



## **SAIF CORPORATION**

### **BOARD OF DIRECTORS**

**Wednesday  
June 8, 2016  
10:00 a.m.**

**SAIF Corporation  
3500 Chad Drive  
Eugene, Oregon**

After determining a quorum was present, the meeting was called to order at 10:04 a.m.

#### **Roll call:**

Jennifer Ulum, Chair  
Kevin Jensen, Vice Chair  
Krishna Balasubramani  
Jeff Stone

Absent: Maurice Rahming

#### **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  
Michael Hartman, Senior Director  
Bruce Hoffman, Vice President of Underwriting Services  
Kathy Gehring, Vice President of Claims  
Marsha Malonson, ASD Director  
Gina Manley, Vice President of Finance and Chief Financial Officer  
Holly O'Dell, Vice President of Legal and Strategic Services  
Cathy Pollino, Chief Internal Auditor  
Christy Witzke, Marketing and Groups Director  
Joe Nhem, Actuarial Research Director  
Olivia Keefer, Associate Actuary  
Itayi Chipanera, Actuarial Analyst  
Kelly Miller, Assistant to the Board

#### **Other attendees:**

Kimberly Shaffer, Guy Carpenter  
Ted Spitalnick, Guy Carpenter  
Brian Jones, PricewaterhouseCoopers (via phone)  
Kevin Wick, PricewaterhouseCoopers (via phone)

The meeting was webcast internally at SAIF.

#### **Approval of board minutes**

Motion Mr. Jensen, second Mr. Stone, to approve the minutes of the March 16, 2016 meeting. The vote was unanimous, and the motion was carried. Motion Mr. Jensen,

second Mr. Stone, to approve the minutes of the April 1, 2016 meeting. The vote was unanimous, and the motion was carried.

### **Election of board officers**

After discussion and upon motion duly made and seconded, Ms. Ulum and Mr. Jensen were elected Board Chair and Vice Chair respectively, effective July 1, 2016, for a period of one year.

### **Financial reports**

#### **2016 first-quarter financial report**

Referring to materials provided in advance of the meeting, Ms. Manley reported strong financial results for the first quarter, which were driven by premium growth of 2.5 percent and positive investment results. Ms. Manley further reported that policyholder surplus totaled \$1.43 billion, an increase of 7.2 percent over the first quarter, last year.

#### **First-quarter investments**

Ms. Manley reported that the market value of SAIF's investment portfolio was up 2.97 percent since December 31, 2015 which is below the benchmark of 3.03 percent. Equity holdings were up 0.37 percent and bond holdings were up 3.28 percent. As of April 30, the portfolio's market value was up 4.43 percent for the year, which was above the benchmark of 4.06 percent. At the end of the first quarter, SAIF's investment portfolio was in compliance with the approved asset allocation policy.

#### **Budget report**

Ms. Manley reported that direct operating expenses were approximately \$2.1 million under budget as of March 31, 2016 largely due to timing. Operating expenses are projected to be approximately \$402,000 over budget at year end. This overage is related to additional expenses for soil contamination remediation and groundwater monitoring as well as the policy and billing project, unanticipated server equipment, and additional advertising costs.

Ms. Manley and other members of management responded to questions and comments from Board members.

### **Board-appointed actuary report**

Brian Jones and Kevin Wick from PricewaterhouseCoopers reported (via phone) that SAIF's year-end 2015 reserves of \$2.93 billion for unpaid claims are within a reasonable range, from \$2.41 billion to \$3.18 billion.

### **Capital modeling and policyholder surplus analysis**

Mr. Barnett reminded the board of last year's discussion on capital levels and risk. We set out to do a review of our risk modeling, upgrade our models if necessary and gain clarity around how risk drives our decisions. Referring to materials provided to the board members prior to the meeting, Mr. Nhem, Ms. Keefer and Ted Spitalnick from

Guy Carpenter presented two independent economic capital models – one created by SAIF and the other by Guy Carpenter. Both models are rich in SAIF's historical and economic forecast data. Each model showcased a three and six year prediction.

Mr. Nhem, Mr. Spitalnick and other members of management responded to questions and comments from Board members seeking clarification of the data.

After review and discussion of SAIF's proposed risk appetite and tolerance statement, Mr. Barnett asked for the board's approval.

Motion Mr. Stone, second Mr. Jenson, to adopt the risk appetite and tolerance statement as presented. The vote was unanimous, and the motion was carried.

### **Dividends Methodology Recommendation**

Mr. Barnett reminded the board of their dividend goals and methodology discussion at the March board meeting. Mr. Hoffman presented management's dividend recommendation where a large portion of the dividend is paid based on policyholder's standard premium and a smaller, supplemental dividend is paid based on actual claims. Customers would receive one check showing both calculations.

Throughout the discussion, Mr. Hoffman and other members of management responded to questions and comments from the Directors.

Upon motion duly made and seconded, the new dividend methodology to have a primary dividend distributed based solely on premium and a smaller, supplemental dividend distributed based on a combination of loss ratio and premium was unanimously approved.

### **Project Portfolio Update**

Mr. Barr reviewed the new project portfolio governance structure and report format. The governance structure provides guidance for identifying which projects should be included in the project portfolio and how decision making can be escalated when issues arise. He then reviewed the status of the portfolio projects with respect to scope, schedule and budget. Projects reviewed included the Salem campus renovation, policy and billing system replacement, document management system replacement, loss control system, dividend project and claims business process improvement initiatives. Mr. Barr reported good transparency and communication among teams.

### **President's report**

Mr. Barnett reported SAIF market share has increased to 51.7%, however he reminded the board that our goal is not simply to increase market share. Rather our goal is to excel in service, safety, and pricing, which, in turn will drive market share.

Mr. Barnett updated the board on SAIF's new brand campaign titled 'The Wonder of the Workplace' which focuses on the special moments that happen at work. The new campaign will connect SAIF with these moments and focus more on the worker than the employer. Last week's Portland Business Journal featured one of SAIF's full page ads.

Mr. Barnett has been busy this quarter with outreach and visibility efforts including the worker's compensation seminar and meeting with labor partners around the state.

**Association plans**

Ms. Witzke and Mr. Hartman informed the board about our Group Insurance programs whose purpose is to combine the knowledge and expertise of trade and business associations with SAIF to improve policyholders' safety performance and provide SAIF and associations access to additional markets.

Ms. Witzke and other members of management responded to questions and comments from Board members.

**Other business/public comment**

The next board meeting is scheduled for Wednesday, September 14, 2016 at 10:00 a.m. in Salem.

**Adjournment**

There being no further business, the meeting was adjourned at 12:35 p.m.

  
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Kelly Miller, Assistant to the Board