



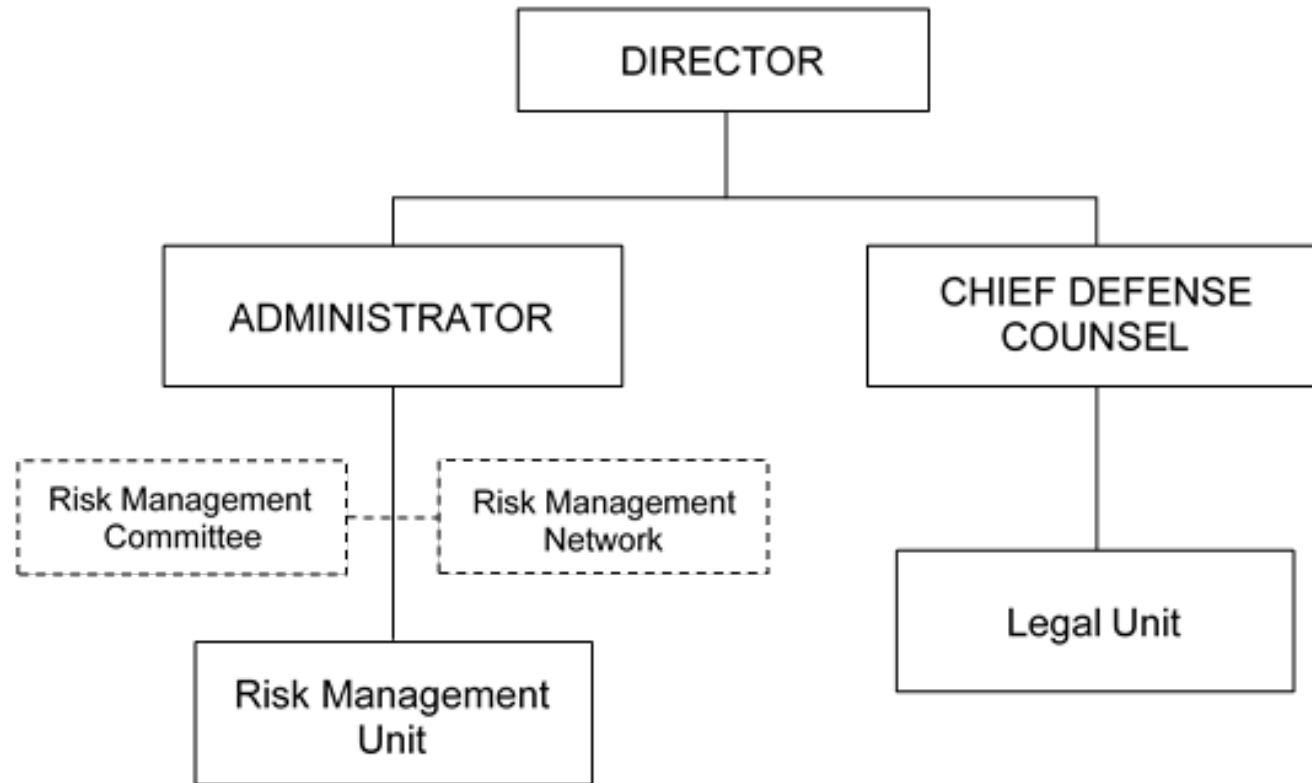
RISK MANAGEMENT AND TORT DEFENSE DIVISION

