



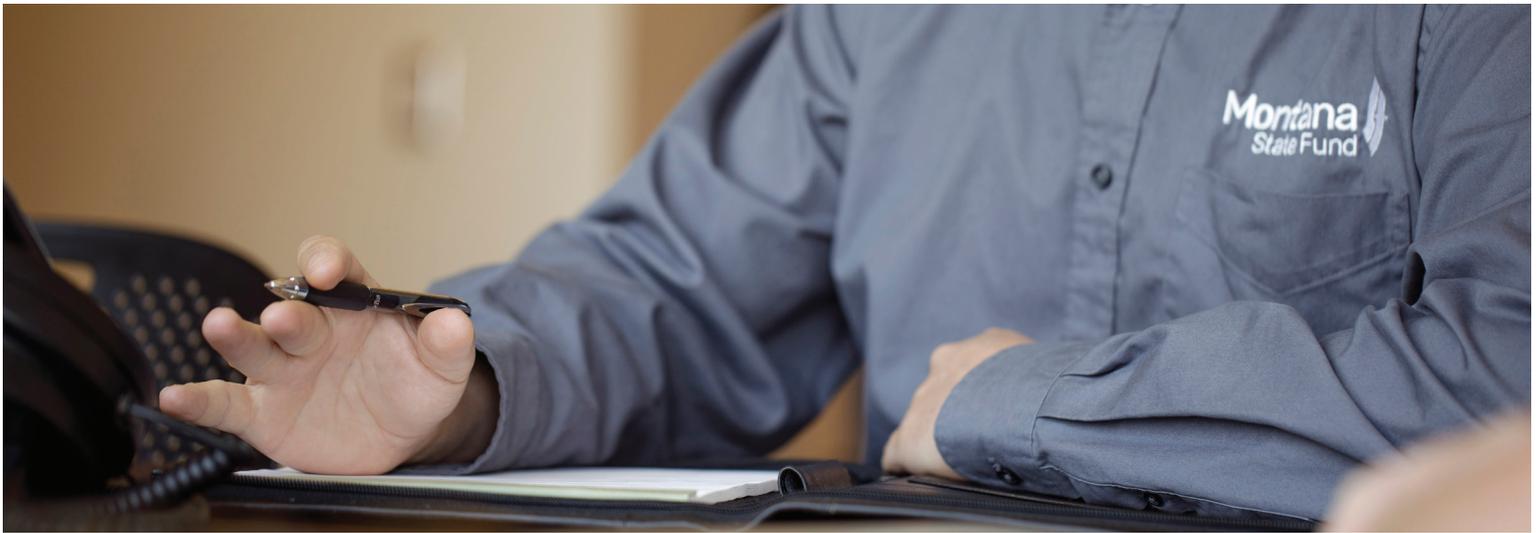
# 2020 Annual Business Plan



January 1 - December 31, 2020  
**BUSINESS PLAN**

**Montana**   
State Fund

[montanastatefund.com](http://montanastatefund.com)



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## Montana State Fund Board of Directors



**Lance Zanto, Chair**  
[Lzanto2@mt.gov](mailto:Lzanto2@mt.gov)  
 Helena



**Cliff Larsen**  
[cliff@larsenusa.com](mailto:cliff@larsenusa.com)  
 Missoula



**Lynda Moss**  
[lyndamoss@mac.com](mailto:lyndamoss@mac.com)  
 Billings



**Matt Mohr**  
[matthewcmohr@hotmail.com](mailto:matthewcmohr@hotmail.com)  
 Big Sky



**Jack Owens**  
[jack@stewartmt.com](mailto:jack@stewartmt.com)  
 Missoula



**Jim Molloy**  
 406-949-0340  
 Helena



**Jan Van Riper**  
 920 University Street  
 Helena, MT 59601

## From the President

Montana State Fund (MSF) ensures a quality customer experience is at the forefront of decision making – after all, that is what we do. With over 23,000 policyholders, our customers come from a variety of generations, backgrounds and geographies, and they expect their experience with us to be responsive to how they want that experience. With the initiatives in the 2020 Annual Business Plan we cross the threshold to provide the next level service experience. We continue to value personal customer interaction while adding more robust self-service choice that provides our customers and partners expected flexibility. The investments in this plan drive Montana State Fund’s reachability, convenience, and ease of doing business as we continue to generate long-term customer value.



With the Policy and Billing Replacement initiative we implement five new applications and build the modern foundation for our stakeholder partnerships. The development, testing, and business process change progress made in 2019 assures me the new applications will provide both our employees and our customers with a straightforward and optimized experience.

