

# ANNUAL REPORT

## FISCAL YEAR

# 2014



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# Message From the Administrator

Every morning, a gazelle awakens knowing that it must outrun the fastest lion or it could be killed.

Every morning, a lion wakes up knowing that it must outrun the slowest gazelle or it could starve to death. The moral of the story.....it doesn't matter whether you are a gazelle or a lion but when the sun comes up in the morning, you'd better be running.

Division staff, client agencies, and our business partners are running faster and further than ever before to address the myriad of risks encountered day to day in state government and higher education.

## *Claims*

In the aftermath of an historic flash flood at Bannack State Park, division staff, FWP staff, and our property restoration business partners successfully repaired, renovated, and/or restored over 60 historic structures in just six weeks. Bannack is back!

State agencies and universities experienced numerous other losses arising from hail, flood, fire, highway maintenance/design, weather, personal injury, and vehicle accidents. The division's claims and legal staff responded in a timely, conscientious, and cost-effective manner.

## *Loss Prevention*

FY 2014 was a landmark year for the division's loss prevention staff. A record number of inspections (159) were conducted at key locations statewide to prevent/mitigate perils and hazards that may cause losses.

An additional 300 overview level inspections were conducted at properties in Virginia City and Nevada City. A record number of state and university employees (2,300) attended over 100 loss prevention training programs throughout Montana. Most importantly, the frequency and severity of many losses is declining.

## *Insurance*

Commercial insurance proposals were sought and obtained for foreign insurance, special risk, accidental death & dismemberment, inland marine, fine art, and professional liability risks.

In addition, the state received a 'no claims discount' on its fine art insurance program for having excellent loss experience.

The division effectively mitigated proposed increases in the cost of the state's commercial excess property insurance rates by taking a higher deductible and eliminating the annual aggregate limit.

## *Towards the Future*

Insurance carrier mergers, disasters and emergencies, worldwide catastrophes, insurance brokerage consolidations, terrorism, cyber/information security threats, violence at work, target funding ratios, and more complex federal and state regulatory requirements challenge us to 'Elevate', to 'Rise Up', and to run faster and further.

WE LOOK FORWARD TO THE NEW YEAR!

THANK YOU FOR YOUR SUPPORT!

## Department of Administration Mission Statement

To serve as the backbone of state government by providing leading edge services to our customers and business partners.

## 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

<b>Administration</b>	<b>Ext.</b>
Administrator, State Risk Manager - <a href="#">Brett Dahl</a>	3687
Chief Defense Counsel - <a href="#">Bill Gianoulis</a>	2438
Accounting Technician - <a href="#">Cathy Meidinger</a>	3600
Administrative Assistant - <a href="#">Deb Lopuch</a>	9843
Legal Secretary - <a href="#">Jaime Rogers</a>	4516
<b>Legal Defense</b>	
Associate Counsel - <a href="#">Rebekah French</a>	2485
Associate Counsel - <a href="#">Mike King</a>	2403
Associate Counsel - <a href="#">Ann Brodsky</a>	4507
Associate Counsel - <a href="#">Pamela Snyder-Varns</a>	1816
Associate Counsel - <a href="#">Margaret Sampsel</a>	3562
Legal Investigator - <a href="#">Lori Caplis</a>	2512
<b>Loss Prevention</b>	
Property - <a href="#">Aric Curtiss</a>	3486
Auto, Other - <a href="#">Julie Ouzts</a>	0106
Property, Auto, Other - <a href="#">Mike Anderson</a>	2617
<b>Insurance/Finance</b>	
Administrator, State Risk Manager - <a href="#">Brett Dahl</a>	3687
Risk Finance Specialist - <a href="#">Kristie Rhodes</a>	4509
<b>Auto/Aviation/General Liability/Property Claims</b>	
Claims Specialist - <a href="#">Gordon Amsbaugh</a>	2422
Claims Specialist - <a href="#">Kirk Barfuss</a>	6498
Claims Specialist - <a href="#">Jennie Younkin</a>	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 Management Network

*The Risk Management 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
Vacant	Vacant
Tana Wilcox	Risk Management, Northwestern Energy
Vacant	Vacant
Jacquie Duhamel	Risk Manager, Montana Rail Link
Brett Dahl	Administrator, Risk Management & Tort Defense Division



# FY 2014 Achievements

- Property loss prevention staff conducted a record number of underwriting inspections at 159 locations owned or leased by 16 client agencies/universities. An additional 300 overview level inspections were conducted at properties in Virginia City, Nevada City, and Bannack State Park.
- In the aftermath of a historic flash flood at Bannack State Park, the division's insurance carriers and property restoration partners assisted Fish, Wildlife, and Parks staff to restore over 60 historic structures. The park re-opened in only six weeks.
- Approximately 2,249 state and university employees attended 111 risk management training programs sponsored by division loss prevention consultants.
- The division developed a new winter driving loss prevention course for state and university clients. Loss prevention staff successfully revised and updated all of the division's loss prevention training courses.
- A record number of state agencies and universities (28) participated in the state Property Loss Management Program.
- The Risk Management & Tort Defense Division awarded approximately \$520,000 in loss mitigation grants for projects, equipment, and training that prevent or mitigate potential insured losses.
- The state received a 'no claims' discount on its fine art insurance for having excellent loss experience.
- Commercial insurance proposals were sought and obtained for foreign insurance, special risk, accidental death & dismemberment, inland marine, fine art, and professional liability.
- The division effectively mitigated proposed increases in the cost of the state's commercial excess property insurance rates by taking a higher deductible and eliminating the annual aggregate limit.
- The division received a worldwide award from the Risk & Insurance Management Society (RIMS) for innovative and high quality risk management programs.





# 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 2014, the Risk Management & Tort Defense Division conducted 111 training programs to state agencies and universities across the state including:

- Defensive driving
- Driver's Safety for Campuses
- Preventing distracted driving
- Fraud prevention
- Workplace violence prevention
- Infrared & Ultrasonic Technologies

Approximately 2,249 state employees attended these programs. The Division also developed a new winter driving course. State agencies and universities earned auto insurance discounts of \$106,342 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*

Fiscal year 2014 was a record setting year for the Risk Management & Tort Defense Division's loss prevention staff.

Underwriting surveys (i.e. property inspections) were conducted at more than 159 insured structures representing 16 client agencies/universities.

The sites visited ranged from the Helena Data Center to grain processing facilities at MSU Agricultural Experiment Center (Moccasin) and many other intriguing locations.

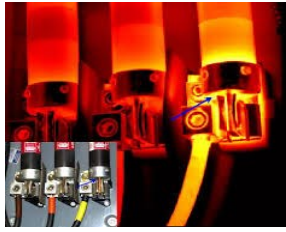
Loss prevention staff also conducted overview level surveys on 300 additional insured structures at Virginia City, Nevada City, and Bannack State Park.

Loss prevention staff introduced a new fire hydrant testing service which measures deficiencies in vital water flow and pressure and produces recommendations for mitigation. Nine separate hydrants were tested on the Montana State Prison complex in July of 2013.

The Risk Management & Tort Defense Division provided 247 recommendations for the mitigation of perils identified in property underwriting surveys.



# Loss Control Programs (cont'd)



## *Infrared Thermographic and Ultrasonic Surveys*

The Risk Management & Tort Defense Division's thermographic and ultrasonic survey program celebrated its fifth anniversary.

The program continued to grow in popularity and success through fiscal year 2014. Some 57 insured structures were surveyed through the year.

Nearly half of these surveys were scheduled in response to demands for the service from client agencies and universities.....another evidence of the appreciation of the effectiveness of this service.

The division provided 77 recommendations for the mitigation of perils identified through infrared thermographic and ultrasonic surveys.

## *Boiler Inspections*

The Risk Management & Tort Defense Division provided numerous recommendations for the mitigation of perils identified through property underwriting surveys.

As pressurized vessels, boilers can pose a significant risk. The state property/casualty insurance program provides insurance coverage for hundreds of 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 inspected boilers.

## *Property Appraisals*

Beginning in the spring of 2014, the division conducted appraisals of 187 insured state/university buildings; each estimated to be valued in excess of \$5,000,000. These appraisals incorporated valuation factors such as square footage and occupancy type to determine the replacement cost of buildings and their standard content.

The Risk Management & Tort Defense Division uses its own formula to verify appraised values on a yearly basis to assure that they are accurate. Preliminary numbers suggest that RMTD's valuation model, remarkably, varied only 3.66% from the appraisal valuations.

Final work with the appraisals will be completed early in fiscal year 2015 with new values entered during the next reporting cycle.

## *Recall Notifications*

The division's loss prevention staff monitored recall notifications and forwarded appropriate information to agency clients as unsafe products were identified through product recalls.

These notifications allow the state to identify and remedy concerns including; but not limited to, the safe replacement of recalled products.

During FY 2014, recall notifications were provided for space heaters, power strips, smoke detectors, carbon monoxide alarms, and boilers.



# Loss Control Programs (cont'd)



## ***Loss Mitigation Grants Program***

Through the state loss mitigation grant program, financial awards 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 2014, 39 grants, whose monetary value was approximately \$520,000, were awarded to state agencies and universities.

Six grants totaling almost \$89,000 were awarded for security upgrades in state and campus buildings.

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

Five grants totaling over \$53,000 were spent for fire warning and protection systems.

Three grants totaling almost \$20,000 were used to replace 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 Insurance Premium Discount Program***

During FY 2014, 28 clients participated in the Property Loss Management Insurance Premium Discount Program.



In FY 2014 the number of participants remained stable. These participants earned 81.6% of all eligible discounts available compared to 79.6% in FY 2013.

