

FISCAL YEAR 2012 ANNUAL REPORT

RMTD



RISK MANAGEMENT AND TORT DEFENSE DIVISION

STATE OF MONTANA
DEPARTMENT OF
ADMINISTRATION



ORO -Y- PLATA

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Message From the Administrator

Risk is everywhere! Our jobs, lives, families, and well being are affected by choices that involve risk taking.

As state government's internal insurance provider, the Risk Management & Tort Defense Division strives to help its customers identify and mitigate risk through pro-active loss control practices, effective claims administration, and comprehensive insurance coverage.

Loss Control

The Risk Management & Tort Defense Division's thermo graphic & ultrasonic survey program continued to grow in popularity during FY 2012. Seventy five surveys were conducted (20 more than the previous year).

These surveys identified numerous perils which could result in losses to state properties and university campuses.

In addition, Risk Management & Tort Defense Division staff conducted numerous on-site inspections of state/university properties and offered 103 loss prevention training classes to approximately 2,100 state and university employees.

Claims and Legal Staff

The objective of the claims unit and the legal unit is the effective disposition of claims at the lowest possible cost consistent with ethical obligations and the need to establish acceptable precedent.

During FY 2012, the state property/casualty insurance fund incurred losses higher than in any other single year in its history.

Total losses approximated \$36 million, or the equivalent of 10 average years of loss experience.

Catastrophic property and liability losses, including the Helena Data Center compressor failure, wildfires, and the Bozeman hail loss accounted for the majority of expenses for claims.

Commercial Re-insurance

During FY 2012, the state's insurance brokers marketed the state's commercial excess property program to insurance carriers worldwide.

Many insurance carriers declined to bid on the state's insurance because they could not compete with the current coverage and rate.

At the July 1, 2011 renewal, the state's commercial excess property insurance premiums increased 6%. Given the state's recent loss history, higher insured values, and worldwide catastrophic events, a 6% increase is very reasonable.

In addition, the Risk Management & Tort Defense Division secured a comprehensive insurance policy to protect state and university clients from cyber/data information security breaches.

Towards the Future

The true value of Risk Management is its ability to mitigate future losses. The Risk Management & Tort Defense Division will continue to encourage and assist client agencies/universities to establish comprehensive and effective risk management programs.

THANK YOU FOR YOUR SUPPORT!



Department of Administration Mission Statement

To serve, satisfy, and support our customers.

Risk Management & Tort Defense Mission Statement

To provide comprehensive and cost-effective risk management services, insurance coverage, claims adjudication, and tort litigation services to state agencies and universities that serve the citizens of Montana.

Goals

- To assist state agencies in establishing effective risk management programs.
- To provide comprehensive, cost-effective property/casualty insurance solutions for Montana state government.
- To provide effective and efficient legal defense for claims and lawsuits filed against the state under the Montana Tort Claims Act.
- To maintain financial stability of the state property/casualty insurance fund.

Risk Management & Tort Defense Staff

Main Number (406) 444-2421

Administration	Ext.
Administrator, State Risk Manager - Brett Dahl	3687
Chief Defense Counsel - Bill Gianoulis	2438
Accounting Technician - Cathy Meidinger	3600
Administrative Assistant - Deb Lopuch	9843
Legal Secretary - Edith Sandaker	4516
Legal Defense	
Associate Counsel - Rebekah French	2485
Associate Counsel - Mike King	2403
Associate Counsel - Vacant	4507
Associate Counsel - Pamela Snyder-Varns	1816
Associate Counsel - Margaret Sampsel	3562
Legal Investigator - Lori Caplis	2512
Loss Prevention	
Property - Aric Curtiss	3486
Auto, Other - John Duezabou	0195
Insurance/Finance	
Administrator, State Risk Manager - Brett Dahl	3687
Risk Finance Specialist - Kristie Rhodes	4509
Auto/Aviation/General Liability/Property Claims	
Claims Specialist - Gordon Amsbaugh	2422
Claims Specialist - Kirk Barfuss	6498
Claims Specialist - Jennie Younkin	7996

The Risk Management & Tort Defense Division employs a competent, professional staff trained and capable of assisting you with your loss control, insurance, and claims/legal, issues.

Visit us on the web at <http://rmtd.mt.gov>

Customer Agencies

Administration
Administration, Office of the Public Defender
Administration, Public Employees Retirement System
Administration, Teachers Retirement System
Agriculture
Auditor's Office
Board of Education
Commerce
Commissioner of Higher Education
Commissioner Of Political Practices
Consumer Counsel
Corrections
Corrections, Board of Pardons
Corrections, Pine Hills
Corrections, Prison Industries
Corrections, Riverside
Corrections, State Prison
Corrections, Treasure State
Corrections, Women's Correctional Center
Crime Control
Environmental Quality
Fish, Wildlife, and Parks
Governor's Office
Justice
Labor and Industry
Legislative Branch
Livestock
Military Affairs
Montana Arts Council
Montana Heritage Commission
Montana Historical Society
Montana School for the Deaf & Blind
Montana State Library
Montana State University Billings
Montana State University Bozeman
Great Falls College Montana State University
Montana State University Northern
MSU Ag Experiment Station
MSU Extension Service
MSU Forest Service Training School
Natural Resources
Office of Public Instruction
PHHS, Columbia Falls Veterans Home
PHHS, Glendive Veterans Home
PHHS, Mental Health Nursing Care Center
PHHS, MT Chemical Dependency Center
PHHS, MT Developmental Center
PHHS, State Hospital
Public Health and Human Services
Public Service Commission
Revenue
Secretary of State
State Fund
Supreme Court
Transportation
Transportation, Equipment
Transportation, Motor Pool
Montana Tech of the University of Montana
Helena College University of Montana
University of Montana Missoula
University of Montana Western

Risk Manager's Network

The Risk Manager's Network provides feedback and recommendations to the Risk Management & Tort Defense Division on the implementation and management of the state's loss prevention, insurance, and claims programs.

Sheryl Olson	Deputy Director, Department of Administration, State of Montana
Alan Hulse	Chief Executive Officer, Montana Municipal Insurance Authority
Greg Jackson	Marketing Specialist, Montana Association of Counties
Jeff Shada	Director Safety & Risk Management, Montana State University
Tana Wilcox	Risk Management, Northwestern Energy
William Price	Insurance Agent, First West Insurance
Jacque Duhamel	Risk Manager, Montana Rail Link
Brett Dahl	Administrator, Risk Management & Tort Defense Division



FY 2012 Achievements

- The Risk Management & Tort Defense Division successfully resolved the \$1.4 million Helena Data Center loss by replacing electronic equipment that was damaged by chemicals from a ruptured compressor line in the spring of 2011.
- The Risk Management & Tort Defense Division repaired and/or renovated hundreds of hail damaged properties and vehicles in the Bozeman area with replacement cost values of approximately \$4 million.
- Approximately 2,100 state and university employees attended 103 risk management training programs sponsored by the division's loss prevention consultants.
- Many state properties were inspected by Risk Management & Tort Defense staff. Recommendations were generated and submitted to state and university clients to mitigate potential property losses.
- A record number of infrared thermo graphic surveys (75) were conducted by division loss prevention staff. Numerous electrical and sonic anomalies were identified and reported to state and university clients to help them mitigate property losses.
- The Risk Management & Tort Defense Division provided \$512,000 in insurance premium discounts to state agencies and universities that participated in auto and property loss prevention programs.
- The Risk Management & Tort Defense Division awarded approximately \$299,420 in loss mitigation grants during FY 2012 for projects, equipment, and training that prevent or mitigate potential risks.
- A new cyber/data information security insurance policy was obtained for state and university clients. The policy covers privacy notification, credit monitoring, regulatory fines/penalties, and website content/media.
- The Risk Management & Tort Defense Division's insurance brokers bid the state's commercial property insurance program worldwide. More favorable insurance terms and conditions were obtained at renewal with less than a 6% increase in premiums despite state catastrophic losses, worldwide disasters, and increases in total insured values.



Loss Control Programs



The Risk Management & Tort Defense Division offers a variety of loss control services that are designed to prevent/mitigate losses and to protect the state's vital assets.

Training

During FY 2012, the Risk Management & Tort Defense Division conducted 103 training programs to state agencies and universities across the state including:

- Defensive driving
- Large vehicle safety training
- Preventing distracted driving
- Fraud prevention
- Preventing workplace violence
- Infrared & Ultrasonic Technologies

Approximately 2,100 state employees attended these programs. State agencies and universities earned auto insurance discounts of \$101,479 by sending their employees to safe driver training during FY 2012.

Consulting

Risk Management & Tort Defense Division staff frequently consult with managers, legal staff, and state employees in matters that involve, but are not limited to:

- Tort litigation
- Employment practices
- Premises liability
- Contract provisions
- Civil rights
- Operating practices

Property Inspections/ Thermo graphic Surveys/ Ultrasonic Surveys

The Risk Management & Tort Defense Division staff and consultants conduct inspections of state-owned buildings to identify fire hazards and related perils that may give rise to losses.

Additionally, infrared thermo graphic and ultrasonic surveys of electrical and mechanical systems are conducted to identify anomalies which could lead to system failures and damages.

Through these programs, inspections were conducted at properties with high insured values; including 21 additional properties in Helena, parts of six university campuses, parts of five correctional institutions, and 39 other assorted properties.

The inspections and surveys generated approximately 340 recommendations.



Boiler Inspections

As a value-added service, the Risk Management & Tort Defense Division coordinates boiler inspections with the Department of Labor & Industry's (DLI), Building Codes Bureau to assure that all state and university boilers are inspected for safety and issued a proper certificate of operation.

Under this program, DLI schedules inspections as required by building code. DLI also administers the licensing and certification process for all boilers and qualified pressurized vessels.

Loss Control Programs (cont'd)

These services are included by the Risk Management & Tort Defense Division at no cost to state and university clients.



Loss Mitigation Grants Program

The loss mitigation grants program began in FY 2009.

Monetary grants are given to state agencies and university campuses to reduce the likelihood or potential severity of insured auto, aviation, liability, and property claims.

During FY 2012, twelve grants, whose monetary value was approximately \$299,442, were awarded to state agencies and universities.