An investment of this magnitude requires ongoing communication and organizational change management. We will prepare our employees, customers and partners with detailed internal and external training and communication activities throughout the year. To that end, we are focused on a quality implementation of Policy Center, Billing Center, Rating, Customer Engage Portal, and Agent Engage Portal in 2020.

MSF’s innovative leadership and expert safety services contribute to improved safety outcomes for Montana employers and employees. I am proud of the many creative ways we positively impact Montana’s safety culture. Our Worksafe Champions and Growing a Safer Montana programs are two valuable components in that effort, and we continue to expand our investment in these and other safety initiatives.

Finally, MSF continues to improve operational and financial performance that fulfills our mission and vision. Our financial stability directly supports our customers and Montana’s economy by providing ready and reasonably priced workers’ compensation insurance. Our Annual Business Plan provides financial key success measures that are designed to ensure MSF is here for the long-term benefit of Montana businesses and their employees.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Hubbard". The signature is fluid and cursive, written over a white background.

Laurence Hubbard, President  
Montana State Fund

## Executive Summary

The large and complex project to replace the Policyholder and Billing System with five modern applications enters its fifth year. In 2020 the project team of nearly 20 full time MSF employees will be joined by business subject matter experts to test the application. Detailed user training will occur as the project reaches implementation by the end of the year.

We continually look for innovative ways to reduce Montana's high rate of workplace injuries. Two of our safety initiatives that contribute to that goal are Worksafe Champions and Growing a Safer Montana. The Worksafe Champions program's practical education and tools are provided to policyholders both onsite as well as through statewide workshops. The onsite option allows Montana State Fund Safety Management Consultants to tailor the education specifically for the customer while the workshops allow smaller employers to participate with less time away from their business. For the on-site program each policyholder ensures multiple employees participate and gain the knowledge needed to directly improve safety and health programs, policies, and culture in the workplace. In the past four years 261 employees from 34 policyholders have completed the onsite program. Worksafe Champions is also offered to policyholders as a workshop series in major cities. This provides smaller employers the same opportunity to obtain safety knowledge in a format that works for them. Worksafe Champion alumni can also apply for an Elite grant award. These grants encourage continued safety engagement and must be used to advance their risk management efforts.

The Growing a Safer Montana initiative influences young workers - a demographic twice as likely to get injured on the job. Grants awarded to high school industry and trade classrooms provide needed safety equipment while MSF Safety Management Consultants educate students on safety awareness and building safe habits early. Now in its fourth year, the Growing a Safer Montana project has impacted over 4500 high school students in trade classes from automotive to welding and awarded 34 college scholarships to students in trades and safety/health programs. This initiative continues in 2020 with the goal to reach more young workers and underscore the importance of safety and build knowledge to use in their profession.

## Enterprise-Wide Initiatives

### Customer Service

We continue the multi-year initiative to replace our legacy policy handling and billing system. The new systems will provide easy access to modern workers' compensation insurance policy products and features as well as accommodate regulatory environment requirements.

Workplace safety is a primary focus for Montana State Fund. Our initiatives impact current workforce safety with our WorkSafe Champions program and builds a positive safety culture for the next generation with the Growing a Safer Montana initiative.

# Strategic Framework



## Mission

We partner with employers and their employees to care for those injured on the job and we champion a culture of workplace safety for our fellow Montanans.

## Vision

To be an indispensable partner in achieving a safer, healthier and more prosperous Montana.

## Guiding Values



### *Do what's right*

We operate with the highest levels of professionalism and integrity in all of our dealings with colleagues, customers and stakeholders.



### *Deliver with heart*

It isn't only what we do, but how we do it. We are empathetic and compassionate about the needs and circumstances of every individual with whom we interact.



### *Focus on what matters*

We make sure our work delivers an exceptional customer experience, adds value for all stakeholders and raises awareness of workplace safety.



### *Succeed together*

As a team, we work collaboratively and take all MSF departments and roles into account. We are responsible for delivering a consistent and exceptional customer experience together.



### *Find a better way*

We innovate and improve our services to create better experiences and outcomes for our customers, colleagues and fellow Montanans. We are adept at both leading and adapting to change.

