



SAIF CORPORATION

BOARD OF DIRECTORS MEETING

**Wednesday
September 4, 2024
10:00 a.m.**

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

After determining a quorum was present, the regular business meeting was called to order at 10:08 a.m.

Board of Directors roll call:

Tammy Baney, Chair
Krishna Balasubramani
Johnell Bell
Hans Bernard, Vice-Chair
John Mohlis

SAIF Corporation personnel present:

Chip Terhune, President and Chief Executive Officer
Ian Williams, Chief Operating Officer
Todd Graneto, Chief Financial Officer
Chris Vrontakis, Vice President of Policyholder Services
Shannon Rickard, Chief Legal Counsel and Strategy Officer
Ken Collins, Vice President of Information Technology and Chief Information Officer
Olivia Keefer, Chief Actuary and Vice President of Actuarial Services
Brigitte Hamilton, Vice President of Claims
Christy Witzke, Vice President of Marketing, Sales, and Communications
Sharifa Gomez, Vice President of Human Resources
Rachel Shepherd, Vice President of Premium Audit and Underwriting Services
Pam Ahr, Chief Safety Officer
Kathy Gehring, Special Executive Consultant
Jamie Ralls, Chief Internal Auditor
Anne Williams, Corporate Strategist
Eric Williams, Premium Audit Manager
Angie Zahn, Executive Assistant
Maranda Baker, Executive Assistant

The meeting was held virtually for attendees and was webcast internally at SAIF.

Approval of board minutes

Upon motion duly made by Director Mohlis and seconded by Vice-Chair Bernard, the minutes from the June 5, 2024, meeting were unanimously approved.

Chair Baney thanked Director Mohlis for his past leadership as Board Chair.

President's report

Mr. Terhune thanked employees for their collaborative efforts to ensure the safety of SAIF's staff and board directors this morning. He reported that a dividend recommendation will be presented to the board today, and a clear outline of the budget process and strategy will be presented at the November meeting.

Mr. Terhune discussed the importance of the board having an opportunity to understand and inquire about the operational changes being led by Mr. Williams and the executive leadership team, alongside the contributions of many employees. Despite previous agenda constraints, Mr. Terhune expressed excitement about the progress and the efforts to share these developments with the board.

Chair Baney expressed appreciation for the effort that went into the summer board memos, and she highlighted the importance of updates between meetings. She acknowledged Ms. Young for launching the INNOVATE BRG's neurodivergent survey, emphasizing the goal of SAIF being an employer where individuals are recognized for their unique selves.

ORSA Submission

For the record, it is noted that the Board of Directors received an electronic copy of SAIF's ORSA (Own Risk Solvency Assessment), as submitted to the Department of Consumer and Business Services on July 23, 2024.

Financial reports

2024 second-quarter financial report

Referring to materials provided in advance of the meeting, Mr. Graneto reported that SAIF ended the quarter with \$2.134 billion in surplus. The surplus was impacted by a year-to-date net loss of \$12.2 million and unrealized investment gains of \$28.1 million. Surplus to CAL RBC remained at 4.9.

Premium continues to see moderate increases. Year-to-date, net earned premium reached \$295.3 million, or 4.5 percent higher than the first half of 2023. The 2024 year-to-date premium retention rate continues to be strong at 98.6 percent.

Ms. Keefer shared that the total claims costs recorded were \$257.6 million for the first half of the year, with a reduction in prior year reserves of \$15.9 million, compared to \$30.4 million in the first half of 2023. Prior year reserve drivers include lower paid medical costs, a decline in claim frequency, and a decline in estimated costs for COVID-19 claims.

Total investment income is \$88.5 million for the first half of 2024. Interest income is up \$6.5 million or 8.3 percent and realized investment losses of \$3.7 million were recorded for the first half of 2024, compared to losses of \$12.3 million for the first half of 2023.

Mr. Graneto responded to questions by Vice-Chair Bernard regarding surplus and why SAIF must keep a surplus.

Ms. Keefer responded to questions from Director Balasubramani regarding SAIF's reserve philosophy.

Second-quarter investments

Mr. Graneto reported SAIF's investment portfolio is up 1.14 percent for the first half of 2024, with bonds up 0.23 percent, stocks up 10.35 percent, and real estate funds down 4.82 percent. The portfolio performed better than the benchmark by 0.81 percentage points and complies with the approved policy.

