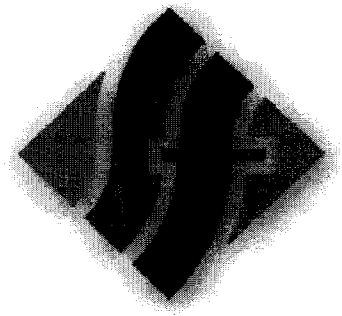
Montana State Fund
State of the Fund

Economic Affairs Interim Committee

September 11, 2012

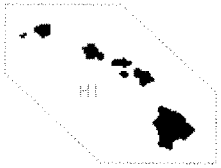


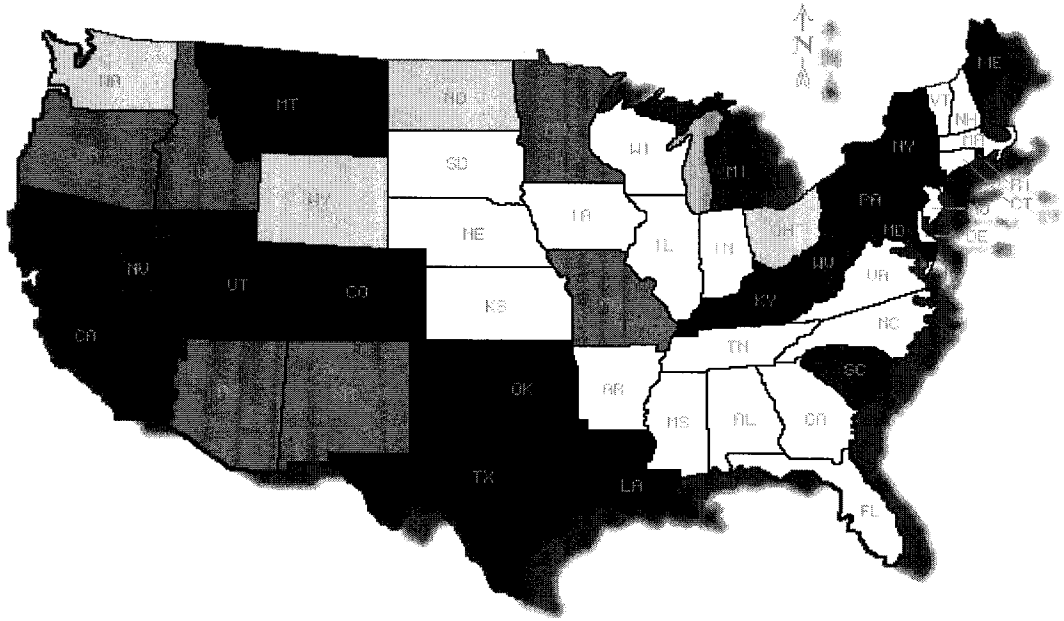
ECONOMIC AFFAIRS IC
SEPTEMBER 11, 2012
EXHIBIT 12

Why State Funds?

State Funds

- ● - Guaranteed Market
- ● - Non Guar. Market
- ● - Monopolistic
- ● - Privatized SF
- ● - Sold State Fund
- ● - Public Emp. Only





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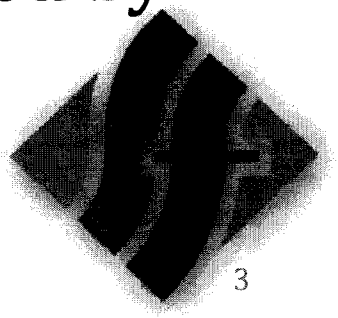
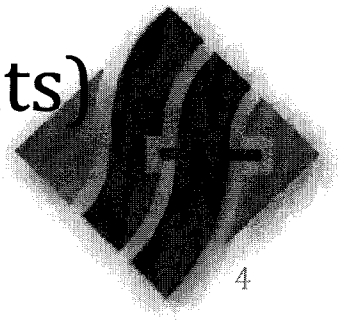
Montana State Fund Structure

- Workers' Compensation & Employers Liability
- Non-profit Independent Public Corporation
- Option for any employer to purchase mandatory workers' compensation insurance
- Guaranteed Market
- Self supporting- not funded by General Fund
- Governed by Board of Directors appointed by the Governor



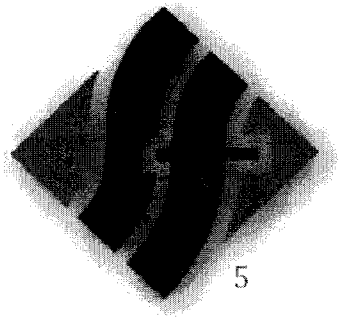
Montana State Fund Oversight

- Annual Financial and Compliance audit by Legislative Audit Division (LAD)
- Annual rate review by LAD
- Annual review of audit and rates by Commissioner of Securities and Insurance
- Annual review of budget by Legislative Finance Committee
- Interim Economic Affairs Committee
- Legislative Liaisons
- Department of Labor & Industry (Benefits)

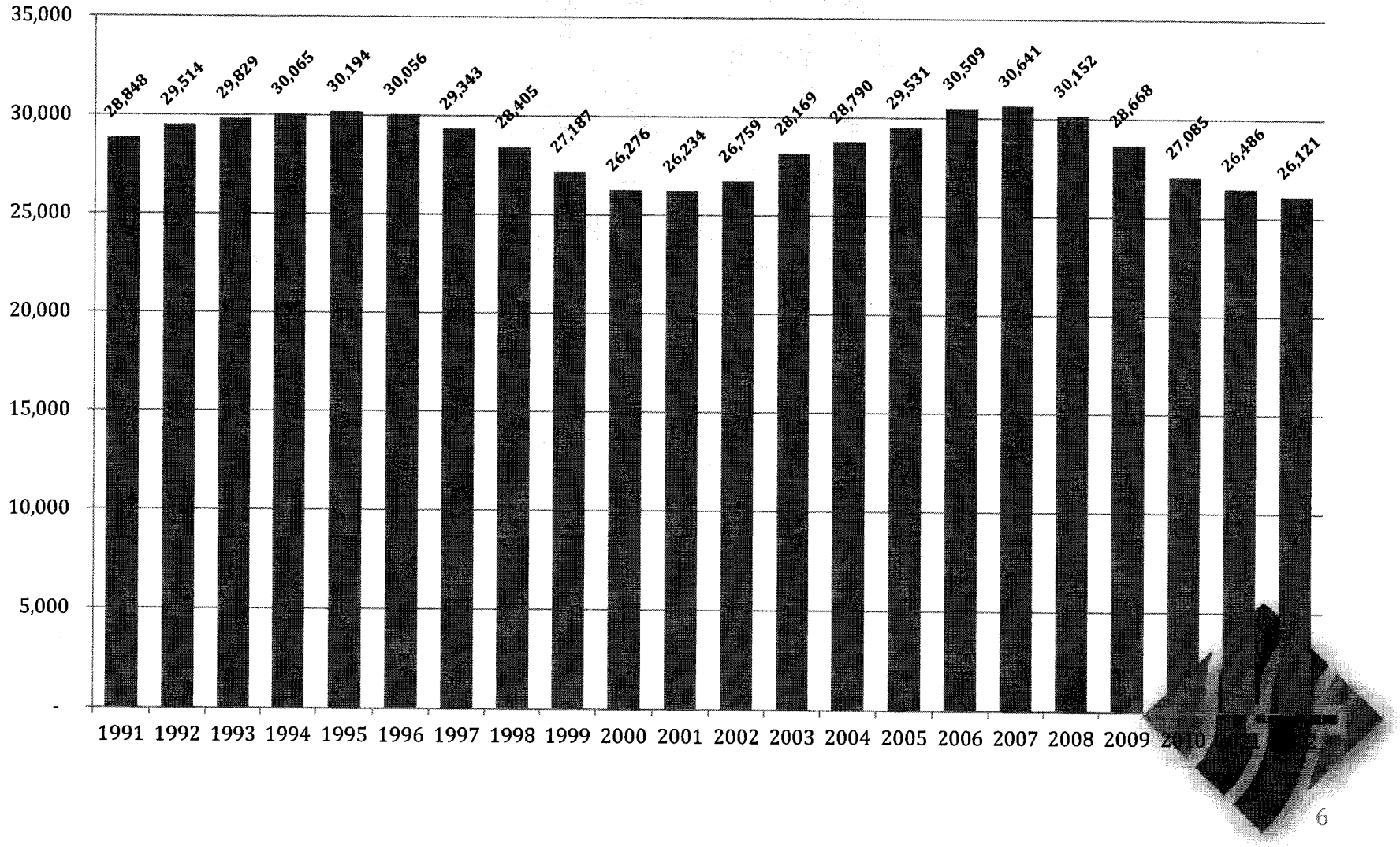


MSF Through the Great Recession

- MSF as a stabilizing force for Montana business
- Focus on core mission and vision
- Investments in safety and medical management