The increasing number of participants and the size of the premium discounts awarded may be indicators of the success of this program.



## ***Building Plan Reviews***

The Risk Management & Tort Defense Division's loss prevention staff and consultants reviewed construction/renovation plans for eight projects.

Recommendations were provided to mitigate potential losses through fire detection, notification processes, and fire control systems. Other recommendations included the re-routing of lines and the modified placement of fire sprinkler heads for improved physical protection of building loss prevention systems.

In summary, the Risk Management & Tort Defense Division provided 11 recommendations for the mitigation of perils identified through the review of building construction/renovation plans and related materials.

# 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 2014. The Risk Management & Tort Defense Division experienced few insurance premium rate increases and also realized 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.



# Auto Liability Insurance Program

State agencies and universities own or lease over 6,200 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**



<b>Vehicles Insured for Liability</b>	
Passenger Cars	2,192
Buses	35
15 Passenger Vans	21
Light Trucks	2,418
Medium Trucks	507
Heavy Trucks	782
Motorcycles	<u>262</u>
<b>Total</b>	<b>6,217</b>

## *Auto Liability Claims Activity*

Figure 2 below provides a summary of auto liability claims activity for FY 2013 and FY 2014.

**Figure 2**

<b>Auto Liability Claims Activity</b>			
	as of 06/30		
	# Claims Received	# Claims Resolved	# Claims Open
FY 2013	148	149	48
FY 2014	189	190	47

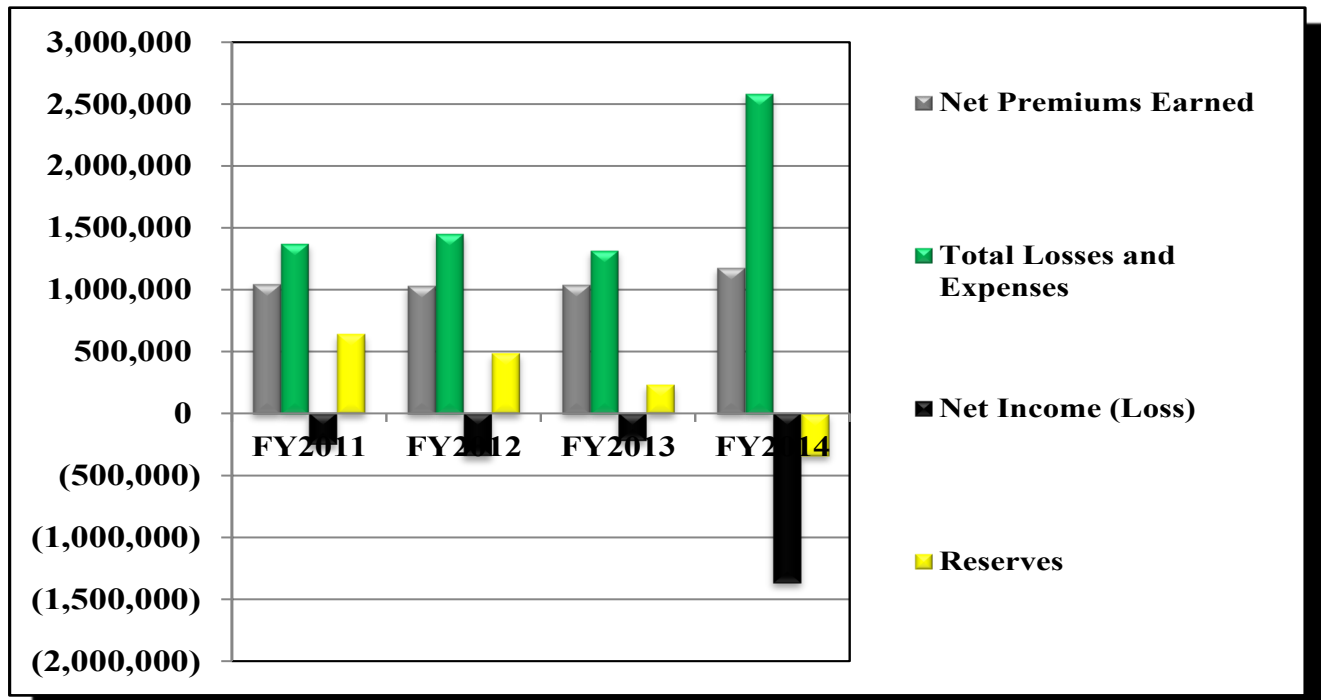


# Auto Liability Insurance Program (cont'd)

Figure 3

Auto Revenues, Expenses, and Reserve History				
	FY2011	FY2012	FY2013	FY2014
<b>Net Premiums Earned</b>	<b>1,044,541</b>	<b>1,031,344</b>	<b>1,037,672</b>	<b>1,174,094</b>
Losses Incurred	995,437	1,039,689	866,656	1,914,525
Loss Expenses Incurred	62,907	56,881	40,480	142,552
Operations	314,626	355,679	410,009	523,796
Commercial Insurance Premiums	0	0	0	0
<b>Total Losses and Expenses</b>	<b>1,372,970</b>	<b>1,452,249</b>	<b>1,317,144</b>	<b>2,580,873</b>
<b>Net Income (Loss) Before Investments</b>	<b>(328,429)</b>	<b>(420,905)</b>	<b>(279,473)</b>	<b>(1,406,779)</b>
Net Investment Income Earned	8,753	2,716	631	586
Insurance Recoveries	63,475	71,083	53,550	42,505
<b>Net Income (Loss)</b>	<b>(256,201)</b>	<b>(347,106)</b>	<b>(225,292)</b>	<b>(1,363,688)</b>
<b>Total Assets</b>	<b>1,846,757</b>	<b>1,749,651</b>	<b>1,774,359</b>	<b>1,310,671</b>
Non-Claim Liabilities	185,051	150,935	150,418	224,852
Claims Liabilities	1,024,881	1,114,881	1,390,689	1,424,127
<b>Total Liabilities</b>	<b>1,209,932</b>	<b>1,265,816</b>	<b>1,541,107</b>	<b>1,648,979</b>
	0	0	0	0
<b>Reserves</b>	<b>636,826</b>	<b>483,835</b>	<b>233,251</b>	<b>(338,308)</b>

Figure 4



# Auto Liability Insurance Program (cont'd)

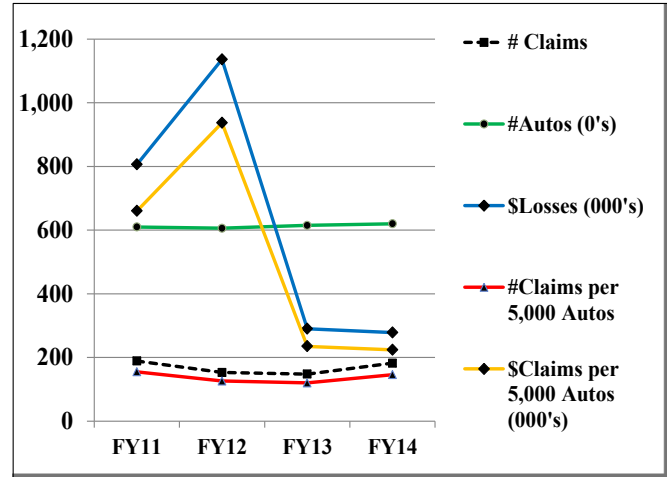
## Auto Liability Loss Trends

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

Figure 5

Fiscal Year	# Claims	#Autos (0's)	\$Losses (000's)	#Claims per 5,000 Autos	\$Claims per 5,000 Autos (000's)
FY11	189	610	806	155	660
FY12	153	606	1,136	126	937
FY13	148	615	290	120	235
FY14	182	620	278	146	224

Figure 6



Between FY 2009 and FY 2013, the Department(s) of Transportation, the University System, and Public Health accounted for the most auto liability claims and incurred losses (Figure 7 below).

% of Total Claims - Top Agencies

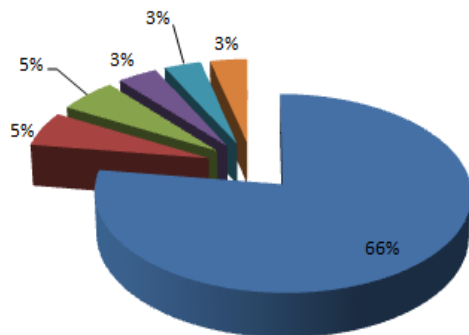
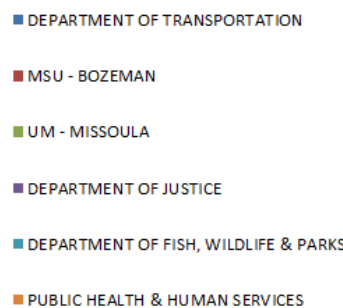


Figure 7

% of Total Incurred Losses - Top Agencies



## Auto Liability Discussion

The Department(s) of Transportation, University System, Justice, Public Health and Fish, Wildlife, and Parks accounted for most auto liability claims and incurred losses during FY 2014. 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 - FY2009 through FY2013**

