

Montana Contractor Compensation Fund Information Paper

Why a self-insured fund?

In 1993 a diverse group of Montana contractors came together overcoming competitive differences for a common goal to take back control of their workers compensation costs. Our state, reeling over the last publicly bailed failure did not offer the proactive programs and measures these trend-setting companies requested. Being contractors, they built their own group insurance company but did not open it up to all who applied. It was opened to contractors who met strict underwriting criteria and maintained membership in the Montana Contractors Association (MCA). The MCA serves as an umbrella for the MCCF, and the MCCF is just one of many MCA benefits of membership. Membership has doubled since fund inception with contractors that have similar success goals. Is your company ready to take control of workers compensation?

What does this mean to me?

It means you have control of your workers compensation claims, a service you may have only dreamed about! Problems and issues are dealt with in real-time. Your company actively participates in the claims process. In fact, without your involvement the program will not work! Our proactive approach fuses claims and risk management with our Early-Return-To-Work and safety programs. On-call safety consultation to assist you in fine tuning your business along with an MCCF electronic safety program, are additional benefits of fund membership.

Qualifications for Membership?

As with anything that appears to be too good to be true, there are some very stringent underwriting rules that must be met;

Experience Modification Rate of less than one point one (1.1).

Three year average loss ratio of less than 65%.

Annual premium of over \$5,000 per year.

Reviewed financial statements if annual premium less than \$75,000.

Audited financial statements if annual premium over \$75,000.

Pre-admission risk assessment

Member of MCA

Board, Excess Carrier, Letter of Credit holder and regulator approval

Evolution

MCCF as a Plan 1 fund has grown about one hundred percent in its ten years in business. To date it has paid back to its membership about 13 million dollars in premium refunds and investment dividends or 36% of premiums paid. From a single employee (executive director) with claims management and safety services contracted to an outside party, it has grown to four full-time employees with all claims and safety handled in-house.

It was the intent of those who formed this fund in 1993 to take control of their respective workers compensation costs and turn what has been viewed in the past as negative into positive. Sound investment of funds coupled with superior claims and risk management make this fund the envy of its peers nation-wide.

Not all companies that apply qualify but they will be informed of those areas needing improvement in an effort to meet underwriting basics in the future!

Efficient Delivery

- Each member maintains a 25% deposit of previous years audited premium which is adjusted annually.
- Premiums are paid into a common account which is used to fund losses 30 days in arrears.
- Claim reserves are invested by a financial management company who is overseen by a financial “Gatekeeper”
- Claims are adjusted in-house by administration staff located in Montana.
- Funds not used to pay claims are remaining in general fund.
- Two refund pools exist;
 - Premium Refund which is paid three years in arrears.
 - Member Refund paid annually which are excess monies netted from reserves and general account.
- Refunds are determined by overall Fund performance then individual member performance using a loss calculation formula that does not punish a member for one year’s adverse losses.
- Commissions: Normally no commissions are paid. If an Agent is used a one-time finders fee of %5 of previous years audited premium is paid.
- Premium structure has no profit margin built in as all monies not used for claims payments become eligible for member refund at proper time. There is no money front loaded for discounts of any type.
- Rate setting takes place annually using data provided by actuarial report which is developed each year based on actual claims losses.
- Experience Modifiers (E-Mods) and Construction Credits (CPIC) are calculated by our broker annually.
- Safety audits are conducted by in-house safety professional that also provides safety training at no additional charge member.
- Once a contractor has been approved for Fund entry there is not an annual renewal process.
- Fund participates in states reciprocity agreements.
- Fund rate structure takes volatility out of “hard” and “soft” insurance markets.

Note: *Employers Liability (Coverage B) not provided, this has to be obtained through local insurance agent.*

Savings

Members pooled in an effort to promote their positive behaviors knowing they can beat the national averages. This being said many members have received up a 48% percent return of a claims year’s premium by out performing standard rate models.

For more information contact:

Marvin Jordan
PO Box 1748
Great Falls, MT 59403
406-453-8522