



Dividend Frequently Asked Questions September 2018

1. What is a dividend?

A dividend is a payment to policyholders that comes from policyholder equity beyond what is determined prudent to meet current and projected long-term financial obligations. Dividends are a way for MSF to share good financial results with the employers who helped make it possible. **They reward and encourage safe and cost-effective behavior by employers and workers, and reduce the overall cost of workers' compensation insurance to employers.**

On September 20, 2018 our Board of Directors declared a **\$40 million** dividend to 23,152 policyholders from dividend year 2016 (July 1, 2015—June 30, 2016). This is second consecutive \$40M dividend distributed by Montana State Fund. MSF has returned \$256 million to our customers in the past 20 years.

2. Will I get a dividend check?

Both current and former MSF policyholders with policy effective dates in the policy year of **July 1, 2015 to June 30, 2016** may receive a dividend. Dividend recipients must have been insured with MSF for six months or more. We use an approved table that takes into account *premium size and loss ratio* to calculate the dividend amount.

Policyholders will **not** receive a dividend if:

- Their calculated dividend amount is less than \$10;
- They did not have at least 6 months of coverage in a policy period beginning in dividend year 2016;
- They are a member of a PEO organization;
- Their loss ratio was too high; or,
- They were written as a large deductible policy.

Policyholders will receive an **account credit** for their dividend if:

- Their policy has an outstanding item such as a collection, bad debt, promissory note, bankruptcy, or cancelled with a balance or payroll report owed to MSF; or,
- They are an active account and their dividend is less than the warrant minimum of \$100.

3. Is there a minimum dividend check amount?

Yes, the minimum dividend amount is \$10. The minimum dividend check amount is **\$100**. If the dividend is in the \$10 - \$100 range, they will receive a credit towards their active policy.

4. How do you calculate my dividend?

Your general dividend size depends on your premium amount (policy size) combined with your loss ratio as of 06/30/2018 for dividend year 2016. The average dividend for policyholders receiving a dividend is 28% of paid premium for dividend year 2016. The maximum dividend available this year is 42.7%. This amount does not include any other returns you may receive as a member of our group association safety plans.

5. How much will my dividend check be?

If you are receiving a dividend, you should receive a letter in mid-October that indicates the amount. For further information, please contact your team's Customer Service Specialist at 800-332-6102.

6. Do I need to apply for my dividend?

No. Montana State Fund will calculate the dividend for each employer and will automatically prepare a dividend check or credit for each qualifying customer.

7. What is a loss ratio?

The loss ratio on your account is simply the percentage of your premium that has been used, or is projected to be used, on claims during the policy period. A loss ratio of 0% indicates that none of the premium was used for claims; a loss ratio of 50% indicates that half of the premium has been used (or is projected to be used) for claims. A loss ratio of 500% indicates that the employer's claims cost five times as much as the premium paid. The nature of insurance is that the premiums paid by all policyholders are used to pay for the policyholders who do have claims. A policyholder dividend is a way to share MSF's favorable financial results with the employers who have good loss experience as reflected by their safe work practices and effective return to work programs.

8. Do smaller accounts receive a lesser percentage of dividends than large accounts?

Smaller accounts on average receive the same amount of total dividend as do larger accounts. Dividends are proportionate to premium paid and the loss ratio of the respective accounts.

9. When will I get my dividend check?

Montana State Fund will begin distributing checks in late October. Distribution should be complete **by November 16, 2018**. Your dividend will either be mailed to you directly or delivered to you by your local insurance agent or team representative.

10. My neighbor told me that she was getting a dividend check from MSF, but I didn't receive a letter of notification. Will I be getting a dividend check too?

Letters are mailed to all dividend recipients, so if you did not receive a letter, it is possible that you either did not get a dividend or MSF didn't have a valid address for you. Please contact your team's Customer Service Specialist at 800-332-6102 and ask to review the dividend results of your account.

11. I participated in a group association safety plan during 2016. Does that affect my eligibility for a dividend?

You are *still eligible* for a dividend. However, the calculation of the loss ratio (which is used to determine the dividend percentage) will use premium less of any premium adjustments or returns that have been applied, including group safety plan returns. The resulting dividend percentage also will be applied to premium net of any premium adjustments or returns.