REF	SUBDIVISION	#VEHICLES*	# CLAIMS	\$ INCURRED	FREQUENCY (Claims /100 VEH)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./100VEH)
1	AUDITORS OFFICE	14	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)	311	8	20,435	2.57	2,554	66
5	DOA, OFFICE OF PUBLIC DEFENDER	42	1	2,088	2.38	2,088	50
6	DOA, PUBLIC EMPLOYEE RETIREMENT	0	0	0	0.00	0	0
7	DOA, STATE FUND	119	3	2,479	2.52	826	21
8	DOA, TEACHER'S RETIREMENT	0	0	0	0.00	0	0
9	DEPARTMENT OF AGRICULTURE	251	8	47,609	3.19	5,951	190
10	DEPARTMENT OF COMMERCE	12	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)	121	10	57,782	8.26	5,778	478
13	DOC, BOARD OF PARDONS	0	0	0	0.00	0	0
14	DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	61	0	0	0.00	0	0
15	DOC, PRISON INDUSTRIES	687	0	0	0.00	0	0
16	DOC, RIVERSIDE YOUTH CORRECTIONS	17	0	0	0.00	0	0
17	DOC, STATE PRISON	553	3	7,730	0.54	2,577	14
18	DOC, TREASURE STATE CORRECTIONS	8	0	0	0.00	0	0
19	DOC, WOMEN'S CORRECTIONAL CENTER	15	0	0	0.00	0	0
20	DEPARTMENT OF ENVIRONMENTAL QUALITY	312	2	1,897	0.64	949	6
21	DEPARTMENT OF FISH, WILDLIFE & PARKS	9,632	26	31,317	0.27	1,204	3
22	DEPARTMENT OF JUSTICE	2,529	28	139,150	1.11	4,970	55
23	DEPARTMENT OF JUSTICE, CRIME CONTROL	4	0	0	0.00	0	0
24	DEPARTMENT OF LABOR & INDUSTRY	328	12	81,980	3.66	6,832	250
25	DEPARTMENT OF LIVESTOCK	349	10	94,163	2.87	9,416	270
26	DEPARTMENT OF MILITARY AFFAIRS	434	3	10,668	0.69	3,556	25
27	DEPARTMENT OF NATURAL RESOURCES (DNRC)	2,419	6	9,943	0.25	1,657	4
28	DNRC, SWAN RIVER FOREST CAMP	0	0	0	0.00	0	0
29	DEPARTMENT OF REVENUE	16	3	11,604	18.75	3,868	725
30	DEPARTMENT OF TRANSPORTATION	21,226	556	735,576	2.62	1,323	35
31	GOVERNOR'S OFFICE	4	0	0	0.00	0	0
32	HISTORICAL SOCIETY	4	2	19,839	50.00	9,919	4,960
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	12	0	0	0.00	0	0
37	OFFICE OF PUBLIC INSTRUCTION	73	1	370	1.37	370	5
38	PUBLIC HEALTH & HUMAN SERVICES (PHHS)	416	26	451,964	6.25	17,383	1,086
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	220	3	4,010	1.36	1,337	18
42	PHHS, STATE HOSPITAL	177	1	1,640	0.56	1,640	9
43	PHHS, VETERANS' HOME - COLUMBIA FALLS	55	0	0	0.00	0	0
44	PHHS, VETERANS' HOME - GLENDIVE	29	1	906	3.45	906	31
45	PUBLIC SERVICE REGULATION (COMMISSION)	4	0	0	0.00	0	0
46	SECRETARY OF STATE	10	0	0	0.00	0	0
47	BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	179	1	233	0.56	233	1
48	SUPREME COURT - JUDICIARY	293	3	2,167	1.02	722	7
49	UNIVERSITY, HIGHER EDUCATION	0	0	0	0.00	0	0
50	UNIVERSITY, HELENA COLLEGE	170	1	5,572	0.59	5,572	33
51	UNIVERSITY, MSU - BILLINGS	359	8	13,521	2.23	1,690	38
52	UNIVERSITY, MSU - BOZEMAN	1,798	42	1,019,971	2.34	24,285	567
53	UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	1,427	10	35,487	0.70	3,549	25
54	UNIVERSITY, MSU - BOZEMAN, EXT SERVS.	120	1	1,872	0.83	1,872	16
55	UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	196	2	5,477	1.02	2,739	28
56	UNIVERSITY, MSU - NORTHERN	880	11	134,809	1.25	12,255	153
57	UNIVERSITY, MONTANA TECH OF THE UM	358	6	5,273	1.68	879	15
58	UNIVERSITY, MSU COLLEGE OF TECH - GREAT FALLS	59	0	0	0.00	0	0
59	UNIVERSITY, UM - MISSOULA	2,390	41	203,475	1.72	4,963	85
60	UNIVERSITY, UM - MISSOULA, FOREST./CONS	0	1	2,118	0.00	2,118	0
61	UNIVERSITY, WESTERN MONTANA	164	3	10,156	1.83	3,385	62
	<b>TOTAL</b>	<b>48,957</b>	<b>845</b>	<b>3,177,273</b>	<b>1.73</b>	<b>3,760</b>	<b>65</b>

\* **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**



<b>Vehicles Insured for Physical Damage</b>	
2011	2,169
2012	2,272
2013	2,403
2014	2,520
----	----

## *Auto Physical Damage Claims Activity*

Figure 9 below provides a summary of auto physical damage claims activity for FY 2013 and FY 2014.

**Figure 9**

<b>Auto Physical Damage Claims Activity</b>			
as of 06/30			
	# Claims Received	# Claims Resolved	# Claims Open
FY 2013	221	205	55
FY 2014	298	252	101

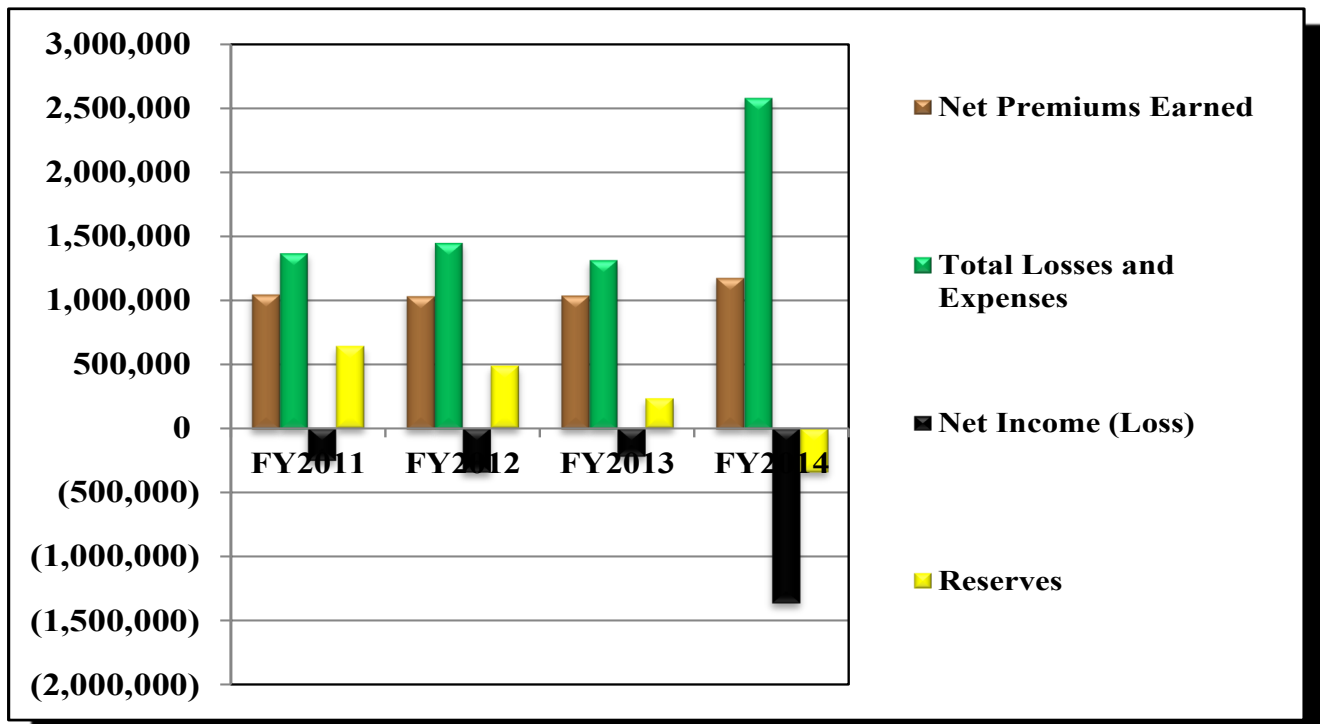


# Auto Physical Damage Insurance (cont'd)

Figure 10

Auto Revenues, Expenses, and Reserve History				
	FY2011	FY2012	FY2013	FY2014
<b>Net Premiums Earned</b>	<b>1,044,541</b>	<b>1,031,344</b>	<b>1,037,672</b>	<b>1,174,094</b>
Losses Incurred	995,437	1,039,689	866,656	1,914,525
Loss Expenses Incurred	62,907	56,881	40,480	142,552
Operations	314,626	355,679	410,009	523,796
Commercial Insurance Premiums	0	0	0	0
<b>Total Losses and Expenses</b>	<b>1,372,970</b>	<b>1,452,249</b>	<b>1,317,144</b>	<b>2,580,873</b>
<b>Net Income (Loss) Before Investments</b>	<b>(328,429)</b>	<b>(420,905)</b>	<b>(279,473)</b>	<b>(1,406,779)</b>
Net Investment Income Earned	8,753	2,716	631	586
Insurance Recoveries	63,475	71,083	53,550	42,505
<b>Net Income (Loss)</b>	<b>(256,201)</b>	<b>(347,106)</b>	<b>(225,292)</b>	<b>(1,363,688)</b>
<b>Total Assets</b>	<b>1,846,757</b>	<b>1,749,651</b>	<b>1,774,359</b>	<b>1,310,671</b>
Non-Claim Liabilities	185,051	150,935	150,418	224,852
Claims Liabilities	1,024,881	1,114,881	1,390,689	1,424,127
<b>Total Liabilities</b>	<b>1,209,932</b>	<b>1,265,816</b>	<b>1,541,107</b>	<b>1,648,979</b>
	0	0	0	0
<b>Reserves</b>	<b>636,826</b>	<b>483,835</b>	<b>233,251</b>	<b>(338,308)</b>

