

**MONTANA STATE FUND
BOARD MEETING
September 9, 2022**

The Montana State Fund (MSF) Board meeting was held September 9, 2022 in MSF's Board Room at 855 Front Street, Helena, Montana 59601 and via Zoom.

Directors Attending

Richard Miltenberger, Clancy
John Maxness, Helena
Michael Marsh, Billings

Jan VanRiper, Missoula
Karen Fagg, Billings
Dexter Thiel, Sidney

MSF Staff Attending

Holly O'Dell, President/CEO
Kathy Gowen, Corporate Paralegal
Kevin Braun, General Counsel
Ethan Heverly, Government Relations Director

Patti Grosfield, Internal Auditor
Rene Martello, Controller
Darcie Dunlap, Senior Actuarial Analyst

Others Attending

Russell Greig, Willis Towers Watson

Alex Turrell, Willis Towers Watson

I. Meeting Preliminaries

A. Call to Order

The meeting was called to order at 8:33 a.m.

B. Approval of June 10, 2022 Board Meeting Minutes

The Board took action to approve the minutes as presented. Ms. Fagg made the motion, Mr. Maxness seconded the motion, the motion passed unanimously.

C. Board Acknowledgements of MSF Employees – Dexter Thiel

Mr. Thiel introduced several MSF staff members from the Facilities and Document Processing departments and thanked them, on behalf of the Board, for their service to MSF.

II. President's Report – Holly O'Dell, President/CEO

A. President's Report

President O'Dell reported on:

- Board meeting structural changes and future Committee and Board meeting dates,
- Key position hirings and planned retirements,
- The listening sessions in which she toured Montana to seek input from customers, employees, the Board members and community and stakeholders (including government),
- The results of the Gallup Q12 engagement survey and the plan for future developments to address those,
- The on-going planning for remote/hybrid support at MSF,
- MSF's newly adopted approach to the annual business plan as a multi-year strategic plan with multi-year road maps and the focus areas being addressed:

- Internal adjustments in empowering leaders and employees in making “right level” decisions to remove barriers that employees felt restrained in their work including addressing the claims examiner crisis that MSF was experiencing,
- Reducing process friction points for staff to assure improved value-added work,
- The safety ad campaign and MSF's innovative approaches in spreading the safety awareness messages,
- The launch of the agent connect portal,
- Customer feedback and expected future reports to the Operational Excellence Committee based on members’ items of interest, including the recent feedback received from the Agency Partnership Committee (APC),
- MSF building flood on July 3 and the incredible staff responsiveness and forthcoming engineer recommendations.

B. Annual Business Plan Update – Rene Martello, Controller

Ms. Martello reported on the Annual Business Plan’s key success measures and the projections for Fiscal Year 2022-year end.

Key Success Measures

KSM	2022 Plan	2022 Projection
Net Earned Premium	\$159.1M	\$162.9M
Loss Ratio	64.9%	65.96%
Expense Ratio	42.7%	42.02%
Investment Income	\$50.5M	\$27.3M
Income Earned Realized Capital Gains (losses)	\$35.5M \$15M	\$34.8M (\$7.5)
Net Operating Income (prior to dividend)	\$34.9M	\$11.03M
Achieve Enterprise-Wide Initiatives		

III. Committee Report and Board Action

A. Finance and Audit Committee

Committee Chair Fagg reported on:

- The proposal for MSF to participate in the Kids Chance of Montana scholarship program and MSF’s level of participation that will be addressed with further action at the December 9, 2022, Board meeting as the public had not been notified of possible action on the published agenda for September.
 - The internal audit report included
 - The pending proposal for the Legislative Services Division (LAD) to contract out the annual audit that is performed yearly on MSF,
 - The board-requested PBRI audit plan,
 - The financial projections and budget
 - The policyholder equity and dividend recommendation from WTW that MSF’s equity is strong enough to declare a small to medium dividend.
- i. Policyholder Equity Level Determination and Declaration of Dividend
 President O’Dell provided the Board with management’s recommendations for the dividend declaration and reasonings for the changes to the dividend program and policy changes.
- ii. Dividend Program Policy and Rules

The Board took action to approve the revised dividend program rules effective immediately. Ms. Fagg made the motion, Mr. Thiel seconded the motion. The Chair called for public input, there was none. The motion passed unanimously.

iii. Policyholder Equity Level Determination and Declaration of Dividend

The Board took action to approve, based on the unreserved Policyholder Equity of \$646,425,178 as of December 31, 2021, the declaration of a percent-of-premium dividend for dividend year 2020 policies of approximately \$30 million dollars, with a minimum dividend amount of \$100.00 payable to qualified policyholders with the total dividend and minimum payment not to exceed 2% above or more than 2% below the declared dividend, exclusive of any uncashed warrants. Ms. Fagg made the motion, Mr. Marsh seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

iv. Dividend Distribution Details

The Board took action to approve the recommendations of staff to:

-Approve the dividend distribution factor for the percent of premium dividend; and

-Distribute the dividend to all qualifying policyholders with new or renewal dates within the dividend year of July 1, 2019, through June 30, 2020, and who had at least six months continuous coverage during their policy period. Ms. Fagg made the motion; Ms. Van Riper seconded the motion. The Chair called for public input; there was none and the motion passed unanimously.

v. Adoption of Old Fund Fiscal Year 2022 Unpaid Loss and Loss Adjustment Expense Reserve Estimate

The Board took action to adopt for the Old Fund, based on the actuary's best estimate of unpaid losses and loss adjustment expenses as of June 30, 2022, the amount of \$41,477,506, undiscounted. Ms. Fagg made the motion, Ms. Van Riper seconded the motion. The Chair called for public input; there was none and the motion passed unanimously.

vi. Whistleblower Protections

The Board took action to approve the two-year proposal from Lighthouse by Syntio anonymous hotline reporting service for use by Montana State Fund employees to report illegal, unethical or policy violations. Approval is contingent upon agreement of acceptable contract terms in accordance with Montana law. Ms. Fagg made the motion, Ms. Van Riper seconded the motion. The Chair called for public input; there was none and the motion passed unanimously.

IV. Old Business/New Business

There were no old or new business items.

V. Public Comment

Chair Miltenberger called for Public Comment. There was none.

The meeting was adjourned at 10:45 p.m. The next scheduled board meeting will be held on Friday, December 9, 2022 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