



Workers' Compensation Seminar

May 5, 2022

Financial Top Lines

Financial picture remains strong

Net earned premium

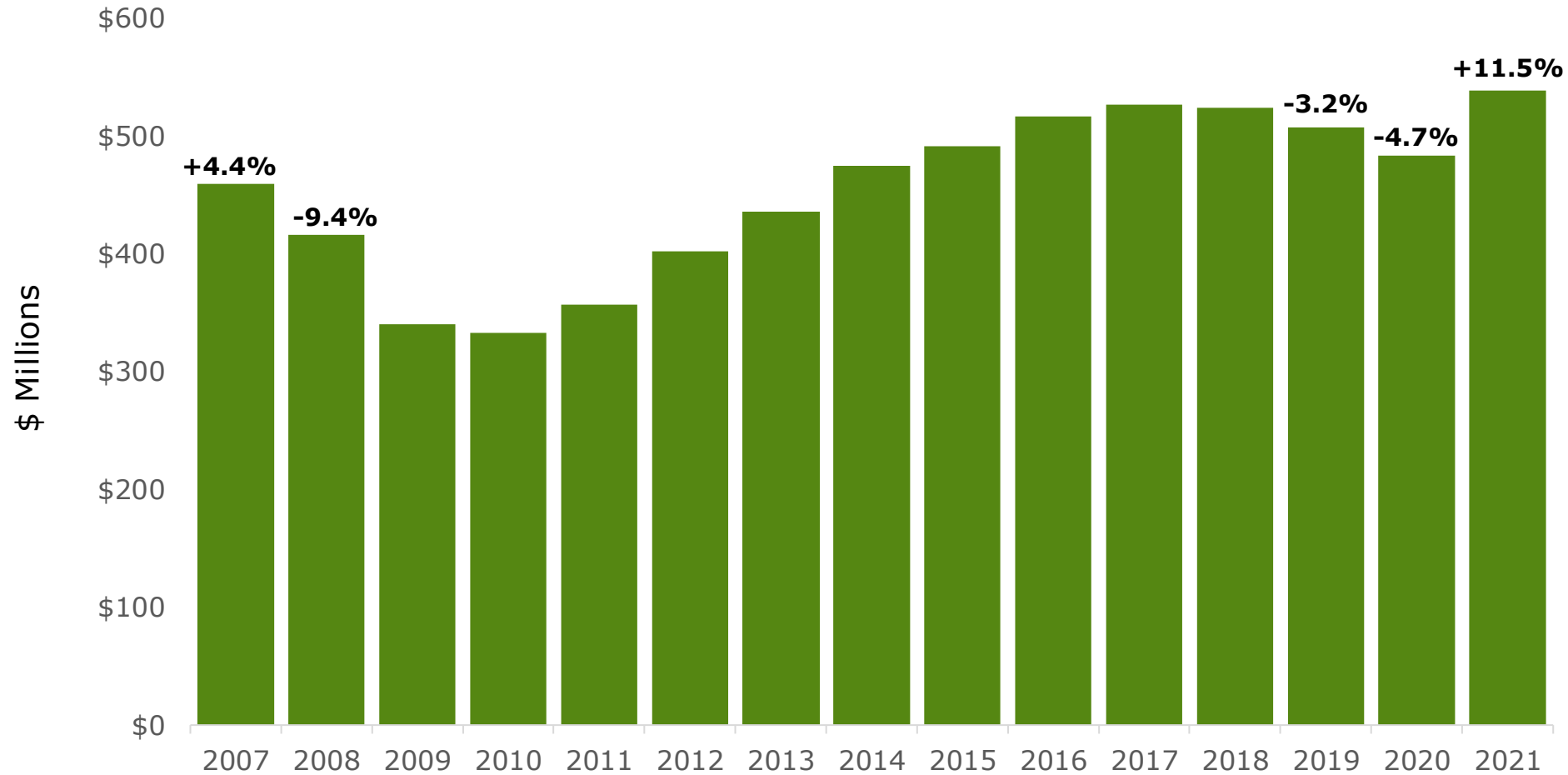
- 2021 surpassed 2019 by \$31.6 million or 6%
- \$55.5 million or 11.5% increase from 2020
- Payroll growth varies by industry