Figure 11



# Auto Physical Damage Insurance (cont'd)

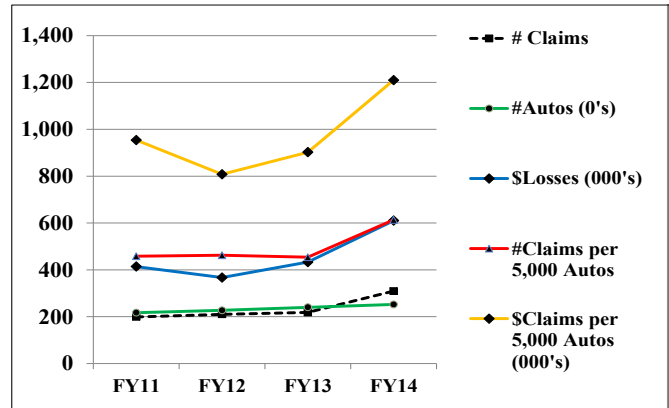
## Auto Physical Damage Trends

The number of auto physical damage losses per 1,000 autos is trending upward due to an increase in the number of vehicles insured and the values of vehicles insured. The dollars incurred per 1,000 autos each fiscal year is also trending upward (Figures 12 and 13 below).

**Figure 12**

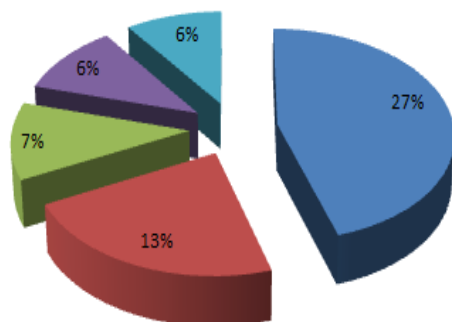
Auto Physical Damage Claims Trends as of 06/30					
Fiscal Year	# Claims	#Autos (0's)	\$Losses (000's)	#Claims per 5,000 Autos	\$Claims per 5,000 Autos (000's)
FY11	199	217	414	458	954
FY12	210	227	367	462	808
FY13	218	240	433	454	902
FY14	309	252	610	613	1,210

**Figure 13**



Between FY 2009 and FY 2013, 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 Justice, Public Health and the University System accounted for most auto physical damage claims and incurred losses during FY 2014. 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 - FY2009 through FY2013

REF	SUBDIVISION	#VEHICLES*	# CLAIMS	\$ INCURRED	FREQUENCY (Claims /100 VEH)	SEVERITY (Sinc./Claim)	LOSS RATE (Sinc./100VEH)
1	AUDITORS OFFICE	14	3	\$ 919	21.43	\$ 306	\$ 66
2	BOARD OF PUBLIC EDUCATION	0	0	0	0.00	0	0
3	COMMISSIONER OF POLITICAL PRACTICES	0	1	753	0.00	753	0
4	DEPARTMENT OF ADMINISTRATION (DOA)	311	21	18,053	6.75	860	58
5	DOA, OFFICE OF PUBLIC DEFENDER	42	17	23,803	40.48	1,400	567
6	DOA, PUBLIC EMPLOYEE RETIREMENT	0	0	0	0.00	0	0
7	DOA, STATE FUND	119	12	30,333	10.08	2,528	255
8	DOA, TEACHER'S RETIREMENT	0	1	0	0.00	0	0
9	DEPARTMENT OF AGRICULTURE	251	10	21,675	3.98	2,168	86
10	DEPARTMENT OF COMMERCE	12	5	16,170	41.67	3,234	1,348
11	DEPARTMENT OF COMMERCE, HERITAGE	43	2	3,000	4.65	1,500	70
12	DEPARTMENT OF CORRECTIONS (DOC)	121	31	36,267	25.62	1,170	300
13	DOC, BOARD OF PARDONS	0	1	471	0.00	471	0
14	DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	61	0	0	0.00	0	0
15	DOC, PRISON INDUSTRIES	687	1	0	0.15	0	0
16	DOC, RIVERSIDE YOUTH CORRECTIONS	17	0	0	0.00	0	0
17	DOC, STATE PRISON	553	7	8,570	1.27	1,224	15
18	DOC, TREASURE STATE CORRECTIONS	8	0	0	0.00	0	0
19	DOC, WOMEN'S CORRECTIONAL CENTER	15	0	0	0.00	0	0
20	DEPARTMENT OF ENVIRONMENTAL QUALITY	312	26	30,004	8.33	1,154	96
21	DEPARTMENT OF FISH, WILDLIFE & PARKS	9,632	10	20,153	0.10	2,015	2
22	DEPARTMENT OF JUSTICE	2,529	276	575,065	10.91	2,084	227
23	DEPARTMENT OF JUSTICE, CRIME CONTROL	4	2	2,434	50.00	1,217	608
24	DEPARTMENT OF LABOR & INDUSTRY	328	66	117,255	20.12	1,777	357
25	DEPARTMENT OF LIVESTOCK	349	17	41,508	4.87	2,442	119
26	DEPARTMENT OF MILITARY AFFAIRS	434	12	19,939	2.76	1,662	46
27	DEPARTMENT OF NATURAL RESOURCES (DNRC)	2,419	60	147,337	2.48	2,456	61
28	DNRC, SWAN RIVER FOREST CAMP	0	0	0	0.00	0	0
29	DEPARTMENT OF REVENUE	16	34	61,933	212.50	1,822	3,871
30	DEPARTMENT OF TRANSPORTATION	21,226	23	51,514	0.11	2,240	2
31	GOVERNOR'S OFFICE	4	5	27,462	125.00	5,492	6,865
32	HISTORICAL SOCIETY	4	2	4,582	50.00	2,291	1,146
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	12	0	0	0.00	0	0
37	OFFICE OF PUBLIC INSTRUCTION	73	9	15,620	12.33	1,736	214
38	PUBLIC HEALTH & HUMAN SERVICES (PHHS)	416	136	255,749	32.69	1,881	615
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	220	0	0	0.00	0	0
42	PHHS, STATE HOSPITAL	177	0	0	0.00	0	0
43	PHHS, VETERANS' HOME - COLUMBIA FALLS	55	1	1,955	1.82	1,955	36
44	PHHS, VETERANS' HOME - GLENDIVE	29	1	226	3.45	226	8
45	PUBLIC SERVICE REGULATION (COMMISSION)	4	2	1,978	50.00	989	494
46	SECRETARY OF STATE	10	1	3,881	10.00	3,881	388
47	BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	179	13	16,227	7.26	1,248	91
48	SUPREME COURT - JUDICIARY	293	16	20,694	5.46	1,293	71
49	UNIVERSITY, HIGHER EDUCATION	0	4	2,806	0.00	701	0
50	UNIVERSITY, HELENA COLLEGE	170	2	1,651	1.18	825	10
51	UNIVERSITY, MSU - BILLINGS	359	12	16,775	3.34	1,398	47
52	UNIVERSITY, MSU - BOZEMAN	1,798	55	91,368	3.06	1,661	51
53	UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	1,427	12	63,767	0.84	5,314	45
54	UNIVERSITY, MSU - BOZEMAN, EXT SERV.S.	120	5	6,831	4.17	1,366	57
55	UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	196	6	10,307	3.06	1,718	53
56	UNIVERSITY, MSU - NORTHERN	880	9	4,601	1.02	511	5
57	UNIVERSITY, MONTANA TECH OF THE UM	358	5	24,001	1.40	4,800	67
58	UNIVERSITY, MSU COLLEGE OF TECH - GREAT FALLS	59	1	3,463	1.69	3,463	59
59	UNIVERSITY, UM - MISSOULA	2,390	71	133,198	2.97	1,876	56
60	UNIVERSITY, UM - MISSOULA, FOREST./CONS	0	0	0	0.00	0	0
61	UNIVERSITY, WESTERN MONTANA	164	10	18,349	6.10	1,835	112
	<b>TOTAL</b>	<b>48,957</b>	<b>1,018</b>	<b>1,955,085</b>	<b>2.08</b>	<b>1,921</b>	<b>40</b>

\* **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**



<b>State and University Employees Insured for Liability</b>	
2011	22,467
2012	22,468
2013	22,742
2014	22,901

## *General Liability Claims Activity*

Figure 16 below provides a summary of general liability claims activity for FY 2013 and FY 2014.

