

## Risk Management & Tort Defense Division

Projected Changes in Revenue, Expenses, and Reserves  
For the Period Ending June 30th

### Auto Insurance Program

	FY2020	FY2021	FY2022	FY2023
<b>Budgeted Premium</b>	2,022,570	2,022,570	1,820,313	1,820,313
Losses Incurred	1,326,454	1,480,325	1,446,482	1,533,791
*Loss Expenses Incurred	26,853	33,084	33,084	33,084
Operations	175,261	175,261	175,261	175,261
Commercial Insurance Premiums	0	0	0	0
<b>Total Losses and Expenses</b>	<b>1,528,568</b>	<b>1,688,670</b>	<b>1,654,827</b>	<b>1,742,136</b>
<b>Net Income (Loss) Before Investments</b>	<b>314,542</b>	<b>154,440</b>	<b>(13,974)</b>	<b>(101,283)</b>
Net Investment Income Earned	50,138	50,138	41,747	41,747
**Insurance Recoveries	88,893	136,096	136,096	136,096
<b>Net Income (Loss)</b>	<b>453,572</b>	<b>340,673</b>	<b>163,869</b>	<b>76,560</b>
<b>Total Assets</b>	<b>5,543,846</b>	<b>3,484,519</b>	<b>3,398,388</b>	<b>3,224,948</b>
Non-Claim Liabilities	132,613	132,613	132,613	132,613
Claims Liabilities	1,631,812	1,612,539	1,686,576	1,735,336
<b>Total Liabilities</b>	<b>1,764,425</b>	<b>1,745,152</b>	<b>1,819,189</b>	<b>1,867,948</b>
	0	0	0	0
<b>Reserves</b>	<b>3,779,421</b>	<b>1,739,367</b>	<b>1,579,199</b>	<b>1,357,000</b>
<b>Actuarial Reserve Target</b>		\$3,735,897	to \$1,494,359	
<b>Target Overage (Shortfall) at Minimum Target</b>	\$43,525	\$245,009	\$84,841	(\$137,359)
*Adjuster fees, legal fees, and court costs.				
**Recoveries from claimants or insurance companies.				

## Factors Affecting Our Proposed Rates

(Propose a 10% reduction)

- ✓ Loss prevention consultation and training
- ✓ COVID-19 closures and reduced vehicle usage.

### Our Environment

- The state is self-insured for auto risks. Claims and lawsuits are paid out of the state property/casualty insurance fund and reflect the state and university system's own losses and costs and do not include profit or dividends.
- The division insures over 6,000 state and university vehicles for liability and physical damage (optional) involving diverse and 'high risk' activities such as highway maintenance/design, law enforcement, off-road engagement, and employee travel both domestically and abroad. Examples of large claims: #1: Citizen vehicle containing five occupants passes a snowplow, snow obscures the driver's vision during the pass, resulting in a head on collision with an oncoming vehicle. #2: State employee veers out of his lane into the path of oncoming vehicle causing the other driver to swerve and jack knife off the road resulting in injuries to the driver and the livestock being towed behind his truck. #3: University student driver traveling to Arizona with three occupants loses control of his vehicle and strikes a tree. A passenger's neck is broken, and he becomes paraplegic.
- The division's rates are developed consistent with practices used nationally by government risk pools and self-insured corporations and locally by the Montana Association of Counties (MACO) Insurance Trust, the Montana Municipal Interlocal Authority (MMIA), and the Montana Unified School Trust (MUST).