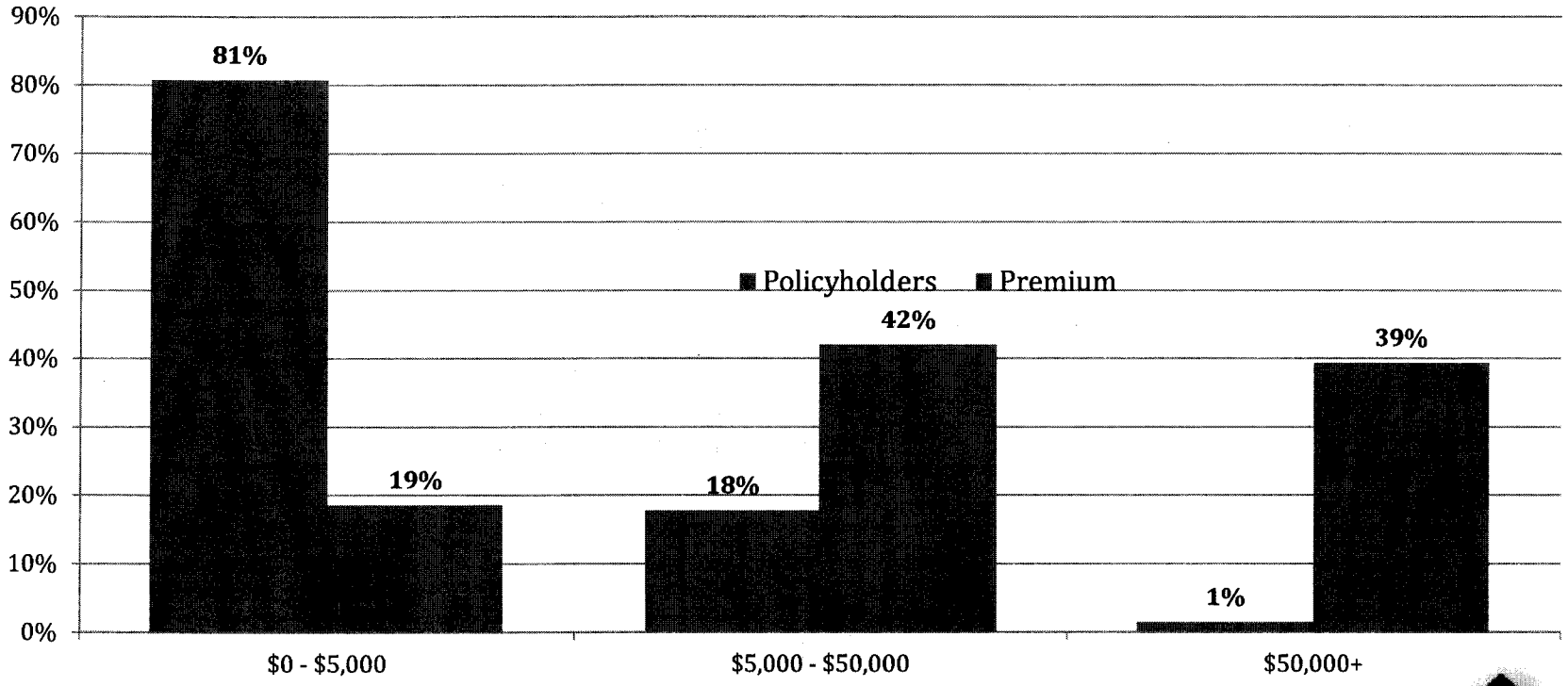


Our Customers



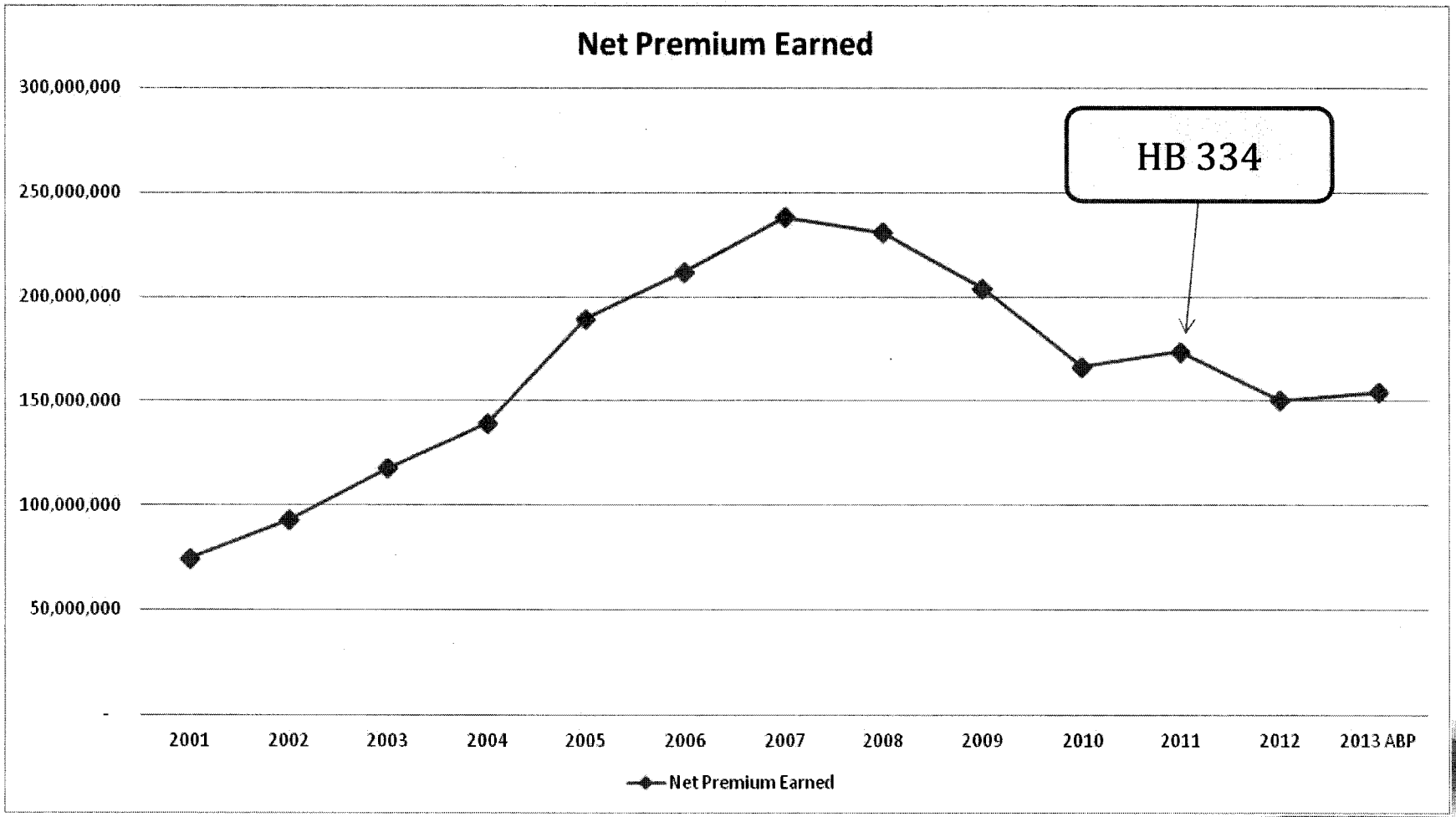
Our Customers

MSF Book by Account Size

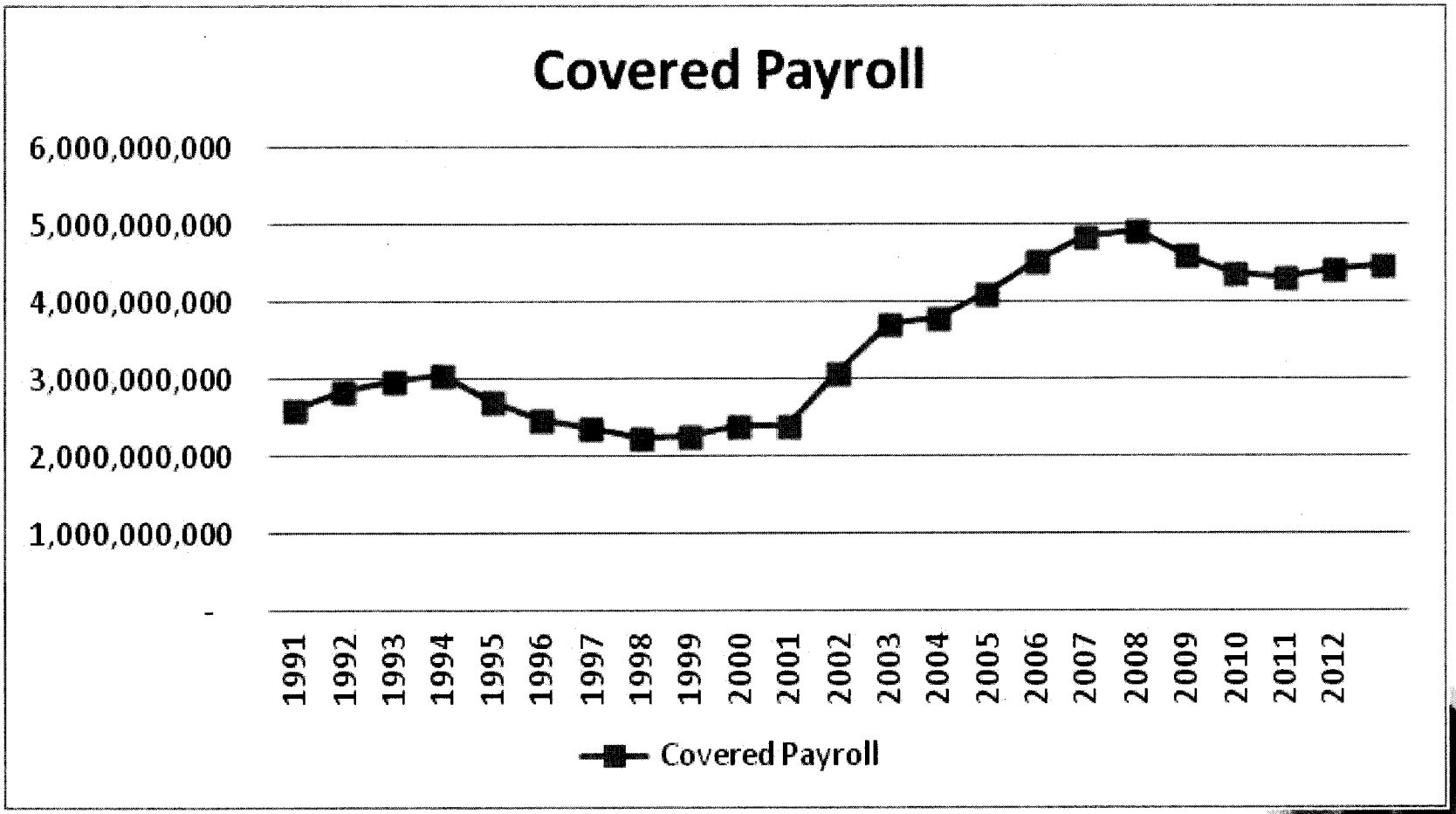