One grant of \$125,000 helped Montana university campuses to continue replacing 15 passenger vans with safer vehicles.

Three grants were given to university campuses for projects ranging from snow removal equipment to storage solutions for toxic pottery glazes within a fine arts program.

Other grants funded protection of state computer equipment, security of state buildings, flood damage prevention, and employee training.

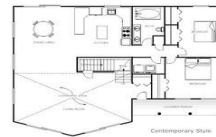


Property Loss Management

The Property Loss Management Program offers an insurance premium discount to state agencies and universities that establish and maintain a comprehensive and effective property loss management program throughout the fiscal year.

In FY 2012, the program was modified to allow a discount of up to 10% for program participants. This small change provides better incentives to participants for their efforts in establishing property loss management programs.

Twenty-three state agencies and universities participated in the property loss management program and those agencies earned \$305,676 of the available discount.



Building Plan Reviews

The Risk Management & Tort Defense Division's loss prevention staff and consultants review building plans, blueprints, specifications, and materials to incorporate fire suppression and detection system designs relative to the construction or renovation of state buildings.

The reviews address areas where loss prevention engineering features/controls can be incorporated or modified to mitigate future losses/claims.

The division provides recommendations for the consideration of the building owner and design team. Recommendations are based on best practices and experience with industry losses and claims.

Property/Casualty Insurance

Purpose & History

During the early 1970's, Montana State Government lost its sovereign immunity. Consequently, the state purchased commercial liability insurance to protect itself from third party litigation.

The risky nature of state services coupled with the high cost of commercial insurance and poor insurance market capacity, forced the state and most other public entities to self-insure their liability risks in the mid-1970's.

State law (§2-9-101, through §2-9-305, MCA) authorizes the Department of Administration to assess state agencies for the costs associated with claims investigation, claims evaluation, claims resolution, and administration of commercial and self-insured programs.

The Risk Management & Tort Defense Division may elect to insure auto, aviation, boilers & machinery, fidelity bond, fine art, liability, and any other risks that are deemed necessary and cost-effective.

The cost of the state's commercial insurance was very stable in FY 2012. The Risk Management & Tort Defense Division experience few insurance premium rate increases and realized some cost savings.



Common Insurance Terms

Claim - means a demand for monetary damages due to personal injury or property damage caused by a negligent act or omission of the State.

Deductible - is the amount paid by a state agency or the amount paid by the Risk Management & Tort Defense Risk Management & Tort Defense before a commercial insurance payment is applied to a loss.

Exclusion - means an activity, event, or asset that is not covered by insurance.

Insurance Recoveries - means reimbursements from insurance carriers for covered losses.

Liability - means a claim for personal injury or property damage that may arise from a negligent act or omission of the state.

Losses Paid - means payments made for settlements or judgments each fiscal year.

Loss Expenses - means expenses for legal fees, adjuster fees, and court costs.

Net Premiums Earned - means budgeted premiums less insurance premium discounts.

Operations Expenses - means expenses associated with personal services, operating expenses (i.e. rent, supplies, travel, contract services, etc.), and equipment.

Auto Liability Insurance Program

State agencies and universities own or lease over 6,000 vehicles. Liability coverage is provided to protect state agencies and universities against claims that arise from personal injury or property damage. State and university vehicles are used for diverse and high risk activities such as highway maintenance, law enforcement, construction, foreign travel, and 'off-road' travel.

Auto Liability Insurance Administration

Figure 1 below provides a breakdown of vehicles insured for auto liability by classification of vehicle.

Figure 1



Vehicles Insured for Liability	
Passenger Cars	2,268
Buses	30
15 Passenger Vans	26
Light Trucks	2,347
Medium Trucks	404
Heavy Trucks	748
Motorcycles	240
Total	6,063

Auto Liability Claims Activity

Figure 2 below provides a summary of auto liability claims activity for FY 2011 and FY 2012.

Figure 2

Auto Liability Claims Activity			
	as of 06/30		
	# Claims Received	# Claims Resolved	# Claims Open
FY 2011	185	165	54
FY 2012	155	160	49

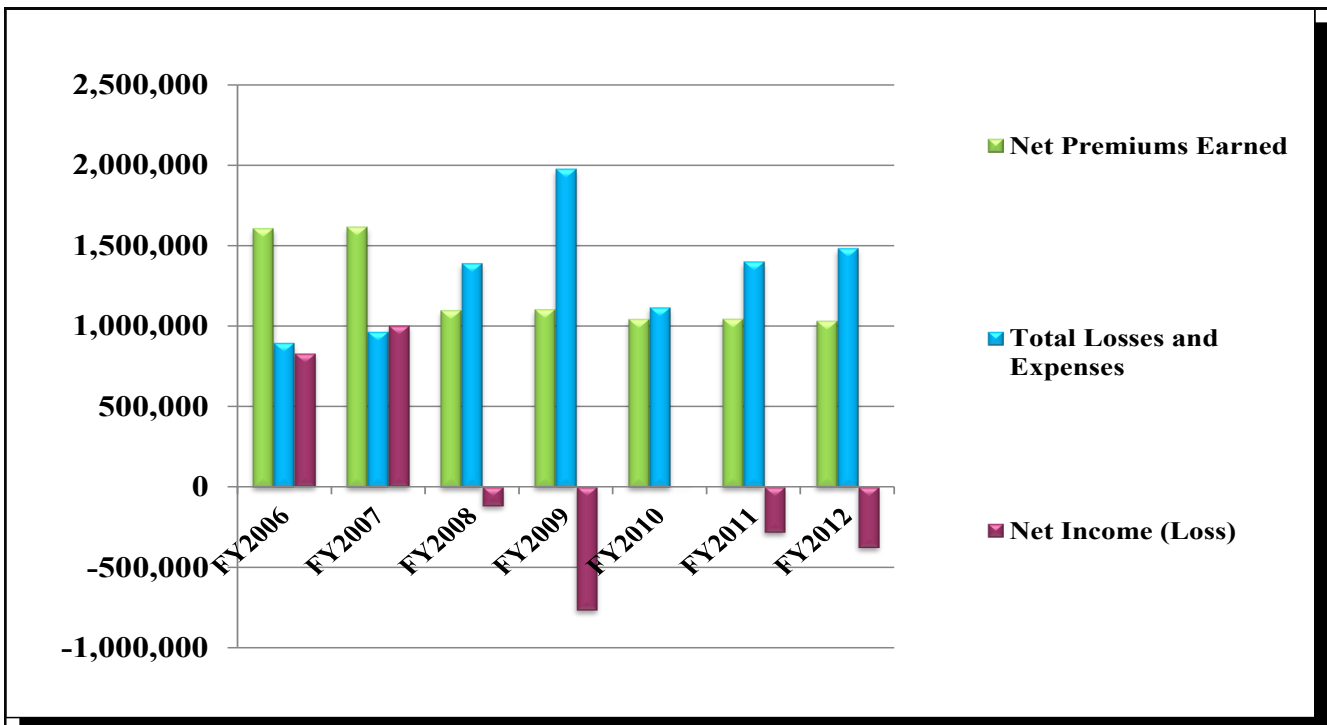


Auto Liability Insurance Program (cont'd)

Figure 3

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Net Premiums Earned	1,604,213	1,613,363	1,097,185	1,104,048	1,043,153	1,044,541	1,031,344
Losses Paid	630,265	667,883	1,025,668	1,552,325	732,102	995,437	1,039,689
Loss Expenses Paid	45,880	41,709	102,609	101,772	34,671	62,907	56,881
Operations	220,007	255,853	262,012	321,739	349,791	342,140	386,783
Commercial Insurance Premiums							
Total Losses and Expenses	896,152	965,444	1,390,289	1,975,836	1,116,565	1,400,484	1,483,353
Net Income (Loss) Before Investments	708,061	647,919	(293,104)	(871,788)	(73,412)	(355,943)	(452,009)
Net Investment Income Earned	89,357	146,268	99,092	35,849	7,425	8,753	2,716
Insurance Recoveries	30,868	206,122	74,182	68,714	66,152	63,475	71,083
Net Income (Loss)	828,286	1,000,309	(119,829)	(767,224)	164	(283,715)	(378,211)

Figure 4



Auto Liability Insurance Program (cont'd)

Auto Liability Loss Trends

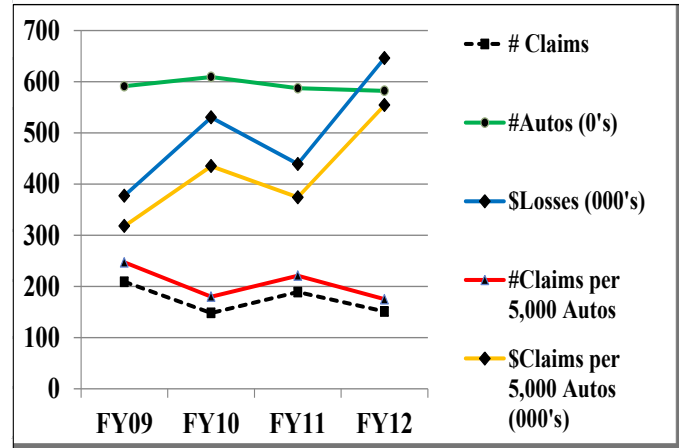
The number of auto liability losses per 5,000 autos is trending downward. The dollars incurred per 5,000 autos each fiscal year are trending upward (Figures 5 and 6 below).

Figure 5

Auto Liability Claims Trends
as of 06/30/2012

Fiscal Year	# Claims	#Autos (0's)	\$Losses (000's)	#Claims per 5,000 Autos	\$Claims per 5,000 Autos (000's)
FY09	209	591	377	247	318
FY10	148	609	530	180	435
FY11	189	587	439	221	374
FY12	151	582	646	175	554

Figure 6



Between FY 2002 and FY 2011, Transportation accounted for most auto liability claims and the university system accounted for the most incurred auto liability losses (Figure 7 below).

