

# ***SAIF Corporation***

*Financial Statements—Statutory Basis  
as of and for the Years Ended December 31,  
2021 and 2020, Supplementary Schedules  
as of December 31, 2021, and Report of  
Independent Auditors*

# SAIF CORPORATION

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## **Report of Independent Auditors**

The Board of Directors of  
SAIF Corporation

The Secretary of State Audits Division of  
The State of Oregon

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the statutory financial statements of SAIF Corporation ("SAIF"), which comprise the statutory statements of admitted assets, liabilities, and capital and surplus, as of December 31, 2021 and 2020, and the related statutory statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

In our opinion, the accompanying statutory financial statements referred to above present fairly, in all material respects, the respective financial position of SAIF as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAIF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAIF's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAIF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAIF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements were prepared in conformity with accounting practices prescribed or permitted by the Insurance Division of the Oregon Department of Consumer and Business Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Insurance Division of the State of Oregon. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the statutory financial statements as a whole. The summary investment schedule, supplemental investment risk interrogatories, and general interrogatories (reinsurance) are presented for purposes of additional analysis and are not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Restriction of Use***

This report is intended solely for the information and use of the Board of Directors and management of SAIF Corporation, the Governor of the State of Oregon, the President of the Senate of the State of Oregon, the Speaker of the House of Representatives of the State of Oregon, and the Insurance Division of the Oregon Department of Consumer and Business Services and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams LLP*

Portland, Oregon

July 27, 2022

# SAIF CORPORATION

## STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS—STATUTORY BASIS AS OF DECEMBER 31, 2021 and 2020 (In thousands)

	<b>2021</b>	<b>2020</b>
<b>ADMITTED ASSETS</b>		
CASH AND INVESTED ASSETS:		
Bonds	\$ 3,805,008	\$ 3,679,291
Common stocks	523,133	574,370
Real estate investments	248,878	161,190
Real estate, net of accumulated depreciation of \$21,688 and \$18,490:		
Properties occupied by SAIF	92,806	96,004
Cash, cash equivalents, and short-term investments	128,220	246,979
Other invested assets	16,316	16,319
Receivable for securities sold	767	324
Security lending reinvested collateral	42,968	56,546
Total cash and invested assets	<u>4,858,096</u>	<u>4,831,023</u>
Interest, dividends, and real estate income due and accrued	29,055	31,030
Premiums in course of collection	6,829	7,150
Premiums and installments booked but deferred and not yet due	277,934	272,866
Accrued retrospective premiums receivable	30,039	17,370
Reinsurance recoverables	1,738	3,130
Electronic data processing (EDP) equipment and operating software, net of accumulated depreciation of \$4,330 and \$3,787	987	939
Due from Workers' Compensation Division	8,325	9,681
Other assets	29,304	26,166
TOTAL	<u>\$ 5,242,307</u>	<u>\$ 5,199,355</u>
<b>LIABILITIES AND CAPITAL AND SURPLUS</b>		
LIABILITIES:		
Losses	\$ 2,148,771	\$ 2,055,150
Loss adjustment expenses	399,195	423,826
Other accrued expenses	54,288	53,250
Taxes, licenses, and fees	39,614	35,251
Unearned premiums	229,370	221,686
Advance premium	13,536	13,897
Dividends to policyholders declared and unpaid	-	72
Ceded reinsurance premiums payable	1,573	1,428
Amounts withheld or retained for account of others	43,612	44,581
Other liabilities	7,827	6,702
Unclaimed property	1,243	1,051
Payable for securities purchased	1	4,356
Payable for securities lending	42,972	56,543
Accrued retrospective premiums payable	16,667	27,189
Total liabilities	<u>2,998,669</u>	<u>2,944,982</u>
CAPITAL AND SURPLUS:		
Assigned surplus - PERS unfunded actuarial liability	44,300	82,900
Unassigned surplus	2,199,338	2,171,473
Total capital and surplus	<u>2,243,638</u>	<u>2,254,373</u>
TOTAL	<u>\$ 5,242,307</u>	<u>\$ 5,199,355</u>

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, 2021 AND 2020 (In thousands)

