SAIF Corporation

Financial Statements—Statutory Basis
as of and for the Years Ended December 31,
2020 and 2019, Supplementary Schedules
as of December 31, 2020, and Report of
Independent Auditors

SAIF CORPORATION

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MOSSADAMS

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors of
SAIF Corporation

The Secretary of State Audits Division of
The State of Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of SAIF Corporation ("SAIF") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise SAIF Corporation's basic financial statements, and have issued our report thereon dated July 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SAIF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAIF's internal control. Accordingly, we do not express an opinion on the effectiveness of SAIF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAIF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
July 27, 2021

SAIF CORPORATION

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS—STATUTORY BASIS
AS OF DECEMBER 31, 2020 and 2019
(In thousands)

	2020	2019
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Bonds	$ 3,679,291	$ 3,828,095
Common stocks	574,370	492,781
Real estate investments	161,190	60,000
Real estate, net of accumulated depreciation of $18,490 and $15,292:		
Properties occupied by SAIF	96,004	97,830
Cash, cash equivalents, and short-term investments	246,979	151,094
Other invested assets	16,319	16,321
Receivable for securities sold	324	71
Security lending reinvested collateral	56,546	42,786
Total cash and invested assets	4,831,023	4,688,978
Interest, dividends, and real estate income due and accrued	31,030	32,643
Premiums in course of collection	7,150	7,449
Premiums and installments booked but deferred and not yet due	272,866	295,054
Accrued retrospective premiums receivable	17,370	12,395
Reinsurance recoverables	3,130	3,118
Electronic data processing (EDP) equipment and operating software, net of accumulated depreciation of $3,787 and $3,850	939	1,419
Due from Workers' Compensation Division	9,681	8,756
Other assets	26,166	28,442
TOTAL	$ 5,199,355	$ 5,078,254
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES:		
Losses	$ 2,055,150	$ 2,118,095
Loss adjustment expenses	423,826	421,080
Other accrued expenses	53,250	51,558
Taxes, licenses, and fees	35,251	35,696
Unearned premiums	221,686	228,166
Advance premium	13,897	12,608
Dividends to policyholders declared and unpaid	72	17
Ceded reinsurance premiums payable	1,428	1,776
Amounts withheld or retained for account of others	44,581	42,875
Other liabilities	6,702	7,615
Unclaimed property	1,051	1,188
Payable for securities purchased	4,356	4
Payable for securities lending	56,543	42,774
Accrued retrospective premiums payable	27,189	38,360
Total liabilities	2,944,982	3,001,812
CAPITAL AND SURPLUS:		
Assigned surplus - PERS unfunded actuarial liability	82,900	124,823
Unassigned surplus	2,171,473	1,951,619
Total capital and surplus	2,254,373	2,076,442
TOTAL	$ 5,199,355	$ 5,078,254

See notes to financial statements—statutory basis.

SAIF CORPORATION

STATEMENTS OF REVENUES, EXPENSES, AND CAPITAL AND SURPLUS—STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
UNDERWRITING REVENUES—Premiums earned, net	$ 484,397	$ 507,393
UNDERWRITING EXPENSES:		
Losses incurred, net	264,863	314,836
Loss adjustment expenses incurred	92,854	89,650
Other underwriting expenses incurred	122,768	118,972
Total underwriting expenses	480,485	523,458
NET UNDERWRITING GAIN (LOSS)	3,912	(16,065)
NET INVESTMENT INCOME:		
Net investment income earned	140,811	151,127
Net realized investment gains	66,233	139,386
Net investment income	207,044	290,513
OTHER INCOME (EXPENSE):		
Net loss from premium balances charged off	(860)	(1,465)
Other income (expense)	(19,378)	1,255
Total other expense, net	(20,238)	(210)
Net income before dividends to policyholders	190,718	274,238
POLICYHOLDER DIVIDENDS	(99,993)	(159,872)
NET INCOME	$ 90,725	$ 114,366
CAPITAL AND SURPLUS:		
Total capital and surplus—beginning of year	$ 2,076,442	$ 2,003,962
Net income	90,725	114,366
Change in net unrealized capital gains	75,168	46,262
Change in nonadmitted assets	12,038	(100,086)
Change in accounting principles	-	11,938
Net change in capital and surplus	177,931	72,480
Total capital and surplus—end of year	$ 2,254,373	$ 2,076,442

See notes to financial statements—statutory basis.

SAIF CORPORATION

STATEMENTS OF CASH FLOWS—STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
CASH FROM (USED IN) OPERATIONS:		
Cash from underwriting:		
Premiums collected, net of reinsurance	$ 485,701	$ 503,969
Net investment income	158,332	167,982
Net cash from underwriting	644,033	671,951
Miscellaneous income (expense)	(20,238)	(211)
Benefits and loss related payments	(327,820)	(325,844)
Underwriting expenses paid	(203,930)	(199,224)
Policyholder dividend payments	(99,938)	(159,909)
Net cash from (used in) operations	(7,893)	(13,237)
CASH FROM (USED IN) INVESTMENTS:		
Proceeds from investments sold, matured, or repaid:		
Bonds	1,707,246	1,322,226
Common stocks	253	181,611
Other invested assets	(13,769)	106,278
Cash and short-term investments	47	(1)
Miscellaneous payments	(255)	(3)
Total proceeds from investments sold, matured, or repaid	1,693,522	1,610,111
Cost of investments acquired:		
Bonds	1,508,078	1,239,720
Common stocks	40,618	107
Real estate	1,372	5,533
Other invested assets	50,354	160,701
Miscellaneous receipts	(4,351)	(1)
Total cost of investments acquired	1,596,071	1,406,060
Net cash from (used in) investments	97,451	204,051
CASH FROM (USED IN) FINANCING AND MISCELLANEOUS SOURCES:		
Other cash provided	(270)	2,644
Other cash applied	6,597	(104,380)
Net cash from (used in) financing and miscellaneous sources	6,327	(101,736)
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Net increase (decrease) in cash, cash equivalents, and short-term investments	95,885	89,078
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Beginning of year	151,094	62,016
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—End of year	$ 246,979	$ 151,094

See notes to financial statements—statutory basis.

Supplemental schedule of noncash transactions:
Noncash investment transactions were $65.6 million and $29.2 million for both investment acquisitions and dispositions resulting from tax-free exchange transactions for the years ended December 31, 2020 and 2019, respectively.

1. NATURE OF OPERATIONS

SAIF Corporation (SAIF) is a public corporation created by an act of the Oregon Legislature. It traces its origins to 1914 when its predecessor organization commenced business.

SAIF is an insurance company authorized to write workers' compensation coverage in Oregon and is a servicing carrier for accounts in the assigned risk pool. SAIF also provides coverage governed by the Longshore and Harbor Workers' Compensation Act, Jones Act, and Federal Employers Liability Law. SAIF partners with Zurich Insurance Group Ltd. (Zurich) and United States Insurance Services (USIS) to provide other states coverage. SAIF's Board of Directors is appointed by the governor of the State of Oregon and consists of Oregon business and community leaders not otherwise in the employ of SAIF. Certain members of SAIF's Board of Directors are SAIF policyholders or are employed by SAIF policyholders. The transactions between SAIF and these policyholders were within SAIF's standard terms and conditions.

SAIF writes business on a direct basis as well as through agents. Premiums written on a direct basis were 18.1 percent of standard premium during 2020 and 2019. SAIF issues workers' compensation insurance policies to individual Oregon employers including state agencies.

The Oregon Department of Consumer and Business Services (DCBS) enforces workers' compensation laws under the Oregon Revised Statutes (ORS). Under the reporting requirements of DCBS, Division of Financial Regulation (Insurance Division), SAIF is subject to Risk Based Capital (RBC) requirements of the National Association of Insurance Commissioners (NAIC), which establishes that certain amounts of capital and surplus be maintained. SAIF's Company Action Level (CAL) RBC calculated minimum capital and surplus amount was $362.1 million and $316.3 million at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the statutory capital and surplus of SAIF exceeded the minimum RBC requirements. While SAIF is not subject to the minimum capital and surplus requirements set forth in ORS 731.554, SAIF uses various benchmarking and risk level techniques to monitor and maintain an adequate level of capital and surplus.

On January 30, 2020 the World Health Organization declared a global health emergency in response to the coronavirus outbreak discovered in China. Significant policyholder layoffs associated with the coronavirus pandemic and economic downturn impacted SAIF's 2020 premium which are based on employers' reported payroll. In addition, many of SAIF's policyholders were affected by wildfires across Oregon. In accordance with the Oregon Department of Consumer and Business Services (DCBS) orders, SAIF took measures to suspend non-voluntary non-renewals and cancellations, provide grace periods for payments, and extend other deadlines for affected policyholders. Despite high unemployment and the economic environment, SAIF's premiums dropped just 4.5% during 2020. The financial statements include a provision for both estimated payroll and premium impacts, but due to significant uncertainty, the actual results will vary.

SAIF also has exposure to coronavirus related claims. SAIF had over 2,000 coronavirus related claims reported through December 31, 2020, with the majority being time-loss claims. Total incurred losses on these claims were $3.7 million. SAIF continues to monitor claims exposure, premium levels, and other operational impacts related to the coronavirus pandemic.

The significant economic downturn initially impacted SAIF's investment holdings before fully recovering. SAIF is continuing to monitor investments that have been hardest hit by the crisis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting—SAIF prepares its financial statements—statutory basis in conformity with accounting practices prescribed or permitted by the Insurance Division. The Insurance Division requires that insurance companies domiciled in the State of Oregon prepare their financial statements—statutory basis in accordance with the NAIC Accounting Practices and Procedures Manual—Version effective March 2020 and 2019, subject to any deviations prescribed or permitted by the Insurance Division.

Accounting practices and procedures of the NAIC as prescribed or permitted by the Insurance Division comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The more significant differences are as follows:

(a) Investments in bonds are generally carried at amortized cost, while under GAAP they are carried at fair value with changes in fair value recorded as investment income (loss).

(b) Changes in the fair value of common stock are charged directly to capital and surplus, whereas, under GAAP, changes in fair value are recorded as investment income (loss).

(c) Changes in fair value for investments considered to be other-than-temporarily impaired (OTTI) are recognized as realized losses, while under GAAP they are recorded as investment income (loss).

(d) Assets are reported under Statutory Accounting Principles (SAP) at "admitted asset" value and "nonadmitted" assets are excluded through a charge against capital and surplus, while under GAAP such assets are reinstated to the balance sheet, net of any valuation allowance. The statutory Statement of Concepts states that assets that cannot be used to fulfill policyholder obligations or are subject to third party interests shall not be recognized on the Statements of Admitted Assets, Liabilities, and Capital and Surplus. Nonadmitted assets include such assets as premiums receivable past due for more than ninety days, furniture and equipment, and application software.

