

**MONTANA STATE FUND
BOARD MEETING
March 10, 2023**

The Montana State Fund (MSF) Board meeting was held March 10, 2023 in MSF's Board Room at 855 Front Street, Helena, Montana 59601 and via Zoom.

Directors Attending

Richard Miltenberger, Chair, Clancy
Jack Owens, Missoula
Karen Fagg, Billings
Dexter Thiel, Sidney

Jan VanRiper, Missoula
John Maxness, Helena
Michael Marsh, Billings

MSF Staff Attending

Holly O'Dell, President/CEO
Verna Boucher, Executive Assistant
Kevin Braun, General Counsel

Rene Martello, Controller
Ethan Heverly, Government Relations Director
Melissa Iverson, Graphic Artist/Web Specialist

Others Attending

Mari Kindberg, CSI

Erin Snyder, CSI

I. Meeting Preliminaries

A. Call to Order

The meeting was called to order at 9:20 a.m.

B. September 9, 2022 and January 20, 2023 Board Meeting Minutes

The Board took action to approve the September 9, 2022 and January 20, 2023 Board meeting minutes as presented. Mr. Owens made the motion, Ms. VanRiper seconded the motion, the motion passed unanimously.

C. Board Acknowledgements of MSF Employees – Dexter Thiel

Mr. Thiel introduced several MSF Field and Underwriting staff members and thanked them, on behalf of the Board, for their service to MSF.

II. Board Member Acknowledgement – Richard Miltenberger

Chair Miltenberger took a moment to recognize Board Members Jan VanRiper and Jack Owens at their last Board meeting as they are both termed out on May 1, 2023.

III. President's Report

President O'Dell reported:

- 2022 Financial statements were completed and sent for audit and a clean audit is expected. Premium and losses are trending favorably.
- The investment market is currently in flux yet MSF's investments remain strong and continue to solidify MSF's stability for the future.
- Work on the three primary areas of focus in the strategic plan are on-going and continue to strive to empower people, allow for effective and efficient work with intentional decisions, and create a data driven environment.

- In advance of the legislative session the President and Staff spoke with 50 different representatives and business owners across Montana and advocated for MSF's mission.
- MSF Staff and Leaders actively participate in the American Association of State Compensation Insurance Funds (AASCIF), a national organization that holds regular meetings with other similar state funds and mutuals addressing the future of workers' compensation and what it will look like in five years, the customer experience, analytics and applying hard data in a new way as well as change management.
- MSF has increased employee events that celebrate the staff and staff appreciate the Board members attending.
- Tangible steps have been taken to increase employee engagement. All teams and employees are working on individual and group projects to address how to increase engagement and solidify its positive effects.
- Quarterly Leadership Meeting focused on empowerment and trust.
- Ad campaign has been extraordinarily successful. It has hit the young worker targeted audience with TV and radio commercials, billboards and banner actions. MSF felt a call to action was necessary due to Montana's 83 percent higher injury rate than the industry standard.
- The Barnhart vs. MSF court case was settled by the Montana Supreme Court which found that the wage loss benefit must bear a reasonable relationship to the actual wages lost. Wages for permanent impairment are based on a job that cannot be returned to.
- The injured employee survey is a very important tool to improve our communications. Participation rate was the same as last year.
- MSF has entered into a partnership with the Montana Association of Counties (MACO) and 51 of the 56 counties have chosen MSF's workers compensation insurance for their coverage.
- It's important that the services we are providing to our largest account, the State of Montana are valuable and worthwhile to them. Staff are developing innovative approaches to safety to respond to requests.
- Data driven decision making approaches are being developed. A Executive Quarterly meeting is held and every department attends to present on project scopes, schedules and budget and also discuss inter-departmental challenges and how to get unstuck.
- Compensation study – salaries are adjusted for movement in the market every year and every few years a more intense study of every role is reviewed. The review this year found a number of positions that were not in the proper range and adjustments were made.
- Building usage – an RFP has been issued to work with a realtor and architect to understand our needs.
- Two leadership transitions. HR is becoming Organizational Health and Verena Maeder is the Vice President. Rene Martell is the Interim Head of Finance and Actuary. Matt Coy has added Corporate support to his overall role.

