



# **Montana State Fund**

**Board of Directors Meeting  
FY 2009 SBP Performance  
September 25, 2009**



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# Key Success Measures

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- **Generate Total Net Earned Premium of \$211.4M**
- **Achieve Fiscal Year Loss Ratio of 86.0%**
- **Achieve Expense Ratio of 28.0% or Less**
- **Attain Investment Income of \$46.2M**
- **Generate Net Operating Income \$21.4M  
(Before Dividend)**
- **Achieve Enterprise-Wide Initiatives**



# Enterprise-Wide Initiatives

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- **Workforce**
  - *Rick Duane, Vice President – Human Resources*
  - *Mark Barry, Vice President – Corporate Support*
  - *Nancy Butler, General Counsel*
- **Customer Service**
  - *Peter Strauss, Vice President – Operations Support*
  - *Nancy Butler, General Counsel*
- **Infrastructure**
  - *Mark Barry, Vice President – Corporate Support*
  - *Al Parisian, CIO*



## **Generate Net Earned Premium of \$211.4M Achieved \$204.0M**

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- **Key Performance Indicators**

- Implement Board Approved Rate Decrease
- Produce \$12.9M of New GWP
- Achieve 87.7% Premium Retention Ratio

- **Accomplishments**

- Implemented Board Approved Rate Decrease
- Generated \$14.6M in New GPW
- Achieved Premium Retention Ratio of 87.0%



# **Achieve Fiscal Year Loss Ratio of 86.0% Achieved 87.4%**

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- **Key Performance Indicators**

- Achieve Current AY Loss Ratio of 80.3%
- Manage Prior Period Reserve Adjustments to \$12.0M or Less

- **Accomplishments**

- Achieved Current AY Loss Ratio of 73.3%
- Managed Prior Period Reserve Adjustments to \$18.9M
- Reserve Strengthening and Changes to Reinsurance Recoverable of \$9.0M



## **Achieve Expense Ratio of 28.0% or Less Achieved 26.0%**

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- **Key Performance Indicators**

- Manage Acquisition Expense to 7.0%
- Manage Loss Adjustment Expense to 12.0%
- Manage Operating Expenses to 9.0%

- **Accomplishments**

- Managed Acquisition Expense to 6.2%
- Managed Loss Adjustment Expense to 10.3%
- Managed Operating Expenses to 9.5%



# **Achieve Investment Income of \$46.2M Achieved \$34.3M**

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- **Key Performance Indicators**

- Achieve Portfolio Composition
  - Bonds (85.0%)
  - Equities (11.0%)
  - Short-Term Investments (2.6%)
  - Real Estate (1.4%)
- Match Return on Lehman Government/Credit Index and S&P 500 Index

- **Accomplishments**

- Achieved Portfolio Composition
  - Bonds (87.7%)
  - Equities (7.9%)
  - Short-Term Investments (3.2%)
  - Real Estate (1.2%)
- Returns
  - Barclay's (5.27%)
  - MSF (4.53%)
  - S&P 500 (-26.22%)
  - MSF (-24.61%)





**Achieve Net Operating  
Income of \$21.4M  
Achieved \$12.6M**

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**Statutory Ratio  
Premium to Surplus  
FY 2009 SBP 0.85  
FY 2009 Actual 1.00**



# Workforce

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- Talent Attraction
- Talent Development
- Talent Retention



# Workforce

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- **Talent Attraction**
  - **Goals**
    - **Leverage existing recruiter relationships**
    - **Establish and foster stronger relationships with state colleges and universities**
    - **Expand the current trainee program beyond the Claims Examiner position**



# Workforce

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- **Talent Attraction**
  - **Accomplishments**
    - Enhanced relationships with recruiters who have demonstrated they can meet our needs
    - Established contacts with Career Service offices at Montana state colleges and universities
      - Internship program developed and implemented in Finance and Communications
    - Deferred new trainee programs due to FY 2009 budget constraints



# Workforce

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- **Talent Development**
  - **Goals**
    - Utilize MSF University as the primary vehicle for growth and development opportunities for employees
    - Enhance tuition reimbursement program
    - Develop and implement a recognition and reward program for employees linked to professional certification



# Workforce

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- **Talent Development**
  - **Accomplishments**
    - **Established MSF University with Advisory Board and delivered 96 education and training sessions**
    - **Instituted ongoing “Creating a New Reality” follow-up and refresher sessions to maintain Investment in Excellence program impact**
    - **Increased tuition reimbursement to \$4K**



# Workforce

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- **Talent Retention**

- **Goals**

- Enhance and implement alternative work schedule options
    - Research the cost, feasibility, and impact of a “cafeteria” type employee benefit program
    - Investigate creating a matching contribution deferred compensation option in lieu of the existing incentive compensation program



# Workforce

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- **Talent Retention**

- **Accomplishments**

- Flexible work week (TAWS) enhanced to include Mondays as optional day off
    - Tele-work policy completed and pilot program initiated as part of FY 2010 Initiative
    - Implemented employee paid chair massage program
    - Did not pursue cafeteria benefit plan and deferred compensation in light of economic conditions





# Customer Service

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- **Constituency Education**
- **Building a Safer Montana**
  - WorkSafe Champions
  - Safety Culture
  - WorkSafeMT
- **Medical Cost Management**



# Customer Service

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- **Constituency Education**
  - Eliminate, or at the very least, mitigate misperceptions regarding MSF
    - General Public
    - Legislators
    - Policyholders
    - MSF employees



# Customer Service

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- **Constituency Education**
  - **General Public**
    - Utilization of paid and unpaid media to educate constituents on MSF and Workers' Compensation in Montana
    - Development and implementation of MSF Speakers Bureau to provide information on the Montana Workers Compensation system and MSF to civic groups, chambers of commerce, clubs and associations