(e) Short-term investments include securities with maturities, at the time of acquisition, of one year or less, while under GAAP short-term investments have maturities of over 90 days but less than one year.

(f) Cumulative effects of changes in accounting are reported as an adjustment to surplus in the period of the change in accounting principle.

(g) A liability for reinsurance balances is provided for unsecured unearned premiums, unpaid losses ceded to reinsurers unauthorized by license to assume such business, and certain overdue reinsurance balances. Changes in those amounts are credited and charged directly to unassigned surplus.

(h) The statements of cash flows differ in certain respects from the presentation required by GAAP, including the presentation of the changes in cash and short-term investments instead of cash and cash equivalents and absence of a reconciliation between net income and cash provided by operating activities. Under SAP, SAIF offsets accounts with negative cash balances with accounts with positive balances instead of presenting with negative balances as short-term liabilities.

(i) Accounting for the multiple employer benefit plan differs from SAP to GAAP accounting. SAIF participates in a cost-sharing multiemployer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS) (see Note 10). PERS has a net Unfunded Actuarial Liability (UAL) which represents the estimated unfunded pension benefits. GAAP accounting requires the UAL to be recorded as a liability while SAP does not allow for recording of the UAL as a liability. Instead for SAP, SAIF established a special surplus fund in 2017 to identify its portion of the PERS UAL and has adjusted the fund based on an allocation provided by PERS as of June 30, 2020 and the Oregon Department of Administration Services as of June 30, 2019. Due to the timing delay, SAIF has evaluated subsequent events that may impact the assets and liabilities of the plan and determined that the valuation of liability is still materially accurate. Based on this information, the special surplus fund for the unfunded pension benefits is $82.9 million and $124.8 million at December 31, 2020 and 2019, respectively.

(j) On December 30, 2019, SAIF funded a PERS side account totaling $97.0 million which represented approximately 90 percent of SAIF's UAL based on a preliminary actuarial valuation from PERS (See Note 10). This side account does not impact employee benefits received under PERS; instead, it represents a prepayment of SAIF's on-going contributions. On SAIF's GAAP statements, this balance is subject to a different amortization period and is grouped with deferred outflows as a difference between employer contributions and employer's proportionate share of system contributions.

Investments—Bonds and short-term investments not backed by mortgages or other assets are generally carried at amortized cost using the scientific interest method. Noninvestment grade bonds (NAIC designation 3 to 6) are carried at the lower of amortized cost or fair value. There were no bonds held by SAIF which were in or near default at December 31, 2020 and 2019. Residential and commercial mortgage-backed securities are carried at the lower of amortized cost or fair value based on the financial model provided by the NAIC. Other asset-backed securities are carried at either amortized cost (NAIC designation 1 and 2) or the lower of amortized cost or fair value (NAIC designation 3 to 6). Premiums and discounts on mortgage-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from Bloomberg. Changes in estimated cash flows from the original purchase assumptions are accounted for using the retrospective method. The prospective method is used for securities recognized as OTTI, when collection of all contractual cash flows is not probable. Interest-only securities and securities where the yield has become negative are valued using the prospective method.

Common stocks are carried at fair value. The change in the stated value is recorded as a change in net unrealized capital gains (losses), a component of unassigned surplus.

Investments in real estate funds held by limited partnerships are valued using net asset value (NAV). The change in the stated value is recorded as a change in net unrealized capital gains (losses), a component of unassigned surplus.

The fair values for investment securities for 2020 and 2019 were obtained from Thomson Reuters, IDC, JPM Direct, and Bloomberg. Equity securities traded on a national exchange are valued at the last reported sales price. Debt securities are valued using evaluated bid prices at December 31, 2020 and 2019.

For all investments, impairments are recorded in the Statement of Revenues, Expenses, and Capital and Surplus when it is determined that the decline in fair value of an investment below its amortized cost is other-than-temporary. The measurement of OTTI for equity securities, bonds, and securities not backed by other assets is measured by the difference between amortized cost and fair value. OTTI for mortgage and other asset-backed securities is based upon the difference between amortized cost and future projected discounted cash flows. SAIF considers several factors in determining if an impairment is OTTI, including the extent and duration of impairment, the financial condition and short-term prospects of the issuer, cash flows of underlying collateral for mortgage and other asset-backed securities, SAIF's ability to hold the investment to allow for any anticipated recovery in value, as well as management's intent to sell the investment. OTTI changes are reflected in net realized investment gains (losses). The cost basis of the investment is then adjusted to reflect the OTTI.

Net investment income earned consists primarily of interest and dividends less investment expenses. Interest income is recognized on an accrual basis, and dividends are recorded as earned at the ex-dividend date. Interest income on mortgage-backed and asset-backed securities is determined using the effective yield method based on estimated principal prepayments. Accrual of income is suspended for bonds and mortgage loans that are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses are determined on a specific identification basis.

Investment income due and accrued with amounts over 90 days past due is nonadmitted. At December 31, 2020 and 2019, no accrued interest or other investment income due and accrued was required to be nonadmitted.

SAIF's policy requires a minimum of 102 percent of the fair value of securities purchased under repurchase agreements to be maintained as collateral. The collateral securities are held at State Street Bank and Trust Company (State Street). There were no securities purchased under repurchase agreements at December 31, 2020 and 2019.

Cash, cash equivalents, and short-term investments—SAIF places its temporary cash investments with the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool that operates as a demand deposit account. As a result, SAIF's investment is not impacted by changes in the market value of the OSTF. By statute, the OSTF may hold securities with maturities no greater than three years. Audited financial statements and monthly compliance summaries, which include information about the OSTF's maturity distribution and credit quality, may be obtained at the Oregon State Treasury's web site: https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx. As of December 31, 2020 and 2019, SAIF's balance in the OSTF was $33.0 million and $50.3 million, respectively.

Oregon's State Treasurer employs the services of two external investment managers to manage SAIF's fixed income portfolios. The cash balances of the fixed income managers are invested in money market funds with the objective of maximizing current income while maintaining a stable net asset value. The average maturity of the Institutional U.S. Government Money Market Fund at December 31, 2020 and 2019, was 47 days and 35 days, respectively. The Institutional U.S. Government Money Market Fund had a credit quality rating of AAAm at December 31, 2020 and 2019. At December 31, 2020 and 2019, SAIF's balance in the Institutional U.S. Government Money Market Fund was $8.2 million and $4.1 million, respectively. There were no Treasury bills held as of December 31, 2020. At December 31, 2019, SAIF held $18.2 million in Treasury bills which matured in January 2020. At December 31, 2020 and 2019, SAIF held $196.1 million and $71.7 million in short-term bonds, respectively.

Concentrations of credit risk—Financial instruments, which potentially subject SAIF to concentrations of credit risk, consist principally of temporary cash investments and debt securities. SAIF places its investment securities with financial institutions approved by the State of Oregon and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to investments in debt securities are limited due to the large number of such investments and their distribution among many different industries and geographic regions.

Property and equipment—Property and equipment, both admitted and nonadmitted, are recorded at cost, less accumulated depreciation. Maintenance, repairs, and minor renovations are charged to expense as costs are incurred. Upon retirement or sale, any resulting gain or loss is included as a component of net income. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Life
Buildings and improvements	15-50 years
Furniture, equipment, and automobiles	3-7 years
Operating and nonoperating system software	3-5 years

Total depreciation and amortization expense for both admitted and nonadmitted property, equipment, and software for the years ended December 31, 2020 and 2019, were $10.9 million and $9.2 million, respectively.

In 2019, SAIF completed construction on a significant home office renovation. Capital project life-to-date costs were $93.7 million and $92.3 million, respectively, as of December 31, 2020 and 2019. Capital project year-to-date costs were $1.4 million and $5.5 million, respectively, as of December 31, 2020 and 2019. A SAIF owned building was demolished during 2019 as part of the home office renovation and addition project. A realized loss of $187 thousand was recognized in the same year.

In 2019, SAIF implemented a new policy and billing system. Capital project life-to-date costs were $28.3 million and $28.2 million, respectively, as of December 31, 2020 and 2019. Capital project year-to-date costs were $0.1 million and $2.7 million, respectively, for the years ended December 31, 2020 and 2019.

In 2020, SAIF implemented a new system for digital quote and bind. Capital project life-to-date costs were $4.1 million and $3.5 million, respectively, as of December 31, 2020 and 2019. Capital project year-to date costs were $0.6 million and $3.5 million for the years ended December 31, 2020 and 2019, respectively.

SAIF has an active software replacement project for the financial system that began in 2019. Capital project life-to-date costs were $1.4 million and $0.5 million, respectively, as of December 31, 2020 and 2019. Capital project year-to-date costs were $0.9 million and $0.5 million, respectively, for the years ended December 31, 2020 and 2019.

Costs incurred to develop internal-use computer software and web sites during the application development stage are capitalized if they meet the $500 thousand threshold. Costs incurred during the preliminary project stage and post-implementation/operation stage are expensed as incurred. The predefined capitalization thresholds have not changed from those of the prior year. Under SSAP No. 16, admitted EDP & operating software is limited to 3 percent of the prior reported period surplus.

These projects costs are displayed in the table below (in thousands):

	2020		2019	
	Year-to-date	Life-to-date	Year-to-date	Life-to-date
Home office renovation	$ 1,372	$ 93,659	$ 5,533	$ 92,287
Policy and billing system	58	28,252	2,705	28,194
Digital quote and bind system	534	4,066	3,532	3,532
Finance and procurement system	892	1,428	536	536

Cumulative effect of change in accounting principles—While preparing the year end 2019 financial statements, SAIF discovered a change in the reporting of premium on retrospective policies, resulting in an understatement of surplus. The change related to estimating ultimate premiums and did not have any direct impact on policyholders. The change dates back many years, with correct ultimate premium being recognized once the retrospective policy closed. We estimate the impact to be less than 1 percent of SAIF's annual premium across an 11-year period. In prior years, accrued retrospective premiums were understated and accrued retrospectively rate return premium was overstated, causing a net $11.9 million estimated understatement of surplus as of the year ended 2018. These changes have been made through an increase to surplus for the year ended December 31, 2019.

Premiums—Premiums are based on individual employers' reported payroll using predetermined, DCBS-approved insurance rates based on employee risk classifications and are recognized as income on a pro rata basis over the coverage period, which is generally one year. Ceded premiums are recognized consistent with the underlying policies. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums.