Based on Polic

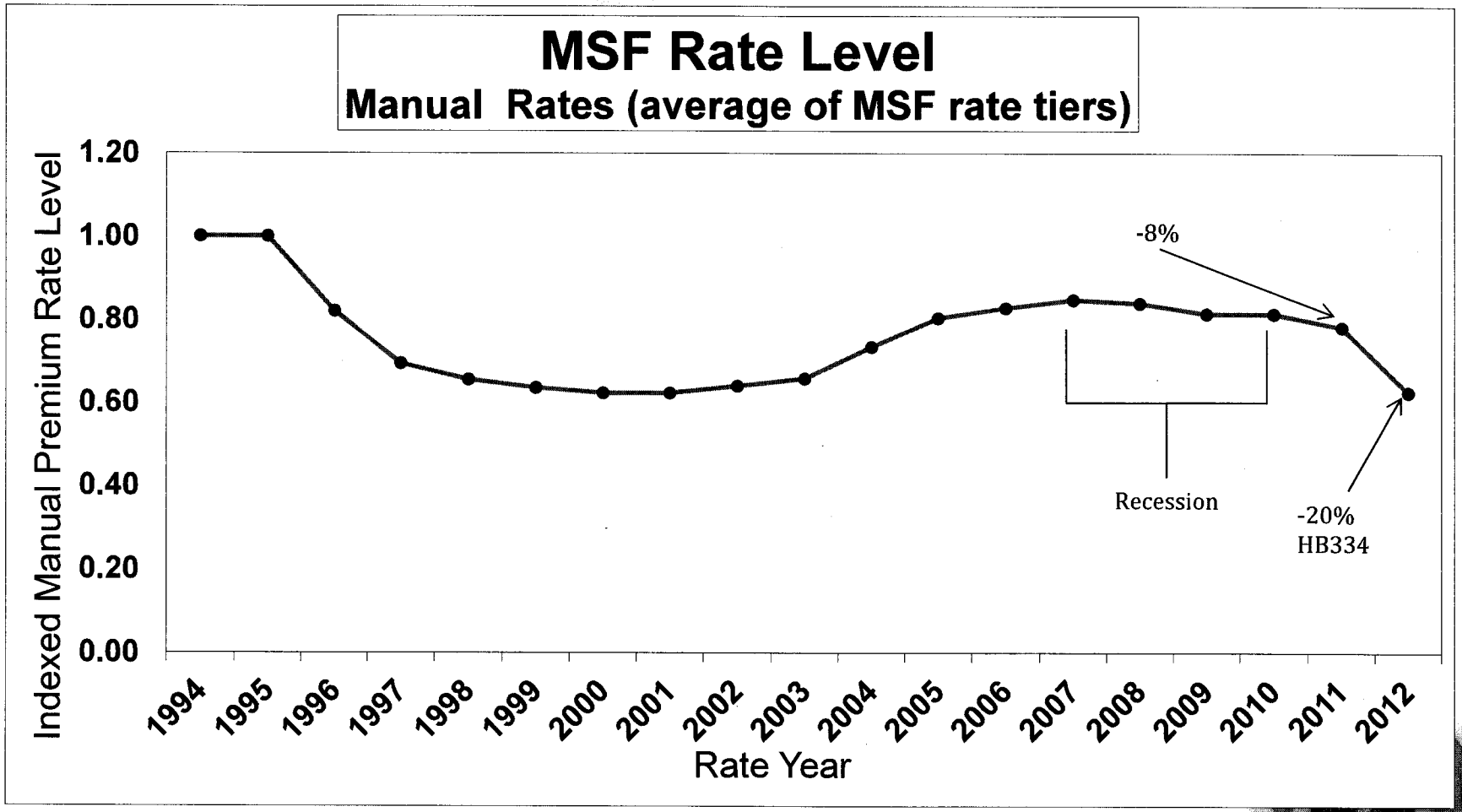
MSF To and Through the "Great Recession"



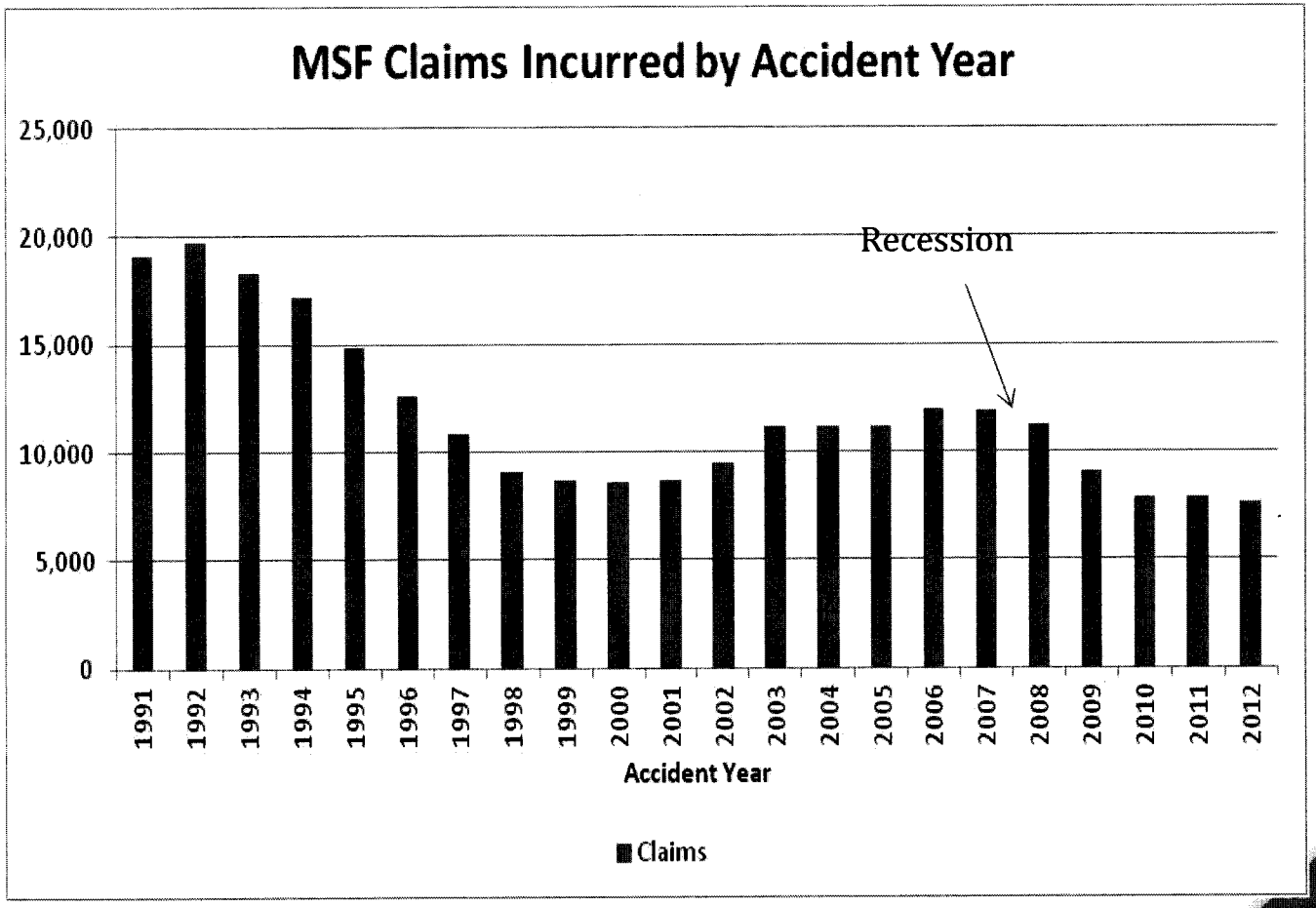
MSF To and Through the "Great Recession"