Mr. Graneto reported on issues related to an SEC investigation of the Co-Chief Investment Officer at Western Asset Management. SAIF's portfolio is not directly impacted by the transactions under investigation. SAIF has had discussions with Oregon State Treasury regarding this issue and Treasury recommends retaining Western Assets Management for now.

Budget report

Mr. Graneto reported SAIF's operating budget was \$9.5 million under budget as of June 30, 2024. SAIF is forecasted to be \$5.2 million under the 2024 annual operating budget of \$319.0 million. As of June 30, 2024, operating budget savings include \$1.9 million in consulting services, \$1.7 million in software licenses, furniture, and equipment purchases, \$1.7 million on independent medical examination expenses, \$2.1 million in employee salaries due to savings in SAIF's driven by vacancies and normal fluctuations such as job promotions, internal movement and employee turnover, and savings in SAIF's self-funded insurance, and \$530,000 in commissions due to agency incentive payments. Key drivers of the year-to-date overages include \$266,000 for the Other States Coverage (OSC) program and the Assigned Risk Program (ARP) and \$83,000 for advertising and sponsorship expenses. SAIF's capital budget was \$0.4 million over budget as of June 30, 2024. SAIF is forecasted to be under budget by \$0.5 million at year-end.

Dividend recommendation

Ms. Witzke and Mr. Graneto presented a recap of prior dividends from 2020-2023. Management recommends that a \$60.0 million dividend be paid to eligible policyholders. This would be, on average, 10.2 percent of the eligible annual standard premium.

Ms. Witzke and Mr. Graneto responded to Director Balasubramani's question about how the team decided on \$60.0 million instead of another amount and what factors led them to this decision.

On a motion made by Director Mohlis and seconded by Director Balasubramani, the attached policyholder dividend operating resolution of \$60.0 million based on premium volume was unanimously approved.

Budget development strategy

Mr. Graneto, Ms. Rickard, and Ms. Anne Williams reported on the seven-year vision for 2022-2029. Budget talks started in August with division leaders, and the final proposed budgets will be completed in September. Budget meetings with each division will be held

in October, and decisions regarding items approved for budget inclusion will be brought to the board in December.

Mr. Terhune shared information on a new call center project being developed under policyholder services leadership. SAIF intends to establish a first call resolution call-center to be known as the Customer Care Center. Mr. Terhune emphasized this initiative's importance in improving service delivery and operational efficiency and explained how the project aligns with multiple strategic pillars.

Claims system implementation (CSI) project update

Ms. Hamilton reported on the continued stability of the CSI project. Mr. Collins reported the project will move to a high operational support model, which will focus on prioritizing work and enhancing existing solutions. A comprehensive review of the project through a retrospective is planned, with an external resource conducting the review to ensure objectivity. This review aims to prepare the SAIF teams for future improvement and development projects.

Board members expressed strong appreciation for the execution of the CSI projects and the positive impact they have had on SAIF's operations.

Operations report

Mr. Ian Williams reported on the criticality of operational excellence, highlighting the importance of every employee being invested in business outcomes and empowered to implement change. With over fifty operational measures, the review process helps understand the interconnected nature of operations and anticipate future changes. Mr. Williams shared that the future focus includes change management skills, achieving process optimization wins, developing a vendor management program, and advancing resource management.

Mr. Eric Williams provided a comprehensive overview of the premium audit test process and the measures taken to address the test audit error ratio results. He explained that this presentation underscores the commitment to maintaining high standards in SAIF's audit processes, and a proactive approach to addressing challenges and improving operational efficiency.

Board members appreciated the comprehensive updates and efforts toward operational excellence and audit improvements.

Audit committee report

Chair Baney reported on the audit committee meeting that took place before today's board meeting. SAIF's external auditor, Moss Adams, presented an unmodified opinion regarding SAIF's 2023 financials. They identified no material misstatements or significant deficiencies during the audit. During a closed-door session, audit committee members met with Moss Adams and asked if there was anything the auditors would like to report directly to the audit committee. No issues were reported.

The internal audit team reported on recent audits. Recent surveys sent to internal audit clients received positive feedback.

President's closing remarks

Mr. Terhune thanked the board for their engagement and yielded his time.

Adjournment

There being no further business, the meeting was adjourned at 12:36 p.m.

A handwritten signature in black ink, appearing to be 'Ai' with a period, positioned above a horizontal line.

Anna Ali, Executive Assistant to the Board