

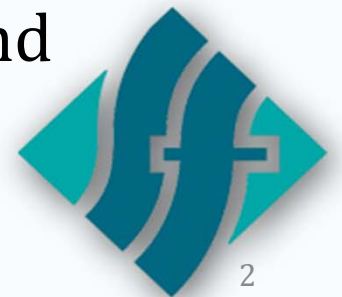
Economic Affairs Interim  
Committee  
HJR 25  
Montana State Fund-  
Restructure

January 28, 2014



# Montana State Fund (MSF) Restructure

- Why Restructure?
- MSF's Recommendations for Restructure
  - MSF's Role
  - Oversight and Regulation under Montana Insurance Code
  - Appropriateness of state agency services and requirements



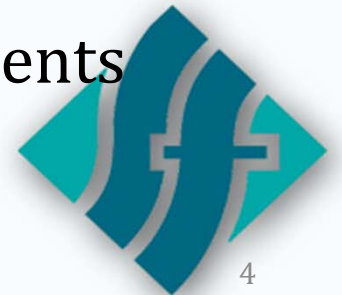
# Why Restructure MSF?

- Insurance Companies are Regulated by the Montana Commissioner of Securities and Insurance.
- Historical Context.
- MSF's Long-Term Financial Stability Must be Based on Sound Insurance Management Practices, not Politics.
- The Same Rating Organization (NCCI) Files Loss Costs Used by Private Insurers and MSF.
- Duplicative "Over-Sight" is Unnecessary



# MSF's Role

- MSF to Continue as the Guaranteed Market for Montana Employers to Purchase Mandatory Workers' Compensation Coverage
- MSF to Continue as an Independent Non-Profit Public Corporation
  - MSF Board of Directors appointed by the Governor
  - Remain exempt from federal taxes
  - Collective bargaining remains in place for employees
  - MSF continues open meetings-public documents



# MSF'S Role (Continued)

- **NEW** - Oversight and Regulation by Insurance Commissioner under Title 33
  - Limited exceptions from Title 33 would be needed due to guaranteed market function
  
- Amend MSF's Enabling Laws in the Workers' Compensation Act
  - Eliminate duplication of oversight and regulation
  - Address state agency services and requirements
  - Allow assumed business name
  - Property – buy/sell/lease/mortgage



# Oversight and Regulation

January 28, 2014



# Oversight and Regulation by Insurance Commissioner under Title 33

## ○ Exceptions

- Not subject to dissolution
  - Subject to supervision and rehabilitation provision
- Non-revocable Certificate of Authority
- Not a member of the Guaranty Association
  - MSF to provide additional financial assurances
    - i. Adverse development cover (insurance protection)
    - ii. Earlier RBC trigger for CSI intervention
- MSF investments continue under MT Board of Investments



# Oversight and Regulation by Insurance Commissioner under Title 33

- MSF Proposal - Expressly Provide for Tiered Rating in Title 33
- MSF Class Code or Practice Differences-NCCI
  - 0006 agriculture class code
  - State agency class codes
  - Experience modification threshold





# State/Regulatory Issues

- State of Montana not liable for debts or obligations of MSF
  - Expressly provide in law that State of Montana is not liable
- Title 33 requires Statutory/Regulatory Accounting - Calendar Year Reporting



# Elimination of duplication regulation and state agency requirements and services

January 28, 2014



# State Agency Services and Requirements

- Elimination of Duplicate Oversight and Regulation
  - LAD- annual audits (financial and compliance), rate and reserve reviews
  - LFC- annual budget review
  - CSI- annual rate and reserve review
  - EAIC



# State Agency Services/Impacts

- Pension Plan
- Health Care and Benefits
- Payroll Processing
- Treasury Functions/Accounting/Banking/  
Warrant Writing/Payroll
- Risk Management and Tort Defense  
Insurance Coverage
- IT Services
- Procurement/Printing



# Timeline for Implementation

- CSI Oversight and Regulation- January 1, 2016
  - First rate filing for rates effective July 1, 2016
  - Begin quarterly financial reporting
  
- State Agency Services- Jan 1, 2017
  - Soft landing for state agencies budget dependency
  - Consider ability for MSF to contract for state services



# Policy Decisions for Legislature

- Premium Tax
- Punitive and Exemplary Damages
- MSF Fraud Program- Attorney General/CSI



# Questions?

January 28, 2014

