

FINANCIAL-COMPLIANCE AUDIT

Montana State Fund

For the Two Fiscal Years Ended June 30, 2012

DECEMBER 2012

12-05A

REPORT SUMMARY

As a result of worker's compensation legislation passed in 2011, Montana State Fund (MSF) implemented an overall 20 percent rate decrease in fiscal year 2011-12. As a result, MSF's Net Earned Premium decreased approximately 13.3 percent from \$173.6 million in fiscal year 2010-11 to \$150.5 million in fiscal year 2011-12. The long-term impact of this legislation on worker's compensation claims will not be known for several years.

Context

MSF is administratively attached to the state of Montana, Department of Administration. MSF is governed by a seven member board of directors appointed by the Governor. The MSF is a nonprofit, independent public corporation established under Title 39, chapter 71 of the Montana Code Annotated, and provides Montana employers with an option for workers' compensation and occupational disease insurance, guaranteeing available coverage for all employees in Montana.

In fiscal year 2011-12, MSF's net premiums earned were \$150.5 million and claims incurred were close to \$130 million. Active policies remained about the same for fiscal years 2010-11 and 2011-12. MSF paid \$6 million in dividends to policyholders in fiscal year 2011-12.

MSF accounts for claims incurred on or after July 1, 1990 (New Fund) separately from claims incurred prior to July 1, 1990, (Old Fund). By fiscal year-end 2010-11, the Old fund exhausted all of its resources and by state law, the General Fund became responsible for paying the claims. In fiscal year 2010-11, a

General Fund transfer of \$50,000 was made to cover remaining claims for the year. In fiscal year 2011-12, payment of the Old Fund claims and operating costs required a General Fund transfer of \$10,041,517. The total Old Fund estimated claims liability at June 30, 2012 was \$59,161,706. Because the claims are an obligation of the General Fund, Old Fund liabilities are no longer reflected in the MSF financial statements.

Results

This report contains one recommendation related to recording the current portion of the estimated claims liability on the state's accounting records in accordance with state law.

Recommendation Concurrence	
Concur	1
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (12-05A) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
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