



SAIF CORPORATION

BOARD OF DIRECTORS

**Wednesday
November 15, 2023
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 10:01 a.m.

Roll call:

Krishna Balasubramani
Tammy Baney
Johnell Bell, 10:27 a.m. arrival
Hans Bernard – Absent

Virtual:

John Mohlis, Chair

SAIF Corporation personnel present onsite:

Chip Terhune, President & CEO
Ian Williams, Chief Operating Officer
Gina Manley, Chief Financial Officer
Christy Witzke, Vice President of Marketing, Sales, and Communications
Chris Vrontakis, Vice President of Policyholder Services
Ken Collins, Vice President of Information Technology and Chief Information Officer
Holly Tindall, Vice President of Corporate Services
Sharifa Gomez, Vice President of Human Resources
Sonji Young, Chief Diversity, Equity, and Inclusion Officer
Olivia Keefer, Chief Actuary, Vice President of Actuarial Services
Kathy Gehring, Special Advisor
Jamie Ralls, Chief Internal Auditor
Tiffany Uranga, Enterprise Risk Management Director
Ivo Trummer, Government Relations Manager
Kevin Barrett, Assistant General Counsel
Al Bowen, Procurement Managing Attorney and Assistant General Counsel
Kelly Carriger, Assistant to the Board
Maranda Baker, Executive Assistant

SAIF Corporation personnel present virtually:

Shannon Rickard, Chief Legal Counsel and Vice President of Legal and Procurement

The meeting was webcast internally at SAIF.

Approval of Board minutes

Upon motion made by Mr. Balasubramani and seconded by Ms. Baney, the September 6, 2023, meeting minutes were unanimously approved.

President's report

Mr. Terhune introduced SAIF's new Chief Diversity, Equity, and Inclusion officer, Sonji Young. He is honored to have her as part of the executive team and the fabric of SAIF.

Ms. Young expressed her excitement to be here at SAIF. There is an immense appetite to connect across the division. Her journey so far has been to listen, absorb, assess, and activate; what do we currently need and what we are sunseting. She plans to focus on the growth and development of the diversity, equity, and inclusion (DEI) team. The DEI team will support the growth of everyone who advocates for what we do. The leadership team has dynamic capabilities to be thought leaders outside of SAIF, further enhancing our impact with community and industry partners.

The Directors welcomed Ms. Young and offered their support as she continues her onboarding journey.

Financial reports

Ms. Manley provided an overview of SAIF's condensed balance sheet and income statement.

2023 third-quarter financial report

Referring to materials provided in advance of the meeting, Ms. Manley reported a year-to-date net loss of \$176.8 million, which reflects a \$30.9 million reserve reduction, \$21.0 million unrealized investment gains, and a \$135 million policyholder dividend. Surplus totaled \$2.03 billion, a decrease of \$153.8 million from year-end 2022.

SAIF's board-approved risk based capital level is 5.0 times CAL RBC. As of September 30, 2023, SAIF was at 5.2 CAL RBC.

Earned premiums increased by 6.3 percent from the first nine months of the year, and the premium retention rate was 98.6 percent.

Paid claims were up 4.8 percent, and total recorded claims costs were \$378.7 million. New reported claims were up 7.5 percent over 2022.

Third-quarter investments

Ms. Manley reported total investment revenue from SAIF's investment portfolio was up 20.2 percent year to date compared to the same time last year.

The market value of SAIF's portfolio was up 1.0 percent for the first nine months of 2023. Bonds are up .77 percent, stocks increased 9.61 percent, and real estate funds were down 8.94 percent. The portfolio has performed better than the benchmark by 0.88 percentage points and is in compliance with the approved policy.

Ms. Manley responded to a question from Mr. Balasubramani on whether the increase in claims cost compared to the premium increase was expected or more than expected.

Budget report

Ms. Manley reported that SAIF's operating budget in the first nine months of the year is under budget by \$3.9 million. Forecasts indicate SAIF will be \$1.8 million under the \$288.5 million budget at year-end. Year-to-date savings were seen in consulting services, software and equipment purchases, depreciation, employee salaries and retirement expenses, claims adjustment expenses, and training and travel expenses. Overages include \$1.3 million in self-funded medical insurance due to an increase in larger claims, \$1.2 million in agent commissions due to higher policyholder premiums than anticipated, \$1.1 million in reinsurance expenses because of higher other states coverage premium, and \$423,000 in insurance premiums that were paid earlier than expected.

Ms. Manley responded to a question from Ms. Baney regarding the connection between the savings in training and travel and employee salaries.

