

**MONTANA STATE FUND
BOARD MEETING
June 14, 2024**

The Montana State Fund (MSF) Board meeting was held June 14, 2024, in MSF's Boardroom at 855 Front Street, Helena, Montana 59601.

Directors Attending

Richard Miltenberger, Clancy
John Maxness, Helena
Nancy Butler, Helena
Michael Marsh, present on YouTube

Karen Fagg, Billings
Dexter Thiel, Sidney
Wylie Galt, Martinsdale

MSF Staff Attending

Holly O'Dell, President/CEO
Verna Boucher, President's Assistant

Bruce Johnsen, Chief Strategy Officer
Nick Mazanec, VP, Legal Services

Others Attending

Representative Brandon Ler, Savage

I. Meeting Preliminaries

A. Call to Order

The meeting was called to order at 9:03 a.m. The Chair noted that for those participating virtually, there is a mechanism to provide public comment.

B. Approval of March 8, 2024 and April 22, 2024 Board Meeting Minutes

Staff reported that the actual Loss Cost Multipliers that the Board had reviewed and voted on at the March 8th meeting were added to the minutes.

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

The Chair called for discussion and Board member Butler noted that she has reservations about leasing or renting out portions of the building.

Mr. Thiel also indicated that he has reservations about the same item.

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

C. Board Acknowledgements of MSF Employees – Dexter Thiel

Mr. Thiel introduced several MSF staff members and thanked them, on behalf of the Board, for their service to MSF. Mr. Thiel reflected on the rate reductions he has experienced over his many years in business and thanked staff members for their work at MSF in making those reductions occur.

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

A. President's Report

Financial and Strategy

- Russell Greig, MSF consulting actuary retired. MSF is currently doing an interview process to determine the Chief Actuary for MSF.

- Rates and pricing are being adjusted to reflect a fair and accurate pricing approach through MSF's rate tier model updates, MSF's approach to new business and the overall global rate reduction of ten percent.
- Staff thanked the current MSF Liaisons Representative Brandon Ler and Representative Jonathan Karlen from the Economic Affairs Interim Committee.
- The Annual Financial Audit has been completed and the audit opinion was clean or unmodified. The GASB or governmental audit has been completed and will be shared with the Board.
- MSF is my BFF is an internal tagline that has been adopted to encourage staff to develop more and new approaches to providing the best possible customer service.

Customer Experience

- The Agency Partnership Committee met and expressed their enthusiasm for pricing and commission changes.
- President O'Dell keynoted the Agents Alliance of Montana event and discussed the current workers' compensation market.
- The commissions changes go into effect in July.
- The policyholder survey was completed resulting in a strong response rate.
- The call volume has been reduced 13 percent. The spike occurred when the new billing system was implemented and lessons learned helped staff to prioritize the friction points, develop new solutions and continue to work to improve those policyholder experiences.
- Invoice Redesign has been very successful, is much clearer and easier to understand and was completed very quickly.
- Late Fees will no longer be charged as it was not driving behavior and has been removed for a year.
- Installment Plans have been reduced from nine options to five options. Customers had difficulty tracking when to pay MSF and eliminating some that were not popular has simplified the payment process.
- Staff is still working to address the cancellations that our system issues.
- The First Report of Injury (FROI) has been revamped to be easier to complete submitting documents and providing emails to allow an additional information path.
- Staff is working to implement a program to offer FELA coverages for contractors to be able to bid jobs near the railroad.
- The MSF Medical Conference was held in Red Lodge this year.
- Average weeks off work has decreased based on MSF's efforts to help injured employees return to work sooner and we are continuing to see successes in these efforts. The Return-to-Work Consultant works for MSF and has been providing these services to the State accounts as an initial pilot to determine the success of this new position.
- Staff has developed a new customer onboarding program particularly for larger customers.
- A Workers' Memorial was recently hosted at Montana State Fund to recognize and remember the Montanans who were lost due to work related injuries.

Operations

- Timely quote turnaround has increased and continues to improve; we've seen 85 percent of quotes turnaround within four days.
- Space Planning continues as we pursue a leasing opportunity large enough to make sense.
- Claims Center negotiations are exploring the possibilities of on premises or cloud upgrade and whether to continue with Guidewire or seek a new vendor.

Our Culture

- Ethico has been in place for a year now and there have not been any calls thus far.
- The Quarterly Leadership Meeting (QLM) was recently converted to a barbeque event to have the company leaders serve the employees on the deck and was well attended.

- “Couch to 5K” was an effort lead by a staff member to encourage a group of employees to run the Governor’s Cup.
- Mark Burzynski who served as the Chief Financial Officer and then transitioned to an internal consultant role for MSF retired on March 5, 2024.

