

RMTD



RISK MANAGEMENT AND TORT DEFENSE DIVISION



Photo by Jennifer Ireland

State of Montana Department of Administration

ANNUAL REPORT

FISCAL YEAR

2013

Table of Contents

Message From the Administrator.....	1
Mission Statement & Goals.....	2
Risk Management & Tort Defense Staff.....	3
Customer Agencies	4
Risk Manager’s Network	5
Achievements.....	6
Loss Control Programs.....	7
Property/Casualty Insurance.....	9
Auto Liability Insurance Program	11
Auto Physical Damage Insurance Program	15
General Liability Insurance Program	19
Property Insurance Program	23
Operations Summary.....	27
Financials	28

Message From the Administrator

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

During FY 2013, the division renegotiated contracts for loss control services to assure that state and university clients continue to receive high quality property inspection and infrared survey services.

Loss control staff inspected 82 properties and identified numerous perils which could result in losses to state and university properties.

Approximately 1,600 state and university employees attended 116 risk management training programs sponsored by division loss prevention consultants.

The division also developed a new winter driving loss prevention course for state and university clients.

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.

FY 2013 was a landmark year and brought a welcome reprieve to the state property/casualty insurance fund! Total incurred losses were among the lowest of any year in the history of the state property/casualty insurance fund.

The number of claims and lawsuits received were consistent with prior years, however, there were no major catastrophic property or liability losses.

Commercial Re-insurance

During FY 2013, the state's insurance brokers marketed commercial excess cyber, fine art, foreign, and professional liability insurance 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 rates.

At the July 1, 2013 renewal, the state's commercial excess property insurance premiums increased 15% due to hard market conditions stemming from Hurricane Sandy and historical property losses among state and university properties.

However, these increases were mitigated by increasing the state's deductible from \$1,000,000 to \$2,000,000 per occurrence and eliminating the aggregate limit for property insurance.

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.

WE APPRECIATE YOUR SUPPORT!

Brett E. Dahl, Administrator



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 - Vacant	4516
Legal Defense	
Associate Counsel - Rebekah French	2485
Associate Counsel - Mike King	2403
Associate Counsel - Ann Brodsky	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.

Sheila Hogan	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 2013 Achievements

- The Risk Management & Tort Defense Division successfully resolved 502 claims and lawsuits while experiencing total incurred losses among the lowest in its history.
- The division repaired and/or renovated most of the remaining hail damaged properties and vehicles in the Bozeman area stemming from the \$8.1 million June 2010 hail losses.
- Approximately 1,600 state and university employees attended 116 risk management training programs sponsored by division loss prevention consultants. The division also developed a new winter driving loss prevention course for state and university clients.
- Numerous state and university properties were inspected by division loss prevention staff and consultants. Many recommendations were generated and submitted to state and university clients to assist them to mitigate potential property losses.
- A record number of state agencies and universities (28) participated in the state Property Loss Management Program and earned in excess of \$376,000 in insurance premium discounts.
- The Risk Management & Tort Defense Division awarded approximately \$234,392 in loss mitigation grants for projects, equipment, and training that prevent or mitigate potential risks.
- Commercial excess cyber, fine art, foreign, and professional liability insurance packages were bid and significant savings realized.
- The division was effectively able to mitigate a proposed 30% increase in the cost of the state's commercial excess property insurance rates by taking a higher deductible and eliminating annual aggregate limits.



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 2013, the Risk Management & Tort Defense Division conducted 116 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 1,600 state employees attended these programs. The Division also developed a new Winter Driving course. State agencies and universities earned auto insurance discounts of \$71,631 by sending their employees to safe driver training.

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 22 locations including 83 buildings, 24 of which had never been inspected before.

These inspections and surveys generated approximately 170 recommendations.



Boiler Inspections

As pressurized vessels, boilers can pose a significant risk. The state property/casualty insurance programs provides insurance coverage for approximately 425 boilers found within state and university buildings.

As part of the insurance coverage, the division pays the expenses of jurisdictionally required inspections and operating certificates for all boilers under an agreement with the Department of Labor & Industry boiler safety program.

The Risk Management & Tort Defense Division staff provide oversight of this program.

Loss Control Programs (cont'd)

These inspection services are included 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 2013, 29 grants, whose monetary value was approximately \$234,392, were awarded to state agencies and universities.

Six grants totaling almost \$89,000 went to security upgrades in state and campus buildings.

Five grants totaling over \$44,000 went to protect gas and electric supplies in state and university facilities from fire and explosion.

Five grants totaling over \$53,000 went to other fire warning and protection systems.

Three grants totaling almost \$20,000 went to replacing unserviceable snow removal equipment.

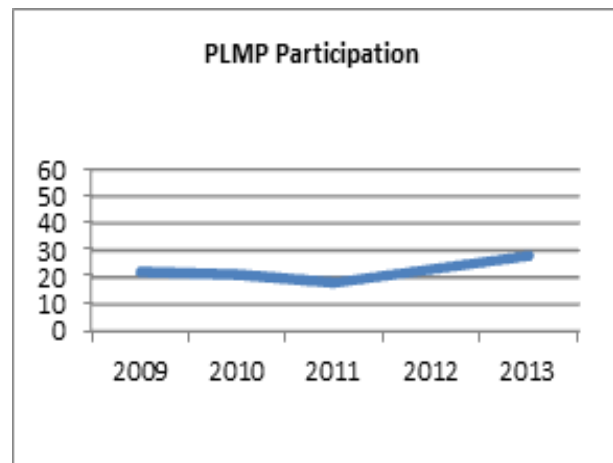
Other grants went to sidewalk and guardrail repairs, removing hazards on state property, special lighting, and emergency training for state employees.

Property Loss Management

The Risk Management & Tort Defense Division offers insurance premium discounts up to 10% for state agencies and universities that establish and maintain Property Loss Management Programs (PLMP) throughout the fiscal year.

The program was recently modified to allow variable discounts of up to 10%, thereby rewarding participant's efforts to establish effective property loss management programs.

FY 2013 marked the highest level of participation since program inception. Twenty-eight entities earned discounts approximating \$376,000. This represents an increase of 21% in the number of participants and 23% in the amount of discounts earned.



Building Plan Reviews

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

Loss control staff and consultants review these submissions and provide recommendations where loss prevention engineering features/controls can be incorporated or modified to mitigate future losses/claims.

In FY 2013, the division reviewed 4 projects and provided 12 recommendations to project state properties.

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 Division 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.

**Montana State Government
Property/Casualty Insurance Schedule
July 1, 2013 to July 1, 2014**

Line of Insurance	Deductibles		Limits			Insurance Carrier
	Agency	Risk Management	Limits	Per Claim/ Occurrence	Description	Broker
COMMERCIAL INSURANCE COVERAGES						
Accidental Death & Dismemberment	\$250	\$0	\$50,000 \$10,000	claim claim	Medical expense Death benefit	Insurance Carrier: National Union Fire Company of Pittsburgh, Pennsylvania Broker: Alliant Insurance Services
Aircraft Physical Damage In-Motion	\$1,000	5% of stated value.	Stated Value	n/a	Physical damage	Insurance Carrier: National Union Fire Company of Pittsburgh, Pennsylvania
Not-In-Motion Aircraft Liability	\$1,000	\$1,000	Stated Value	n/a	Physical damage	Broker: Mountain Air Aviation
Airport Liability	\$0	750,000 claim/ 1,500,000 occur.	\$10,000,000	occurrence	Bodily injury, Personal Injury Property damage.	Insurance Carrier: National Union Fire Company of Pittsburgh Pennsylvania Broker: Mountain Air Aviation
Boiler & Machinery	\$1,000	Varies by object and type of damage	\$100,000,000 \$100,000,000 \$5,000,000	occurrence occurrence occurrence	Equipment breakdown Property damage Business interruption	Insurance Carrier: Lexington/Lloyd's of London Broker: Alliant Insurance Services
Crime	\$1,000	\$499,000	\$7,500,000 \$7,500,000 \$7,500,000 \$7,500,000 \$2,000,000	occurrence occurrence occurrence occurrence occurrence	Public employee dishonesty Computer fraud Theft, disappearance, destruction Forgery/alteration Faithful performance	Insurance Carrier (s): Traveler's Indemnity Company Fidelity and Deposit Company of Maryland Broker: Alliant Insurance Services
Cyber/Data Information Security	20% co-pay	\$100,000	\$2,000,000 \$5,000,000 \$2,000,000 \$2,000,000	occurrence occurrence occurrence occurrence	Information/Security Liability Regulatory fines and penalties Website media and content Privacy notification	Insurance Carrier(s): Beazley is primary. Barbican (Lloyd's of London) is excess. Broker: Alliant Insurance Services
Fine Arts	\$1,000	\$25,000	\$300,000,000 \$300,000,000 \$100,000,000 \$100,000,000 \$25,000 10% of the value	occurrence occurrence occurrence occurrence occurrence occurrence	Named locations "all risk" Legal liability to others Unnamed locations "all risk" In-Transit worldwide "all risk" Registration papers Debris removal	Insurance Carrier: Huntington Bloc primary and excess program. Broker: Alliant Insurance Services
Foreign Insurance	Varies by policy.	Varies by policy	Varies by policy.	occurrence	Foreign liability Kidnap & ransom	Insurance Carrier: ACE American Insurance Co. Great American Insurance Company Broker: Alliant Insurance Services
Foster Care			\$500,000 \$500,000 \$500,000 \$100,000 \$5,000 \$5,000	occurrence occurrence aggregate occurrence occurrence occurrence	Bodily injury and property damage Personal Injury Per household Defense costs Property damage to others Property damage to Insured	Insurance Carrier: Princeton Excess & Surplus Lines Insurance Company Broker: Alliant Insurance Services
HIPPA	\$5,000	n/a	\$500,000	occurrence/ aggregate	HIPPA fines/violations Defense costs	Insurance Carrier: NAS Insurance Services Broker: Alliant Insurance Services
Inland Marine	\$5,000	n/a	Per Schedule	Per Schedule	Beazley E & S	Insurance Carrier: Beazley E & S Broker: Alliant Insurance Services
Medical Prof. Liability (Student Interns)	n/a	n/a	\$1,000,000 \$5,000,000	occurrence/ aggregate	Bodily injury, personal injury, property damage	Insurance Carrier: American Casualty Company of Reading Pennsylvania Broker: Alliant Insurance Services
Non-Medical Prof. Liability (Student Interns)	n/a	n/a	\$1,500,000 \$1,500,000	occurrence aggregate	Bodily injury, personal injury, property damage	Insurance Carrier: Associated Industries Insurance Company Broker: Alliant Insurance Services
Off-Premises Vehicles	\$1,000	\$50,000	\$750,000,000	occurrence	Physical damage "all risk"	Insurance Carrier: Same as property (below) Broker: Alliant Insurance Services
Property	\$1,000 \$1,000	\$1,999,000 \$1,999,000 \$1,999,000 \$1,999,000 \$1,999,000 \$999,000 \$1,999,000 \$999,000 \$1,999,000 \$1,999,000 \$1,999,000 \$50,000,000 \$50,000,000 \$50,000,000 \$50,000,000 \$50,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$1,000,000 \$250,000	\$750,000,000 \$750,000,000 \$750,000,000 \$750,000,000 \$750,000,000 \$400,000,000 \$200,000,000 \$100,000,000 \$100,000,000 \$50,000,000 \$50,000,000 \$50,000,000 \$50,000,000 \$50,000,000 \$50,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$25,000,000 \$1,000,000 \$250,000	occurrence occurrence	Blanket limit of liability Valuable papers Accounts receivable Electronic data processing media Debris removal (additional) Earth movement Business interruption Flood Terrorism Builder's risk Expediting expenses Error/omissions Transit Ordinance/law Service interruption Automatic coverage. Newly acquired International limit Pollutant cleanup removal	Insurance Carrier: Lexington Insurance Company LTD. Lloyd's of London Great American Excess & Surplus Lines Insurance Company XL Insurance American Broker: Alliant Insurance Services
RiderCourse (Motorcycle Safety Foundation)	n/a	n/a	\$2,000,000 \$50 \$50 \$1,000	occurrence claim claim vehicle	Liability Blanket accident (medical) Blanket accident (dental) Physical damage	Insurance Carrier: Chubb Custom Insurance Company Broker: Arthur J. Gallagher
Surety Bond (DPHHS)	Varies by institution	Varies by institution	Patient Funds in Trust	Funds in trust	Funds in trust	Insurance Carrier: Hartford Broker: IMA
Special Events	n/a	n/a	\$1,000,000	occurrence	Various	Insurance Carrier: Evanston Insurance Company Broker: Alliant Insurance Services
SELF-INSURED COVERAGES						
Aircraft Physical Damage In-Motion	\$1,000	5% of stated value	\$150,000	occurrence	Hull for various aircraft	n/a
Not-In-Motion	\$1,000	\$1,000	\$150,000	occurrence	Hull for various aircraft	n/a
Aircraft Liability	\$0	\$750,000/\$1.5M	\$750,000/\$1.5M	claim/occ	Negligent acts or omissions	n/a
Auto Physical Damage	\$250	ACV/repair/replace	ACV/repair/replace	vehicle	Physical damage to vehicles	n/a
General Liability	\$0	\$750,000/\$1.5M	\$750,000/\$1.5M	claim/occ	Negligent acts or omissions	n/a
Property	\$1,000	\$499,000		occurrence	All Risk	n/a