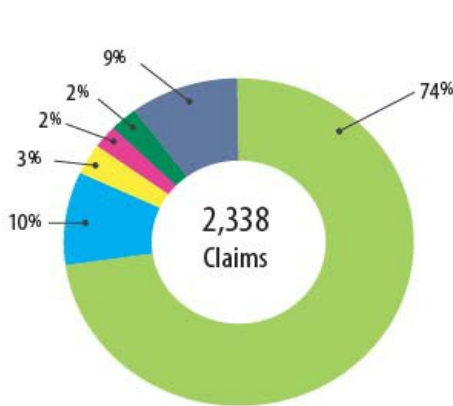
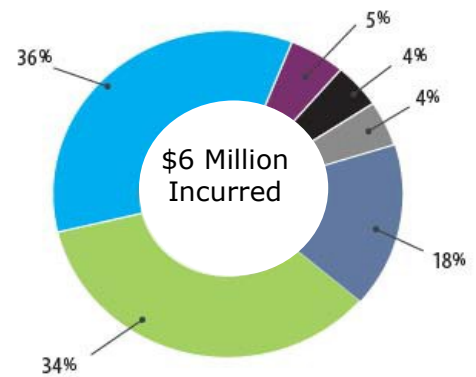


Figure 7

- Transportation
- University
- Fish & Wildlife
- Public Health
- Justice
- Commerce
- Administration
- Labor
- All Other



Auto Liability Discussion

The Department(s) of Transportation and Justice, and the Montana University System accounted for most auto liability claims that occurred during FY 2012. Many claims involved highway maintenance, law enforcement, failure to yield the right-of-way, and distracted driving. The Risk Management & Tort Defense Division will continue to work closely with state managers to prevent and/or mitigate future claims through education and training.

Auto Liability
Total Losses Incurred by Agency
FY 2007 through FY 2011

SUBDIVISION	#VEHICLES*	# CLAIMS	\$ INCURRED	FREQUENCY (#Claims/100 Veh)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./Veh)
AUDITORS OFFICE	12	0	\$ 0	0.00	\$ 0	\$ 0
BOARD OF PUBLIC EDUCATION	0	0	0	0.00	0	0
COMMISSIONER OF POLITICAL PRACTICES	0	0	0	0.00	0	0
CONSENSUS COUNCIL	0	0	0	0.00	0	0
DEPARTMENT OF ADMINISTRATION (DOA)	291	9	69,084	3.09	7,676	237
DOA, OFFICE OF PUBLIC DEFENDER	52	3	12,048	5.77	4,016	232
DOA, PUBLIC EMPLOYEE RETIREMENT	0	0	0	0.00	0	0
DOA, STATE FUND	124	4	61,667	3.23	15,417	497
DOA, TEACHER'S RETIREMENT	0	0	0	0.00	0	0
DEPARTMENT OF AGRICULTURE	218	6	24,439	2.75	4,073	112
DEPARTMENT OF COMMERCE	13	0	0	0.00	0	0
DEPARTMENT OF COMMERCE, HERITAGE	43	2	3,992	4.65	1,996	93
DEPARTMENT OF CORRECTIONS (DOC)	121	16	109,456	13.22	6,841	905
DOC, BOARD OF PARDONS	0	0	0	0.00	0	0
DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	64	0	0	0.00	0	0
DOC, PRISON INDUSTRIES	681	1	3,346	0.15	3,346	5
DOC, RIVERSIDE YOUTH CORRECTIONS	19	0	0	0.00	0	0
DOC, STATE PRISON	524	4	8,351	0.76	2,088	16
DOC, TREASURE STATE CORRECTIONS	12	0	0	0.00	0	0
DOC, WOMEN'S CORRECTIONAL CENTER	15	0	0	0.00	0	0
DEPARTMENT OF ENVIRONMENTAL QUALITY	324	1	2,342	0.31	2,342	7
DEPARTMENT OF FISH, WILDLIFE & PARKS	9,172	26	34,537	0.28	1,328	4
DEPARTMENT OF JUSTICE	2,458	27	143,631	1.10	5,320	58
DEPARTMENT OF JUSTICE, CRIME CONTROL	8	0	0	0.00	0	0
DEPARTMENT OF LABOR & INDUSTRY	199	17	124,089	8.54	7,299	624
DEPARTMENT OF LIVESTOCK	345	7	61,275	2.03	8,754	178
DEPARTMENT OF MILITARY AFFAIRS	336	2	2,458	0.60	1,229	7
DEPARTMENT OF NATURAL RESOURCES (DNRC)	3,016	11	16,400	0.36	1,491	5
DNRC, SWAN RIVER FOREST CAMP	0	0	0	0.00	0	0
DEPARTMENT OF REVENUE	35	6	18,224	17.14	3,037	521
DEPARTMENT OF TRANSPORTATION	21,324	631	645,571	2.96	1,023	30
GOVERNOR'S OFFICE	8	0	0	0.00	0	0
HISTORICAL SOCIETY	5	2	19,839	40.00	9,919	3,968
LEGISLATIVE BRANCH	0	0	0	0.00	0	0
LEGISLATIVE BRANCH, CONSUMER COUNSEL	0	0	0	0.00	0	0
MONTANA ARTS COUNCIL	0	0	0	0.00	0	0
MONTANA STATE LIBRARY	6	1	1,761	16.67	1,761	294
OFFICE OF PUBLIC INSTRUCTION	69	1	370	1.45	370	5
PUBLIC HEALTH & HUMAN SERVICES (PHHS)	437	20	108,907	4.58	5,445	249
PHHS, MENTAL HEALTH NURSING CENTER	40	1	286	2.50	286	7
PHHS, MONTANA DEVELOPMENTAL CENTER	220	5	5,858	2.27	1,172	27
PHHS, STATE HOSPITAL	217	0	0	0.00	0	0
PHHS, VETERANS' HOME - COLUMBIA FALLS	53	0	0	0.00	0	0
PHHS, VETERANS' HOME - GLENDIVE	27	1	906	3.70	906	34
PUBLIC SERVICE REGULATION (COMMISSION)	2	2	4,229	100.00	2,115	2,115
SECRETARY OF STATE	9	0	0	0.00	0	0
BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	161	1	97	0.62	97	1
SUPREME COURT - JUDICIARY	273	5	5,939	1.83	1,188	22
UNIVERSITY, HIGHER EDUCATION	0	0	0	0.00	0	0
HELENA COLLEGE UNIVERSITY OF MONTANA	149	1	5,572	0.67	5,572	37
UNIVERSITY, MSU - BILLINGS	343	6	12,665	1.75	2,111	37
UNIVERSITY, MSU - BOZEMAN	1,674	35	182,579	2.09	5,217	109
UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	1,424	10	34,183	0.70	3,418	24
UNIVERSITY, MSU - BOZEMAN, EXT SERVS.	108	0	0	0.00	0	0
UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	192	3	6,418	1.56	2,139	33
UNIVERSITY, MSU - NORTHERN	816	6	129,034	0.74	21,506	158
UNIVERSITY, MONTANA TECH OF THE UM	363	3	3,198	0.83	1,066	9
GREAT FALLS COLLEGE MONTANA STATE UNIVERSITY	55	0	0	0.00	0	0
UNIVERSITY, UM - MISSOULA	2,277	47	163,116	2.06	3,471	72
UNIVERSITY, UM - MISSOULA, FOREST./CONS	0	1	2,118	0.00	2,118	0
UNIVERSITY, WESTERN MONTANA	148	3	8,028	2.03	2,676	54
TOTAL	48,482	927	2,036,014	1.91	2,196	42

* *Vehicle* means a land motor vehicle, semi-trailer, snow plow, or other vehicle designed for travel on public roads, to include any machinery or apparatus attached thereto. It also includes some mobile equipment with the existence of prior written agreements with RMTD.

Auto Physical Damage Insurance Program

The auto physical damage insurance program protects state agencies and universities against claims for damage to state-owned and leased autos. State and university vehicles are used for diverse and high risk activities such as highway maintenance, law enforcement, construction, foreign travel, and off-road travel.

Auto Physical Damage Insurance Administration

Figure 8 below provides a breakdown of vehicles insured for physical damage by fiscal year.

Figure 8



Vehicles Insured for Physical Damage	
2009	2060
2010	2126
2011	2307
2012	2419

Auto Physical Damage Claims Activity

Figure 9 below provides a summary of auto physical damage claims activity for FY 2011 and FY 2012.

Figure 9

Auto Physical Damage Claims Activity			
as of 06/30			
	# Claims Received	# Claims Resolved	# Claims Open
FY 2011	211	205	38
FY 2012	208	209	37

