

Montana State Fund

FY 2010 SBP Performance

September 24, 2010



Create the Future



Key Success Measures

- Generate Total Net Earned Premium of \$186.5M
- Achieve Fiscal Year Loss Ratio of 84.3%
- Achieve Expense Ratio of 25.4% or Less
- Attain Investment Income of \$46.7M
- Generate Net Operating Income \$25.0M (Before Dividend)
- Achieve Enterprise-Wide Initiatives



Enterprise-Wide Initiatives

- **Workforce** – Rick Duane
 - Performance Management
 - Succession Management
 - MSF University
 - Operational Policies
 - Work at Home
- **Customer Service** – Nancy Butler/Peter Strauss/Dick Root
 - Constituency Education
 - WorkSafe Champions
 - Claim and Medical Case Management
- **Infrastructure** – Mark Barry/Al Parisian
 - Insurance Intelligence - MedMart
 - Building



Generate Net Earned Premium of \$186.5M Achieved \$166.3M

Key Performance Indicators

- Implement Board Approved Rate Action
- Produce \$10.4M of New GPW
- Achieve 88.1% Premium Retention Ratio

Accomplishments

- Implemented Board Approved Rate Action
- Generated \$14.4M in New GPW
- Achieved Premium Retention Ratio of 88.0%



Achieve Fiscal Year Loss Ratio of 84.3% Achieved 86.3%

Key Performance Indicators

- Achieve Current AY Loss Ratio of 79.2%
- Manage Prior Period Reserve Adjustments to \$8.0M or Less

Accomplishments

- Achieved Current AY Loss Ratio of 77.9%
- Managed Prior Period Reserve Adjustments to \$13.8M



Achieve Expense Ratio of 25.4% or Less Achieved 25.1%

Key Performance Indicators

- Manage Acquisition Expense to 6.9%
- Manage Loss Adjustment Expense to 14.5%
- Manage Operating Expenses to 9.6%
- Reinsurance Contingency Commission Offset of (5.6%)

Accomplishments

- Managed Acquisition Expense to 7.1%
- Managed Loss Adjustment Expense to 13.7%
- Managed Operating Expenses to 12.6%
- Reinsurance Contingency Commission Offset of (8.3%)



Achieve Investment Income of \$46.7M Achieved \$47.1M

Key Performance Indicators

- Achieve Portfolio Composition
 - Bonds (90.4%)
 - Equities (8.5%)
 - Short-Term Investments (1.1%)
- Match Return on Barclay's Government Credit and S&P 500 Indices

Accomplishments

- Achieved Portfolio Composition
 - Bonds (84.6%)
 - Equities (10.1%)
 - Short-Term Investments (2.7%)
 - Real Estate (2.6%)
- Returns
 - Barclay's (8.29%)
 - MSF (11.90%)
 - S&P 500 (14.43%)
 - MSF (14.58%)



**Achieve Net Operating
Income of \$25.0M
Achieved \$23.2M**

Statutory Ratio

Premium to Surplus

FY 2010 SBP 0.92%

FY 2010 Actual 0.68%



Workforce

- Performance Management
- Succession Management
- MSF University
- HR Operational Policies
- Work at Home



Workforce

- Performance Management – (Partially Complete)
 - Initiated work to reduce the overall number of rating categories and introduce goal “weighting as part of the STAR form
 - Realized that changes to a performance review program have significant impact on the organizational culture
 - We will continue to update and finalize the STAR program and form for use in FY 2012 with rollout and training completed in Q3 FY 2011
 - Designed, trained, and implemented Progressive Performance Improvement program and policy



Workforce

- Succession Management – (Substantially Complete)
 - CEO Succession Planning program designed, developed, and completed
 - Succession Planning interviews with VPs completed and shared with VPs in Q1 FY 2011
 - VP succession to begin in Q1 2011
 - Charter developed and tracking to continue through completion



Workforce

- MSF University – (Incomplete)
 - Signed contract for tracking software at end of FY 2010
 - Development, testing, training, and implementation must now be done in FY 2011
 - Shift from career ladders to career paths must continue and be completed
 - Restart/refocus as a goal for FY 2011



Workforce

- HR Operational Policies – (Complete)
 - All HR policies developed, reviewed, and approved by Executive Staff and provided to MPEA for comment
 - All subject policies reformatted to consistent look/feel with assurance of compliance with all federal and state regulations and the current CBA
 - Published on Portal and available to all employees



Workforce

- Work at Home – (Complete)
 - Designed, organized, and conducted successful six week pilot
 - Identified issues that could be of significant consequence over extended periods of time
 - Policy to be re-written based on “real life” observations



Customer Service

- Constituency Education
- WorkSafe Champions
- Claim and Medical Case Management



Customer Service

- Constituency Education – (Complete)
 - External Organizations – Ongoing
 - Worksafe MT
 - LMAC
 - WC Study Bill
 - Economic Affairs Interim Committee
 - Earned Media
 - Speakers Bureau
 - Potential Premium Savings Calculation



Customer Service

- WorkSafe Champions – (Complete)
 - Class II (44) graduated
 - Class III participants (83) selected
 - WSC Alumni Association created
 - Alumni participation in:
 - Website and electronic safety messages
 - Workshop presentations
 - Local organizations
 - Site visits
 - Loss cost impact of WSC on Class I measured against pre-determined criteria



Customer Service

- Claim and Medical Case Management – (Complete)
 - New positions created and staffed across all Operations Teams
 - Medical Management Specialist (MMS)
 - Strategic Nurse Consultant (SNC)
 - Updated “Best Practices” developed for existing Medical Case Manager (MCM) positions
 - Created “Best Practices” for new roles (SNC)
 - New QA developed for MCMs



Customer Service

- Claim and Medical Case Management – (cont.)
 - New claim management review and quality improvement process created and implemented across all Operations Teams
 - Greater focus on Claim Examiner coaching and mentoring
 - Review of additional files
 - Continuous feedback/improvement and professional development provided for Claim Examiners



Infrastructure

- Insurance Intelligence - MedMart
- Building



Infrastructure

- Insurance Intelligence – MedMart – (Complete)
 - Phase II of Business Intelligence project completed 45 days ahead of schedule and 22% (\$123K) under budget



Infrastructure

- Building – (Complete)
 - Construction
 - Move in completed as scheduled on June 1, 2010
 - Project costs \$1.9M (7%) under GMP
 - Awaiting close out of punch list
 - Data Center
 - Completed 36 days early
 - Savings
 - Cost – 20%
 - Energy – 32%
 - Workstations
 - Costs 34% (\$196K) under budget
 - Telecom
 - Successful – Met budget and schedule
 - Still under control of Shoretel/Black Box



Questions