NOTE: This schedule is a summary of main elements only, and is not all inclusive of all limits and deductibles in the policies. If you have a question, please contact the Risk Management & Tort Defense Division.

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	2,232
Buses	34
15 Passenger Vans	21
Light Trucks	2,418
Medium Trucks	375
Heavy Trucks	757
Motorcycles	<u>235</u>
Total	6,072

Auto Liability Claims Activity

Figure 2 below provides a summary of auto liability claims activity for FY 2012 and FY 2013.

Figure 2

Auto Liability Claims Activity			
as of 06/30			
	# Claims Received	# Claims Resolved	# Claims Open
FY 2012	155	159	49
FY 2013	148	149	48

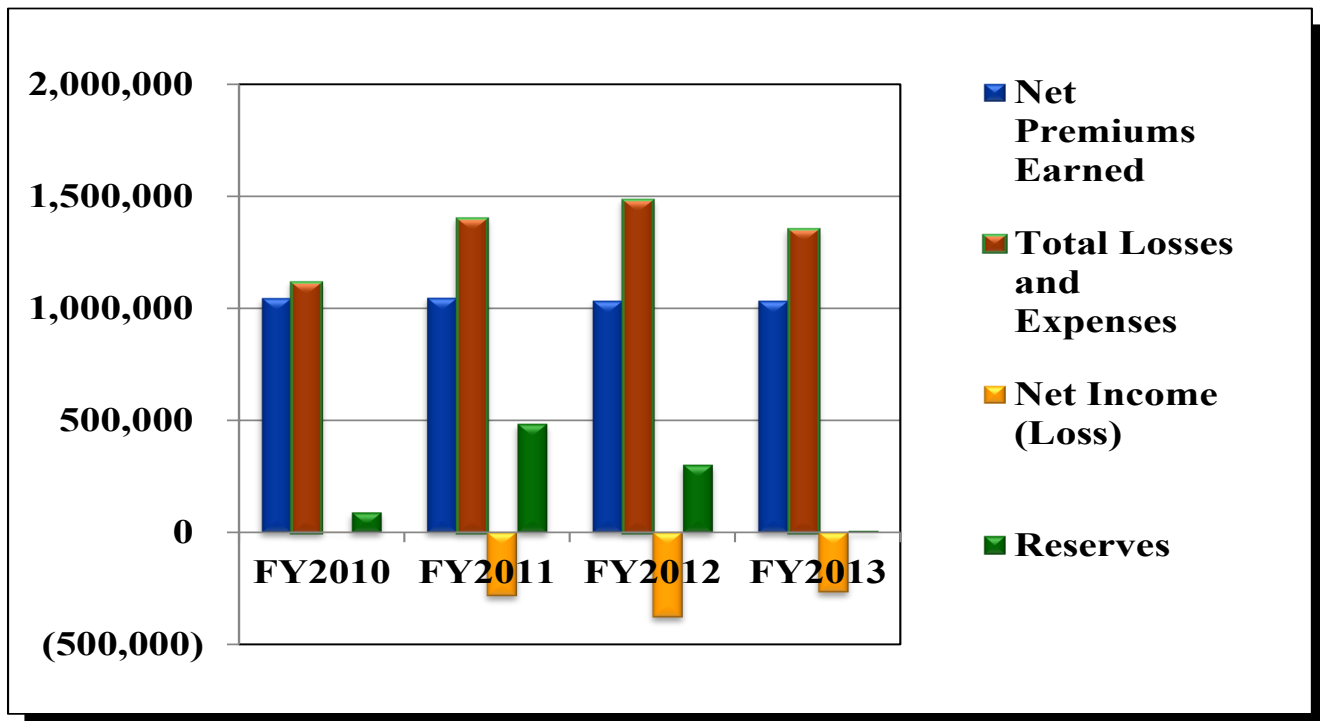


Auto Liability Insurance Program (cont'd)

Figure 3

Auto Revenues, Expenses, and Income History				
	FY2010	FY2011	FY2012	FY2013
Net Premiums Earned	1,043,153	1,044,541	1,031,344	1,031,344
Losses Paid	732,102	995,437	1,039,689	866,656
Loss Expenses Paid	34,671	62,907	56,881	40,480
Operations	349,791	342,140	386,783	445,467
Commercial Insurance Premiums	0	0	0	0
Total Losses and Expenses	1,116,565	1,400,484	1,483,353	1,352,602
Net Income (Loss) Before Investments	(73,412)	(355,943)	(452,009)	(321,258)
Net Investment Income Earned	7,425	8,753	2,716	631
Insurance Recoveries	66,152	63,475	71,083	53,550
Net Income (Loss)	164	(283,715)	(378,211)	(267,078)
Total Assets	1,490,716	1,707,000	1,578,790	1,561,712
Non-Claim Liabilities	271,309	201,233	164,134	163,572
Claims Liabilities	1,130,239	1,024,881	1,114,881	1,390,689
Total Liabilities	1,401,548	1,226,114	1,279,015	1,554,261
	0	0	0	0
Reserves	89,168	480,886	299,774	7,451

Figure 4



Auto Liability Insurance Program (cont'd)

Auto Liability Loss Trends

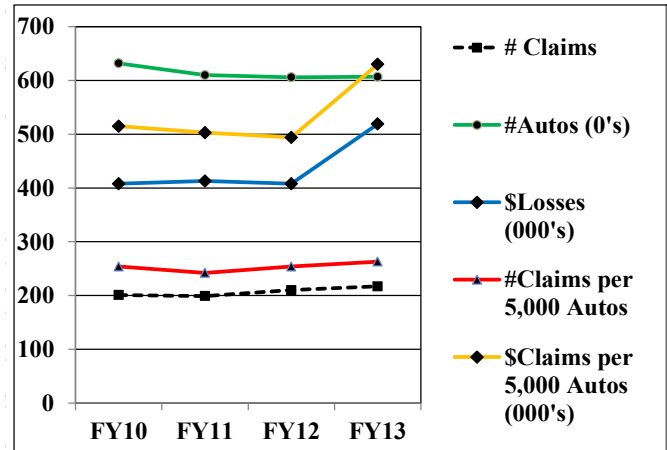
The number of auto liability losses per 5,000 autos is trending downward. The dollars incurred per 5,000 autos each fiscal year are trending upward (Figures 5 and 6 below).

Figure 5

Auto Liability Claims Trends
as of 06/30/2013

Fiscal Year	#Autos	\$Losses	#Claims	\$Claims per	
Year	# Claims	(0's)	(000's)	5,000 Autos	
				(000's)	
FY10	201	632	408	254	515
FY11	199	610	413	242	503
FY12	210	606	408	254	494
FY13	217	607	519	263	630

Figure 6



Between FY 2008 and FY 2012, the Department(s) of Transportation, the University System, and Justice accounted for the most auto liability claims and incurred losses (Figure 7 below).

