



SAIF CORPORATION

BOARD OF DIRECTORS

**Wednesday
November 9, 2016
10:00 a.m.**

**SAIF Corporation
440 Church St.
Salem, Oregon**

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

Roll call:

Jennifer Ulum, Chair
Krishna Balasubramani
Jeff Stone
Maurice Rahming

Absent: Kevin Jensen, Vice Chair

SAIF Corporation personnel present:

Kerry Barnett, President and CEO
Bill Barr, Chief Operating Officer
Ken Collins, Chief Information Officer
Michelle Graham, Vice President of Policyholder Services
Bruce Hoffman, Vice President of Underwriting Services
Gina Manley, Chief Financial Officer
Kathy Gehring, Vice President of Claims
Holly O'Dell, Vice President of Legal and Strategic Services
Jennifer Webster, Vice President of Human Resources
Cathy Pollino, Chief Internal Auditor
Chuck Easterly, Director, Safe and Healthy Workplace Center
Mike Watters, Manager, Communications and Design
Joe Nhem, Actuarial – Research Director
Alison Olson, Budget Supervisor
David Barenberg, Government Relations Director
Bruce Johnsen, Corporate Strategist
Jacquie Strand, Senior Safety Management Consultant
Lua Edmonson, Safety Management Consultant
Kelly Miller, Assistant to the Board

Approval of Board minutes

Motion Jeff Stone, second Krishna Balasubramani, to approve the minutes of the September 14, 2016 meeting. The vote was unanimous, and the motion was carried.

Meeting context

Mr. Barnett provided a brief outline of today's meeting to include the financial report, preliminary budget report, strategic plan, corporate scorecard, and a report from safety and health services.

Financial Reports

2016 third-quarter financial report

Referring to materials provided in advance of the meeting, Ms. Manley reported continued solid performance with a year-to-date net income of \$16.2 million after recording policyholder dividends of \$140 million. Policyholder surplus totaled \$1.48 billion, a 15.9 percent increase, year-to-date. Ms. Manley further reported a 4.1 percent increase in premium and new sales of \$13.2 million, as well as a high premium retention rate of 99.5 percent. Paid claims are down 2.0 percent and total investment income was up 12.8 percent.

Third-quarter investments

Ms. Manley reported the market value of SAIF's investment portfolio is up 8.47 percent since December 31, 2015. Equity holdings are up 7.27 percent and bond holdings are up 8.70 percent. The portfolio is outperforming the benchmark and in compliance with the approved asset allocation policy.

Budget report

Budget results year-to-date through September 30 show we are under budget \$7.2 million. The main drivers are employee cost savings of \$3.2 million and the alternative services project being reduced from \$2.5 million to \$360,000. We are forecasting to be under budget \$3.4 million for the year.

Ms. Manley and other members of management responded to questions from the Board seeking clarification on the budget figures.

Dividend update

Mr. Hoffman reported a successfully paid total dividend of \$139.9 million. This included a primary dividend of approximately \$120 million and a loss sensitive dividend of approximately \$20 million. A letter from Mr. Barnett was included with each check to explain the change and reinforce our safety message. The dividend was received by 93 percent of our customers. Only 2,600 did not receive the loss sensitive dividend. The dividend was used by 45 customers to pay \$404,000 in debt.

Corporate scorecard

Mr. Barr presented the new corporate scorecard to the Board. The scorecard contains important corporate-wide metrics that help align our work to our mission and ensure we are meeting our core commitments. The scorecard's four perspectives are financial, customer, internal business process, and learning and growth.

Throughout Mr. Barr's presentation, he and other members of management answered questions from the Board on how the metric for each measure is set, updated, and communicated. The Board requested the scorecard be a regular part of future Board meetings, highlighting any measure in need of their attention.

2017 Strategic plan

Referring to materials provided in advance of the meeting, Ms. O'Dell spoke about how the strategic plan aligns with the four perspectives of the corporate scorecard and helps us fulfill our core commitments. Some initiatives are multi-year and will roll over from one year to the next.

The Board expressed its appreciation for the work that goes into this process as well as an interest in revisiting the strategic plan over time, so as to become more familiar with it.

2017 Budget overview

Ms. Manley discussed the 2017 financial forecast and reported projections for increases in earned premium, investment income, losses and LAE. Net income and contribution to surplus are forecast to decrease. Key budget components for 2017 include employee costs, project costs, and commissions. The capital budget likely will increase to \$65 million in 2017, primarily due to the Salem campus renovation and the policy and billing system replacement. Budget work is continuing and we will have a full, 2017 budget report for the Board at the December meeting.

Project portfolio update

Mr. Barr updated the Board on the status of the portfolio projects with respect to scope, schedule, and budget. The loss control system and dividend project have been completed and will no longer be included on the enterprise portfolio snapshot. A new project, self-service business intelligence, has been added to the portfolio. Although some projects have experienced budget and scheduling challenges, we continue to fine tune and develop the planning process.

President's report

Mr. Barnett reviewed results from the recent employee engagement survey. Overall the results are impressive as SAIF exceeded benchmarks on two-thirds of the measures. Opportunities for improvement have been identified and senior leadership met to identify areas of focus. Mr. Barnett responded to questions from the Board regarding these areas of opportunity and management's plan moving forward.

SAIF's semi-annual leadership retreat meeting, held last month, was attended by 145 staff and topics covered included the scorecard, recruiting and onboarding, the employee engagement survey, and public policy activities.

The 2018 compensation changes have been rolled out to staff, first at the leadership retreat meeting and then via webinar and @SAIF.

The pure premium rate will be reduced 6.6% in 2017. Mr. Barnett reviewed the pricing adjustments we have made to accommodate this filing. He responded to questions from the Board regarding the impact to our customers and potential frequency of adjustments.

Mr. Barnett provided an update on the status of claims arising from last year's Umpqua Community College shooting. He also informed the Board of two customers in SAIF's 100-year club, the City of Baker City and Miller Lumber, in Bend. Also, SAIF will not have a DCBS financial exam in 2017.

Safety and health services

Mr. Easterly, in conjunction with Ms. Edmondson and Ms. Strand, presented a report to the Board on some of the safety and health services we provide to our customers. Their report highlighted two companies and showcased how we develop strong business-partner relationships that help protect workers and create strong safety cultures.

Public policy update

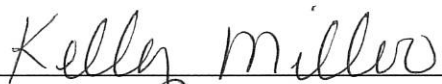
Mr. Barenberg presented a report to the Board on our public policy efforts that provide continued education to legislators. These efforts help make SAIF more visible, strengthen relationships with key decision makers, differentiate SAIF, and build support for the important work we do.

Finalize 2017 Board calendar

The 2017 draft Board and committee calendar was approved. The June Board meeting will be held at SAIF's Bend office.

Adjournment

There being no further business, the meeting was adjourned at 11:31 p.m.



Kelly Miller, Assistant to the Board