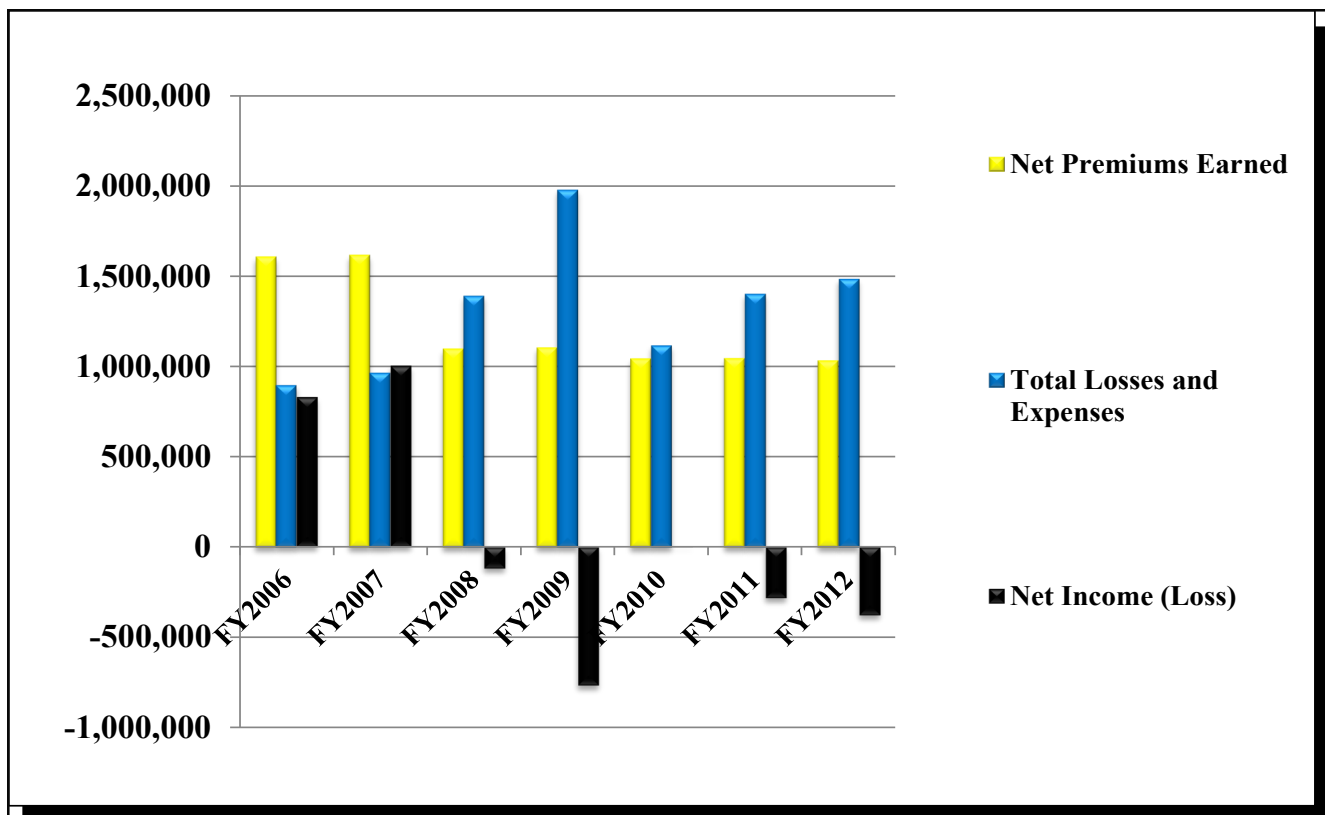


Auto Physical Damage Insurance (cont'd)

Figure 10

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Net Premiums Earned	1,604,213	1,613,363	1,097,185	1,104,048	1,043,153	1,044,541	1,031,344
Losses Paid	630,265	667,883	1,025,668	1,552,325	732,102	995,437	1,039,689
Loss Expenses Paid	45,880	41,709	102,609	101,772	34,671	62,907	56,881
Operations	220,007	255,853	262,012	321,739	349,791	342,140	386,783
Commercial Insurance Premiums							
Total Losses and Expenses	896,152	965,444	1,390,289	1,975,836	1,116,565	1,400,484	1,483,353
Net Income (Loss) Before Investments	708,061	647,919	(293,104)	(871,788)	(73,412)	(355,943)	(452,009)
Net Investment Income Earned	89,357	146,268	99,092	35,849	7,425	8,753	2,716
Insurance Recoveries	30,868	206,122	74,182	68,714	66,152	63,475	71,083
Net Income (Loss)	828,286	1,000,309	(119,829)	(767,224)	164	(283,715)	(378,211)

Figure 11



Auto Physical Damage Insurance (cont'd)

Auto Physical Damage Trends

The number of auto physical damage losses per 5,000 autos is trending slightly upward. The dollars incurred per 5,000 autos each fiscal year is trending slightly downward (Figures 12 and 13 below).

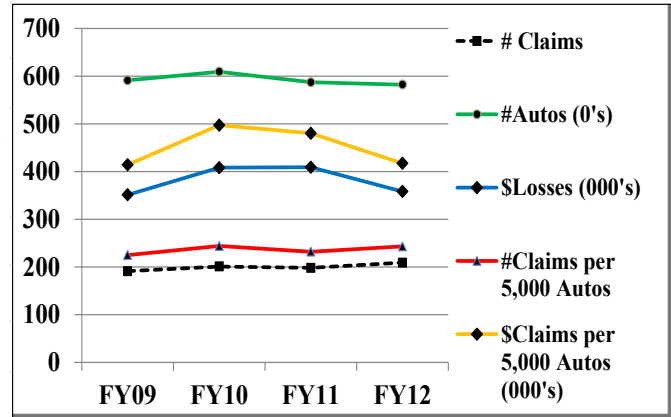
Figure 12

Auto Physical Damage Claims Trends

as of 06/30/2012

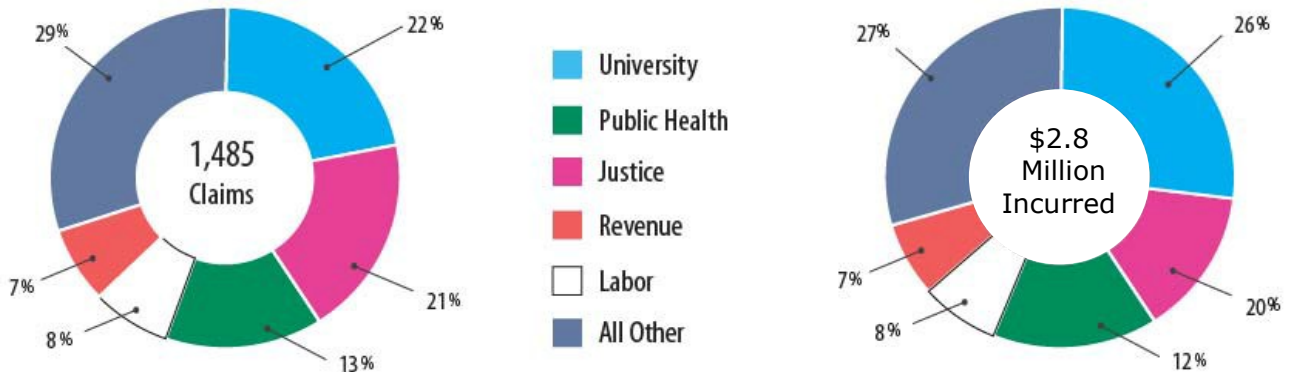
Fiscal Year	# Claims	#Autos (0's)	\$Losses (000's)	#Claims per 5,000 Autos	\$Claims per 5,000 Autos (000's)
FY09	191	591	351	225	414
FY10	201	609	408	244	497
FY11	198	587	409	232	480
FY12	209	582	358	243	417

Figure 13



Between FY 2002 and FY 2011, the Montana University System accounted for the most auto physical damage claims and the most auto physical damage incurred losses (Figure 14 below).

Figure 14



Auto Physical Damage Discussion

Most auto physical damage claims that occurred during FY 2012, were accounted for by the Department(s) of Justice (Montana Highway Patrol), Public Health & Human Services, and the Montana University System. Many accidents involved wild or domestic animals, law enforcement, failure to yield, weather, and distracted driving.

**Auto Physical Damage
Total Losses Incurred by Agency
FY 2007 through FY 2011**

SUBDIVISION	#VEHICLES*	# CLAIMS	\$ INCURRED	FREQUENCY (#Claims/100 Veh)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./Veh)
AUDITORS OFFICE	12	2	\$ 488	16.67	\$ 244	\$ 41
BOARD OF PUBLIC EDUCATION	0	0	0	0.00	0	0
COMMISSIONER OF POLITICAL PRACTICES	0	0	0	0.00	0	0
CONSENSUS COUNCIL	0	0	0	0.00	0	0
DEPARTMENT OF ADMINISTRATION (DOA)	291	11	9,206	3.78	837	32
DOA, OFFICE OF PUBLIC DEFENDER	52	16	18,523	30.77	1,158	356
DOA, PUBLIC EMPLOYEE RETIREMENT	0	0	0	0.00	0	0
DOA, STATE FUND	124	14	35,107	11.29	2,508	283
DOA, TEACHER'S RETIREMENT	0	1	0	0.00	0	0
DEPARTMENT OF AGRICULTURE	218	5	16,893	2.29	3,379	77
DEPARTMENT OF COMMERCE	13	3	14,865	23.08	4,955	1,143
DEPARTMENT OF COMMERCE, HERITAGE	43	2	3,000	4.65	1,500	70
DEPARTMENT OF CORRECTIONS (DOC)	121	9	4,831	7.44	537	40
DOC, BOARD OF PARDONS	0	0	0	0.00	0	0
DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	64	0	0	0.00	0	0
DOC, PRISON INDUSTRIES	681	0	0	0.00	0	0
DOC, RIVERSIDE YOUTH CORRECTIONS	19	0	0	0.00	0	0
DOC, STATE PRISON	524	3	6,524	0.57	2,175	12
DOC, TREASURE STATE CORRECTIONS	12	0	0	0.00	0	0
DOC, WOMEN'S CORRECTIONAL CENTER	15	0	0	0.00	0	0
DEPARTMENT OF ENVIRONMENTAL QUALITY	324	27	32,361	8.33	1,199	100
DEPARTMENT OF FISH, WILDLIFE & PARKS	9,172	12	21,372	0.13	1,781	2
DEPARTMENT OF JUSTICE	2,458	263	476,406	10.70	1,811	194
DEPARTMENT OF JUSTICE, CRIME CONTROL	8	1	1,353	12.50	1,353	169
DEPARTMENT OF LABOR & INDUSTRY	199	71	146,586	35.68	2,065	737
DEPARTMENT OF LIVESTOCK	345	12	30,943	3.48	2,579	90
DEPARTMENT OF MILITARY AFFAIRS	336	10	11,585	2.98	1,158	34
DEPARTMENT OF NATURAL RESOURCES (DNRC)	3,016	59	71,804	1.96	1,217	24
DNRC, SWAN RIVER FOREST CAMP	0	0	0	0.00	0	0
DEPARTMENT OF REVENUE	35	61	143,213	174.29	2,348	4,092
DEPARTMENT OF TRANSPORTATION	21,324	23	79,044	0.11	3,437	4
GOVERNOR'S OFFICE	8	3	18,578	37.50	6,193	2,322
HISTORICAL SOCIETY	5	3	4,960	60.00	1,653	992
LEGISLATIVE BRANCH	0	2	2,439	0.00	1,219	0
LEGISLATIVE BRANCH, CONSUMER COUNSEL	0	0	0	0.00	0	0
MONTANA ARTS COUNCIL	0	0	0	0.00	0	0
MONTANA STATE LIBRARY	6	1	1,352	16.67	1,352	225
OFFICE OF PUBLIC INSTRUCTION	69	11	16,881	15.94	1,535	245
PUBLIC HEALTH & HUMAN SERVICES (PHHS)	437	115	211,211	26.32	1,837	483
PHHS, MENTAL HEALTH NURSING CENTER	40	0	0	0.00	0	0
PHHS, MONTANA DEVELOPMENTAL CENTER	220	0	0	0.00	0	0
PHHS, STATE HOSPITAL	217	0	0	0.00	0	0
PHHS, VETERANS' HOME - COLUMBIA FALLS	53	0	0	0.00	0	0
PHHS, VETERANS' HOME - GLENDIVE	27	1	226	3.70	226	8
PUBLIC SERVICE REGULATION (COMMISSION)	2	2	1,978	100.00	989	989
SECRETARY OF STATE	9	1	3,881	11.11	3,881	431
BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	161	14	19,345	8.70	1,382	120
SUPREME COURT - JUDICIARY	273	17	31,190	6.23	1,835	114
UNIVERSITY, HIGHER EDUCATION	0	9	8,459	0.00	940	0
HELENA COLLEGE UNIVERSITY OF MONTANA	149	4	2,266	2.68	567	15
UNIVERSITY, MSU - BILLINGS	343	12	21,330	3.50	1,777	62
UNIVERSITY, MSU - BOZEMAN	1,674	57	109,053	3.41	1,913	65
UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	1,424	17	76,545	1.19	4,503	54
UNIVERSITY, MSU - BOZEMAN, EXT SERVS.	108	1	109	0.93	109	1
UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	192	7	20,987	3.65	2,998	109
UNIVERSITY, MSU - NORTHERN	816	11	12,859	1.35	1,169	16
UNIVERSITY, MONTANA TECH OF THE UM	363	3	2,565	0.83	855	7
GREAT FALLS COLLEGE MONTANA STATE UNIVERSITY	55	0	0	0.00	0	0
UNIVERSITY, UM - MISSOULA	2,277	70	152,894	3.07	2,184	67
UNIVERSITY, UM - MISSOULA, FOREST./CONS	0	1	190	0.00	190	0
UNIVERSITY, WESTERN MONTANA	148	5	12,757	3.38	2,551	86
TOTAL	48,482	972	1,856,160	2.00	1,910	38

