

Montana State Fund

**FY15.5 Business Plan Performance
Board of Directors Meeting
March 11, 2016**



Key Success Measures

KSM

July 1, 2015 - June 30, 2016 Business Plan

Net Earned Premium	\$157.1M
Fiscal Year Loss Ratio	80.8%
Expense Ratio	28.2%
Investment Income	\$47.6M
Net Operating Income (before dividend)	\$28.8M



Key Success Measures

KSM	July 2015-June 2016 Plan	Actual FY15.5 Result	%
Net Earned Premium	\$157.1M	\$88.5M	56.3%
FY Loss Ratio	80.8%	73.3%	
Losses Incurred	\$126,950,000	\$64,895,010	51.1%
Expense Ratio	28.2%	23.4%	
Loss Expenses	\$16,722,000	\$8,959,545	53.6%
Underwriting Expenses	\$27,568,000	\$11,784,287	42.7%
Investment Income (including realized gains)	\$47.6M	\$21.7M	45.6%
Net Operating Income (pre-dividend)	\$28.8M	\$22.5M	77.9%



Achieve Net Operating Income of \$28.8M (before dividend)

FY15.5 Net Operating Income
\$22.5M (before dividend)

Statutory Reported
Premium to Equity Ratio

Plan: 0.34:1

FY15.5 Result: 0.175:1



Enterprise-Wide Initiatives

- Customer Service
 - *Julie Jenkinson, VP Operations*
 - *Al Parisian, CIO*
- Infrastructure
 - *Nancy Butler, General Counsel*
 - *Mark Barry, VP Corporate Support*
 - *Julie Jenkinson, VP Operations*
 - *Al Parisian, CIO*



Customer Service – Policy and Billing System Replacement

Partially Met - Multi Year

Performance Indicator: Engage stakeholders in the first phase to produce high level requirements and establish an estimated schedule and budget based on improved understanding of the regulatory environment and other relevant system decisions.



Customer Service – Policy and Billing System Replacement

Partially Met - Multi Year

Success Measures:

- *Release RFP for policy and billing system replacement by December 31, 2015.*
Result: RFP completed for independent validation and verification services on November 30, 2015.
- New project schedule established in CY2016 business plan
- *Select vendor and award contract by April 15, 2016.*
Result: New project schedule established in CY2016 business plan
- *Executive approval to implement next project phase by June 1, 2016.*
Result: New project schedule established in CY2016 business plan



Infrastructure – Regulation

Multi Year

Performance Indicator: Key activities to occur in coordination with the Insurance Commissioner that will lay the groundwork for implementing regulation of Montana State Fund under Title 33 Montana Insurance Code.



Infrastructure – Regulation

Multi Year

Success Measures:

- *Prepare a transition plan for submission to the Insurance Commissioner by August 1, 2015 to implement NCCI requirements applicable under Title 33 to MSF.*
Result: Complete and submitted to the State Auditor's Office on July 31, 2015.
- *Complete application for a certificate of authority by September 1, 2015.*
Result: Complete and filed with State Auditor's Office on September 1, 2015.



Infrastructure – Regulation

Multi Year

Success Measures:

- *Recruit and hire a Montana State Fund Compliance Officer by September, 2015.*

Result: Compliance Officer hired effective September 5, 2015.



Infrastructure – Calendar Year Conversion

Multi Year

Performance Indicator: Implement changes to Montana State Fund systems, processes, contracts, and reports as well as changes to our interactions with several State agencies to effectively transition from a July 1-June 30 fiscal year reporting period to a January 1-December 31 calendar year reporting period to align with insurance regulation.



Infrastructure – Calendar Year Conversion

Multi Year

Success Measures:

- *Montana State Fund financial reporting system functional to process closing financial statement for the reporting period from July 1, 2015 and ending December 31, 2015.*

Result: System successfully closed the six month timeframe ending December 31, 2015.



