



## **SAIF CORPORATION**

### **BOARD OF DIRECTORS**

**Wednesday  
June 7, 2017  
10:00 a.m.**

**SAIF Corporation  
1500 SW 1<sup>st</sup> Ave.  
Portland, Oregon**

After determining a quorum was present, the meeting was called to order at 10:05 a.m.

#### **Roll call:**

Jennifer Ulum, Chair  
Kevin Jensen, Vice Chair  
Krishna Balasubramani  
Jeff Stone  
Maurice Rahming (late arrival)

#### **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  
Christy Witzke, Vice President of Marketing, Sales, and Communication  
Bruce Hoffman, Vice President of Underwriting Services  
Gina Manley, Vice President of Finance and Chief Financial Officer  
Holly O'Dell, Vice President of Legal and Strategic Services  
Jennifer Webster, Vice President of Human Resources  
Kathy Gehring, Vice President of Claims  
Bridgette Matthews, Assistant Vice President of Claims  
Susan Montgomery, Return to Work Services Program Manager  
Chris Murrell, Medical Programs Manager  
Cathy Pollino, Chief Internal Auditor  
Joe Nhem, Actuarial Research Director  
Olivia Keefer, Associate Actuary  
Kelly Miller, Assistant to the Board

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

Upon motion duly made and seconded, minutes from the March 15, 2017, meeting were unanimously approved.

#### **Election of board officers**

Upon motion duly made and seconded, Ms. Ulum and Mr. Stone were elected Board Chair and Vice Chair respectively, effective July 1, 2017, for a period of one year.

## **Financial reports**

### **2017 first-quarter financial report**

Referring to materials provided in advance of the meeting, Ms. Manley reported stable financial results for the first quarter. Surplus increased \$30.6 million to \$1.675 billion. Net loss for the quarter was \$2.3 million, compared to a \$6.5 million gain recorded in the first quarter of 2016. Earned premium was \$127.6 million which is 5.3% higher than the first quarter of 2016. New sales of \$4.0 million exceeded the goal of \$2.8 million. Retention is at 99.2%.

### **First-quarter investments**

Ms. Manley reported net investment income of \$37.8 million, which includes net realized investment gains of \$2.0 million. The value of SAIF's investment portfolio was up 1.95% with equity holdings up 6.86% and bond holdings up 1.40%. SAIF recorded \$33.3 million in unrealized investment gains for the quarter. The portfolio is outperforming the benchmark and is in compliance with the approved policy.

### **Budget Report**

Ms. Manley reported that operating expenses were approximately \$3.4 million under budget as of March 31, 2017, largely due to timing. Early forecasts indicate 2017 total operating expenses will be approximately \$2.1 million under budget at year end. Items to watch include employee cost savings, commissions, and project costs.

Ms. Manley reported the 2017 Salem Campus Renovation capital budget is forecasted to be \$53.0 million compared to an original budget of \$46.9 million, due to carryforward activities and costs from 2016. The overall project budget remains within the board approved budget.

Mr. Rahming joined the meeting at 10:12 a.m.

### **Election of appointed actuary**

Ms. Manley reported that Mr. Brian Jones, SAIF's appointed actuary with PricewaterhouseCoopers, is retiring June 30, 2017. Management recommends SAIF's board of directors select Mr. Kevin Wick, managing director at PwC, as SAIF's new appointed actuary. Mr. Wick is a member of the American Academy of Actuaries and a Fellow of the Casualty Actuarial Society and meets the Qualification Standard of the American Academy of Actuaries to render actuarial opinions. Mr. Wick has played a key role in the evaluation of SAIF's loss reserves since 2013.

Ms. Manley responded to questions from the Directors regarding our contract with PwC and their succession plan.

Upon motion duly made and seconded, Mr. Kevin Wick was selected as SAIF's new appointed actuary.

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

Referring to materials provided in advance of the meeting, Mr. Nhem and Ms. Keefer provided an analysis of policyholder surplus, based on the probability of surplus falling below Company Action Level (CAL) Risk Based Capital (RBC). At year-end 2016, surplus was at 5.8 times CAL RBC. SAIF's risk profile has not changed significantly over the past year.

Mr. Nhem, Ms. Keefer, and other members of management responded to questions and comments from the Directors seeking clarification of the data. After review and discussion of SAIF's proposed risk appetite and tolerance statement, the board's approval was requested.

