



SAIF CORPORATION

BOARD OF DIRECTORS MEETING

**Wednesday
March 9, 2022
10:00 a.m.**

**SAIF Corporation
400 High Street SE
Salem, Oregon**

After determining a quorum was present, the regular business meeting was called to order at 10:14 a.m.

Roll call

In-person:

John Mohlis, Chair
Jenny Ulum
Krishna Balasubramani
Jeff Stone

Remote:

Maurice Rahming, Vice Chair

SAIF Corporation personnel present

In-person:

Chip Terhune, President and CEO
Ian Williams, Chief Operating Officer
Laura Robison, Vice President, Chief Actuary and Strategy Officer
Kathy Gehring, Vice President of Claims
Christy Witzke, Vice President of Marketing, Sales, and Communications
Todd Graneto, Vice President of Premium Audit & Underwriting Services
Pam Ahr, Chief Safety Officer
David Barenberg, Director of Government Relations
Kelly Carriger, Assistant to the Board

Remote:

Gina Manley, Chief Financial Officer
Chris Vrontakis, Vice President of Policyholder Services
Sharifa Gomez, Vice President of Human Resources
Holly O'Dell, Chief Legal Counsel & Vice President of Legal and Procurement Services
Ken Collins, Vice President of Information Technology and Chief Information Officer
Jamie Ralls, Chief Internal Auditor

Other in-person attendees

Rod Morris, Deloitte Consulting

The meeting was webcast internally at SAIF.

Approval of Board Minutes

Upon motion duly made and seconded, minutes from the December 8, 2021 meeting were unanimously approved.

President's Report

Mr. Terhune thanked the Board of Directors for being present at today's meeting; it is a wonderful leadership moment related to SAIF's offices beginning to open next week. Special thanks and recognition to those employees who have worked from our offices throughout the pandemic. Leadership is grateful for their commitment, showing up every day, and doing a fantastic job.

Mr. Terhune recognized Todd Graneto, SAIF's newest member of the Executive Leadership Team and Vice President of Premium Audit and Underwriting, and Kevin Grainey, who is now SAIF's Controller. Also, Mr. Barenberg has shown outstanding leadership during the legislative session along with Ms. O'Dell, Ms. Elaine Schooler, Mr. Dan Schmelling, and Mr. Kevin Barrett. SAIF is viewed as a highly credible source of information, a testament to Mr. Barenberg and SAIF as an institution.

2021 Financial Report

Ms. Manley reported an ending surplus of \$2.24 billion for 2021, a \$12.2 million decrease compared to year-end 2020, driven primarily by a net loss of \$47.8 million for 2021 and unrealized investment gains of \$35.1 million. The net loss was due primarily to a \$93.9 million reduction in projected ultimate claim-related reserves and investment realized gains of \$135.5 million, offset by the \$210 million policyholder dividend. The surplus to RBC ratio was 5.7 on December 32, 2021, compared to 6.2 on December 31, 2020.

Earned premiums for the year were \$538.9 million, an 11.5 percent increase over 2020. New sales were \$25.7 million, and the premium retention rate remained strong at 97.9 percent.

Reported paid claims were \$341.2 million, current accident year reserves were \$156.3 million and estimated ultimate claim costs for prior accident years decreased by \$61.0 million.

Ms. Gehring spoke briefly on how COVID has impacted claims. In 2021, SAIF received 2,039 COVID claims, or 4.95 percent of total claims received. Of these, 41 claims hold 72.53 percent of the total incurred costs for all COVID claims. Ms. Gehring responded to several questions from the Directors asking if this is typical to what is seen in other areas, if SAIF is also assessing COVID vaccine claims, the long COVID profile of the 41 claims, and what policies can be put in place to assist small companies if this, or a similar event, happens again.

Ms. Robison presented key drivers of projected ultimate claim costs, including fewer projected permanent partial disability claims, continued low medical escalation, and increases in indemnity costs. Ms. Robison discussed the increased risk of rising medical escalation and the importance of taking a long-term view in setting medical escalation assumptions. Ms. Robison responded to a question from Mr. Balasubramani asking what other factors affect annual medical escalation volatility.

Ms. Manley reported SAIF's projected ultimate loss adjustment expenses decreased by \$24.6 million, driven in part by a change in methodology.

Total investment income was \$263.5 million, a 27.3 percent increase over the prior year due to significant realized gains in 2021. The value of SAIF's investment portfolio was up 2.03 percent for the year and outperformed the benchmark by 0.83 percentage points. The portfolio is in compliance with the approved policy.

