

**MONTANA STATE FUND  
BOARD MEETING  
March 8, 2024**

The Montana State Fund (MSF) Board meeting was held March 8, 2024 via Zoom with public participation in the MSF Board Room at 855 Front Street, Helena, Montana 59601.

**Directors Attending**

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

Karen Fagg, Billings  
Michael Marsh, Billings  
Nancy Butler, Helena

**MSF Staff Attending**

Holly O'Dell, President/CEO  
Verna Boucher, President's Assistant  
Nick Mazanec, VP, Legal Services  
Verena Maeder, VP, Org Health  
Lauren Thornton, Medical Case Manager

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

**Others Attending**

Mari Kindberg, CSI  
Dianna Harmon, CSI  
Bob Biskupiak, IIAMT

Erin Synder, CSI  
Jim Brandley, MMIA

**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 December 8, 2023 Board Meeting Minutes*

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

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

**A. President's Report**

President O'Dell welcomed Lauren Thornton, Medical Case Manager to provide an update on the Celebration of MSF's 2023 successes. She explained that the successes of 2023 were collected and celebrated across the company with the employees through varying events.

**Financial and Strategy**

- MSF was financially strong in 2023.
- MSF's continuing connection to the American Association of State Compensation Insurance Funds (AASCIF) remains strong.
- MSF's strategic vision to be Montana's Favorite Work Comp Carrier will concentrate efforts.

**Customer Experience**

- The call volume project team is implementing a number of changes to respond to customer issues and has been successful in reducing the volume of calls.
- MSF has developed additional programs to assist in getting injured employees to treatment and created new programs in Mental Health Care and Return-To-Work.

- Policyholder Enhancement Programs have been developed including safety scorecard, group discounts and return-to-work coordination.
- An injured worker survey was conducted, 83 percent were positive and many included comments thanking examiners by name.
- The Montana Chamber of Commerce's Business Days at the Capital included a radio interview with President O'Dell discussing workers' compensation rates in Montana.

### Operations

- The Scorecard was created and provides consistent, balanced scorecard metrics allowing staff to monitor success.
- MSF conducted small group/individual Board member educational sessions to discuss cyber security and provide an overview of MSF's security posture and planned investment in 2024.
- The Boardroom and lobby were recently loaned to multiple non-profit events.

### Our Culture

- Employee retention metrics are in the green with four straight quarters of improvement on voluntary employee turnover in 2023. The attrition rate is now down to five percent which is far below industry standard nationwide.
- Performance Review Process enhancements have been successful in improving the recognition of employees' successes.
- The Quarterly Leadership Meeting utilized a Strengthfinders session to continue the work to empower leaders.
- Organizational Health has developed a Coffee Connection informal time that provides an opportunity for employees to ask questions or discuss things that are on their minds.
- President O'Dell was recently sworn in by the Clerk of the Supreme Court to be a licensed attorney in Montana.
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## **III. Committee Report and Board Action**

### *A. Finance and Audit Committee – Chair Karen Fagg*

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

Staff provided a summary of Montana employment and payroll growth trends and how this data is considered in the rate-setting process.

Staff also provided an overview of the rate filing process, a review of the NCCI loss costs effective July 1, 2024 and an update on the tiered rating plan criteria approved by the Board in December 2023.

#### **i. Minimum Premium and Expense Constant**

Staff reported the expense constant is charged to all policies and represents the common expenses of issuing, servicing, maintaining and auditing a policy regardless of the size of the policy. The minimum premium represents the loss-based (medical and wage loss) portion of the insurance coverage provided to smaller accounts. Staff recommended the Committee take action to recommend the Board adopt a minimum premium of \$240 and an expense constant of \$180 which was a reduction of \$20 from the previous year.

*The Board took action to approve an expense constant of \$180 for all new and renewal policies effective July 1, 2024 to July 1, 2025. 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 \$420 for new and renewal policies effective July 1, 2024 to July 1, 2025. Ms. Fagg made the motion, Ms.*

*Butler seconded the motion. The Chair called for public input; there was none. The Chair called for the vote and the motion carried. Michael Marsh voted no.*

ii. Additional Pricing Decisions

Staff provided a review of the eight additional pricing decisions recommended for Board approval. Scheduled rating, employers' liability, short rate premium, volume discount, retrospective rating plan factors, volunteer firefighter and construction credit, though updated do not change from previous approaches. Staff recommended the group program be altered to allow an upfront discount based on the prior three years' combined loss ratio. Approval will allow staff to make non-material adjustments to the program as necessary.