**Figure 16**

<b>General Liability Claims Activity</b>			
	as of 06/30		
	# Claims Received	# Claims Resolved	# Claims Open
FY 2013	295	276	337
FY 2014	284	281	340

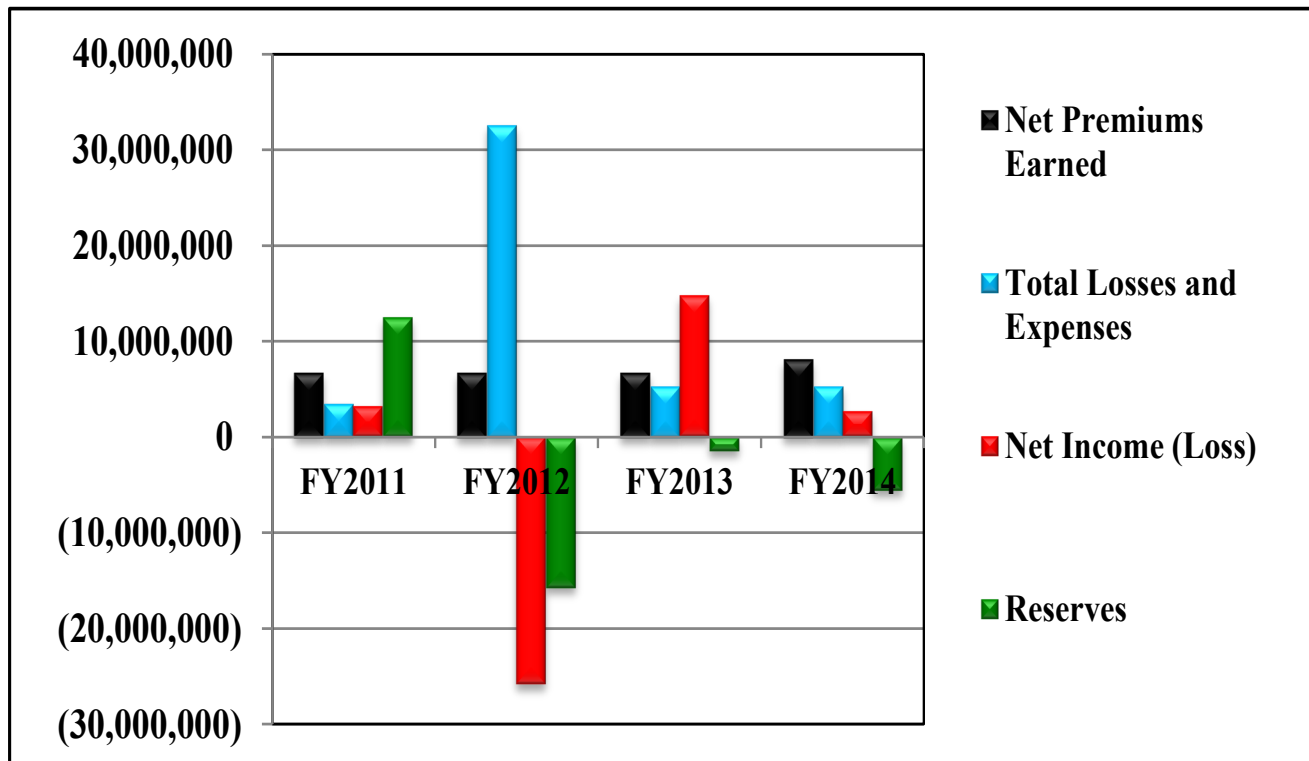


# General Liability Insurance (cont'd)

Figure 17

General Liability Revenues, Expenses, and Reserve History				
	FY2011	FY2012	FY2013	FY2014
<b>Net Premiums Earned</b>	<b>6,750,000</b>	<b>6,750,000</b>	<b>6,750,000</b>	<b>8,100,000</b>
Losses Incurred	672,159	28,876,186	1,741,200	1,082,589
Loss Expenses Incurred	1,580,029	2,168,296	1,993,769	2,184,258
Operations	1,121,620	1,267,970	1,461,651	1,867,294
Commercial Insurance Premiums	210,647	215,438	199,843	270,551
<b>Total Losses and Expenses</b>	<b>3,584,455</b>	<b>32,527,890</b>	<b>5,396,464</b>	<b>5,404,692</b>
<b>Net Income (Loss) Before Investments</b>	<b>3,165,545</b>	<b>(25,777,890)</b>	<b>1,353,536</b>	<b>2,695,308</b>
Net Investment Income Earned	52,054	16,151	3,751	3,802
Supplemental Appropriation			13,400,000	
Insurance Recoveries		3,095	120	
<b>Net Income (Loss)</b>	<b>3,217,599</b>	<b>(25,758,644)</b>	<b>14,757,408</b>	<b>2,699,110</b>
<b>Total Assets</b>	<b>27,416,242</b>	<b>(92,402)</b>	<b>12,915,006</b>	<b>7,864,116</b>
Non-Claim Liabilities	659,692	538,073	536,230	801,581
Claims Liabilities	14,285,871	15,088,253	13,832,735	12,654,613
<b>Total Liabilities</b>	<b>14,945,563</b>	<b>15,626,326</b>	<b>14,368,965</b>	<b>13,456,194</b>
<b>Reserves</b>	<b>12,470,679</b>	<b>(15,718,728)</b>	<b>(1,453,959)</b>	<b>(5,592,078)</b>

Figure 18



# General Liability Insurance (cont'd)

## General Liability Loss Trends

The number of general liability claims per 10,000 FTEs is trending downward. The dollars incurred per 10,000 FTEs each fiscal year are also trending downward (Figures 19 and 20 below). A discussion of loss trends is of limited use since losses from recent years have not yet fully matured.

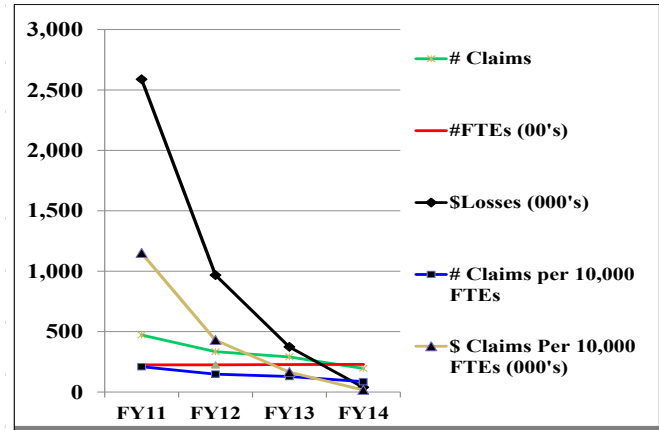
**Figure 19**

### General Liability Claims Trends

as of 06/30

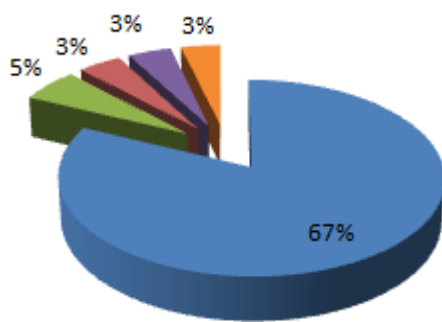
Fiscal Year	# Claims	#FTEs (00's)	\$Losses (000's)	# Claims per 10,000 FTEs	\$ Claims Per 10,000 FTEs (000's)
FY11	472	225	2,589	209	1,151
FY12	334	225	968	148	430
FY13	291	227	373	128	164
FY14	196	229	39	86	17

**Figure 20**



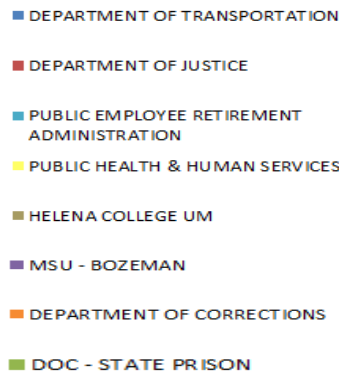
Between FY 2009 and FY 2013, the Department of Transportation accounted for the most general liability claims and the most incurred general liability losses (Figure 21 below).

% 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 2009 and FY 2013 were caused by five state agencies. Many expenses associated with general liability claims that occurred during FY 2014 have not yet matured and/or been reported to the Risk Management & Tort Defense Division.