Policyholders' premiums due to SAIF are recorded as premiums receivable, net of the allowance for uncollectible accounts. Premiums receivable consists of both billed amounts (recorded as premiums in course of collection) and unbilled amounts (recorded as premiums and installments booked but deferred and not yet due). Unbilled premiums receivable primarily represents premiums recorded as written at the policy inception date and not yet billed, as well as an estimate of the difference between amounts earned ratably on installment-billed policies and the amount billed on the policy. Unbilled premiums receivable also include estimated billings on payroll reporting policies that were earned but not billed prior to year end. SAIF uses its historical experience to estimate earned but unbilled amounts, which are recorded as premiums receivable. These unbilled amounts are estimates, and while SAIF believes such amounts are reasonable, there can be no assurance the amounts ultimately received will equal the recorded unbilled amounts. The ultimate collectability of the unbilled premiums receivable can be affected by general changes in the economy and the regulatory environment due to the increased time required to determine the billable amount. SAIF considers these factors when estimating the premium receivable for unbilled premiums. Unbilled premiums receivable at December 31, 2020 and 2019 were $272.9 million and $295.1 million, respectively, including unearned premiums of $169.0 million and $173.6 million, respectively, and are included in premiums and installments booked but deferred and not yet due.

Certain policyholders are required to remit deposits which represent premium expected to be payable to SAIF at the end of the month following the reporting period (monthly and quarterly), plus one additional month. Deposits are generally in the form of cash and are recorded as policyholders' premium deposits and included on the statements of admitted assets, liabilities, and capital and surplus in amounts withheld or retained for account of others. However, policyholders may pledge surety bonds and securities, as well as letters of credit, in lieu of cash deposits. Premium deposits at December 31, 2020 and 2019, were $18.1 million and $19.3 million, respectively.

In addition to its regular premium plans, SAIF offers employers retrospective premium rating plans under which premiums are adjusted annually for up to 10½ years following the plan year based on policyholders' loss experience. Adjustments to the original premiums are paid to or collected from the policyholders six months following the expiration of the policy and annually thereafter for up to 10½ years. The amounts of expected ultimate settlements are included in the accompanying statements of admitted assets, liabilities, and capital and surplus as accrued retrospective premiums receivable and payable. Changes in estimated settlements are recorded in premiums earned at the time they are known.

SAIF estimates accrued retrospective premiums receivable and payable by reviewing historical loss and premium development patterns at various stages of maturity and using these historical patterns to arrive at the best estimate of return and additional retrospective premiums on all open retrospectively rated policies. Premiums written on retrospective workers' compensation policies for 2020 and 2019 were $72.0 million and $74.5 million, respectively, or 15.1 and 14.6 percent of net premiums written, respectively, for each year. While preparing the year end 2019 financial statements, SAIF discovered an error in the reporting of premium on retrospective policies causing a net understatement of $11.9 million (see note on change in accounting principles).

SAIF has nonadmitted 10 percent of the amount of accrued retrospective premiums receivable not offset by accrued retrospective premiums payable to the same party (other than the reserve for losses and loss adjustment expenses), or collateral. At December 31, 2020 and 2019, the admitted balance was as follows (dollars in thousands):

	2020	**2019**
Total accrued retrospective premiums receivable	$19,300	$13,772
Less nonadmitted amount (10 percent)	1,930	1,377
Admitted accrued retrospective premiums receivable	$17,370	$12,395

Reserve for losses and loss adjustment expenses— The reserve for losses and loss adjustment expenses (LAE) is generally based on past experience. The liability includes provisions for reported claims and claims incurred but not reported.

Management believes the reserve for unpaid losses and LAE at December 31, 2020 and 2019, is a reasonable estimate of net future claim costs and expenses associated with administering claims. Annually, executive leaders review key actuarial assumptions used to estimate this liability and consider the significant uncertainty associated with these estimates in booking the reserve. Actual future claims costs and LAE depend on a number of factors, including, but not limited to, the duration of worker disability, claimant and beneficiary lifespans, medical cost trends, occupational disease exposure, inflation, and other societal, legislative, judicial and economic factors. As a result, the process used to compute the ultimate cost of settling claims and expenses associated with administering claims is necessarily based on estimates. The amount ultimately paid may be higher or lower than these estimates. Adjustments resulting from changes in estimates of these liabilities are charged or credited to operations in the period in which they occur (see Note 7).

Premium deficiency—Premium deficiency is based upon an estimate of the amount by which the sum of anticipated claims costs, claims adjustment expenses, and maintenance expenses exceeds expected premium income and earnings on investments. At December 31, 2020 and 2019, no reserve for premium deficiency was required to be recorded.

Policyholders' dividends—Substantially all of SAIF's business is written under various participating plans wherein a dividend may be returned to the policyholder. Dividends may be paid to the extent that a surplus is accumulated from premiums, investment gains, and/or loss reserve reductions. In 2020 and 2019, policyholder dividends of $100.0 million and $159.9 million, respectively, were incurred and paid to qualifying policyholders.

Taxes and assessments—The Oregon Department of Justice has determined that SAIF is exempt from federal and state income taxes, because it is an integral part of the State of Oregon and, alternatively, exempt under either or both Sections 501(c)(27)(B) and 115(1) of the Internal Revenue Code.

SAIF collects and remits levies on behalf of their policyholders to the Oregon Workers' Compensation Division of DCBS. Such assessments constitute an in-lieu-of-tax relative to premiums. Premium assessment expenses were $38.1 million and $38.9 million for the years ended December 31, 2020 and 2019, respectively. Premium assessments were accrued in the amount of $35.8 million and $37.2 million as of December 31, 2020 and 2019, respectively. Premium assessment income net of premium assessment expense for the years ended December 31, 2020 and 2019, was $(0.2) million and $(1.6) million, respectively, and is included as a component of other underwriting expenses incurred. The negative premium assessment for 2019 is related to the accounting error that was discussed previously in the change in accounting principles.

Use of estimates—The preparation of financial statements in accordance with SAP requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities, the reported amounts of revenues and expenses during the reporting period, and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Allocable expenses—The material components of loss adjustment expenses, other underwriting expenses, and investment expenses were as follows (dollars in thousands):

	2020			2019		
	Loss Adjustment Expenses Incurred	**Other Underwriting Expenses Incurred**	**Investment Expenses**	**Loss Adjustment Expenses Incurred**	**Other Underwriting Expenses Incurred**	**Investment Expenses**
Salaries, wages, & other benefits	$ 75,075	$ 65,067	$ 2,887	$ 71,520	$ 61,446	$ 2,726
Commissions	-	33,132	-	-	34,462	-
Other	17,779	24,569	9,405	18,130	23,064	9,755
Total allocable expenses	$ 92,854	$ 122,768	$ 12,292	$ 89,650	$ 118,972	$ 12,481

Prior year presentation—Certain prior year balances have been modified to conform to the current year presentation.

Subsequent events—On March 10, 2021, SAIF's Board of Directors declared a $210.0 million dividend for policyholders on policies that expired in 2020. The valuation date for eligible policies will be June 4, 2021 and will be paid before July 31, 2021.

Subsequent events have been considered through July 27, 2021, which is the date the financial statements were available to be issued.

3. NEW STATUTORY ACCOUNTING PRINCIPLES

No applicable new Statutory Accounting Principles were adopted by SAIF for the years ended December 31, 2020 or 2019.

4. INVESTMENTS

SAIF's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. In accordance with ORS 293.726, the investment funds are required to be invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. While the Treasurer is authorized to use demand deposit accounts and fixed income investments, equity investment transactions must be directed by external investment managers that are under contract with the Council. Equity investments are limited to not more than 50 percent of the monies contributed to the Industrial Accident Fund (SAIF Corporation). However, SAIF's adopted investment policy as approved by the Council limits equity holdings to a range of 7 percent to 13 percent of the market value of invested assets with a target allocation of 10 percent.

Effective April 24, 2019, the Council approved a revised asset allocation policy for SAIF. The new allocation reaffirms a 5 percent target allocation to real estate in the form of private or publicly traded funds, allows for an 8 percent combined target allocation to bank loans and private credit, and reduced the target allocation to fixed income holdings from 90 percent to 77 percent. The target allocation to global equities of 10 percent remains unchanged.

Bond, mortgage-backed, asset-backed, and equity security transactions are recorded on a trade-date basis, generally three business days prior to the settlement date. However, the number of days between trade and settlement dates for mortgage-backed securities can be up to 30 days or longer, depending on the security. Receivables for securities not received within 15 days from the settlement date are nonadmitted. There were no such receivables at December 31, 2020 and 2019.

The carrying value and fair value of SAIF's investment securities at December 31, 2020 and 2019, were as follows (dollars in thousands):

2020	Carrying Value	Fair Value	Excess Of Fair Value Over (Under) Carrying Value
Bonds:			
U.S. Government	$ 189,519	$ 197,823	$ 8,304
All other governments	36,379	40,840	4,461
U.S. political subdivisions of states, territories, and possessions	12,210	13,095	885
U.S. special revenue and special assessment	80,312	93,138	12,826
Hybrid securities	31,103	34,254	3,151
Industrial and miscellaneous	2,288,307	2,688,076	399,769
Mortgage and other asset-backed securities	1,041,461	1,077,606	36,145
Total bonds	$ 3,679,291	$ 4,144,832	$ 465,541
Short-term investments	$ 196,132	$ 196,147	$ 15
Other invested assets			
Surplus Notes	$ 16,319	$ 25,012	$ 8,693
Real estate investments - Prime Property Fund LLC	121,148	121,148	-
Total other invested assets	$ 137,467	$ 146,160	$ 8,693
Common stocks			
BlackRock MSCI ACWI IMI Index Fund	$ 574,370	$ 574,370	$ -
RREEF America REIT II	40,041	40,041	-
Total common stocks	$ 614,411	$ 614,411	$ -

2019	Carrying Value	Fair Value	Excess Of Fair Value Over (Under) Carrying Value
Bonds:			
U.S. Government	$ 416,993	$ 426,198	$ 9,205
All other governments	37,244	39,837	2,593
U.S. political subdivisions of states, territories, and possessions	13,533	14,362	829
U.S. special revenue and special assessment	81,078	89,254	8,176
Hybrid securities	17,835	20,958	3,123
Industrial and miscellaneous	2,200,429	2,456,589	256,160
Mortgage and other asset-backed securities	1,060,983	1,088,942	27,959
Total bonds	$ 3,828,095	$ 4,136,140	$ 308,045
Short-term investments	$ 71,667	$ 71,663	$ (4)
Other invested assets			
Surplus Notes	$ 16,321	$ 24,223	$ 7,902
Real estate investments - Prime Property Fund LLC	60,000	60,000	-
Total other invested assets	$ 76,321	$ 84,223	$ 7,902
Common stocks			
BlackRock MSCI ACWI IMI Index Fund	$ 492,781	$ 492,781	$ -
RREEF America REIT II	-	-	-
Total common stocks	$ 492,781	$ 492,781	$ -

Proceeds from the sale of bonds were $1.7 billion and $1.3 billion during 2020 and 2019, respectively. Proceeds from the sale of stocks were $0.3 million and $181.6 million during 2020 and 2019, respectively.

