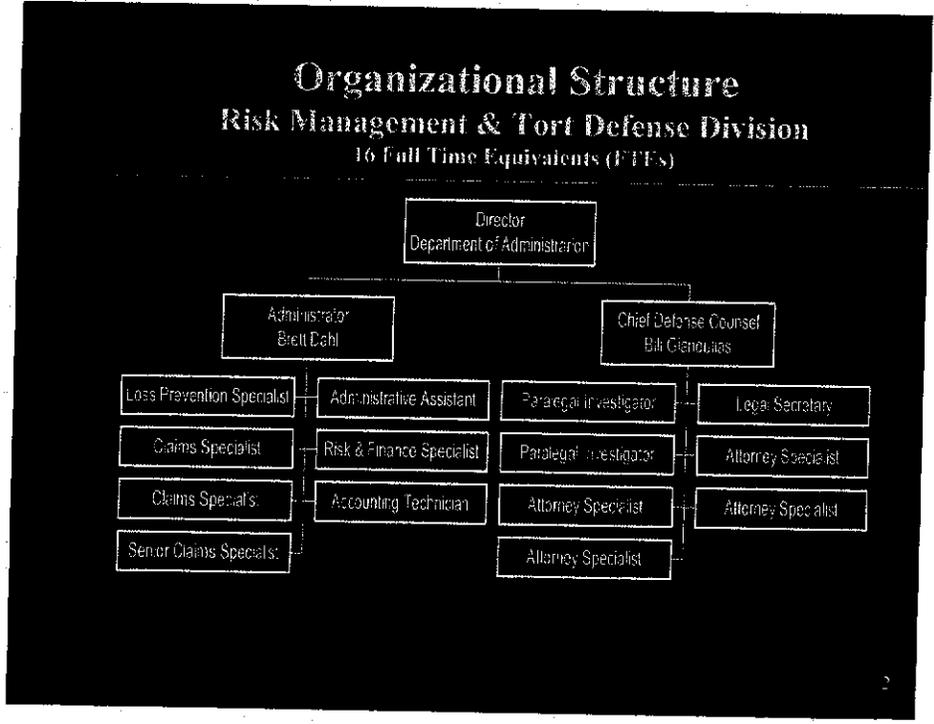


Risk Management & Tort Defense Division
Brett E. Dahl, Administrator



Budget Presentation
2007 Biennium

K-2421



*Tort
 Personal
 or
 Property
 damage/
 injury*

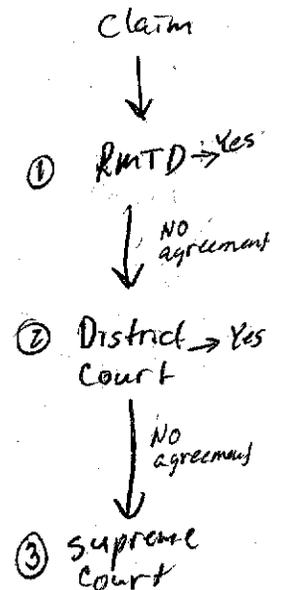
The Mission of the
Risk Management & Tort Defense Division
is to

- Provide cost-effective, quality legal defense to state defendants through the use of staff counsel, agency legal services counsel, or contracted counsel.
- Administer cost effective commercial or self-insurance programs in behalf of state participants.
- Seek timely and cost effective resolution of all property and casualty claims filed against the state.
- Promote the development of risk management principles and techniques through consultation with state participants.

Scope and Impact
of Services

- 203 lawsuits resolved in the past 4 years.
- Won 16 of the last 18 lawsuits at the Supreme Court.
- 70 lawsuits dismissed or withdrawn last 4 years.
- 17 trials to verdict in last 4 years. 10 defense verdicts.

settled or
decision
in court →



Scope and Impact of Services

- 59 entities of state government and 13 units of the Montana University System (20,000 employees).
- \$14,500,000 annual premiums.
- \$2.6 billion insured property values.
- 4,677 insured buildings and structures.
- \$202 million insured fine arts values.
- 9,000 insured vehicles (i.e. cars, equipment, trailers, snowmobiles, watercraft, etc.).
- \$54 million insured income streams.
- \$6.8 million insured cash and other marketable securities.

Biennium 07 Goals & Objectives

- Seek timely and cost effective resolution of claims filed against the state.
- Provide cost-effective commercial and self-insurance protection.
- Promote the development of risk management principles and techniques.

Biennium 07 Performance Measurements

- Maintain a Cost of Risk (i.e. cost of insurance and operations) in the lowest 25% nationally.
- Obtain more favorable insurance terms and conditions.
- Lower commercial and self-insurance premiums.
- Reduce turnaround on claims by an average of 2 days.
- Average cost per claims does not increase.

Can't directly compare (apples to apples) w/ other states because of law differences

*07
Claims are cost drivers*

Biennium 07 Challenges

- Unpredictable, catastrophic claims and lawsuits.
- Emergent risks.
- Funding.
- Obtaining cost-effective and comprehensive commercial excess insurance.

Biennium 07 Challenges Catastrophic Claims & Lawsuits

- Florida Hurricanes (4) – Impact on cost of state's commercial insurance unknown.
- Tsunami – Impact on cost of state's commercial insurance unknown.
- 87 Lawsuits and Claims out of a total of 3,500 account for \$20,000,000 out of \$27,000,000 spent over the past 5 years. Most of the state's catastrophic claims are unpredictable and arise from foster care placement (supervision), highway maintenance/design, probation and parole, exposure to hazardous materials, vehicle operations, medical negligence, and large property losses.

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Biennium 07 Challenges Obtaining Cost-Effective, Comprehensive Commercial Excess Insurance

- Insurers have traditionally been among the largest investors in corporate stocks and bonds. A lagging economy has had a significant effect on investment income; hence insurance premiums.
- The impact of 9/11 is still reflected in the cost of the state's property/casualty insurance premiums.

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Biennium 07 Challenges **Obtaining Cost-Effective, Comprehensive** **Commercial Excess Insurance (cont'd)** **New Realities**

- 1) Increased Pricing.
- 2) Restricted Capacity.
 - Higher Deductibles
 - Lower Limits of Coverage.
- 3) Reductions in Coverage.
- 4) Increasing Litigation.
- 5) Inflationary increases in health care, legal costs.

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Emergent Risks

- Escalating workers' compensation costs.
- Employment practices litigation.
- White collar crime.
- Medical malpractice.
- Law enforcement professional liability.
- Large property losses.

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Funding

- Proprietary – Legislative appropriations are approved by the sub-committee for General Government and Transportation and put in each agency's budget.
- Proceeds – Collected from state agencies between 07/01 and 10/01 of each fiscal year. Used to purchase commercial insurance, fund operations, and to pay self-insured claims and lawsuits.
- Funding Objective - Charge a sufficient level of premium to maintain a fund balance which supports approximately 60% of ultimate projected loss costs as determined by the state's consulting actuary by the end of FY07.

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Funding (cont'd)

Legislative Audit Division Findings

'Fees for the state property/casualty self-insurance plan are not commensurate with costs and are insufficient to eliminate fund deficits of \$21.2 million over an appropriate time period.'

60% by
end of
FY07
of deficit
← would be
addressed

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Funding (cont'd)
"The Big Picture"

FY06	FY07
Total Decrease of \$1,020,826 or 7% from FY05 Base.	Total Decrease of \$952,911 or 7% from FY05 Base.

***Note P-69 of Executive Budget and
A-254 of LFD Budget Analysis**

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Questions & Answers

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