



**RISK MANAGEMENT
&
TORT DEFENSE DIVISION
(RMTD)**

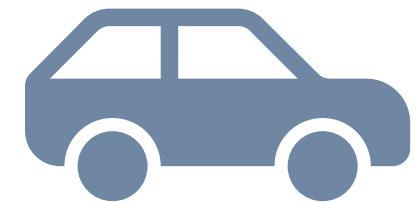
**INTERIM BUDGET COMMITTEE
DECEMBER 15, 2021**

**BRETT DAHL
ADMINISTRATOR
406-444-3687
bdahl@mt.gov
rmtd.mt.gov**

Funding

We are an internal service fund:

- There are four rates
 - Auto
 - Aviation
 - General Liability
 - Property
- The legislature authorizes funding for each rate in state agency/university budgets each biennium.
- Premium assessments are used to pay claims/lawsuits, purchase insurance, and fund operations.



Biennial Rate Development

Step 1

Project allocated expenses for each rate. Allocated expenses are expenses associated with each specific rate (i.e. auto, aviation, general liability, and property) including legal fees, settlements, and judgements.

Step 2

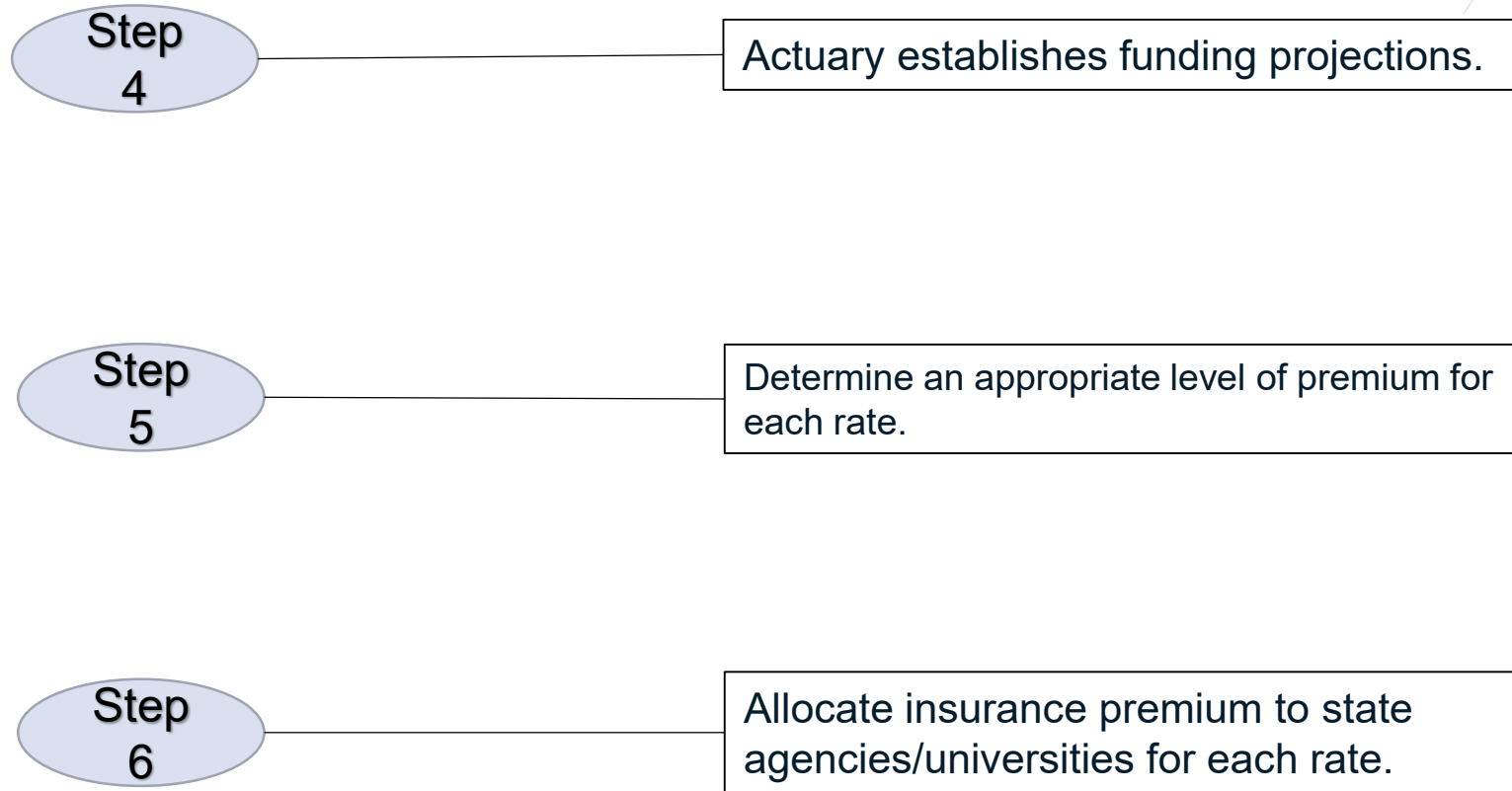
Project unallocated expenses for each rate. Unallocated expenses are common expenses such as salaries, rent, or supplies and must be apportioned among the four rates.

Step
3

Project liabilities for each rate based upon annual actuarial evaluations.