The carrying value and fair value of bonds at December 31, 2020 and 2019, by contractual maturity, except for asset-backed securities which are by expected maturity, are shown as follows (dollars in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2020		2019	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Due in one year or less	$ 55,816	$ 56,770	$ 48,800	$ 49,064
Due after one year through five years	640,218	693,727	764,471	791,777
Due after five years through ten years	1,083,327	1,218,151	1,164,682	1,249,608
Due after ten years	1,899,930	2,176,184	1,850,142	2,045,691
Total bonds	$ 3,679,291	$ 4,144,832	$ 3,828,095	$ 4,136,140

Net investment income earned for the years ended December 31, 2020 and 2019, was comprised of the following (dollars in thousands):

	2020	**2019**
Bonds	$ 142,201	$ 156,597
Common stock	188	106
Real estate	4,879	-
Other invested assets	5,835	6,905
Total gross investment income earned	153,103	163,608
Less investment expenses	12,292	12,481
Net investment income earned	$ 140,811	$ 151,127

Gross realized gains and losses and the net realized gains (losses) for the years ended December 31, 2020 and 2019, were as follows (dollars in thousands):

2020	**Gross Realized Gains**	**Gross Realized Losses**	**Net Realized Gains (Losses)**
Bonds	$ 75,394	$ (9,348)	$ 66,046
Common stock	140	-	140
Real estate	-	-	-
Short-term investments	47	-	47
Other invested assets	-	-	-
Total	$ 75,581	$ (9,348)	$ 66,233

2019	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)
Bonds	$ 40,346	$ (4,584)	$ 35,762
Common stock	103,178	-	103,178
Real estate	-	(187)	(187)
Short-term investments	-	(1)	(1)
Other invested assets	634	-	634
Total	$ 144,158	$ (4,772)	$ 139,386

The following tables represent unrealized losses on bonds at December 31, 2020 and 2019, that were in a loss position for less than one year and a continuous loss position for greater than one year. These bonds were not considered OTTI, as SAIF's investment managers assert that they have the intent and ability to hold these securities long enough to allow the cost basis of these securities to be recovered. Unrealized losses arise from mark to market changes in a bond's price. These are primarily, but not only, attributable to interest rate risk, credit risk, prepayment risk, inflation risk, call risk, and/or liquidity discounts (dollars in thousands):

2020 Unrealized Losses	Amortized Cost	Unrealized Losses	Fair Value
Less than one year			
U.S. Government	$ 61,469	$ 1,829	$ 59,640
U.S. political subdivisions of states, territories, and possessions	-	-	-
U.S. special revenue and special assessment	-	-	-
Hybrid securities	10,224	534	9,690
Industrial and miscellaneous	51,746	3,658	48,088
Mortgage and other asset-backed securities	181,603	1,772	179,831
Total less than one year	$ 305,042	$ 7,793	$ 297,249
Greater than one year			
U.S. Government	$ -	$ -	$ -
Industrial and miscellaneous	1,448	262	1,186
Mortgage and other asset-backed securities	53,077	1,217	51,860
Total greater than one year	$ 54,525	$ 1,479	$ 53,046
Total unrealized losses	$ 359,567	$ 9,272	$ 350,295

2019 Unrealized losses	Amortized Cost	Unrealized Losses	Fair Value
Less than one year			
U.S. Government	$ 142,756	$ 1,584	$ 141,172
U.S. political subdivisions of states, territories, and possessions	4,120	73	4,047
U.S. special revenue and special assessment	3,860	117	3,743
Hybrid securities	-	-	-
Industrial and miscellaneous	45,904	433	45,471
Mortgage and other asset-backed securities	175,913	616	175,297
Total less than one year	$ 372,553	$ 2,823	$ 369,730
Greater than one year			
U.S. Government	$ 7,990	$ 4	$ 7,986
Industrial and miscellaneous	23,952	357	23,595
Mortgage and other asset-backed securities	135,869	958	134,911
Total greater than one year	$ 167,811	$ 1,319	$ 166,492
Total unrealized losses	$ 540,364	$ 4,142	$ 536,222

As of December 31, 2020 and 2019, there were no unrealized losses on equity securities that were in a loss position for less than one year and a continuous loss position for greater than one year.

SAIF seeks guidance from the external investment managers on a regular basis to determine if any OTTI exists. OTTI is recorded as realized investment losses on the Statement of Revenues, Expenses, and Capital and Surplus. As of December 31, 2020 and 2019, there were no realized investment losses recorded due to OTTI.

SAIF invests in several asset classes that could potentially be adversely affected by subprime mortgage exposure. These investments include mortgage-backed securities, debt obligations of financial institutions participating in subprime lending practices, and unaffiliated equity securities issued by financial institutions participating in subprime lending. SAIF believes that its greatest exposure is to unrealized losses from declines in asset values versus realized losses resulting from defaults or foreclosures. SAIF has reviewed its mortgage-backed securities portfolio as of December 31, 2020, and believes that all of these investments are in pools that are backed by loans made to well-qualified borrowers or tranches that have minimal default risk, with the exception of three securities, Bayview Opportunity Master Fund Trust, Long Beach Mortgage Loan Trust, and New Residential Mortgage Loan, included below. As of December 31, 2019, SAIF had direct exposure to subprime mortgage investments with Credit Suisse Mortgage Trust and Bayview Opportunity Master Fund Trust. Default risk on these bonds appears minimal at this time. The impact on these investments, should the market conditions worsen, cannot be assessed at this time. The mortgage-backed securities portfolio at December 31, 2020 and 2019 were (dollars in thousands):

Description	Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
2020 Residential mortgage-backed securities	$ 6,981	$ 6,972	$ 7,004	$ -
2019 Residential mortgage-backed securities	$ 16,587	$ 16,575	$ 16,582	$ -

Wash sales—In the course of SAIF's asset management, securities are sold and reacquired within 30 days of the sale date to enhance SAIF's yield on its investment portfolio.

No securities with NAIC designations of 3 or below were sold during the years ended December 31, 2020 and 2019, and reacquired within 30 days of the sale.

Securities on deposit—U.S. Treasury obligations with a carrying value of $8.3 million and $8.0 million were on deposit with the Federal Reserve as required by the U.S. Department of Labor under the Longshore and Harbor Workers' Compensation Act at December 31, 2020 and 2019, respectively. Certificates of deposit with a carrying value of $458 thousand and $333 thousand were on deposit at U.S. Bank as required by DCBS at December 31, 2020 and 2019, respectively. U.S. Treasury obligations with a carrying value of $35.1 million were on deposit with Wilmington Trust for loss payments with Zurich, a reinsurer for other states coverage, as of December 31, 2020 and 2019.

5. SECURITIES LENDING

In accordance with state investment policies, SAIF participates in securities lending transactions. The Oregon State Treasury has, through a Securities Lending Agreement, authorized State Street to lend SAIF's securities to broker-dealers and banks pursuant to a form of loan agreement. Both SAIF and the borrowers maintain the right to terminate all securities lending transactions on demand. There have been no significant violations of the provisions of securities lending agreements.

During 2020 and 2019, State Street loaned SAIF's fixed income securities and received cash and noncash collateral denominated in U.S. dollars. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the fair value of the loaned security. SAIF did not impose any restrictions on the amount of the loans State Street made on its behalf. Securities received as collateral may not be sold or pledged by SAIF, except in the event of borrower default. SAIF was fully indemnified by State Street against losses due to borrower default, and there were no losses during the year from the failure of borrowers to return loaned securities.

State Street is authorized by the Securities Lending Agreement to invest cash collateral received for securities loaned in the State Street Bank and Trust Company Oregon Short-Term Investment Fund (the Fund). SAIF's participation in this fund is voluntary. The fair value of investments held by this fund is based upon valuations provided by a recognized pricing service. This fund is not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the Fund was assigned to another fund by the custodial agent during 2020 and 2019. At December 31, 2020 and 2019, the Fund had an average life-final maturity of 87 days and 202 days, respectively.

The cash collateral held at December 31, 2020 and 2019, was $56.5 million and $42.8 million, respectively. Securities received as collateral at December 31, 2020 and 2019, were $1.9 million and $0.2 million, respectively. At December 31, 2020 and 2019, the fair value, including accrued investment income related to the securities on loan, was $57.4 million and $42.0 million, respectively. For 2020 and 2019, securities lending income was $0.5 million and $2.6 million and securities lending expense was $0.3 million and $2.3 million, respectively. These amounts are reported net in the accompanying financial statements as a component of net investment income earned.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the NAIC disclosure requirements of SSAP No. 100, Fair Value Measurements, SAIF has categorized its assets and liabilities that are measured at fair value into the three-level fair value hierarchy as reflected in the table that follows. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities: This category, for items measured at fair value on a recurring basis, includes hybrid securities and exchange-traded common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 – Significant other observable inputs: This category, for items measured at fair value on a recurring basis, includes bonds and common stocks which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 – Significant unobservable inputs: This category, for items measured at fair value where there is no independent pricing source available, includes bonds, common stocks, and other invested assets. The estimated fair values of these items were determined by SAIF's investment managers' own assumptions using unobservable inputs.

On January 2, 2020, SAIF invested $20.0 million in DWS RREEF America REIT II fund and an additional $20.0 million was invested in the fund on October 1, 2020. As of December 31, 2020, SAIF had unfunded commitments of $80.0 million to be invested in the fund, subject to capital calls by the fund. On March 30, 2020, SAIF invested an additional $60.0 million in Morgan Stanley Prime Property Fund, LLC, which completed the total commitment of $120.0 million to this fund. Previously, SAIF invested $60.0 million into the Morgan Stanley fund on December 30, 2019. Both funds are open-ended real estate funds that permit quarterly redemption of shares, subject to certain requirements being met. The funds are valued using net asset value (NAV). The funds are expected to be held for the long term and generate a cash flow that will represent a significant component of the total return.