% of Total Claims - Top Agencies

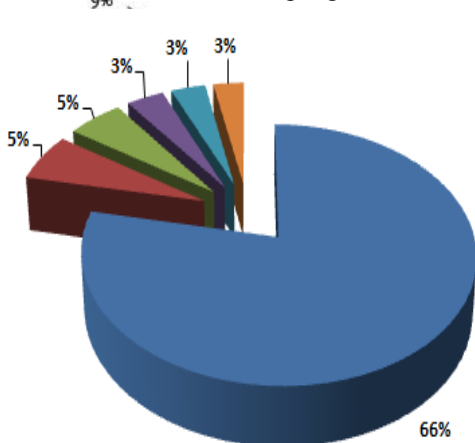
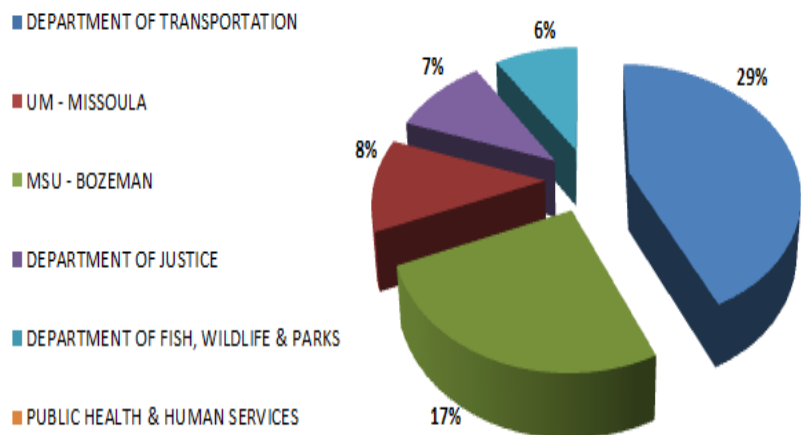


Figure 7

% of Total Incurred Losses - Top Agencies



Auto Liability Discussion

The Department(s) of Transportation, University System, and Fish, Wildlife, and Parks accounted for most auto liability claims and incurred losses during FY 2013. Many claims involved highway maintenance, weather, 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 - FY2008 through FY2012

REF	SUBDIVISION	#VEHICLES*	# CLAIMS	\$ INCURRED	FREQUENCY (Claims /100 VEH)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./100VEH)
1	AUDITORS OFFICE	13	0	\$ 0	0.00	\$ 0	\$ 0
2	BOARD OF PUBLIC EDUCATION	0	0	0	0.00	0	0
3	COMMISSIONER OF POLITICAL PRACTICES	0	0	0	0.00	0	0
4	DEPARTMENT OF ADMINISTRATION (DOA)	301	12	75,714	3.99	6,310	252
5	DOA, OFFICE OF PUBLIC DEFENDER	40	3	12,048	7.50	4,016	301
6	DOA, PUBLIC EMPLOYEE RETIREMENT	0	0	0	0.00	0	0
7	DOA, STATE FUND	121	4	62,002	3.31	15,500	512
8	DOA, TEACHER'S RETIREMENT	0	0	0	0.00	0	0
9	DEPARTMENT OF AGRICULTURE	235	6	35,525	2.55	5,921	151
10	DEPARTMENT OF COMMERCE	13	0	0	0.00	0	0
11	DEPARTMENT OF COMMERCE, HERITAGE	43	2	3,992	4.65	1,996	93
12	DEPARTMENT OF CORRECTIONS (DOC)	123	13	115,367	10.57	8,874	938
13	DOC, BOARD OF PARDONS	0	0	0	0.00	0	0
14	DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	62	0	0	0.00	0	0
15	DOC, PRISON INDUSTRIES	675	1	3,346	0.15	3,346	5
16	DOC, RIVERSIDE YOUTH CORRECTIONS	18	0	0	0.00	0	0
17	DOC, STATE PRISON	543	4	8,351	0.74	2,088	15
18	DOC, TREASURE STATE CORRECTIONS	10	0	0	0.00	0	0
19	DOC, WOMEN'S CORRECTIONAL CENTER	15	0	0	0.00	0	0
20	DEPARTMENT OF ENVIRONMENTAL QUALITY	316	2	3,425	0.63	1,712	11
21	DEPARTMENT OF FISH, WILDLIFE & PARKS	9,481	25	29,745	0.26	1,190	3
22	DEPARTMENT OF JUSTICE	2,552	27	174,634	1.06	6,468	68
23	DEPARTMENT OF JUSTICE, CRIME CONTROL	6	0	0	0.00	0	0
24	DEPARTMENT OF LABOR & INDUSTRY	262	15	84,893	5.73	5,660	324
25	DEPARTMENT OF LIVESTOCK	347	9	93,461	2.59	10,385	269
26	DEPARTMENT OF MILITARY AFFAIRS	384	2	10,668	0.52	5,334	28
27	DEPARTMENT OF NATURAL RESOURCES (DNRC)	2,633	6	10,605	0.23	1,767	4
28	DNRC, SWAN RIVER FOREST CAMP	0	0	0	0.00	0	0
29	DEPARTMENT OF REVENUE	25	3	11,091	12.00	3,697	444
30	DEPARTMENT OF TRANSPORTATION	21,285	577	722,055	2.71	1,251	34
31	GOVERNOR'S OFFICE	6	0	0	0.00	0	0
32	HISTORICAL SOCIETY	3	2	19,839	66.67	9,919	6,613
33	LEGISLATIVE BRANCH	2	0	0	0.00	0	0
34	LEGISLATIVE BRANCH, CONSUMER COUNSEL	0	0	0	0.00	0	0
35	MONTANA ARTS COUNCIL	0	0	0	0.00	0	0
36	MONTANA STATE LIBRARY	9	0	0	0.00	0	0
37	OFFICE OF PUBLIC INSTRUCTION	57	1	370	1.75	370	6
38	PUBLIC HEALTH & HUMAN SERVICES (PHHS)	423	22	156,479	5.20	7,113	370
39	PHHS, MENTAL HEALTH NURSING CENTER	40	0	0	0.00	0	0
40	PHHS, MONTANA CHEMICAL DEPENDENCY CTR	15	0	0	0.00	0	0
41	PHHS, MONTANA DEVELOPMENTAL CENTER	216	4	4,806	1.85	1,201	22
42	PHHS, STATE HOSPITAL	197	1	1,640	0.51	1,640	8
43	PHHS, VETERANS' HOME - COLUMBIA FALLS	54	0	0	0.00	0	0
44	PHHS, VETERANS' HOME - GLENDALE	28	1	906	3.57	906	32
45	PUBLIC SERVICE REGULATION (COMMISSION)	2	1	1,524	50.00	1,524	762
46	SECRETARY OF STATE	9	0	0	0.00	0	0
47	BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	173	1	97	0.58	97	1
48	SUPREME COURT - JUDICIARY	283	4	4,946	1.41	1,237	17
49	UNIVERSITY, HIGHER EDUCATION	0	0	0	0.00	0	0
50	UNIVERSITY, HELENA COLLEGE	160	1	5,572	0.63	5,572	35
51	UNIVERSITY, MSU - BILLINGS	351	8	12,560	2.28	1,570	36
52	UNIVERSITY, MSU - BOZEMAN	1,778	40	431,281	2.25	10,782	243
53	UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	1,424	12	40,633	0.84	3,386	29
54	UNIVERSITY, MSU - BOZEMAN, EXT SERV.	115	0	0	0.00	0	0
55	UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	195	2	5,477	1.03	2,739	28
56	UNIVERSITY, MSU - NORTHERN	860	8	131,006	0.93	16,376	152
57	UNIVERSITY, MONTANA TECH OF THE UM	367	3	3,690	0.82	1,230	10
58	UNIVERSITY, MSU COLLEGE OF TECH - GREAT FALLS	57	0	0	0.00	0	0
59	UNIVERSITY, UM - MISSOULA	2,362	46	192,182	1.95	4,178	81
60	UNIVERSITY, UM - MISSOULA, FOREST./CONS	0	1	2,118	0.00	2,118	0
61	UNIVERSITY, WESTERN MONTANA	158	2	7,781	1.27	3,891	49
	TOTAL	48,847	871	2,479,830	1.78	2,847	51

* **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	
2010	2,010
2011	2,169
2012	2,272
2013	2,403
----	----

Auto Physical Damage Claims Activity

Figure 9 below provides a summary of auto physical damage claims activity for FY 2012 and FY 2013.

