



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Montana State Fund

For the Fiscal Year Ended June 30, 2013

OCTOBER 2013

12-05B

REPORT SUMMARY

In spite of a decrease in the number of active policies from approximately 24,700 in fiscal year 2011-12 to under 24,400 in 2012-13, Montana State Fund (MSF) has experienced an increase in Net Earned Premium of 3.7 percent. The premiums increased from approximately \$150.5 million in 2011-12 to \$156.0 million in 2012-13. This increase in premiums is attributed to increased payrolls reported by the policyholders. In fiscal year 2011-12, MSF implemented a 20 percent reduction in premium rates as a result of workers' compensation legislation passed in 2011. In the year of implementation, Net Earned Premium decreased by approximately 13.3 percent.

Context

The MSF board is allocated to the Department of Administration for administrative purposes only. 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 employers in Montana.

By fiscal year-end 2010-11, the Old Fund (claims incurred prior to July 1, 1990) exhausted all of its resources and by state law, the General Fund became responsible for paying the claims. The General Fund transferred approximately \$10.6 and \$10.0 million in fiscal years 2012-13 and 2011-12, respectively, for payment of the Old Fund claims and operating costs.

Results

This report contains no recommendations. The previous audit included one recommendation. We found this prior audit recommendation to be fully implemented.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0

Source: Agency audit response included in final report.

For a complete copy of the report (12-05B) 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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