro, AR. The TPA provides workers' compensation claims management and loss control services. We service three group self-insured groups and three public entities. By handling claims of others, we are able to keep the claims management cost stable for the parent company- LAC Self Insured Fund. The condensed financial report is on page seven (7) of this report.

### *LAC Self-Insured Fund (LAC SIF)*

Consolidation of operations continued in 2012. Farm operations now constitute fifty-seven (57%) of the funds' payroll. We finished the year with 556 policyholders and 650 actual insured entities.

2012 was a record year. We recorded the highest payroll, the highest income, and the largest single claim in our twenty-four year history. We have one injury that we estimate will exceed \$6,000,000. Due to our excess insurance coverage, the financial impact to the program is minimal. However, for the future years our retained limit will be increased (\$750,000 to \$1,000,000).

Our assets appear to be up 22.7% but this is only due to the \$5,735,249 in excess insurance recoverable on unpaid losses. The one bad loss accounts for the 146% increase on unpaid losses. Due to the increase in distributions, the members' distribution payable is down slightly.

The board is pleased to return \$3,278,536 in surplus distribution for 2013. For most members this will represent as much as fifty (50%) of their 2013 estimated premium. We have been able to increase the distribution each year for the last ten years. The members, the board, the claims and loss control staff should all be congratulated for this achievement. The condensed audited financial report is on page 5. Visit our website at [www.lac-sif.com](http://www.lac-sif.com)



# LAC Self Insured Fund

- Established February 1, 1989
- A Group Self Insurance Fund established under Title 23 of the Louisiana Workers Compensation Law RS:1195 of Louisiana Revised Statutes

“A fund member shall be liable in solido for liabilities of the fund incurred by the fund after inception of the fund year in which the employer becomes a member of fund.”

“the arrangement shall not be a member insured of the Louisiana Insurance Guaranty Association, nor shall the Louisiana Insurance Guaranty Association be liable under any circumstances for any claims, or increment of any claim, made against the arrangement.”

- Administrated by Arthur J. Gallagher Risk Management Services, Inc.

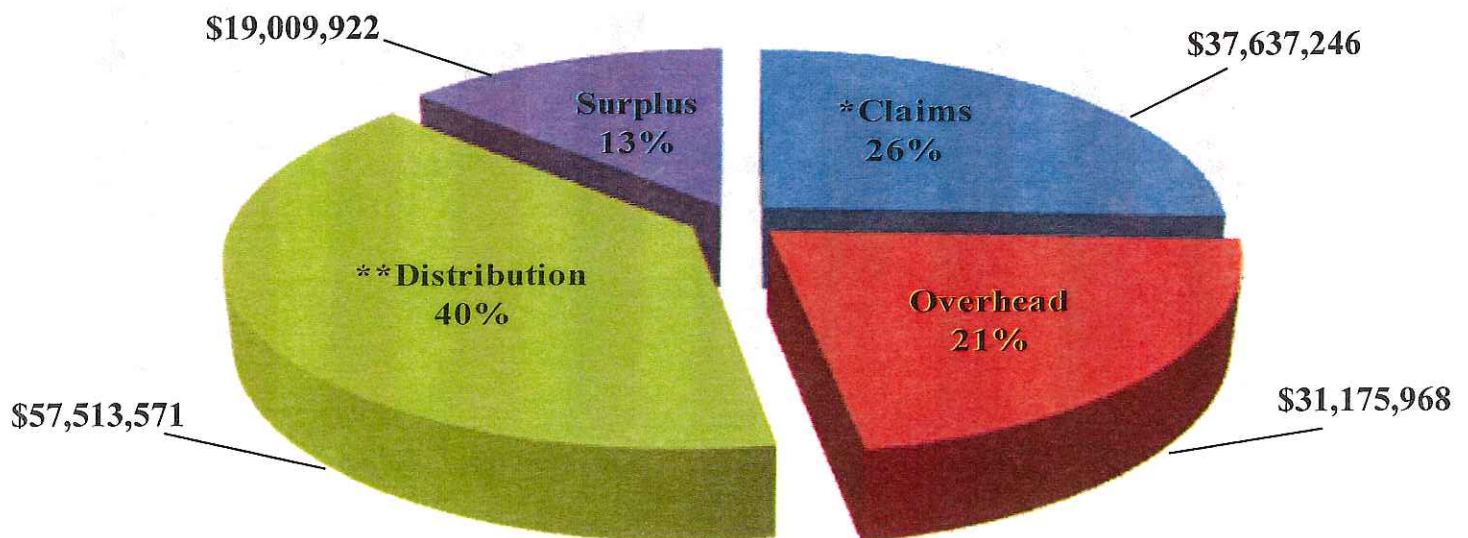
*Surplus 2013 Distribution*  
*\$3,278,536*

