



SAIF CORPORATION

BOARD OF DIRECTORS

**Wednesday
December 11, 2019
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 10:04 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, Vice President of Information Services and Chief Information Officer
Chris Vrontakis, Vice President of Policyholder Services
Laura Robison, Vice President of Actuarial, Audit, and 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
Ian Williams, Vice President of Human Resources
Christy Witzke, Vice President of Marketing, Sales, and Communications
Chuck Easterly, Director, Safe and Healthy Workplace Center
David Barenberg, Government Relations Director
Todd Graneto, Controller
Cathy Pollino, Chief Internal Auditor
Paul Sonnenschein, Director of Digital Solutions
Alison Olson, Budget Supervisor
Mike Watters, Communications and Design Manager
Kelly Carriger, Assistant to the Board

Other attendees:

Brian Luna, United Insurance Agencies

Approval of Board minutes

Motion, Mr. Mohlis, second Mr. Balasubramani to approve the minutes of the November 13, 2019 meeting. The vote was unanimous, and the motion was carried.

2020 budget

Referring to materials provided in advance of the meeting, Ms. Manley reported that SAIF is proposing an operating budget of \$228 million for 2020. This is an increase of \$5.9 million or 2.6 percent from the 2019 budget. Ms. Manley reviewed the details of employee costs (\$139.1 million), commissions (\$31.5 million), facilities and equipment (\$24.5 million), and other budget drivers. SAIF is also proposing a capital budget of \$3.6 million, consisting of \$2 million for technology projects, \$731,000 for equipment and facilities, \$534,000 for computer and network hardware, and \$343,000 for vehicles. The proposed 2020 budget is in alignment with our strategic plan.

Throughout the report, Ms. Manley and other executive staff members responded to questions from the Directors regarding such matters as staffing, Salem campus parking fees, independent medical examination fees, and vehicle fleet size. Mr. Stone and Mr. Mohlis expressed their appreciation for the work that goes into preparing the budget and the detailed presentation.

Upon motion duly made and seconded, the 2020 budget was unanimously approved.

Board Audit Committee report

Mr. Mohlis reported the Audit Committee met prior to the board meeting. Multiple audits were reviewed including building security for Salem and Lake Oswego, and entry and exit processes for non-employees. The committee approved the 2020 internal audit plan and modifications to the 2019 internal audit plan.

Project Portfolio

Mr. Barr reported over 40 percent of policies have been moved to the new policy and billing system platform. The team continues to address any open business requirements. The digital quote and bind work is going well and the team is now focused on additional user testing and our new "live chat" functionality. The finance and procurement system is green for scope, schedule, and budget targets, however we are seeing some pressures around schedule. There is a chance the May go-live date will be moved to July.

The claims system evaluation final report recommendation is to purchase a new claims system from Guidewire. In 2020, SAIF will focus on planning and detailed requirements.

Scorecard

In the financial perspective section, new business sales have reached \$19.5 million compared to a goal of \$19 million. Mr. Barr reported on how the "claims frequency adjusted for payroll growth" measure is calculated. In 2020, we will allocate resources to improve how this is calculated with a focus on how SAIF's frequency measures and targets compare to other carriers in Oregon and across the country.

Mr. Barr responded to a question from Mr. Rahming regarding implementation of programs that will drive this measure down.

At the end of the second quarter, an unexpected increase in key system downtime was reported. The information services team responded quickly and in the third quarter, this measure returned to 'green'.

The 17 measures of the 2019 scorecard will remain in place for 2020. Five of the 17 measures have updated targets for 2020.

For the 2020 company incentive measures, management is proposing the following measures: (1) loss ratio: paid claims to standard premium, (2) timely first benefit payment to injured workers, (3) percent of injured workers with 60 days or less of temporary total disability, (4) response to phishing attacks, and (5) competitive retention.

Mr. Barr and other members of management responded to questions from the directors on how these measures were chosen.

Motion Ms. Ulum, second Mr. Balasubramani to approve the 2020 company incentive measures as presented. The vote was unanimous, and the motion was carried.

Mr. Mohlis exited the meeting at 11:35 and continued participation by phone.

President's report

Mr. Barnett reported on updates regarding the board approved PERS side account and on SAIF's reinsurance package. Changes have been made to SAIF's performance management process which include ongoing conversations with staff throughout the year.

The leadership academy, which is an important component of SAIF's leadership development activities, has 24 new graduates. Mr. Barnett recently attended the AASCIF CEO meeting. Issues similar to what SAIF encounters can be seen across other state funds.

Digital direct initiative

Mr. Collins, Ms. Witzke, and Mr. Sonnenschein presented to the board on SAIF's digital direct initiative, including phase two changes, SAIF's value proposition to small employers, online advertising and promotion, the digital customer experience roadmap, and a video demonstrating the customer experience.

Mr. Collins, Ms. Witzke, and Mr. Sonnenschein responded to questions from the Directors regarding hours of the live chat feature, whether educational safety information is provided, system prompts, form questions, whether apps will be developed, and when an initial user analysis will be available.

Legislative session outlook

Mr. Barenberg provided a legislative report. The short legislative session begins February 1 and ends by March 8. Senators are limited to one bill and representatives to two. Cap and trade will be key. Mr. Barenberg has not heard of any workers compensation issues likely to arise.

The PERS board met last week and with changes adopted in the last session, the increase in rates has halted. Positioning for the 2020 election will occur as there are at least 16 open seats.


A workers' journey

Ms. Gehring told the story of Michael, a worker who suffered shoulder injuries while loading wet bags of soil for his employer. His claim was further complicated by preexisting shoulder conditions.

This story is one example of how "life" creates challenges in achieving successful outcomes in workers' compensation. Sometimes those challenges have nothing to do with the physical injuries. A successful outcome takes commitment from everyone involved.

Adjournment

There being no further business, the meeting was adjourned at 12:09 p.m.



Kelly Carriger, Assistant to the Board