**General Liability**  
**Total Losses Incurred by Agency - FY2009 through FY2013**

REF	SUBDIVISION	FTEs	# CLAIMS	\$ INCURRED	FREQUENCY (Claims /100 FTE)	SEVERITY (\$Inc./Claim)	LOSS RATE (\$Inc./100FTE)
1	AUDITORS OFFICE	428.7	2	\$ 0	0.47	\$ 0	\$ 0
2	BOARD OF PUBLIC EDUCATION	20.0	1	0	5.00	0	0
3	COMMISSIONER OF POLITICAL PRACTICES	30.0	4	4,727	13.33	1,182	15,755
4	DEPARTMENT OF ADMINISTRATION (DOA)	2,770.5	6	164,592	0.22	27,432	5,941
5	DOA, OFFICE OF PUBLIC DEFENDER	1,061.3	14	293,711	1.32	20,979	27,675
6	DOA, PUBLIC EMPLOYEE RETIREMENT	204.5	18	730,964	8.80	40,609	357,440
7	DOA, STATE FUND	1,457.8	12	409,254	0.82	34,105	28,074
8	DOA, TEACHER'S RETIREMENT	89.6	0	0	0.00	0	0
9	DEPARTMENT OF AGRICULTURE	667.1	1	0	0.15	0	0
10	DEPARTMENT OF COMMERCE	1,013.6	5	358,590	0.49	71,718	35,378
11	DEPARTMENT OF COMMERCE, HERITAGE	120.0	1	0	0.83	0	0
12	DEPARTMENT OF CORRECTIONS (DOC)	1,836.2	50	296,649	2.72	5,933	16,156
13	DOC, BOARD OF PARDONS	49.8	3	27,244	6.02	9,081	54,707
14	DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	661.2	1	0	0.15	0	0
15	DOC, PRISON INDUSTRIES	427.9	0	0	0.00	0	0
16	DOC, RIVERSIDE YOUTH CORRECTIONS	166.6	0	0	0.00	0	0
17	DOC, STATE PRISON	3,175.5	75	440,455	2.36	5,873	13,871
18	DOC, TREASURE STATE CORRECTIONS	137.2	1	0	0.73	0	0
19	DOC, WOMEN'S CORRECTIONAL CENTER	364.3	5	125,028	1.37	25,006	34,317
20	DEPARTMENT OF ENVIRONMENTAL QUALITY	2,448.6	9	182,101	0.37	20,233	7,437
21	DEPARTMENT OF FISH, WILDLIFE & PARKS	3,972.8	21	130,298	0.53	6,205	3,280
22	DEPARTMENT OF JUSTICE	4,062.0	55	779,811	1.35	14,178	19,198
23	DEPARTMENT OF JUSTICE, CRIME CONTROL	95.0	1	1,215	1.05	1,215	1,279
24	DEPARTMENT OF LABOR & INDUSTRY	4,489.0	18	384,718	0.40	21,373	8,570
25	DEPARTMENT OF LIVESTOCK	721.9	3	26,000	0.42	8,667	3,602
26	DEPARTMENT OF MILITARY AFFAIRS	1,022.8	5	280,343	0.49	56,069	27,409
27	DEPARTMENT OF NATURAL RESOURCES (DNRC)	2,957.9	5	19	0.17	4	1
28	DNRC, SWAN RIVER FOREST CAMP	0.0	0	0	0.00	0	0
29	DEPARTMENT OF REVENUE	3,386.5	7	140,029	0.21	20,004	4,135
30	DEPARTMENT OF TRANSPORTATION	11,268.7	1,067	1,600,467	9.47	1,500	14,203
31	GOVERNOR'S OFFICE	303.7	0	0	0.00	0	0
32	HISTORICAL SOCIETY	341.2	0	0	0.00	0	0
33	LEGISLATIVE BRANCH	930.2	0	0	0.00	0	0
34	LEGISLATIVE BRANCH, CONSUMER COUNSEL	27.7	0	0	0.00	0	0
35	MONTANA ARTS COUNCIL	41.8	0	0	0.00	0	0
36	MONTANA STATE LIBRARY	211.0	0	0	0.00	0	0
37	OFFICE OF PUBLIC INSTRUCTION	1,047.9	2	0	0.19	0	0
38	PUBLIC HEALTH & HUMAN SERVICES (PHHS)	9,325.7	32	551,968	0.34	17,249	5,919
39	PHHS, MENTAL HEALTH NURSING CENTER	771.7	1	6,765	0.13	6,765	877
40	PHHS, MONTANA CHEMICAL DEPENDENCY CTR	316.9	0	0	0.00	0	0
41	PHHS, MONTANA DEVELOPMENTAL CENTER	1,460.8	14	393,150	0.96	28,082	26,913
42	PHHS, STATE HOSPITAL	2,298.2	7	180,645	0.30	25,806	7,860
43	PHHS, VETERANS' HOME - COLUMBIA FALLS	779.9	1	120,201	0.13	120,201	15,412
44	PHHS, VETERANS' HOME - GLENDIVE	4.9	1	0	20.49	0	0
45	PUBLIC SERVICE REGULATION (COMMISSION)	209.3	0	0	0.00	0	0
46	SECRETARY OF STATE	299.3	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	2,091.5	24	66,615	1.15	2,776	3,185
49	UNIVERSITY, HIGHER EDUCATION	541.3	1	0	0.18	0	0
50	UNIVERSITY, HELENA COLLEGE	518.7	5	500,060	0.96	100,012	96,403
51	UNIVERSITY, MSU - BILLINGS	2,996.5	12	39,123	0.40	3,260	1,306
52	UNIVERSITY, MSU - BOZEMAN	14,875.6	55	285,976	0.37	5,200	1,922
53	UNIVERSITY, MSU - BOZEMAN, AG.EXPT.	1,095.6	0	0	0.00	0	0
54	UNIVERSITY, MSU - BOZEMAN, EXT SERVS.	652.2	0	0	0.00	0	0
55	UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	43.9	0	0	0.00	0	0
56	UNIVERSITY, MSU - NORTHERN	1,223.1	6	3,366	0.49	561	275
57	UNIVERSITY, MONTANA TECH OF THE UM	2,614.2	5	183,151	0.19	36,630	7,006
58	UNIVERSITY, MSU COLLEGE OF TECH - GREAT FALLS	878.4	1	0	0.11	0	0
59	UNIVERSITY, UM - MISSOULA	14,824.1	34	220,305	0.23	6,480	1,486
60	UNIVERSITY, UM - MISSOULA, FOREST./CONS	0.0	0	0	0.00	0	0
61	UNIVERSITY, WESTERN MONTANA	1,115.9	4	3,000	0.36	750	269
	<b>TOTAL</b>	<b>111,391.1</b>	<b>1,596</b>	<b>8,930,540</b>	<b>1.43</b>	<b>5,596</b>	<b>8,017</b>

# Property Insurance Program

State agencies and universities own or lease 4,656 properties with an estimated current replacement cost value in excess of \$5 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
<b>FY 11</b>	4,487	\$4,800,000,000	76	\$27,300,000	8	\$380,000,000	650		\$1,900,000,000
<b>FY 12</b>	4,512	\$4,800,000,000	68	\$27,300,000	8	\$390,000,000	650		\$2,000,000,000
<b>FY 13</b>	4,592	\$4,800,000,000	70	\$27,300,000	8	\$423,000,000	650		\$2,000,000,000
<b>FY 14</b>	4,656	\$5,019,000,000	69	\$27,000,000	9	\$446,000,000	668		\$2,400,000,000

## *Property Claims Activity*

Figure 23 below provides a summary of property claims activity for FY 2013 and FY 2014.

**Figure 23**

<b>Property Claims Activity</b>			
as of 06/30			
	# Claims Received	# Claims Resolved	# Claims Open
FY 2013	48	55	37
FY 2014	84	59	62

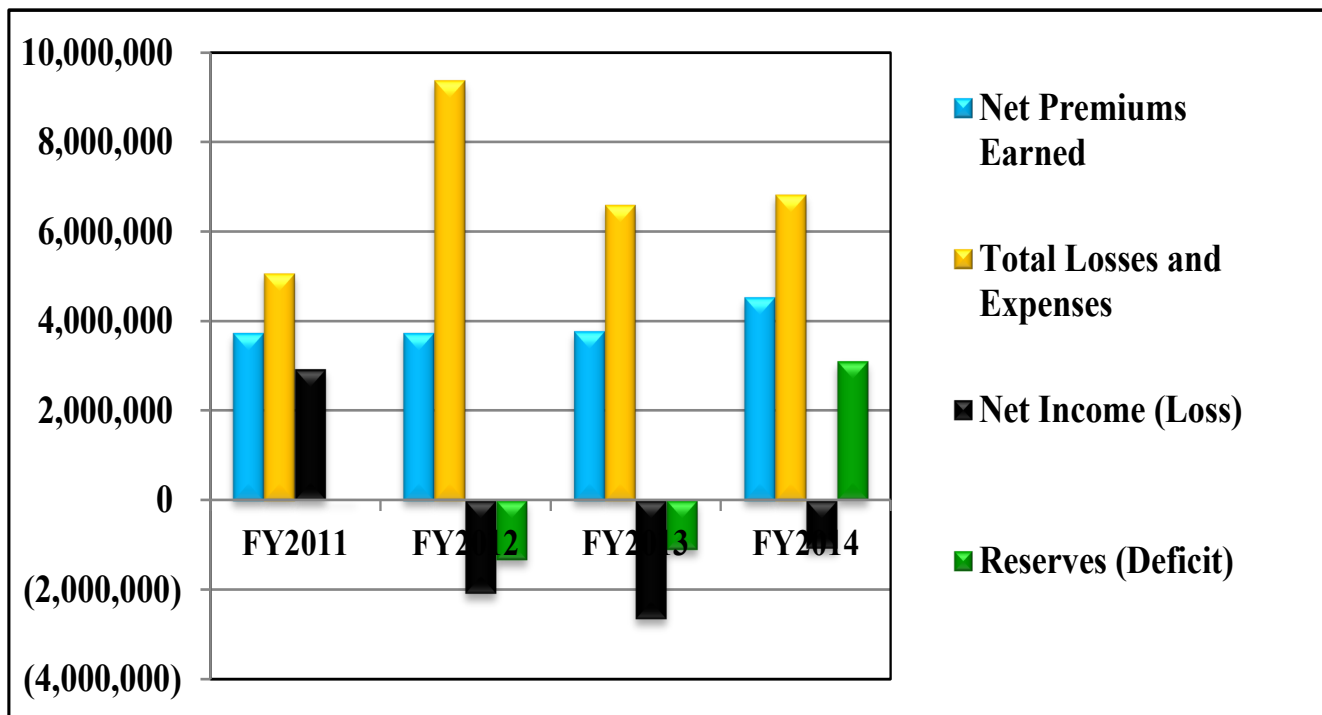


# Property Insurance (cont'd)

Figure 24

Property Revenues, Expenses, and Reserve History				
	FY2011	FY2012	FY2013	FY2014
<b>Net Premiums Earned</b>	<b>3,731,312</b>	<b>3,733,023</b>	<b>3,778,089</b>	<b>4,525,039</b>
Losses Incurred	2,214,889	6,449,192	3,335,953	3,238,912
Loss Expenses Paid	61,956	26,212	19,669	39,486
Operations	389,788	440,648	507,957	648,927
Commercial Insurance Premiums	2,408,612	2,456,942	2,732,544	2,903,897
<b>Total Losses and Expenses</b>	<b>5,075,245</b>	<b>9,372,994</b>	<b>6,596,122</b>	<b>6,831,222</b>
<b>Net Income (Loss) Before Investments</b>	<b>(1,343,933)</b>	<b>(5,639,971)</b>	<b>(2,818,033)</b>	<b>(2,306,183)</b>
Net Investment Income Earned	32,389	10,050	2,334	2,366
Insurance Recoveries	4,225,938	3,548,289	177,079	1,224,525
<b>Net Income (Loss)</b>	<b>2,914,394</b>	<b>(2,081,632)</b>	<b>(2,638,620)</b>	<b>(1,079,293)</b>
<b>Total Assets</b>	<b>2,898,867</b>	<b>1,948,075</b>	<b>764,912</b>	<b>6,837,040</b>
Non-Claim Liabilities	229,258	186,992	186,352	278,567
Claims Liabilities	2,651,471	3,093,409	1,686,057	3,472,174
<b>Total Liabilities</b>	<b>2,880,729</b>	<b>3,280,401</b>	<b>1,872,409</b>	<b>3,750,741</b>
<b>Reserves (Deficit)</b>	<b>18,138</b>	<b>(1,332,326)</b>	<b>(1,107,497)</b>	<b>3,086,298</b>