The following assets and liabilities measured and reported at fair value in the Level 1, 2, or 3 category as of December 31, 2020 and 2019, were (dollars in thousands):

2020

Description For Each Class of Asset or Liability	**Level 1**	**Level 2**	**Level 3**	**Net Asset Value (NAV)**	**Total**
Assets at fair value					
Bonds-industrial and miscellaneous	$ -	$ 35,925	$ -	$ -	$ 35,925
Common stocks-mutual funds	-	574,370	-	-	574,370
Common stocks-real estate	-	-	-	40,042	40,042
Cash equivalents-money market fund	-	8,176	-	-	8,176
Other invested assets-real estate	-	-	-	121,148	121,148
Total assets at fair value	$ -	$ 618,471	$ -	$ 161,190	$ 779,661
Liabilities at fair value	$ -	$ -	$ -	$ -	$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -	$ -

2019

Description For Each Class of Asset or Liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at fair value					
Bonds-industrial and miscellaneous	$ -	$ 3,905	$ -	$ -	$ 3,905
Common stocks-mutual funds	-	492,781	-	-	492,781
Cash equivalents-money market fund	-	4,075	-	-	4,075
Other invested assets-real estate	-	-	-	60,000	60,000
Total assets at fair value	$ -	$ 500,761	$ -	$ 60,000	$ 560,761
Liabilities at fair value	$ -	$ -	$ -	$ -	$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -	$ -

At the end of each reporting period, SAIF evaluates whether or not any event has occurred, or circumstances have changed, that would cause an instrument to be transferred into and out of Level 3. At December 31, 2020 and 2019, there were no assets or liabilities transferred into and out of Level 3.

Bonds carried at fair value categorized as Level 2 were valued using a market approach. These valuations were determined to be Level 2 valuations as quoted market prices for similar instruments in an active market were utilized. This was accomplished by the use of matrix pricing. Matrix pricing takes quoted prices of bonds with similar features and applies analytic methods to determine the fair value of bonds held. Features that are inputs into the analysis include duration, credit quality, tax status, and call and sinking fund features.

Common stocks carried at fair value categorized as Level 2 were valued using a market approach. These valuations were determined to be Level 2 valuations because quoted market prices for identical instruments trading in an inactive market were utilized. When an equity instrument is illiquid due to limited trading activity, the use of quoted market prices for identical instruments was determined by SAIF to be the most reliable method to determine fair value. There were no assets measured at fair value in the Level 3 category at December 31, 2020 and 2019.

The following tables reflect the fair values and admitted values of all admitted assets and liabilities that are financial instruments as of December 31, 2020 and 2019, excluding those accounted for under the equity method (subsidiaries, joint ventures, partnerships, and limited liability corporations). The fair values are also categorized into the three-level fair value hierarchy as described above (dollars in thousands):

2020

Type of Financial Instrument	Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Assets							
Bonds	$ 4,144,831	$ 3,679,291	$ 2,138	$ 4,142,343	$ -	$ -	$ 350
Common stocks	614,411	614,411	-	574,370	-	40,041	-
Other invested assets	146,160	137,467	-	25,012	-	121,148	-
Securities lending reinvested collateral	56,546	56,546	-	56,546	-	-	-
Cash, cash equivalents, & short-term	246,994	246,979	42,671	204,215	-	-	108
Total assets	$ 5,208,942	$ 4,734,694	$ 44,809	$ 5,002,486	$ -	$ 161,189	$ 458
Liabilities							
Total liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -

2019

Type of Financial Instrument	Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Assets							
Bonds	$ 4,136,140	$ 3,828,094	$ 2,085	$ 4,133,722	$ -	$ -	$ 333
Common stocks	492,781	492,781	-	492,781	-	-	-
Other invested assets	84,223	76,321	-	24,223	-	60,000	-
Securities lending reinvested collateral	42,786	42,786	-	42,786	-	-	-
Cash, cash equivalents, & short-term	151,091	151,094	57,106	93,985	-	-	-
Total assets	$ 4,907,021	$ 4,591,076	$ 59,191	$ 4,787,497	$ -	$ 60,000	$ 333
Liabilities							
Total liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -

It was not practicable to determine the fair values of the bonds in the following table as of December 31, 2020 and 2019, for purposes of the above disclosures, as these items are not traded, and therefore, quoted market prices are not available. Also, the cost of obtaining estimates of fair values from other sources was considered excessive given the immateriality of the bonds (dollars in thousands):

2020

Type or Class of Financial Instrument	Carrying Value	Effective Interest Rate	Maturity Date
Bonds			
U.S. Bank certificate of deposit	$ 108	0.01%	10/8/2021
U.S. Bank certificate of deposit	225	2.05%	4/1/2024
U.S. Bank certificate of deposit	125	0.25%	10/7/2025
Total	$ 458		

2019

Type or Class of Financial Instrument	Carrying Value	Effective Interest Rate	Maturity Date
Bonds			
U.S. Bank certificate of deposit	$ 108	1.10%	10/12/2020
U.S. Bank certificate of deposit	225	2.05%	4/1/2024
Total	$ 333		

7. LOSSES AND LOSS ADJUSTMENT EXPENSES

SAIF has established a reserve for both reported and unreported insured events, which includes estimates of future payments of losses and related LAE. In estimating the reserve for losses and LAE, SAIF considers prior experience, industry information, currently recognized trends affecting data specific to SAIF, and other factors relating to workers' compensation insurance underwritten by SAIF.

The following table provides a reconciliation of the beginning and ending reserve for losses and LAE at December 31, 2020 and 2019 (dollars in thousands):

	2020	2019
Gross reserve for losses and loss adjustment expenses—beginning of year	$ 2,618,492	$ 2,628,242
Less reinsurance ceded—beginning of year	(79,317)	(81,537)
Net balance—beginning of year	2,539,175	2,546,705
Incurred related to:		
Current year	536,266	546,359
Prior year	(178,549)	(141,873)
Total incurred losses and loss adjustment expenses	357,717	404,486
Paid related to:		
Current year	146,257	155,831
Prior year	271,659	256,185
Total paid losses and loss adjustment expenses	417,916	412,016
Net balance—end of year	2,478,976	2,539,175
Plus reinsurance ceded—end of year	78,329	79,317
Gross reserve for losses and loss adjustment expenses—end of year	$ 2,557,305	$ 2,618,492

The net reserve for losses and LAE decreased $60.2 million in 2020, which was net of favorable loss development of $178.5 million. Loss reserves decreased $62.9 million as compared to the prior year. This was driven by a combination of payments made on previously incurred claims and favorable development in prior accident years, offset by newly established reserves for the 2020 accident year. A significant portion of the favorable development on prior accident years is due to a decrease in estimated ultimate medical claims costs. Estimates of ultimate medical claims costs are based on numerous assumptions, including future increases in medical costs (i.e., medical escalation), the number and types of claims, and how far into the future payments will be made. The reduction in ultimate medical claims costs was driven largely by lower than expected medical escalation, a decrease in permanent disability claim counts, and the continuing downward trend in medical severity for disabling claims. The favorable development on medical loss reserves was partially offset by increases in indemnity loss reserves tied to the impact of the coronavirus pandemic.

LAE reserves increased $2.7 million. This was driven by a combination of paid LAE associated with previously incurred claims and favorable development in prior accident years, offset by newly established reserves for the 2020 accident year. The favorable development in unpaid LAE was largely attributable to the overall reduction in loss reserves, due to the strong relationship of the level of unpaid LAE to the level of unpaid loss.

The reserve for losses and LAE decreased $7.5 million in 2019, which was net of favorable loss development of $141.9 million. Loss reserves decreased $10.9 million as compared to the prior year. This was driven by a combination of payments made on previously incurred claims and favorable development in prior accident years, combined with newly established reserves for the 2019 accident year. A significant portion of the favorable development on prior accident years is due to a decrease in ultimate medical claims costs. Estimates of ultimate medical claims costs are based on numerous assumptions, including future increases in medical costs (i.e., medical escalation), the number and types of claims, and how far into the future payments will be made.

The reduction in ultimate medical claims costs was driven largely by lower than expected medical escalation and fewer permanent disability claims in more recent years than previously forecasted.

LAE reserves increased $3.4 million in 2019. This was driven by a combination of paid LAE associated with previously incurred claims and favorable development in prior accident years, offset by newly established reserves for the 2019 accident year. The favorable development in unpaid LAE was largely attributable to the overall reduction in loss reserves, due to the strong relationship of the level of unpaid LAE to the level of unpaid loss.

SAIF discounts the indemnity case reserves for workers' compensation claims on a tabular basis using the 2007 United States Life Tables, the 1997 United States of America Railroad Retirement Board Remarriage Table, and a discount rate of 3.5 percent. SAIF does not discount any incurred but not reported reserves, medical reserves, or any LAE reserves, except for assumed IBNR reserves reported by the National Workers Compensation Reinsurance Pool. Net reserves subject to tabular discounting were $196.3 million and $202.8 million as of December 31, 2020 and 2019, respectively. The discounts were $94.9 million and $95.3 million as of December 31, 2020 and 2019, respectively.

Anticipated salvage and subrogation of $43.4 million and $39.6 million was included as a reduction of the reserve for losses and LAE at December 31, 2020 and 2019, respectively.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. Reserves of $13.0 million and $13.3 million for losses and LAE are related to asbestos claims as of December 31, 2020 and 2019, respectively. Amounts paid for asbestos-related claims were $363 thousand and $569 thousand for the years ended December 31, 2020 and 2019, respectively.

8. RISK MANAGEMENT

The State of Oregon administers property and casualty insurance programs covering state government agencies through its Insurance Fund, an internal service fund. The Insurance Fund services claims for: direct physical loss or damage to state property; tort liability claims brought against the state, its officers, employees, or agents; and employees, elected officials, and members of commissions and boards for faithful performance. The Insurance Fund is backed by a commercial excess property policy with limits of $425 million and a blanket commercial excess bond with limits of $4.7 million.

SAIF participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each participating state entity based on its share of services provided in a prior period. The total statewide assessment of each type of coverage is based on independent biennial actuarial forecasts and administrative expenses, less any available fund balance of the Insurance Fund from the prior biennium. In addition, SAIF elects to purchase additional coverage, including cyber insurance, through the fund. SAIF's assessment was $0.7 million for the years ended December 31, 2020 and 2019.

SAIF is self-insured for workers' compensation insurance. SAIF's employees do not participate in the State of Oregon's health insurance plans.

