

STATE OF MONTANA COST ALLOCATION SYSTEM

In accordance with §2-9-202, MCA, the Risk Management & Tort Defense Division is responsible for the allocation of insurance premiums to state agencies subject to appropriations by the Legislature.

The philosophy of the Risk Management & Tort Defense Division is that each state agency should bear a proportionate share of premium commensurate with state loss experience and exposure.

The division incurs significant expense in the investigation, defense, and settlement of claims and lawsuits. Agencies with higher losses will pay higher insurance premiums. No one agency is expected to bear the burden of paying for total costs of unexpected losses from its authorized budget.

The Risk Management & Tort Defense Division allocates insurance premium as provided in the 2017 Biennium Decision Package Summary as follows:

Auto

Total auto premium collections of \$1,498,200 each year of the biennium is comprised of two separate insurance coverages:

	FY 2016	FY 2017
Auto comp/collision	\$615,008	\$641,670
Auto liability	\$883,192	\$856,530

Auto comp/collision premiums for FY 2016 and FY 2017 are based upon total values of reported vehicles.

Auto liability premiums for the 2017 biennium will be based upon agency losses over the past 4 years as well as the number of vehicles reported and will vary by agency.

Aviation

Aviation premium of \$169,961 in FY 2016 and FY 2017 is allocated to those agencies that have aircraft based upon charges from commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is determined by commercial insurance carriers and apportioned to those agencies that have airports based upon the number of airports.

General Liability

Total general liability premium of \$10,824,476 each year of the biennium is comprised of commercial coverage and self-insured coverage as follows:

	FY 2016	FY 2017
Commercial coverage	\$ 393,513	\$ 447,334
Self-insured coverage	\$10,430,963	\$10,377,142

Commercial coverage charges are negotiated with commercial insurance carriers.

General liability rates for each agency will increase for the 2017 biennium; however, premiums by agency may vary slightly to changes in exposure (i.e. # of FTEs).

Property

Property insurance premium of \$6,300,000 is allocated to each agency based on its percentage of reported exposures (i.e. building replacement cost values, boilers & machinery, etc.).