Investment results strong

- Stock market value increases
- Bond markets - low interest rates



Net earned premium



Financial Top Lines (continued)

Claims reserve reductions slowed in 2021

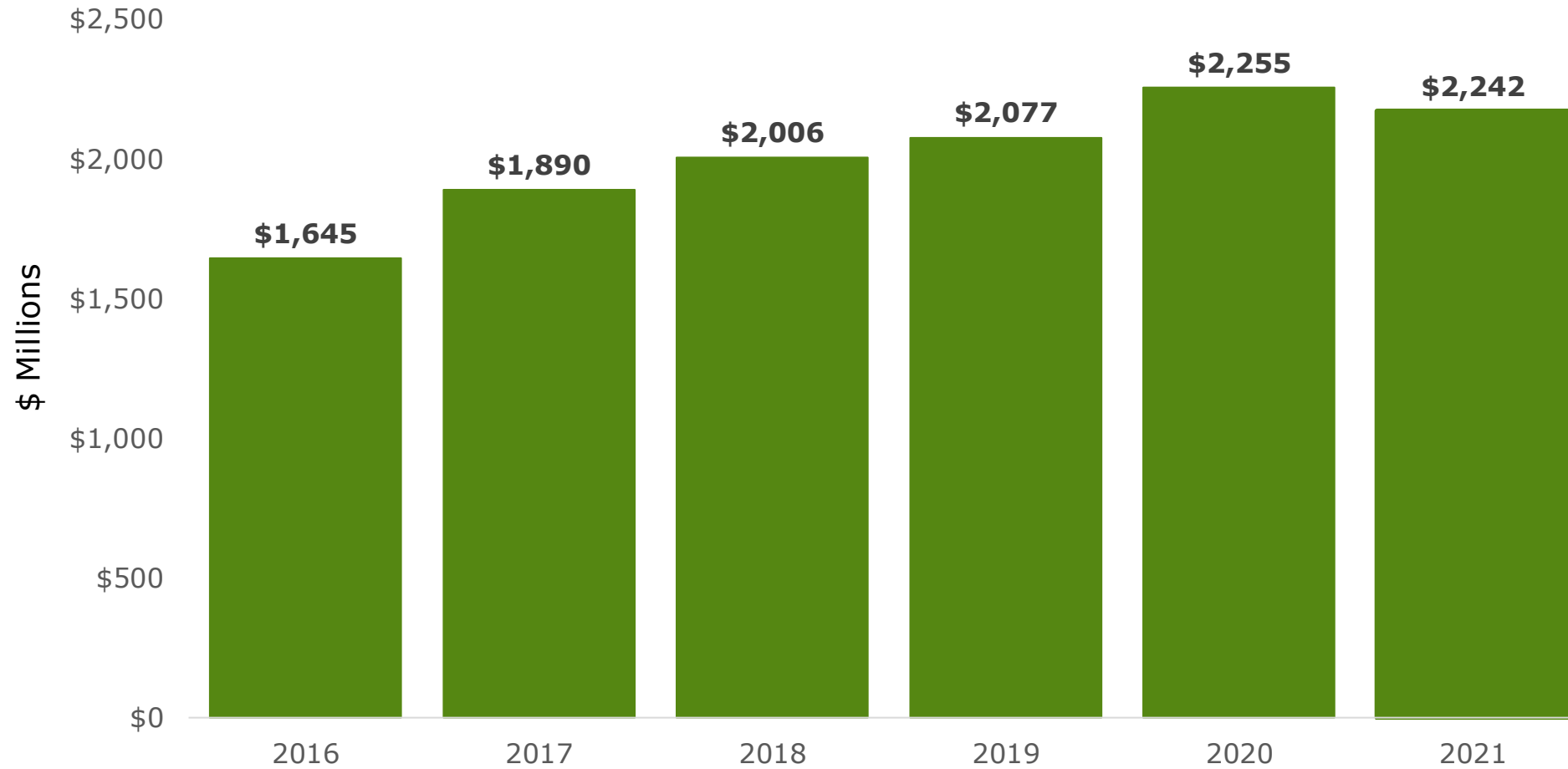
- Medical escalation rate remains low
- Inflation risk high
- Lower frequency rates during recent accident years