9. DEFERRED COMPENSATION PLAN

SAIF provides a deferred compensation plan, authorized under and consistent with Internal Revenue Code Section 457(b), as a benefit available to all its employees. The plan authorizes the employee to execute an individual agreement with the plan's record keeper, Empower Retirement, whereby the employee defers a portion of their current income until future years as a retirement savings vehicle in which funds are sheltered from federal and state taxation until withdrawal. Participants cannot receive the funds until certain circumstances are met. Funds withheld from employee compensation and remitted to the plan are invested by the employee in a variety of mutual funds, collective investment trusts, and other offerings selected by SAIF's Deferred Compensation Plan Committee. Plan assets are generally held in a trust account with Great-West Trust Company, LLC and administered by Empower Retirement for the exclusive benefit of the participants or their beneficiary(ies). Participants' rights under the plan are equal to the fair market value (or book value in the case of the stable value option) of the deferred compensation plan account for each participant. SAIF has no rights to participant funds and does not perform the investing function for the participant, except in the instance where a participant fails to make an affirmative investment election. SAIF's primary fiduciary responsibilities for the plan extends to selection of the investment options that are made available to the participants as well as the monitoring of plan service providers. Thus, plan assets and any related liability to plan participants have been excluded from the financial statements.

10. RETIREMENT PLAN

SAIF's employees hired prior to August 29, 2003, participate in the Oregon Public Employees' Retirement System (PERS), a cost-sharing multiemployer defined benefit pension plan. The PERS Board of Trustees under the guidelines of ORS Chapter 238 administers PERS. The PERS retirement allowance, payable monthly for life, may be selected from multiple retirement benefit options. Options include survivorship benefits, non-survivorship benefits, and lump-sum benefits. The basic benefit formula is 1.67 percent of a member's final average salary multiplied by the member's number of years of service. Benefits may also be calculated under either a money match or an annuity-plus-pension computation if a greater benefit results. PERS also provides death and disability benefits. Employees' Retirement System annual financial report may be obtained by writing to PERS, Fiscal Services Division, PO Box 23700, Tigard, Oregon 97281-3700. The report may also be accessed online at: http://www.oregon.gov/PERS/pages/financials/actuarial-financial-information.aspx.

On December 30, 2019, SAIF funded a PERS side account totaling $97.0 million which represented approximately 90 percent of SAIF's unfunded actuarial liability based on a preliminary actuarial valuation from PERS. This side account does not impact employee benefits received under PERS; instead, it represents a prepayment of SAIF's on-going contributions. SAIF will see the benefit of lower contribution rates over the next 16 years as the account is amortized. For 2020, SAIF received rate relief of 10.34 percent of each covered employee's salary for its otherwise required pension contribution rates. The balance is included in aggregate write-ins for other-than-invested assets. This appears as a nonadmitted asset and a reduction of surplus because it represents a prepayment and the assets are held in the PERS trust, so they cannot be repurposed.

Beginning January 1, 2004, all covered employees are required by state statute to contribute 6.00 percent of their salary to the Individual Account Program (IAP), a defined contribution plan. Current law permits employers to pay employees' contributions to PERS, which SAIF has elected to do. Additionally, SAIF is required by statute to contribute a percentage of each covered employee's salary to fund the PERS program. Beginning on July 1, 2020, certain amounts of the IAP contributions are "redirected" under Oregon statute from employee accounts to fund the pension UAL. This provision remains in effect until the pension reaches a certain funded status.

As of December 31, 2020, SAIF contributes 21.21 percent of each employee's covered salary to the PERS program. This contribution is the minimum contribution required for future periods. For the required contributions, 10.34 percent of employees' salaries is covered by the side account rate relief, and SAIF contributes the remaining 10.87 percent of salary. Rates are subject to change as a result of subsequent actuarial valuations.

SAIF employees hired on or after August 29, 2003, participate in the Oregon Public Service Retirement Plan (OPSRP) after completing six months of service. OPSRP is a hybrid pension plan (cost-sharing multiple-employer plan) administered by the PERS Board of Trustees under the guidelines of ORS Chapter 238A with two components: the Pension Program (defined benefit) and the IAP (defined contribution). As of December 31, 2020, SAIF contributes 14.75 percent of each covered employee's salary to the Pension Program and 6.00 percent to the IAP. This contribution is the minimum contribution required for future periods. For the required OPSRP Pension Program contributions, 10.34 percent of employee's salaries is covered by the side account rate relief, and SAIF contributes the remaining 4.41 percent of salary. Rates are subject to change as a result of subsequent actuarial valuations.

SAIF participates, along with other State of Oregon agencies, in paying debt service for State of Oregon general obligation bonds issued in October 2003 to reduce the unfunded PERS liability. The bonds are scheduled to mature 25 years after the date of issuance. Currently, the repayment rate is 5.60 percent of payroll each month. The payment rate is recalculated periodically, as needed.

The total amount contributed by SAIF for all plans for the years ended December 31, 2020 and 2019, consist of the following (dollars in thousands):

	2020	2019
Employer contributions:		
Debt service	$ 4,833	$ 5,060
PERS-Pension Program	8,150	6,425
OPSRP-Pension Program	6,784	6,308
Total employer contributions	19,767	17,793
PERS side account rate relief:	(9,014)	-
Net employer contributions	10,753	17,793
Employee contributions paid by SAIF:		
PERS-IAP	1,915	1,988
OPSRP-IAP	3,315	2,975
Total employee contributions	5,230	4,963
Total contributions	$ 15,983	$ 22,756

For the years ended December 31, 2020 and 2019, SAIF's employer contributions were equal to the annual required contributions. SAIF's contributions were less than 5.00 percent of each plan's total contributions. There are no funding improvement or rehabilitation plans implemented or pending for any of the plans SAIF participates in. SAIF did not pay any surcharges during the year ended December 31, 2020. SAIF is a funder of last resort, embodied in the scheme of ORS Chapter 238, along with every other employer in PERS. PERS' board from time to time will evaluate the liabilities of PERS and set the amount of contributions to be made by SAIF to ensure that those liabilities will be funded no more than 40 years after the date on which the determination is made.

11. POST RETIREMENT BENEFITS AND COMPENSATED ABSENCES

Plan description – SAIF administers a single-employer defined benefit healthcare plan which is accounted for in accordance with SSAP No. 92. SAIF employees retiring under Oregon PERS are eligible to receive medical coverage for self and eligible dependents until age 65. Retirees must pay the premium for the coverage elected. Premiums for coverage are identical for active and retired employees, except to the extent that SAIF pays all or a portion of its active employees' premiums. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. Benefit provisions are established by SAIF.

Funding policy – SAIF's funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. The plan's APBO was $10.9 million and $9.7 million as of December 31, 2020 and 2019, respectively, all of which was unfunded. It is recorded as other accrued expenses on the Statement of Admitted Assets, Liabilities, and Capital and Surplus.

Actuarial methods and assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and participating members to that point. Actuarial calculations reflect a long-term perspective and include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by a consulting actuary as of December 31, 2020 and 2019, using the projected unit credit cost method. Significant assumptions used in the actuarial valuation include a 2.00 percent discount rate as of December 31, 2020, and 2.75 percent as of December 31, 2019. The health care cost trend rate used for 2020 and 2019 was:

Year	**Rate**
2019	6.50%
2020	6.00%
2021	5.50%
2022-2024	5.00%
2025-2042	4.75%
2043-2049	5.00%
2050-2064	4.75%
2065-2068	4.50%
2069-2071	4.25%
2072+	4.00%

The net periodic benefit cost recognized for the years ended December 31, 2020 and 2019, was (dollars in thousands):

Components of net periodic benefit cost

	Postemployment & Compensated Absence Benefits	
	2020	2019
Service cost	$ 534	$ 526
Interest cost	261	390
Recognition of net (gain)	828	(648)
Total net periodic benefit cost	$ 1,623	$ 268

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (dollars in thousands):

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on APBO	$ 1,371	$ (1,180)
Effect on total of service and interest cost component	$ 146	$ (121)

The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated (dollars in thousands):

Year(s)	Amount
2021	$ 469
2022	494
2023	514
2024	596
2025	648
2026 through 2030	4,032

SAIF has accrued obligations to former employees for benefits after their employment but before their retirement. A liability for earned but untaken vacation pay for current employees has been accrued.

12. CAPITAL AND SURPLUS The cumulative increase (decrease) to capital and surplus reported in the financial statements due to each item below at December 31, 2020 and 2019, was as follows (dollars in thousands):

	2020	2019
Net unrealized investment gains	$ 357,315	$ 282,148
Nonadmitted assets	$ (131,191)	$ (143,229)
Change in accounting principle	$ -	$ 11,938

SAIF participates in a cost-sharing multiemployer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS) (see Note 10). PERS has a net pension liability which represents the unfunded pension benefits. SAIF established a special surplus fund in 2017 to identify its portion of the PERS liability and has adjusted the fund based on an allocation provided by PERS and the Oregon Department of Administrative Services as of June 30, 2020. Due to the timing delay, SAIF has evaluated subsequent events that may impact the assets and liabilities of the plan and determined that the valuation of liability is still materially accurate. Based on this information, the special surplus fund for the unfunded pension benefits is $82.9 million and $124.8 million at December 31, 2020 and 2019, respectively.

13. CONTINGENCIES

SAIF has entered into structured settlements wherein SAIF has purchased annuities for which the claimant is payee, but for which SAIF is contingently liable. The amount of the contingent liability is the amount of the liability due to the various claimants that has been offset by the purchase of the annuity. Contingent liabilities arising from these settlements are $2.4 million and $2.6 million at December 31, 2020 and 2019, respectively.

During the normal course of business, SAIF becomes involved in litigation arising out of matters incident to the conduct of its insurance operations. SAIF is represented in these actions by the Oregon Department of Justice. Some of these potential liabilities become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability would be recorded on SAIF's financial statements. Management believes that these matters do not materially impact the financial statements.

SAIF had unfunded commitments of $80.0 million to be invested in DWS RREEF American REIT II, subject to capital calls by the fund, as of December 31, 2020.

14. LEASE COMMITMENTS

SAIF leases office space in several locations under operating leases expiring during various years through 2029. Lease expense was $1.4 million and $1.5 million for the years ended December 31, 2020 and 2019, respectively.

SAIF’s future minimum lease payments under noncancelable operating leases at December 31, 2020, are as follows (dollars in thousands):

Year(s)	Amount
2021	$ 1,260
2022	1,222
2023	993
2024	937
2025	964
Total minimum payments	$ 5,376

Certain rental commitments have renewal options extending through the year 2039.

