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MONTANA STATE FUND
BOARD MEETING
November 20, 2015

The Montana State Fund (MSF) Board meeting was held November 20, 2015 at Montana State Fund, 855 Front Street, Helena, Montana.

Directors Attending

Lance Zanto, Helena
Richard Miltenberger, Helena
Matthew Mohr, Big Sky
Bruce Mihelish, Lolo
Jan VanRiper, Helena
Jack Owens, Missoula

MSF Staff Attending

Laurence Hubbard, President/CEO
Verna Boucher, Spec Asst to Pres/CEO
Nancy Butler, General Counsel
Mark Barry, Corporate Support VP
Julie Jenkinson, Insurance Operations VP
Rick Duane, Human Resources VP
Al Parisian, Chief Information Officer
Dan Gengler, Internal Actuary
Patti Grosfield, Internal Auditor
Rene Martello, Controller
Mary Boyle, Communications Director
Shannon Copps, IT Plans and Control Leader
Curt Larsen, Assistant General Counsel
Kevin Braun, Assistant General Counsel

Others Attending

Russell Greig, Towers Watson
Leslie Vernon, Towers Watson
Mari Kindberg, State Auditor's Office
Sen. Gordon Vance, Bozeman
Shelly Vance, Bozeman
Glen Oppel, Montana Chamber
Bob Biskupiak, IIAM
Sonia Powell, OBPP
Rep. Ryan Lynch, Butte
Kim Hewitt, CSI

I. Meeting Preliminaries 8:30 a.m.

A. Call to Order

Chair Lance Zanto called the meeting to order at 8:35 a.m. and welcomed all attendees and noted that Board Member Jan VanRiper was expected to arrive shortly. He welcomed Senator Gordon Vance and Representative Ryan Lynch. He took a moment to thank Wayne Dykstra, Joe Brenneman and Past Chair Elizabeth Best for their service on the MSF Board of Directors. He noted that service on this Board is very time consuming and he appreciated their dedication and commitment during their terms. He then introduced new Board members Matt Mohr from Big Sky and Jack Owens from Missoula. He asked each Board member to provide some introductory background.

Mr. Mohr, a firefighter from Big Sky, moved to Montana over 20 years ago to attend Montana State University and has not left. He said he looks forward to serving MSF and Montana and welcomes any advice Board members may have to share.

Mr. Owens grew up in Philipsburg, attended the University of Montana and remained in Missoula where he has spent 18 years in the title insurance industry. He said he hopes that experience will afford him some insurance background for workers' compensation. He too welcomed questions and/or advice.

B. Approval of September 18, 2015 Board Meeting Minutes

Chair Zanto stated that the first order of business was approval of the September 18, 2015 minutes and called for a motion.

Mr. Miltenberger made a motion to approve the September 18, 2015 minutes as presented. The motion was seconded by Mr. Mihelish. Chair Zanto called for discussion on the motion; there was none and he called for the vote. The motion was unanimously approved.

II. Miscellaneous – Laurence Hubbard, President/CEO (8:35 a.m.)

A. Miscellaneous

President Hubbard welcomed the attendees, particularly the legislative liaisons and based on the large number of audience members, expressed appreciation for the attention this meeting was receiving. He also took a moment to thank former Chair Elizabeth Best and Board Members Wayne Dykstra and Joe Brenneman for their years of service. He thanked the new Board members for agreeing to serve on the Board.

He then provided an update on the following issues:

- He said regulatory oversight of MSF transitions to the Commissioner of Securities and Insurance Office (CSI) under Senate Bill 123 (SB123) on January 1, 2016. MSF is in the process of transitioning to a calendar year fiscal reporting cycle from a fiscal year reporting cycle. Currently, MSF is in a six month fiscal period that ends December 31, 2015.
  - As required, MSF has submitted a transition plan to CSI that also provides for necessary exceptions that may not be accomplishable by the January 1, 2016 deadline. The first exception is a domestic worker class code which under the NCCI system requires a per capita charge. MSF's systems are only capable of a payroll-based charge. The second exception requested is an exemption for applying the anniversary rating date (ARD). ARD is how NCCI reports employer loss experience with the policy effective dates. NCCI is going to eliminate usage of ARD effective May 1, 2017. Rather than implement this system change to MSF's programs, the transition plan includes the request to not implement this process. Management does not believe this will have an adverse effect on its customers. MSF has increased its efforts to update information systems, rate regulation forms and rules by the January 1 deadline.
  - Internal change management has resulted in the Customer Service Specialists as well as a number of other employees taking the casualty license exam which is required by statute in Montana. All employees have passed with the exception of one employee whose testing is pending in November.
  - MSF is awaiting CSI's response regarding the trial rate filing. This exercise was undertaken to assure that the proper forms and data information are submitted to CSI at the required March submission date.
- MSF will present to the Economic Affairs Interim Committee (EAIC) the "State of the State Fund" report at their December 1 meeting.
  - The EAIC is chaired by Representative Ryan Lynch and the Vice Chair is Senator Gordon Vance, who are MSF's Legislative Liaisons to that Committee. The presentation will include the budget review which is a new agenda item for the EAIC. The Board approved budget from the June meeting will be presented

for review and MSF will explain the budget items, such as cost of benefits, loss adjustments expenses, etc. The EAIC does not formally approve the budget for MSF, that is the Board's responsibility; however, this review will allow the EAIC members to see MSF's operational costs and MSF staff will be present to answer questions or address comments.

- He reported that staff will also update the EAIC on the implementation of SB123 and is hopeful that more decision points will have been reached by that time.
- He stated that the final report from Financial Reserve Analysts (FRA), the actuarial review of MSF's loss reserves and rates was recently received. The report is not public until CSI publishes it which will occur when the report is presented at the December 1 meeting. MSF does have an opportunity to respond to the report by November 30 and will present their response at the December 1 meeting of the EAIC.
- MSF will also report on the Old Fund funding status to the EAIC on December 1. By law, the Board, in consultation with the consulting actuary, establishes the funding estimate of the Old Fund liabilities which are general fund responsibilities.
- David Duden with Deloitte Consulting will present Deloitte's findings from the case management and reserve review completed for MSF earlier in the year. The review was completed to assure that MSF is following best practices to manage claims effectively. EAIC recommended the review with an eye to controlling claim costs yet still supporting injured workers as effectively as possible.

- From October through November, state agencies and MSF participate in the State Employee Charitable Giving Campaign for United Way. In addition to employee pledges, MSF also holds fundraising events such as raffles, food events and a Wii bowling tournament. MSF's activities resulted in raising $35,286 for the SECGC campaign which is about eight percent more than was collected last year. President Hubbard said MSF employees are very giving and do a lot to give back to the community.

Chair Zanto called for questions or comments from the Board and the public. There were none.