Pure premium reductions

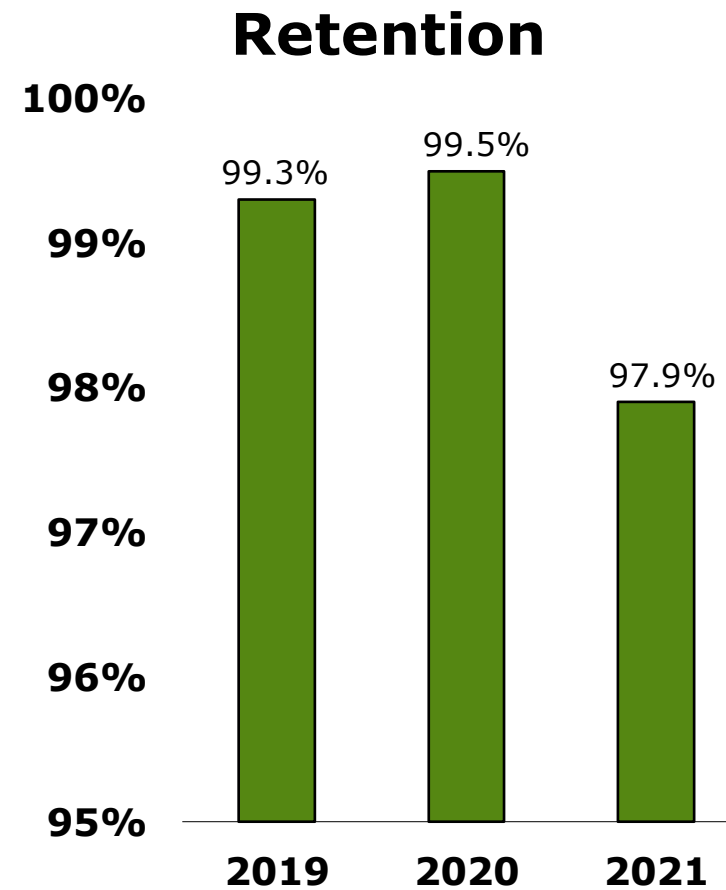
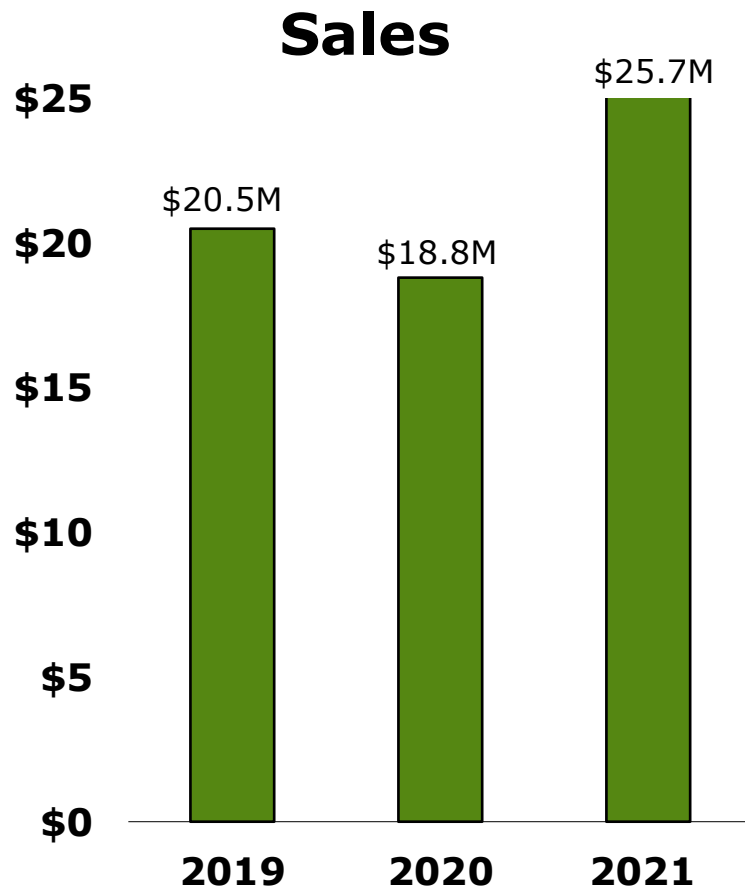
- 2019: 9.7%
- 2020: 8.4%
- 2021: 5.6%
- 2022: 5.8%