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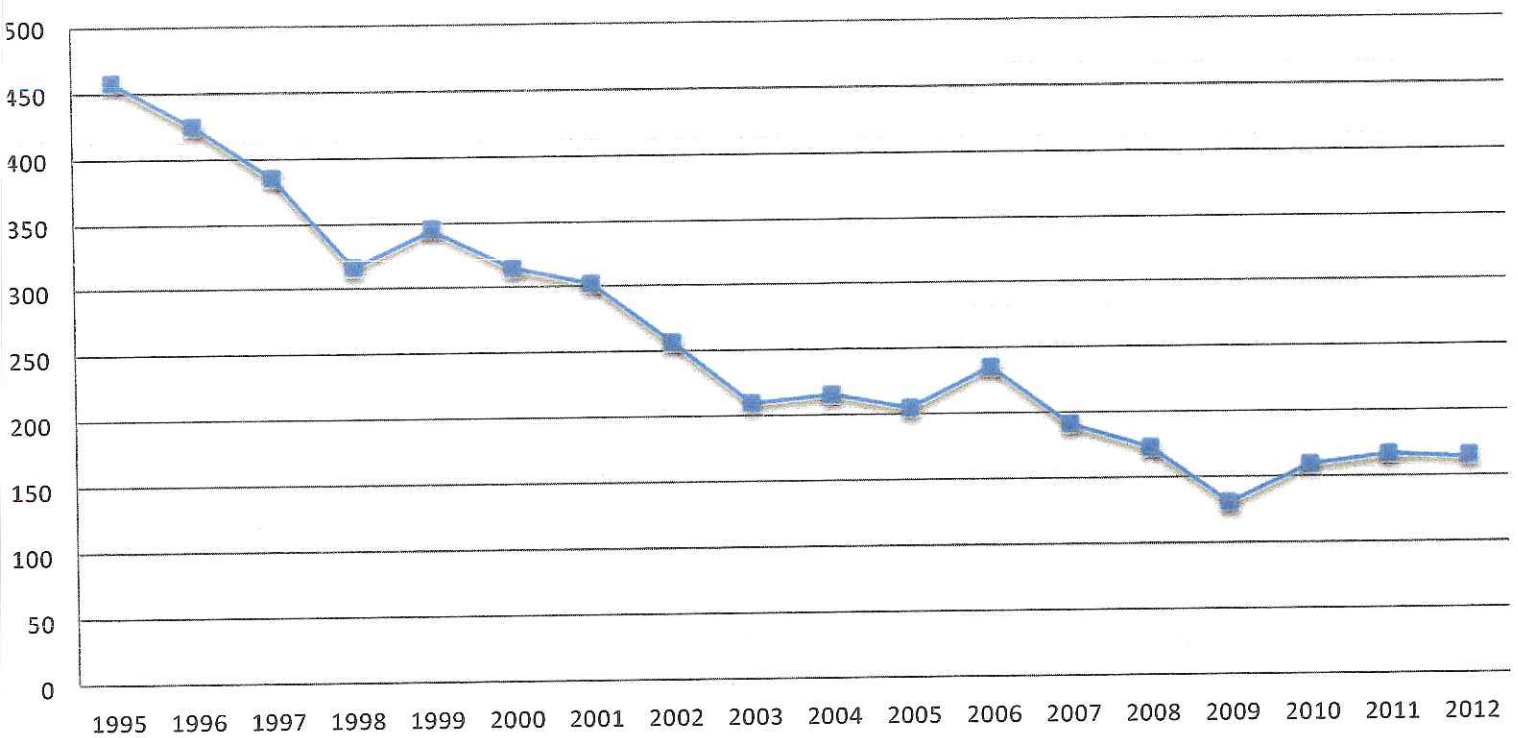
## Fund Overview 1989—2012