IV. 2022 Annual Business Plan – Rene Martello, Interim Head of Finance and Actuary

Staff presented the 2022 Annual Business Plan results. Net Earned Premium was \$9.3 million better than plan. The loss ratio result was 57.3 percent. The Expense ratio was 40.9 percent. The investment income was \$32.9 million due to investment income being slightly better than expected. There were realized losses of \$3.2M instead of realized gains as had been planned. Overall, though offset by favorable adjustments to loss reserves, the Operating income came in (\$2.1M) less than plan.

V. Committee Reports

A. Finance and Audit Committee – Karen Fagg, Committee Chair

1. Ratemaking Decisions
 - i. **Adopt NCCI Filings/Loss Costs Filing Effective July 1, 2023**

The Board took action to adopt the NCCI filed loss costs for rates applicable to new and renewal policies effective July 1, 2023 to July 1, 2024 for Montana State Fund classification codes. Ms. Fagg made the motion; Mr. Marsh seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

ii. Multiple Rating Tiers Criteria and Certification

The Board took action to approve, for new and renewal policies effective July 1, 2023 to July 1, 2024, the Tiered Rating Plan which consists of five rating tiers and that policies be assigned to the tiers based on the factors as presented by management. Ms. Fagg made the motion; Ms. VanRiper seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

iii. Minimum Premium and Expense Constant

The Board took action to approve an expense constant of \$200 for all new and renewal policies effective July 1, 2023 to July 1, 2024. In addition, the Board took action to approve the amount of \$240 for the loss-based portion of the Minimum Premium so that the total Minimum Premium is \$440 for new and renewal policies effective July 1, 2023 to July 1, 2024. Ms. Fagg made the motion; Mr. Owens seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

iv. Rate Level Recommendation and Contribution to Equity

The Board took action to adopt a minus 5% overall change in rates with no additional contribution to policyholder equity for new and renewal policies effective July 1, 2023 to July 1, 2024. Ms. Fagg made the motion; Mr. Maxness seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

v. Adopt Loss Cost Multipliers for new and renewal policies effective July 1, 2023 to July 1, 2024

The Board took action to adopt loss-cost multipliers as recommended by management to be applied to the loss-costs as approved by the Board, resulting in rates for new and renewal policies effective July 1, 2023 to July 1, 2024 as follows:

For Tier 1, a loss-cost multiplier of 0.981

For Tier 2, a loss-cost multiplier of 1.246

For Tier 3, a loss-cost multiplier of 1.510

For Tier 4, a loss-cost multiplier of 1.812, and

For Tier 5, a loss-cost multiplier of 2.189

Ms. Fagg made the motion; Ms. VanRiper seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

i. Additional Pricing Decisions

The Board took action to adopt management's recommendations for the following additional ratemaking decisions to apply to new and renewal policies effective July 1, 2023 to July 1, 2024, as follows:

- a. Schedule Rating*
- b. Employer's Liability*
- c. Short Rate Premium*
- d. Volume Discount*
- e. Retrospective Rating Plan Factors*
- f. Firefighter Presumptive Disease*

Ms. Fagg made the motion; Mr. Marsh seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

2. PBRI Audit Report

No formal recommendation by the Committee was made to formally adopt the report as the Committee accepted, for the record, the report.

- B. Operational Excellence Committee – Dexter Thiel, Committee Chair
The Committee requested that customer feedback and rate trends discussions be continued at the next Committee meeting in June.
- C. Human Resources and Compensation Committee – John Maxness, Committee Chair
The Committee noted that the contract extension was voted upon by the Committee and placed into action.

VI. Executive Session –Review Contract of President/CEO

- A. Introduction – Notice of Closure of Meeting – Richard Miltenberger, Chair of the Board
- B. Meeting Closed to the Public

The meeting was reopened at 11:50 a.m.

- C. President/CEO's Contract Review

The Board took action to extend Holly O'Dell's employment contract for 60 days beyond the expiration date of May 15, 2023. Mr. Maxness made the motion, Ms. Fagg seconded the motion. The Chair called for public input; there was none. The motion passed unanimously.

VII. Old Business/New Business

The Chair called for any Old or New Business; there was none.

VIII. Public Comment

The Chair called for public comment; there was none.

The meeting was adjourned at 11:30 a.m. The next scheduled board meeting will be held on Friday, June 9, 2023 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