Figure 9

Auto Physical Damage Claims Activity

as of 06/30

	# Claims Received	# Claims Resolved	# Claims Open
FY 2012	209	209	39
FY 2013	221	205	55

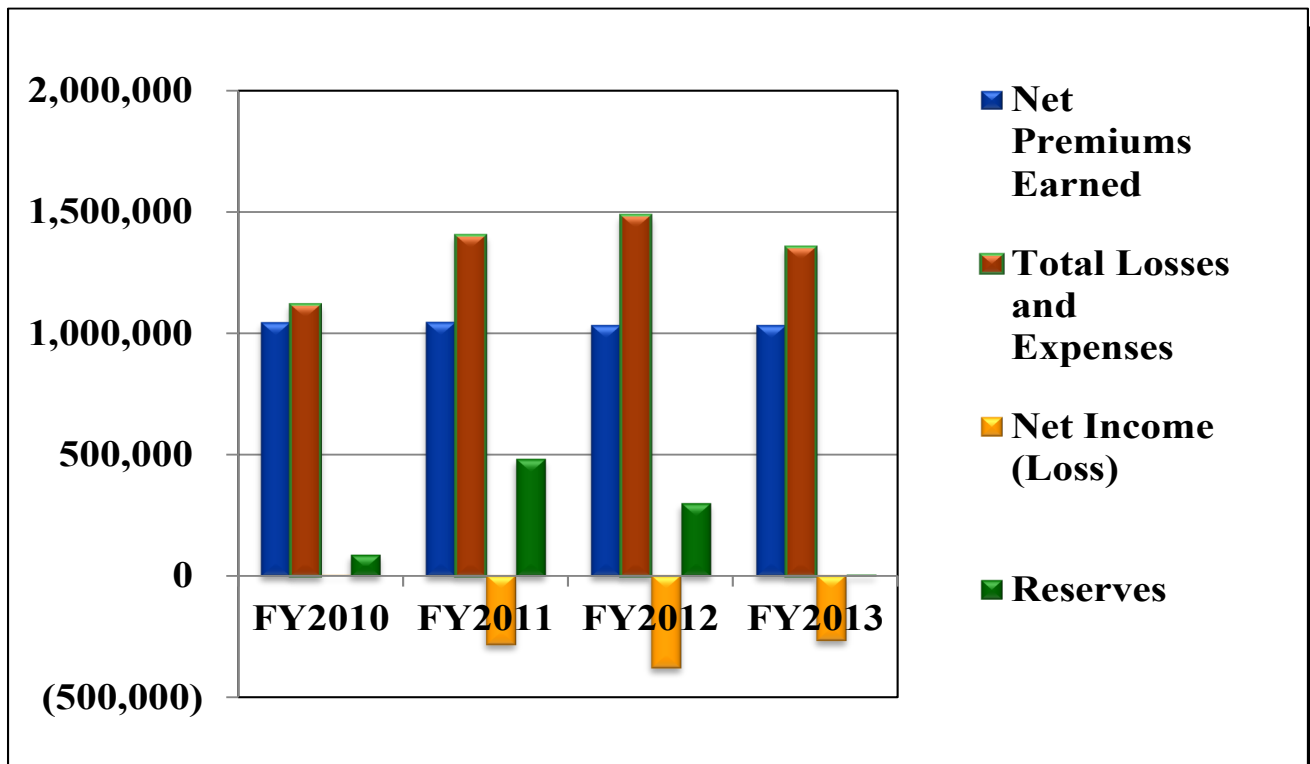


Auto Physical Damage Insurance (cont'd)

Figure 10

Auto Revenues, Expenses, and Income History				
	FY2010	FY2011	FY2012	FY2013
Net Premiums Earned	1,043,153	1,044,541	1,031,344	1,031,344
Losses Paid	732,102	995,437	1,039,689	866,656
Loss Expenses Paid	34,671	62,907	56,881	40,480
Operations	349,791	342,140	386,783	445,467
Commercial Insurance Premiums	0	0	0	0
Total Losses and Expenses	1,116,565	1,400,484	1,483,353	1,352,602
Net Income (Loss) Before Investments	(73,412)	(355,943)	(452,009)	(321,258)
Net Investment Income Earned	7,425	8,753	2,716	631
Insurance Recoveries	66,152	63,475	71,083	53,550
Net Income (Loss)	164	(283,715)	(378,211)	(267,078)
Total Assets	1,490,716	1,707,000	1,578,790	1,561,712
Non-Claim Liabilities	271,309	201,233	164,134	163,572
Claims Liabilities	1,130,239	1,024,881	1,114,881	1,390,689
Total Liabilities	1,401,548	1,226,114	1,279,015	1,554,261
	0	0	0	0
Reserves	89,168	480,886	299,774	7,451

Figure 11



Auto Physical Damage Insurance (cont'd)

Auto Physical Damage Trends

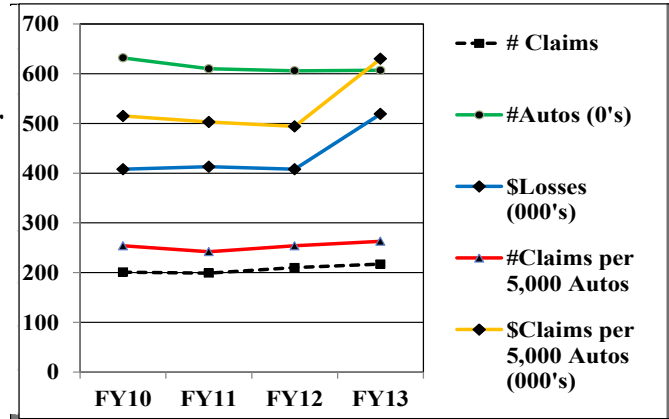
The number of auto physical damage losses per 5,000 autos is trending slightly upward. The dollars incurred per 5,000 autos each fiscal year is trending slightly upward (Figures 12 and 13 below).

Figure 12

Auto Physical Damage Claims Trends
as of 06/30/2013

Fiscal Year	#Autos (0's)	\$Losses (000's)	#Claims per 5,000 Autos	\$Claims per 5,000 Autos (000's)
FY10	632	408	254	515
FY11	610	413	242	503
FY12	606	408	254	494
FY13	607	519	263	630

Figure 13



Between FY 2008 and FY 2012, the Department(s) of Justice, Public Health, and the University System accounted for the most auto physical damage claims and incurred losses (Figure 14 below).

% of Total Claims - Top Agencies

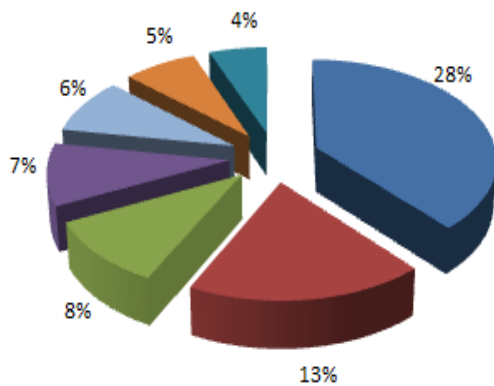


Figure 14

% of Total Incurred Losses - Top Agencies



Auto Physical Damage Discussion

The Department(s) of Corrections, Justice, and the University System accounted for most auto physical damage claims and incurred losses during FY 2013. Many accidents involved wild or domestic animals, law enforcement, failure to yield, weather, 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 Physical Damage Total Losses Incurred by Agency - FY2008 through FY2012

REF	SUBDIVISION	#VEHICLES*	# CLAIMS	\$ INCURRED	FREQUENCY (Claims /100 VEH)	SEVERITY (Sinc./Claim)	LOSS RATE (Sinc./100VEH)
1	AUDITORS OFFICE	13	2	\$ 488	15.38	\$ 244	\$ 38
2	BOARD OF PUBLIC EDUCATION	0	0	0	0.00	0	0
3	COMMISSIONER OF POLITICAL PRACTICES	0	0	0	0.00	0	0
4	DEPARTMENT OF ADMINISTRATION (DOA)	301	16	14,832	5.32	927	49
5	DOA, OFFICE OF PUBLIC DEFENDER	40	16	18,480	40.00	1,155	462
6	DOA, PUBLIC EMPLOYEE RETIREMENT	0	0	0	0.00	0	0
7	DOA, STATE FUND	121	14	35,107	11.57	2,508	290
8	DOA, TEACHER'S RETIREMENT	0	1	0	0.00	0	0
9	DEPARTMENT OF AGRICULTURE	235	5	15,973	2.13	3,195	68
10	DEPARTMENT OF COMMERCE	13	2	14,157	15.38	7,079	1,089
11	DEPARTMENT OF COMMERCE, HERITAGE	43	2	3,000	4.65	1,500	70
12	DEPARTMENT OF CORRECTIONS (DOC)	123	20	15,029	16.26	751	122
13	DOC, BOARD OF PARDONS	0	0	0	0.00	0	0
14	DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	62	0	0	0.00	0	0
15	DOC, PRISON INDUSTRIES	675	0	0	0.00	0	0
16	DOC, RIVERSIDE YOUTH CORRECTIONS	18	0	0	0.00	0	0
17	DOC, STATE PRISON	543	5	7,395	0.92	1,479	14
18	DOC, TREASURE STATE CORRECTIONS	10	0	0	0.00	0	0
19	DOC, WOMEN'S CORRECTIONAL CENTER	15	0	0	0.00	0	0
20	DEPARTMENT OF ENVIRONMENTAL QUALITY	316	27	36,306	8.54	1,345	115
21	DEPARTMENT OF FISH, WILDLIFE & PARKS	9,481	11	14,708	0.12	1,337	2
22	DEPARTMENT OF JUSTICE	2,552	275	536,669	10.78	1,952	210
23	DEPARTMENT OF JUSTICE, CRIME CONTROL	6	2	2,434	33.33	1,217	406
24	DEPARTMENT OF LABOR & INDUSTRY	262	71	124,328	27.10	1,751	475
25	DEPARTMENT OF LIVESTOCK	347	15	38,531	4.32	2,569	111
26	DEPARTMENT OF MILITARY AFFAIRS	384	10	9,514	2.60	951	25
27	DEPARTMENT OF NATURAL RESOURCES (DNRC)	2,633	64	71,906	2.43	1,124	27
28	DNRC, SWAN RIVER FOREST CAMP	0	0	0	0.00	0	0
29	DEPARTMENT OF REVENUE	25	42	90,400	168.00	2,152	3,616
30	DEPARTMENT OF TRANSPORTATION	21,285	21	53,264	0.10	2,536	3
31	GOVERNOR'S OFFICE	6	5	29,286	83.33	5,857	4,881
32	HISTORICAL SOCIETY	3	2	4,582	66.67	2,291	1,527
33	LEGISLATIVE BRANCH	2	2	2,439	100.00	1,219	1,219
34	LEGISLATIVE BRANCH, CONSUMER COUNSEL	0	0	0	0.00	0	0
35	MONTANA ARTS COUNCIL	0	0	0	0.00	0	0
36	MONTANA STATE LIBRARY	9	1	1,352	11.11	1,352	150
37	OFFICE OF PUBLIC INSTRUCTION	57	7	15,147	12.28	2,164	266
38	PUBLIC HEALTH & HUMAN SERVICES (PHHS)	423	134	263,337	31.68	1,965	623
39	PHHS, MENTAL HEALTH NURSING CENTER	40	0	0	0.00	0	0
40	PHHS, MONTANA CHEMICAL DEPENDENCY CTR	15	0	0	0.00	0	0
41	PHHS, MONTANA DEVELOPMENTAL CENTER	216	0	0	0.00	0	0
42	PHHS, STATE HOSPITAL	197	0	0	0.00	0	0
43	PHHS, VETERANS' HOME - COLUMBIA FALLS	54	0	0	0.00	0	0
44	PHHS, VETERANS' HOME - GLENDALE	28	1	226	3.57	226	8
45	PUBLIC SERVICE REGULATION (COMMISSION)	2	2	1,978	100.00	989	989
46	SECRETARY OF STATE	9	1	3,881	11.11	3,881	431
47	BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	173	13	17,060	7.51	1,312	99
48	SUPREME COURT - JUDICIARY	283	17	27,629	6.01	1,625	98
49	UNIVERSITY, HIGHER EDUCATION	0	5	3,512	0.00	702	0
50	UNIVERSITY, HELENA COLLEGE	160	3	1,686	1.88	562	11
51	UNIVERSITY, MSU - BILLINGS	351	10	12,122	2.85	1,212	35
52	UNIVERSITY, MSU - BOZEMAN	1,778	53	92,580	2.98	1,747	52
53	UNIVERSITY, MSU - BOZEMAN, AG. EXPT.	1,424	14	66,439	0.98	4,746	47
54	UNIVERSITY, MSU - BOZEMAN, EXT. SERV.	115	5	5,941	4.35	1,188	52
55	UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	195	9	21,810	4.62	2,423	112
56	UNIVERSITY, MSU - NORTHERN	860	10	9,674	1.16	967	11
57	UNIVERSITY, MONTANA TECH OF THE UM	367	3	3,237	0.82	1,079	9
58	UNIVERSITY, MSU COLLEGE OF TECH - GREAT FALLS	57	0	0	0.00	0	0
59	UNIVERSITY, UM - MISSOULA	2,362	75	137,709	3.18	1,836	58
60	UNIVERSITY, UM - MISSOULA, FOREST./CONS	0	6	0	0.00	0	0
61	UNIVERSITY, WESTERN MONTANA	158	0	14,886	0.00	0	94
	TOTAL	48,847	999	1,839,035	2.05	1,841	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 22,000 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	
2010	22,030
2011	22,467
2012	22,468
2013	22,742