*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, 2024 and prospectively until rescinded by the Board, as follows:*

- a. Schedule Rating*
- b. Employers' Liability*
- c. Short Rate Premium*
- d. Volume Discount*
- e. Retrospective Rating Plan Factors*
- f. Group Discounts*
- g. Volunteer Firefighter*
- h. Firefighter Presumptive Disease*
- i. Construction Credit Table*

*Ms. Fagg made the motion, Ms. Butler seconded the motion and requested these items be kept in front of the Board each year in either a verbal report or packet report. The Chair called for discussion and public input, there was none. The motion passed.*

iii. Rate Level and LCM Recommendations

The Board's consulting actuaries, WTW, provided a summary of their analysis of losses for policies incepting July 1, 2024 to June 30, 2025.

President O'Dell offered the objective of selecting a neutral, or close to zero, contribution to equity in pricing for the next rate year. Kent Schlosser explained that favorable loss development from prior years primarily drove the positive underwriting results in 2023. Ms. O'Dell recommended that the Board select a rate reduction of minus 10%. The Committee discussed the possibility of a larger rate reduction. Ms. O'Dell offered that management is being more aggressive than conservative by selecting indications that align with a 10% reduction, such as selecting a higher investment return. The objective is to select a sustainable rate reduction.

Darcie Dunlap presented what the new Loss Cost Multipliers would be for each of the 5 tiers using the -10% rate change which are Tier 1 - 0.981, Tier 2 - 1.246, Tier 3 - 1.510, Tier 4 -1.812, and Tier 5 - 2.189.

*The Board took action, utilizing the most recently filed NCCI loss costs:*

*a. adopt a minus 10% overall change in rates and the loss cost modifiers proposed by management for new and renewal policies effective July 1, 2024 to July 1, 2025, and*

*b. authorize management to take such actions necessary or convenient to effectuate the intent of this motion to the maximum extent permitted by law.*

*Ms. Fagg made the motion, Ms. Butler seconded the motion. The Chair called for discussion. The Chair call for public input, there was none. The motion passed.*

- Staff provided financial and budget reports on the Loss Reserve Year-End Reconciliation and Calendar Year 2023 Financial Report Update, the Budget Variance report as of December 31, 2023 and the Annual Business Plan/Enterprise Project Portfolio
- Staff provided a report on the activities the Internal Auditor has been completing over the last quarter. The CY23 Statutory basis financial audit report and the Calendar Year 2023 GASB/GAAP audits which are completed by Eide Bailly are in process. The internal audit activity includes a number of reviews and an audit of the MSF CC, PC, BC Security Roles and Access as well as the Claim Settlement, Authorities and Escalations Audit.

*B. Human Resources and Compensation Committee – Chair John Maxness*

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

*i. Associated Employers Contract*

The Chair reported that the Committee recommends the Board approve a contract with Associated Employers to perform an executive level compensation assessment.

*The Board took action to approve the proposed contract with Associated Employers to perform an executive level compensation assessment. Mr. Maxness made the motion; Ms. Fagg seconded the motion. The Chair called for discussion. Mr. Marsh noted he would abstain from the vote because he serves on the Associated Employers Board. The Chair called for public input; there was none and the motion passed.*

*C. Operational Excellence Committee – Chair Dexter Thiel*

Chair Thiel provided the Operational Excellence Committee Report.

- Ryan Sanders, Enterprise Solutions Engineer 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.
- David Jordan, Assistant VP and Verena Maeder, VP, Organizational Health provided a review of the four pillars of the 2024 Strategic Plan.
  - The first strategy is pricing and determining how to assure that MSF's pricing is not a barrier to partnership with Montana employers.
  - The second strategy focuses on building relationships with our customers.
  - The third strategy focuses on MSF's key partners, our agents and understanding the agent perspective, providing tools and building new processes.
  - The fourth strategy is to share our story with our customers, prospective customers, partners and all of Montana.
- The increased call volume project was formed in response to MSF call volume, particularly first quarter of 2022 compared to 2023. The project purpose was to reduce the total number of calls by developing an understanding of the nature of the calls, and, once identified, implement

solutions around friction points. The project is accomplishing its original intent and overall incoming call volume is trending down.

- Steve Crawford, Narcotics Bureau Chief for the Division of Criminal Investigation provided a comprehensive overview of cannabis, narcotics and sex trafficking in Montana, describing the trends and issues as well as approaches being used and developed to address these issues.
- Wayne Bunch and Pam Byers, Assistant Vice Presidents provided a customer safety enhancement and customer Return-to-Work Program report.
- A strategic partnership has been developed with MSF's largest customer to promote return to work, behavioral health and safety scorecard.

**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 10:30 a.m. The next scheduled board meeting will be held on Friday, June, 14, 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*