Upon motion made by Mr. Stone, seconded by Mr. Jensen, the risk appetite and tolerance statement was adopted as presented.

### **Potential new group insurance arrangement**

Ms. Witzke and Mr. Hartman informed the Directors of a potential new group arrangement with the Oregon Restaurant and Lodging Association (ORLA). ORLA is the largest association for the food service and lodging industries and shares SAIF's not-for-profit mission and the goal of being an industry innovator.

The proposed program with ORLA will help attract and retain ORLA members and SAIF insureds by providing an up-front, new group discount of approximately 8.0%.

To help manage the program, ORLA has committed to having a dedicated group point person who will assist in the group formation, develop and facilitate industry councils, and work in conjunction with SAIF on various cobranding and marketing opportunities. Additionally, SAIF will have dedicated safety management and return-to-work consultants for group program members in the service center, as well as our regularly assigned safety management and return-to-work consultants for regional accounts.

Ms. Witzke, Mr. Hartman, and Mr. Barnett responded to questions from the Directors regarding the discount percentage and claims exposure.

Upon motion made by Mr. Stone, second by Mr. Jensen, the Board authorized management to enter into a group insurance agreement with ORLA with an effective date of January 1, 2018.

### **President's report**

Mr. Barnett reported on several issues, beginning with market share data from the Department of Consumer and Business Services which shows SAIF's market share has advanced from 51.7% to 53.7%. SAIF recently completed an agent survey conducted by Riley Research Associates. Results are very positive with 86% of agents saying they are "extremely satisfied" with SAIF. Overall satisfaction with SAIF is 8.8 on a 10-point scale.

Mr. Barnett responded to questions from the Directors regarding current practices, Other States Coverage, and opportunities for improvement.

The legislative session continues with a strong focus on budget, taxes, and transportation. The Management Labor Advisory Committee is highly functional. SAIF has organized efforts to help educate legislators on the workers' compensation system.

Members of Governor Kate Brown's Task Force on PERS were named last week. Their goal is to find \$5 billion in government assets that can be sold, bonded against, or otherwise leveraged to help pay down the \$22 billion unfunded PERS liability. SAIF will likely be considered since we are large and visible. As we approach this process, it is important to have a clear idea of our goals. Mr. Barnett stressed that it is very early in the process. We will keep everyone apprised as the situation unfolds.

Mr. Barnett responded to several questions from the Directors regarding the Task Force's process, options that may be considered, and state statutes.

We recently wrote a new account for the Hillsboro School district. They are the fourth largest school district in Oregon.

One of our biggest competitive threats is around the bundling of services. Our strategy team continues to research how we might be more competitive to offer bundled services.

#### **Corporate scorecard**

Mr. Barr reminded the board that the scorecard contains critical, corporate-wide metrics, which help align our work to our mission and ensure we meet our core commitments. Mr. Barr addressed the performance of five key metrics and noted a few of the targets have been adjusted to reflect new goals.

Chair Ulum expressed her appreciation for the work that goes into tracking these metrics.

#### **Project Portfolio Update**

Referring to materials provided in advance of the meeting, Mr. Barr reported on the five projects currently in our project portfolio. The Salem Campus Renovation remains on schedule and under budget. Plans are underway for the development of floors one through four of the Parkway building, and submission for building permits for both Parkway and the Church Street property. We are in the second phase of the document management project which focuses on policy, agency, and group documents and the integration of Guidewire. This phase was officially kicked off on April 11 and the work to gather requirements and establish the finalized scope, schedule, and budget is on track to be completed by the end of June.

Mr. Barr and other members of management responded to questions from the Directors regarding timelines, workflows, and process improvements.

Due to a prior commitment, Mr. Stone had to leave the meeting.

#### **Program review**

Ms. Matthews, in conjunction with Ms. Montgomery and Ms. Murrell, presented a report to the Board on how our medical and return to work services provide support to injured workers. Their report highlighted customer stories and emphasized how integrating our services improve the outcome for injured workers and create value for employers. Ms.

Ullum expressed her appreciation for these types of presentations which help connect the Board to SAIF's work.

**Adjournment**

There being no further business, the meeting was adjourned at 12:26 p.m.

  
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Kelly Miller, Assistant to the Board