General Liability Claims Activity

Figure 16 below provides a summary of general liability claims activity for FY 2012 and FY 2013.

Figure 16

General Liability Claims Activity as of 06/30			
	# Claims Received	# Claims Resolved	# Claims Open
FY 2012	359	575	334
FY 2013	292	254	372

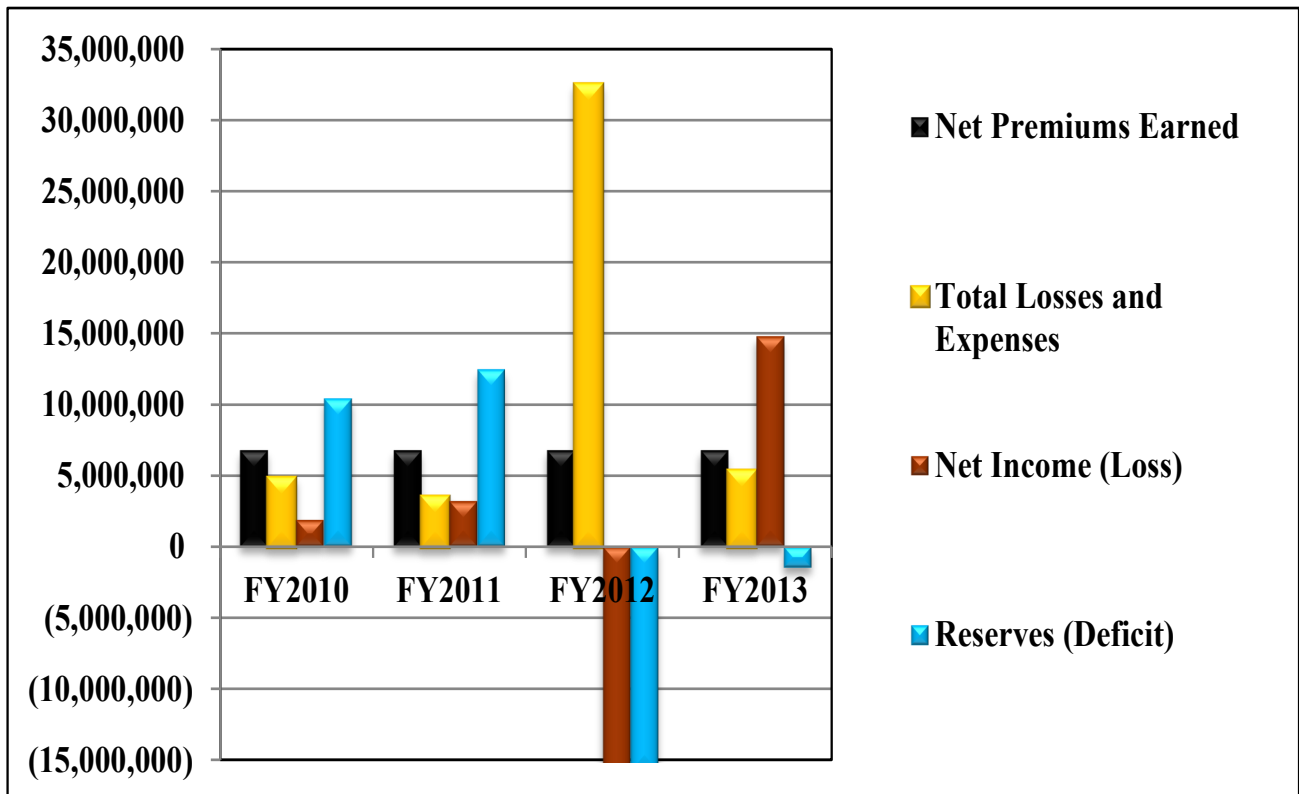


General Liability Insurance (cont'd)

Figure 17

General Liability Revenues, Expenses, and Income History				
	FY2010	FY2011	FY2012	FY2013
Net Premiums Earned	6,750,000	6,750,000	6,750,000	6,750,000
Losses Paid	1,410,041	672,159	28,876,186	1,741,200
Loss Expenses Paid	210,283.41	1,580,029	2,168,296	1,994,837
Operations	1,149,322	1,124,183	1,270,868	1,463,685
Commercial Insurance Premiums	250,033	210,647	215,438	199,843
Total Losses and Expenses	4,912,236	3,587,018	32,530,788	5,399,565
Net Income (Loss) Before Investments	1,837,764	3,162,982	(25,780,788)	1,350,435
Net Investment Income Earned	44,155	52,054	16,151	3,751
Insurance Recoveries			3,095	120
Net Income (Loss)	1,881,919	3,215,036	(25,761,542)	14,754,307
Total Assets	24,188,188	27,403,223	(108,318)	12,895,988
Non-Claim Liabilities	891,449	661,199	539,302	537,455
Claims Liabilities	12,909,028	14,285,871	15,088,253	13,832,735
Total Liabilities	13,800,477	14,947,070	15,627,555	14,370,190
Reserves (Deficit)	10,387,710	12,456,153	(15,735,874)	(1,474,202)

Figure 18



General Liability Insurance (cont'd)

General Liability Loss Trends

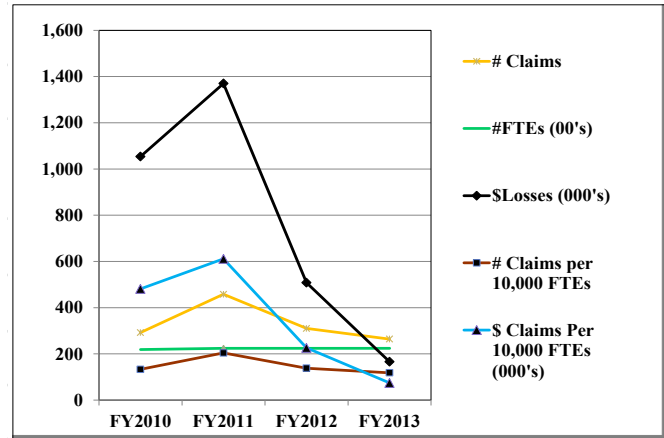
The number of general liability claims per 10,000 FTEs is stable. The dollars incurred per 10,000 FTEs each fiscal year are trending downward (Figures 19 and 20 below).

Figure 19

General Liability Claims Trends

Fiscal Year	# Claims	#FTEs (00's)	\$Losses (000's)	# Claims per 10,000 FTEs	\$ Claims Per 10,000 FTEs
			6/30/2013		
FY10	292	219	1,054	133	481
FY11	458	224	1,370	204	611
FY12	310	224	508	138	226
FY13	264	224	166	118	74

Figure 20



Between FY 2008 and FY 2012, the Department of Transportation accounted for the most general liability claims and the most incurred general liability losses (Figure 21 below).