# Customer Service

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- **Constituency Education**
  - **Legislators**
    - Mailings
    - Meetings
    - Legislative Session



# Customer Service

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- **Constituency Education**
  - **Policyholders**
    - Education relative to use and understanding of MSF documents and processes
    - Direct mailings on rate and/or legislative issue(s)
    - Develop of policyholder email listing for more timely and directed communication
    - Educate on financial implications of safety programs on rates



# Customer Service

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- **Constituency Education**
  - **Employees**
    - **Internal “Branding”**
      - Deferred for FY 2009 due to budget considerations



# Customer Service

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- **Constituency Education**
  - Summary
  - The initiation of the MSF Speakers Bureau was well received. Public relations materials on safety, RTW, and young workers are pertinent to the issues facing us today and garnered positive comments from our stakeholders. Policyholders have been proactively informed, particularly on how to potentially become eligible for SB 192. The outcome of the 2009 legislative session was positive for MSF. MSF interests were effectively asserted before the legislature, with many matters deferred to an interim study bill (SJ 30). This study will provide an additional opportunity to educate stakeholders on MSF.



# Customer Service

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- **WorkSafe Champions**
  - **Goal**
    - **Changing the face of safety in Montana by creating a “culture” of safety valued by Montana’s employers and employees**





# Customer Service

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- **WorkSafe Champions**
  - **Accomplishments**
    - 10 modules presented, including two national speaker programs via web
    - 65 graduates of 12 month course
    - 92% average test score for participants
    - Post-training course evaluation – 9.2/10.0



# Customer Service

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- **WorkSafe Champions**
  - **Accomplishments (cont.)**
    - State-wide newspaper recognition and acknowledgement of policyholder safety achievement
    - Mentor program created and implemented for Year 2 class
    - Ongoing contact with graduates and involvement with community safety activities
    - 73 participants enrolled in second class



# Customer Service

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- **Safety Culture**

- **Goals**

- Safety services outreach to small/rural policyholders to disseminate safety information
    - Provide unified safety message to all external MSF contacts
    - Conduct and analyze Safety Cultural Survey with state employees
    - Unified and consistent safety message from Montana State Fund, including young worker focus



# Customer Service

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- **Safety Culture**
  - **Accomplishments**
    - Safety message training provided to Customer Service staff
    - External telephone message focused on safety and MSF safety program
    - 502 telephone contacts with small/rural policyholders on safety and program availability
    - Postcard campaign to 4,300 small/rural policyholders to direct them to safety website



# Customer Service

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- **Safety Culture**
  - **Accomplishments (cont.)**
    - Responses demonstrate appreciation for safety seminars and interest in website but, overall lack of concern for safety
    - 3,000 policyholder list targeted for monthly safety email message
    - Prepared and offered Safety Cultural Survey



# Customer Service

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- **Safety Culture (cont.)**
  - **Accomplishments**
    - “Work Hard. Be Safe.” State-wide ad campaign focus on clerical, agriculture, and construction
    - NoJack.net (young workers) focus on agriculture, retail, driving, and fast food
    - Print, television, and radio media interviews and internet and sponsorship placements to drive the message that accidents increase Workers’ Compensation costs



# Customer Service

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- **WorkSafeMT**
  - **Goal**
    - **Public/private partnership with a consistent social marketing safety message**



# Customer Service

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- **WorkSafeMT**
  - **Accomplishments**
    - **Montana State Fund staff support for creation of a public/private Board of Directors (MSF Chair) with Safety and RTW committees**
    - **Assisted in development of strategic plan**
    - **First annual conference set for 9/29/2009**





# Customer Service

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- **Medical Cost Management**
  - **Goal**
    - Evaluate organizational structure relative to claim handling efficiency and medical cost management



# Customer Service

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- **Medical Cost Management**
  - **Accomplishments**
    - Multi-Departmental review of structure and results
    - Implementation of change recommendations for claim management
    - Change in claim expert position duties and performance expectations
    - Approval of recommendations for allocation of professional medical resources



# Infrastructure

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- Insurance Intelligence
- Physical Plant



# Infrastructure

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- **Insurance Intelligence – Medical Loss Management**
  - **Goals**
    - Prepare source system medical data environment
    - Retire pre-II Data Warehouse
    - Define data and business requirements for Med reports
    - Ensure available and accurate medical data



# Infrastructure

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- **Insurance Intelligence – Medical Loss Management**
  - **Accomplishments**
    - Source system enhanced to capture medical data (ClaimCenter, medical schema for med bill and pharmacy data)
    - Pre-II Data Warehouse retired in January 2009
    - Source system enhancement to reference data application for medical code category data elements
    - Data needs for medical reports defined



# Infrastructure

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- **Physical Plant – Facility**
  - **Goals**
    - **Begin construction of new facility working with Board of Investments, architects, engineers, and general contractor**
    - **Achieve environmentally friendly building design**
    - **Facilitate relocation to new building**



# Infrastructure

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- **Physical Plant – Facility**
  - **Accomplishments**
    - GMP established at \$26.7M (\$23.6M after bids)
    - Broke ground in September 2008
    - Building design features focused on achievement of “Gold” LEED certification
    - Transition team established, plan drafted, and timeline started



# Infrastructure

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- **Physical Plant – Facility**
  - **Accomplishments (cont.)**
    - Data Center and cabling design completed and relocation plan started
    - Telecom system planning and design completed and RFP drafted
    - MS Office upgraded, workstation (PC) selection process underway, plan for efficient and seamless movement of profiles developed
    - Furnishings selected and procurement/RFP process started





# Questions

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