



SAIF CORPORATION
BOARD OF DIRECTORS MEETING

Wednesday
June 7, 2023
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 10:00 a.m.

Roll call:

Krishna Balasubramani, Vice Chair
Tammy Baney
Hans Bernard

Virtual:

John Mohlis, Chair
Johnell Bell

SAIF Corporation personnel present on site:

Chip Terhune, President and CEO
Ian Williams, Chief Operating Officer
Gina Manley, Chief Financial Officer
Chris Vrontakis, Vice President of Policyholder Services
Shannon Rickard, Chief Legal Counsel & Vice President of Legal & Procurement Services
Ken Collins, Vice President of Information Technology and Chief Information Officer
Laura Robison, Vice President, Chief Actuary and Strategy Officer
Brigitte Hamilton, Vice President of Claims
Christy Witzke, Vice President of Marketing, Sales, and Communications
Holly Tindall, Vice President of Corporate Services
Todd Graneto, Vice President of Premium Audit and Underwriting Services
Sharifa Gomez, Vice President of Human Resources
Christina Lincicome, Chief Diversity, Equity, and Inclusion Officer
Kathy Gehring, Special Advisor
Jamie Ralls, Chief Internal Auditor
Ivo Trummer, Government Relations Manager
Steve Staten, Senior Research Analyst
Kevin Barrett, Assistant General Counsel
Jennifer Butler, Talent Acquisition and Human Resources Business Partner
Tammy Ames, Other States Coverage Program Manager
Robert Johnson, Internal Auditor
Kelly Carriger, Assistant to the Board
Maranda McClanahan, Executive Assistant

The meeting was webcast internally at SAIF.

Approval of board minutes

Upon motion duly made by Ms. Baney and seconded by Mr. Bernard, minutes from the March 8, 2023, meeting were unanimously approved.

EXECUTIVE SESSION

Discuss Exempt Public Records

End of Executive Session

At 10:40 a.m., the Chair announced the conclusion of the Executive Session.

REGULAR BUSINESS MEETING

At 10:49 a.m., the regular business meeting resumed.

Election of board officers

Upon motion made by Mr. Balasubramani and seconded by Mr. Bernard, Mr. Mohlis and Ms. Baney were elected Board Chair and Vice-Chair, respectively, effective July 1, 2023, for one year.

Mr. Mohlis thanked the Directors for their willingness to serve. Board committee assignments will remain the same for the coming year; Ms. Baney, audit committee chair; Mr. Bell, audit committee member; Mr. Balasubramani, compensation committee chair; and Mr. Bernard, compensation committee member.

President's report

Mr. Terhune reported that SAIF is redoubling its efforts on projects, both in flight and planned. It has taken extensive work and energy to get us where we are today. However, some of the most challenging work is still ahead. Mr. Terhune praised the human resources team for the seismic nature of their work in the last year and a half. He recognized Mr. Williams and Ms. Robison's work on SAIF's vision and operational visibility.

Brigitte Hamilton, SAIF's new vice president of claims, is off to an amazing start. Leaving SAIF at the end of June is Ms. Lincicome, Chief Diversity, Equity, and Inclusion Officer, and Ms. Robison, Vice President, Chief Actuary, and Strategy Officer. Mr. Terhune thanked them for their service. The strategy department will transfer to Ms. Rickard. A recruitment is underway for a chief diversity, equity, and inclusion officer and a chief actuary.

Financial reports

2023 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 \$40 million compared to a \$22.4 million net loss during the first quarter of 2022. SAIF ended the quarter with \$23.3 million in unrealized investment gains and surplus of \$2.175 billion.

Surplus to CAL RBC was 5.6 at March 31, 2023. Net earned premium for the first quarter of 2023 was \$141.5 million, 3.9 percent higher than the first quarter of 2022. The 2023 year-to-date premium retention rate is 98.7 percent.

Ms. Manley reported total claim costs were \$142.3 million, a 13.3 percent increase in the first quarter of 2023 compared to the same period in 2022. The number of COVID claims is slowing. To date, SAIF has paid \$23.4 million in COVID claims.

SAIF's total investment revenue was \$29.7 million for the first quarter of 2023 compared to \$28.5 million for the same period in 2022. Interest income was up \$6.5 million, and realized investment losses were \$8.7 million for the first quarter 2023 compared to realized investment losses of \$3.4 million for the same period in 2022. The portfolio value was up 3.5 percent for the first quarter of 2023 and performed better than the benchmark by 0.4 percentage points. The portfolio was in compliance with the approved policy.

Expenses were up 12.1 percent due to employee costs and agent commissions.

Board appointed actuary report

Before the meeting, SAIF's appointed actuary, Rod Morris of Deloitte Consulting, LLP, provided their final actuarial report. A summary of the report was presented to the board at the March board meeting. The final report was emailed to the Board of Directors on April 18.

Budget report

Ms. Manley reported that total operating expenses through March 31, 2023, were \$2.8 million under budget. SAIF is forecasted to be \$29,000 under the 2023 annual budget of \$288.5 million. Key first quarter drivers include \$2.0 million in savings for consulting services, \$656,000 for software licensing, furniture, and equipment purchases that will be spent later in the year, \$618,000 in employee salary and benefit savings, and \$309,000 in lower than estimated independent medical examination expenses. First quarter overages include \$454,000 in reinsurance expenses for other states coverage and assigned risk programs and \$434,000 for increased agent commissions due to new sales and higher policyholder premiums than anticipated.