B. Report of Internal Auditor – Patti Grosfield, Internal Auditor

Ms. Grosfield focused her update on the fiscal year 2015 statutory statement financial audit conducted by Eide Bailly, LLP. Eide Bailly has specialized expertise in insurance which provides an added degree of knowledge to the audit process. She reminded the Board that each year, MSF prepares two different sets of financial statements: governmental statements which comply with state government reporting expectations and statutory financial statements. MSF has voluntarily completed the statutory statements for the past 15 years; now that MSF oversight has moved under the Insurance Commissioner, the statutory statements will become a mandatory requirement on January 1, 2016.

Ms. Grosfield explained Eide Bailly auditors issued an adverse opinion on the generally accepted accounting principles (GAAP) which was expected because statutory basis financial statements are based on a different accounting basis and would not meet the GAAP standards. Statutory accounting is typically a more conservative basis of accounting. The opinion for the regulatory or statutory basis of accounting is unqualified or clean which means MSF's financial statements are presented fairly in all material respects. This year there is a $20 million difference between MSF's statutory basis equity and MSF's governmental basis GAAP statements.

She explained that there was a correction to the overstated liability for MSF's allocated portion of the Other Post Employment Benefit (OPEB) liability reporting for FY2014. MSF recorded the allocation amount of the correction in 2014 and management and the auditors determined the corrected amount was immaterial to the overall fair presentation of the financial statements and was not within MSF's control.

The auditors noted that there were no difficulties encountered in performing the audit, and no significant deficiencies were identified. The overstatement of state agency refunds issued prior to year-end in advance of billing was corrected and had no effect on income or policyholder equity. They also noted no disagreements with management regarding financial accounting, reporting or auditing and management provided a management representation letter.

She reported that there were no recommendations in the audit report.

Ms. Grosfield also reported that externally:

- The Legislative Audit Division (LAD) was in the final stages of completing two different audits: 1. the governmental financial statements audits and 2. a review of MSF's implementation of action plans to address the recommendations LAD provided during the January 2014 performance audit on MSF's premiums. LAD's follow-up report will also be issued shortly.

- The statutory and governmental audits of the fiscal year transition period (7/1/15-12/31/2015) will begin in March or April.

Internally, she reported that she will be: auditing the dividends if a declaration by the Board is completed at this meeting, reviewing the agent incentives, revising and reissuing the Employee Code of Conduct, auditing employee merit adjustments in March and on-going various internal controls.

Chair Zanto called for questions or comments from the Board and the public; there were none.

C. FY15 Annual Financial Report – Rene Martello, Controller

Ms. Martello noted she would be reviewing the financials that were presented in more detail at the September Board meeting. She then explained the annual financial reporting process and the calendar year conversion reporting process. She noted that if approved by the Board, the financial results will be included in MSF's annual report which is provided to the Governor's Office and posted on the MSF website. In addition, a full copy of the annual audited financial statement that provides the financial results used in the Annual Report, or yellow book, will be made available on MSF's website. The annual statement will also be shared with CSI, which is not a requirement however it will provide them with a financial basis of MSF.

Ms. Martello then provided a review of the FY15 balance sheet as depicted on the next page. She explained the $545,259 difference in Other Admitted Assets is the result of a reclassification of state agency premium refunds and a timing difference that only occurs at year end based on SABHRS vs. PHS close out requirements. There is no impact to equity or net income.

She explained that based on the Board's adjustment during the September Board meeting related to reserve strengthening of $32.1 million and the loss adjustment expense reduction of $4.6 million, the policyholder equity level increased by $36.6 million.

FY15 Balance Sheet Information

Condensed Balance Sheet	FY2015 (Final)	FY2015 (Sept. Meeting)	Variance
ADMITTED ASSETS			
Bonds	1,132,699,368	1,132,699,368	-
Equity Securities	165,361,933	165,361,933	-
Real Estate Investments	26,375,740	26,375,740	-
Cash and Short-term Investment	34,182,977	34,182,977	-
Other Invested Assets	85,920,568	85,920,568	-
Securities Lending Collateral	90,946,591	90,946,591	-
Total Investments and Cash	1,535,487,177	1,535,487,177	-
Other Admitted Assets	123,614,800	124,160,059	(545,259)
Total Admitted Assets	1,659,101,977	1,659,647,236	(545,259)
LIABILITIES AND EQUITY			
Reserve for Unpaid Losses	780,908,940	813,008,940	(32,100,000)
Reserve for Unpaid Loss Adjustment Exp.	114,634,303	119,192,503	(4,558,200)
Securities Lending Liability	90,946,591	90,946,591	-
Other Liabilities	155,707,283	156,252,542	(545,259)
Total Liabilities	1,142,197,117	1,179,400,576	(37,203,459)
Policyholders' Equity	516,904,860	480,246,660	36,658,200

Note: Board Member Jan VanRiper joined the Board meeting at 9:05 am.

Ms. Martello also explained that the reserve adjustment resulted in an underwriting gain of $36.8 million versus the $138 thousand originally presented. Net income after dividends increased to $63.4 million. Financial ratios also changed as a result of the reserve adjustment: the combined ratio which is comprised of losses, LAE and underwriting expenses divided by net earned premium went from almost 100 percent to 77.6 percent. The expense ratio decreased to 23.2 percent and the loss ratio went from 73.9 to 54 percent. Operating ratio also had a similar impact of 74.8 percent to 52 percent.

Chair Zanto called for questions on the changes to the financial statements; there were none.

Ms. Martello explained the reconciliation of the FY15 statutory equity to the GASB or governmental net position. She said that MSF is required by law to do governmental financial statements; however, the accounting basis used within the insurance industry is the statutory financial statements.

Ms. Martello asked the Board to approve the statutory financial statements for inclusion in the annual report.

Chair Zanto called for questions. There were none.

Mr. Miltenberger made a motion the Board approve the financial statements prepared on a statutory accounting basis as audited by Eide Bailly for the Fiscal Year 2015 annual report, along with a financial reconciliation of surplus between the GASB financial statements, subject to any adjustments, and the audited statutory financial statements. Ms. VanRiper seconded the motion. Chair Zanto called for discussion, comments or questions. Seeing none, he then called for the vote and the motion passed unanimously.