BRETT DAHL
ADMINISTRATOR

406-444-3687
bdahl@mt.gov
rmtd.mt.gov

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DIVISION STRUCTURE

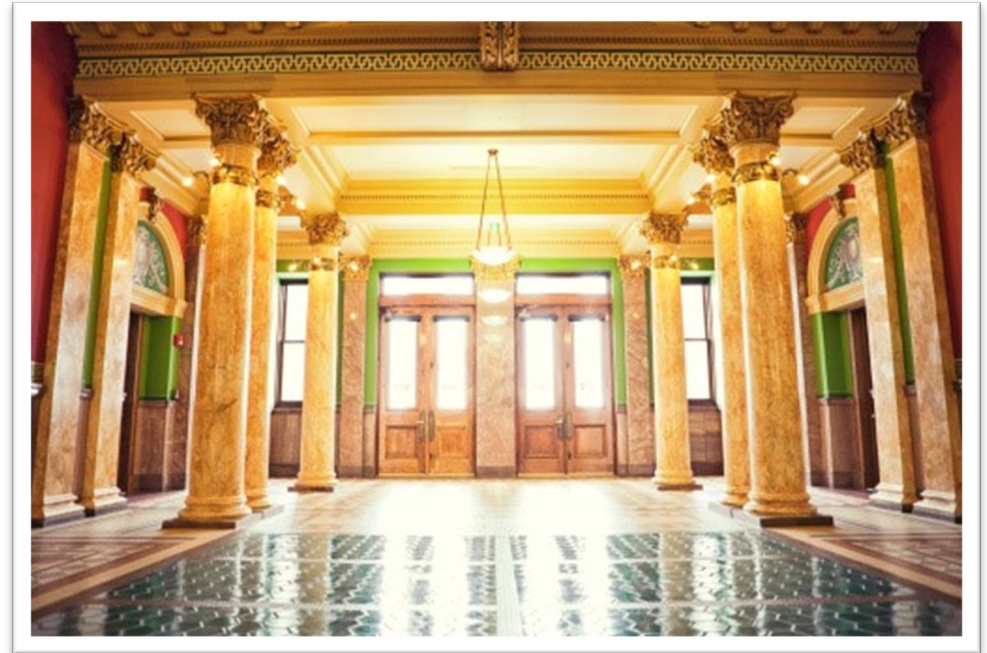


Total FTEs: 17 HB2 FTEs: 0



BACKGROUND

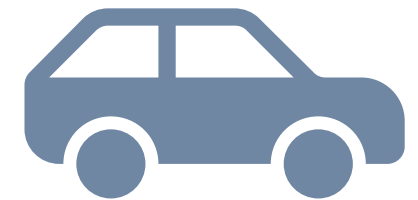
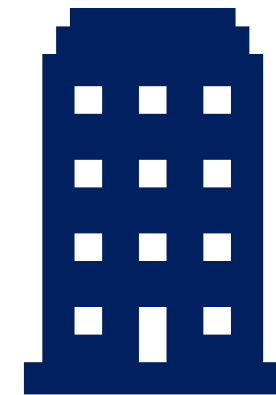
- Provide risk management consulting and loss prevention services
- Administer commercial and self-insured programs for state agencies, universities, boards, councils, and commissions
- Insure \$365 million in revenue streams for operations that could be disrupted from a catastrophic event
 - e.g. state parks, university tuition, bookstores, and cafeterias
- Insure fine art
 - values of approximately \$570 million
- Insure property
 - values of approximately \$5.8 billion
- Receive ~750 claims/lawsuits annually



FUNDING

Operates as an internal service fund

- Four rate categories:
 - Auto
 - Aviation
 - General Liability
 - Property
- Insurance proceeds are used to pay claims, purchase insurance, and fund operations
- Legislature authorizes funding for insurance in agency budgets each biennium



KEY ACCOMPLISHMENTS

- Provided 3,200 state/university employees with loss prevention training
 - Resulted in reduced auto claims
- Negotiated successful \$48 million settlement for coverage of the Marga Hosaeus Student Fitness Center at Montana State University
 - believed to be the largest insured building losses in Montana history
- Allocated \$2,000,000 in insurance proceeds to state agencies/universities affected by COVID-19 business income losses.
- Achieved \$2,400,000 in insurance premium discounts through agency/university participation in loss prevention programs.
- Obtained favorable terms and conditions and enhanced insurance coverage for cybercrime risk to reflect the importance of these new and emerging threats.
- During 2021 biennium
 - 35 lawsuits were dismissed
 - 13 lawsuits were settled
 - 1 lawsuit was tried and won



UPCOMING PRIORITIES

GOAL 1

Promote enterprise risk management through broader participation in loss prevention and insurance premium discount programs.