	<u>2021</u>	<u>2020</u>
UNDERWRITING REVENUES—Premiums earned, net	\$ 538,521	\$ 484,397
UNDERWRITING EXPENSES:		
Losses incurred, net	434,580	264,863
Loss adjustment expenses incurred	66,690	92,854
Other underwriting expenses incurred	<u>136,098</u>	<u>122,768</u>
Total underwriting expenses	<u>637,368</u>	<u>480,485</u>
NET UNDERWRITING GAIN (LOSS)	<u>(98,847)</u>	<u>3,912</u>
NET INVESTMENT INCOME:		
Net investment income earned	128,048	140,811
Net realized investment gains	<u>135,499</u>	<u>66,233</u>
Net investment income	<u>263,547</u>	<u>207,044</u>
OTHER INCOME (EXPENSE):		
Net loss from premium balances charged off	(2,246)	(860)
Other income (expense)	<u>1,275</u>	<u>(19,378)</u>
Total other expense, net	<u>(971)</u>	<u>(20,238)</u>
Net income before dividends to policyholders	<u>163,729</u>	<u>190,718</u>
POLICYHOLDER DIVIDENDS	<u>(210,008)</u>	<u>(99,993)</u>
NET INCOME (LOSS)	<u>\$ (46,279)</u>	<u>\$ 90,725</u>
CAPITAL AND SURPLUS:		
Total capital and surplus—beginning of year	\$ 2,254,373	\$ 2,076,442
Net income (loss)	(46,279)	90,725
Change in net unrealized capital gains	35,136	75,168
Change in nonadmitted assets	<u>408</u>	<u>12,038</u>
Net change in capital and surplus	<u>(10,735)</u>	<u>177,931</u>
Total capital and surplus—end of year	<u>\$ 2,243,638</u>	<u>\$ 2,254,373</u>

See notes to financial statements—statutory basis.

# SAIF CORPORATION

## STATEMENTS OF CASH FLOWS—STATUTORY BASIS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In thousands)

	2021	2020
CASH (USED IN) OPERATIONS:		
Cash from underwriting:		
Premiums collected, net of reinsurance	\$ 518,619	\$ 485,701
Net investment income	<u>149,810</u>	<u>158,332</u>
Net cash from underwriting	<u>668,429</u>	<u>644,033</u>
Miscellaneous income (expense)	(971)	(20,238)
Benefits and loss related payments	(340,853)	(327,820)
Underwriting expenses paid	(214,068)	(203,930)
Policyholder dividend payments	<u>(210,080)</u>	<u>(99,938)</u>
Net cash (used in) operations	<u>(97,543)</u>	<u>(7,893)</u>
CASH FROM (USED IN) INVESTMENTS:		
Proceeds from investments sold, matured, or repaid:		
Bonds	1,342,197	1,707,246
Common stocks	152,543	253
Other invested assets	13,571	(13,769)
Cash and short-term investments		47
Miscellaneous payments	<u>(443)</u>	<u>(255)</u>
Total proceeds from investments sold, matured, or repaid	<u>1,507,868</u>	<u>1,693,522</u>
Cost of investments acquired:		
Bonds	1,450,970	1,508,078
Common stocks	109	186
Real estate investments	51,772	104,556
Real estate - occupied by SAIF	-	1,372
Other invested assets	13,571	(13,770)
Miscellaneous receipts	<u>4,355</u>	<u>(4,351)</u>
Total cost of investments acquired	<u>1,520,777</u>	<u>1,596,071</u>
Net cash from (used in) investments	<u>(12,909)</u>	<u>97,451</u>
CASH FROM (USED IN) FINANCING AND MISCELLANEOUS SOURCES:		
Other cash provided	1,706	(270)
Other cash applied	<u>(10,013)</u>	<u>6,597</u>
Net cash from (used in) financing and miscellaneous sources	<u>(8,307)</u>	<u>6,327</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Net increase (decrease) in cash, cash equivalents, and short-term investments	(118,759)	95,885
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Beginning of year	<u>246,979</u>	<u>151,094</u>
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—End of year	<u>\$ 128,220</u>	<u>\$ 246,979</u>

See notes to financial statements—statutory basis.