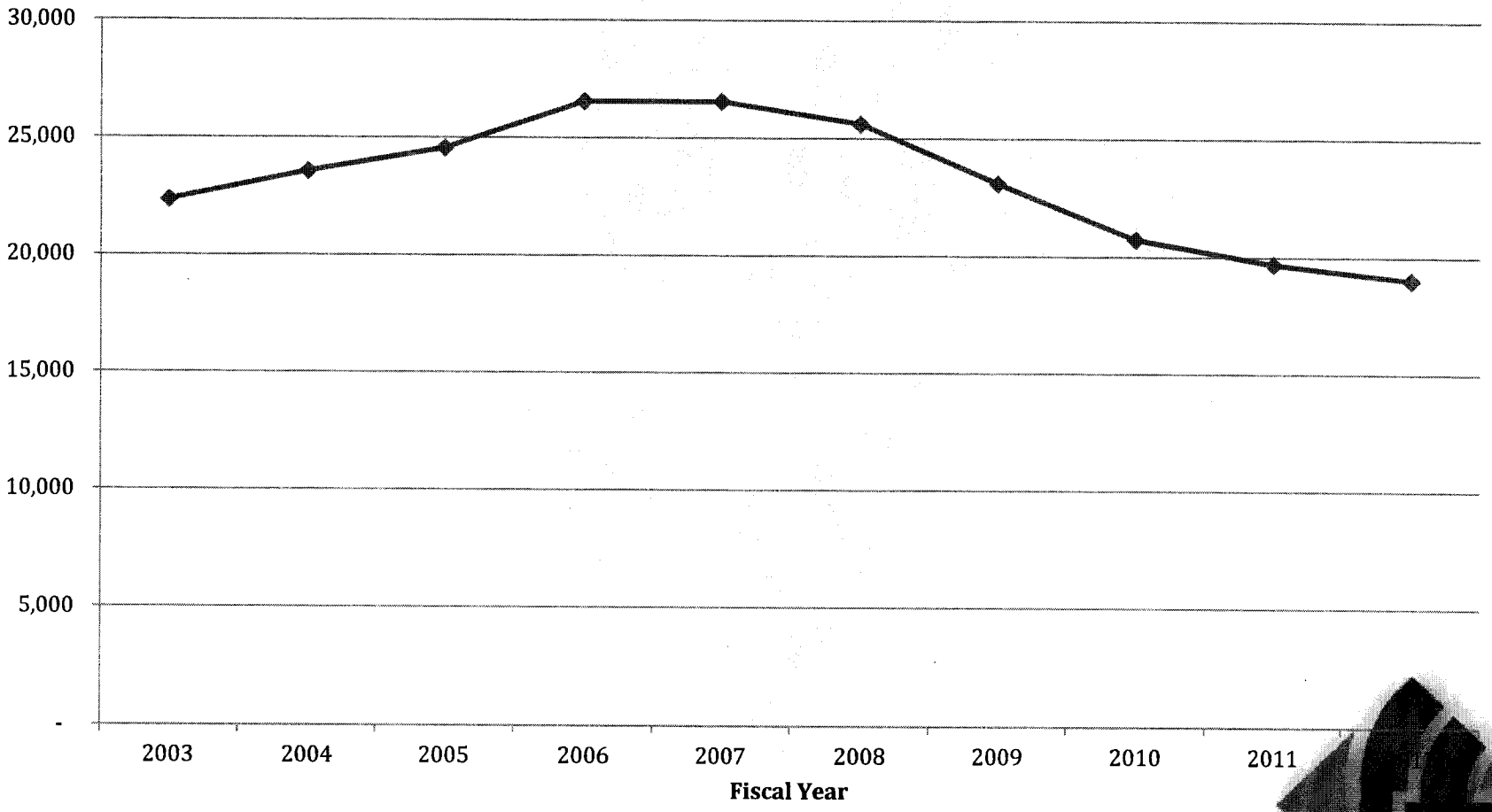
MSF To and Through the "Great Recession"



