



MEMORANDUM

DATE: November 12, 2007
TO: Appointed Agents and Group Association Partners
FROM: Carl Wilson, CPCU, Vice President of Underwriting Services
John Gilkey, CPCU, Vice President of Policyholder Services
SUBJECT: 2007 \$60 Million Dividend Distribution

On November 9, 2007, SAIF Corporation’s board of directors declared a policyholder dividend of approximately \$60 million. SAIF is able to pay policyholder dividends because of favorable investment performance and better-than-expected loss experience. More than 41,000 policyholders will receive a dividend as a result of this distribution.

Dividend Allocation Schedule:

A dividend will be calculated for each eligible policy in accordance with the following schedule. The dividend percentage will be applied to the total standard premium for policy periods with ending dates from January 1, 2006 through December 31, 2006.

| Standard Premium Range | Dividend Percentage |
|-------------------------------|----------------------------|
| \$0 - \$2,500 | 14.93% |
| \$2,501 - \$20,000 | 13.98% |
| \$20,001 - \$100,000 | 13.14% |
| Over \$100,000 | 12.61% |

Distribution Dates and Documents:

Dividend checks will be printed during the week of December 3 and mailed to policyholders during the week of December 10.

Each policyholder eligible for a dividend will receive a one-page letter signed by President and CEO Brenda JP Rocklin. If a check is generated, it will appear on the bottom one-third of the page. The three versions of the one-page letter are:

- A regular dividend with check;
- A dividend that has been applied, in part, to a balance owing, but still includes a check; and
- A dividend that has been fully applied to a balance owing and that does not include a check.

A sample of a regular dividend with check is on page 7. Customers not eligible for a dividend, including Assigned Risk Plan participants and customers in default on the date of the declaration, will not receive notice of the dividend declaration.

Dividend Information and Reports Available on Business Online:

On Monday, November 19, a new dividend information system will become available on Business Online.

The new "Search" function provides easy access to lists of your customers and their dividends. Your list can be viewed online, printed, or downloaded to Excel. If you are not already registered for Business Online, you can do so by going to **saif.com**. Hard copy reports will be provided upon request for those agents who choose not to register. Please contact Marilyn Cyphers at 503.598.5721 for assistance.

The "Dividend by Policy" screen shows how each policy's dividend was calculated and, after December 3, any adjustments to the check amount because of a balance owed to SAIF. It is possible for check amounts to be adjusted until the day the dividend checks are printed.

Please read the attached "Dividend Questions and Answers" carefully regarding the use of online dividend information and communication with potential dividend recipients.

2007 Dividend Questions and Answers

1. Which policyholders are eligible for a dividend?

Policyholders are eligible for a dividend if they were insured with SAIF with policy period ending date(s) from January 1, 2006 through December 31, 2006. The entire policy period(s) ending in 2006 is/are eligible for a dividend, with the exception of those noted in response to Question 2.

2. Which policyholders are not eligible for a dividend?

Policyholders are not eligible for a dividend if they are in default status for nonpayment of premium on declaration day (see ORS 656.560 and 656.526(3)). Also, policyholders without a policy end date within the eligibility period (see answer to Question 1 above) are not eligible for dividends.

SAIF customers who are in the Assigned Risk Plan are not insured by SAIF Corporation but by the Oregon Workers' Compensation Plan designed by the Department of Consumer and Business Services (DCBS) and administered by the National Council on Compensation Insurance (NCCI). SAIF provides coverage and claims handling services for assigned risk customers according to the terms of a contract with NCCI. Because assigned risk customers are not insured by SAIF Corporation and are specifically issued a policy that excludes a dividend participation provision, they are not eligible for dividends.

Finally, under the terms of the declaration issued by the board of directors, SAIF Corporation is not eligible for a dividend.

