

**SAIF Corporation
October 2016
Dividend questions and answers for policyholders**

1. Which policyholders are eligible for a dividend?

Policyholders are eligible for a dividend if they were insured with SAIF with policy expiration date(s) from January 1, 2015, 12:02 a.m., through January 1, 2016, 12:01 a.m., with the exception of those noted in question 2.

2. Which policyholders are not eligible for a dividend?

Policyholders are not eligible for a dividend if they:

- Are in default status for nonpayment of premium at 12:01 a.m. on declaration day (see ORS 656.560 and 656.526(3)), or
- Do not have a policy end date within the eligibility period (see answer to question 1 above)

3. Which policyholders are not eligible for the safety performance dividend?

Those customers with a loss ratio greater than 80 percent. These policyholders range from a low of \$36 in annual premium to a high of \$363,000.

4. What was the time period used by SAIF to determine dividend eligibility?

SAIF calculated dividends on full and partial policy periods with expiration dates specified in question 1. If an employer had more than one policy period with the same policy number, both are dividend eligible. Premium from both periods is accumulated and one dividend is calculated.

Under Oregon law, dividends can be declared only on policy periods that have expired (OAR 836-080-0120(2)).

5. How are dividends calculated?

Dividends are calculated as a percentage of standard premium valued as of September 14, 2016. For the safety performance dividend calculation, the loss ratio is calculated before applying nondisabling reimbursements.

Primary dividend calculation

Standard premium range	Dividend percentage
\$0 - \$3,500.00	26.04%
\$3,500.01 - \$18,000.00	24.62%
\$18,000.01 - \$100,000.00	22.95%
Over \$100,000.00	21.99%

Safety performance dividend calculation

Loss ratio band	Dividend as a percent of standard premium*
0% to 10%	4.8% to 5.7%
10% to 20%	4.2% to 4.9%

20% to 30%	3.6% to 4.2%
30% to 40%	3.0% to 3.5%
40% to 50%	2.4% to 2.8%
50% to 60%	1.8% to 2.1%
60% to 70%	1.2% to 1.4%
70% to 80%	0.6% to 0.7%
≥ 80%	0%

Please note: The minimum dividend is \$5; no dividend will be awarded under this amount. In addition, premiums paid for other states coverage are not eligible for a dividend.

5. Why do dividend percentages differ for policyholders of different premium size?

Dividends are calculated as a percentage of standard premium. However, a customer's actual paid premium is subject to a discount based on premium size. The dividend percentages for different premium bands have the effect of backing out the premium discount and putting all policyholders on essentially the same footing.

6. Why did SAIF select \$120 million as the primary dividend amount?

The Board of Directors, after consulting with SAIF's management and actuarial staff, determined that a dividend of \$120 million can reasonably be paid while still maintaining a surplus that protects the solvency of the Industrial Accident Fund.

7. Why did SAIF select \$20 million as the safety performance dividend amount?

SAIF has not paid a loss-sensitive dividend for many years. We wanted to introduce it as an incentive to reward customers for their efforts to improve safety and health. We expect that the safety performance dividend will become a more significant portion of any dividends declared in future years.

8. How and when will dividends be distributed?

Policyholders eligible for a dividend will receive a check in the mail. Checks are expected to be mailed during the week of October 17 to 21, 2016. The entire dividend or a portion thereof may be applied to a premium balance.

9. Can I find out how my specific dividend was calculated?

Yes. Effective October 10, dividend information can be viewed on Business Online, accessed from **saif.com**. The eligible premium, policy period(s) included in the dividend, and the calculation of the dividend, will be visible online at **Policy Dividend**. The **Policy Dividend** screen also will show any adjustments to your dividend because of a balance owed to SAIF, or by your request.

10. Is there a limit to the amount of dividend a customer can receive for a particular policy year?

Yes. The dividend cannot exceed 95 percent of the premium as of the dividend declaration date. For retrospectively rated policies, the dividend cannot exceed 95 percent of the estimated retrospective premium for the policy year.

11. Why didn't SAIF lower rates instead of paying a dividend?

By regulation, rates have to be sufficient to pay the expected losses and expenses for the prospective period during which the rates are in effect. Unexpected increases in surplus may be distributed through dividends to policyholders.

12. Will I receive a dividend even if my business switched to another carrier or was insured by SAIF for only a portion of the year?

Yes. If a policyholder meets the dividend eligibility criteria and was insured by SAIF with a policy period ending in 2015, the policyholder will receive a dividend even if it is no longer a SAIF policyholder.

13. Will SAIF credit a policyholder's account rather than send it a check?

SAIF may credit a policyholder's account if that policyholder owes money to SAIF or upon the request of a policyholder.

14. What if my business paid an amount due and the dividend was also applied to the account?

Your business will receive an invoice showing a credit, which may be used to pay future premiums or other charges. If you request the money, SAIF will send a refund.

15. What happens if I decide not to pay my current bill on time because I intend to use the dividend check to pay my bill?

Interest will accrue on any overdue amounts as specified in ORS 656.560, which provides that interest at the rate of 1 percent per month, or fraction thereof, shall be added to the amount due, commencing with the first day of the month following the date when payment became due.

Employer payroll reports are due on or before the 15th day of the month following the reporting period. Payments that are required with the reports are also due on the 15th day of the month. Interest will be assessed if the payment is not received prior to the first of the month following the stated due date.

Therefore, any premium payment or payroll report with a premium payment due in September 2016 will be charged 1 percent interest if the payment is not received before October 1, 2016. You may contact your billing representative with any questions or concerns regarding your billing, or request to have your dividend applied to your premium payment.

Payments and payroll reports may be filed online (through Business Online) at saif.com.

16. Is the amount of the dividend considered income?

SAIF cannot provide legal advice about how a policyholder should treat a dividend for tax purposes. Please consult with your tax professional.

17. What is the procedure if a request to change the payee name is received before the dividend checks are printed?

Please call the SAIF cashier's office at 503.373.8270.

18. What if a dividend check has been lost or needs to be reissued?

Contact your insurance agent or SAIF representative for assistance. Requests to reissue a check under a different name will require approval by a SAIF collection

manager. The entity will also be required to complete an affidavit and indemnity agreement.

If you have additional questions, please visit "Dividends" in Business Online, contact your insurance agent, or call SAIF.