* *Vehicle* means a land motor vehicle, semi-trailer, snow plow, or other vehicle designed for travel on public roads, to include any machinery or apparatus attached thereto. It also includes some mobile equipment with the existence of prior written agreements with RMTD.

General Liability Insurance Program

State agencies operate prisons, hospitals, universities and other facilities. In addition, state agencies are responsible for highway maintenance and design, law enforcement, wildlife resource management, supervision of foster children, and many other vital, high-risk functions involving approximately 21,000 state and university employees.

General Liability Insurance Administration

Figure 15 below provides a breakdown of insured state and university employees by fiscal year.

Figure 15



State and University Employees Insured for Liability	
2009	21,735
2010	21,977
2011	22,467
2012	22,468

General Liability Claims Activity

Figure 16 below provides a summary of general liability claims activity for FY 2011 and FY 2012.

Figure 16

General Liability Claims Activity			
as of 06/30			
	# Claims Received	# Claims Resolved	# Claims Open
FY 2011	467	437	530
FY 2012	356	568	348

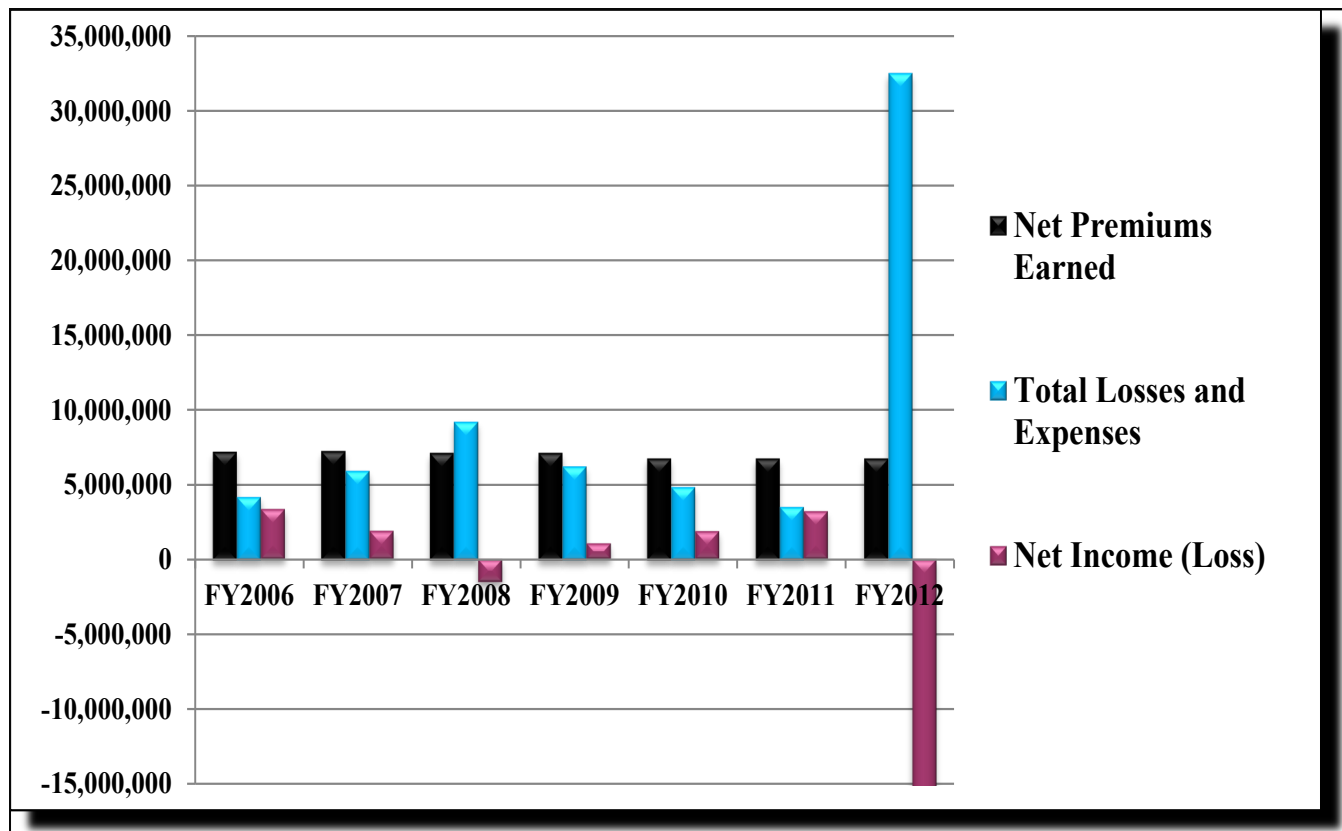


General Liability Insurance (cont'd)

Figure 17

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
General Liability Revenues, Expenses, and Income History							
Net Premiums Earned	7,203,992	7,242,383	7,124,500	7,123,899	6,750,000	6,750,000	6,750,000
Losses Paid	1,005,838	2,463,534	6,043,207	2,452,540	1,410,041	672,159	28,876,186
Loss Expenses Paid	2,392,636	2,519,597	2,167,726	2,576,545	2,102,839	1,580,029	2,168,296
Operations	722,885	840,665	860,903	1,057,149	1,149,322	1,124,183	1,270,868
Commercial Insurance Premiums	130,118	173,668	181,647	208,005	250,033	210,647	215,438
Total Losses and Expenses	4,251,477	5,997,464	9,253,483	6,294,239	4,912,236	3,587,018	32,530,788
Net Income (Loss) Before Investments	2,952,515	1,244,919	(2,128,983)	829,660	1,837,764	3,162,982	(25,780,788)
Net Investment Income Earned	401,271	656,598	616,042	222,871	44,155	52,054	16,151
Insurance Recoveries	4,146						3,095
Net Income (Loss)	3,357,932	1,901,517	-1,512,942	1,052,531	1,881,919	3,215,036	(25,761,542)

Figure 18



General Liability Insurance (cont'd)

General Liability Loss Trends

The number of general liability claims per 10,000 FTEs is stable. The dollars incurred per 10,000 FTEs each fiscal year are trending downward (Figures 19 and 20 below).

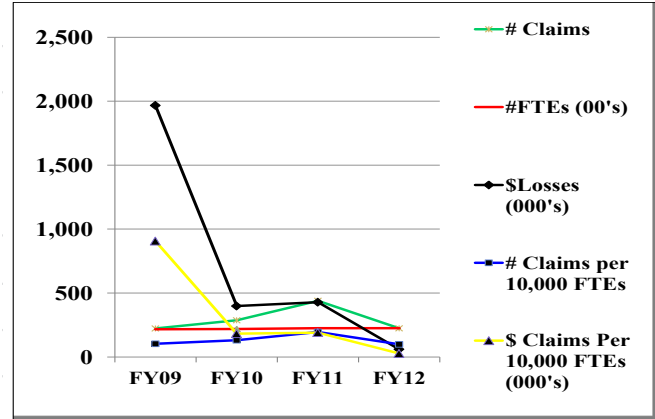
Figure 19

General Liability Claims Trends

as of 06/30/2012

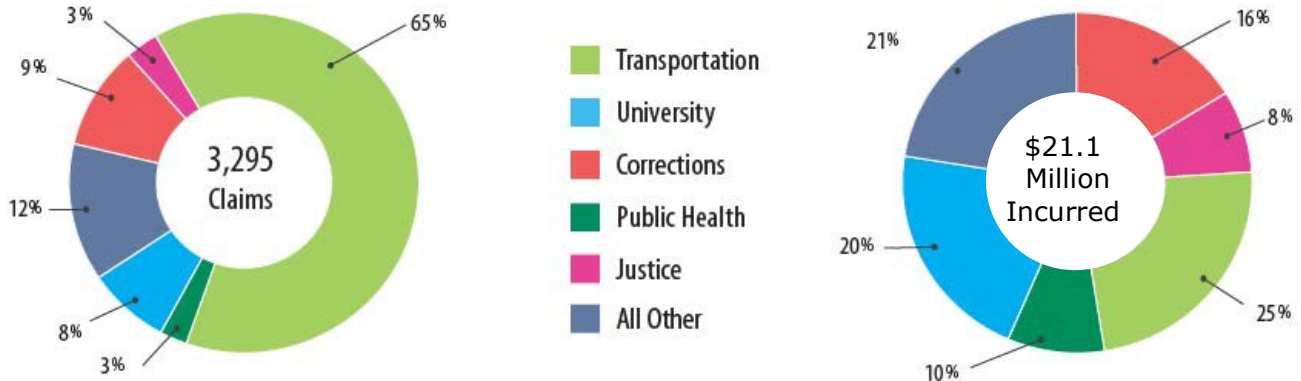
Fiscal Year	# Claims	#FTEs (00's)	# Claims		
			\$Losses (000's)	per 10,000 FTEs	\$ Claims Per 10,000 FTEs (000's)
FY09	223	217	1,967	103	906
FY10	287	219	398	131	182
FY11	439	225	428	195	190
FY12	224	225	60	99	27

Figure 20



Between FY 2002 and FY 2011, the Department of Transportation accounted for the most general liability claims and the most incurred general liability losses (Figure 21 below).