III. Corporate Support

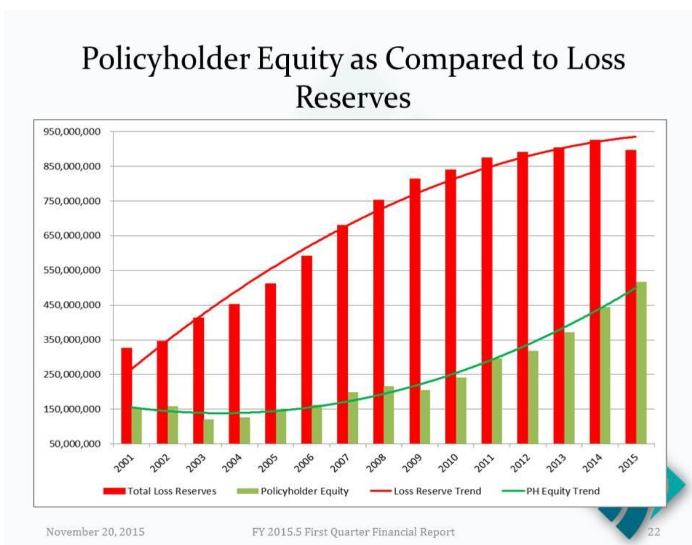
A. FY15.5 First Quarter Financial Report – Mark Barry, V.P. Corporate Support

Mr. Barry provided an update on the first quarter financial results for the period beginning July 1, 2015 and ending September 30, 2015. He noted that due to the transition to calendar year reporting, the current fiscal year will only be six months long. He explained that this financial report was not intended to provide a basis for the dividend discussion or declaration; it was to provide a view of the first quarter and the possible financial indication for the fiscal period.

He addressed the first quarter balance sheet and reported there is about a $4 million increase in equity due to an increase in assets and stabilization in liabilities. MSF's equity securities decreased by $11.7 million in the first quarter due to a correction in the market during that time frame; since the end of the quarter those earnings have been recovered. He explained that the securities lending collateral reflect a large decrease that is actually offset in the corresponding liabilities so does not affect the bottom line. Mr. Barry explained written premium versus collected premium and how those differences are reflected on the balance sheet. He noted that surplus at the end of the quarter was at $520 million.

He then provided a review of the change in loss reserves which was $4.2 million and explained the adjustments. He noted there was a negotiation of a commutation reinsurance contract resulting in $1.2 million which amounted to a payment of $885 thousand. He provided further detail on the aggregate stop loss program, other states coverage and reserve strengthening. He reported that the projected loss and LAE reserves for the first quarter are $900 million or a $4.5 million increase.

Mr. Barry provided a review of the condensed income statement and noted that net earned premium was estimated to be at $83 million. He reported that MSF expects to end the fiscal year with $524 million of surplus before the Board considers a dividend declaration.



He then reviewed the graphic depicted above which shows the trend in loss reserves and the trend in policyholder equity. He noted that while both have been increasing over time, there is a more pronounced upward bend in the policyholder equity trend line and much less pronounced trend line for loss reserves. The almost flat loss reserves trend line is one reason the surplus trend indicates upward movement at a more pronounced pace, particularly in recent years. He explained that this was due to the fluctuations in loss reserve to equity ratio which is our loss and LAE reserves divided by policyholder equity. He noted that MSF was in the loss reserve to equity range of 2.1 to 2.2 to 1 ratio in the FY 2000 to 2002 period. The ratio bounced up to 3.4

to one in FY 2003 and stayed at that elevated level for several years before it started to come down in about FY 2011. He said after the last Board meeting, the FY 2015 ratio reduced to 1.73 to one. He said it took a long time to manage through the elevated loss reserve to equity ratio and to bring it down to within the targeted range. MSF is now below range which is a consideration the Board will be utilizing in dividend amount discussions.

Mr. Barry explained the main reason for the spike in the early 2000s was prior year development. MSF experienced a series of years where there was significant prior year loss development that began in FY 2003 with $36.5M of development and continued through FY 2010. During the period between 2002 and 2010, MSF saw additional adverse loss development of over $190 million. MSF also saw a sudden and significant increase in premium as an industry wide hard market started and MSF, as the guaranteed market, accepted significant new business writings reaching $245M of earned premium in 2007.

During this time, the great recession and the financial crisis that resulted had an additional negative impact on the reserve to equity ratio causing it to increase to a high of 3.98 to 1 in 2009. The financial crisis can be viewed as both a significant deterioration in the investment markets and on investment income from realized losses on some bonds and equities as well as a reduction in premiums from loss of business primarily in the construction industry; $251 million in FY 2008 down to $202 million in FY 2010 with only a 3% rate decrease over that period.

Ms. Van Riper asked what drove the significant drop in loss development in 2011.

Mr. Barry explained that the reduction in loss reserve to equity ratio in 2011 was because MSF did not experience prior year loss development in the subsequent years. MSF has finally recovered from prior year loss estimates and achieved the correct range of estimates.

Mr. Miltenberger asked what caused the realized losses experienced in 2009; was that from selling the bond portfolio during the financial crisis?

Mr. Barry said MSF had bond defaults. There were bonds carried by Lehman Brothers and Washington Mutual that totaled $13.5 million of realized losses on bonds in that period.

Mr. Barry continued and noted that MSF added reserve strengthening during this time since the loss development seemed not to be abating. These measures were taken in incremental steps over a number of years with the largest addition in FY 2008 of $14 million to achieve a total of $28 million. The additions topped out at $32 million for several years until MSF made the decision to hedge against the possibility of portions of House Bill 334 (HB 334) being reversed and added about $10 to $12 million per year in FYs 2012, 2013, and 2014.

He said at the September 2015 Board meeting, the Board made the decision to take a large step to reduce the reserve strengthening to half of the $64.2M in the account. Mr. Barry said that reserve strengthening to that point had been approached in measured increments. He stated that during the periods MSF added to the reserve strengthening, those measured approaches did not have a large impact on the reserve to equity ratio. In fact, the ratio decreased in the 2012 to 2014 period as $10 to $12 million was added to reserves for each of those years. The reduction of the $32 million for FY 2015 had the effect of reducing the reserve to equity ratio to 1.73 to one.

Mr. Barry noted that even with the elevated reserve to equity ratio during the 2002 to 2010 period, MSF was able to mitigate rate increases and manage through the hard market and great recession. MSF has not had a rate increase since FY 2007, primarily because MSF was building financial strength in the organization so policyholders would not be adversely impacted by swings in their rates. Investment earnings helped to bolster MSF results and growth in surplus as well. The realized gains on sales of investments in recent years, particularly equity holdings, have resulted in gains between $4 and $14 million. When the investments value increases, BOI sells to bring the allocation in line with the investment policy. These gains did not include the unrealized gains that show up in the surplus growth. MSF investments experienced unrealized losses through the first quarter of close to $11 million and the yield on fixed securities has been declining as the markets continue to yield lower returns.

He explained that there are two sources of income for an insurance company – underwriting results and investment income on assets. MSF generally runs an underwriting loss that is offset by investment income as required by law though there have been exceptions. He said since FY 1999, MSF has returned $106 million in the general dividend program. MSF has not had to increase customer rates since 2007 and the reduction in the loss reserve to equity ratio has resulted in increasing levels of dividends to MSF customers including the highest dividend of $20 million declared last year. He stressed that MSF's financial position is the result of years of managing both the good years and some very difficult financial years when lower dividends were declared due to less financial stability. He said that without the strong surplus position and adequate loss reserves, MSF may have found itself not approving a dividend and increasing rates.