12. How many employers will receive a dividend?

Approximately 23,152 employers will receive a dividend from MSF this year, or **95%** of all eligible policyholders in dividend year 2016.

13. Does every insurance company declare dividends to policyholders?

No. Many insurance companies are owned by stockholders and are more likely to pay dividends to the stockholders than to policyholders. Others pay stockholders and policyholders. Montana State Fund pays dividends solely to policyholders.

14. Does Montana State Fund declare dividends each year?

Dividends cannot be guaranteed. Each year, MSF's Board of Directors may examine our independent actuary's analysis of our policyholder equity and determine if a dividend can be declared.

15. Why don't you just lower my premiums instead of giving me a dividend?

Dividends are not guaranteed, they are a result of strong operational and investment performance and can vary from year-to-year. Most of the time, as a non-profit entity MSF sets premium rates where the premiums collected from policyholders do not cover the claim cost and the costs associated with administering the claims. MSF investment income and policyholder equity covers any shortfall. Lowering rates would lead to greater rate volatility for our customers.

16. MSF strives to create a stable rate environment while returning a share of the financial gains to policyholders through a dividend declaration, rather than fluctuate rates up and down as financial gains or losses occur. In addition, dividends are distributed proportionate to losses (or lack thereof) which creates an incentive for employers to focus on workplace safety. An employer who controls losses and consistently receives a dividend year after year as they are declared, is effectively paying lower rates.

17 I just received a letter telling me that my dividend would be applied to my account as I have an outstanding item due to Montana State Fund. What does this mean?

This letter applies to those who have an outstanding debt, payment, or payroll report with MSF. It also applies to a policy that is pending cancellation for nonpayment. MSF Finance will research your account to identify the outstanding item (bad debt, promissory note, collection, cancelled with balance owed or missing payroll report, or pending cancellation, as examples). If the amount you owe is greater than your dividend amount, the entire amount will be applied to your debt. If your dividend is greater than the amount owed, Finance may issue a refund for the remaining dividend. Dividends to active accounts where the amount is less than \$100 will be credited to the account to offset current or renewal policy premium. If

the account is cancelled and all outstanding issues are resolved, such as final payroll, we will issue a refund for any remaining dividend amount.

18. I am part of a Professional Employer Organization (PEO) and I have a good loss ratio, but I did not receive a dividend letter. Why?

Call your team's Customer Service Specialist at 800-332-6102 and we will look up your account. If our system indicates that you belonged to one of our PEO organizations, your premium and loss experience was combined with all accounts belonging to the PEO. If a dividend was awarded, it was mailed to your PEO as one check.

19. I believe my loss ratio is too high because MSF didn't handle my claims correctly. What can be done to correct this situation?

Claims handling involves a partnership with the injured employee, employer, medical providers and your Montana State Fund Claims Examiner. If this partnership breaks down at any level, then the cost could be impacted. For example, if the employer cannot temporarily or permanently modify an injured employee's job due to a significant injury, costs increase. If you have concerns, you should immediately address them with the Claims Examiner handling the claim or the Business Unit Director. Generally, we will not adjust a dividend for accounts that have questions about how claims were handled or how losses were incurred.

20. I was told that I'd receive a dividend check by mid-November, but I haven't received it yet. What's going on?

Please contact your team's Customer Service Specialist at 800-332-6102 and we will find out what happened. It may be that your address or business name has changed, and the check was initially sent to the wrong place.

21. With all the good things happening at Montana State Fund, I'd like to bring my account back. What do I need to do?

MSF can issue you a quote directly, or we have partnerships with many independent insurance agents throughout the state, and these agents will be able to assist you with reestablishing your policy with us. There is no extra charge to use an agent. If you have questions about which agents to contact in your area, **please go to www.montanastatefund.com. On the top of the page you can click on the Workers' Compensation tab and then click the link to agent locator. The list is an alphabetical listing of all appointed agents by city.**