Figure 21



General Liability Discussion

The charts in Figure 15 above show that a majority of general liability claims that occurred between FY 2002 and FY 2011 were caused by four state agencies and the Montana University System. Most expenses associated with general liability claims that occurred during FY 2012 have not yet matured and/or been reported to the Risk Management & Tort Defense Division. Therefore, a discussion of FY 2012 claims activity is of limited usefulness. During FY 2012, catastrophic property and liability losses represented some of the largest settlements in the history of the state property/casualty insurance fund. These settlements had a significant impact on assets and reserves in the fund.

**General Liability
Total Losses Incurred by Agency
FY 2007 through FY 2011**

SUBDIVISION	FTEs	# CLAIMS	\$ INCURRED	FREQUENCY (#Claims/100FTE)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./100FTE)
AUDITORS OFFICE	407	2	\$ 0	0.49	\$ 0	\$ 0
BOARD OF PUBLIC EDUCATION	20	0	0	0.00	0	0
COMMISSIONER OF POLITICAL PRACTICES	29	1	0	3.45	0	0
CONSENSUS COUNCIL	8	0	0	0.00	0	0
DEPARTMENT OF ADMINISTRATION (DOA)	2,743	8	100,971	0.29	12,621	3,681
DOA, OFFICE OF PUBLIC DEFENDER	1,005	10	74,687	1.00	7,469	7,435
DOA, PUBLIC EMPLOYEE RETIREMENT	190	16	7,184	8.44	449	3,791
DOA, STATE FUND	1,477	12	165,535	0.81	13,795	11,211
DOA, TEACHER'S RETIREMENT	88	0	0	0.00	0	0
DEPARTMENT OF AGRICULTURE	646	1	0	0.15	0	0
DEPARTMENT OF COMMERCE	977	6	72,287	0.61	12,048	7,401
DEPARTMENT OF COMMERCE, HERITAGE	135	2	1,526,804	1.48	763,402	1,130,966
DEPARTMENT OF CORRECTIONS (DOC)	1,887	35	358,334	1.85	10,238	18,991
DOC, BOARD OF PARDONS	46	5	11,586	10.91	2,317	25,291
DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	663	1	0	0.15	0	0
DOC, PRISON INDUSTRIES	449	0	0	0.00	0	0
DOC, RIVERSIDE YOUTH CORRECTIONS	160	0	0	0.00	0	0
DOC, STATE PRISON	2,676	84	726,500	3.14	8,649	27,151
DOC, TREASURE STATE CORRECTIONS	133	2	0	1.50	0	0
DOC, WOMEN'S CORRECTIONAL CENTER	347	11	140,392	3.17	12,763	40,437
DEPARTMENT OF ENVIRONMENTAL QUALITY	2,380	9	75,771	0.38	8,419	3,184
DEPARTMENT OF FISH, WILDLIFE & PARKS	3,888	11	7,327	0.28	666	188
DEPARTMENT OF JUSTICE	4,017	50	587,071	1.24	11,741	14,614
DEPARTMENT OF JUSTICE, CRIME CONTROL	100	0	0	0.00	0	0
DEPARTMENT OF LABOR & INDUSTRY	4,424	20	232,045	0.45	11,602	5,245
DEPARTMENT OF LIVESTOCK	705	1	0	0.14	0	0
DEPARTMENT OF MILITARY AFFAIRS	969	6	43,538	0.62	7,256	4,495
DEPARTMENT OF NATURAL RESOURCES (DNRC)	2,937	11	94,089	0.37	8,554	3,204
DNRC, SWAN RIVER FOREST CAMP	0	0	0	0.00	0	0
DEPARTMENT OF REVENUE	3,336	5	111,727	0.15	22,345	3,349
DEPARTMENT OF TRANSPORTATION	11,475	994	1,570,759	8.66	1,580	13,688
GOVERNOR'S OFFICE	310	2	2,643	0.64	1,322	851
HISTORICAL SOCIETY	337	0	0	0.00	0	0
LEGISLATIVE BRANCH	839	0	0	0.00	0	0
LEGISLATIVE BRANCH, CONSUMER COUNSEL	28	0	0	0.00	0	0
MONTANA ARTS COUNCIL	41	0	0	0.00	0	0
MONTANA STATE LIBRARY	196	1	0	0.51	0	0
OFFICE OF PUBLIC INSTRUCTION	967	2	0	0.21	0	0
PUBLIC HEALTH & HUMAN SERVICES (PHHS)	9,833	27	295,176	0.27	10,932	3,002
PHHS, MENTAL HEALTH NURSING CENTER	657	1	0	0.15	0	0
PHHS, MONTANA DEVELOPMENTAL CENTER	1,411	6	3,210	0.43	535	228
PHHS, STATE HOSPITAL	2,157	9	731,004	0.42	81,223	33,888
PHHS, VETERANS' HOME - COLUMBIA FALLS	689	0	0	0.00	0	0
PHHS, VETERANS' HOME - GLENDIVE	5	1	0	20.00	0	0
PUBLIC SERVICE REGULATION (COMMISSION)	200	0	0	0.00	0	0
SECRETARY OF STATE	297	1	0	0.34	0	0
BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	438	0	0	0.00	0	0
SUPREME COURT - JUDICIARY	2,062	11	48,671	0.53	4,425	2,360
UNIVERSITY, HIGHER EDUCATION	557	0	0	0.00	0	0
HELENA COLLEGE UNIVERSITY OF MONTANA	459	5	136,814	1.09	27,363	29,815
UNIVERSITY, MSU - BILLINGS	2,945	16	37,824	0.54	2,364	1,284
UNIVERSITY, MSU - BOZEMAN	13,801	48	703,581	0.35	14,658	5,098
UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	1,085	1	8,165	0.09	8,165	753
UNIVERSITY, MSU - BOZEMAN, EXT SERV.S.	738	0	0	0.00	0	0
UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	45	0	0	0.00	0	0
UNIVERSITY, MSU - NORTHERN	1,216	5	19,078	0.41	3,816	1,569
UNIVERSITY, MONTANA TECH OF THE UM	2,391	6	29,722	0.25	4,954	1,243
GREAT FALLS COLLEGE MONTANA STATE UNIVERSITY	883	5	20,895	0.57	4,179	2,366
UNIVERSITY, UM - MISSOULA	14,316	38	308,327	0.27	8,114	2,154
UNIVERSITY, UM - MISSOULA, FOREST./CONS	12	0	0	0.00	0	0
UNIVERSITY, WESTERN MONTANA	1,103	10	108,095	0.91	10,810	9,804
TOTAL	108,333	1,498	8,359,812	1.38	5,581	7,717

Property Insurance Program

State agencies and universities own or lease 4,512 properties with an estimated current replacement cost value in excess of \$4.7 billion.

Property Insurance Administration

Figure 22 below provides a breakdown of insured property values by fiscal year.

Figure 22

Total Insured Property Values by Year

Fiscal Year	Property		Crime		Fine Art		Boiler & Machinery	
	#	Total Insured	#	Total Insured	#	Total Insured	#	Total Insured
	Buildings	\$Value	Locations	\$Value	Agencies	\$Value	Objects	\$Value
FY 09	4,373	\$4,400,000,000	74	\$32,000,000	8	\$391,000,000	608	\$1,700,000,000
FY 10	4,443	\$4,500,000,000	78	\$53,000,000	8	\$374,000,000	613	\$1,800,000,000
FY 11	4,487	\$4,800,000,000	76	\$27,000,000	8	\$380,000,000	650	\$1,900,000,000
FY 12	4,512	\$4,800,000,000	68	\$27,000,000	8	\$390,000,000	650	\$2,000,000,000

Property Claims Activity

Figure 23 below provides a summary of property claims activity for FY 2011 and FY 2012.

