

SAIF vs. Captive insurer

Important questions to consider

	Question	SAIF's approach
Membership and coverage	<p>How are new members vetted to join the captive program? What is my role in the membership process?</p>	<p>SAIF bases new business and renewal decisions on:</p> <ul style="list-style-type: none"> • Loss experience • Risk control • Ability to pay premiums and make timely payments • Service requirements <p>We strive to offer the most competitive price consistent with fair-share pricing and SAIF's mission. We price to cover expected losses, from both claims and credit risk. If we cannot offer a price that will cover expected losses and provide suitable insulation from credit risk, we will decline that prospective customer or, in the case of current customers, change credit terms or discontinue coverage.</p> <p>Our group association partners are involved in the management of our group programs to ensure sustainability of the group program.</p>
	<p>How is my confidential information protected from industry competitors in the captive program?</p>	<p>We recognize that SAIF's policyholders, injured workers, employees, and other business partners entrust SAIF with confidential information. We consider all such information to be confidential. Sharing of confidential information between policyholders is prohibited under our records management and information security policies.</p>
	<p>What are my options if I do not want to place my workers' compensation with my other lines of coverage in this program?</p>	<p>SAIF is a monoline workers' compensation carrier. You may be able to retain coverage with SAIF while placing other lines with another carrier.</p>
	<p>How does participation in a captive program potentially limit my ability to participate in a merger or acquisition?</p>	<p>Mergers and acquisitions don't necessarily prevent you from continuing to insure with SAIF. Depending upon the circumstances of the merger or acquisition, we may need to cancel your existing policy and write a new policy for the surviving entity, but mergers and acquisitions don't generally impact your insurability with SAIF, nor does having coverage with SAIF impact your ability to participate in a merger or acquisition.</p>
	<p>If my appetite for risk changes over time and no longer aligns with the captive program, is leaving the program my only option? If so, what is the process?</p>	<p>Depending on premium size and underwriting criteria, we have a variety of rating plan and payment plan options to meet your risk appetite. Rating plans can be changed by making a different selection at renewal if your risk appetite changes.</p>

	<p>If reinsurance rates increase, how does this impact my direct costs in the captive?</p>	<p>Outside of our Other States Coverage (OSC) program, SAIF purchases reinsurance to limit adverse financial consequences of a catastrophe and protect our surplus from large losses incurred by our policyholders. Our substantial premium base is able to absorb fluctuations in the reinsurance market without noticeable impact to our policyholders.</p>
	<p>What are the steps for adding other coverages or additional limits to my insurance program?</p>	<p>Additional employer's liability limits and coverage endorsements are available. We recommend that you speak with your agent or underwriter.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Rights and obligations</p>	<p>In addition to unfunded claim costs, are there other unfunded costs that I may be liable for as a member of the captive program?</p>	<p>Risk is transferred to SAIF. Financial responsibility is fully transferred to the insurance carrier. Costs and uncertainties of future adverse loss development rest with SAIF. Services provided by SAIF (safety, claims management, legal, actuarial, etc.) are all included in premium.</p>
	<p>What happens to my initial investment if the captive program collapses, performs poorly, or other members go bankrupt? What are the risks if this occurs?</p>	<p>SAIF is in an excellent financial condition to meet all its financial obligations. For business reasons, SAIF does not subscribe to either the A.M. Best or Standard and Poor's ratings services. Surplus has increased significantly since 2002, when year-end surplus stood at \$262 million. At year-end 2022, surplus was \$2.2 billion. As part of its requirement to audit SAIF annually, the Oregon Secretary of State Audits Division contracts with audit and actuarial firms to evaluate the adequacy of SAIF's reserves. Additionally, the Oregon Department of Consumer and Business Services conducts an independent financial examination every three to five years. Outside actuaries have consistently deemed SAIF's reserves to be reasonable.</p>
	<p>If I am asked to leave the captive program due to a poor safety record, how much advance notice is given? Do I have the right to an appeal process?</p>	<p>If a policyholder is experiencing challenges with claims, SAIF is committed to using our rate tier structure to retain coverage and partner to prevent future claims. It is rare that SAIF doesn't renew coverage. Not renewing is always a last resort after considerable effort has been made to improve claim trending.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Reinsurance</p>	<p>Are excess coverage limits provided on an individual occurrence basis or on an aggregate basis pertaining to all claims covered under the policy?</p>	<p>There is no monetary coverage limit applied to claims covered under a SAIF policy. All occurrences are fully insured by SAIF. SAIF purchases its own reinsurance coverage to absorb some of that risk; the risk is not transferred back to the insured.</p>
	<p>Who is the captive's reinsurer and what is its financial strength?</p>	<p>SAIF purchases catastrophe reinsurance to protect against a large event. This protection is secured through participation by a panel of global reinsurers and Lloyd's associates. SAIF contracts with reinsurers with an AM Best rating of "A" or better.</p>