SAIF's capital budget is over \$0.5 million through September 30, and we are forecasting to be \$300,000 over the \$11.4 million 2023 annual budget at year-end. The third quarter variance results from an increase in consulting services for the claims system implementation (CSI) project. This increase is expected to be largely offset by savings from the human resources implementation and registration and profile management (RPM) projects and the decision to expense the procurement source to contract system evaluation project rather than capitalize it as budgeted.

Mr. Terhune spoke about his and Ms. Manley's recent presentation to the Oregon Investment Council. Every year, SAIF has the opportunity to present to the council about who SAIF is and why we are different from other insurance companies. Ms. Manley reminded the board that SAIF hires an external investment consultant every five years for an asset allocation review.

2024 budget overview

Mr. Terhune reported that SAIF's investment cycle budgets include 2022, 2023, and a proposed 2024 budget. Each year, we had intentional areas of focus that allowed investments in technology, specific divisions, project and change management, and FTE. The budget focus for 2024 is the underwriting and premium audit divisions, which have seen significant employee turnover. If approved, enhancements will be made in enterprise risk management, business intelligence, and vendor management, among others. In 2025, SAIF will pivot to a performance budget cycle, reducing the number of new FTEs proposed and focusing instead on improving efficiencies and reducing costs.

Mr. Terhune responded to a question from Ms. Baney regarding vendor management.

Ms. Manley reported the 2024 budget will focus on sustaining operational success and supporting our project and strategic activities. SAIF's operating budget is forecasted to be approximately \$320 million, an 11 percent increase over the 2023 budget. Key drivers include employee costs, commissions, software and equipment, medical outside claims adjustment expenses, reinsurance, consulting and contract help, and rent and real estate expenses.

SAIF's capital budget is anticipated to be about \$6.5 million for 2024. Key drivers include software development projects, vehicle purchases, Eugene office tenant improvements, and server and network hardware.

Mr. Terhune responded to a question from Mr. Bell on whether newly purchased vehicles will be climate-friendly. Ms. Baney commented that it would be ideal for the board to see where the investments in our employees connect to SAIF's initiatives.

Reinsurance recommendation

Referring to a memorandum provided in advance of the meeting, Ms. Keefer reviewed the purpose of reinsurance, what factors are considered when evaluating coverage options, SAIF's reinsurance guidelines, and other key considerations.

Management recommends SAIF maintain the current level of reinsurance coverage at \$160 million in excess of a \$35 million retention. The estimated cost is between \$2.2 million and \$2.4 million for a 12-month treaty.

Motion Ms. Baney, second Mr. Balasubramani to approve the purchase of \$160 million of reinsurance coverage excess of \$35 million retention. The vote was unanimous, and the motion was carried.

Enterprise risk management policy

Ms. Uranga reminded the board of the purpose of the enterprise risk management (ERM) policy.

She responded to a question from Mr. Balasubramani about this comprehensive policy and whether we are replacing an old ERM policy.

Ms. Uranga requested approval of the ERM policy as presented in the board packet.

Motion Mr. Balasubramani, second Ms. Baney to approve the ERM policy as presented in the board packet. The vote was unanimous, and the motion was carried.

Claims system implementation update

Mr. Collins reminded the board that the driver to move the claims system implementation (CSI) date was primarily due to data. A group of experts from across the company have been tackling this challenge. The team feels that the February implementation date is achievable.

Ms. Gehring reported that testing and validation continue. Changing the implementation date has created additional opportunities for employees to complete role-based training and gain clarity on what to expect.

Mr. Collins responded to a question from Mr. Balasubramani about what happens during the weekly process in February.

Ms. Baney commended the courage it took to come forward and ask for the new implementation date. It was the right thing to do, which is not always easy.

2024 Board calendar

Upon motion made by Ms. Baney, seconded by Mr. Bell, the 2024 proposed meeting dates were unanimously approved.

President's closing remarks

Mr. Terhune informed the board that with the arrival of Ms. Young, the executive leadership team is fully equipped to drive forward in the year ahead. SAIF will continue to evolve in a fashion that allows space for creativity and innovation.

In the past few months, we have had interesting engagements with our regulators at the Department of Consumer and Business Services. This partnership carries over to our elected officials, sharing some of SAIF's horizon issues with them. One of SAIF's managed care organizations, Caremark, is closing on December 1. Teams have been hard at work to transfer 1200 claims to Majoris. As costs increase and care quality is in jeopardy, we will need to have different conversations with those in our state going forward.

Mr. Mohlis thanked everyone who helped to make the information for the board meeting come together and to all those behind the scenes who keep SAIF running so well.

Adjournment

There being no further business, the meeting was adjourned at 11:59 a.m.



Kelly Carriger, Assistant to the Board