Figure 23

Property Claims Activity			
as of 06/30			
	# Claims	# Claims	# Claims
	Received	Resolved	Open
FY 2011	67	44	55
FY 2012	51	63	43

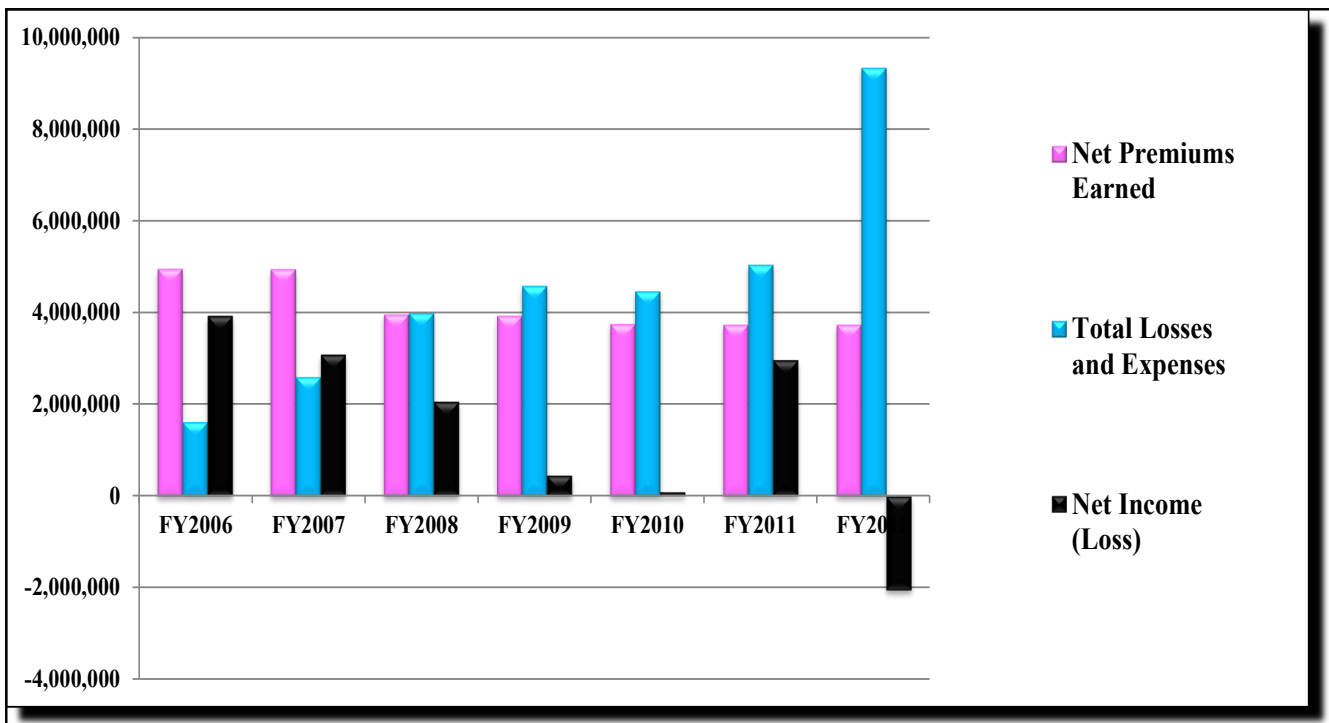


Property Insurance (cont'd)

Figure 24

Property Revenues, Expenses, and Income History							
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Net Premiums Earned	4,949,846	4,943,944	3,953,568	3,929,251	3,747,416	3,731,312	3,733,023
Losses Paid	249,310	664,401	1,904,179	2,047,194	1,759,655	2,214,889	6,449,192
Loss Expenses Paid	14,403	4,938	45,292	122,504	26,146	61,956	26,212
Operations	231,305	268,992	275,468	338,262	367,755	359,711	406,646
Commercial Insurance Premiums	1,124,806	1,659,718	1,772,298	2,078,008	2,312,381	2,408,612	2,456,942
Total Losses and Expenses	1,619,824	2,598,050	3,997,237	4,585,968	4,465,937	5,045,168	9,338,992
Net Income (Loss) Before Investments	3,330,022	2,345,894	(43,669)	(656,717)	(718,521)	(1,313,856)	(5,605,969)
Net Investment Income Earned	275,712	448,220	384,229	139,006	27,474	32,389	10,050
Insurance Recoveries	298,754	273,807	1,703,866	961,729	774,962	4,225,938	3,548,289
Net Income (Loss)	3,904,488	3,067,922	2,044,425	444,018	83,915	2,944,471	(2,047,630)

Figure 25



Property Insurance (cont'd)

Property Loss Trends

The number of property claims per \$1,000,000,000 of values is trending downward. The dollars incurred per \$1,000,000 values is very volatile (Figures 26 and 27 below).

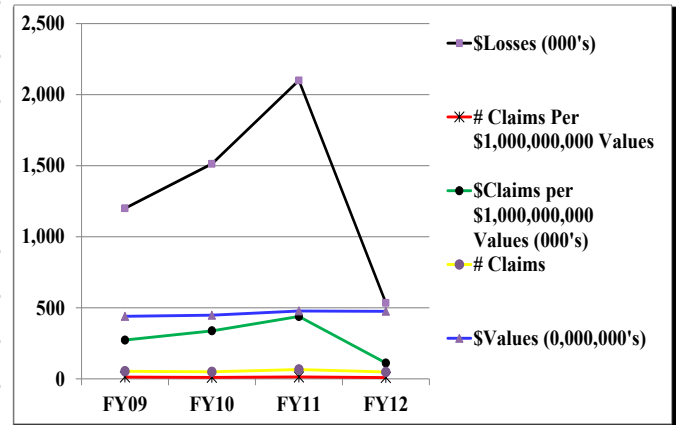
Figure 26

Property Claims Trends

as of 06/30

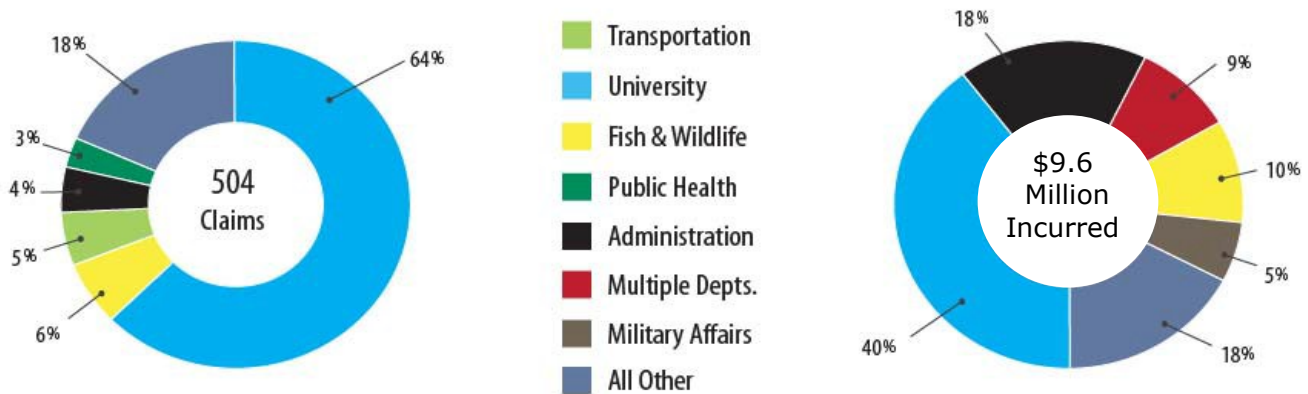
Fiscal Year	# Claims	\$Values (0,000,000's)	\$ Losses (000's)	# Claims Per \$1,000,000,000 Values	\$Claims per \$1,000,000,000 Values (000's)
FY09	54	440	1,200	13	273
FY10	50	448	1,513	11	338
FY11	66	478	2,100	14	439
FY12	49	476	535	10	112

Figure 27



Between FY 2002 and FY 2011, the University System accounted for the most property claims and the most incurred property losses (Figure 28 below).

Figure 28



Property Discussion

Wildfires burned in many areas of the nation this year and Montana was not immune. While no State properties were seriously damaged, many miles of rural fence were burned. The Risk Management & Tort Defense Division is working with the involved agencies to replace the damaged fence. In addition, the division repaired and/or replaced hundreds of buildings and vehicles, with a replacement cost value of \$4 million, that were damaged by the 2010 Bozeman hail loss. The division spent an additional \$1.4 million repairing or replacing equipment damaged from a ruptured compressor line at the Helena Data Center.