Mr. Barry introduced the consulting actuaries from Towers Watson, Russell Greig, Director and Leslie Vernon, Senior Consulting Actuary.

Chair Zanto called for questions from the Board and the public; there were none.

B. *Analysis of Surplus Adequacy and Policyholder Dividend Program – Russell Greig, Director and Leslie Vernon, Senior Consulting Actuary – Towers Watson*

Mr. Vernon provided a summary of Towers Watson's analysis of MSF's policyholder equity adequacy and the policyholder dividend program. He noted that this review, conducted at MSF management's request, is performed to assist in providing direction to determine how much policyholder equity is needed in order to support MSF's long-term viability and stability for Montana employers and MSF's long-term business plans and projections. Also addressed are how the required amount of policyholder equity is affected by changes in the business environment and whether this year's financial situation supports a dividend.

BACKGROUND AND PURPOSE

This is the seventeenth consecutive year that the MSF Board has explicitly considered these questions

Fiscal Year Ending ($000s)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Premium	$238,203	$230,965	$203,976	$166,265	$173,605	$150,482	$156,062	$165,272	$164,557
Net Operating Earnings**	25,916	32,095	12,624	23,231	26,372	29,803	41,423	53,746	83,440
Net Loss & LAE Reserves	679,209	752,253	813,305	838,765	874,803	889,941	902,848	924,598	895,543
Policyholder Equity	199,169	216,564	204,401	241,546	296,343	317,668	372,277	443,853	516,905
Reserve to PH Equity Ratio	3.41	3.47	3.98	3.47	2.95	2.80	2.43	2.08	1.73
Dividend*	7,000		4,000	2,001	4,005	6,001	10,005	12,003	20,005

He noted that premium has been pretty flat for the past five years and the policyholder equity is increasing while the reserve to equity ratio is decreasing.

He said MSF equity has done its job extremely well, allowing MSF to absorb adverse loss and LAE reserve development. It has also absorbed retroactive benefit changes reflected in court decisions and the volatile investment climate, allowing for relatively stable rates, particularly since 2005. Towers Watson considers the financial position of MSF to be strong but cautioned that an important priority is to continue to maintain an equity position relative to loss reserves and operational risks. Mr. Vernon said that based on Towers Watson's evaluation, MSF has the financial performance and financial strength to declare a large dividend this year.

Mr. Vernon told the Board that the role of policyholder equity is to absorb adverse financial risk. In doing so, it maintains the long term viability of MSF, minimizes the probability of insolvency and stabilizes costs to businesses while fostering economic competitiveness in Montana. Ultimately, it is to fulfill the insurer's obligations to its policyholders.

He added that policyholder equity is not unneeded surplus funds. If insurers retained no equity, potentially half the companies would become insolvent each year. On the other hand, an insurance company would need to maintain an infinitely large pool of equity to provide absolute assurance that it could never suffer financial failure. Infinite equity is neither possible nor is it the best use of financial resources and insurance prices would be much higher than employers would be willing to pay.

MSF has a number of characteristics that illustrate just how different it is from a typical insurance company. These highlight the importance of policyholder equity to absorb adverse financial results: 1. Extremely long-term obligations associated with workers' compensation claims, especially as medical continues to grow, 2. MSF writes a single line of highly regulated insurance, 3. MSF writes in a single state, 4. MSF provides the guaranteed market (must take all comers), 5. Uncertainty from significant Montana benefit changes – most recently HB334, 6. Unlike a stockholder-owned insurance company, MSF cannot access additional capital to finance future growth or to cover adverse financial results – MSF's equity must be adequate not only to cover current and next year's obligations but also to support the long-term strategy. Mr. Vernon said that Towers Watson's conclusion, based on these considerations, is that MSF needs stronger-than-average policyholder equity to address these issues.

Mr. Greig continued the presentation and noted that policyholder dividends are a very important element of the long-term relationship between MSF and its policyholders. Dividends return excess policyholder equity and are a way of returning a portion of the current earnings to policyholders. They also provide a key incentive value to employers to focus on overall safety, loss prevention and a quick return to work of the injured employee. They also provide a positive relationship correlation between an employer's actions and their financial rewards, leading to a loyal group of policyholders who will continue to practice effective loss control. Overall, policyholder dividends result in a long-term partnership between MSF and its best low-loss policyholders.

Mr. Greig explained MSF's achievement of its long-term goal to move the policyholder equity relative to loss reserves into the financially strong position. In determining MSF's ability to declare a large dividend this fiscal year, Towers Watson also considered the heightened awareness of potential exposure to terrorism and other catastrophes. Though these events rarely occur, they carry potentially large costs and can occur in any state. He said their annual rate level analysis supports MSF's objective of producing modest operating income.

The operating income recognizes the risk that is transferred from an individual policyholder to MSF. It also recognizes the inherent uncertainty in present and future business. It also makes ongoing contributions to growing and maintaining policyholder equity relative to premium and loss reserves. Lastly it supports the ongoing dividend strategy.

Chair Zanto called for questions from the Board.

Mr. Mihelish asked Mr. Greig for an estimation as to where MSF has moved over the last five to ten years along the path regarding policyholder equity relative to loss reserves ratio.

Mr. Greig stated that MSF has definitely moved from safe and sound operations to financially strong over the last five years. He explained that the reserve to equity ratio decreasing year over year means MSF is getting stronger and stronger over time to the current 1.73 to one reserve to equity ratio. He said MSF is definitely moving in the right direction over time.

President Hubbard added that investment income and control of adverse prior year development have really given a lift to the equity target for MSF.

Mr. Miltenberger asked if the company action level of $209 million that was reflected on one of Mr. Grieg's slides showing the NAIC Risk Based Capital Company Action Level was reflective of 200 percent of our authorized control level.

Mr. Greig said he did not recall if it was 200 percent or 100 percent of authorized control level but pointed out that the distinction is that the company action level means that if your policyholder equity drops below this, you have to provide a concrete plan to the insurance department of how you are going to "right the ship". MSF's Company Action Level is 400 percent of the Authorized Control Level which is special for MSF versus regular insurance companies.

Mr. Greig added that at the Authorized Control Level, if your policyholder equity level drops below that then the regulators can actually come in and take over running MSF or any company. So this is when a company is in trouble and this is not an issue for MSF.

Mr. Greig explained that MSF's June 30, 2015 policyholder equity of $517 million significantly exceeds the "regulatory solvency perspective" equity benchmarks. He clarified that for A- and A rated state funds and the workers' compensation industry suggested policyholder equity range is approximately $280 to $690 million. MSF's $517 million equity position places MSF toward the middle of the range.