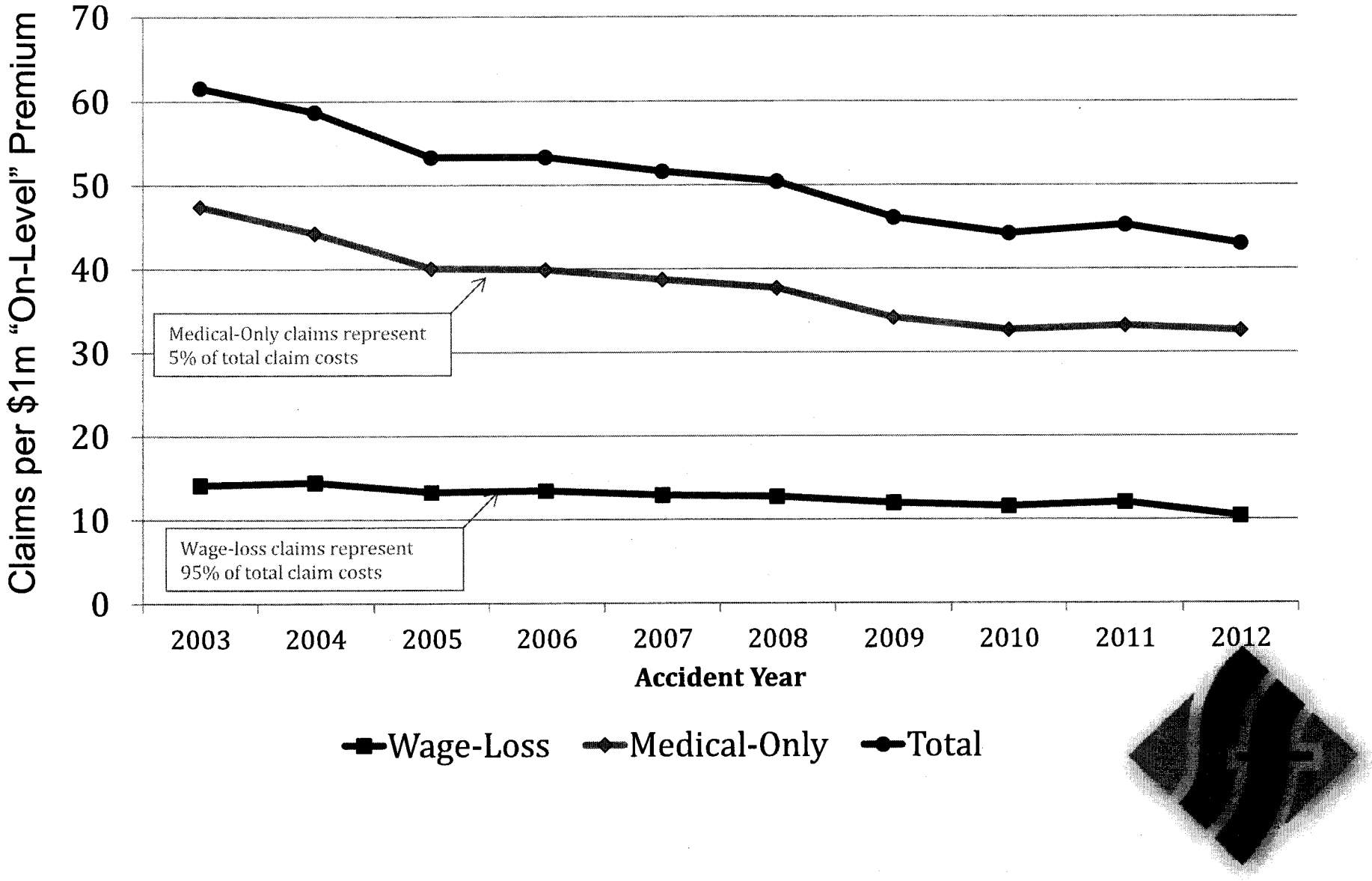
Claim Profile



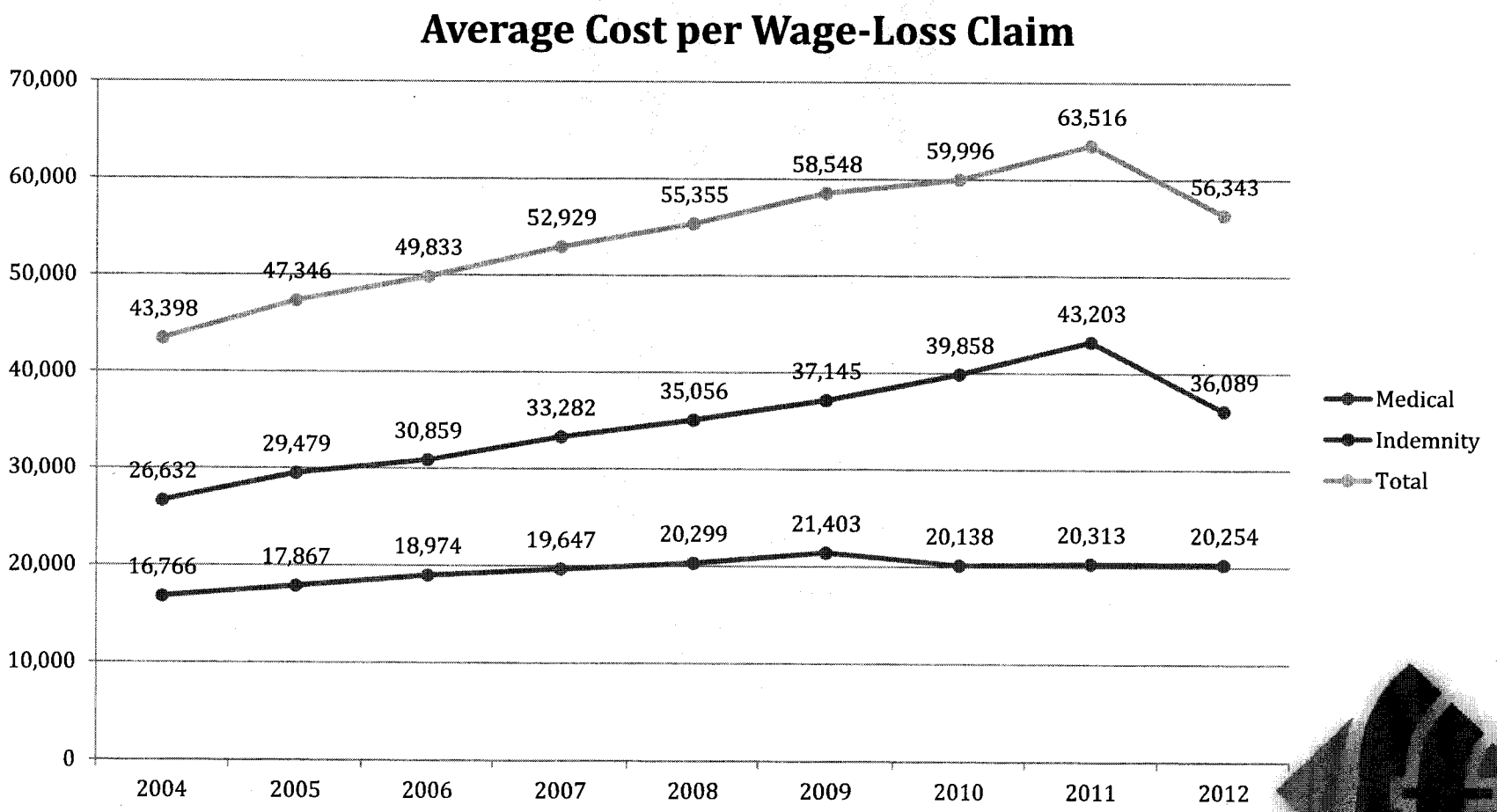
Claim Profile
Claims Administered



MSF 10-Year Claim Frequency Trend

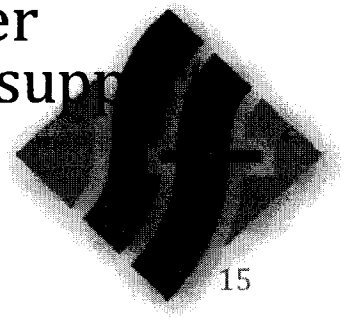


Average Claim Costs



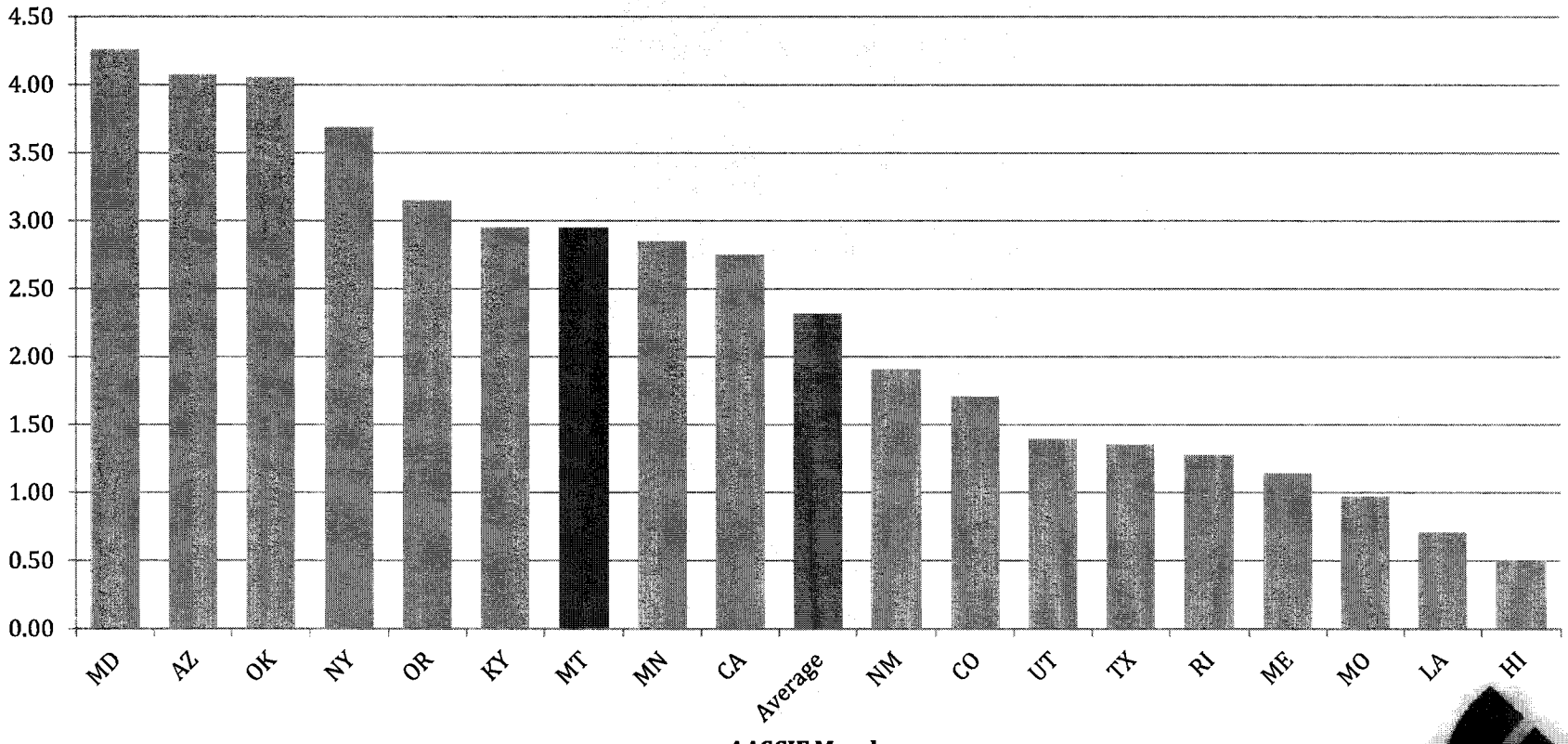
Financial Strength
The Role of Equity

- Extremely long-term obligations associated with workers' compensation claims
- MSF writes one line of highly regulated insurance
- MSF writes in a single state
- MSF provides a guaranteed market
- Uncertainty from significant MT benefit changes – most recently HB 334
- Unlike a stockholder-owned insurance company, MSF cannot access additional capital to finance future growth or to cover adverse financial results
  - MSF's equity must be adequate not only to cover current and next year's obligations, but also to sup the long-term strategy

