

2019 Business Plan Results

Key Success Measures

KSM

2019 BP

Net Earned Premium

\$151.1M

Loss Ratio

80.9%

Expense Ratio

35.2%

Investment Income

\$43.4M

Net Operating Income (before dividend)

\$16.0M

Achieve Enterprise Wide Initiatives

Net Earned Premium Target - \$151.1

- Implement board approved rate action
Result: overall 8.6% decrease at March 2019 meeting
- New Premium – \$13.5M
Result: \$11.8M
- Premium Retention – 90.7%
Result: 91.9%

Total NEP Result - \$156.9M

Loss Ratio Target – 80.9%

- Planned current accident year performance of 80.9%

Result: 73.5%

- Planned to manage to zero prior period development

Result: (\$5.0M) of favorable prior period development

Loss Ratio Result – 70.6%

Expense Ratio Target – 35.2%

- Manage loss adjustment expense to 14.5%

Result: 16.5%

- Manage operating expenses to 20.7%

Result: 18.8%

Expense Ratio Result – 35.3%

Investment Income Target – \$43.4M

- Achieve earned investment income of \$36.8M and realized gains of \$6.6M
- Achieve Portfolio Composition

Bonds: 80.0%

Result: 80.4%

Equities: 12.0%

Result: 11.8%

Real Estate: 6.0%

Result: 5.5%

Short term investments: 2.0%

Result: 2.3%

Investment Income

- Match Returns

Barclays Capital Government/Credit Intermediate Term Bond Index: 6.8%

Result: 7.4%

S&P 500 Index: 31.49%

Result: 31.49%

MSCI AC World International Equity Index: 21.51%

Result: 21.54%

NCREIF ODCE (Net) Index: 5.35%

Result: 4.59%

Investment Income Result - \$54.8M

Net Operating Income Target – \$16.0M (before dividend)

Net Operating Income Result - \$41.9M (before dividend)

Premium to Equity Ratio

Target: 0.28:1

Result: 0.28:1

Key Success Measures

KSM	2019 Target	2019 Result
Net Earned Premium	\$151.1M	\$156.9M
Loss Ratio	80.9%	70.6%
Expense Ratio	35.2%	35.3%
Investment Income	\$43.4M	\$54.8M
Net Operating Income (before dividend)	\$16.0M	\$41.9M

Achieve Enterprise Wide Initiatives

Enterprise Wide Initiatives

Customer Service

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

Policy and Billing System Replacement

Performance Indicator:

Development and testing of core functionality planned for phase one, continued organizational change management, stakeholder communication, in-depth user training and go live by year end.

Policy and Billing System Replacement

Not met

Success Measure:

- Policy and billing applications go live and are in production use by calendar year end.

Result:

- Development of five new applications nearly complete by end of 2019.

Policy and Billing System Replacement

Not met

Success Measure:

- At system implementation, all identified tasks will have at least 90% of primary direct system users at a level three proficiency (able to perform task independently). Metric will be based on employee skills reports and certified by Independent Validation and Verification consultant.

Result:

- New systems in development all of 2019 and user training not complete.

Policy and Billing System Replacement

Met

Success Measure:

- Analysis and forecast provided to the Board of Directors in time for December 2019 board meeting documenting that policy and billing system replacement is on track to manage to the Board approved six year budget.

Result:

- Forecast provided to sponsors in December indicating the project on track to meet the six year budget of \$19.9M for the budget items specified in the June 2017 proposal.

Worksafe Champions

Performance Indicator:

Provide practical tools to enhance our customers' abilities to prevent workplace accidents.

Worksafe Champions

Met

Success Measure:

- 100% of all Worksafe Champions onsite and central workshop graduates demonstrate positive behavior to improve their health and safety culture by developing a safety action plan and demonstrate progress (as measured by assigned MSF Safety Management Consultant) to implement the plan by December 31, 2019.

Result:

- 100% of onsite and central workshop attendees developed a safety action plan and demonstrated progress in implementing the plan.

Worksafe Champions

Met

Success Measure:

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

Result:

- 98.7% of all participants rated the content as good or better.

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.

Growing a Safer Montana

Met

Success Measure:

- Educate young workers and begin to influence safety culture through:
 - Awarding up to 25 high school level safety grants targeted at trade and industry classrooms by September 30, 2019.

Result:

- 23 grants awarded. Personal protective equipment delivered by September 30, 2019.

Growing a Safer Montana

Met

Success Measure:

- Educate young workers and begin to influence safety culture through:
 - Selecting up to 13 scholarship recipients in targeted trade/industry and safety/health programs beyond high school by December 31, 2019

Result:

- 15 recipients selected by December 31, 2019. Award ceremony held in Butte in January 2020.

Questions

Montana
State Fund