Mr. Greig provided analytical results that support Towers Watson's recommendation that MSF is in a position to declare a large dividend this year. He explained the review of three regulatory equity benchmarks and illustrated that MSF's equity exceeds the regulatory benchmarks. He then discussed leverage ratios, which are a means to measure if a company has the ability to survive operating losses, catastrophes or other adverse events.

Mr. Greig explained that workers' compensation must be supported by significant levels of equity due to the volatility of risk to the insurer, exacerbated by the long recognition period and the tendency for good and bad years to run in strings. No reasonable amount of equity can fully guarantee against an insurer's failure and management's intervention is required to keep an insurer on track. There is no correct level of equity for all time periods.

Mr. Greig said that because policyholder equity has done its job of absorbing adverse financial results well and the equity is well above regulatory benchmarks, Towers Watson's analysis would support declaring a large dividend this year. This is based on consistency of the dividend performance, incentives and rewards for best policyholders and positioning to attract and retain good business.

Chair Zanto called for questions from the Board.

Mr. Miltenberger commented that he believed the Board had adopted a target policyholder reserve to equity ratio of 2 to 2.5, noting that MSF is currently under the targeted range. He asked what level of dividend declaration the Board would have to make to get back into that range.

Mr. Greig responded that the dividend declaration would have to be approximately $70 million. He added that a prevalent item in MSF history is that actions taken to stabilize MSF financially have been incremental because dramatic steps would harm MSF's solvency.

Mr. Mihelish said he thought HB334 court challenges are a bigger risk for MSF than terrorist attacks and asked what the premium reduction was from MSF when HB334 was passed.

Mr. Greig said MSF reduced rates by 20 percent.

Mr. Mihelish clarified that MSF has been passing up a 20 percent reduction for three or four years, betting that these law changes were going to stick.

Chair Zanto commented that he also sits on the Labor Management Advisory Committee (LMAC) and noted that there is continuing discussion on that Committee about the fact that HB334 took benefits away from injured workers. There is a concerted effort on the part of LMAC to continue to push safety and the responsibility of employers to step up their efforts around safety. He asked Mr. Hubbard to touch on some of the court challenges.

Mr. Hubbard said there is currently a case pending in the workers' compensation court that challenges the class one permanent impairment award which NCCI estimated at 1.7 percent of loss costs. He said the most concerning challenge is the termination on most permanent partial disability medical benefits five years from the date of injury. The first claim will not hit the threshold until July 1, 2016. Currently there is no real ripe case that can be adjudicated and until there is an adverse action taken toward an injured worker to terminate those benefits and a court challenge issued, the repercussions of that rate reduction will remain unknown. Half of the twenty percent reduction in estimated benefit costs is in that provision alone. Actually seeing the result of that being challenged will not be realized for three to five years. He said he had great confidence that it will be challenged.

C. *Surplus Level Determination and Declaration of Dividend – Management Recommendation – Laurence Hubbard, President/CEO*

President Hubbard asked the Board to review the MSF dividend policy and to utilize it as a guide in conjunction with the Towers Watson presentation and the financial reports from MSF staff. He noted that the basis for the recommendation encompasses many areas including the level of surplus, accident year financial results, trends in losses, workers' compensation market conditions and the potential impact on future dividend declarations. Based on those considerations, he noted that dividends are not and cannot be guaranteed. He said the dividend analysis and declaration should also give due consideration to MSF's current year financial results.

He noted that the dividend discussion and the level of equity that the Board feels is appropriate for MSF to maintain is not static. It needs to be considered in the context of current and long-term financial performance and the ability of the Board and management to respond to known and unknown risks. Dividends are a retrospective look at MSF's performance over time, considering the level of equity needed to support liabilities while rewarding deserving policyholders. He said his recommendation takes into account the over-arching perspective of volatility for Montana businesses and mitigating that as much as possible. Mitigating that is the reason MSF maintains a level of equity; to act as a shock absorber to the volatility of the marketplace.

He noted that the Board has the authority and the ability, under current law, to respond and make appropriate rate actions given future events. If there are new exposures by virtue of court decisions or legislation, the Board and MSF have a sufficient level of equity to be able to respond in a smooth and deliberative manner versus a volatile and reactive manner. He said in consideration of the equity level of $517 which includes the impact of the Board's decision to release $36.7 million of loss reserves, he was comfortable in recommending a dividend range in the amount of $30 to $40 million. He said he would always recommend a more conservative rather than more generous amount because he believes that is what the legislature intended so that MSF did not end up in an Old Fund situation again. He added that as equity is built up in increments, resources should also be released in increments.

Chair Zanto called for the questions.

Ms. Van Riper asked if the reports of increased costs of prescription drugs currently trending in the media was taken into account when determining an appropriate dividend recommendation.

Mr. Strauss, Vice President, Operations Support, reported that MSF has seen the generic price increase by about 16 percent based on what is going on in the marketplace. Overall utilization of prescription drugs is down about five percent. He mentioned that there are a number of programs through the Pharmacy Benefit Management Program that are used to try to contain those costs as much as possible; however, pharmacy costs are increasing year over year.

President Hubbard added that MSF embeds a cost for medical inflation that has been running at about 4.6 percent on average for total medical costs; however, if next year's analysis determines that should be at six percent, adjustments will be made to address that.

Chair Zanto noted that he had spent a lot of time reviewing MSF's financial information and said his preference was that the Board take a measured approach to financial decisions to avoid spikes and valleys. He said the Board's fiscal responsibility as well as the positive efforts that Montana employers have made regarding safety and returning injured workers to work, have shown positive results for MSF. These improvements are being seen in the bottom line and he believes have placed the Board in a position to make a strong statement to employers that their efforts are appreciated. He said in light of that sustainability moving forward, he believed the Board could support a $40 million dividend.

Mr. Miltenberger added that he would salute management's recommendation as well. He found it thoughtful and said it was important to not change the goal post now that it has been reached. He noted that MSF has been above and below the targeted policyholder reserve to equity ratio range and has recently moved into the below range position rather precipitously. He said he thought the Board needed to move toward the targeted range in a measured way so that better safety management can be rewarded year after year. He concurred with the Chair's suggestion of a $40 million dividend. He saluted Mr. Hubbard and his staff for the financial results of the past year and the recommendation.

Mr. Mihelish noted that as a former member of the insurance industry, he tends to follow that industry's approach of greater conservative financial discipline. He said the decision made at the last Board meeting was a little too progressive for him and he was concerned about continuing in that direction. He expressed concern that a dividend that is twice the amount of the last declaration would set the expectations of Montana's employers too high in future years. He thought the amount should be tempered to $30 or $35 million. Additional concerns for Mr. Mihelish were the unknown consequences of HB334 as well as moving to regulatory control under the state insurance commissioner, yet still not having a backstop should MSF face financial crisis.