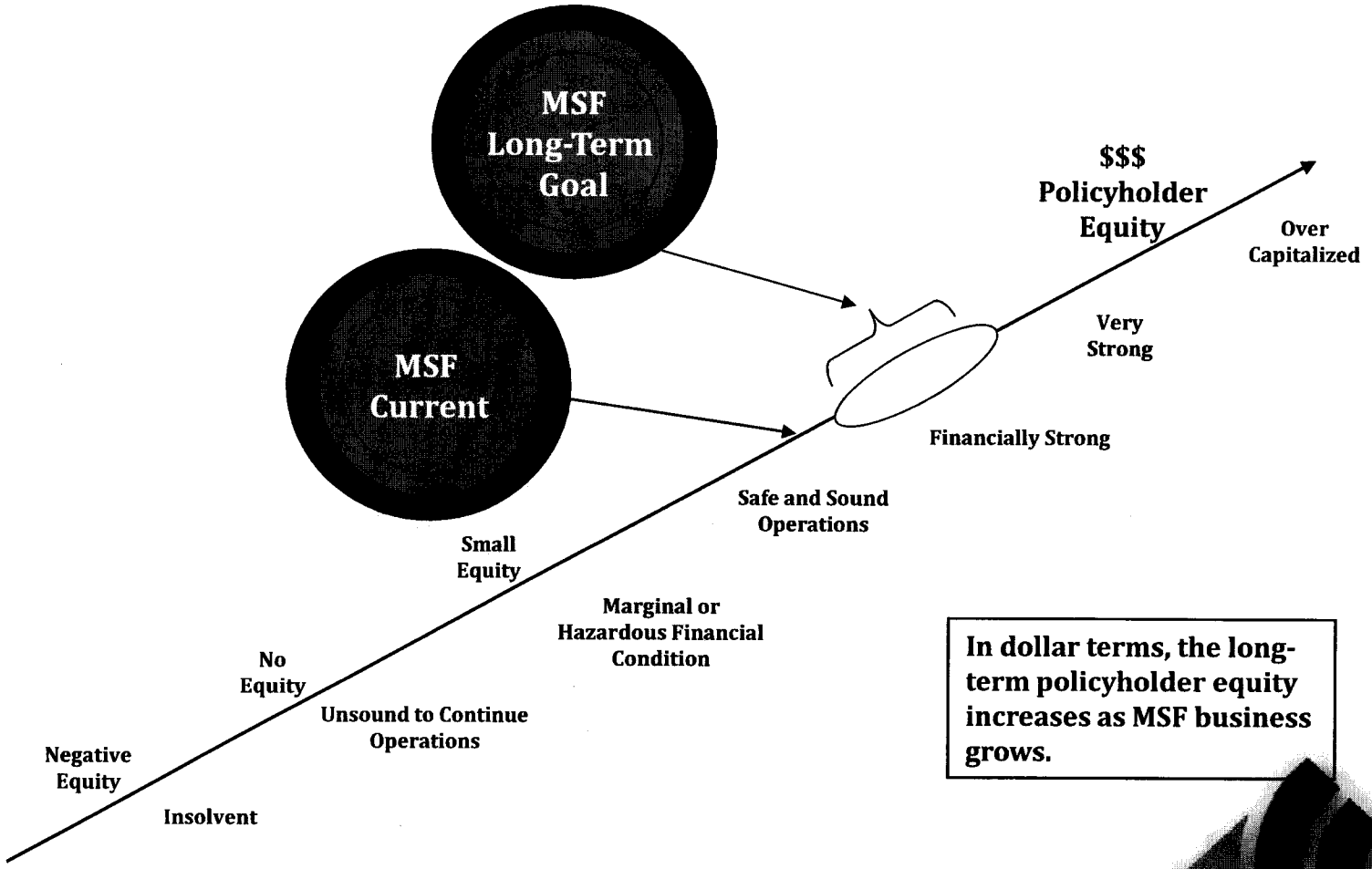


Financial Strength

Loss Reserve to Equity Ratio

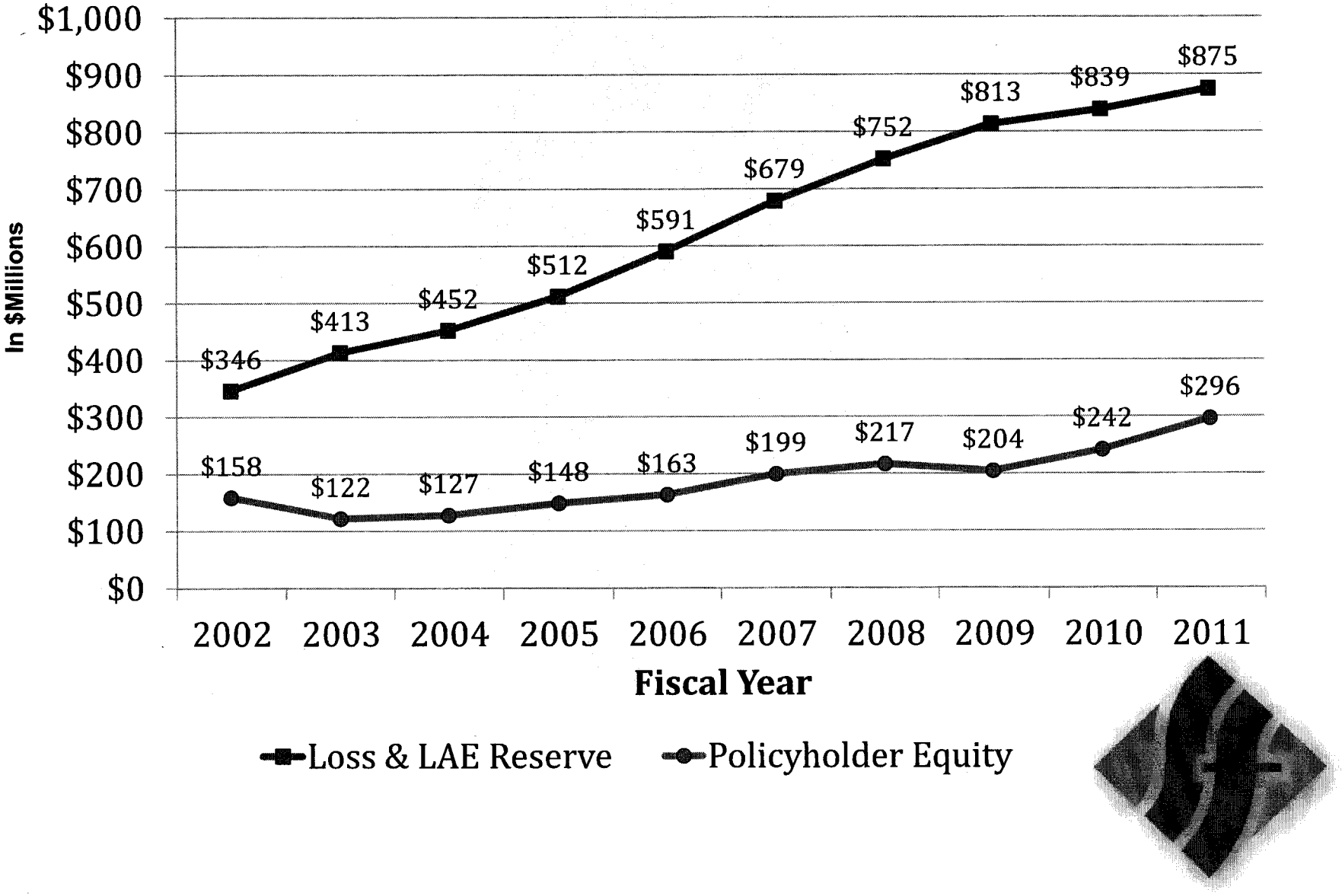


MSF Policyholder Equity

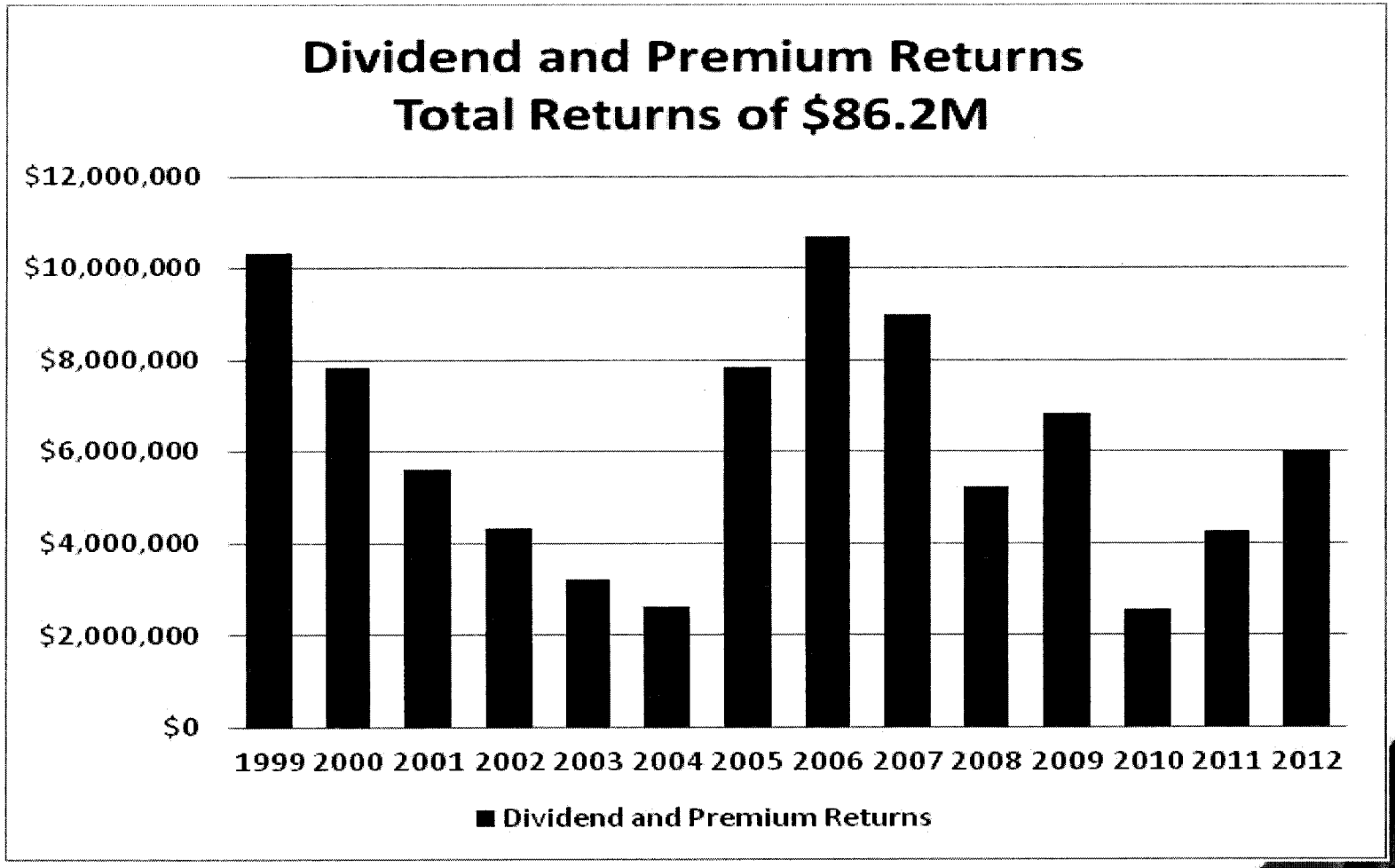


In dollar terms, the long-term policyholder equity increases as MSF business grows.