**Risk Management & Tort Defense Division**

Projected Changes in Revenue, Expenses, and Reserves

For the Period Ending June 30th

**Aviation Insurance Program**

	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Budgeted Premium</b>	169,961	169,961	169,961	169,961
Losses Incurred	0	0	0	0
*Loss Expenses Incurred	0	0	0	0
Operations	0	0	0	0
Commercial Insurance Premiums	186,559	210,000	210,000	210,000
<b>Total Losses and Expenses</b>	<b>186,559</b>	<b>210,000</b>	<b>210,000</b>	<b>210,000</b>
<b>Net Income (Loss) Before Investments</b>	<b>(16,598)</b>	<b>(40,039)</b>	<b>(40,039)</b>	<b>(40,039)</b>
Net Investment Income Earned	4,213	4,213	3,898	3,898
**Insurance Recoveries	0	0	0	0
<b>Net Income (Loss)</b>	<b>(12,385)</b>	<b>(35,826)</b>	<b>(36,141)</b>	<b>(36,141)</b>
<b>Total Assets</b>	<b>122,923</b>	<b>87,096</b>	<b>50,955</b>	<b>14,814</b>
Non-Claim Liabilities	0	0	0	0
Claims Liabilities	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reserves</b>	<b>122,923</b>	<b>87,096</b>	<b>50,955</b>	<b>14,814</b>

**Funding Objective 2023 Biennium: Premiums Sufficient to Cover Actual Costs**

\*Adjuster fees, legal fees, and court costs.

\*\*Recoveries from claimants or insurance companies.

**Factors Affecting Our Proposed Rates**

(No proposed changes)

- ✓ No losses over the past three biennia.
- ✓ Market conditions for aviation insurance are currently stable.

## Risk Management & Tort Defense Division

Projected Changes in Revenue, Expenses, and Reserves  
For the Period Ending June 30th

### General Liability Insurance Program

	FY2020	FY2021	FY2022	FY2023
<b>Budgeted Premium</b>	14,573,236	14,573,236	14,613,042	14,613,042
Losses Incurred	923,459	5,981,687	2,650,502	2,740,784
*Loss Expenses Incurred	1,333,903	2,216,639	2,216,639	2,216,639
Operations	2,338,103	2,338,103	2,338,103	2,338,103
Commercial Insurance Premiums	567,910	596,154	596,154	596,154
<b>Total Losses and Expenses</b>	<b>5,163,375</b>	<b>11,132,583</b>	<b>7,801,398</b>	<b>7,891,680</b>
<b>Net Income (Loss) Before Investments</b>	<b>9,132,661</b>	<b>3,163,454</b>	<b>6,534,445</b>	<b>6,444,163</b>
Net Investment Income Earned	361,258	361,258	335,138	335,138
**Insurance Recoveries	0	750	750	750
<b>Net Income (Loss)</b>	<b>9,493,919</b>	<b>3,525,462</b>	<b>6,870,333</b>	<b>6,780,051</b>
<b>Total Assets</b>	<b>11,926,889</b>	<b>17,852,350</b>	<b>21,222,684</b>	<b>24,502,734</b>
Non-Claim Liabilities	1,769,145	1,769,145	1,769,145	1,769,145
Claims Liabilities	11,478,939	11,999,676	12,381,624	12,703,612
<b>Total Liabilities</b>	<b>13,248,084</b>	<b>13,768,822</b>	<b>14,150,769</b>	<b>14,472,758</b>
	0	0	0	0
<b>Reserves</b>	<b>(1,321,196)</b>	<b>4,083,529</b>	<b>7,071,914</b>	<b>10,029,977</b>
<b>Actuarial Reserve Target</b>		\$28,945,516 to	\$11,578,206	
<b>Target Overage (Shortfall) at Minimum Target</b>	(\$12,899,402)	(\$7,494,677)	(\$4,506,292)	(\$1,548,230)

\*Adjuster fees, legal fees, and court costs.

\*\*Recoveries from claimants or insurance companies.

## Factors Affecting Our Proposed Rates

(Propose an increase of .27%)

- ✓ The cost of commercial liability insurance for 5,000 student interns in the Montana University System has increased.
- ✓ More student internships.

### Our Environment

- The state is self-insured for general liability risks. Claims and lawsuits are paid out of the state property/casualty insurance fund and reflect the state and university system's own losses and costs and do not include profit or dividends.
- The division insures approximately 20,000 state and university employees for diverse and 'high risk' activities including prisons, medical facilities, physicians/lawyers/doctors, international travel, employee relations, public defenders, cyber intrusions, workers' compensation insurance, regulatory activities, employee retirement administration, transportation, highway maintenance/design, law enforcement, fish & game management, etc. Note: The most important factors that could affect the division's general liability rates are unforeseen catastrophic liability settlements and Libby Asbestos Litigation. Note: District Courts have approved and the division has paid approximately \$60 million to date in settlements to date including many lawsuits that are currently open and have yet to reach settlement or be litigated.
- The division's general liability rates are developed consistent with practices used nationally by government risk pools and self-insured corporations and locally by the Montana Association of Counties (MACO) Insurance Trust, the Montana Municipal Interlocal Authority (MMIA), and the Montana Unified School Trust (MUST).