% of Total Claims - Top Agencies

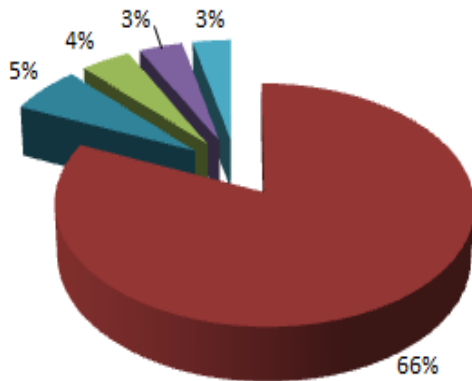
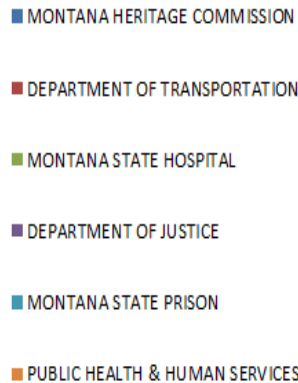
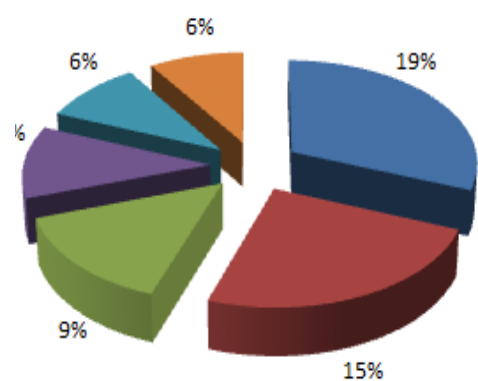


Figure 21



% of Total Incurred Losses - Top Agencies



General Liability Discussion

The charts in Figure 21 above show that a majority of general liability claims that occurred between FY 2008 and FY 2012 were caused by five state agencies. Most expenses associated with general liability claims that occurred during FY 2013 have not yet matured and/or been reported to the Risk Management & Tort Defense Division. Therefore, a discussion of FY 2013 claims activity is of limited usefulness. During FY 2013, there were no major catastrophic property and liability losses which is a welcome reprieve from losses experienced over the past three years.

General Liability

Total Losses Incurred by Agency - FY2008 through FY2012

REF	SUBDIVISION	FTEs	# CLAIMS	\$ INCURRED	FREQUENCY (Claims /100 FTE)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./100FTE)
1	AUDITORS OFFICE	419.9	3	\$ 5,214	0.71	\$ 1,738	\$ 1,242
2	BOARD OF PUBLIC EDUCATION	20.0	0	0	0.00	0	0
3	COMMISSIONER OF POLITICAL PRACTICES	30.0	0	0	0.00	0	0
4	DEPARTMENT OF ADMINISTRATION (DOA)	2,768.6	8	107,066	0.29	13,383	3,867
5	DOA, OFFICE OF PUBLIC DEFENDER	1,024.5	12	174,780	1.17	14,565	17,060
6	DOA, PUBLIC EMPLOYEE RETIREMENT	193.5	16	57,312	8.27	3,582	29,618
7	DOA, STATE FUND	1,466.8	16	223,923	1.09	13,995	15,267
8	DOA, TEACHER'S RETIREMENT	88.6	0	0	0.00	0	0
9	DEPARTMENT OF AGRICULTURE	657.0	1	0	0.15	0	0
10	DEPARTMENT OF COMMERCE	993.2	4	138,881	0.40	34,720	13,983
11	DEPARTMENT OF COMMERCE, HERITAGE	135.0	2	1,550,460	1.48	775,230	1,148,489
12	DEPARTMENT OF CORRECTIONS (DOC)	1,872.3	37	278,433	1.98	7,525	14,871
13	DOC, BOARD OF PARDONS	48.2	5	12,690	10.37	2,538	26,316
14	DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	662.3	1	0	0.15	0	0
15	DOC, PRISON INDUSTRIES	439.1	0	0	0.00	0	0
16	DOC, RIVERSIDE YOUTH CORRECTIONS	166.3	0	0	0.00	0	0
17	DOC, STATE PRISON	3,093.8	78	484,346	2.52	6,210	15,655
18	DOC, TREASURE STATE CORRECTIONS	135.1	0	0	0.00	0	0
19	DOC, WOMEN'S CORRECTIONAL CENTER	352.9	6	36,506	1.70	6,084	10,346
20	DEPARTMENT OF ENVIRONMENTAL QUALITY	2,419.9	6	57,906	0.25	9,651	2,393
21	DEPARTMENT OF FISH, WILDLIFE & PARKS	3,938.2	17	19,455	0.43	1,144	494
22	DEPARTMENT OF JUSTICE	4,031.1	47	564,541	1.17	12,012	14,005
23	DEPARTMENT OF JUSTICE, CRIME CONTROL	97.5	1	11,215	1.03	11,215	11,502
24	DEPARTMENT OF LABOR & INDUSTRY	4,458.5	20	322,058	0.45	16,103	7,223
25	DEPARTMENT OF LIVESTOCK	715.1	2	25,000	0.28	12,500	3,496
26	DEPARTMENT OF MILITARY AFFAIRS	989.8	7	199,868	0.71	28,553	20,192
27	DEPARTMENT OF NATURAL RESOURCES (DNRC)	2,953.6	8	1,406	0.27	176	48
28	DNRC, SWAN RIVER FOREST CAMP	0.0	0	0	0.00	0	0
29	DEPARTMENT OF REVENUE	3,387.0	5	140,029	0.15	28,006	4,134
30	DEPARTMENT OF TRANSPORTATION	11,336.8	983	1,212,955	8.67	1,234	10,699
31	GOVERNOR'S OFFICE	307.7	1	0	0.32	0	0
32	HISTORICAL SOCIETY	337.5	0	2,103	0.00	0	623
33	LEGISLATIVE BRANCH	886.2	0	0	0.00	0	0
34	LEGISLATIVE BRANCH, CONSUMER COUNSEL	27.7	0	0	0.00	0	0
35	MONTANA ARTS COUNCIL	41.7	0	0	0.00	0	0
36	MONTANA STATE LIBRARY	203.5	0	0	0.00	0	0
37	OFFICE OF PUBLIC INSTRUCTION	1,015.2	2	0	0.20	0	0
38	PUBLIC HEALTH & HUMAN SERVICES (PHHS)	9,406.2	28	458,320	0.30	16,369	4,873
39	PHHS, MENTAL HEALTH NURSING CENTER	711.0	0	0	0.00	0	0
40	PHHS, MONTANA CHEMICAL DEPENDENCY CTR	302.5	0	0	0.00	0	0
41	PHHS, MONTANA DEVELOPMENTAL CENTER	1,435.4	12	382,880	0.84	31,907	26,674
42	PHHS, STATE HOSPITAL	2,252.7	9	729,038	0.40	81,004	32,363
43	PHHS, VETERANS' HOME - COLUMBIA FALLS	744.6	1	0	0.13	0	0
44	PHHS, VETERANS' HOME - GLENDIVE	5.0	1	0	20.00	0	0
45	PUBLIC SERVICE REGULATION (COMMISSION)	204.8	0	0	0.00	0	0
46	SECRETARY OF STATE	301.9	1	0	0.33	0	0
47	BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	443.4	0	0	0.00	0	0
48	SUPREME COURT - JUDICIARY	2,076.3	13	47,078	0.63	3,621	2,267
49	UNIVERSITY, HIGHER EDUCATION	550.7	0	0	0.00	0	0
50	UNIVERSITY, HELENA COLLEGE	484.0	6	12,802	1.24	2,134	2,645
51	UNIVERSITY, MSU - BILLINGS	2,960.3	13	37,824	0.44	2,910	1,278
52	UNIVERSITY, MSU - BOZEMAN	14,274.7	54	234,838	0.38	4,349	1,645
53	UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	1,119.0	0	0	0.00	0	0
54	UNIVERSITY, MSU - BOZEMAN, EXT.SERVS.	693.9	0	0	0.00	0	0
55	UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	45.3	0	0	0.00	0	0
56	UNIVERSITY, MSU - NORTHERN	1,204.1	5	12,459	0.42	2,492	1,035
57	UNIVERSITY, MONTANA TECH OF THE UM	2,504.6	7	79,441	0.28	11,349	3,172
58	UNIVERSITY, MSU COLLEGE OF TECH - GREAT FALLS	885.2	4	20,895	0.45	5,224	2,360
59	UNIVERSITY, UM - MISSOULA	14,681.5	41	318,685	0.28	7,773	2,171
60	UNIVERSITY, UM - MISSOULA, FOREST./CONS	0.0	0	0	0.00	0	0
61	UNIVERSITY, WESTERN MONTANA	1,092.4	5	3,255	0.46	651	298
	TOTAL	110,093.3	1,488	7,963,660	1.35	5,352	7,234

Property Insurance Program

State agencies and universities own or lease 4,463 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		
	# Buildings	Total Insured \$Value	# Locations	Total Insured \$Value	# Agencies	Total Insured \$Value	# Objects		Total Insured \$Value
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
FY 13	4,463	\$4,700,000,000	62	\$27,000,000	8	\$389,000,000	627		\$2,000,000,000

Property Claims Activity

Figure 23 below provides a summary of property claims activity for FY 2012 and FY 2013.

Figure 23

Property Claims Activity			
as of 06/30			
	# Claims Received	#Claims Resolved	# Claims Open
FY 2012	51	63	43
FY 2013	48	55	36