15. REINSURANCE

In the ordinary course of business, SAIF cedes premiums for purposes of risk diversification and limiting maximum loss exposure from catastrophic events through contractual agreements with reinsurers. If such assuming reinsurers are unable to meet the obligations assumed under these reinsurance agreements, SAIF would be liable to pay the obligation. To minimize its exposure to significant losses from reinsurer insolvencies, SAIF evaluates the financial condition of its reinsurers and monitors concentration of credit risk.

SAIF maintains reinsurance protection which provides limits of $160.0 million of coverage per occurrence in excess of a $35.0 million retentions, with a $10.0 million limit on any one life. The Terrorism Risk Insurance Act provides coverage for terrorist events that are nuclear, biological, chemical, or radiological in nature, which are excluded from the reinsurance contract. During 2020, SAIF had reinsurance protection for 80 percent of losses in excess of 20 percent of 2019 direct earned premium for acts of foreign and domestic terrorism through the Terrorism Risk Insurance Program Reauthorization Act. The following amounts have been deducted in the accompanying financial statements as a result of reinsurance ceded, excluding balances ceded to the Oregon Workers' Compensation Insurance Plan, for 2020 and 2019 (dollars in thousands):

	2020	2019
Reserve for losses and loss adjustment expenses	$ 20,369	$ 24,826
Premiums written and earned	$ 1,795	$ 2,013
Losses and loss adjustment expenses incurred	$ (3,693)	$ 949

SAIF does not have an unsecured aggregate reinsurance recoverable from any individual reinsurer that exceeds 3 percent of policyholders' surplus.

In 2020 and 2019, SAIF did not commute ceded reinsurance.

SAIF partners with Zurich and USIS to provide other states coverage. Zurich issues policies covering the non-Oregon operation of SAIF's customers and manages claims arising from those policies. SAIF reinsures those policies in full. USIS, a broker licensed in all fifty states, provides marketing and administrative services.

The following amounts are included in the accompanying financial statements as a result of participation in other states coverage in 2020 and 2019 (dollars in thousands):

Other States Coverage	2020	2019
Assumed:		
Reserve for losses and loss adjustment expenses	$ 31,214	$ 27,827
Unearned premiums	7,177	7,173
Premiums written	15,667	14,884
Premiums earned	15,663	15,454
Losses and loss adjustment expenses incurred	10,928	11,931
Commission expense	2,649	2,267

SAIF is authorized to write business on behalf of the Oregon Workers' Compensation Insurance Plan (the Plan), administered by the National Council on Compensation Insurance through the National Workers' Compensation Reinsurance Pool (NWCRP). The Plan provides a guaranteed source of workers' compensation insurance for employers unable to obtain coverage because of unstable financial condition, poor loss experience, or the inherently dangerous nature of the work. SAIF cedes such business to the Plan. In addition, SAIF is required to assume its share of premiums and losses from the Plan based on voluntary market share.

The following amounts are included in the accompanying financial statements as a result of participation in the Plan in 2020 and 2019 (dollars in thousands):

NWCRP	2020	2019
Assumed:		
Reserve for losses and loss adjustment expenses	$ 90,958	$ 97,639
Unearned premiums	3,341	3,843
Premiums written	16,691	23,152
Premiums earned	17,194	24,112
Losses and loss adjustment expenses incurred	4,978	14,251
Commission expense	5,680	7,378
Ceded:		
Reserve for losses and loss adjustment expenses	$ 57,960	$ 54,492
Unearned premiums	4,505	5,365
Premiums written	11,001	14,998
Premiums earned	11,860	16,276
Losses and loss adjustment expenses incurred	10,003	4,153
Commission expense	4,336	5,936

16. ELECTRONIC DATA PROCESSING (EDP) EQUIPMENT AND SOFTWARE

EDP equipment and operating and nonoperating software are carried at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over the lesser of the estimated useful life of the related asset or three years for EDP equipment and operating system software. Depreciation expense for nonadmitted nonoperating system software is computed using the straight-line method over the lesser of the estimated useful life of the related asset or five years. There were no nonoperating software assets admitted at December 31, 2020 and 2019.

Admitted EDP equipment and software at December 31, 2020 and 2019, were as follows (dollars in thousands):

	2020	2019
EDP equipment and software	$ 46,087	$ 42,506
Nonadmitted EDP software in development	(20,918)	(23,260)
Accumulated depreciation	(24,230)	(17,827)
Balance, net	$ 939	$ 1,419

Depreciation expense related to admitted EDP equipment and software was $7.5 million and $5.9 million for the years ended December 31, 2020 and 2019, respectively.

17. RECONCILIATION OF ANNUAL STATEMENTS TO AUDITED STATUTORY-BASIS FINANCIAL STATEMENTS

The following reconciles the differences between the annual statements as filed with the Insurance Division and the audited financial statements for the years ended December 31, 2020 and 2019.

The following adjustments were made after the annual statements were filed. These adjustments were primarily the result of differences between estimates of reinsurance assumed from NWCRP recorded in the filed annual statements and actual amounts of reinsurance assumed from NWCRP recorded in the audited financial statements (dollars in thousands):

2020 (In thousands)	Filed	Audited	Difference
Statement of admitted assets, liabilities, and capital and surplus:			
Other assets	$ 26,383	$ 26,166	$ (217)
Total admitted assets	5,199,572	5,199,355	(217)
Losses	2,057,333	2,055,150	(2,183)
Unearned premiums	222,302	221,686	(616)
Other liabilities	3,944	6,702	2,758
Total liabilities	2,945,023	2,944,982	(41)
Capital and surplus—PERS UAL	124,800	82,900	(41,900)
Capital and surplus—unassigned funds	2,129,749	2,171,473	41,724
Total capital and surplus	2,254,549	2,254,373	(176)
Total	5,199,572	5,199,355	(217)
Statement of revenues, expenses, and capital and surplus:			
Premiums earned, net	$ 483,377	$ 484,397	$ 1,020
Losses incurred, net	264,258	264,863	605
Loss expenses incurred	92,930	92,854	(76)
Other underwriting expenses incurred	122,637	122,768	131
Total underwriting expenses	479,825	480,485	660
Net underwriting loss	3,552	3,912	360
Net investment income	207,041	207,044	3
Net loss from premium balances charged off	(768)	(860)	(92)
Total other income (expense)—net	(20,146)	(20,238)	(92)
Net income before dividends to policyholders	190,447	190,718	271
Net income	90,454	90,725	271
Net change in capital and surplus	177,660	177,931	271
Total capital and surplus—end of year	2,254,548	2,254,373	(175)
Statement of cash flows:			
Premiums collected net of reinsurance	$ 484,843	$ 485,701	$ 858
Net investment income	158,329	158,332	3
Miscellaneous income (expense)	(20,145)	(20,238)	(93)
Benefits and loss related payments	(328,079)	(327,820)	259
Underwriting expenses paid	(203,424)	(203,930)	(506)
Net cash from operations	(8,414)	(7,893)	521
Other cash provided	6,848	(270)	(7,118)
Other cash applied		6,597	6,597
Net cash from (used by) financing and miscellaneous sources	6,848	6,327	(521)

2019 (In thousands)	Filed	Audited	Difference
Statement of admitted assets, liabilities, and capital and surplus:			
Other assets	$ 29,224	$ 28,442	$ (782)
Total admitted assets	5,079,036	5,078,254	(782)
Losses	2,121,141	2,118,095	(3,046)
Unearned premiums	228,620	228,166	(454)
Other liabilities	4,598	7,615	3,017
Other accrued expenses	51,411	51,558	147
Total liabilities	3,002,148	3,001,812	(336)
Capital and surplus—PERS UAL	108,000	124,823	16,823
Capital and surplus—unassigned funds	1,968,888	1,951,619	(17,269)
Total capital and surplus	2,076,888	2,076,442	(446)
Total	5,079,036	5,078,254	(782)
Statement of revenues, expenses, and capital and surplus:			
Premiums earned, net	$ 507,269	$ 507,393	$ 124
Losses incurred, net	316,607	314,836	(1,771)
Loss expenses incurred	89,574	89,650	76
Other underwriting expenses incurred	118,993	118,972	(21)
Total underwriting expenses	525,174	523,458	(1,716)
Net underwriting loss	(17,905)	(16,065)	1,840
Net investment gain (loss)	290,516	290,513	(3)
Net loss from premium balances charged off	(1,201)	(1,465)	(264)
Other income	1,256	1,255	(1)
Total other income (expense)—net	55	(210)	(265)
Net income before dividends to policyholders	272,666	274,238	1,572
Net income	112,794	114,366	1,572
Net change in capital and surplus	70,908	72,480	1,572
Total capital and surplus—end of year	2,076,888	2,076,442	(446)
Statement of cash flows:			
Premiums collected net of reinsurance	$ 503,922	$ 503,969	$ 47
Net investment income	167,985	167,982	(3)
Miscellaneous income (expense)	55	(211)	(266)
Benefits and loss related payments	(327,044)	(325,844)	1,200
Underwriting expenses paid	(199,367)	(199,224)	143
Net cash from operations	(14,358)	(13,237)	1,121
Other cash provided	(100,615)	2,644	103,259
Other cash applied	-	(104,380)	(104,380)
Net cash from (used by) financing and miscellaneous sources	(100,615)	(101,736)	(1,121)