Figure 25



# Property Insurance (cont'd)

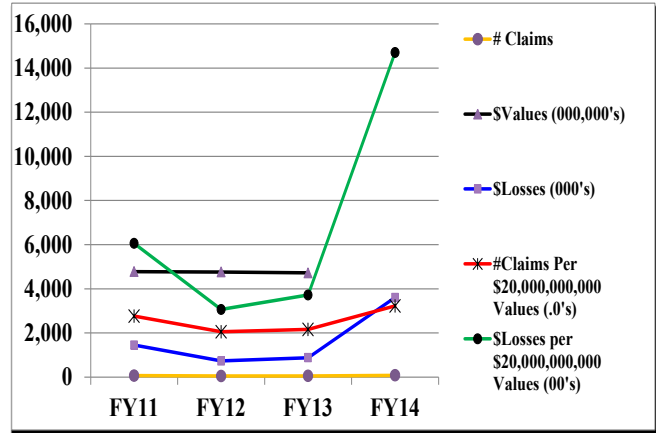
## Property Loss Trends

The number of property claims per \$20,000,000,000 of values is very volatile. The dollars incurred per \$20,000,000,000 of values has increased due to an increase in the magnitude of catastrophic losses (Figures 26 and 27 below).

**Figure 26**

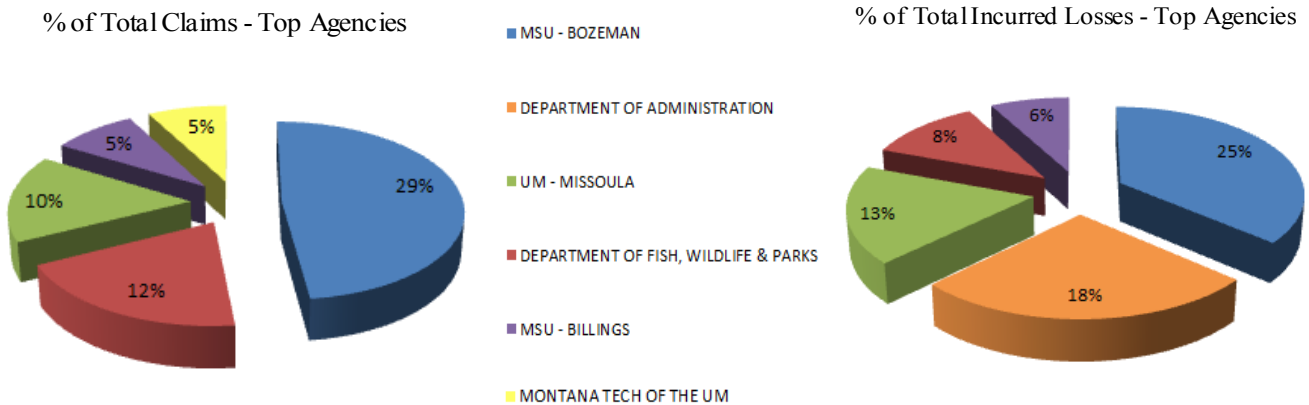
Property Claims Trends as of 06/30					
Fiscal Year	# Claims	\$Values (000,000's)	\$Losses (000's)	#Claims Per \$20,000,000,00 Values (.0's)	\$Losses per \$20,000,000,000 Values (000's)
FY11	66	4,780	1,447	2,760	6,054
FY12	49	4,760	729	2,050	3,063
FY13	51	4,720	878	2,160	3,720
FY14	79	4,900	3,602	3,220	14,702

**Figure 27**



Between FY 2009 and FY 2013, 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 some significant property losses during FY 2014. In addition, there were many small claims for damage arising from hail, flood, fire, and broken sprinklers/plumbing devices.

The Risk Management & Tort Defense Division worked closely with the involved agencies and universities to repair the damage and restore facilities and equipment to their pre-loss condition.

**Property  
Total Losses Incurred by Agency - FY2009 through FY2013**

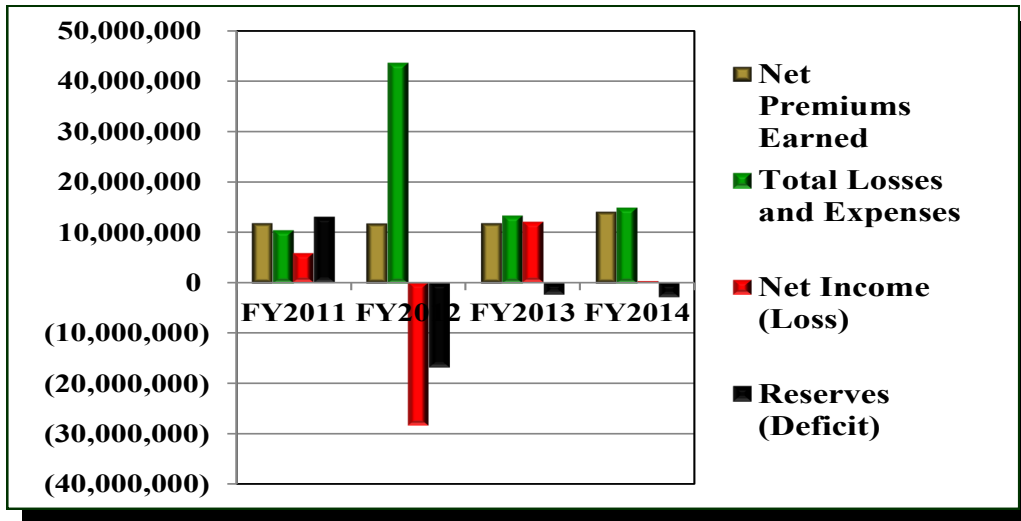
REF	SUBDIVISION	TIV* (\$000)	# CLAIMS	\$ INCURRED	FREQUENCY (Claims/\$1M VAL)	SEVERITY (\$inc./Claim)	LOSS RATE (\$inc./100VAL)
1	AUDITORS OFFICE	\$ 3,386	0	\$ 0	0.000	\$ 0	\$ 0.000
2	BOARD OF PUBLIC EDUCATION	130	0	0	0.000	0	0.000
3	COMMISSIONER OF POLITICAL PRACTICES	-	0	0	0.000	0	0.000
4	CONSENSUS COUNCIL	-	0	0	0.000	0	0.000
5	DEPARTMENT OF ADMINISTRATION (DOA)	1,948,694	3	901,659	1.539	300,553	46.270
6	DOA, OFFICE OF PUBLIC DEFENDER	18,436	0	0	0.000	0	0.000
7	DOA, PUBLIC EMPLOYEE RETIREMENT	3,552	1	0	281.532	0	0.000
8	DOA, STATE FUND	142,948	2	0	13.991	0	0.000
9	DOA, TEACHER'S RETIREMENT	-	0	0	0.000	0	0.000
10	DEPARTMENT OF AGRICULTURE	19,921	0	0	0.000	0	0.000
11	DEPARTMENT OF COMMERCE	147,474	2	51,724	13.562	25,862	35.073
12	DEPARTMENT OF COMMERCE, HERITAGE	159,408	2	1,565	12.546	783	0.982
13	DEPARTMENT OF CORRECTIONS (DOC)	76,902	2	46,459	26.007	23,230	60.414
14	DOC, BOARD OF PARDONS	500	0	0	0.000	0	0.000
15	DOC, PINE HILLS YOUTH CORRECTIONAL FACILITY	111,781	3	20,233	26.838	6,744	18.100
16	DOC, PRISON INDUSTRIES	182,665	0	0	0.000	0	0.000
17	DOC, RIVERSIDE YOUTH CORRECTIONS	33,728	3	106,695	88.947	35,565	316.339
18	DOC, STATE PRISON	491,995	1	3,043	2.033	3,043	0.618
19	DOC, TREASURE STATE CORRECTIONS	21,686	0	0	0.000	0	0.000
20	DOC, WOMEN'S CORRECTIONAL CENTER	140,099	2	786	14.276	393	0.561
21	DEPARTMENT OF ENVIRONMENTAL QUALITY	29,929	1	141,806	33.412	141,806	473.809
22	DEPARTMENT OF FISH, WILDLIFE & PARKS	394,819	32	390,091	81.050	12,190	98.803
23	DEPARTMENT OF JUSTICE	187,956	8	246,596	42.563	30,825	131.199
24	DEPARTMENT OF JUSTICE, CRIME CONTROL	964	0	0	0.000	0	0.000
25	DEPARTMENT OF LABOR & INDUSTRY	91,057	5	36,508	54.911	7,302	40.094
26	DEPARTMENT OF LIVESTOCK	3,450	1	4,108	289.855	4,108	119.061
27	DEPARTMENT OF MILITARY AFFAIRS	709,803	9	140,651	12.680	15,628	19.815
28	DEPARTMENT OF NATURAL RESOURCES (DNRC)	256,144	1	1,256	3.904	1,256	0.490
29	DNRC, SWAN RIVER FOREST CAMP	19,635	0	0	0.000	0	0.000
30	DEPARTMENT OF REVENUE	129,634	2	10,828	15.428	5,414	8.353
31	DEPARTMENT OF TRANSPORTATION	982,440	9	112,720	9.161	12,524	11.473
32	GOVERNOR'S OFFICE	-	0	0	0.000	0	0.000
33	HISTORICAL SOCIETY	38,022	0	0	0.000	0	0.000
34	LEGISLATIVE BRANCH	18,295	1	700	54.660	700	3.828
35	LEGISLATIVE BRANCH, CONSUMER COUNSEL	607	0	0	0.000	0	0.000
36	MONTANA ARTS COUNCIL	548	1	5	1,824.818	5	0.912
37	MONTANA STATE LIBRARY	10,227	0	0	0.000	0	0.000
38	OFFICE OF PUBLIC INSTRUCTION	4,977	0	0	0.000	0	0.000
39	PUBLIC HEALTH & HUMAN SERVICES (PHHS)	236,015	3	44,802	12.711	14,934	18.983
40	PHHS, MENTAL HEALTH NURSING CENTER	49,974	1	40,566	20.010	40,566	81.174
41	PHHS, MONTANA CHEMICAL DEPENDENCY CTR	2,492	0	0	0.000	0	0.000
42	PHHS, MONTANA DEVELOPMENTAL CENTER	175,547	2	22,443	11.393	11,221	12.785
43	PHHS, STATE HOSPITAL	279,005	0	0	0.000	0	0.000
44	PHHS, VETERANS' HOME - COLUMBIA FALLS	91,562	0	0	0.000	0	0.000
45	PHHS, VETERANS' HOME - GLENDIVE	41,910	2	9,237	47.721	4,618	22.039
46	PUBLIC SERVICE REGULATION (COMMISSION)	2,642	0	0	0.000	0	0.000
47	SECRETARY OF STATE	3,534	0	0	0.000	0	0.000
48	BOARD OF ED, SCHOOL FOR THE DEAF & BLIND	109,915	2	7,775	18.196	3,888	7.074
49	SUPREME COURT - JUDICIARY	46,190	0	0	0.000	0	0.000
50	UNIVERSITY, HIGHER EDUCATION	3,095	0	0	0.000	0	0.000
51	UNIVERSITY, HELENA COLLEGE	237,254	2	1,527	8.430	764	0.644
52	UNIVERSITY, MSU - BILLINGS	1,148,770	14	269,432	12.187	19,245	23.454
53	UNIVERSITY, MSU - BOZEMAN	6,426,152	79	1,237,821	12.294	15,669	19.262
54	UNIVERSITY, MSU - BOZEMAN, AG EXPT.	219,011	10	178,198	45.660	17,820	81.365
55	UNIVERSITY, MSU - BOZEMAN, EXT SERVS.	3,696	0	0	0.000	0	0.000
56	UNIVERSITY, MSU - BOZEMAN, FIRE TRNG.	1,458	0	0	0.000	0	0.000
57	UNIVERSITY, MSU - NORTHERN	540,469	12	40,861	22.203	3,405	7.560
58	UNIVERSITY, MONTANA TECH OF THE UM	1,006,806	13	168,634	12.912	12,972	16.749
59	UNIVERSITY, MSU COLLEGE OF TECH - GREAT FALLS	302,500	2	0	6.612	0	0.000
60	UNIVERSITY, UM - MISSOULA	5,282,862	26	610,483	4.922	23,480	11.556
61	UNIVERSITY, UM - MISSOULA, FOREST./CONS	-	0	0	0.000	0	0.000
62	UNIVERSITY, WESTERN MONTANA	557,334	9	25,535	16.148	2,837	4.582
	<b>TOTAL</b>	<b>23,150,005</b>	<b>268</b>	<b>4,874,747</b>	<b>11.577</b>	<b>18,189</b>	<b>21.057</b>

