

Montana State Fund

**FY2013 Business Plan Performance
Board of Directors Meeting
September 20, 2013**



Key Success Measures

KSM

2013 Business Plan

Net Earned Premium	\$154.2 M
Fiscal Year Loss Ratio	71.1%
Expense Ratio	29.3%
Investment Income	\$44.7 M
Net Operating Income	\$39.2 M



Generate Total NEP \$154.2M

- Implement board approved rate action
Achieved: Rate action approved and implemented – 0%
- \$15.4M of new premium
Achieved: \$17.7M of new premium
- 90.9% premium retention
Achieved: 90.0% premium retention

Achieved Total NEP \$156.1M



Achieve FY Loss Ratio of 71.1%

- Incurred losses for the year \$111.5 M
- Planned to manage prior period development to \$0
Result: \$3M of prior period development
- Decision for additional \$9.8M of reserve strengthening (transferred from court contingencies)

Result FY Loss Ratio **71.4%**



Achieve Expense Ratio of 29.3%

- Manage acquisition expense to 7.0%
Achieved: acquisition expense of 6.3%
- Manage loss adjustment expense to 12.3%
Result: loss adjustment expense of 18.2%
- Manage operating expenses to 15.4%
Achieved: operating expenses of 15.1%
- Reinsurance contingent commission of (5.4%)
Achieved: contingent commission (5.5%)

Result Expense Ratio 34.1%



Achieve Investment Income of \$44.7M

- Achieve Portfolio Composition

Bonds: 86.0%
Achieved: 81.1%

Equities: 12.0%
Achieved: 12.1%

Short term investments: 2.0%
Achieved: 3.9%

Other invested assets: no target set
Achieved: 2.9%



Achieve Investment Income of \$44.7M

- Match Returns

Barclays Capital Aggregate Bond Index: 0.28%
Achieved: 1.45%

S&P 500 Index: 20.60%
Achieved: 20.70%

MSCI AC World International Equity Index: 13.63%
Achieved: 13.72%

Achieved Investment Income \$53.7M



Achieve Net Operating Income of \$39.2M

Achieved Net Operating Income of \$41.4M

**Statutory Reported
Premium to Equity Ratio**

Business Plan 0.41:1

Achieved: 0.42:1



Key Success Measures

KSM	2013 Plan	2013 Achieved
Net Earned Premium	\$154.2 M	\$156.1 M
Fiscal Year Loss Ratio	71.1%	71.4%
Expense Ratio	29.3%	34.1%
Investment Income	\$44.7 M	\$53.7 M
Net Operating Income	\$39.2 M	\$41.4 M



Enterprise-Wide Initiatives

Workforce

Rick Duane, VP Human Resources

Nancy Butler, General Counsel

Dick Root, VP Operations

Al Parisian, CIO

Customer Service

Dick Root, VP Operations

Peter Strauss, VP Operations Support

Al Parisian, CIO

Rick Duane, VP Human Resources

Claim and Medical Management

Mark Barry, VP Corporate Support

Nancy Butler, General Counsel

Peter Strauss, VP Operations Support



Workforce

Organizational Development Strategy

COMPLETE

Develop an effective workforce development strategy for Montana State Fund.

- RFP for a consultant to study vacancy/turnover, employee engagement, training, and succession needs by September 30, 2012.
 - **Accomplished:** RFP developed and issued by July 10, 2012
- Select consultant by December 31, 2012.
 - **Accomplished:** Consultant selected by August 29, 2012



Workforce

Organizational Development Strategy

- Complete development needs assessment for claim examiner and medical staff by March 31, 2013.
 - **Accomplished:** Claim Examiner and Medical Case Management complete in November 2012. Customer Service Specialist model complete June 2013.
- Complete all studies and analysis and provide a strategy that prioritizes actions by May 15, 2013.
 - **Accomplished:** Projects developed and included in FY14 business plan by April 15, 2013.



Workforce

Human Resource Management System

COMPLETE

Provide a solution to automate and improve management of HR processes.