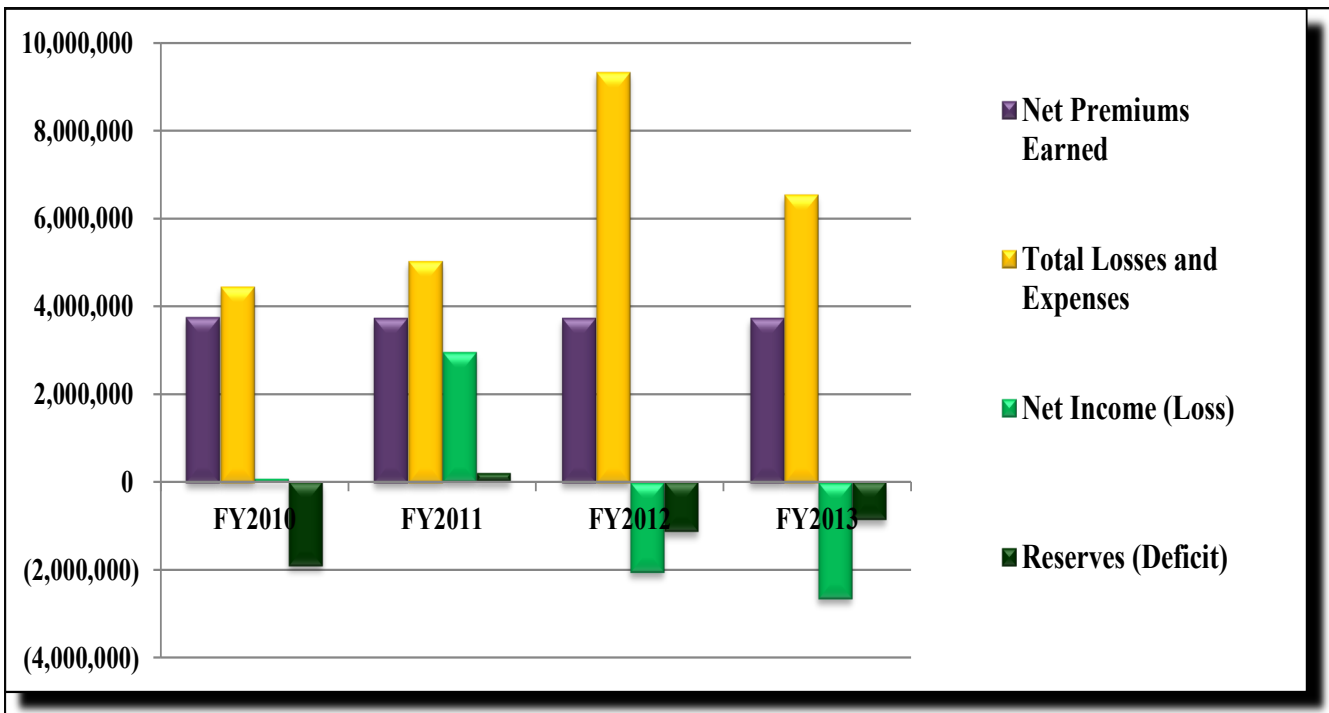


Property Insurance (cont'd)

Figure 24

Property Revenues, Expenses, and Reserves History				
	FY2010	FY2011	FY2012	FY2013
Net Premiums Earned	3,747,416	3,731,312	3,733,023	3,733,023
Losses Paid	1,759,655	2,214,889	6,449,192	3,335,953
Loss Expenses Paid	26,146	61,956	26,212	20,722
Operations	367,755	359,711	406,646	468,343
Commercial Insurance Premiums	2,312,381	2,408,612	2,456,942	2,732,544
Total Losses and Expenses	4,465,937	5,045,168	9,338,992	6,557,562
Net Income (Loss) Before Investments	(718,521)	(1,313,856)	(5,605,969)	(2,824,539)
Net Investment Income Earned	27,474	32,389	10,050	2,334
Insurance Recoveries	774,962	4,225,938	3,548,289	177,079
Net Income (Loss)	83,915	2,944,471	(2,047,630)	(2,645,127)
Total Assets	1,022,477	3,051,643	2,134,852	996,576
Non-Claim Liabilities	285,242	211,567	172,563	171,972
Claims Liabilities	2,634,710	2,651,471	3,093,409	1,686,057
Total Liabilities	2,919,952	2,863,038	3,265,972	1,858,029
Reserves (Deficit)	(1,897,475)	188,604	(1,131,120)	(861,453)

Figure 25



Property Insurance (cont'd)

Property Loss Trends

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

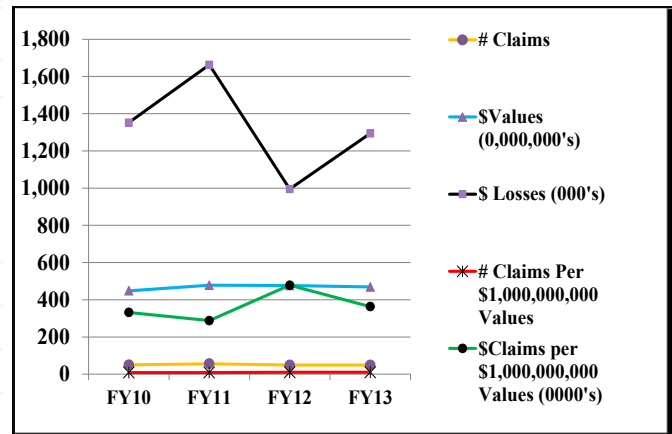
Figure 26

Property Claims Trends

as of 06/30

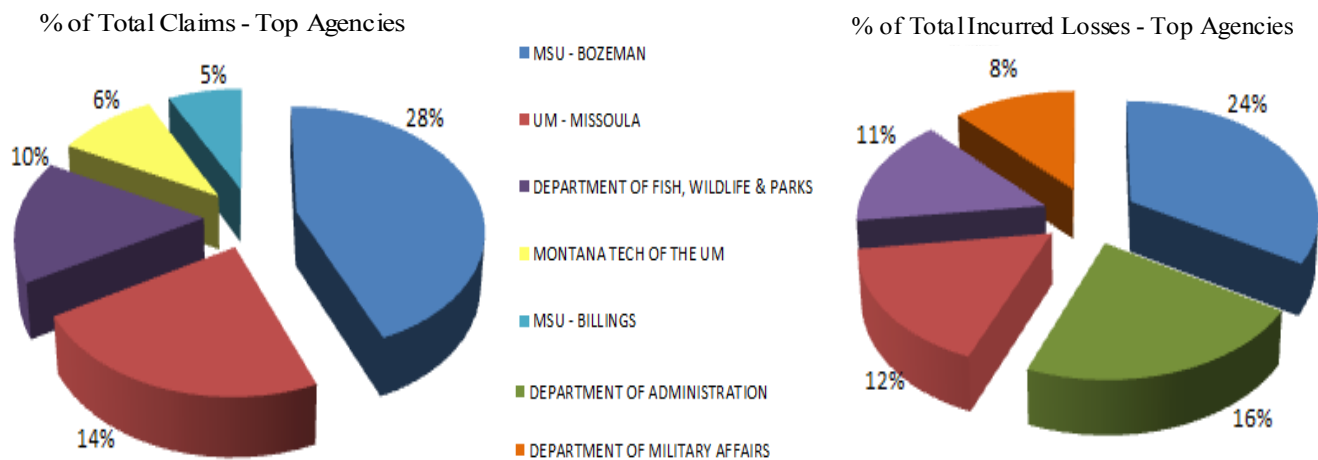
Fiscal Year	# Claims	\$Values (0,000,000's)	\$ Losses (000's)	\$Claims per \$1,000,000,000 Values	
				# Claims Per \$1,000,000,000 Values	\$Claims per \$1,000,000,000 Values
FY10	50	448	1,352	9	332
FY11	56	478	1,663	9	288
FY12	49	476	995	10	478
FY13	49	469	1,294	10	363

Figure 27



Between FY 2008 and FY 2012, the University System accounted for the most property claims and the most incurred property losses (Figure 28 below).

Figure 28



Property Discussion

State agencies and universities experienced no major property losses during FY 2013, however, there were many small claims for damage arising from lighting, hail, fire, and broken sprinklers/plumbing devices. The Risk Management & Tort Defense Division is working with the involved agencies to repair the damage. In addition, the division incurred significant expense in resolving large property losses from prior years including hail, fire, flood, and wind damage.

