

**MONTANA STATE FUND
BOARD MEETING
December 8, 2023**

The Montana State Fund (MSF) Board meeting was held December 8, 2023 in MSF's Board Room at 855 Front Street, Helena, Montana 59601 and via Zoom.

Directors Attending

Richard Miltenberger, Clancy
John Maxness, Helena
Dexter Thiel, Sidney
Wylie Galt, Martinsdale – via Zoom

Karen Fagg, Billings
Michael Marsh, Billings– via Zoom
Nancy Butler, Helena

MSF Staff Attending

Holly O'Dell, President/CEO
Kathy Gowen, Corporate Paralegal
Nick Mazanec, VP, Legal Services
Ethan Heverly, Government Relations Director

Bruce Johnsen, Chief Strategy Officer
Rene Martello, Director, Finance and Actuary
Darcie Dunlap, Senior Actuarial Analyst

Others Attending

Rep. Jonathan Karlan, EAIC Legislative Liaison
Alex Turrell, WTW – via Zoom

Russell Greig, WTW – via Zoom
Rep. Brandon Ler, EAIC Legislative Liaison

I. Meeting Preliminaries

A. Call to Order

The meeting was called to order at 9:00 a.m. The Chair noted that for those participating virtually, there is a mechanism to provide public comment.

B. Approval of September 8, 2023 Board Meeting Minutes

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

C. Board Acknowledgements of MSF Employees – Dexter Thiel

Mr. Thiel introduced several MSF claims examiners 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:

Financial and Strategy

- MSF held data driven trainings for “data champions”.
- MSF held strategic planning based on mission and vision at two off-site meetings and chose to work on strengthening partnerships with policyholder customers.
- MSF's approach to budget starts with what we want to do and why. The budget is closely tied to our commitments.
- MSF underwent a financial audit and a performance audit with Legislative Audit Division, resulting in a clean financial audit and some recommendations regarding security from the performance audit.

- President O'Dell explained the purpose of reinsurance which is to further protect MSF's exposures, especially for catastrophic injuries. First management looks at the Board's equity targets and reviews the Board's risk tolerance, then determines how much risk we could absorb and still remain financially healthy. As MSF's capital position has become stronger, we have been able to purchase less reinsurance, saving policyholders money.
- Mr. Miltenberger asked when the broker reinsurance contracts were last put out to bid. President O'Dell said it has probably been nine or ten years.

Customer Experience

- The Board issued a \$35 million dollar dividend and revised the process to be more inclusive. The dividend was issued faster and was sent in a branded envelope with an insert.
- At AASCIF MSF received first place for our external campaign – Workplace Safety: You're Naked Without it, and also first place in internal communications – Safety Second. In addition, MSF received third place for our Agriculture Safety Campaign.
- Other Coverages – MSF would like to the authority to offer FELA, Jones Act and Longshore coverage as endorsements to the policy.
- Commissions – It is time to review agent compensation.
- Safe employer spotlight and recognition – MSF sponsored Cats and Griz games.
- 4H Community Engagement – Hester Davies, Business Analyst, spoke about MSF's engagement with 4H.
- State of Montana – the state is our largest customer and we are trying some pilot programs. One of those is the return-to-work consultant who could potentially bridge the gap between medical providers, claims staff and the employer. There is also a behavioral health pilot where we can screen with a questionnaire to see who might benefit from behavioral health services.
- Agency Partnership Committee – staff meet with top agents to share updates and concerns.
- Townhalls – MSF staff went on a roadshow to hold townhall meetings with groups of agents.

Operations

- Increased Call Volume – MSF had thousands more calls than usual. The project was designed to increase the ability to resolve the problem with the first call.
- Ethico – MSF employees can contact an independent hotline with any ethical concerns.
- Bruce Johnsen, Chief Strategy Officer, has expanded his duties to oversee Operations.

Our Culture

- Ms. Davies gave a report on MSF's community involvement including Special Olympics of Montana, Turkey Challenge, Festival of Trees, Toys for Tots, SECGC and Adopt-a-Highway.
- Governor's awards – Jennie Moore, Claims Examiner, won the Trail Master Award, Dexter Thiel was a nominee for the Trail Master Award and Kevin Braun, former General Counsel, received a Lifetime Achievement Award.
- Costume Contest and Chili Cookoff
- Leadership Montana – President O'Dell is in the class of 2024.
- The Q12 survey measures employee engagement. MSF took a company-wide survey in August and the company focus will be "I know what's expected of me at work".

III. Committee Report and Board Action

A. Operational Excellence Committee – Chair Dexter Thiel

i. CY2024 Strategic Plan and Annual Business Plan

Mr. Johnsen provided an overview of the 2024 Strategic Plan and its four pillars: 1) Competitive Pricing, 2) Delivering on Customer Experience, 3) Partnership with Agents, 4) Sharing our Story.

The Annual Business Plan is tied to the balanced scorecard and aligned with the metrics in the scorecard that will be presented every quarter. Two additions were proposed at the Operational Excellence Committee meeting that are linked to the scorecard and those were to add the words “new sales” and that the policy count would decrease no more than two percent.

The Board took action to adopt the Calendar Year 2024 Strategic Plan and Annual Business Plan as proposed by management. Mr. Thiel made the motion, Ms. Butler seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

ii. FELA/Jones/USL&H Coverages

Nick Mazanec, Vice President, Legal Services, presented information on FELA/Jones/USL&H Coverages. There was discussion about the amount of risk presented by this process and whether or not reinsurance covers that. Ms. O’Dell said that coverages will be included in our reinsurance provided MSF adheres to certain policy limits. Mr. Mazanec said that if there was an unanticipated level of risk, staff would bring the issue back to the Board.