- Complete requirements for an HR system by August 2012.
 - **Accomplished:** Requirements and draft RFP complete August 3, 2012
- Complete RFP and acquire approved solution by January 15, 2013.
 - **Accomplished:** RFP and selection complete December 2012
- Implement two features by the end of the fiscal year
 - **Accomplished:** Greenlight learning management and Wingspan performance management implemented by June 2013



Workforce Claim Examiner Trainee Program

COMPLETE

Establish a program to effectively meet the need for skilled claim examiners.

- Implement the claim examiner trainee program with additional trainees by July 2012 and January 2013.
 - **Accomplished:** Two trainees started in July 2012 and three trainees started in January 2013



Workforce

Claim Examiner Trainee Program

- Trainees will effectively manage claims as follows:
 - Three months into program: 45 med only claims assigned and managed
 - **Accomplished:** 61 claims
 - Six months into program: 85 med only and indemnity claims assigned and managed
 - **Accomplished:** 100 claims



Customer Service Worksafe Champions

COMPLETE

Maintain a focus on developing a culture of workplace safety in Montana.

- Conduct a survey of participants before and after classes to measure improvement in safety awareness.
 - **Accomplished:** 15.9% increase
- Achieve a minimum score of 80 percent satisfaction in the Worksafe Champion course content.
 - **Accomplished:** 89% satisfaction



Customer Service Worksafe Champions

Class I	Class II	Class III	Class IV*
Ind Frequency -20.9%	Ind Frequency - 20%	Ind Frequency - 4.0%	Ind Frequency +14.0%
Med Frequency -6.5%	Med Frequency +0.1%	Med Frequency +14.0%	Med Frequency +10.0%
Loss Costs -25.9%	Loss Costs -14.7%	Loss Costs -13.0%	Loss Costs +14.0%

*preliminary

September 20, 2013

Business Plan - FY 2013
Board of Directors Meeting



Customer Service

Information Page and Change Endorsements

COMPLETE

Provide clear, concise, and easily understood documents to MSF customers.

- Implement revised policy documents by March 31, 2013.
 - **Accomplished:** Implemented revised information page and endorsements March 23, 2013.



Customer Service Customer Survey

COMPLETE

Measure policyholder and injured employee customer service satisfaction.

- Develop customer surveys by December 14, 2012.
 - **Accomplished:** Surveys developed December 4, 2012
- Administer surveys and establish focus groups for discussion by March 1, 2013.
 - **Accomplished:** Surveys complete and focus groups established by February 2013



Customer Service Customer Survey

- Conduct in-person focus groups and generate preliminary report by May 15, 2013.
 - **Accomplished:** In-depth phone interviews and report complete by April 2013
- Prepare and present final reports in June 2013.
 - **Accomplished:** Final reports presented to Executives in May and to Board in June.



Claim and Medical Management

Medical Management Metrics

COMPLETE

Metrics to measure and track the effectiveness of 2011 legislative changes in House Bill 334.

- Report observations following implementation of HB 334 by September 30, 2012.
 - **Accomplished:** Medical metrics reported in September 2012 and quarterly by actuarial team
 - Incidence of surgeries
 - Incidence of long term narcotics
 - Frequency of perm partial disability claims (class 1 impairment impact)



Claim and Medical Management

Medical Management Metrics

- Implement additional metrics for monitoring following implementation of HB 334 by June 2013.
 - **Accomplished:** Medical data available in reporting environment in March 2013.
 - Maximum medical improvement duration
 - Primary care physician assignment
 - Return to work durations



Claim and Medical Management Claim Analytics

COMPLETE

Early and automated identification of initially non-serious claims that could develop into severe claims.

- Analysis of a set of claims and recommend next steps in predictive modeling application by March 2013.
 - **Accomplished:** Review and recommendation complete in January 2013.
- Contingent on findings of analysis, develop RFP for proof of concept modeling by April 2013.
 - **Accomplished:** RFP complete May 1 and released May 15, 2013.