Biennial Rate Development (cont'd)



Our Environment

- 'High risk services' and unexpected losses arising from highway construction/design, hospital care facilities, institutions/universities, regulatory oversight, prisons, law enforcement, building operation/maintenance, and vehicles.
- Unexpected increases in the cost of commercial excess insurance arising from worldwide catastrophes such as hurricanes, tornadoes, flood, wind, earthquake, hail, and extreme weather.
- Variability in projections of losses and expenses year over year with losses ranging from \$1.8 million to \$36 million. Examples:
 1. Libby Asbestos litigation (\$66 million).
 2. MSU Bozeman Student Fitness Center loss (\$48 million).
 3. Bannock State Park flood loss (\$2 million).
 4. MSU Bozeman Hail losses (\$8 million).



Rate Development: Example

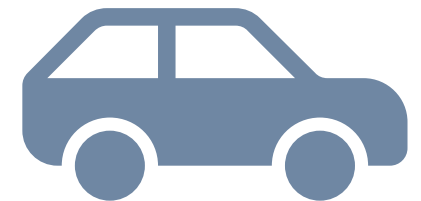
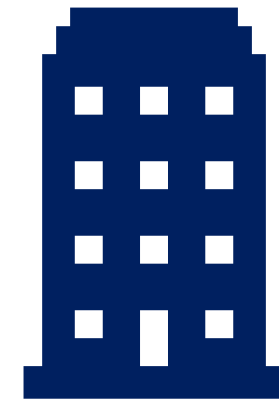
General Liability Insurance Program							
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Budgeted Premiums	10,824,476	14,613,042	14,613,042	14,613,042	14,613,042	14,613,042	14,613,042
Less: Insurance Premium Discounts	141,709	181,738	277,199	277,199	277,199	277,199	277,199
Net Premiums Earned	10,682,767	14,431,304	14,335,843	14,335,843	14,335,843	14,335,843	14,335,843
Losses Incurred	16,538,047	10,696,648	9,594,084	814,210	6,910,422	2,639,709	2,797,034
Loss Expenses Incurred	1,795,549	2,156,424	2,695,828	2,067,746	1,415,348	2,059,641	2,059,641
Total Allocated Expenses	18,333,596	12,853,072	12,289,912	2,881,956	8,325,771	4,699,349	4,856,674
Operations	1,835,367	2,478,194	2,340,988	2,897,386	2,625,989	2,625,989	2,625,989
Commercial Insurance Premiums	406,053	406,247	555,801	567,910	664,047	664,047	664,047
Total Unallocated Expenses	2,241,420	2,884,441	2,896,790	3,465,297	3,290,036	3,290,036	3,290,036
Total Losses and Expenses	20,575,016	15,737,513	15,186,702	6,347,252	11,615,807	7,989,385	8,146,710
Net Income (Loss) Before Investments	(9,892,250)	(1,306,210)	(850,859)	7,988,591	2,720,036	6,346,457	6,189,133
Net Investment Income Earned	118,708	143,594	313,472	361,637	361,637	335,138	335,138
Supplemental Appropriation							
Insurance Recoveries	2,250					750	750
Net Income (Loss)	(9,771,292)	(1,162,616)	(537,387)	8,350,228	3,081,674	6,682,346	6,525,021
Prior Years Assets	7,138,668	2,367,376	1,204,760	32,970	10,780,958	16,262,632	19,444,978
Total Assets Before Adjustments	(2,632,624)	1,204,760	667,374	8,383,197	13,862,632	22,944,978	25,969,998
Rate Stabilization	5,000,000			2,400,000	2,400,000	(3,500,000)	(3,500,000)
Total Assets	2,367,376	1,204,760	32,970	10,780,958	16,262,632	19,444,978	22,469,998
Non-Claim Liabilities	1,910,079	2,100,614	1,769,145	1,747,887	1,747,887	1,747,887	1,747,887
Claims Liabilities	12,458,320	12,123,610	11,433,633	12,274,797	12,955,251	13,577,985	14,201,381
Total Liabilities	14,368,399	14,224,224	13,202,778	14,022,684	14,703,139	15,325,872	15,949,268
Reserves/(Unfunded Liabilities)	(12,001,023)	(13,019,464)	(13,169,809)	(3,241,726)	1,559,493	4,119,105	6,520,730
Actuarial Target Funding Ratio: Total Liabilities to Reserve				< 1.5			
Actual Funding Ratio Achieved:	(1.20)	(1.09)	(1.00)	(4.33)	9.43	3.72	2.45
Actuarial Reserve Target				\$10,632,846			
Actuarial Reserve Target Overage (Shortfall)	(\$22,633,868)	(\$23,652,309)	(\$23,802,654)	(\$13,874,571)	(\$9,073,352)	(\$6,513,740)	(\$4,112,115)



What are Other States Doing?

In response to a recent survey question “How are you Funded” there were responses from 23 states:

- 23 states purchase and administer insurance programs in behalf of their respective agencies/universities.
- 23 states operate various fund types referred to as multi-agency, internal service, proprietary, trust, risk, ancillary, reserve, general, enterprise, unappropriated, special revenue, revolving, etc.
- 21 states collect premium assessments from state agencies/universities based upon legislatively approved appropriations.
- Only two states receive appropriations from a central or general fund and do not collect premium assessments from state agencies and universities.





Questions & Answers