



SAIF CORPORATION

BOARD OF DIRECTORS MEETING

**Wednesday
June 2, 2021
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 10:02 a.m.

Roll call:

John Mohlis, Chair
Jenny Ulum

Virtual:

Maurice Rahming, Vice Chair
Krishna Balasubramani
Jeff Stone

SAIF Corporation personnel present onsite:

Kerry Barnett, President & CEO
Ian Williams, Chief Operating Officer
Kelly Carriger, Assistant to the Board

SAIF Corporation personnel present virtually:

Gina Manley, Vice President of Finance and Chief Financial Officer
Holly O'Dell, Vice President of Legal and Strategic Services
Ken Collins, Vice President of Information Services and Chief Information Officer
Chris Vrontakis, Vice President of Policyholder Services
Christy Witzke, Vice President of Marketing, Sales, and Communications
Kathy Gehring, Vice President of Claims
Laura Robison, Vice President of Actuarial, Audit, and Underwriting Services
Pam Ahr, Chief Safety Officer
Jamie Ralls, Chief Internal Auditor

The meeting was webcast internally at SAIF.

Approval of board minutes

Upon motion duly made by Mr. Stone and seconded by Ms. Ulum, minutes from the March 10, 2021 meeting, the May 3, 2021 meeting, and the May 11, 2021 meeting were unanimously approved.

Election of board

Upon motion duly made by Mr. Stone and seconded by Ms. Ullum, Mr. Mohlis and Mr. Rahming were elected Board Chair and Vice-Chair, respectively, effective July 1, 2021, for a period of one year.

Financial reports

2021 first-quarter financial report

Referring to materials provided in advance of the meeting, Ms. Manley reported on first-quarter results. SAIF recorded a net loss of \$214.0 million, compared to a \$6.8 million loss during the first quarter of 2020, primarily due to the declaration of \$210.0 million in policyholder dividends. The net loss before dividends was \$4.0 million, an improvement of \$2.8 million from the same period last year. Year-to-date, surplus decreased \$177.4 million to \$2.077 billion at March 31, 2021.

Surplus to RBC is 5.7 at March 31, 2021. Net earned premium for the first quarter of 2021 was \$124.3 million, which is \$0.1 million, or 0.1 percent, higher than the first quarter of 2020. The 2021 year-to-date premium retention rate is 98.9 percent.

First-quarter investments

Ms. Manley reported that the total investment revenue was \$42.0 million for the first quarter of 2021 and \$60.3 million for the same period in 2020. Interest income declined due to the low interest rate environment and realized gains were lower due to fewer investment sales in the first quarter of 2021. The portfolio value was down 2.1 percent for the 1st quarter of 2021 and performed better than the benchmark by 0.3 percentage points. The portfolio was in compliance with the approved policy.

Budget report

Ms. Manley reported that total operating expenses through March 31, 2021, were \$85,000 under budget as of March 31, 2021. SAIF is forecasting to be \$0.8 million over the 2021 annual budget of \$230.8 million. Without the unbudgeted vacation buyback program, the year-end forecast would be approximately \$0.5 million under budget. Key 1st quarter drivers include \$1.3 million higher independent medical exam costs than budgeted, software license renewals over budget by \$306,000 (budgeted in 2020 and paid in 2021), employee cost savings of \$1.0 million, \$216,000 in lower than anticipated commissions, and the timing of miscellaneous funds for consulting services and safety innovation projects scheduled to be spent later in the year.

Ms. Manley responded to questions from the Directors regarding costs of staff returning to the office and funds for the dividend.

SAIF's capital budget is \$13.2 million, and we expect to be close to budget at year-end.

Actuarial report

In follow-up to PricewaterhouseCooper's March 2021 board meeting presentation, the final actuarial report was emailed to the board on April 8, 2021.