The Board took action to authorize Montana State Fund to offer Federal Employers Liability Act, Jones Act and Federal Longshore and Harbor Workers Compensation Act coverage in accordance with the methodology, terms and conditions set forth by NCCI and MSF underwriting guidelines. Mr. Thiel made the motion, Mr. Maxness seconded the motion. The Chair called for public input; there were none and the motion passed unanimously.

B. Human Resources and Compensation Committee – Chair John Maxness

i. Committee Closed Session Report

The Chair reported that Associated Employers conducted a 360 review with President O’Dell’s direct reports. The report uses five metrics and President O’Dell scored in at least the 90th percentile in each of them. Mr. Thiel reported that he has spoken to members of the public in his industry and received positive feedback on MSF’s performance.

ii. Associated Employer Contract

The Board took action to approve the proposed contract with Associated Employers to assist with periodic CEO performance assessments. Mr. Maxness made the motion and Ms. Fagg seconded the motion. The Chair called for public input; there was none and the motion passed unanimously.

C. Finance and Audit Committee – Chair Karen Fagg

Ms. Fagg provided an overview of the previous day’s Finance and Audit Committee meeting.

Ms. Fagg explained that staff provided an update on the 2023 Strategic Plan and discussed business process improvement which is on track to complete by the second quarter of 2024.

Improvements were made to three different processes – First Report of Injury (FROI), New Business Submissions, and Billing and Invoicing.

President O’Dell spoke at the committee meeting about fostering data-driven intentional decision making, and provided an update on IVANS for agents which will be rolled out to our largest agency at the end of the year.

i. CY2023 Unpaid Loss and Loss Adjustment Expense Reserve Estimate – Board Action

WTW reported on their analysis of the ultimate losses and explained total reserve changes from the previous year and forecasted an estimate of \$857.7 million for unpaid claims and Allocated Loss Adjustment Expense as of December 31, 2023.

Darcie Dunlap, Internal Actuary, provided a report at the committee meeting and explained management’s reserve recommendation of \$903.7 million, which includes other adjustments for Employers Liability, Other States Coverage and consideration for other trends impacting the total loss reserve liability.

The Board took action to approve the Calendar Year 2023 Unpaid Loss and Loss Adjustment Expense Reserve Estimate of \$903,699,730 as proposed by management. Ms. Fagg made the motion, Ms. Butler seconded the motion. The Chair called for public input; there was none. The motion passed.

ii. CY 2023 Budget Amendment Request

The Committee Chair provided the Board with a review of the presentations and information that were presented at the Finance and Audit Committee meeting. She noted that claim benefit payments exceed the original estimates proposed in the 2023 budget, so staff recommended a budget amendment of \$6 million to cover increased settlement activity and medical costs experienced this year.

The Board took action to approve the Calendar Year 2023 Budget Amendment of \$6,000,000 million as proposed by management. Ms. Fagg made the motion, Ms. Butler seconded the motion. The Chair called for public input, there was none.

iii. Rate Tier Model Recommendation

MSF’s strategic initiatives are focused on ways to be competitive and fair across the board with MSF’s pricing. Staff proposed adding severity to the rate tier model, as well as new business tier assignment criteria. The proposed rate tier model would not be effective until July 1, 2024.

The Board took action to approve the rate concepts proposed and authorize management to take such actions necessary to effectuate their underlying function and intent. Ms. Fagg made the motion, Mr. Maxness seconded the motion. The Chair called for public input, there was none. The motion passed unanimously.

iv. Commissions Recommendations

The Committee Chair explained that MSF has not reviewed commissions for over twenty years and has fallen behind the market over time. MSF is developing a new commission schedule to be effective July 1, 2024. She further explained that no action by the Board was needed on this

recommendation as the appropriate commission level will continue to be established in the yearly budget requests.

v. CY 2024 Budget Request

The Committee Chair noted that the 2024 budget request by management was presented by staff and approved by the Finance and Audit Committee for Board consideration.

The Board took action to approve the proposed Montana State Fund budget for Calendar Year 2024 totaling \$203,485,760, as follows:

- *Total Operational Expenditures of \$69,304,970, including the costs that are reimbursed to Montana State Fund for Old Fund administration; and*
- *Montana State Fund Benefit Payments of \$134,180,790.*

The President is to retain and may utilize the prior direction from the Board to adjust expenditures among first level expenditure categories, and may adjust staffing, as long as the total approved budget amount is not exceeded. Ms. Fagg made the motion, Ms. Butler seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

vi. Calendar Year 2024 Internal Audit Plan

The Committee Chair reported that the Internal Auditor presented two external audits which both went well. She also spoke about internal audits of dividend calculations and the data integrity of Insurance Intelligence, then presented the proposed 2024 Internal Audit Plan. Ms. Fagg noted that the plan can be adjusted if the Board thinks it is necessary. Ms. Fagg expressed appreciation of staff's efforts on presentations and that the committees are focused on the same area and committed.

The Board took action to approve the Calendar Year 2024 Internal Audit Plan. Ms. Fagg made the motion, Ms. Butler seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

IV. Old Business/New Business

The Chair called for Old or New business items. There was none.

V. Public Comment

The Chair called for Public Comment. There was none.

The meeting was adjourned at 11:01 a.m. The next scheduled board meeting will be held on Friday, March 8, 2024 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