



SAIF CORPORATION

BOARD OF DIRECTORS AUDIT COMMITTEE

**Wednesday
September 8, 2021
8:30 a.m.**

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

After determining a quorum was present, the meeting was called to order at 8:31 a.m.

All attendees participated virtually.

Roll call:

Maurice Rahming
Jeff Stone

SAIF Corporation personnel present:

Chip Terhune, President and CEO
Ian Williams, Chief Operating Officer
Gina Manley, Vice President of Finance and Chief Financial Officer
Ken Collins, Vice President of Information Services and Chief Information Officer
Kathy Gehring, Vice President of Claims
Chris Vrontakis, Vice President of Policyholder Services
Laura Robison, Vice President of Actuarial, Audit, and Underwriting Services
Pam Ahr, Chief Safety Officer
Jamie Ralls, Chief Internal Auditor
Kambra Hinman, Internal Auditor
Shelby Bacheller, Internal Auditor
Robert Johnson, Internal Auditor
Christi Kent-Adair, Total Rewards Manager
Todd Graneto, Controller
Kevin Grainey, Financial Reporting Manager
Kelly Carriger, Executive Assistant to the Board

Other attendees:

Amy Dale, Secretary of State
Ashley Osten, Moss Adams
Eric Nicholson, Moss Adams
Scott Simpson, Moss Adams

Approval of Audit Committee minutes

Upon motion duly made and seconded, minutes from the March 10, 2021, meeting were unanimously approved.

External financial audit results

Eric Nicholson, Scott Simpson, and Ashley Osten, with Moss Adams, presented their audit results on SAIF Corporation's 2020 financial statements. The Secretary of State Audits Division reviewed the work performed by Moss Adams before issuance of their report.

Moss Adams performs an audit of the financial statements prepared in accordance with statutory accounting practices and an audit of SAIF's financial statements prepared in accordance with generally accepted accounting principles (GAAP). In addition, Moss Adams issues a report on internal control over financial reporting. Moss Adams identified no material misstatements or significant deficiencies in the course of the audit. There were no changes in significant accounting policies, significant accounting estimates, or financial statement disclosures that impacted the financial statements. SAIF staff were responsive to Moss Adams' requests, well organized, and Moss Adams staff had access to all records needed for the audit.

Mr. Rahming thanked Moss Adams for their thorough financial audit.

Mr. Graneto informed the committee that the audited financial statements will be available on Boardable after the meeting. Ms. Manley reported that Oliver Wyman conducted its annual actuarial evaluation of SAIF's financial viability and loss adjustment expense reserves as of December 31, 2020. Oliver Wyman concluded that SAIF has sufficient surplus and the reserves are within a reasonable range.

The Audit Committee then met with the representatives of Moss Adams and the Oregon Secretary of State without SAIF employees present.

Management's report of internal control over financial reporting

Ms. Ralls presented a report on the results of SAIF's annual internal control assessment. This is a required report for insurers with premiums in excess of \$500 million. SAIF elected to file this report with the regulator despite SAIF's direct written and assumed premium dropping below the \$500 million threshold in 2020 to \$489.8 million. Internal audit concluded SAIF's internal control over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of statutory financial statements as of December 31, 2020. One recommendation was brought forward to management's attention. This recommendation is not deemed to be a material weakness.

Review of Workday system access

Mr. Johnson reported the purpose of the Workday system access audit was to review the design and operational effectiveness of controls over user access to SAIF's new finance and procurement system. Specifically, internal audit reviewed the steps used in the setup and assignment of user and role-based access and whether permissions were separated among different roles so that at least two people were required for specific higher-risk activities. One recommendation was made to management which they agree with and have already begun implementing.

Mr. Collins responded to a question from Mr. Rahming on whether Workday is a United States-based company.

RCI software gap analysis

Ms. Bacheller reported the purpose of this audit was to perform a gap analysis over the use of Risk Control Inspection (RCI), SAIF's loss control software, to identify possible process improvements. We found that limitations and SAIF processes make work cumbersome and do not meet the current needs of the division. Confusion over RCI use has created inconsistencies in functionality and compromised data accuracy and usability, impacting metrics, strategic planning, and decision-making. Internal audit made two recommendations, which management agrees with.

Risk profile review

Ms. Bacheller presented findings from the Safe and Healthy Workplace Center risk profile review. The purpose was to identify gaps and opportunities for improvement. Risk profiles are created within RCI and shared internally for customer service and pricing purposes. The profiles can be viewable as underwriter reports and are comprised of data captured from different locations within RCI and rolled up into a digestible report. Internal audit found that risk profiles are not being completed or used consistently, which has diminished the report's functionality while increasing administrative burden. Two recommendations were made to management which they agree with.

Ms. Bacheller and Ms. Ahr responded to a question from Mr. Rahming on whether the associate risks were looked at in conjunction with an aging and soon to retire demographic.

Review of Adaptive software

Ms. Bacheller reported that the purpose of this financial services division audit was to review Adaptive, SAIF's new budget system, for accuracy specific to system integration and validation in reporting. Internal audit found that of the reconciliations performed and reports reviewed, integration between Adaptive and Workday generally appears to be working with few exceptions. One recommendation was made to management, which they agree with and are currently working on.

Data center colocation

Mr. Johnson reported that SAIF relocated its data center from within SAIF's headquarters to a facility in Hillsboro, Flexential, that specializes in enterprise data centers over the September Labor Day weekend. Before the move, significant risks were evaluated and mitigated. This was a large project and a huge success. Mr. Collins informed the committee that 67 employees worked over the holiday weekend to make this happen.

Mr. Collins answered questions from the Directors regarding project detail and if SAIF is the average size customer for the data hosting center.

Ongoing consulting work update

Ms. Hinman reported that internal audit is consulting on the claims system implementation project and the HR core system implementation project to give input to the various teams. This is also an opportunity for internal audit to learn the system as it is being implemented, which will help with future audits.

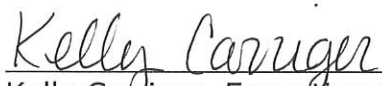
Internal audit update

Ms. Ralls spoke briefly on the internal audit update, which reports the status of the audits currently in progress. She also outlined the audit committee's upcoming meeting dates.

Mr. Stone expressed his appreciation for these reports and said how impressed he is with the internal audit division. Mr. Rahming also thanked the team for their thoroughness.

Adjournment

There being no further business, the meeting was adjourned at 9:57 a.m.

A handwritten signature in cursive script, reading "Kelly Carriger", is written over a horizontal line.

Kelly Carriger, Executive Assistant to the Board