3. What was the time period used by SAIF to determine dividend eligibility and why?

SAIF calculated dividends on full and partial policy periods with expiration dates from January 1, 2006 through December 31, 2006. If an employer had more than one policy period with the same policy number that ended in 2006, both are eligible for a dividend. Premium from both periods is accumulated and one dividend calculated.

We chose this particular group of policies because these policy period ending dates represent the most recent time period for which virtually all of the policy period premiums are final, either as the result of a final payroll report received or physical audit performed by SAIF Corporation. Under Oregon law, dividends can only be declared on policy periods that have expired (OAR 836-080-0120(2)).

4. How are dividends calculated?

Dividends are calculated as a percentage of standard premium recorded for eligible policy periods on November 9, 2007. The dividend percentage is applied using the table contained in the dividend declaration.

Please note: The minimum dividend is \$5. No dividend will be awarded under this amount.

5. Why do dividend percentages differ for policyholders of different premium size?

Dividends are calculated as a percentage of standard premium. However, a customer's actual paid premium is subject to a discount based on premium size. The dividend percentages for different premiums bands have the effect of backing out the premium discount and putting all policyholders on essentially the same footing.

6. Why did the board select \$60 million as the total dividend amount?

The board, after consulting with SAIF's actuarial staff and the board's independent appointed actuary, determined that a dividend of \$60 million can reasonably be paid out while still maintaining a target surplus range that protects the solvency of the Industrial Accident Fund.

7. How and when will dividends be distributed?

Policyholders eligible for a dividend will receive a check in the mail. Checks will be mailed during the week of December 10, 2007.

In some instances, the entire dividend or a portion thereof may be applied to amounts past due. Call the SAIF Corporation Collections section at 800.285.8525 if you have any questions about a dividend that was withheld in part or in full as a result of a past due balance.

8. Can employers be told the specific amount of their individual dividend prior to when the checks are mailed?

Yes. Dividend information will be provided beginning November 19, 2007, in Dividend "Search" and "Dividend by Policy" on Business Online. These screens will identify accounts that are eligible for a dividend and the amount of the dividend award. They also will show accounts that are not eligible for a dividend and explain why.

Beginning December 3, the "Dividend by Policy" screen will show an adjustment to the dividend for any balance that has been demanded but not yet defaulted. Nearly all of these dividend offsets will be on cancelled policies.

Please note: More than 99 percent of eligible policyholders will receive the full amount of their dividend in the form of a check. A small number of policyholders will have a portion or their entire dividend applied to a balance due.

9. What if a policyholder asks for the dividend percentage?

The dividend allocation schedule with dividend percentages by premium range can be disclosed to the policyholder. The eligible premium, policy period(s) included in the dividend, and the calculation will be visible online at "Dividend by Policy."

10. Is there a limit to the amount of dividend a customer can receive for a particular policy year?

Yes. The dividend cannot exceed 95 percent of the premium paid to SAIF as of the dividend declaration date. This limit is relevant only to those customers on retrospectively rated policies for which final earned premium has not yet been determined.

11. Will wrap-up subcontractors and leasing clients receive a dividend?

No. Leasing client and wrap-up subcontractors will not receive dividends. In both of these cases, premiums were paid to SAIF by the wrap-up owner/contractor and the leasing company as the policyholder; therefore, the wrap-up owner/contractor and the leasing company will receive the dividend check. Note, however, that a wrap-up subcontractor may have a stand-alone policy with SAIF outside the wrap-up project that is dividend eligible.

12. Will subaccount policies receive a dividend?

No. SAIF sets up subaccount policies to accommodate a policyholder request to keep payroll and premium separate by location. In this case, one dividend check will be issued to the principal policy based on the cumulative standard premium of all combined policies. All combined policies are the same legal entity.