GOAL 2

Maintain appropriate levels of insurance to address emerging risks.

GOAL 3

Set rates at a level sufficient to fund projected expenses and liabilities in accordance with established actuarial funding targets.

GOAL 4

Investigate, evaluate, and resolve claims that have merit consistent with ethical and legal obligations and prepare the remaining cases for summary judgment or resolution at trial.



BUDGET BACKGROUND

Current Insurance Climate

- High risks services
- \$48 million building loss at MSU Bozeman
- hail/wind/flood losses
- worldwide catastrophes
 - resulted in 'historic worst' insurance market conditions
 - affected the availability and affordability of the state's commercial property insurance

Projected Liabilities and Reserves

- Projected revenues and expenses closely parallel LFD analysis on page A-219.
 - LFD analysis does not include an actuarial evaluation of projected liabilities and reserves
 - Municipal pools nationwide include projected liabilities and reserves in cost recovery when developing their rates
 - Includes the Montana Municipal Interlocal Authority (MMIA) and the Montana Association of Counties (MACO)

Proposed 2023 Biennium Rates

- Auto insurance: 10% rate reduction
- Property insurance: 30% rate increase



Auto Insurance Rate

Insures state and university vehicles for a wide range of uses including highway maintenance, law enforcement, construction, and employee travel. Liability risk is significant. Rates will decrease for the 2023 biennium. (LFD Analysis A-222)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023 \$ Change from FY 2020
Auto	2,022,570	2,022,570	1,820,313	1,820,313	(202,257)

Factors influencing proposed rates:

- Lower losses
- Loss prevention consultation
- Vehicle repair costs, medical costs, adjuster fees, legal fees, and court costs



Aviation Insurance

Insures state-owned aircraft and airports used for law enforcement, game management, firefighting, and aerial topography. The cost of the state's commercial aviation insurance has remained constant. Rates will not change for the 2023 biennium. (LDF Analysis A-222)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023 \$ Change from FY 2020
Aviation	169,961	169,961	169,961	169,961	0



General Liability Insurance

Insures state agencies for vital, high-risk functions including prisons, hospitals, universities, highway maintenance/design, and law enforcement. Rates will minimally increase for the 2023 biennium. (LFD Analysis A-222)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023 \$ Change from FY 2020
General Liability	14,573,236	14,573,236	14,613,042	14,613,042	39,806

Factors influencing proposed rates:

- Catastrophic liability settlements/judgments and associated defense costs
- Medical costs, legal fees, and court costs



Property Insurance

Insures state and university-owned and operated properties with an estimated replacement value of approximately \$5.8 billion. Insures fine art market values of approximately \$570 million. Rates will increase for the 2023 biennium. (LFD Analysis A-222)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023 \$ Change from FY 2020
Property	6,930,000	6,930,000	9,009,000	9,009,000	2,079,000

Factors influencing proposed rates:

- Catastrophic losses to state properties and worldwide disasters
- Total insured building and content values



Summary

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023 \$ Change from FY 2020	FY 2023 % Change from FY 2020
Auto	2,022,570	2,022,570	1,820,313	1,820,313	(202,257)	-10%
Aviation	169,961	169,961	169,961	169,961	0	0%
General Liability	14,573,23	14,573,236	14,613,042	14,613,042	39,806	.27%
Property	6,930,000	6,930,000	9,009,000	9,009,000	2,079,000	30%
Total	23,695,767	23,695,767	25,612,316	25,612,316	1,916,549	8%





THANK YOU