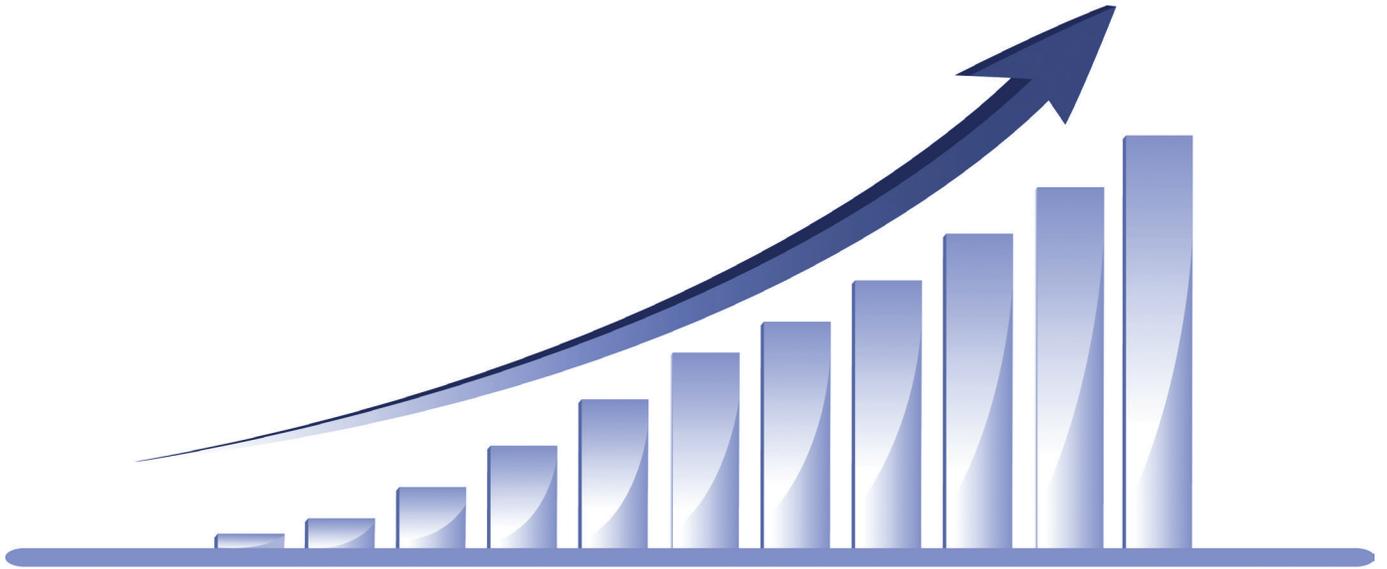


### *Take the long view*

We are all in it for the long haul. Our financial strength and the stability of Montana's workers' compensation insurance market is critical for our state and its people.

## Key Success Measures

The following objectives represent the corporate level success measures that allow us to gauge our financial and enterprise progress. We have incorporated five financial measures and one multi-faceted qualitative measure that, combined, define success for Montana State Fund.



1. Achieve targeted Net Operating Income before dividend of \$21.0M
2. Achieve total Net Earned Premium of \$149.1M
3. Achieve Loss Ratio of 74.2%
4. Maintain Expense Ratio of 39.0%
5. Achieve Investment Income (including realized gains on investments) of \$44.1M
6. Achieve Enterprise-Wide Initiatives

# Enterprise-Wide Initiatives

Enterprise-wide initiatives are critical elements for the continued success of Montana State Fund. They are supported by multi-functional efforts comprised of key performance indicators and success measures to ensure we accomplish our objective. In addition, they support our Mission, Vision, and Guiding Values.

## Customer Service

We continuously look for ways to enhance our service as part of our commitment to our policyholders, their employees, and workers' compensation system stakeholders.

### Key Performance Indicators

#### *Policy and Billing System Replacement*

Development and testing of core functionality continues in 2020. This year also includes in-depth user training, continued organizational change management, and stakeholder communication. Go live is planned before calendar year end.

### Success Measures:

#### *Policy and Billing System Replacement*

- Policy and Billing applications go live and are in production use by calendar year end.
- 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 MSF's Independent Verification & Validation process.
- Analysis and forecast provided to Board of Directors in time for December 2020 board meeting documenting that policy and billing system replacement is on track to hold core software and system integrator direct costs to the June 9, 2017 pre-RFP-closing Board approved six-year budget of \$19.9M for: RFP-software (core application software solution licensing), system integrator RFP-bid costs, and other related RFP-bid costs.

### Key Performance Indicators

#### *Workplace Safety*

Provide practical tools to enhance our customers' ability to identify hazards and prevent workplace injuries. Work to positively impact the safety culture for the next generation of employees by addressing challenges for young workers in targeted high-risk trades.

### Success Measures:

#### *WorkSafe Champions*

- One hundred percent of all WorkSafe Champion 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).
- At least 92% of all WorkSafe Champion onsite and central workshop policyholders rate the overall course quality and content as good or better.

