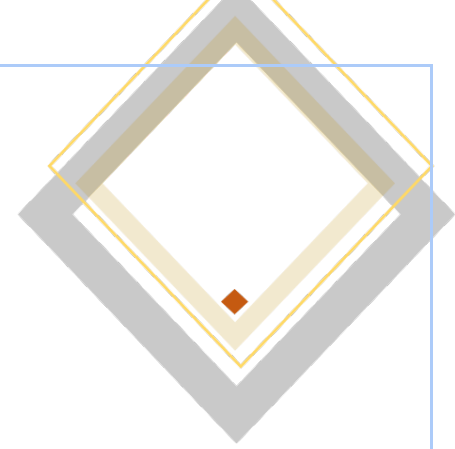


February 8, 2018

Economic Affairs Interim Committee

Pat Murdo, Research Staff



DECISION TREE FOR SJR 27 STUDY OF STATE FUND

SHOULD MONTANA STATE FUND:

- **REMAIN A STATE ENTITY?**
- **BE ALLOWED TO BECOME A PRIVATE ENTITY?**
- **BE DISSOLVED?**



STATE
ENTITY



IF MONTANA STATE FUND STAYS A STATE ENTITY:

- **SHOULD IT REMAIN THE GUARANTEED MARKET?**
- **SHOULD IT BE ASSESSED PREMIUM TAXES?**
- **SHOULD IT BE STATE GOVERNMENT'S SOLE SUPPLIER OF WORKERS' COMPENSATION INSURANCE?**
- **SHOULD IT BE MADE INTO A MONOPOLY LIKE ND, WY?**

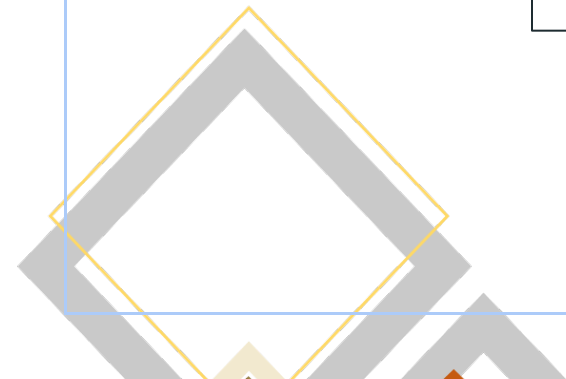


PRIVATE
ENTITY



IF MONTANA STATE FUND WERE TO BECOME A PRIVATE ENTITY:

- **COULD IT REMAIN THE GUARANTEED MARKET?**
- **WOULD A RESIDUAL MARKET BE A BETTER APPROACH?**
- **HOW WOULD STATE GOVERNMENT IMPACTS BE HANDLED?**
- **WHAT POTENTIAL IMPACTS TO CURRENT POLICYHOLDERS?**



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Decision Tree for SJR 27 Study of State Fund
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STATE ENTITY OPTIONS

- Retain as is.
- Modify with goal of privatization
- Modify with goal of leveling playing field, not necessarily privatization.
- (Monopoly not explored unless committee chooses to do so.)



Modify with Goal of Privatization:

- Move future employees to separate pension system
- Begin process for removing constitutional reference
- Consider removing guaranteed market requirement and establishing other residual market options
- Allow state government to contract with other comp insurers
- Determine if Old Fund management could be contracted elsewhere
- Provide exemptions from state requirements like open meetings, procurement, use of state IT and accounting systems, etc.



Modify with Goal of Leveling Playing Field:

- Consider removing guaranteed market requirement and establishing other residual market option(s)
- Allow state government to contract with other insurers
- Impose premium tax on MSF policies.
- Eliminate state government requirements (as cited above: open meeting requirements, etc.)

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PRIVATIZATION OPTIONS

- Mutualization
- Sale



Mutualization:

- Move employees off state pension system or give them option to retire in PERS
- Begin process for removing constitutional reference
- Determine whether all of Montana State Fund assets belong to policyholders for use in making MSF a mutual insurer or whether part of the MSF assets can be used to:
 - Obtain reinsurance or other means to guarantee “New Fund” claims continue to be paid (if they are reopened, for example) and not part of new deal
 - Make whole/buy out the MSF employee component of the state pension fund
 - Use for other state purposes
- Determine what type of residual market mechanism is optimal
- Determine if state government book of business is to be one or multiple contracts with other insurer(s)
- Determine if Old Fund management could be contracted elsewhere or become part of the mutualization agreement



Sale (same as for Mutualization except for valuation determination/Old Fund):

- Determine full valuation, including whether existing claims are acquired, and who owns Montana State Fund
- Determine whether state handles Old Fund or uses a loss portfolio transfer/reinsurance

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Dissolution Options



Dissolution:

- No need for a plan to make PERS whole or provide state employees with options to ease transition
- Begin process for removing constitutional reference unless the “state compensation insurance fund assets” remain with the state for purposes of the state handling outstanding claims
- Determine what insurer (or the state) would handle existing claims (see above) and, if another insurer then what the cost would be (and how the cost would be paid)
- Determine whether to have a guaranteed market or to use a residual market mechanism
- Determine ownership of all assets, including Front Street building in Helena, and whether all money would stay in a revised definition of the state compensation insurance fund (and if the definition can be revised)