SUPPLEMENTARY SCHEDULES

APPENDIX A

SUMMARY INVESTMENT SCHEDULE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments	271,800,255	5.63	271,800,255		271,800,255	5.63
1.02 All other governments	36,379,124	0.75	36,379,124		36,379,124	0.75
1.03 U.S. states, territories and possessions, etc. guaranteed						
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	12,210,429	0.25	12,210,429		12,210,429	0.25
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	589,847,084	12.21	589,847,084		589,847,084	12.21
1.06 Industrial and miscellaneous	2,737,951,268	56.67	2,737,951,268		2,737,951,268	56.67
1.07 Hybrid securities	31,103,256	0.64	31,103,256		31,103,256	0.64
1.08 Parent, subsidiaries and affiliates						
1.09 SVO identified funds						
1.10 Unaffiliated bank loans						
1.11 Total long-term bonds	3,679,291,416	76.16	3,679,291,416		3,679,291,416	76.16
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)						
2.02 Parent, subsidiaries and affiliates						
2.03 Total preferred stocks						
3 Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)						
3.02 Industrial and miscellaneous Other (Unaffiliated)	40,041,744	0.83	40,041,744		40,041,744	0.83
3.03 Parent, subsidiaries and affiliates Publicly traded						
3.04 Parent, subsidiaries and affiliates Other						
3.05 Mutual funds	574,369,728	11.89	574,369,728		574,369,728	11.89
3.06 Unit investment trusts						
3.07 Closed-end funds						
3.08 Total common stocks	614,411,472	12.72	614,411,472		614,411,472	12.72
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages						
4.02 Residential mortgages						
4.03 Commercial mortgages						
4.04 Mezzanine real estate loans						
4.05 Total valuation allowance						
4.06 Total mortgage loans						
5. Real estate (Schedule A):						
5.01 Properties occupied by company	96,004,063	1.99	96,004,063		96,004,063	1.99
5.02 Properties held for production of income						
5.03 Properties held for sale						
5.04 Total real estate	96,004,063	1.99	96,004,063		96,004,063	1.99
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	42,670,893	0.88	42,670,893		42,670,893	0.88
6.02 Cash equivalents (Schedule E, Part 2)	8,175,814	0.17	8,175,814	56,546,185	64,721,999	1.34
6.03 Short-term investments (Schedule DA)	196,132,448	4.06	196,132,448		196,132,448	4.06
6.04 Total cash, cash equivalents and short-term investments	246,979,155	5.11	246,979,155	56,546,185	303,525,340	6.28
7. Contract loans						
8. Derivatives (Schedule DB)						
9. Other invested assets (Schedule BA)	137,466,728	2.85	137,466,728		137,466,728	2.85
10. Receivables for securities	324,120	0.01	324,120		324,120	0.01
11. Securities Lending (Schedule DL, Part 1)	56,546,185	1.17	56,546,185	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)						
13. Total invested assets	4,831,023,139	100.00	4,831,023,139	56,546,185	4,831,023,139	100.00

APPENDIX B

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2020

(To Be Filed by April 1)

Of The SAIF Corporation Insurance Company

Address (City, State, Zip Code) 400 High Street Southeast, Salem, OR 97312

NAIC Group Code 0000 NAIC Company Code 36196 Employer's ID Number 93-6001769

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 5,199,355

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	BlackRock MSCI ACWI Index Fund	Index Fund	$ 574,369,728	11.046 %
2.02	FNMA	Bond	$ 304,937,607	5.865 %
2.03	FHLMC	Bond	$ 237,796,822	4.573 %
2.04	Morgan Stanley	Bond/Real Estate Fund	$ 171,702,993	3.302 %
2.05	JP Morgan & Chase Co	Bond	$ 65,650,367	1.263 %
2.06	Citigroup Inc	Bond	$ 62,745,268	1.207 %
2.07	Goldman Sachs Group Inc	Bond	$ 55,926,589	1.076 %
2.08	Bank of America Corp	Bond	$ 53,264,925	1.024 %
2.09	Wells Fargo & Co	Bond	$ 48,203,696	0.927 %
2.10	AT&T Inc	Bond	$ 45,268,156	0.871 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC 1	$ 2,171,558,226	41.764 %	3.07	P/RP-1	$	%
3.02	NAIC 2	$ 1,444,950,255	27.790 %	3.08	P/RP-2	$	%
3.03	NAIC 3	$ 223,972,160	4.308 %	3.09	P/RP-3	$	%
3.04	NAIC 4	$ 34,943,223	0.672 %	3.10	P/RP-4	$	%
3.05	NAIC 5	$	%	3.11	P/RP-5	$	%
3.06	NAIC 6	$	%	3.12	P/RP-6	$	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

4.02	Total admitted assets held in foreign investments	$ 816,881,224	15.711 %
4.03	Foreign-currency-denominated investments	$	%
4.04	Insurance liabilities denominated in that same foreign currency	$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC 1	$ 731,962,943	14.077 %
5.02	Countries designated NAIC 2	$ 75,337,849	1.449 %
5.03	Countries designated NAIC 3 or below	$ 9,580,432	0.184 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

			1	2
	Countries designated NAIC 1:			
6.01	Country 1:	CAYMAN ISLANDS	$ 173,338,781	3.334 %
6.02	Country 2:	UNITED KINGDOM	$ 116,858,116	2.247 %
	Countries designated NAIC 2:			
6.03	Country 1:	INDONESIA	$ 19,630,233	0.378 %
6.04	Country 2:	ITALY	$ 17,193,807	0.331 %
	Countries designated NAIC 3 or below:			
6.05	Country 1:	BRAZIL	$ 6,175,781	0.119 %
6.06	Country 2:	SOUTH AFRICA	$ 2,592,413	0.050 %

	1	2
7. Aggregate unhedged foreign currency exposure	$	%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC 1	$	%
8.02	Countries designated NAIC 2	$	%
8.03	Countries designated NAIC 3 or below	$	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

			1	2
	Countries designated NAIC 1:			
9.01	Country 1:		$	%
9.02	Country 2:		$	%
	Countries designated NAIC 2:			
9.03	Country 1:		$	%
9.04	Country 2:		$	%
	Countries designated NAIC 3 or below:			
9.05	Country 1:		$	%
9.06	Country 2:		$	%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01	Magnetite CLO LTD	1FE	$ 22,790,000	0.438 %
10.02	CIFC Funding LTD	1FE	$ 14,566,039	0.280 %
10.03	Apidos CDO	1FE	$ 14,370,616	0.276 %
10.04	HSBC Holdings PLC	1FE	$ 14,116,500	0.271 %
10.05	UBS Group Funding	1FE	$ 13,415,464	0.258 %
10.06	Cooperatieve Rabobank UA	2FE	$ 13,347,962	0.257 %
10.07	Telefonica Emisiones SAU	2FE	$ 11,045,134	0.212 %
10.08	Teva Pharmaceuticals	3FE	$ 10,779,235	0.207 %
10.09	BNP Paribas	2FE	$ 10,698,672	0.206 %
10.10	LCM LTD Partnership	1FE	$ 10,404,391	0.200 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

		1	2
11.02	Total admitted assets held in Canadian investments	$	%
11.03	Canadian-currency-denominated investments	$	%
11.04	Canadian-denominated insurance liabilities	$	%
11.05	Unhedged Canadian currency exposure	$	%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	%
	Largest three investments with contractual sales restrictions:		
12.03		$	%
12.04		$	%
12.05		$	%

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3
13.02	BlackRock MSCI ACWI Index Fund	$ 574,369,728	11.046 %
13.03	Morgan Stanley Prime Property Fund LLC	$ 121,147,981	2.330 %
13.04	RREEF America REIT II	$ 40,041,744	0.770 %
13.05		$	%
13.06		$	%
13.07		$	%
13.08		$	%
13.09		$	%
13.10		$	%
13.11		$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	%

Largest three investments held in nonaffiliated, privately placed equities:

	1	2	3
14.03		$	%
14.04		$	%
14.05		$	%

Ten largest fund managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Nondiversified
14.06	BlackRock	$ 574,369,728	$	$ 574,369,728
14.07	Morgan Stanley	$ 121,147,981	$	$ 121,147,981
14.08	DWS	$ 40,041,744	$	$ 40,041,744
14.09	State Street Global Advisors	$ 8,175,814	$	$ 8,175,814
14.10	NA	$	$	$
14.11	NA	$	$	$
14.12	NA	$	$	$
14.13	NA	$	$	$
14.14	NA	$	$	$
14.15	NA	$	$	$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	%

Largest three investments in general partnership interests:

	1	2	3
15.03		$	%
15.04		$	%
15.05		$	%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	%
16.03		$	%
16.04		$	%
16.05		$	%
16.06		$	%
16.07		$	%
16.08		$	%
16.09		$	%
16.10		$	%
16.11		$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	%
16.13	Mortgage loans over 90 days past due	$	%
16.14	Mortgage loans in the process of foreclosure	$	%
16.15	Mortgage loans foreclosed	$	%
16.16	Restructured mortgage loans	$	%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	$	%	$	%	$	%
17.02 91% to 95%	$	%	$	%	$	%
17.03 81% to 90%	$	%	$	%	$	%
17.04 71% to 80%	$	%	$	%	$	%
17.05 below 70%	$	%	$	%	$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$	%
18.03		$	%
18.04		$	%
18.05		$	%
18.06		$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	%

Largest three investments held in mezzanine real estate loans:

19.03		$	%
19.04		$	%
19.05		$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$ 51,991,077	1.000 %	$ 45,561,037	$ 87,450,898	$ 83,526,722
20.02 Repurchase agreements	$	%	$	$	$
20.03 Reverse repurchase agreements	$	%	$	$	$
20.04 Dollar repurchase agreements	$	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	%	$	%
21.02 Income generation	$	%	$	%
21.03 Other	$	%	$	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$	%	$	$	$
22.02 Income generation	$	%	$	$	$
22.03 Replications	$	%	$	$	$
22.04 Other	$	%	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	%	$	$	$
23.02 Income generation	$	%	$	$	$
23.03 Replications	$	%	$	$	$
23.04 Other	$	%	$	$	$

APPENDIX C

GENERAL INTERROGATORIES (REINSURANCE)

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. $

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $

1.62 Total incurred claims $

1.63 Number of covered lives

All years prior to most current three years:

1.64 Total premium earned $

1.65 Total incurred claims $

1.66 Number of covered lives

1.7 Group policies:

Most current three years:

1.71 Total premium earned $

1.72 Total incurred claims $

1.73 Number of covered lives

All years prior to most current three years:

1.74 Total premium earned $

1.75 Total incurred claims $

1.76 Number of covered lives

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$	$
2.2	Premium Denominator	$	$
2.3	Premium Ratio (2.1 / 2.2)		
2.4	Reserve Numerator	$	$
2.5	Reserve Denominator	$	$
2.6	Reserve Ratio (2.4 / 2.5)		

3.1 Did the reporting entity issue participating policies during the calendar year? Yes [X] No [ ]

3.2 If yes, provide the amount of premium written for participating and/or non-participating policies during the calendar year

3.21 Participating policies $ 447,354,091

3.22 Non-participating policies $ 11,000,804

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [ ] No [X]

4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [X]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. $

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [X]

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:

The company purchased reinsurance which provides $160 million of coverage per occurrence in excess of a $35 million retention, with a $10 million limit on any one life. The Terrorism Risk Insurance Act provides coverage for terrorist events that are nuclear, biological, chemical, or radiological in nature, which are excluded from the reinsurance contract.

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The company reviewed results of earthquake models and analysis performed by its reinsurance broker. The greatest concentrations of exposure are in Portland, Salem, and along the Oregon coast.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
Catastrophic reinsurance was purchases as described in 6.1

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No [ ]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions.

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [X]

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 37 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [X]