Surplus/capital

as of December 31



Sales and retention, 2019-2021





SAIF's investment priorities

- Preservation of capital
- Stable, predictable investment returns
- Matching liquidity to SAIF cash needs
 - Availability of capital in a crisis
 - Availability of capital for project work

Investment allocation

Investment allocation approved at April 2019 OIC meeting:

	Previous Allocation	Sept. 2021 Allocation	Current Target Allocation
Fixed income	90%	86%	77%
Real estate funds	0%	4%	5%
Equities	10%	10%	10%
Bank loans and private credit	-	-	8%

Capital levels help determine:

Pricing

- Investment income offsets underwriting losses

Dividends

- Based on a snapshot in time and future outlook

SAIF's mission is to serve Oregon's workers and employers by making workers' compensation coverage widely available and affordable, and by providing extraordinary service.

- Underwriting
- Service levels

Capital levels also help determine:

- Our risk tolerance
 - Recession
 - Earthquake
 - Medical cost escalation
 - Pandemics
 - Legislative/Regulatory/Judicial changes
 - Changes in loss patterns
- Our board adopts a risk tolerance statement:
 - Maintain a minimum surplus of 5.0 times CAL-RBC; risk models show the likelihood of capital falling below CAL-RBC over next three years is less than .5%



SAIF's capital need is affected by:

- Lack of diversification
- No other sources of capital
- WC is a “long tail” line of insurance
- Necessary long-term investments

Issues to watch

- Ongoing and future pandemic impacts
- Changes in medical cost escalation
- Legislative/regulatory changes that threaten balance in WC system
- Economic and claim impacts from increased wildfire activity, drought, and record high temperatures
- Investment market volatility
- Fluctuations in policyholder payroll
- A “taking” of SAIF capital