Total Premium: \$129,545,008      Investment Income: \$15,791,699

Total Revenue: \$145,336,707

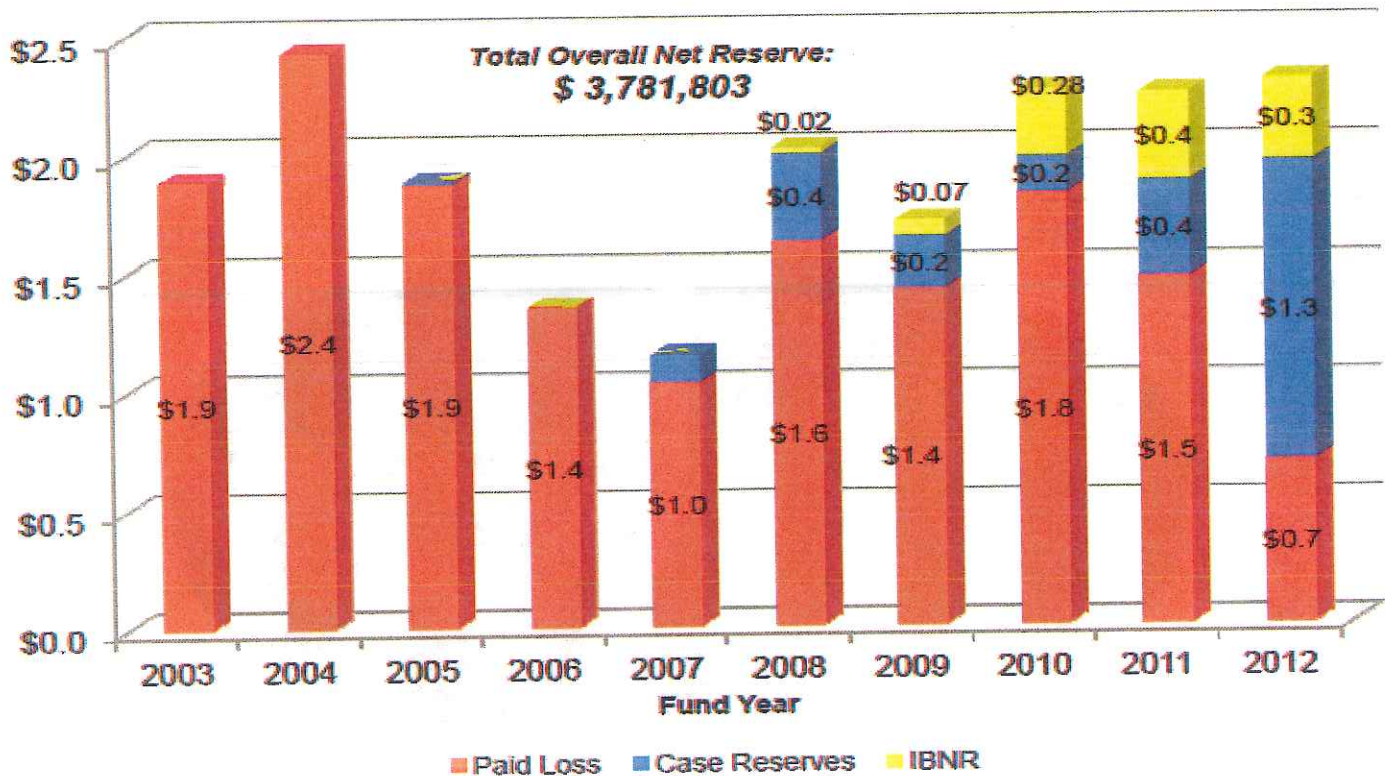


## LAC SIF Claims by Year



*As of December 31, 2012*

## LAC SIF Net Incurred Loss (\$ millions)



*As of December 31, 2012*

Bickerstaff, Whatley, Ryan & Burkhalter, Inc.  
Consulting Actuary



**LAC SELF-INSURED FUND**  
(CONDENSED STATEMENT OF FINANCIAL POSITION)

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash & Invested Assets	\$ 25,979,823	\$ 25,708,958
Other Assets	<u>6,351,945</u>	<u>620,264</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 32,331,768</u></b>	<b><u>\$ 26,329,222</u></b>
<u>Liabilities &amp; Policy Holders' Surplus</u>		
Unpaid Losses & Loss Adjustment	\$ 9,517,053	\$ 3,820,355
Member Distribution Payable	22,288,458	21,953,805
Other Accrued Expenses Payable	<u>526,257</u>	<u>555,062</u>
	\$ 32,331,768	\$ 26,329,222
Policy Holders' Surplus	<u>-</u>	<u>-</u>
	<b><u>\$ 32,331,768</u></b>	<b><u>\$ 26,329,222</u></b>

**Condensed Statement of Earnings**

	Year Ending December 31	Year Ending December 31
<u>Revenues</u>	<u>2012</u>	<u>2011</u>
Premium	\$ 6,993,539	\$ 6,842,231
Net Investment Earnings	<u>763,452</u>	<u>630,323</u>
	\$ 7,756,991	\$ 7,472,554
<u>Expenses</u>		
Losses & Other Adjustment Expenses	2,430,707	1,536,626
Other Expenses	<u>1,647,066</u>	<u>1,519,863</u>
	<u>4,077,773</u>	<u>3,056,489</u>
Net Earnings Before Member Distribution & Provision for Income Taxes	<b><u>\$ 3,679,218</u></b>	<b><u>\$ 4,416,065</u></b>
<b>Membership Distribution</b>	<b><u>(3,679,218)</u></b>	<b><u>(4,416,065)</u></b>
Income Tax Expenses	-	-
<b>Net Earnings</b>	\$ -	\$ -

Prepared by Shores, Tagman,, Butler & Company, P.A.  
Certified Public Accountant  