Operations report

Referring to materials provided in advance of the meeting, Mr. Williams reported on projects in the enterprise portfolio snapshot. The Claims System Implementation (CSI) planning project ended in April, delivering fully on scope but with additional unbudgeted expense due to increased upfront work, which will reduce the amount spent on the implementation project. Mr. Williams will present a more detailed report on the claims system implementation project at the September board meeting.

The finance and procurement implementation project successfully implemented Workday in January but not with all of the intended scope. The enterprise portfolio board approved a schedule extension and budget increase and is now on track with the current baseline.

The human resources planning project timeline was extended due to contract negotiations taking longer than expected. The project is on track to deliver on scope and the new schedule. Mr. Williams answered a question from Ms. Ulum, clarifying the purpose and intended outcome of the implementation project that will follow.

The safety culture spectrum phase 2 project is on target to deliver on scope, schedule, and budget.

Mr. Williams updated the board on company scorecard performance through March 31. Despite ongoing coronavirus-related challenges, the first quarter scorecard results indicate a positive start to the year with continued strong performance across all four measures. The financial perspective measures have improved against last quarter and in comparison to the same time last year. SAIF's new business sales target has been adjusted upwards to reflect our partnership with CityCounty Insurance Services.

Our customer perspective measures are all in 'green'. SAIF's internal business process measure remained strong this quarter. This year, the target for recognizing phishing attacks was increased to 97 percent, making its continued green status even more impressive.

In the learning and growth perspective, the *Wellness Engagement* score has proven to be a challenge to sustain, with employees finding less opportunity to be physically active during the pandemic. However, we have seen a positive take-up in the additional mental health and resiliency resources made available to employees allowing us to maintain pre-pandemic wellness engagement score levels, though still short of the target we set for this year. Our newest measure, *Ethnic and Racial Diversity of Employees*, is starting in the yellow range, establishing a strong goal for improvement. Given our low employee turnover and lower recruitment levels during the pandemic, meaningful progress towards that goal will be a multi-year effort.

Claims report

Ms. Gehring reported that SAIF is seeing a significant decrease in COVID claims. The claims cost average is low due to the majority of workers not requiring significant treatment. Ms. Gehring and Ms. Ahr responded to several questions from the Directors regarding industry type, SAIF providing employer training, and communications with associations.

We have seen a change in COVID testing from last year; 72 percent of workers were tested, and 46 percent had a positive test. SAIF has received 124 claims for a reaction to the vaccine. The total impact on SAIF's reserves is \$6.4 million. Mr. Barnett reminded the board that SAIF has the surplus it does to be prepared for these types of events to emerge strongly on the other side.

Ms. Gehring shared two injured worker stories with the board, demonstrating the impact of SAIF's approach, how it helps achieve the best outcome, and makes a world of difference to those affected. Mr. Mohlis expressed his thanks to all the employees doing this great work daily.

President's Report

This is Mr. Barnett's last board meeting before retiring. He expressed thanks to the board for their continued support of him, the executive leadership team, staff, and SAIF's mission and vision. Mr. Barnett touched on a substantial list of changes and improvements that have occurred in the past six years, including SAIF's culture, market share, seven major dividends, new Salem campus, new systems, sustainable and equitable compensation structure, strong DEI program, external relationships, and direct digital sales, among others. All this is due to the great work of SAIF staff at all levels of the organization. Employees take personal ownership of the work they do, which makes SAIF truly special and unique.

Mr. Stone commented that Mr. Barnett is leaving the organization better than he found it and thanked him for his service, commitment, and political savvy. He is appreciative of Mr. Barnett's work. Ms. Ulum stated the board had high expectations upon hiring Mr. Barnett six years ago, and he exceeded those expectations. He guided SAIF through many phases, and she thanked him for his service. Mr. Rahming concurred with his colleague's statements and wished Mr. Barnett a happy retirement. Mr. Mohlis commented on how much he appreciates the leadership Mr. Barnett provided.

Adjournment

There being no further business, the meeting was adjourned at 11:26 a.m.



Kelly Carriger, Executive Assistant to the Board