Covid claims

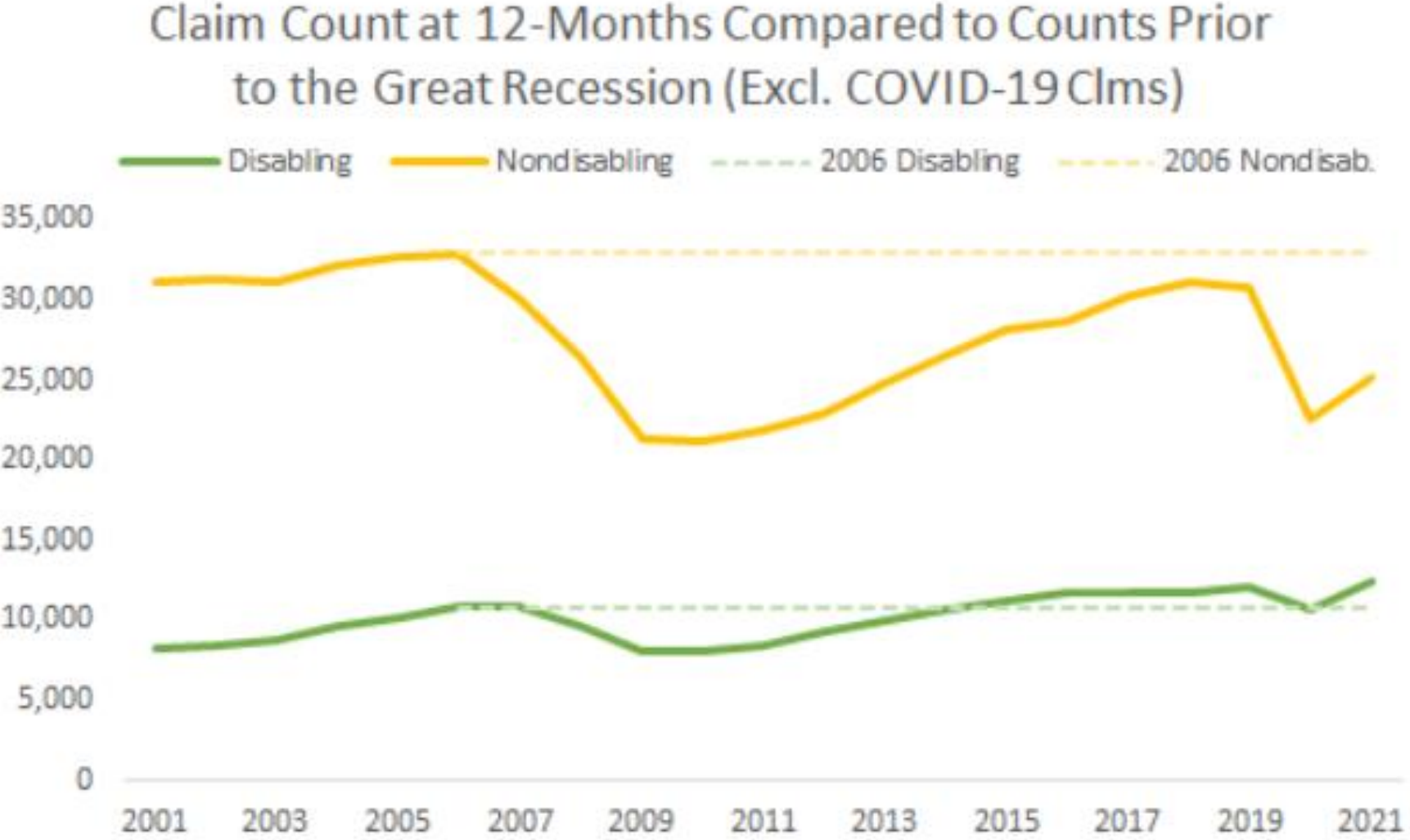
- Total Claims Received in 2021 = 41,190
- Covid claims received in 2021 = 2,039 (4.95% of total claims received)

All Covid claims as of 4/18/2022

- Total Covid claims received ~5,700
- Total incurred costs \$35.5 million
- Total paid costs \$15.9 million
- 47 claims hold 75% of the total incurred costs for all Covid claims