Property
Total Losses Incurred by Agency - FY2008 through FY2012

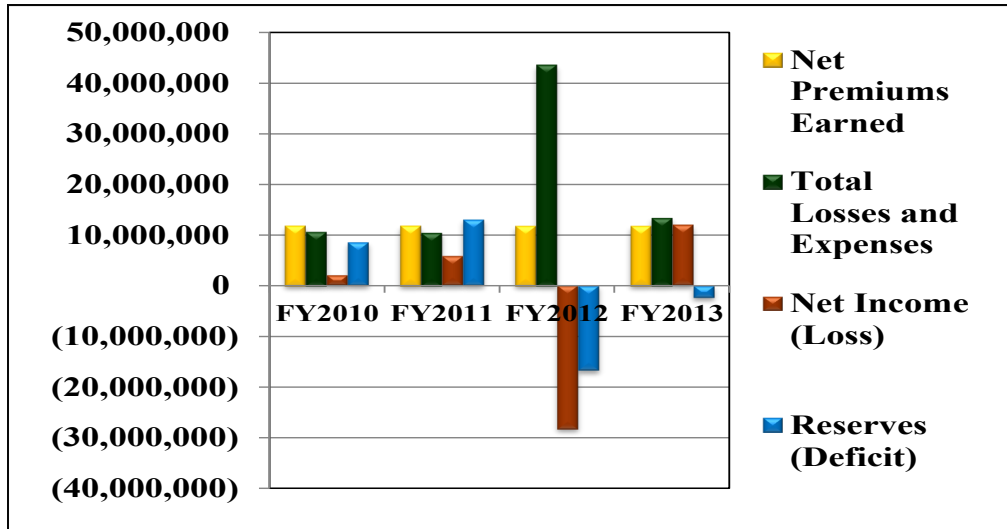
REF	SUBDIVISION	TIV* (\$000)	# CLAIMS	\$ INCURRED	FREQUENCY (Claims /\$1M VAL)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./100VAL)
1	AUDITORS OFFICE	\$ 3,346	0	\$ 0	0.000	\$ 0	\$ 0.000
2	BOARD OF PUBLIC EDUCATION	128	0	0	0.000	0	0.000
3	COMMISSIONER OF POLITICAL PRACTICES	0	0	0	0.000	0	0.000
4	CONSENSUS COUNCIL	0	0	0	0.000	0	0.000
5	DEPARTMENT OF ADMINISTRATION (DOA)	1,880,382	5	901,659	0.003	180,332	0.048
6	DOA, OFFICE OF PUBLIC DEFENDER	17,585	1	416	0.057	416	0.002
7	DOA, PUBLIC EMPLOYEE RETIREMENT	3,509	0	0	0.000	0	0.000
8	DOA, STATE FUND	121,637	1	0	0.008	0	0.000
9	DOA, TEACHER'S RETIREMENT	0	0	0	0.000	0	0.000
10	DEPARTMENT OF AGRICULTURE	19,177	0	0	0.000	0	0.000
11	DEPARTMENT OF COMMERCE	147,312	2	51,724	0.014	25,862	0.035
12	DEPARTMENT OF COMMERCE, HERITAGE	156,753	2	1,565	0.013	783	0.001
13	DEPARTMENT OF CORRECTIONS (DOC)	71,263	2	41,132	0.028	20,566	0.058
14	DOC, BOARD OF PARDONS	480	0	0	0.000	0	0.000
15	DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	109,650	2	7,223	0.018	3,611	0.007
16	DOC, PRISON INDUSTRIES	177,536	0	0	0.000	0	0.000
17	DOC, RIVERSIDE YOUTH CORRECTIONS	41,427	3	106,695	0.072	35,565	0.258
18	DOC, STATE PRISON	480,180	2	248,043	0.004	124,022	0.052
19	DOC, TREASURE STATE CORRECTIONS	21,296	0	0	0.000	0	0.000
20	DOC, WOMEN'S CORRECTIONAL CENTER	137,659	2	786	0.015	393	0.001
21	DEPARTMENT OF ENVIRONMENTAL QUALITY	30,133	1	141,806	0.033	141,806	0.471
22	DEPARTMENT OF FISH, WILDLIFE & PARKS	369,614	26	617,153	0.070	23,737	0.167
23	DEPARTMENT OF JUSTICE	177,134	6	36,450	0.034	6,075	0.021
24	DEPARTMENT OF JUSTICE, CRIME CONTROL	1,140	0	0	0.000	0	0.000
25	DEPARTMENT OF LABOR & INDUSTRY	89,847	5	38,328	0.056	7,666	0.043
26	DEPARTMENT OF LIVESTOCK	3,242	2	4,108	0.617	2,054	0.127
27	DEPARTMENT OF MILITARY AFFAIRS	741,871	7	485,326	0.009	69,332	0.065
28	DEPARTMENT OF NATURAL RESOURCES (DNRC)	243,352	1	1,256	0.004	1,256	0.001
29	DNRC, SWAN RIVER FOREST CAMP	19,314	0	0	0.000	0	0.000
30	DEPARTMENT OF REVENUE	125,755	2	10,828	0.016	5,414	0.009
31	DEPARTMENT OF TRANSPORTATION	960,650	9	293,839	0.009	32,649	0.031
32	GOVERNOR'S OFFICE	0	0	0	0.000	0	0.000
33	HISTORICAL SOCIETY	38,724	0	0	0.000	0	0.000
34	LEGISLATIVE BRANCH	18,094	1	700	0.055	700	0.004
35	LEGISLATIVE BRANCH, CONSUMER COUNSEL	593	0	0	0.000	0	0.000
36	MONTANA ARTS COUNCIL	541	1	5	1.847	5	0.001
37	MONTANA STATE LIBRARY	8,629	0	0	0.000	0	0.000
38	OFFICE OF PUBLIC INSTRUCTION	5,154	0	0	0.000	0	0.000
39	PUBLIC HEALTH & HUMAN SERVICES (PHHS)	217,773	2	30,615	0.009	15,307	0.014
40	PHHS, MENTAL HEALTH NURSING CENTER	49,066	1	40,566	0.020	40,566	0.083
41	PHHS, MONTANA CHEMICAL DEPENDENCY CTR	2,462	2	0	0.812	0	0.000
42	PHHS, MONTANA DEVELOPMENTAL CENTER	172,952	0	22,443	0.000	0	0.013
43	PHHS, STATE HOSPITAL	288,359	0	0	0.000	0	0.000
44	PHHS, VETERANS' HOME - COLUMBIA FALLS	86,457	0	0	0.000	0	0.000
45	PHHS, VETERANS' HOME - GLENDALE	41,195	1	3,350	0.024	3,350	0.008
46	PUBLIC SERVICE REGULATION (COMMISSION)	2,589	0	0	0.000	0	0.000
47	SECRETARY OF STATE	3,436	0	0	0.000	0	0.000
48	BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	108,134	3	8,310	0.028	2,770	0.008
49	SUPREME COURT - JUDICIARY	37,651	0	0	0.000	0	0.000
50	UNIVERSITY, HIGHER EDUCATION	3,555	0	0	0.000	0	0.000
51	UNIVERSITY, HELENA COLLEGE	205,479	2	1,527	0.010	764	0.001
52	UNIVERSITY, MSU - BILLINGS	1,128,092	12	227,103	0.011	18,925	0.020
53	UNIVERSITY, MSU - BOZEMAN	6,143,479	71	1,377,145	0.012	19,396	0.022
54	UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	213,037	7	233,208	0.033	33,315	0.109
55	UNIVERSITY, MSU - BOZEMAN, EXT SERVS.	3,631	0	0	0.000	0	0.000
56	UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	1,453	0	0	0.000	0	0.000
57	UNIVERSITY, MSU - NORTHERN	535,154	9	33,023	0.017	3,669	0.006
58	UNIVERSITY, MONTANA TECH OF THE UM	966,553	16	77,574	0.017	4,848	0.008
59	UNIVERSITY, MSU COLLEGE OF TECH - GREAT FALLS	293,885	2	0	0.007	0	0.000
60	UNIVERSITY, UM - MISSOULA	5,129,296	37	689,859	0.007	18,645	0.013
61	UNIVERSITY, UM - MISSOULA, FOREST./CONS	0	0	0	0.000	0	0.000
62	UNIVERSITY, WESTERN MONTANA	520,127	9	27,450	0.017	3,050	0.005
	TOTAL	22,376,924	257	5,761,216	0.011	22,417	0.026

* 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 2010 to FY 2013.

Total Losses and Expenses

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

Total losses and expenses paid in FY 2013 (\$13.4 million) were above average from the prior three fiscal years.

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



Net Income

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

Above average losses and expenses in FY 2013 were offset by a \$13.4 million supplemental appropriation from the Montana Legislature.

Therefore, the Risk Management & Tort Defense Division realized net income of \$11.9 million in FY 2013 (Figures 30 and 31).

Liabilities and Reserves

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

The Libby Asbestos Settlement (\$26.8 million) in FY 2012 represented the largest settlement in the history of the state property/casualty insurance fund.

The 2015 biennial legislature reduced the division's supplemental appropriation for the Libby settlement from \$26.8 million to \$13.4 million.

Therefore, reserves declined from \$12.9 million in FY 2011 to an unfunded liability of \$2.3 million in FY 2013.

Financials

Figure 30

**State of Montana
Statement of Changes in Revenues, Expenses, and Reserves
Property/Casualty Insurance Fund
June 30, 2013**

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

	FY 2010	FY 2011	FY 2012	FY 2013
Net Premiums Earned	11,753,020	11,738,304	11,726,818	11,726,818
Losses Paid	3,913,847	4,072,486	36,367,067	5,943,809
Loss Expenses Paid	2,163,656	1,704,892	2,251,389	2,056,039
Operations	1,866,868	1,826,034	2,064,298	2,377,495
Commercial Insurance Premiums	2,768,869	2,924,087	2,848,769	3,073,679
Total Losses and Expenses	10,713,239	10,527,499	43,531,523	13,451,021
Net Income (Loss) Before Investments	1,039,781	1,210,805	(31,804,705)	(1,724,203)
Net Investment Income Earned	80,443	94,834	29,425	6,834
Supplemental Appropriation				13,400,000
Insurance Recoveries	853,161	4,469,913	3,622,467	230,749
Net Income (Loss)	1,973,385	5,775,552	(28,152,812)	11,913,379
Prior Years Assets	25,602,190	26,670,977	32,031,223	3,509,251
Aggregate Write-Ins	(904,598)	(415,306)	(369,160)	6,851
Total Assets	26,670,977	32,031,223	3,509,251	15,429,481
Non-Claim Liabilities	1,448,000	1,074,000	876,000	873,000
Claims Liabilities	16,673,977	17,962,223	19,296,543	16,909,481
Total Liabilities	18,121,977	19,036,223	20,172,543	17,782,481
Reserves	8,549,000	12,995,000	(16,663,000)	(2,353,000)

Financials (cont'd)

**Figure 31
State of Montana
Statement of Reserves
Property/Casualty Insurance Fund
June 30, 2013**

	FY 2012	FY 2013
ASSETS		
Current assets		
Cash and equivalents	3,028,000	14,653,000
Receivables (net)	1,000	2,000
Due from other funds	0	0
Due from component units	0	0
Securities lending collateral	6,000	31,000
Other current assets		
Total current assets	3,035,000	14,686,000
Noncurrent assets		
Long term investments	45,000	147,000
Capital assets	430,000	596,000
Total noncurrent assets	475,000	743,000
Total assets	3,510,000	15,429,000
LIABILITIES		
Current liabilities		
Accounts payable	334,000	296,000
Due to other funds	13,000	0
Due to component units	87,000	0
Securities lending liability	6,000	31,000
Estimated insurance claims	3,241,000	3,364,000
Compensated absences payable	74,000	92,000
Total current liabilities	3,754,000	3,783,000
Noncurrent liabilities		
Estimated insurance claims	16,056,000	13,545,000
Compensated absences payable	133,000	172,000
OPEB Implicit Rate Subsidy	231,000	282,000
Total noncurrent liabilities	16,419,000	13,999,000
Total liabilities	20,174,000	17,782,000
RESERVES		
Invested in capital assets, net of related debt	430,000	596,000
Unrestricted	(17,093,000)	(2,949,000)
TOTAL RESERVES	(16,663,000)	(2,353,000)



University of Montana
Missoula



Giant Springs State Park
Great Falls



MSU Black Box Theater
Bozeman

This report is a product of the Department of Administration,
Risk Management & Tort Defense Division, which is also responsible for its content.
For additional information, please contact the Risk Management & Tort Defense Division (406) 444-2421.
Alternative accessible formats of this report will be provided on request. Persons who need an alternative
format should contact the Risk Management and Tort Defense Division, Department of Administration,
1625 11th Ave, PO Box 200124, Helena, MT 59620-0124.
Telephone 406- 444-2421. Those using a TTY may call through the Montana Relay Service at 711