The Board extended its appreciation to Mr. Greig for his 24 years of service and serving MSF well and their appreciation for Mr. Burzynski’s five years of service.

III. Committee Report and Board Action

A. Finance and Audit Committee – Chair Karen Fagg

The Committee Chair provided an overview of the previous day’s Finance and Audit Committee meeting.

- John Romasko, Dan Villa, and Ellie Page from BOI provided an update on MSF’s investment holdings as well as a review of current market conditions. The portfolio continues to perform well relative to the benchmark and portfolio allocations are aligned with policy standards.
- Staff summarized year-end financial projections based on results as of March 31, 2024. Premium is projected to be \$170.9 million about due to ongoing rate decreases (-5% eff. 7/1/23 and -10% effective 7/1/24). Claim losses and expenses are higher than last year, though MSF is still anticipating favorable development to benefit year-end results. Investment income is better than last year and projected Net Income of \$31.4M before any consideration for dividend.
- A review of premium and policyholder retention was provided to review the steps staff is adopting to increase policyholder counts as well as adopting practices that will help MSF retain the policyholders that we currently have.
- Staff shared the 2024 projected budget variance which reflected claim benefit payments at almost \$11 million under budget while operational expenditures are trending close to plan.
- Staff explained that large claim settlement activity has slowed for the year.
- The Claim Center upgrade project was reviewed to determine a cloud-based solution will be selected delaying the consulting spend until the project initiation analysis is completed.
- Staff provided an overview of the Old Fund financials and reported the 2025 funding estimate for the Old Fund is approximately \$4.7 million which will include costs of administering the 350 Old Fund active claims.
- Eide Bailly provided a recap of the audit process, reminded the Committee about the statutory requirements and shared the audit opinion that found an unmodified or clean audit on statutory principles basis of accounting.
- Staff provided an overview of the various audit processes and practices that are required and employed by MSF and various agencies to review and audit MSF’s financial transactions.
- Staff provided a review of the internal audits that are being completed and upcoming audit work that will be presented at the next meeting.

B. Human Resources and Compensation Committee – Chair John Maxness

The Committee Chair provided the committee report. He explained the President/CEO performance review process and timeline and commended Ms. O’Dell for her performance thus far.

The Board took action to approve the employment contract with Holly O'Dell to serve as the President and CEO of the Montana State Fund for the period of July 14, 2024, through July 14, 2025, subject to the terms and conditions of the contract, at an annual salary of \$505,000 effective March 13, 2024. Mr. Maxness made the motion, Ms. Fagg seconded the motion. The Chair called for public input, there was none and the motion passed unanimously.

The Board thanked Ms. O'Dell for her service to the company.

C. *Operational Excellence Committee – Chair Dexter Thiel*

Chair Thiel provided the Operational Excellence Committee Report.

- Staff provided a review of the financial, customer, internal and learning and growth metrics monitored and depicted in the Scorecard Report. Committee members asked multiple questions.
- Staff provided a review of the four pillars of the strategic plan and the changes that MSF is working to implement based on the feedback received from MSF's customers.
- Staff provided an in-depth report on safety programs and changes to safety programs for employers over the years in Montana and nationwide. Chair Thiel shared his safety experiences with MSF and the onboarding that MSF is beginning to do for the Roofers Association members. Committee members offered ideas around 1. Education – provide information to make owners see that this is a serious problem, 2. Materials - provide good materials for people with no safety committee or safety director for whom safety is not the top priority. Training could include diabetes, knives, epi pens and hospital locations. Providing the exact injuries and helping the owner see value is a key marketing tool.
- Roberta Tilleman, State Director, provided a review of the SkillsUSA program and the opportunities it offers to young prospective workers in Montana and nationwide and spoke to the Committee about the possibility of MSF partnering with this program going forward.
- Committee members made further suggestions including incident coaching, direct written business experience, customer on-boarding and on-boarding by industry, social presence, podcasts, safety awards, safety dividend information and toolbox talks.

IV. Old Business/New Business

The Chair called for old or new business items. Ms. Fagg recommended beginning each Board meeting with a safety tip and/or safety statistics within the MSF organization that would remind the Board that this is a workers' compensation insurance company that stresses safety.

Ms. Fagg also recommended an annual report on the state fund employees and how safe the employees are in the form of a report card.

V. Public Comment

The Chair called for Public Comment. There was none.

The meeting was adjourned at 10:34 a.m. The next scheduled board meeting will be held on Friday, September 13, 2024, at Montana State Fund, 855 Front Street, Helena, Montana in the first floor Boardroom.

Respectfully submitted,

Verna Boucher
Special Assistant to the President/CEO