The 2021 Annual Statement was emailed to the Board of Directors on February 28, 2022.

Ms. Manley reported an operating budget overspend for 2021 of \$3.6 million or 1.6 percent. Key drivers include overages in employee costs of \$1.8 million due to the unbudgeted vacation buyback program and employee appreciation reward, commissions of \$2.0 million, and independent medical exams of \$3.2 million. The overages were partially offset by savings in consulting services, self-funded medical and dental benefit expenses, lower than anticipated PERS expenses, as well as savings in travel and training. SAIF ended the year \$1.1 million under the \$13.2 million 2021 capital budget.

Mr. Mohlis commented on how remarkable these results are regarding COVID claims, a large policyholder dividend, and staff bonus. Ms. Ulum responded that it is important to put context around how we manage out of these unusual circumstances in the coming year and asked if some of these are one-time events and not a trend.

Reserve Adequacy Report

Ms. Robison welcomed Rod Morris, SAIF's newly appointed actuary from Deloitte Consulting.

Mr. Morris presented the 2021 statement of actuarial opinion, indicating that SAIF's reserves were deemed reasonable. SAIF's continued favorable claim cost experience has been driven by low medical costs trends and a decline in the proportion of time-loss claims developing into permanent disability claims. There is an increasing risk of higher medical cost trends in the future, which is a key assumption in setting claim reserves.

Mr. Morris responded to clarifying questions from the Directors regarding some of the information presented.

Operations Report

Mr. Williams reported on the company scorecard, reflecting results through December 31. Of the 17 measures on the scorecard, 11 ended the quarter 'green', four in 'yellow', and two in 'red'. In the financial perspective, four of the five measures ended in 'green'. *Total operating expense to budget* moved into the 'red' range with higher than anticipated IME expenses, the unbudgeted vacation buyback program, the unbudgeted employee appreciation reward, and on the positive side, higher than anticipated commissions. In the customer perspective, *Timely initial claims decisions* and *Timely first-benefit payment to injured workers* were impacted by increased claim volume and delayed claim reporting and moved from 'green' to 'yellow' results within the quarter. Both measures met green targets for the full year of 2022. All three internal business process measures reported 'green'. In the learning and growth perspective, our *Wellness engagement* ended in the 'green' range. *Employee retention turnover ratio* increased from 9.0 percent in the third quarter to 9.9 percent this quarter, landing within the 'yellow' range.

Five out of five of the measures we track for the company incentive were green at year-end, meeting the plan requirements and triggering an incentive payment for staff.

The Enterprise Portfolio report reflects activity as of January 31, 2022. Since the board's last review, the *Billing Experience Solutions Team* project has been completed. The project was green for scope and budget. A new *Billing and Invoicing Improvement* project has been added to the portfolio to provide system improvements for policyholders.

A second new project, *Policyholder Contact Management Assessment*, has been added to the portfolio and focuses on assessing SAIF's current state regarding policyholder relationship management. This work is being led by a consulting group and is on target for scope, schedule, and budget.

Moving forward, future reports to the board will focus on projects that have more than \$1,000,000 in anticipated external cost. This adjustment will provide the board with visibility to progress on key investments versus all enterprise projects.

DEI Update & Strategic Priorities

Ms. Gomez provided a Human Resources and Diversity, Equity, and Inclusion (DEI) update to the board, reviewing components of SAIF's current state, future state and vision, and DEI history and metrics.

Ms. Gomez responded to questions from the Directors regarding the diversity of SAIF's applicant pool and mentorship plan details. The Directors commented that the plan outlined by Ms. Gomez sets a foundation upon which we can build upon, that SAIF is building the bench and is a great outreach tool, and thanked her for providing a new focus on the human resources and DEI numbers.

Board Audit Committee Report

Mr. Rahming reported on the board's audit committee meeting, which included the entrance meeting with Moss Adams to kick off the annual external financial audit. The committee voted on and approved the 2022 audit plan update for the second and third quarters and minor changes to the audit charter. They reviewed completed internal audit reports and internal control testing. Mr. Stone commented that internal audit is an essential function, and he is grateful for the openness and transparency.

Closing remarks

Mr. Terhune expressed his appreciation for SAIF's management team; we will continue to focus on culture and improvement related to the customer experience. We will continue to have a laser-like focus on operational excellence.

Mr. Mohlis thanked his fellow board members for their time and expertise, for all of today's presentations and the teams behind them, and thanks to every SAIF employee.

Adjournment

There being no further business, the meeting was adjourned at 12:27 p.m.



Kelly Carriger, Executive Assistant to the Board