### Success Measures:

#### *Growing a Safer Montana*

Educate young workers and begin to influence safety culture through:

- Awarding up to 35 high school level safety grants targeted at trade and industry classrooms by September 30, 2020.
- Selecting up to 15 scholarship recipients in targeted trade/industry and safety / health programs beyond high school by December 31, 2020.

## Organizational Profile



The state of Montana originally established the predecessor to Montana State Fund (MSF) in 1915 to function as a competitive workers' compensation insurance carrier. Since then MSF has operated under a number of different forms, with its current structure resulting from legislative actions implemented in 1990. At that time the Legislature separated the workers' compensation regulatory function (originally established in the Montana Department of Labor and Industry) from the day-to-day insurance operations responsibilities (which were vested in a separate, new entity known as Montana State Fund). A seven member Board of Directors, appointed by the Governor, governs the operations of Montana State Fund. The Board is also responsible for appointing the President/CEO.

Montana State Fund is a self-sufficient, not for profit workers' compensation insurance carrier. Our statutory purpose is to act as a competitive insurance carrier, providing an available market and thereby guaranteeing coverage to all employers in Montana. We receive no taxpayer or general fund money, operating solely on the premium dollars paid by the insured employers and the net proceeds from our investments. We function like a private insurance carrier in a competitive marketplace and, as provided by law, perform all the functions and exercise all the powers of a private insurance carrier that are necessary, appropriate or convenient for the administration of the Montana State Fund.

MSF has undergone a number of changes since our creation in 1990. We have transitioned from a traditional organizational structure to one that is more adapted to the demands of the information age. A comprehensive corporate re-design in 2000 enhanced our operational flexibility with the addition of multi-functional teams that are aligned with specific groups of employers. This change resulted in a "flatter" organization that increased employee empowerment and allows us to work more closely with our policyholders and their injured employees. We continue to strive to improve efficiencies in all operational areas and have made a major investment in our safety, nurse case management, and provider relations services. We work diligently with Montana employers to develop accident prevention programs yet recognize that accidents will still occur. When an injury does occur on the job, we have resources to assist with appointments, understand medical issues and treatment process, and work with provider offices to ensure ease of documentation.

The 2015 legislature passed legislation to move Montana State Fund under regulation by the State Auditor's Office and Title 33, Montana Insurance Code. We see this latest evolution in our oversight as continued opportunity to preserve our financial strength and remain a stable partner with Montana business.

As our state's economic structure continues to evolve, we stand ready to fulfill our critical role as the guaranteed workers' compensation market for all Montana employers.

# 2020 Financial Projections

## Projected Results of Operations

### Montana State Fund Statutory Basis (\$000)

#### Operating Statement

	Actual CY18	Proj CY19	Proj CY20	Proj CY21	Proj CY22	Proj CY23
<b>Premium Income</b>	\$161,259	\$155,746	\$149,069	\$152,729	\$156,452	\$160,267
<b>Investment Income</b>	57,345	53,750	44,147	43,735	43,373	43,066
<b>Other Income</b>	(3,585)	(3,568)	(3,447)	(3,876)	(4,334)	(4,821)
<b>Total Losses and Expenses</b>	180,995	167,464	168,796	172,151	176,812	181,594
<b>Policyholder Dividends</b>	(39,998)	(30,007)	TBD	TBD	TBD	TBD
<b>Net Income</b>	(\$5,975)	\$8,457	\$20,973	\$20,437	\$18,680	\$16,918
<b>Premium to Surplus (X:1)*</b>	0.31	0.29	0.28	0.28	0.29	0.29
<b>Loss Reserves to Surplus (X:1)*</b>	1.84	1.78	1.82	1.81	1.80	1.81
<b>Combined Ratio</b>	112.2%	107.5%	113.2%	112.7%	113.0%	113.3%
<b>Dividend to Premium Ratio</b>	24.8%	19.3%	TBD	TBD	TBD	TBD
<b>Operating Ratio</b>	91.5%	86.4%	90.6%	90.4%	90.8%	91.1%
<b>Total Assets</b>	\$1,603,993	\$1,645,711	\$1,657,189	\$1,690,244	\$1,725,930	\$1,764,421
<b>Unpaid Loss and LAE</b>	1,005,569	1,014,215	1,020,005	1,033,201	1,048,834	1,067,023
<b>Other Liabilities</b>	85,949	97,468	107,939	118,285	129,567	141,544
<b>Total Liabilities</b>	\$1,091,518	\$1,111,682	\$1,127,944	\$1,151,487	\$1,178,401	\$1,208,566
<b>Statutory Equity</b>	\$512,475	\$534,029	\$529,245	\$538,757	\$547,529	\$555,855