Mr. Owens said he agreed with Mr. Mihelish and was leaning more toward $30 million but could compromise up to $35.

Ms. Van Riper indicated that she was actually leaning at something less than $30 million but felt she could support $30. She noted that her first Board meeting of the New Fund was the September Board meeting and after listening to the financial factors presented at that meeting and the additional factors presented at this meeting, she believed the reserve to equity ratio target should be lower. For that reason, she said she was not inclined to approve a dividend above $30 million.

Chair Zanto made a motion that the Board, based on the FY2015 unreserved surplus of $516,904,860 million dollars on a Statutory Accounting Principles basis, declare a dividend to dividend year 2013 policies of approximately $35 million dollars, not to exceed 2% above or more than 2% below the declared dividend, exclusive of any uncashed warrants.
Mr. Miltenberger seconded the motion. Chair Zanto called for discussion from the Board.

Mr. Mihelish encouraged the Board to err on the side of conservatism and stick with the $30 million dividend.

Mr. Hubbard clarified that a $30 million dividend would be a retrospective reduction impact of 22.9 percent, almost 23 percent to policyholders. About 22,930 policyholders would receive a dividend and that would implicate an equity level of about $486.9 million after the declaration and a 1.84 to one reserve to equity ratio.

Chair Zanto called for comments from the public.

Rep. Lynch addressed the Board and thanked them for allowing him time to speak. He noted that there are a lot of moving parts in workers' compensation insurance. Politically, one of the criticisms is that MSF is "hoarding cash". He said he believed that Mr. Hubbard and staff have done a great job of explaining that there is balance to maintaining financial stability for MSF and the more that he has heard about it, the more comfortable he becomes with it. For that reason, he echoed Chair Zanto's comments to hold the dividend declaration between the $30 to $40 range. He recalled a "kind of a blunt force trauma bill" that called for a $100 million kickback to policyholders which came very close to passing in the 2015 session and said that was probably not the appropriate method to address the legislature's views on MSF's financial status. He commended Mr. Hubbard and staff for diligently working to move oversight of MSF under the Commissioner of Insurance's office. He noted that as a member of the EAIC during the interim, they spent quite some time on that issue and felt it was probably a good faith effort to show the political environment that MSF is listening. He said he was attending today to share that legislators are looking for a more open, transparent and honest conversation with MSF which requires effort on both sides because the legislature has not been fair in a number of different areas. The signal to send to the rate holders is that they are being heard and it is recognized that they do struggle with the rates. There are often discussions on how to reduce the workers' compensation rates in Montana specifically as they compare to states like North Dakota. Rep. Lynch said there are reasons the rates in North Dakota are lower; however, it is not always that easy to convey why that is. He commented that MSF is in great hands with the current management structure and current management team and recommended to the Board that they follow the staff's commitment to MSF's structural balance. He said looking back ten years, the financial stability MSF is experiencing now was not always the case and the effects of HB334 are still unclear. He said everybody is paying attention and this is an opportunity for the Board to send signals that they are aware of that.

Chair Zanto called for the vote and the motion passed unanimously.

Chair Zanto shared an email that he received from Board Member Lynda Moss that stated that she "would support an increased dividend over last year but nothing excessive." She also said "I believe it is important to have consistency that provides predictability for our policyholders and workers." Chair Zanto said he believed that was consistent with the vote that was just taken.

IV. Dividend Distribution – Mark Barry, V.P. Corporate Support

A. Minimum Dividend Payment and Warrant/Credit to Account Amount

Mr. Barry noted that there were two administrative items that needed to be addressed: 1. approving the minimum dividend amount and, 2. the minimum warrant amount to be issued to policyholders. As in prior years, MSF recommended that the minimum dividend payment be at least $10 which means any calculated dividend less than that would not be awarded. With a $35 million dividend declaration, that impacts less than ten accounts. Management also requested that the Board approve that the minimum check issued be $100 with any amounts falling between $10 and $100 being applied to the account.

MSF's rules state that if a policy is in cancellation for non-payment of premium the dividend will be applied to the account unless the Board makes a motion otherwise. Management recommended and requested that the Board not take any action on this issue so that the rule could stand.

Chair Zanto called for questions; there were none.

Mr. Mihelish made a motion the Board approve a minimum dividend payment amount of $10.00 and a minimum warrant amount of $100.00. Mr. Owens seconded the motion. Chair Zanto called for discussion from the Board and the public; seeing none, he called for the vote; the motion passed unanimously.

B. Authority to Issue Dividend Warrant to Current Policy with a Past Due Premium or Other Debt Pending

Chair Zanto asked if any Board member wished to change the warrants rule that Mr. Barry described. No changes were proposed.

C. *Authority to Issue Dividend Warrant to a Cancelled Policy with an Existing Obligation Owed the State Fund Including a Past Due Premium or an Outstanding Payroll Report*
No action was taken on this item.

D. *Table of Dividend Factors and Actuarial Certification of Approved Table of Dividend Factors – Dan Gengler, Internal Actuary*
Mr. Gengler provided the dividend table that management was proposing to use for distribution of the $35 million dividend declaration. The table is applicable to policies with a coverage effective date between July 1, 2012 through June 30, 2013, that have at least six months of coverage in that policy period and are not otherwise on an individual retrospective rating plan.

He said this table is estimated to pay out within about $4 thousand of the $35 million dividend declaration. The table is crafted to get as close as possible; however, checks are not paid within a fraction of a penny and MSF expresses these factors to within the nearest tenth of a point. Mr. Gengler explained how to use the table and noted that the table reflects the distribution of the $35 million declaration proportionate to actuarially determined profit. Actuarially determined profit is the process of determining how much profit should be retained on profitable accounts in order to balance the losses on unprofitable accounts. The calculations are fairly complex; however, the independent consulting actuary reviews and certifies the process. He provides a certification to the Board that this table is actuarially fair, complies with applicable actuarial standards and is in compliance with applicable administrative rules. This table structure is similar to past years, as the loss ratio for this particular policy period goes down, the return of premium goes up and that provides incentive for policyholders to have a focus on workplace safety.

Chair Zanto called for questions.

President Hubbard asked what would be the average percentage return for the $35 million dividend?

Mr. Gengler said across all eligible policyholders, it is a return of 22.1 percent of premium and approximately 95 percent of eligible MSF policyholders will receive the dividend. For those that do receive a dividend it is a return of 26.7 percent of their premium.

Ms. Van Riper asked for the average dollar amount of the dividend.

Mr. Gengler said the average would be around $1,525. He said the largest dividend will be nearly $900 thousand and the smallest would be around $15 dollars.

Chair Zanto called for a motion.

