



**SAIF CORPORATION**

**BOARD OF DIRECTORS**

**Wednesday  
November 14, 2018  
10:00 a.m.**

**SAIF Corporation  
400 SE High St.  
Salem, Oregon**

After determining a quorum was present, the meeting was called to order at 10:00 a.m.

**Roll call:**

Jeff Stone, Chair  
Krishna Balasubramani, Vice Chair  
Jenny Ulum  
John Mohlis  
Maurice Rahming

**SAIF Corporation personnel present:**

Kerry Barnett, President and CEO  
Bill Barr, Chief Operating Officer  
Ken Collins, Chief Information Officer and Chief Technology Officer  
Chris Vrontakis, Vice President of Policyholder Services  
Bruce Hoffman, Vice President of Underwriting Services  
Gina Manley, Vice President of Finance and Chief Financial Officer  
Kathy Gehring, Vice President of Claims  
Holly O'Dell, Vice President of Legal and Strategic Services  
Christy Witzke, Vice President of Marketing, Sales, and Communications  
Jennifer Webster, Vice President of Human Resources  
Bridgett Matthews, Assistant Vice President of Claims  
Chuck Easterly, Director, Safe and Healthy Workplace Center  
Marsha Malonson, Administrative Services Director  
Cathy Pollino, Chief Internal Auditor  
Laura Robison, Chief Actuarial Officer  
Olivia Keefer, Actuarial Director  
David Barenberg, Government Relations Director  
Todd Graneto, Controller  
Alison Olson, Budget Supervisor  
Bruce Johnsen, Corporate Strategist  
Kelly Carriger, Assistant to the Board

**Approval of Board minutes**

Upon motion made and seconded, the minutes of the September 12, 2018 meeting were unanimously approved.

### **Meeting context**

Mr. Barnett provided a brief outline of today's meeting to include the financial report, strategic plan, and preliminary budget report.

### **Financial Reports**

#### **2018 third-quarter financial report**

Referring to materials provided in advance of the meeting, Ms. Manley reported a year-to-date net loss of \$95.0 million after recording policyholder dividends of \$160 million. Policyholder surplus totaled \$1.81 billion, a \$77.7 million decrease, year-to-date. Ms. Manley further reported premiums are flat at \$391.9 million, new sales are \$13.6 million, and the premium retention rate stands at 99.4 percent.

Ms. Manley responded to a question from Ms. Ulum regarding the net loss compared to surplus levels.

#### **Third-quarter investments**

Ms. Manley reported the market value of SAIF's investment portfolio is down 0.85 percent for the first nine months of 2018. The portfolio outperformed the benchmark by 0.22 percent and is in compliance with the approved asset allocation policy.

#### **Budget report**

Year-to-date through September 30, we are under budget by \$5.7 million. The main drivers include employee costs savings of \$1.6 million and funds for consulting, safety advancement and innovation, and an investment allocation study are lower than anticipated. We are forecasting to be under budget \$2.9 million for the year.

Ms. Manley responded to questions from the board regarding self-funded medical insurance costs and the related stop loss provision.

### **Safety and the construction industry**

Mr. Barnett introduced Mike Salsgiver, the Executive Director of Associated General Contractors (AGC), as a leader in the construction industry and a great partner with SAIF.

Mr. Salsgiver spoke about the importance of AGC's relationship with SAIF. SAIF's leaders and safety professionals are outstanding partners that offer support, training, and collaboration. Because of this partnership, some of AGC's members are emerging as national leaders in safety performance.

Mr. Salsgiver also spoke about industry challenges and the importance of the dividend.

He answered questions from Mr. Rahming regarding minority-owned, women-owned, and emerging small businesses.

### **2019 Strategic plan**

Referring to materials provided in advance of the meeting, Ms. O'Dell reviewed the strategic plan's four areas of focus. The plan incorporates and strengthens the 2018 plan's work and will be executed over a three-year period. Input for the plan came from listening sessions with employees and market analyses.

Ms. O'Dell responded to questions from Ms. Ulum regarding data-driven decisions.

Motion Ms. Ulum, second Mr. Mohlis to approve the 2019 strategic plan. The vote was unanimous, and the motion was carried.

### **2018 Budget overview**

Ms. Manley provided a 2019 budget overview. Key budget drivers include employee costs, depreciation of Guidewire development costs, software licenses, reclass of independent medical examination expenses from claims costs, High Street building imputed rent, and commissions. The operating budget will likely increase approximately \$12 million or 6 percent. The capital budget will likely decrease from \$41 million in 2018 to \$15 million in 2019. Budget work is continuing and we will have a full 2019 budget proposal for the board at the December meeting.

Ms. Manley and other members of management responded to questions from the Directors regarding digital solutions and PERS costs.

### **Reinsurance recommendation**

Referring to a memorandum provided in advance of the meeting, Ms. Robison reviewed the purpose of reinsurance and how coverage options are evaluated. She recommended SAIF maintain the current level of catastrophe reinsurance at \$160 million in excess of a \$35 million retention. The estimated cost is approximately \$1.9 million for a 12-month treaty.

Ms. Robison responded to questions from Mr. Mohlis on whether the coverage is per event.

Motion Mr. Balasubramani, second Mr. Rahming to approve the purchase of \$160 million of reinsurance coverage excess of \$35 million retention. The vote was unanimous, and the motion was carried.

### **President's report**

Mr. Barnett reported on the dividend process, sales activity, and recent agency council meetings. He called on Kathy Gehring to provide a brief update on claims transformation. Results from the annual engagement survey are favorable with an 84% response rate and 67% of the results at or above the Perceptyx benchmark.

Mr. Barnett showed a video to the Directors, created by SAIF's communication and design staff, which recognizes the three-year anniversary of the Umpqua Community College shooting.

### **Project Portfolio Update**

Due to time constraints, Mr. Barr provided an abbreviated report on the project portfolio and company scorecard. We have completed two of the three planned user acceptance testing cycles in the policy and billing system replacement. The team is working to resolve findings from these testing cycles prior to resuming user acceptance testing. Project go-live options are being considered for February, March, or April of 2019.

### **Company Scorecard**

Mr. Barr reported that five of the six measures in the customer perspective are 'green'. Timely first benefit payment is below target by 0.4 percent. Teams are working diligently to achieve this goal.

### **Finalize 2019 board and committee schedule**

The 2019 board and committee calendar was approved.

### **Adjournment**

There being no further business, the meeting was adjourned to move into executive session.

### **Executive Session**

At 12:20 p.m., Holly O'Dell declared this portion of the meeting to be in Executive Session, pursuant to ORS 192.660(2)(i).

  
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Kelly Carriger, Assistant to the Board