Growth in MSF Reserves & Policyholder Equity



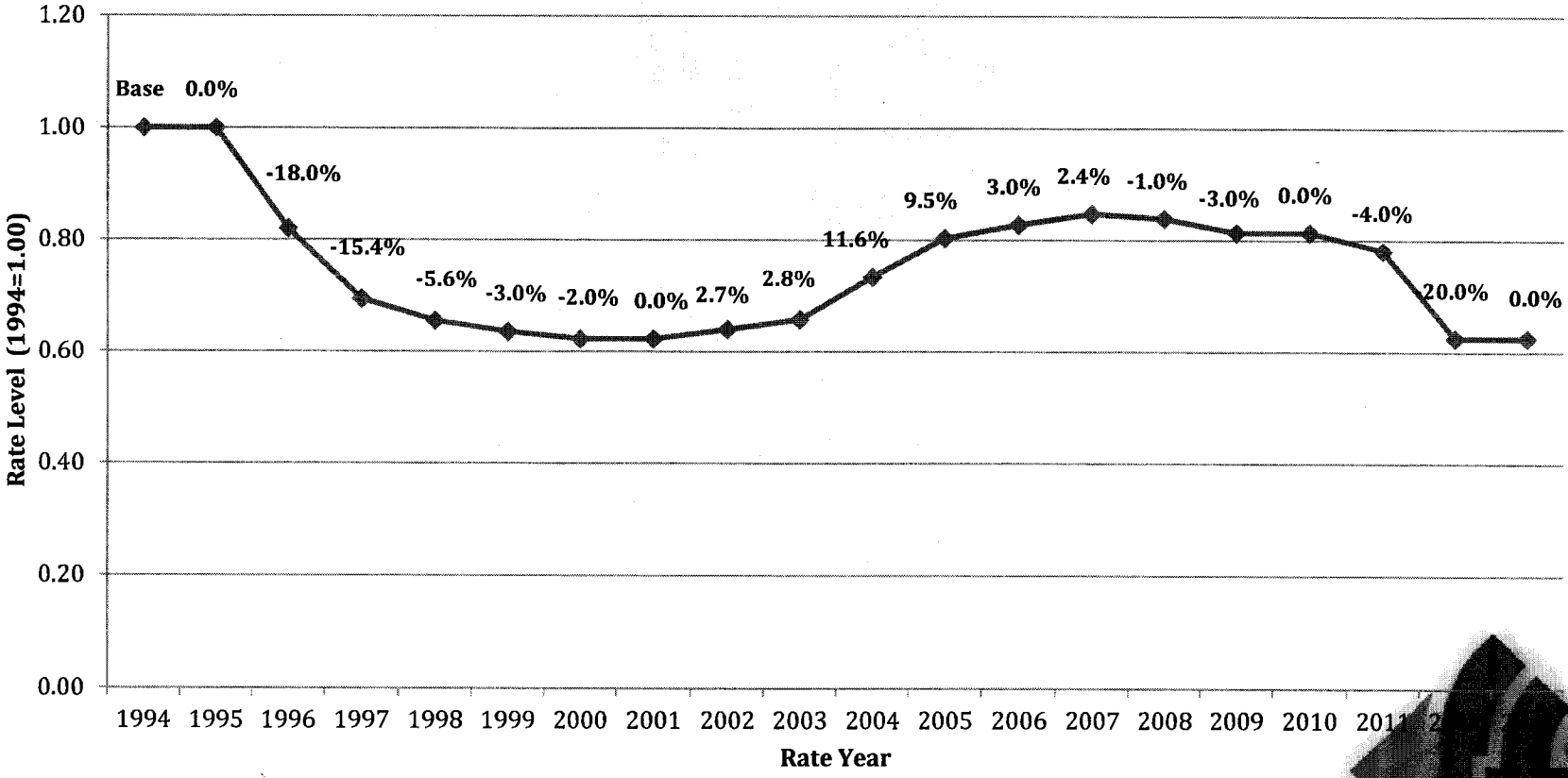
The Role of Dividends



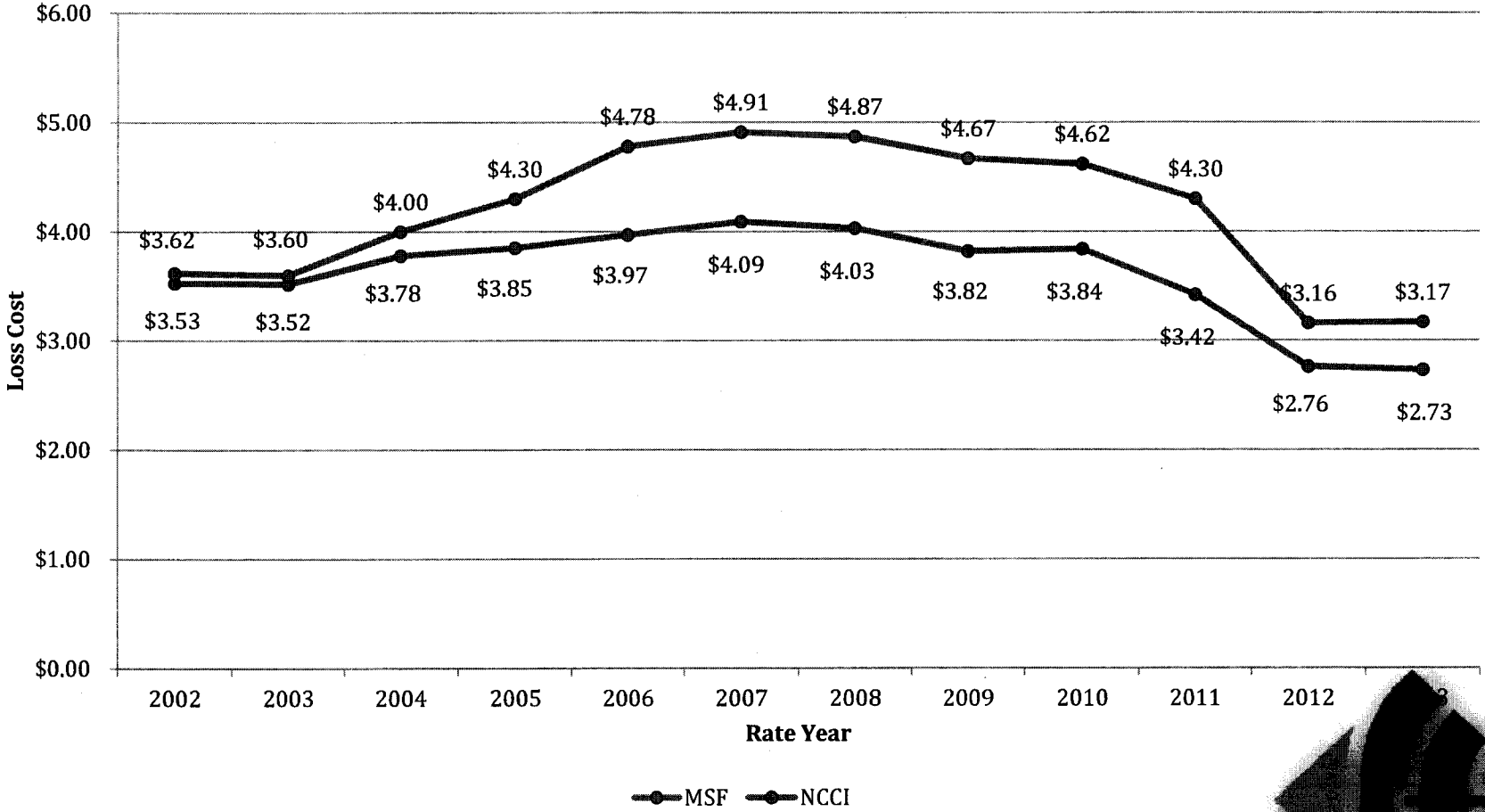
MSF Rate Level Changes

MSF Rate Level

(Weighted Average of Rate Tiers)

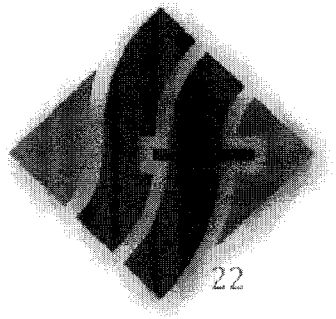


MSF vs NCCI Loss Costs



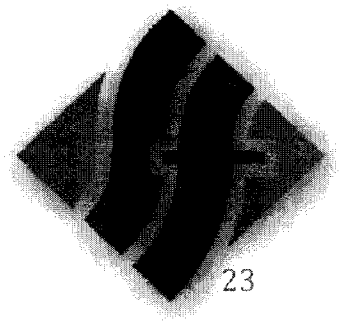
What Keeps Us Up at Night?

- HB 334 Savings
  - Medical Costs
  - SAW/RTW
- Workplace Safety
- The Economy/Fiscal Cliff
  - Jobs/Payrolls
  - Petroleum Boom
  - Investment Returns
- Aging Workforce
  - Impact on Organization
  - Impact on Claim Trends

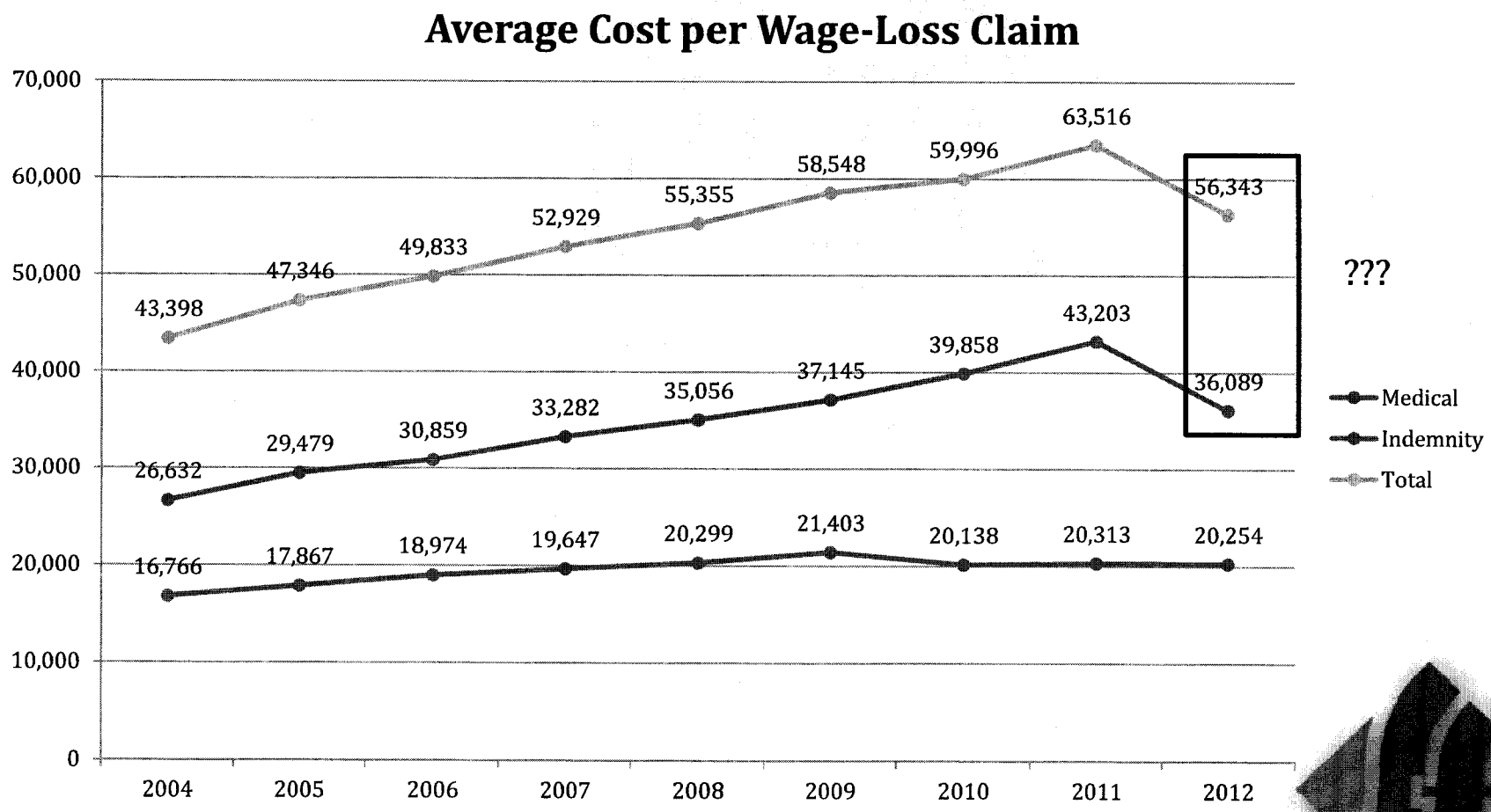


What Keeps Us Up at Night?