Infrastructure – Calendar Year Conversion

Multi Year

Success Measures:

- *SABHRS (state accounting system) and the State Financial Services Division completes its Memorandum Of Understanding (MOU) work and testing agreed upon with MSF; is capable of successfully closing the MSF six month conversion period with accounting data as of December 31, 2015, and; establishes a new calendar reporting year for MSF as of January 1, 2016.*

Result: Changes and testing to State accounting system complete and implemented in production December 30, 2015.

- MSF successfully closed the six month timeframe.
- MSF successfully established a new calendar reporting year as of January 1, 2016.



Infrastructure – Calendar Year Conversion

Multi Year

Success Measures:

- *Investment reporting resources established to record opening investment balances and detail required for regulatory reporting as of January 1, 2016.*
Result: Successfully established investment reporting services with Clearwater Analytics as of December 31, 2015.
- *Changes implemented for budget, business plan, and employee performance management by January 1, 2016 to align with the calendar year reporting period.*
Result: Calendar year business plan, budget, and employee performance management process changes in place by December 31, 2015.



Infrastructure – Rates and Rate Filing

Multi Year

Performance Indicator: Ensure Montana State Fund is compliant with rate-related areas of the Montana Insurance Code and includes: eliminate classification code differences between MSF classification codes and the NCCI classification codes, implement transition plan specified provisions of the NCCI Basic Manual, prepare and submit MSF forms to State Auditor’s Office for approval, and comply with rate filing requirements.



Infrastructure – Rates and Rate Filing

Multi Year

Success Measures:

- *Approval of Montana State Fund forms by December 1, 2015.*
Result: Approval obtained on all 40 forms that fall into the statutory definition by December 1, 2015.
- *Policy system and business rule changes to implement the transition plan completed by March 31, 2016 to begin July 1, 2016 implementation.*
Result: All system and business rule changes are on track to implement by March 31, 2016 for a July 1, 2016 effective date.



Infrastructure – Rates and Rate Filing

Multi Year

Success Measures:

- *Classification code changes to policies implemented in policy system and training complete on changes by April 1, 2016.*

Result: The work to eliminate class code differences between MSF and NCCI is on track for system changes and training completed by April 1, 2016.

- *Montana State Fund rates and related rate filing requirements implemented for rates for new and renewal policies effective July 1, 2016 .*

Result: The work for rate filing implementation for new and renewal policies effective July 1, 2016 is on track.



Infrastructure – Change Management and Communication

Multi Year

Performance Indicator: Ensure internal and external stakeholders are informed and prepared for changes affecting them as Montana State Fund moves to Title 33, Montana Insurance Code regulation



Infrastructure – Change Management and Communication

Multi Year

Success Measures:

- *All licensed Montana State Fund Customer Service Specialists and Underwriters are able to negotiate or sell workers' compensation insurance by January 1, 2016.*
Result: 47 Customer Service Specialists and Underwriters licensed to sell workers' compensation insurance by December 30, 2015.



Infrastructure – Change Management and Communication

Multi Year

Success Measures:

- *Regular communications regarding transition to Montana Insurance Code.*
 - *At least monthly communications provided to Montana State Fund employees.*

Result:

1. Verbal updates provided to employees during July, August, September, October, November, and December all-employee meeting
2. Information posted electronically to employee website in August and December
3. Regulation implementation article in August issue of online employee newsletter



Infrastructure – Change Management and Communication

Multi Year

Success Measures:

- *Regular communications regarding transition to Montana Insurance Code.*
 - *At least quarterly communications provided to Montana State Fund external stakeholders.*

Result:

1. Regulation implementation article published in August and November issues of online policyholder newsletter
2. Regulation implementation article published in December issue of online provider newsletter
3. Seven personal visits to insurance agencies
4. Six personal visits to community events in Kalispell, Butte, Helena, Great Falls, and Billings
5. Thirty-five personal visits to legislators



Questions