(Complete 2012 Financial Statement Available Upon Request)

# Agricultural Association of Louisiana

Sponsoring trade association for LAC Self Insured Fund

## Condensed Financial Statement

Balance Sheet as of December 31, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash & Cash Equivalents	\$ 283,588	\$ 237,712
Due from LA Agricultural Corp.	0	5,000
	<u>\$ 283,588</u>	<u>\$ 242,712</u>
Property Furniture		
Furniture and Fixtures	24,417	22,316
Machinery and Equipment	273,652	271,485
Vehicles	48,564	52,274
	<u>346,633</u>	<u>346,075</u>
Accumulated Depreciation	(275,511)	(270,585)
	<u>71,122</u>	<u>75,490</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 354,710</u></b>	<b><u>\$ 318,202</u></b>
Liabilities & Net Assets		
Note payable	-	8,112
Accounts payable	-	-
FlexPlan Payable	-	544
Payroll taxes payable	-	628
	<u>-</u>	<u>9,284</u>
Net Assets	<u>354,710</u>	<u>308,918</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 354,710</u></b>	<b><u>\$ 318,202</u></b>

## STATEMENT OF ACTIVITIES

	<u>2012</u>	<u>2011</u>
LAC-SIF	\$ 72,000	\$ 71,000
LA Ginners Association	4,748	4,179
LA Warehouse Association	4,635	4,570
LA Cotton Producers	24,005	20,000
Rental Income - Equipment	94,000	90,000
	<u>\$ 199,388</u>	<u>\$ 189,749</u>
Functional Expenses	<u>142,153</u>	<u>158,835</u>
Operating Income	<u>\$ 57,235</u>	<u>\$ 30,914</u>
Other Income (Expense)		
Depreciation	(28,943)	(34,184)
Interest income	4,795	3,964
Miscellaneous income	14,465	2,666
Unrealized loss on securities	(1,760)	257
	<u>(11,443)</u>	<u>(27,297)</u>
<b>Change in Net Assets</b>	<b>45,792</b>	<b>3,617</b>
NET ASSETS - Beginning of Year	<u>308,918</u>	<u>305,301</u>
NET ASSETS - End of Year	<b><u>\$ 354,710</u></b>	<b><u>\$ 308,918</u></b>