Mr. Miltenberger made a motion the Board approve the recommendations of staff to:

-*Approve the table of dividend factors as presented and as certified by the independent actuary; and*

-*Distribute the dividend to all qualifying policyholders with new or renewal dates within the dividend year of July 1, 2012 through June 30, 2013, and who had at least six months continuous coverage during their policy period.*

Mr. Mihelish seconded the motion. He then called for discussion and public comment; there was none. He called for the vote and the motion passed unanimously.

VII. Miscellaneous (Continued) – Laurence Hubbard, President/CEO

A. Review of Proposed MSF Board Policies, Procedures, Rules and Guidelines – Curt Larsen, Assistant General Counsel

Mr. Larsen addressed the Board's administrative rules that deal with open meetings and underwriting processes and factors that are used each year to adopt the rates and dividends. He noted that SB123 has several transition features, one of which is to repeal the statute that made MSF's Board actions adopting rates subject to Administrative Rules. The Board had long standing Administrative Rules that govern how the rates were set and adopted and those will go away effective July 1, 2016. MSF staff believes it is prudent and appropriate for the Board to continue to have some guidelines and policies in place that will continue to guide their actions in that regard. Staff proposed that what is now set forth in Administrative Rules be transformed into new policies and guidelines. The proposed rules that were included in the Board's packet were provided for the Board's preview with the expectation that the Board will be requested to finalize and adopt those policies and guidelines at the December Board meeting.

He noted that as a public entity, the MSF Board was subject to state law requirements that their meetings be open to the public, prior notice be given, minutes be kept and public participation be allowed. The Administrative Rules providing those requirements will also no longer apply as of July 1, 2016; however, staff is recommending that the newly adopted policies and guidelines continue to call for open and public Board meetings.

Mr. Larsen reviewed the rule changes with the Board and requested that they be prepared to adopt the guiding principles at the December Board meeting.

Mr. Mihelish asked if the MSF employees that were required to become licensed will be covered for agency?

Mr. Larsen replied that MSF will remain a state entity and so will remain covered under the State Tort Claims Act under which all state employees are covered for any torts committed in the course and scope of their employment. That basic liability issues coverage has not changed as a result of SB123.

Chair Zanto called for additional questions.

Mr. Miltenberger sought clarification that the open meeting laws would still apply to the MSF Board meeting regardless of the Administrative Rules no longer applying.

Mr. Larsen confirmed that was correct; the laws still apply. The means by which the requirements are met will be drafted into policy.

Chair Zanto called for additional questions or public comment. There were none.

B. Annual Business Plan Update – Shannon Copps, Director of Enterprise Strategy and Project Management

Ms. Copps provided a presentation on the progress of the July 1, 2015 to June 30, 2016 Business Plan performance. She noted that this report usually contains an update on the financial metrics as well; however, financials have not yet been projected.

Customer Service – Sponsors Julie Jenkinson and Al Parisian

- Policy and Billing System Replacement is currently off track with the initial plan. The current system was implemented in 1997. The original project schedule to contract for the Independent and Verification Validation (IV&V) Consultant work was very aggressive. Almost immediately, assumptions that were made while completing this schedule became invalid when the first two options to obtain IV&V consulting were not available to use in this situation. This required a full request for proposal (RFP) process through the State of Montana Procurement Process. The process was lengthened further due to reorganization with state procurement and a new RFP management tool that was recently implemented. The procurement process is wrapping up; two vendors completed an in-person interview last week. The team has made a final selection. The delay caused no additional expense to MSF and the multi-year project team is working to reset the major project milestones which will be presented to the Board with the 2016 Business Plan at the December Board meeting.

Infrastructure – Nancy Butler, Mark Barry, Julie Jenkinson and Al Parisian

- Regulation - the implementation for Title 33 Montana Insurance Code regulation is on track and deliverables include the transition plan which was submitted to CSI in late July. The plan documents the variations between MSF underwriting procedures and NCCI's. The second deliverable was the Uniform Certificate of Authority which was completed and filed with CSI on September 1, 2015. The third major accomplishment was the hiring of Peter Strauss as Compliance Officer effective September 5, 2015.
- Calendar Year Conversion is on track – Clearwater Analytics was selected to implement the valuation of MSF's investments as of December 31, 2015. Investment accounting and reporting solutions facilitates the monthly investment accounting on both the governmental and statutory basis and reporting for the required quarterly and annual statements. The team is testing the financial data and integrations with the state accounting system and good progress has been made. MSF will be the only agency on the January to December time frame and this work ensures that MSF can successfully close as of December 31 and establish the new reporting year as of January 1. Business process changes are also on track to align the budget, business planning and employee performance management with the calendar year.
- Rates and Rate Filing ensures that MSF is compliant with the rate related areas of the Montana Insurance Code. Key pieces of work include eliminating class code differences between MSF and NCCI. That work is in process with approximately 13 identified class codes and there is a plan in place to eliminate those differences with MSF policies prior to July 1, 2016. Second is implementing provisions of the NCCI basic manual for policies effective July 1, 2016. Implementation includes staff training on overall rules and classification as well as some programming changes in the policy handling system. MSF forms are also part of this project. The statutorily required forms have all been submitted to CSI and all except one have been approved thus far. The last form was submitted this week and an approval is anticipated prior to January 1, 2016. In preparation for the official rate filing, a trial filing was submitted to CSI in late July and feedback is anticipated prior the end of the year.
- Change Management and Communication included the training and testing of those employees who will be involved in selling insurance, which was

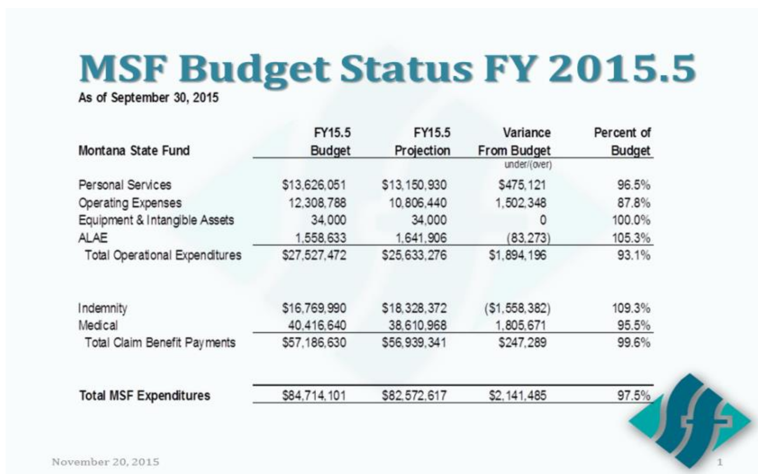
predominately the Customer Service Specialists and Underwriters. Forty-six employees have passed the test and received their license. Employees are updated on at least a monthly basis through meetings, MSF's internal newsletter and the internal intranet. Ethan Heverly, Director of Government and Community Relations has completed several trips around Montana meeting with individual and small groups of legislators, businesses and insurance agents on the regulation changes.

