

FINANCIAL-COMPLIANCE AUDIT

Montana State Fund

For the Fiscal Year Ended June 30, 2015

DECEMBER 2015

14-05B

REPORT SUMMARY

Montana State Fund will be transitioning to a calendar year reporting basis, and after fiscal year 2015 will no longer report on a fiscal year ending June 30th. Per Chapter 320, Laws of 2015, (SB123), MSF will be under the regulatory authority of the Insurance Commissioner and will operate on a calendar-year basis beginning January 1, 2016. In order to comply with these new requirements State Fund will have a six-month reporting year ending December 31, 2015, and issue financial statements for the period July 1, 2015, to December 31, 2015.

Context

Montana State Fund (MSF) is established by Title 39, Chapter 71 of the Montana Code Annotated. MSF is governed by a seven-member board of directors appointed by the governor. The MSF board of directors appoints the President/CEO who oversees MSF day to day operations.

Operating as a nonprofit, independent public corporation, MSF provides a fair and equitable system of workers' compensation insurance. MSF functions like a private insurance carrier in a competitive marketplace which guarantees coverage to all employers in Montana.

MSF does not receive funding from the General Fund. Instead, revenue for MSF comes primarily from insurance premiums and investment income. Revenues from insurance premiums and investment income were \$164.6 million and \$42.5 million, respectively in fiscal year 2015. Expenses for MSF are primarily for workers' claims. Benefits and claims expenses were \$89.2 million in fiscal year 2015.

Results

We performed work over MSF internal controls and business processes related to the payment of claim expenses and the reserves for future claims, the collection of insurance premium revenue, investment activity, reinsurance activity, and compliance with selected laws and regulations. We also considered the overall reasonableness of the financial statement presentation.

We issued an unmodified opinion on the financial statements and this report does not contain any recommendations. The prior report also did not contain recommendations to MSF.

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