

Montana State Fund Dividend Policy

Dividend Methodology

The Montana State Fund (State Fund) Board of Directors reviews annually State Fund management's recommendation regarding the potential for a dividend declaration. The basis for the recommendation encompasses many areas including level of surplus, accident year financial results, trends in losses, workers' compensation market conditions, and the potential impact on future dividend declarations. The Board of Directors clearly understands insurance dividends cannot be guaranteed.

Dividend Analysis and Declaration

In the analysis of a potential dividend due consideration shall be given to:

1. State Fund's current year financial results, including:
 - a. The current financial condition of the State Fund, and the current level of State Fund surplus;
 - b. The level of underwriting and operating profitability achieved in the period for which the dividend is to be declared; and
 - c. The level of underwriting and operating profitability anticipated for periods subsequent to the dividend period, including future periods.
2. Current market conditions for workers' compensation in Montana, recognizing the State Fund's objective of being a stabilizing influence in the market.
3. Consistency and predictability over time in the amount and structure of the policyholder dividend.
4. Loss Valuation Dates are considered final for dividend declaration purposes with respect to the incurred losses at 18 months after the close of the policy year being reviewed.
5. Annually the management of the State Fund shall present its recommendation regarding the declaration of a policyholder dividend to the board of directors.
6. In certain instances, the board shall determine that a dividend is not available in any year or years. Those situations will include but will not be limited to:
 - A significant occurrence eroding the surplus of the Montana State Fund;
 - Intrusion by legislative or regulatory bodies restricting the operations or business of the Montana State Fund; or
 - A board determination of the need for additions to surplus.