Supplemental schedule of noncash transactions:

Noncash investment transactions were \$67.3 million and \$65.6 million for both investment acquisitions and dispositions resulting from tax-free exchange transactions for the years ended December 31, 2021 and 2020, respectively.



# SAIF CORPORATION

## NOTES TO FINANCIAL STATEMENTS—STATUTORY BASIS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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### 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 17.7 percent and 18.1 percent of standard premium during 2021 and 2020. 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 \$394.7 million and \$362.1 million at December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, 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. This pandemic has impacted SAIF's policyholders and injured workers. The Company has exposure to coronavirus related claims and had over 4,400 coronavirus related claims reported through December 31, 2021. Total losses incurred on the reported claims were \$24.4 million. The Company continues to monitor claims exposure, premium levels, investments, and other operational impacts related to the virus.

In 2021, equity markets rose substantially as the economy reopened and government stimulus provided a boost, while bond markets declined over fears of rising interest rates. Looking ahead to 2022, rising inflation, global unrest, expiring government tax credits, supply chain issues, and rising interest rates have the markets on edge. Management has reviewed investment losses in accordance with the Company's policies.

## 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 2021 and 2020, 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 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, 2021 and 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 \$44.3 million and \$82.9 million at December 31, 2021 and 2020, 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, 2021 and 2020. 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 2021 and 2020 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, 2021 and 2020.

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, 2021 and 2020, 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, 2021 and 2020.

**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, 2021 and 2020, SAIF's balance in the OSTF was \$44.4 million and \$33.0 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, 2021 and 2020, was 17 days and 47 days, respectively. The Institutional U.S. Government Money Market Fund had a credit quality rating of AAAM at December 31, 2021 and 2020. At December 31, 2021 and 2020, SAIF's balance in the Institutional U.S. Government Money Market Fund was \$2.6 million and \$8.2 million, respectively. As of December 31, 2021, SAIF held \$21.0 million in Treasury bills. There were no Treasury bills held as of December 31, 2020. At December 31, 2021 and 2020, SAIF held \$52.0 million and \$196.1 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:

	<b>Useful Life</b>
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, 2021 and 2020, were \$11.1 million and \$10.9 million, respectively.

SAIF has several capital projects in progress or completed during the years ended December 31, 2021 and 2020. These include construction on a significant home office renovation and a new policy and billing system substantially completed in 2019, a new system for digital quote and bind completed in 2020, a new system for finance and procurement completed in 2021, and a new human resources (HR) system and a claims system that were in progress in 2021. The table below shows the total costs incurred on these projects for the years ended December 31, 2021 and 2020, and the total costs incurred as of December 31, 2021 and 2020.

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

	<b>2021</b>		<b>2020</b>	
	<b>Year-to-date</b>	<b>Life-to-date</b>	<b>Year-to-date</b>	<b>Life-to-date</b>
Home office renovation	\$ -	\$ 93,659	\$ 1,372	\$ 93,659
Policy and billing system	-	28,252	58	28,252
Digital quote and bind system	-	4,066	534	4,066
Finance and procurement system	514	1,942	892	1,428
Claims system	9,985	9,985	-	-
HR core system	965	965	-	-

**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 includes 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, 2021 and 2020, were \$277.9 million and \$272.9 million, respectively, including unearned premiums of \$170.9 million and \$169.0 million, respectively, and are included in premiums and installments booked but deferred and not yet due.

Certain policyholders are required to remit deposits based on their credit worthiness. 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, 2021 and 2020, were \$18.0 million and \$18.1 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 2021 and 2020 were \$75.7 million and \$72.0 million, respectively, or 13.9 and 15.1 percent of net premiums written, respectively.