Ms. Copps said that with the exception of the Policy Issue and Billings System Replacement Project, all projects are on track to meet the scheduled commitments.

Chair Zanto called for questions. There were none.

C. *FY15.5 First Quarter Budget Report – Rene Martello, Controller*

Ms. Martello provided a budget variance report on activity from July 1, 2015 to September 30, 2015. MSF submitted a full year budget as required by law; however, the report had been prepared based on the six-month basis and reflected historical trends analysis and monthly spending.



MSF Budget Status FY 2015.5

As of September 30, 2015

Montana State Fund	FY15.5 Budget	FY15.5 Projection	Variance From Budget under/(over)	Percent of Budget
Personal Services	$13,626,051	$13,150,930	$475,121	96.5%
Operating Expenses	12,308,788	10,806,440	1,502,348	87.8%
Equipment & Intangible Assets	34,000	34,000	0	100.0%
ALAE	1,558,633	1,641,906	(83,273)	105.3%
Total Operational Expenditures	$27,527,472	$25,633,276	$1,894,196	93.1%
Indemnity	$16,769,990	$18,328,372	($1,558,382)	109.3%
Medical	40,416,640	38,610,968	1,805,671	95.5%
Total Claim Benefit Payments	$57,186,630	$56,939,341	$247,289	99.6%
Total MSF Expenditures	$84,714,101	$82,572,617	$2,141,485	97.5%

November 20, 2015

1

She explained the graph depicted above and noted that overall MSF's total budget is projected to be $2.1 million or 2.5 percent under budget.

She then provided an Old Fund funding estimate variance. She noted that the Old Fund is considered a liability of the State of Montana, thus this report will remain on a fiscal year reporting schedule even though MSF's budget schedule moves to calendar year reporting. She noted that overall the Old Fund estimate is expected to be under by $163 thousand or 1.9 percent.

Ms. Martello informed the Board that the next roll up of the Annual Budget materials which includes more details and specifics will be sent to the Board after Thanksgiving. She said the March meeting of 2016 will provide the first look at the conclusion of this six-month period.

She also noted that with the Calendar Year conversion, the dividend letters will be issued in December; however, due to changing to the start date of January 1 with the state accounting system, the issuance of the checks will be delayed until after January 1.

Chair Zanto called for questions from the Board and the audience; there were none.

D. *IT Security Update – Al Parisian, V.P. Information Technology*

Mr. Parisian spoke to the Board about the security issues that could and do affect MSF and provided a brief overview of the measures and systems that MSF employs to assure that our data and systems are secure. He cautioned the Board to assure they have adequate protections of their personal information as well as their business information.

Chair Zanto thanked Mr. Parisian for his presentations.

VII. General Counsel Department

A. *Information Report on MSF Asbestosis Claims – Kevin Braun, Assistant General Counsel*

Mr. Braun provided a review to the number of asbestos claims currently filed. He noted that there are approximately 540 asbestos claims filed as of October 23; 137 are open, 403 are closed. He said the exposures with regard to these claims date back decades with the earliest from 1968. Many are from the 1980s, 1990s and 2000s with a third wave of claims for current year exposures coming from the abatement process going on in Libby. As of October 23, there were 65 claims in the Old Fund and 475 with MSF. On average there are about five new asbestos claims filed per month. Nationally, the insurance industry has reportedly paid out $91 billion in combined asbestos and environmental losses and had additional reserves of $27.3 billion. Approximately $1.4 million has been paid out on Old Fund claims and $3.4 million on MSF claims. $3.9 million of that was paid out in settlements; which is how most of these claims are being handled. Settling the claims is beneficial to the claimants and to MSF. MSF's total incurred losses, amounts paid and reserves, are $9.1 million and $2.3 million for the Old Fund.

He said due to the unique challenges that asbestos claims present, MSF developed an Asbestos Team in 2014. Complications include claim investigations due to the age of the exposures, compensability determinations due to the medical complexity, medical management is difficult as well as specialized litigation expertise. The team includes seven claims examiners, four attorneys, a medical management specialist, a safety management consultant, an administrative assistant, a claims manager, two claims QA specialists and the strategic claim leader.

The investigative challenges of asbestos claims:

- Attorney involvement from inception – most claims are from the Libby area. Typical investigations involve recorded interviews of claimants which is not being allowed in these cases which results in longer investigations.
- Employer records – records are unavailable due to business closure or passage of time and claims are being filed by the owners/former owners of businesses which is complicated by coverage elections, other insurers and identifying the last injurious exposure.

Chair Zanto questioned if the burden of proof would be on the claimant to prove their employment history if the records are not available through the employer.

Mr. Braun said yes, the burden of proof would fall on the claimant; however, MSF does seek social security records to confirm employment during the time period claimed.

Mr. Mihelish asked how the date of loss is determined?

Mr. Braun said the date of loss is typically driven by the date of last injurious exposure or the date that they last employed.

- Witness availability and knowledge – people have moved from the community, witnesses have died, some are reluctant to get involved and some have faded memories.
- Coverage issues and insurer records – claimed exposures predate existing records, optional coverage records by corporate officers are likewise non-existent and microfiche records are difficult to search and do not have all of the data points that are necessary to evaluate potential exposures.
- Medical causation issues – there is a long latency period (three-25 years or more), conflicting medical opinions, community versus work exposure, de minimus or injurious exposure, comorbidities (emphysema, COPD).
- Legal standards vary – standards vary according to the applicable law (exposure dates from 1968 to present year) as do the statutes of limitation for claim filing and claim denial.

Mr. Braun said numerous trust funds exist to compensate asbestos claimants; some states such as New York, Texas and West Virginia allow insurers to take set offs against a claimant's recovery from asbestos trusts. Montana does not have specific authority to take a set off. He said trust funds and subrogation clash; analysis would necessarily involve the question of whether a claimant has been "made whole" for the entire measure of damages before an insurer could assert a viable right of subrogation.

He concluded that asbestos claims require a degree of specialization;
- claims examiners for investigations, liability determinations and medical management.
- medical personnel for causation and medical management.
- legal for litigation, settlement and claim advice to the claims examiners.

Chair Zanto called for questions. There were none.

VIII. Old Business/New Business
Chair Zanto called for old business or new business; there was none.

IX. Public Comment
Chair Zanto called for public comment. There was none.

The meeting was adjourned at 1:53 p.m. The next scheduled Board meeting will be held on Friday, December 11, 2015 at Montana State Fund, 855 Front Street, Helena, Montana in the first floor Board Room.

Respectfully submitted,

Verna Boucher
Special Assistant to the President/CEO