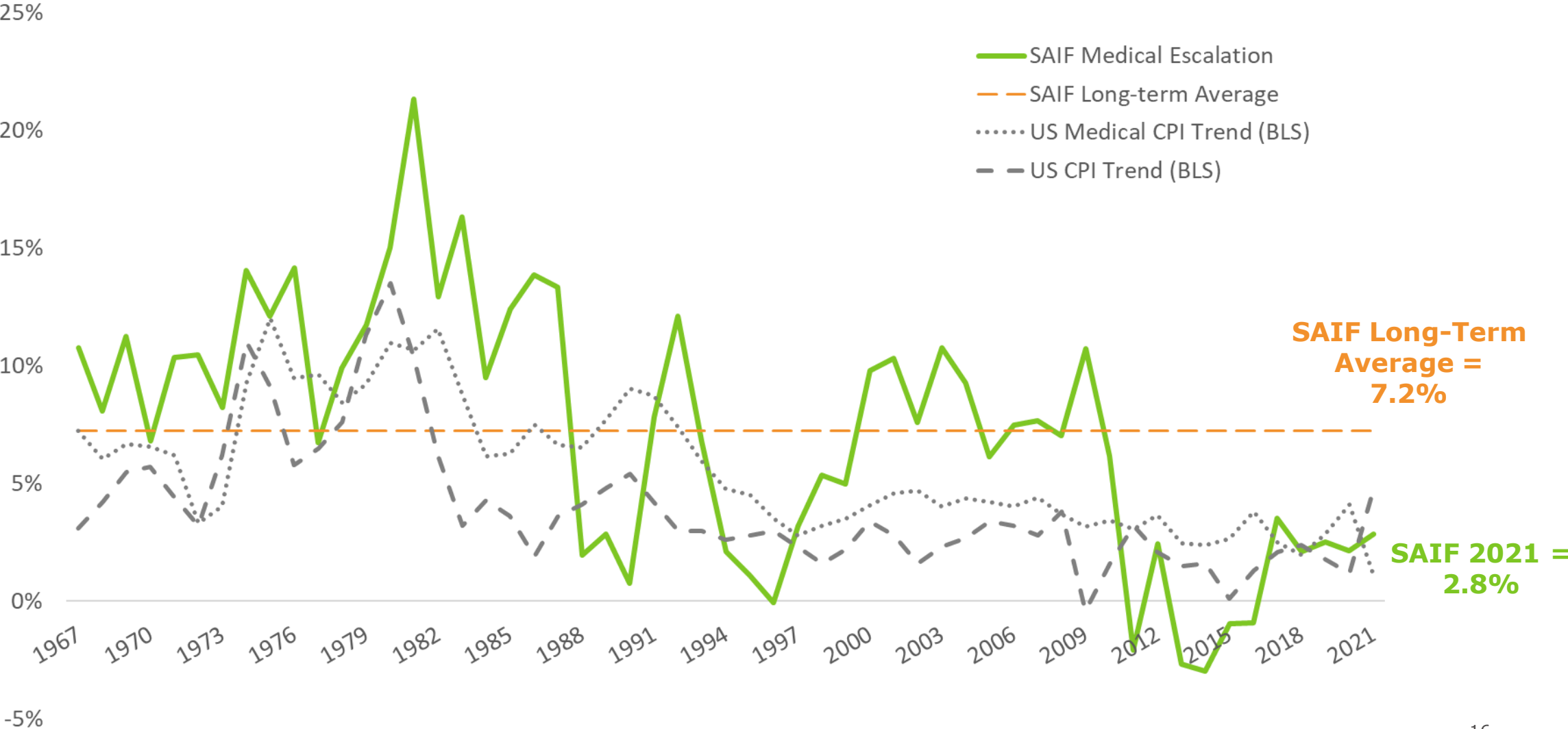
Nondisabling/disabling claims ratio



Reserves for unpaid claim costs

- Prior year reserve reduction of \$93.9M
 - Fewer projected permanent partial disability claims
 - Medical escalation remains low, but greater risk of future increase
 - Higher projected indemnity costs
- Projections for injuries occurring in 2021 in line with recent years
 - Fewer medical-only claims; disabling claims at pre-pandemic levels
 - Similar future medical and indemnity cost dynamics
 - Impact of COVID-19 claims

Historical medical escalation



Uncertainty & dynamics to watch

- Significant reserve reductions since 2011, but smaller reduction in 2021
- Importance of adequate capital given inherent uncertainty in estimating claim reserves
- Key dynamics to watch
 - Future medical escalation
 - Wage growth and employment trends
 - Mix of disabling vs. nondisabling claims
 - COVID-19 claims, including potential for long-term effects



Looking ahead

- We're in the process of updating our financial forecast for 2022-2024
- Our forecast is based on several assumptions, including those related to economic conditions, investment returns, claim trends, and the competitive landscape
- Forecasting is always a challenge, but ongoing uncertainty regarding the economy and the pandemic make it even more challenging



Essential 2022 themes

- Be mindful of ripples of change
- Executing and refining 7-year plans
- Heal, unify, and support our teammates
- Technological advancements must always be effectively paired with harnessing our extraordinary person-to-person customer service
- Focus on improving our operational excellence

Key areas of advancement



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Life.
Oregon.