We are forecasting to be over SAIF's \$11.4 million capital budget at year-end by \$3.0 million due to the claims system implementation project.

Capital analysis & risk appetite/tolerance statement

Ms. Robison reported that regular evaluation of SAIF's capital position and risk profile is an important part of our enterprise risk management framework and informs strategic decisions. Surplus is essential to SAIF's long-term financial stability and protects against the impact of unexpected events. Surplus is projected to decline slightly, from \$2.2 billion at year-end 2022 to \$2.1 billion by year-end 2025. Company Action Level Risk-Based Capital (CAL RBC) is projected to increase due to changes in our investment portfolio and growth in premium and claim reserves. The likelihood of surplus falling below 5.0 times CAL RBC in 3 years is approximately 60 percent. Ms. Robison also noted that the financial forecast and modeling results are dependent on a number of assumptions, and there is significant risk that actual results will vary materially from these estimates.

Ms. Robison and other members of management responded to questions from the Directors regarding normal surplus to CAL RBC ratio movement, to what extent movement is driven by market activity and state policy, and variation in other state funds' surplus CAL RBC ratios.

Ms. Robison reported that management recommends one wording adjustment to the risk appetite and tolerance statement. Otherwise, the proposed statement remains the same with no substantive changes.

Upon motion made by Mr. Balasubramani, seconded by Ms. Baney, the risk appetite and tolerance statement was adopted as presented.

Dividend discussion

Ms. Witzke provided an overview of SAIF's dividend methodology and philosophy. She recapped SAIF's dividend history from 2018 to 2022, noting differences in timing and the loss-sensitive portion of the dividend. SAIF does not currently use dividends to directly incentivize safety. The board will make the dividend decision, if any, at the September board meeting.

Referring to the loss-sensitive portion of prior dividends, Mr. Balasubramani commented that it is good SAIF is willing to try new things but also reflect and make changes when appropriate.

Operations report

Mr. Williams reported that in the first quarter, 13 measures returned to "green" status, four were "red" but trending favorably, and six were "red" and requiring attention. Ms. Witzke and Ms. Ames provided additional information on sales of other states coverage (OSC). As of June 2, the OSC program has \$1.2 million in new sales premiums, which was the 2023 sales goal. This was compared to the \$1.4 million OSC sales goal in 2022. Sales by policy count are similar to the same time last year, but SAIF is selling larger policies. The program has expanded to include almost all types of businesses.

Ms. Witzke, Ms. Ames, and Mr. Terhune responded to questions from the Directors on what is driving the increase, if it applies to all other states, and whether SAIF is budgeting for technological efficiencies.

Ms. Butler reported on SAIF's employee turnover measure. The current turnover ratio is 10.7 percent, which is within our target range. SAIF saw an increase in retirements in 2021 after a pause in 2020 and an increase in terminations in 2021 after pandemic grace. Human resources is focused on career and job development and how we increase a growth mindset among employees. SAIF is well below employee turnover percentages compared to insurance and all industries.

Ms. Baney commented that it is important for employees to feel the desire to stay with SAIF. She thanked the human resources team for their commitment.

Mr. Williams provided project updates and the value delivered from April to June on SAIF's Spanish registration process, the data governance program, and the claims assistant process evaluation project.

Mr. Williams and Mr. Terhune responded to a question from Mr. Bernard regarding response time to Spanish inquiries.

Claim system implementation project update

Mr. Collins, Ms. Hamilton, and Ms. Gehring provided an update on the claims system implementation project, which aims to replace SAIF's legacy claims management systems with Guidewire ClaimCenter. The project is currently in the stabilization phase. In July, we move into user acceptance testing; training/implementation rehearsal begins in September; implementation and hyper care begin in October.

Ms. Hamilton responded to a question from Mr. Bernard regarding how policyholders will experience the change to the new system. Mr. Balasubramani expressed his appreciation for how keenly focused everyone in the organization is considering the new system's impact on policyholders and injured workers. He inquired about the impact on employees once the system is

implemented. Mr. Mohlis agreed that it is better to take more time to do everything correctly to increase the odds of success.

Steps to mitigate and correct current challenges and change management and contingency planning were reviewed.

Ms. Baney commented that she is proud of the integrity and commitment that the team is dedicating to this work. She encouraged them to be in a space of progress, not perfection. Mr. Bernard requested project updates for the board over the summer. Mr. Mohlis thanked everyone for their time, diligence, and dedication.

President's closing remarks

Mr. Terhune welcomed a group of employees into the meeting that played an integral part in a recent critical claim. Words cannot say enough about their efforts to help the policyholder, injured workers, and the family left behind. The board thanked them for their incredible commitment and work to support these families. Ms. Baney encouraged them to remember to take care of themselves, both physically and mentally.

Adjournment

There being no further business, the meeting was adjourned at 12:48 p.m.

A handwritten signature in blue ink that reads "Kelly Carriger". The signature is written in a cursive style and is positioned above a horizontal line.

Kelly Carriger, Executive Assistant to the Board