**Property
Total Losses Incurred by Agency
FY 2007 through FY 2011**

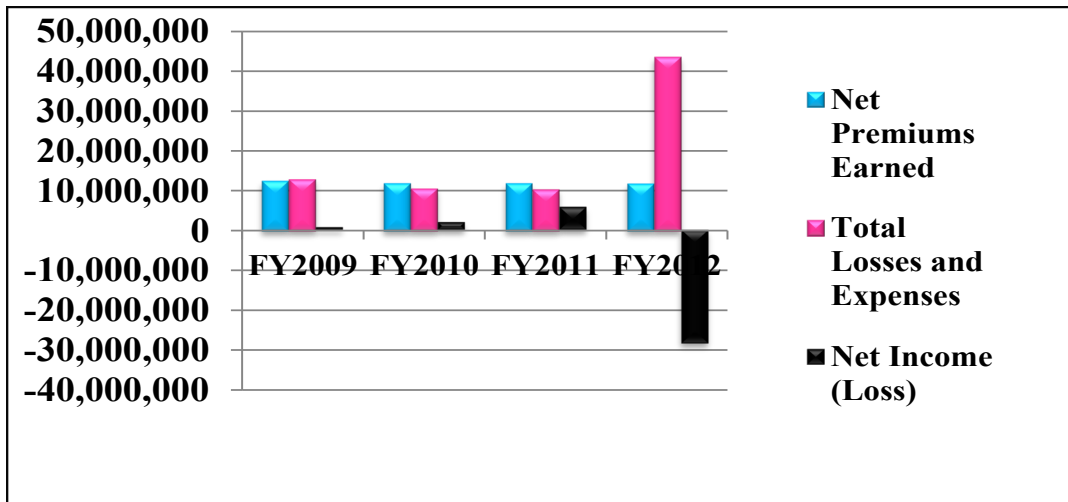
SUBDIVISION	TIV* (\$000)	# CLAIMS	\$ INCURRED	FREQUENCY (#Claims/\$1M Val)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./100 Val)
AUDITORS OFFICE	\$ 3,232	0	\$ 0	0.000	\$ 0	\$ 0.000
BOARD OF PUBLIC EDUCATION	127	0	0	0.000	0	0.000
COMMISSIONER OF POLITICAL PRACTICES	0	0	0	0.000	0	0.000
CONSENSUS COUNCIL	0	0	0	0.000	0	0.000
DEPARTMENT OF ADMINISTRATION (DOA)	1,763,198	4	1,474,566	0.002	368,641	0.084
DOA, OFFICE OF PUBLIC DEFENDER	16,126	1	416	0.062	416	0.003
DOA, PUBLIC EMPLOYEE RETIREMENT	3,443	0	0	0.000	0	0.000
DOA, STATE FUND	96,521	2	244	0.021	122	0.000
DOA, TEACHER'S RETIREMENT	0	0	0	0.000	0	0.000
DEPARTMENT OF AGRICULTURE	18,171	0	0	0.000	0	0.000
DEPARTMENT OF COMMERCE	138,196	2	51,724	0.014	25,862	0.037
DEPARTMENT OF COMMERCE, HERITAGE	136,056	2	1,565	0.015	783	0.001
DEPARTMENT OF CORRECTIONS (DOC)	63,828	1	1,132	0.016	1,132	0.002
DOC, BOARD OF PARDONS	458	0	0	0.000	0	0.000
DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	109,577	2	7,223	0.018	3,611	0.007
DOC, PRISON INDUSTRIES	168,937	0	0	0.000	0	0.000
DOC, RIVERSIDE YOUTH CORRECTIONS	38,927	3	114,342	0.077	38,114	0.294
DOC, STATE PRISON	465,252	3	257,791	0.006	85,930	0.055
DOC, TREASURE STATE CORRECTIONS	20,815	0	0	0.000	0	0.000
DOC, WOMEN'S CORRECTIONAL CENTER	134,743	2	786	0.015	393	0.001
DEPARTMENT OF ENVIRONMENTAL QUALITY	29,510	2	142,148	0.068	71,074	0.482
DEPARTMENT OF FISH, WILDLIFE & PARKS	333,541	19	708,169	0.057	37,272	0.212
DEPARTMENT OF JUSTICE	152,406	6	31,534	0.039	5,256	0.021
DEPARTMENT OF JUSTICE, CRIME CONTROL	1,317	0	0	0.000	0	0.000
DEPARTMENT OF LABOR & INDUSTRY	86,134	5	15,640	0.058	3,128	0.018
DEPARTMENT OF LIVESTOCK	2,934	2	4,108	0.682	2,054	0.140
DEPARTMENT OF MILITARY AFFAIRS	648,796	9	496,815	0.014	55,202	0.077
DEPARTMENT OF NATURAL RESOURCES (DNRC)	227,717	2	2,691	0.009	1,346	0.001
DNRC, SWAN RIVER FOREST CAMP	18,902	0	0	0.000	0	0.000
DEPARTMENT OF REVENUE	104,951	2	10,828	0.019	5,414	0.010
DEPARTMENT OF TRANSPORTATION	911,826	10	318,490	0.011	31,849	0.035
GOVERNOR'S OFFICE	0	0	0	0.000	0	0.000
HISTORICAL SOCIETY	34,599	0	0	0.000	0	0.000
LEGISLATIVE BRANCH	14,443	1	700	0.069	700	0.005
LEGISLATIVE BRANCH, CONSUMER COUNSEL	534	0	0	0.000	0	0.000
MONTANA ARTS COUNCIL	499	1	5	2.004	5	0.001
MONTANA STATE LIBRARY	8,213	0	0	0.000	0	0.000
OFFICE OF PUBLIC INSTRUCTION	5,479	0	0	0.000	0	0.000
PUBLIC HEALTH & HUMAN SERVICES (PHHS)	232,313	2	30,615	0.009	15,307	0.013
PHHS, MENTAL HEALTH NURSING CENTER	47,848	1	51,092	0.021	51,092	0.107
PHHS, MONTANA DEVELOPMENTAL CENTER	158,280	2	22,443	0.013	11,221	0.014
PHHS, STATE HOSPITAL	296,259	0	0	0.000	0	0.000
PHHS, VETERANS' HOME - COLUMBIA FALLS	80,513	1	433	0.012	433	0.001
PHHS, VETERANS' HOME - GLENDIVE	40,302	0	0	0.000	0	0.000
PUBLIC SERVICE REGULATION (COMMISSION)	2,495	0	0	0.000	0	0.000
SECRETARY OF STATE	3,797	0	0	0.000	0	0.000
BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	105,412	3	8,310	0.028	2,770	0.008
SUPREME COURT - JUDICIARY	28,534	0	0	0.000	0	0.000
UNIVERSITY, HIGHER EDUCATION	3,885	0	0	0.000	0	0.000
HELENA COLLEGE UNIVERSITY OF MONTANA	174,726	2	1,527	0.011	764	0.001
UNIVERSITY, MSU - BILLINGS	1,076,980	17	279,474	0.016	16,440	0.026
UNIVERSITY, MSU - BOZEMAN	5,570,133	71	1,172,835	0.013	16,519	0.021
UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	200,892	5	252,525	0.025	50,505	0.126
UNIVERSITY, MSU - BOZEMAN, EXT SERVS.	3,544	0	0	0.000	0	0.000
UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	1,264	0	0	0.000	0	0.000
UNIVERSITY, MSU - NORTHERN	521,457	7	33,662	0.013	4,809	0.006
UNIVERSITY, MONTANA TECH OF THE UM	847,150	15	78,847	0.018	5,256	0.009
GREAT FALLS COLLEGE MONTANA STATE UNIVERSITY	270,773	1	0	0.004	0	0.000
UNIVERSITY, UM - MISSOULA	4,807,478	39	700,108	0.008	17,951	0.015
UNIVERSITY, UM - MISSOULA, FOREST./CONS	0	0	0	0.000	0	0.000
UNIVERSITY, WESTERN MONTANA	453,127	12	30,129	0.026	2,511	0.007
TOTAL	20,686,569	259	6,302,918	0.013	24,336	0.030

* TIV is Total Insured Values.

Operations Summary

The Risk Management & Tort Defense Division continues to provide reliable, low-cost insurance alternatives for state agencies and universities. Four key measures are used to benchmark the property/casualty insurance fund's performance: 1) net earned premium; 2) losses and expenses; 3) net income (loss); and 4) reserves. These measures are discussed in the narratives that follow and figures 29, 30, and 31 (pgs. 27 through 29).

Figure 29



Net Premiums Earned

Figures 29, 30, and 31 (pgs. 27 through 29)

Net premiums earned (i.e. budgeted premiums less insurance discounts) remained relatively constant from FY 2009 to FY 2012.

Total Losses and Expenses

Figures 29, 30, and 31 (pgs. 27 through 29)

Total losses paid in FY 2012 (\$36 million) were the highest in the history of the state property/casualty insurance fund and represent 10 years of average loss experience.

Catastrophic property and liability losses accounted for a majority of the total expenses.



Net Income

Figures 29, 30, and 31 (pgs. 27 through 29)

Catastrophic property and liability losses, offset better than expected insurance recoveries and commercial insurance premium charges.

Therefore, the Risk Management & Tort Defense Risk Management & Tort Defense realized a net loss of \$28.1 million in FY 2012 (Figures 30 and 31).

Liabilities and Reserves

Figures 29, 30, and 31 (pgs. 27 through 29)

A net loss of \$28.1 million coupled with an increase in claims liabilities stemming from catastrophic property and liability claims had a detrimental effect on the state property/casualty fund's asset position.

Therefore, the state property/casualty insurance fund's reserve position declined by \$29.7 million from FY 2011.

Financials

Figure 30

**State of Montana
Statement of Changes in Revenues, Expenses, and Reserves
Property/Casualty Insurance Fund
June 30, 2012**

(as reported by the Risk Management & Tort Defense Division)

	FY 2009	FY 2010	FY 2011	FY 2012
Net Premiums Earned	12,335,823	11,753,020	11,738,304	11,726,818
Losses Paid	6,051,058	3,913,847	4,072,486	36,367,067
Loss Expenses Paid	2,800,821	2,163,656	1,704,892	2,251,389
Operations	1,717,149	1,866,868	1,826,034	2,064,298
Commercial Insurance Premiums	2,499,773	2,768,869	2,924,087	2,848,769
Total Losses and Expenses	13,068,802	10,713,239	10,527,499	43,531,523
Net Income (Loss) Before Investments	-732,979	1,039,781	1,210,805	(31,804,705)
Net Investment Income Earned	403,542	80,443	94,834	29,425
Insurance Recoveries	1,030,443	853,161	4,469,913	3,622,467
Net Income (Loss)	701,006	1,973,385	5,775,552	(28,152,812)
Prior Years Assets	24,901,184	25,602,190	26,670,977	32,031,223
Aggregate Write-Ins	246,961	(904,598)	(415,306)	(368,185)
Total Assets	25,849,151	26,670,977	32,031,223	3,510,226
Non-Claim Liabilities	2,661,000	1,448,000	1,074,000	876,975
Claims Liabilities	14,956,151	16,673,977	17,962,223	19,296,543
Total Liabilities	17,617,151	18,121,977	19,036,223	20,173,518
	0	0	0	0
Reserves	8,232,000	8,549,000	12,995,000	(16,663,000)

Financials (cont'd)

Figure 31
State of Montana
Statement of Reserves
Property/Casualty Insurance Fund
June 30, 2012

	FY 2011	FY 2012
ASSETS		
Current assets		
Cash and equivalents	30,933,000	3,028,000
Receivables (net)	6,000	1,000
Due from other funds	0	0
Due from component units	0	0
Securities lending collateral	347,000	6,000
Other current assets		
Total current assets	31,286,000	3,035,000
Noncurrent assets		
Long term investments	442,000	45,000
Capital assets	303,000	430,000
Total noncurrent assets	745,000	475,000
Total assets	32,031,000	3,510,000
LIABILITIES		
Current liabilities		
Accounts payable	361,000	334,000
Due to other funds	0	13,000
Due to component units	0	87,000
Securities lending liability	347,000	6,000
Estimated insurance claims	3,623,000	3,241,000
Compensated absences payable	56,000	74,000
Total current liabilities	4,387,000	3,754,000
Noncurrent liabilities		
Estimated insurance claims	14,339,000	16,056,000
Compensated absences payable	128,000	133,000
OPEB Implicit Rate Subsidy	182,000	231,000
Total noncurrent liabilities	14,649,000	16,419,000
Total liabilities	19,036,000	20,174,000
RESERVES		
Invested in capital assets, net of related debt	303,000	430,000
Unrestricted	12,692,000	(17,093,000)
TOTAL RESERVES	12,995,000	(16,663,000)



Montana State Fund
Helena



Montana Historical Society
Helena



University of Montana
Missoula

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