13. Why did SAIF pay a dividend instead of lowering rates?

Rates must be sufficient to pay the expected losses and expenses for the prospective period during which the rates are in effect. In order to lower prices, SAIF must be able to reasonably predict the sustainability of either lower expected losses or expenses, or sustained increases to surplus through investment earnings. SAIF's actuaries at this time cannot make such a prediction; therefore, an unexpected and/or temporary increase to surplus may, at the discretion of SAIF's board of directors, be distributed through dividends to policyholders.

14. Will a policyholder get a dividend even if it has switched to another carrier or was insured by SAIF for only a portion of the year?

Yes. If a policyholder meets the dividend eligibility criteria and was insured by SAIF with a policy period expiring in 2006, it will receive a dividend even though it is no longer a SAIF policyholder.

15. Will SAIF credit a firm's account rather than send it a check?

SAIF may credit a firm's account only if that policyholder owes money to SAIF.

16. What happens if an employer paid an amount immediately before the dividend was applied to the account?

The employer will receive a statement showing a credit, which may be used to pay future premiums or other charges. If the employer requests the money, SAIF will send a refund.

17. What happens to the dividend if a policyholder is in bankruptcy?

Please refer all calls involving policyholders in bankruptcy to Larry McFarland, SAIF Credit Underwriter, 503.373.8456 or Ruth Koenig, SAIF Collection Manager, 503.373.8372.

18. Is the amount of the dividend considered income?

SAIF Corporation cannot provide legal advice about how a policyholder should treat a dividend for tax purposes.

19. Who is authorized to receive information regarding a policyholder's dividend?

Dividend information may be given to anyone in the firm who has a position of authority, such as a proprietor, partner, owner, or controller. The employer's insurance agent-of-record as indicated by SAIF's computer records also is authorized to receive dividend information.

20. What is the procedure for a dividend check that has been lost or needs to be reissued?

To report a lost check or request reissue, please call the SAIF cashier's office at 503.373.8720. Requests to reissue a check under a different name will require approval by SAIF's Collections section. The requestor may be required to complete an affidavit and indemnity agreement.

If you have additional questions, please visit Business Online or contact Marilyn Cyphers, SAIF's Corporate Agency Program, at 503.598.5721.



DIVIDEND CHECK: \$7,584.00

Policy Number: 111111

FRED PAYTON
SENIOR ACCOUNT REPRESENTATIVE
541.523.2822

ABC COMPANY
123 ANY STREET SOUTH
SALEM, OR 97301-1000

On November 9, 2007, SAIF Corporation's Board of Directors authorized a dividend to be distributed to customers with policy periods that ended during 2006. We are pleased to notify you that your business is eligible to participate in this dividend distribution.

Your dividend check is attached to this letter. If you have questions regarding the calculation of your dividend, please visit our website at www.saif.com, or contact your agent or SAIF representative.

We appreciate your business and thank you for choosing SAIF Corporation.

Sincerely,

Brenda JP Rocklin
President and CEO

It is unlawful in Oregon for an insurer to promise to pay policyholder dividends for any unexpired portion of the policy term or to misrepresent the conditions for dividend payment. Dividends will be due and payable only for a policy period that has expired, and only if declared by and under conditions prescribed by the Board of Directors of the Insurer. Furthermore, it is an unlawful rebate and a violation of the Oregon Insurance Code for an insured or a representative of an insured knowingly to accept a dividend pursuant to a promise to pay policyholder dividends if the promise is made before the policy is issued or if the promise is made for any unexpired portion of a policy period.



400 High St SE
Salem, OR 97312
503.373.8000

Dividend

To The
State Treasurer
Salem, Oregon

96-10
1232

Check No. 010001980

Date
12/11/2007

Pay SEVEN THOUSAND FIVE HUNDRED EIGHTY FOUR AND 00/100 DOLLARS

SAMPLE \$ **Amount**
****7,584.00**

Pay
To
The
Order
Of

ABC COMPANY
123 ANY STREET SOUTH
SALEM, OR 97301-1000

(Void After 2 Years From Date Of Issue)

Authorized Signature

PAYABLE THROUGH US BANK

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