	<p>If the captive uses a fronting insurance carrier, what liabilities does the captive insurer have to them?</p>	<p>SAIF only uses a fronting carrier for our Other States Coverage (OSC) program. Because we are authorized only to write workers' compensation insurance in the state of Oregon, we partner with a fronting carrier and fronting agent to make this coverage available in any nonmonopolistic state. This program began in February 2011.</p> <p>Fronting carrier: Zurich American Insurance Company writes the policies and serves as fronting carrier for SAIF's OSC program. Zurich's A.M. Best Rating is A+ "Superior" with a financial category size of XV, and was named to Forbes' list of "World's Biggest Public Companies" (Forbes, May 2017).</p> <p>Fronting agent: United States Insurance Services (USIS) is the fronting agent and is shown as the agent on all OSC policies.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Regulation</p>	<p>What regulation exists to ensure that the workers' compensation coverage provided through the captive program meets legal requirements?</p>	<p>SAIF's operations are highly regulated by several external agencies to ensure that we are in compliance with applicable legal standards. SAIF is subject to the data reporting requirements of the National Council on Compensation Insurance (NCCI). SAIF is also regulated by the Division of Financial Regulation and the Department of Consumer and Business Services. SAIF's board of directors is appointed by the Governor and confirmed by the Senate. SAIF's investment officer is the Oregon State Treasurer. SAIF's auditor is the Secretary of State. In addition, SAIF is subject to Oregon's public records law.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Safety</p>	<p>How often is an external performance audit done? Are the audit results shared with the captive program members?</p>	<p>Per Oregon Revised Statute 656.772, the Secretary of State shall conduct an annual audit of the State Accident Insurance Fund Corporation and the Industrial Accident Fund pursuant to ORS 297.210. As part of this audit, the Secretary of State shall contract with a firm qualified to perform an independent actuarial review. The Secretary of State shall issue an annual report to the Governor, the President of the Senate and the Speaker of the House of Representatives on the results of the audit and review. The audit and the report of the review performed by the independent actuarial firm shall be available for public inspection, in accordance with the Secretary of State's established rules and procedures governing public disclosure of audit documents.</p>
	<p>How will workplace safety services be provided? Will I have to pay more for these services?</p>	<p>SAIF's safety and health services division is committed to the success of Oregon businesses by helping make workplaces as safe as possible. Services provided to SAIF policyholders include safety and health evaluations, injury and illness performance assessments, industrial hygiene services, ergonomic analyses and training, OSHA compliance guidance, policyholder seminars and training, and access to various safety and health resources.</p> <p>These services are included with your premium. There is limited access to safety/industrial hygiene, etc. throughout the captive resources programs. This is an additional expense associated with these programs.</p>

Premium and experience rating	<p>Will I have to pay more if captive program premiums are not enough to cover injury costs and other expenses for a given year?</p>	<p>SAIF offers a variety of rating plans and group programs.</p> <p>Our guaranteed cost plan provides a fixed premium that is not adjusted for loss experience during the policy term. We offer additional discounts for qualifying association groups.</p> <p>The premium for our individual retrospective rating plans adjust according to the losses experienced by the insured. This premium is adjusted annually based on loss experience up to five years after policy expiration.</p> <p>Group retrospective rating plan premium adjusts according to the losses experienced by the group.</p>
	<p>How is my experience rating determined? What happens to my rating information if I leave the program?</p>	<p>Each year NCCI computes the rating for each eligible employer based upon the employer's individual payroll and loss experience reported to NCCI by SAIF. Your actual losses are measured against expected losses for the amount of payroll in each class reported for a given period of time. The resulting experience rating modification factor (either an increase or decrease in the premium to be paid) is effective on the rating effective date of your insurance policy.</p> <p>Most voluntary market insurers report payroll and loss experience to NCCI in a similar fashion to SAIF. Self-insured employers, self-insured groups, and other alternative risk financing programs may choose not to report this data to NCCI.</p>
Leaving a captive program	<p>How often are payroll audits conducted? Are premium adjustments made based on audit results?</p>	<p>At SAIF, policies are selected for premium audit based on multiple criteria, including size, rating characteristics, and business rules. Premium adjustments are made based on audit results. After two years of premium audits with little to no premium variance, we may choose to waive the need for a premium audit for up to three years.</p>
	<p>If I decide to leave the captive insurance program, what happens to my initial investment?</p>	<p>If you paid a premium deposit to SAIF, applicable remaining funds will be returned to you once the premium owed for the period insured with SAIF has been paid.</p>
Leaving a captive program	<p>Do I need to fund my claim liability before I can leave the captive? If so, do I have to agree with the calculation?</p>	<p>If your premium is subject to an individual retrospective rating plan, you may have claim liability until plan closure. The formulas for the calculation of the retrospective rating premium and closure costs are included in the retrospective rating plan endorsement attached to your insurance policy with SAIF and do not change if you leave SAIF.</p>
	<p>Will I be forced to sell my shares before leaving the captive? If so, who values and/or buys the shares? How does my claim liability impact the final valuation?</p>	<p>If your premium is subject to an individual retrospective rating plan, your final evaluation will be based on the formulas shown on the retrospective rating plan endorsement. You may have the option to pay for any outstanding claim liability through plan closure.</p>
Leaving a captive program	<p>Am I allowed to get a history of my claims?</p>	<p>At SAIF we have several options available to you. You can request a claims list or loss run from your agent. A loss run can automatically be mailed to you on a quarterly or annual basis. Alternatively, you can print or download your claim history online at your convenience by logging into your account.</p>