## Risk Management & Tort Defense Division

Projected Changes in Revenue, Expenses, and Reserves  
For the Period Ending June 30th

### Property Insurance Program

	FY2020	FY2021	FY2022	FY2023
<b>Budgeted Premium</b>	6,930,000	6,930,000	9,009,000	9,009,000
Losses Incurred	13,742,076	15,962,473	15,257,232	15,132,890
*Loss Expenses Incurred	63,401	31,338	31,338	31,338
Operations	456,272	456,272	456,272	456,272
Commercial Insurance Premiums	4,566,563	5,889,352	5,889,352	5,889,352
<b>Total Losses and Expenses</b>	<b>18,828,312</b>	<b>22,339,434</b>	<b>21,634,193</b>	<b>21,509,851</b>
<b>Net Income (Loss) Before Investments</b>	<b>(12,590,771)</b>	<b>(16,101,893)</b>	<b>(13,317,652)</b>	<b>(13,193,310)</b>
Net Investment Income Earned	171,789	171,789	206,614	206,614
**Insurance Recoveries	34,080,320	140,250	140,250	140,250
<b>Net Income (Loss)</b>	<b>21,661,338</b>	<b>(15,789,854)</b>	<b>(12,970,789)</b>	<b>(12,846,447)</b>
<b>Total Assets</b>	<b>42,371,709</b>	<b>26,581,855</b>	<b>17,361,066</b>	<b>8,264,619</b>
Non-Claim Liabilities	345,242	345,242	345,242	345,242
Claims Liabilities	38,919,959	27,638,249	15,169,009	2,935,633
<b>Total Liabilities</b>	<b>39,265,201</b>	<b>27,983,491</b>	<b>15,514,251</b>	<b>3,280,875</b>
	0	0	0	0
<b>Reserves</b>	<b>3,106,508</b>	<b>(1,401,636)</b>	<b>1,846,815</b>	<b>4,983,744</b>
<b>Actuarial Reserve Target</b>		\$20,000,000 to \$30,000,000		
<b>Target Coverage (Shortfall) at Minimum Target</b>	(\$16,893,492)	(\$21,401,636)	(\$18,153,185)	(\$15,016,256)

\*Adjuster fees, legal fees, and court costs.

\*\*Recoveries from claimants or insurance companies.

## Factors Affecting Our Proposed Rates

(Propose an increase of 30%)

- ✓ Total reported building and content values have increased.
- ✓ The state incurred a \$48.1 million total building loss of the MSU Bozeman Student Fitness Center.
- ✓ The state's commercial insurance deductible has increased to \$2 million per occurrence so the state is bearing more risk.
- ✓ The cost of the state's commercial excess insurance increased 53% in FY 2020 and 23% in FY 2021. these costs were not contemplated nor included in rates approved by the 2021 biennial legislature. The division predicts addition 'double digit' increases in the cost of commercial excess property insurance in FY 2022 and FY 2023. Unexpected losses and unanticipated increases in the cost of commercial excess property insurance have resulted in a decline in reserves. Absent rate increases, the division may incur additional unexpected expenses and unfunded liabilities.

## Our Environment

- The state is self-insured for property losses to \$2 million per occurrence. Losses above the deductible are funded through a multi-layered commercial excess property insurance program. Claims are paid out of the state property/casualty insurance fund and reflect the state and university system's own losses and costs and do not include profit or dividends.
- The division insures over 6,000 state and university buildings whose values exceed \$5.8 billion.
- The division's property rates are developed consistent with practices used nationally by government risk pools and self-insured corporations and locally by the Montana Association of Counties (MACO) Insurance Trust, the Montana Municipal Interlocal Authority (MMIA), and the Montana Unified School Trust (MUST).