

# Montana State Fund

**2017 Business Plan Results  
Board of Directors Meeting  
March 9, 2018**



# Key Success Measures

## **KSM**

## **CY17 Business Plan**

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<b>Net Earned Premium</b>	\$167.0M
<b>Fiscal Year Loss Ratio</b>	79.0%
<b>Expense Ratio</b>	30.3%
<b>Investment Income</b>	\$48.1M
<b>Net Operating Income</b> (before dividend)	\$28.3M



# Generate Total NEP \$167.0M

- Implement board approved rate action  
**Result:** *Rate action approved and implemented – overall 5% decrease at March, 2017 meeting*
- \$16.6M new premium  
**Result:** *\$13.4M*
- 91.2% premium retention  
**Result:** *92.0%*

**Total NEP \$166.8M**



# Achieve FY Loss Ratio of 79.0%

- Planned current accident year performance of 75.9%  
**Result:** 70.5%
- Planned to manage prior period development to \$5.2M  
**Result:** (\$4.2M) of favorable prior period development

FY Loss Ratio 71.5%



# Achieve Expense Ratio of 30.3%

- Manage acquisition expense to 6.2%  
**Result:** *acquisition expense of 7.2%*
- Manage loss adjustment expense to 13.2%  
**Result:** *loss adjustment expense of 11.8%*
- Manage operating expenses to 16.2%  
**Result:** *operating expenses of 23.8%*
- Reinsurance contingent commission of (6.0%)  
**Result:** *contingent commission (6.7%)*

**Expense Ratio 36.1%**



# Achieve Investment Income of \$48.1M

- Achieve earned investment income of \$40.8M and realized gains of \$7.3M
- Achieve Portfolio Composition
  1. Bonds: 80.0%  
**Result: 77.9%**
  2. Equities: 12.0%  
**Result: 12.7%**
  3. Real Estate: 6.0%  
**Result: 6.5%**
  4. Short term investments: 2.0%  
**Result: 2.9%**



# Achieve Investment Income of \$48.1M

- Match Returns
  1. Barclays Capital Aggregate Bond Index: 2.1%  
**Result: 2.6%**
  2. S&P 500 Index: 21.8%  
**Result: 21.8%**
  3. MSCI AC World International Equity Index: 27.8%  
**Result: 27.3%**
  4. NCREIF ODCE (Net) Index: 7.6%  
**Result: 5.9%**
- Earned investment income \$37.1M and realized gains \$29.6M

**Investment Income \$66.7M**



# Achieve Net Operating Income of \$28.3M (before dividend)

Net Operating Income  
**\$50.1M** (before dividend)

Statutory Reported  
**Premium to Equity Ratio**

**Plan: 0.31:1**

**Result: 0.30:1**



# Key Success Measures

<b>KSM</b>	<b>CY17 Plan</b>	<b>CY17 Result</b>
<b>Net Earned Premium</b>	\$167.0M	<b>\$166.8M</b>
<b>Fiscal Year Loss Ratio</b>	79.0%	<b>71.5%</b>
<b>Expense Ratio</b>	30.3%	<b>36.1%</b>
<b>Investment Income</b>	\$48.1M	<b>\$66.7M</b>
<b>Net Operating Income</b> (before \$40M dividend)	\$28.3M	<b>\$50.1M</b>



# Enterprise-Wide Initiatives

- Customer Service – Policy and Billing Replacement
  - *Julie Jenkinson, VP Operations*
  - *Al Parisian, CIO*
  - *Sam Heigh, VP Operations Support*
- Customer Service – Worksafe Champions
  - *Julie Jenkinson, VP Operations*
  - *Rick Duane, VP Human Resources*
- Customer Service – Growing a Safer Montana
  - *Julie Jenkinson, VP Operations*
  - *Al Parisian, CIO*



# Customer Service Policy and Billing Replacement

**Performance Indicator:** Complete the request for proposal process to select system, vendor, and implementation partners. Complete initial plans and begin core functionality implementation phase of the initiative.



# Customer Service

## Policy and Billing System Replacement

### Met later than plan - multi year

#### Success Measures:

- Final selection and contract for vendor partner(s) – July 31, 2017

#### Result:

- Guidewire software contract signed July 31, 2017*
- Guidewire services contract signed August 21, 2017*
- HCL technologies for integration services signed August 25, 2017*
- Cognizant contract for backfill services signed August 29, 2017*



# Customer Service Policy and Billing System Replacement

## Met later than plan - multi year

### Success Measures:

- Executive approval of plan to implement core functionality by October 31, 2017.  
**Result:** *Executive approval of plan to implement core functionality on January 4, 2018.*
- Executive approval of plan for the new system to materially reduce the need for manual business process steps by November 30, 2017.  
**Result:** *Executive approval of plan to materially reduce manual business process steps on January 4, 2018.*

Both of these plans were subsequently delayed due to vendor contract negotiations and timing of approval did not affect the overall project.



# Customer Service Worksafe Champions

**Performance Indicator:** Provide practical tools to enhance our customers' ability to prevent workplace accidents.



# Customer Service Worksafe Champions Complete

## Success Measures:

- At least 95% of all Worksafe Champions onsite customers and central workshop attendees develop a safety action plan and demonstrate progress (as measured by assigned MSF Safety Management Consultant) to implement the plan by December 31, 2017.

**Result:** *100 percent of onsite and central workshop attendees developed a safety action plan and demonstrated progress in implementing the plan.*



# Customer Service Worksafe Champions Complete

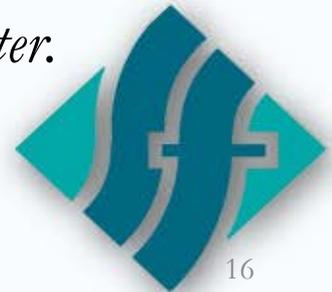
## Success Measures:

- Identify and enroll up to 10 policyholders for onsite Worksafe Champions program.

**Result:** *Eight policyholders completed the onsite program.*

- At least 92% of all Worksafe Champions onsite companies and central workshop attendees rate the overall course content as good or better.

**Result:** *98% of all participants rated the content as good or better.*



# Customer Service

## Growing a Safer Montana

**Performance Indicator:** Work to positively impact the safety culture for the next generation of employees by addressing challenges for young workers in targeted high-risk trades.



# Customer Service Growing a Safer Montana Complete

## Success Measures:

- Award eight high school level safety grants targeted at trade and industry classrooms by December 31, 2017.

**Result:** *Eight high schools selected to receive class room equipment in September, 2017 including safety glasses, hearing protection, safety materials for the instructor, and follow-up presentations from the MSF Safety Management Consultant.*



# Customer Service Growing a Safer Montana Complete

## Success Measures:

- Select ten scholarship recipients in targeted trade/industry and safety/health programs beyond high school by December 31, 2017.

**Result:** *Selected four recipients in trade/industry programs and six recipients in safety/health programs by December 31, 2017.*





March 9, 2018

# Questions