Additional considerations	<p>How do I prove I have workers' compensation insurance? Can I have a copy of the workers' compensation policy?</p>	<p>We can issue a certificate directly to individuals or companies who contract with our policyholders. As a SAIF-insured employer you can also issue a certificate of coverage by logging into your account online.</p> <p>Some renewal policies are automatically mailed to you. If your renewal policy is not automatically sent, your agent will send your policy to you. You can also access a copy of your policy, and other documents such as invoices and correspondence, by logging into your policyholder portal.</p>
	<p>Will the captive insurer agree to waive its rights of subrogation against my business affiliates who are contractually requiring this?</p>	<p>SAIF can add a waiver of subrogation endorsement to your policy by request. The premium for this endorsement varies based on the type of waiver. A partial waiver for one third party for one contract or project is 0.25% of your manual premium. Waivers for multiple parties and/or multiple contracts is 1% of your manual premium. The maximum premium charge for all waivers combined is 1% of your manual premium.</p>
	<p>Does the captive program pay dividends to policyholders?</p>	<p>SAIF is able to pay dividends because of its solid financial position and continued success in managing workplace safety and health and controlling losses. This is a unique benefit enjoyed by SAIF customers, given our status as a not-for-profit company. While we can't guarantee an annual dividend, our customers have consistently received a dividend since 2010 with periodic dividends dating back to 1990. Many of our policyholders have found ways to reinvest their returns into employee and workplace safety.</p>
	<p>Can my business handle the long-term commitment that a captive insurance program requires, including the long-term opportunity cost of human resources that will be needed to manage the duties required of a member of a captive insurer?</p>	<p>Since 1914, SAIF has been providing affordable workers' compensation to employers, taking care of injured workers, and promoting safety and health in Oregon workplaces. With nearly 55,000 policyholders, and over 1,100 employees, SAIF is the largest workers' compensation provider in the state.</p>
Claims	<p>Does the captive program engage with external partners, such as a managed care organization?</p>	<p>SAIF partners with managed care organizations (MCO's) including Majoris and Kaiser Permanente. MCOs provide precertification of requested treatment like inpatient hospitalization, outpatient surgery, physical medicine, and DME. Their role is to review the medical appropriateness, effectiveness, and use of the requested treatment. In addition, they assist adjusters with medical advisory opinions, medical treatment reviews, opioid review and management, and a dispute resolution process. They also maintain a panel of providers. Providers sign contracts with the MCO to follow certain protocols and guidelines specific to workers' compensation. The MCOs, in turn, provide education and support to their panels of providers.</p> <p>Learn more on our website (saif.com/MCOrole).</p>

What percentage of incoming medical bills are audited and how are costs evaluated?

SAIF audits 100% of the medical bills we receive in-house to ensure payment is made based on the fee schedule. Captives generally contract review out to third party vendors at an increased cost to the claim. SAIF adjusters also review medical bills before payment is made to ensure we are only paying for treatment of the accepted conditions in the claim, while other carriers may not have that level of review.

What tools do the adjusters at the captive's third party administrator (TPA) have to proactively manage claim costs?

At SAIF, our adjusters and our policyholders have multiple in-house resources, including nurse consultants, vocational consultants, investigators, return-to-work consultants, safety consultants, industrial hygienists, ergonomists, and attorneys. Costs for those expenses at SAIF are not added to individual claim costs. If other carriers provide those services, they are usually not in-house resources for the adjusters and are often contracted out with costs added to the individual claim costs.

What expenses are included in TPA processing fees and captive funding?

Expenses included in premium at SAIF include (but are not limited to): legal, nurse consultants, investigations, medical bill review, vocational rehab, safety services, industrial hygiene, and Employer-at-Injury Program (EAIP), and Return-to-Work (RTW) services.

How long does it take to make a decision on your worker' comp claims?

SAIF averages 32 days while the industry average is 58 days.

What is the average caseload for the claims adjuster at the TPA handling your business?

While adjusters at TPAs generally average caseloads of 150+ claims per adjuster, SAIF adjusters average caseloads of 55 new and open claims. This allows them to manage costs carefully.

When a worker is injured by a third party how does the captive's TPA manage recovery of claim costs?

SAIF has a specific team of specialized adjusters who manage the process of recovering costs from third parties. Those adjusters also predict what our recoveries will be and SAIF uses their predictions to offset costs impacting experience rating.

Does the captive program provide support to policyholders in obtaining EAIP funding for RTW efforts?

At SAIF, we have a team of EAIP consultants who directly assist policyholders with wage subsidies, purchases, and worksite modification funding.

In 2022, SAIF paid \$10,882,965 in total benefits to their policyholders for wage subsidy, purchases, and worksite modifications.