

FINANCIAL-COMPLIANCE AUDIT

Montana State Fund

For the Fiscal Year Ended June 30, 2014

JANUARY 2015

14-05

REPORT SUMMARY

Total net position of the Montana State Fund increased \$67 million from fiscal year 2013 to 2014 as a result of an increase in premium or business written and investment performance. Investment income in fiscal year 2014 was \$80.8 million as compared to \$44.5 million in fiscal year 2013. The Montana State Fund Board of Directors approved a 6 percent rate decrease effective for the 2014 policy year. The Board approved and the State Fund paid dividends of \$12 million payable to qualified policy holders in fiscal year 2014, and recently approved a dividend of \$20 million to be paid in fiscal year 2015.

Context

The Montana State Fund (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.

The Montana State Fund 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 board of directors appoints the President/CEO who is charged with oversight of MSF operations on a day-to-day basis.

Primary revenue for the MSF is derived from insurance premiums and investment income. MSF does not receive funding from the State General Fund. Expenses incurred are for claims paid to injured workers and for general operating expenses of the MSF. Revenues from insurance premiums and investment income in fiscal year 2014 were \$165.3 million and \$80.9 million, respectively. Claims and

operating expenses in fiscal year 2014 were \$132.3 million and \$36.0 million, respectively.

Results

Our audit work included testing of MSF internal controls and business processes related to:

- ◆ Payment of claim expenses and reservations for future claims.
- ◆ Assessment and collection of policy premiums.
- ◆ Investment activity.
- ◆ Compliance with selected laws and regulations.
- ◆ Overall reasonableness of the financial statement presentation.

The prior report contained no recommendations. We issued an unmodified opinion on the financial statements, which means the reader can rely on the information presented. This report does not contain any recommendations.

For a complete copy of the report (14-05) 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>

Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE

Call toll-free 1-800-222-4446, or e-mail ladhotline@mt.gov.