# Louisiana Agricultural Corporation, LLC

A Third Party Administration (TPA) which provides loss control and claims

processing for five clients

*Condensed Financial Statement*

*Balance Sheet as of December 31, 2012 and 2011*

<b>Assets</b>		<u>2012</u>	<u>2011</u>
Current Assets	Cash & Cash Equivalents	\$ 122,775	\$ 139,144
		-	-
	Marketable securities	124,886	97,480
	Deferred income tax benefits	415	302
		<u>\$ 248,076</u>	<u>\$ 236,926</u>
Property & Equipment	Furniture and Fixtures	-	-
	Machinery and Equipment	-	-
		-	-
	Accumulated Depreciation	-	-
		-	-
<b>TOTAL ASSETS</b>		<u><b>\$ 248,076</b></u>	<u><b>\$ 236,926</b></u>
<b>Liabilities &amp; Members' Equity</b>			
Current Liabilities	Accounts Payable	\$ -	\$ -
	Due to Louisiana Cotton Association	-	5,000
	Payroll Taxes Payable	3,794	5,379
	Income Taxes Payable	495	1,043
	Retirement Plan Payable	1,204	794
	Deferred Income Taxes	-	-
		5,493	12,216
Members' Equity		242,583	224,710
<b>TOTAL LIABILITIES &amp; MEMBERS EQUITY</b>		<u><b>\$ 248,076</b></u>	<u><b>\$ 236,926</b></u>

## STATEMENT OF INCOME & MEMBERS' EQUITY

		<u>2012</u>	<u>2011</u>
Income		\$ 818,605	\$ 742,101
Operating Expenses		808,830	724,472
Operating Loss/Gain		9,775	17,629
Other Income (Expenses)	Auto Lease Recovery	3,000	3,000
	Interest Income	4,837	4,589
	Unrealized loss on securities	(1,508)	2,000
	LA refundable credit received	5,000	-
	Loss on sale of marketable securities	871	(828)
		<u>12,200</u>	<u>8,761</u>
Income (Loss) Before Income Taxes		21,975	26,390
Income Tax Expense (Benefit)		4,102	4,093
Net Income (Loss)		17,873	22,297
Members' Equity - Beginning of Year		224,710	202,413
Members' Equity - End of Year		<u><b>\$ 242,583</b></u>	<u><b>\$ 224,710</b></u>

# DISCUSSION ITEMS

- I. We require all members to have a drug and alcohol program. You can get this information from our website [www.lac-sif.com](http://www.lac-sif.com) Failure to implement a drug and alcohol policy can expose the Fund to excessive claims costs.
- II. Late reports continue to be an issue. Pick up the phone and advise the claims department of any incident that may give rise to a claim. Are employee fights covered? Maybe—File a Report.
- III. Vicarious Liability—a form of strict secondary liability that arises under civil law. You may be held liable for acts of your subordinates (employees). Did you have the “right, ability, or duty to control the activities of the violator?” This is an area of liability that may not be covered under your general liability or workers compensation. Be aware of your obligations to your employees.
- IV. Appreciation: John T. (Johnny) Carroll has been a board member since the inception of this program in 1989. Prior to that date, he was actively involved with the planning and implementation of the program. He is stepping down from the board this year. We appreciate his years of service and experience in making this a successful program for Louisiana agriculture.

## Important Phone Numbers:

Administration	Claims	Safety/Loss
Terry M. Duke	Tommy Green	Prevention
LaToya Welch Thomas	800-579-0202	Russ Jones
318-322-2999	318-324-0202	318-376-6684

Arthur J. Gallagher  
Administrator  
3000 Kilpatrick Blvd. Ste. 100  
Monroe, LA 71201  
1-800-798-2999

James M. Edwards, L.L.C.  
Attorney at Law  
3000 Kilpatrick Blvd. Ste. 200  
Monroe, LA 71201  
318-537-8384