\* 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. 28 through 30).

**Figure 29**



### ***Net Premiums Earned***

Figures 29, 30, and 31 (pgs. 28 through 30)

Net premiums earned (i.e. budgeted premiums less insurance discounts) remained relatively constant from FY 2011 to FY 2014.

### ***Total Losses and Expenses***

Figures 29, 30, and 31 (pgs. 28 through 30)

Total losses and expenses paid in FY 2014 (\$14.9 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. 28 through 30)

Above average losses and expenses in FY 2014 and a \$13.4 million legislative reduction in the division's supplemental appropriation request from the 2015 biennial legislature resulted in a decline in the fund's net income to \$270,000 in FY 2014.

### ***Liabilities and Reserves***

Figures 29, 30, and 31 (pgs. 28 through 30)

Above average losses and expenses in FY 2014 and a \$13.4 million legislative reduction in the division's supplemental appropriation for the 2015 biennium resulted in a decline in reserves from a \$12.9 million positive position in FY 2011 to an unfunded liability of \$2.8 million in FY 2014.

# Financials

**Figure 30**

**State of Montana  
Statement of Changes in Revenues, Expenses, and Reserves  
Property/Casualty Insurance Fund  
June 30, 2014**

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

	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>
<b>Net Premiums Earned</b>	<b>11,738,304</b>	<b>11,726,818</b>	<b>11,778,212</b>	<b>13,969,094</b>
Losses Incurred	4,072,486	36,367,067	5,943,809	6,236,027
Loss Expenses Incurred	1,704,892	2,251,389	2,053,918	2,366,296
Operations	1,826,034	2,064,298	2,379,616	3,040,016
Commercial Insurance Premiums	2,924,087	2,848,769	3,073,679	3,330,266
<b>Total Losses and Expenses</b>	<b>10,527,499</b>	<b>43,531,523</b>	<b>13,451,021</b>	<b>14,972,604</b>
<b>Net Income (Loss) Before Investments</b>	<b>1,210,805</b>	<b>(31,804,705)</b>	<b>(1,672,810)</b>	<b>(1,003,511)</b>
Net Investment Income Earned	94,834	29,425	6,834	6,834
Supplemental Appropriation			13,400,000	
Insurance Recoveries	4,469,913	3,622,467	230,749	1,267,029
<b>Net Income (Loss)</b>	<b>5,775,552</b>	<b>(28,152,812)</b>	<b>11,964,773</b>	<b>270,353</b>
Prior Years Assets	26,670,977	32,031,223	3,509,251	15,429,481
Aggregate Write-Ins	(415,306)	(369,160)	(44,543)	301,420
<b>Total Assets</b>	<b>32,031,223</b>	<b>3,509,251</b>	<b>15,429,481</b>	<b>16,001,254</b>
Non-Claim Liabilities	1,074,000	876,000	873,000	1,305,000
Claims Liabilities	17,962,223	19,296,543	16,909,481	16,001,254
<b>Total Liabilities</b>	<b>19,036,223</b>	<b>20,172,543</b>	<b>17,782,481</b>	<b>18,855,914</b>
<b>Reserves</b>	<b>12,995,000</b>	<b>(16,663,000)</b>	<b>(2,353,000)</b>	<b>(2,854,660)</b>

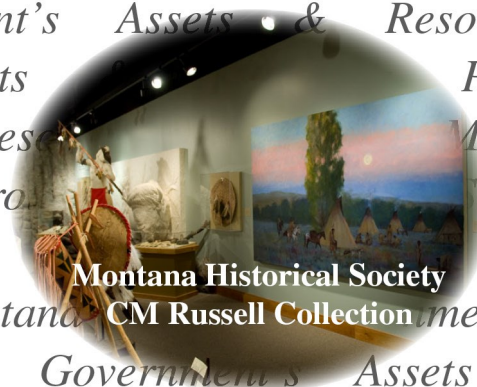
# Financials (cont'd)

## Figure 31 State of Montana Statement of Reserves Property/Casualty Insurance Fund June 30, 2014

	FY 2013	FY 2014
<b>ASSETS</b>		
Current assets		
Cash and equivalents	14,653,000	15,173,000
Receivables (net)	2,000	1,000
Due from other funds		
Due from component units		
Securities lending collateral	31,000	8,000
Other current assets		
Total current assets	14,686,000	15,183,000
Noncurrent assets		
Long term investments	147,000	
Capital assets	596,000	819,000
Total noncurrent assets	743,000	819,000
<b>Total assets</b>	15,429,000	16,002,000
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	296,000	673,000
Due to other funds		3,000
Due to component units		
Securities lending liability	31,000	8,000
Estimated insurance claims	3,364,000	4,973,000
Compensated absences payable	92,000	109,000
Total current liabilities	3,783,000	5,767,000
Noncurrent liabilities		
Estimated insurance claims	13,545,000	12,578,000
Compensated absences payable	172,000	169,000
OPEB Implicit Rate Subsidy	282,000	343,000
Total noncurrent liabilities	13,999,000	13,090,000
<b>Total liabilities</b>	17,782,000	18,857,000
<b>RESERVES</b>		
Invested in capital assets, net of related debt	596,000	
Unrestricted	(2,949,000)	(2,855,000)
<b>TOTAL RESERVES</b>	(2,353,000)	(2,855,000)



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