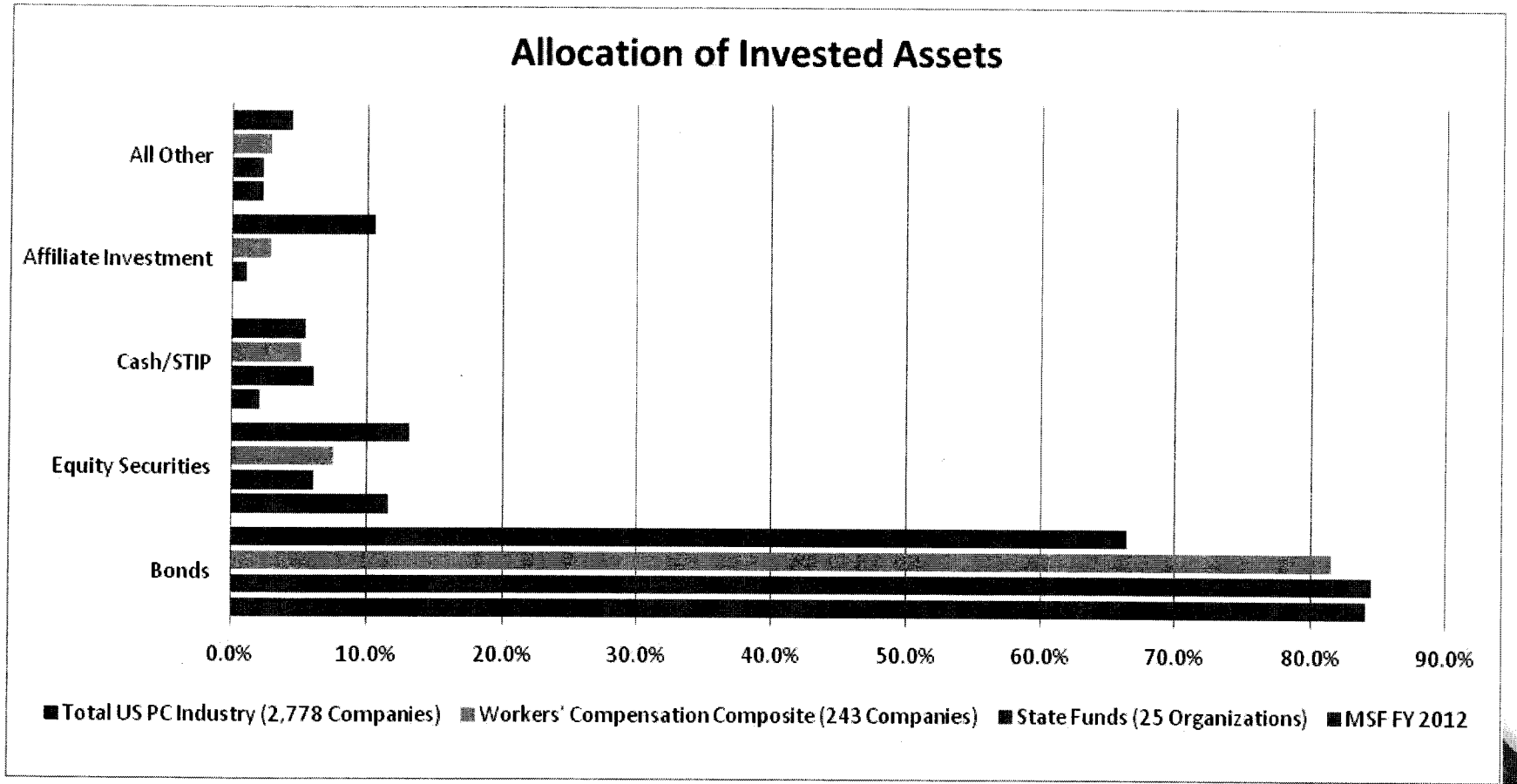
- Rate Adequacy and Stability
  - Ability of Equity to Stabilize Results
  - Medical Inflation/Adverse Development
    - Price and Utilization
    - Misuse of Opiods
    - Improved Outcomes for Injured Workers'



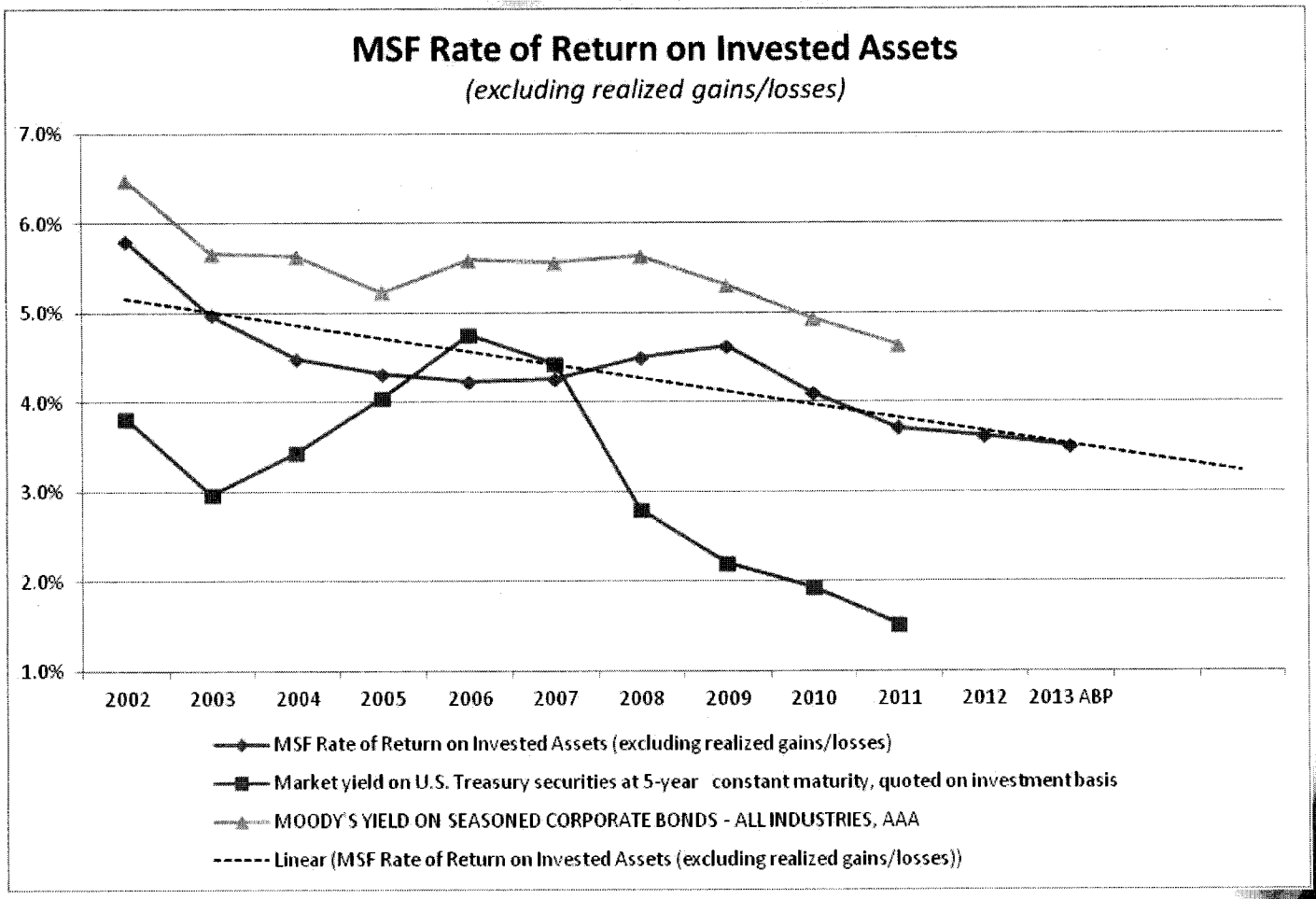
Average Claim Costs

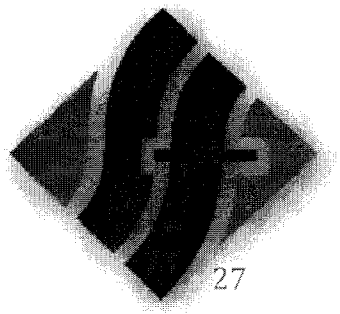


Invested Assets



Invested Assets
Declining Rates of Return



Old Fund

Claim Payments Made During FY12	$8,568,523
Administrative & Other Expenses	$1,035,085
Dept. of Labor Admin. Assessment	$ 171,775
Total Amount of Costs	$9,775,383