



**MEMORANDUM**

**DATE:** March 10, 2010  
**TO:** Appointed Agents/Group Association Partners  
**FROM:** John Gilkey, Vice President of Policyholder Services  
Michael Hartman, Vice President of Underwriting Services  
**SUBJECT:** 2010 \$100 Million Dividend Distribution

On March 10, 2010, SAIF Corporation’s board of directors declared a policyholder dividend of approximately \$100 million. SAIF is able to pay a dividend this year because of solid recovery in the value of investments during 2009, coupled with improvements in workplace safety and loss experience. Approximately 44,000 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, 2008 through December 31, 2008.

<b>Standard Premium Range</b>	<b>Dividend Percentage</b>
\$0 - \$2,500	24.61
\$2,501 - \$20,000	23.05
\$20,001 - \$100,000	21.65
Over \$100,000	20.79

**Distribution Dates and Documents**

Dividend checks will be mailed to policyholders during the week of April 12.

Each policyholder eligible for a dividend will receive a one-page letter signed by President and CEO Brenda JP Rocklin; the check is the bottom third of the page (if a check is generated). 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
- A dividend that has been fully applied to a balance owing

Customers not eligible for dividends (assigned risk plan participants and customers in default or bankruptcy on the date of the declaration) will not receive notice of the dividend declaration.

### **Dividend Information and Reports Available on Business Online**

The dividend information system is available to you now through Business Online. On Wednesday, March 24, the dividend information system will become available to policyholders on Business Online.

The "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 971.242.5721 for assistance. The "Dividend by Policy" screen shows how each policy's dividend was calculated and, after March 24, 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 "2010 Dividend Questions and Answers" carefully regarding the use of online dividend information and communication with potential dividend recipients. A more limited list of questions and answers will be posted for policyholders on saif.com.

## 2010 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, 2008 through December 31, 2008. The entire policy period(s) ending in 2008 is dividend eligible, with the exception of those noted in question number 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 a dividend.

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. However, 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 ending dates from January 1, 2008 through December 31, 2008. If an employer had more than one policy period with the same policy number that ended in 2008, both are dividend eligible. Premium from both periods is accumulated and one dividend is 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 the valuation date of March 10, 2010. 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 \$100 million as the total dividend amount?**

The board, after consulting with SAIF's management and actuarial staff, determined that a dividend of \$100 million can reasonably be paid while still maintaining a surplus that protects the solvency of the Industrial Accident Fund.

**7. How and when will dividends be distributed?**

Those policyholders eligible for a dividend will receive a check in the mail. Checks will be mailed during the week of April 12, 2010. In some rare 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 its entirety 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. Agents, groups, and SAIF employees have access to this information immediately. Dividend information will be available to policyholders beginning March 24, 2010, 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.

Until April 12, the dividend shown on the "Dividend by Policy" screen is subject to adjustment for any balance that has been demanded but not yet defaulted. Nearly all of these dividend offsets will be on cancelled policies. Policyholders should be told that "we anticipate the amount of your dividend to be (give amount)."

**Please note:** A small number of policyholders will have some part of their 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, they 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 separate payroll and premium 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.

If SAIF were to apply \$100 million from surplus to future pricing, two issues would arise. It is unclear whether the Department of Consumer and Business Services (DCBS) would approve pricing that, in some cases, would result in premiums that are less than the expected cost of claims. Second, our customers have told us that they value stable, long-term pricing. A large price reduction could raise expectations of a permanent reduction in pricing. With so many factors influencing the size of SAIF's surplus, it would not be prudent to deliver a price reduction with no guarantee that it could be sustained.

**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 ending in 2008, it will receive a dividend even if it is no longer a SAIF policyholder.

**15. Will SAIF credit an employer's account rather than send it a check?**

SAIF may credit an employer'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 a refund, SAIF will issue payment.

**17. What happens if a policyholder decides not to pay their current bill on time because they intend to use their dividend check to pay their bill?**

Interest will accrue on any overdue amounts as specified in ORS 656.560, which provides that interest at the rate of one percent per month or fraction thereof shall be added to the amount due, commencing with the first day of the month following the date when payment became due.

Employer Payroll Reports are due on or before the 15th day of the month following the reporting period. Payments that are required with the reports are also due on the 15th day of the month. Interest shall be assessed if the payment is not received prior to the first of the month following the stated due date.

Therefore, any premium payment or payroll report with a premium payment due in March will be charged one percent interest if the payment is not received before April 1. Policyholders may contact their billing representative with any questions or concerns regarding their billing, or request to have their dividend be applied to their premium payment.

Payments and payroll reports may be filed online at [www.saif.com](http://www.saif.com).

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

Please refer all calls involving policyholders in bankruptcy to Larry McFarland, credit underwriter, 503.373.8456 (ext. 8456) or Ruth Koenig, collection manager, 503.373.8372 (ext. 8372).

**19. Is the amount of the dividend considered income?**

SAIF cannot provide legal advice about how a policyholder should treat a dividend for tax purposes. Employers should consult their tax professional.

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

Dividend information may be given to anyone in the company who has a position of authority, such as 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.

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

Requests to reissue a check under a different name will require approval by SAIF's Collection section. The requestor may be required to complete an affidavit and indemnity agreement. Please call the SAIF cashier's office at 503.373.8720.

**If you have additional questions, please visit Business Online or contact Marilyn Cyphers, Corporate Agency Program, 971.242.5721.**