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, 2021 and 2020, the admitted balance was as follows (dollars in thousands):

	<b>2021</b>	<b>2020</b>
Total accrued retrospective premiums receivable	\$33,377	\$19,300
Less nonadmitted amount (10 percent)	3,338	1,930
Admitted accrued retrospective premiums receivable	<u>\$30,039</u>	<u>\$17,370</u>

***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, 2021 and 2020, 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, 2021 and 2020, 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 2021 and 2020, policyholder dividends of \$210.0 million and \$100.0 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 \$44.9 million and \$38.1 million for the years ended December 31, 2021 and 2020, respectively. Premium assessments were accrued in the amount of \$39.1 million and \$35.8 million as of December 31, 2021 and 2020, respectively. Premium assessment income net of premium assessment expense for the years ended December 31, 2021 and 2020, was \$(1.0) million and \$(0.2) million, respectively, and is included as a component of other underwriting expenses incurred.

**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):

	2021			2020		
	Loss Adjustment Expenses Incurred	Other Underwriting Expenses Incurred	Investment Expenses	Loss Adjustment Expenses Incurred	Other Underwriting Expenses Incurred	Investment Expenses
Salaries, wages, & other benefits	\$ 51,782	\$ 70,894	\$ 2,644	\$ 75,075	\$ 65,067	\$ 2,887
Commissions	-	38,688	-	-	33,132	-
Other	14,908	26,516	8,647	17,779	24,569	9,405
Total allocable expenses	<u>\$ 66,690</u>	<u>\$ 136,098</u>	<u>\$ 11,291</u>	<u>\$ 92,854</u>	<u>\$ 122,768</u>	<u>\$ 12,292</u>

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

**Subsequent events**—Subsequent events have been considered through July 27, 2022, 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, 2021 or 2020.

### **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 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, 2021 and 2020.



The carrying value and fair value of SAIF's investment securities at December 31, 2021 and 2020, were as follows (dollars in thousands):

<b>2021</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Excess Of Fair Value Over (Under) Carrying Value</b>
Bonds:			
U.S. Government	\$ 326,501	\$ 325,969	\$ (532)
All other governments	36,664	39,379	2,715
U.S. political subdivisions of states, territories, and possessions	6,219	8,040	1,821
U.S. special revenue and special assessment	51,351	61,284	9,933
Hybrid securities	26,768	29,813	3,045
Industrial and miscellaneous	2,349,965	2,606,433	256,468
Mortgage and other asset-backed securities	<u>1,007,540</u>	<u>1,019,854</u>	<u>12,314</u>
Total bonds	<u>\$ 3,805,008</u>	<u>\$ 4,090,772</u>	<u>\$ 285,764</u>
Short-term investments	<u>\$ 51,988</u>	<u>\$ 51,987</u>	<u>\$ (1)</u>
Real estate investments			
Prime Property Fund LLC	\$ 147,176	\$ 147,176	\$ -
RREEF America REIT II	<u>101,702</u>	<u>101,702</u>	<u>-</u>
Total real estate investments	<u>\$ 248,878</u>	<u>\$ 248,878</u>	<u>\$ -</u>
Other invested assets - Surplus Notes	<u>\$ 16,316</u>	<u>\$ 24,327</u>	<u>\$ 8,011</u>
Common stocks - BlackRock MSCI ACWI IMI Index Fund	<u>\$ 523,133</u>	<u>\$ 523,133</u>	<u>\$ -</u>
<b>2020</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Excess Of Fair Value Over (Under) Carrying Value</b>
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	<u>1,041,461</u>	<u>1,077,606</u>	<u>36,145</u>
Total bonds	<u>\$ 3,679,291</u>	<u>\$ 4,144,832</u>	<u>\$ 465,541</u>
Short-term investments	<u>\$ 196,132</u>	<u>\$ 196,147</u>	<u>\$ 15</u>
Real estate investments			
Prime Property Fund LLC	\$ 121,148	\$ 121,148	\$ -
RREEF America REIT II	<u>40,041</u>	<u>40,041</u>	<u>-</u>
Total real estate investments	<u>\$ 161,189</u>	<u>\$ 161,189</u>	<u>\$ -</u>
Other invested assets - Surplus Notes	<u>\$ 16,319</u>	<u>\$ 25,012</u>	<u>\$ 8,693</u>
Common stocks - BlackRock MSCI ACWI IMI Index Fund	<u>\$ 574,370</u>	<u>\$ 574,370</u>	<u>\$ -</u>

Proceeds from the sale of bonds were \$1.3 billion and \$1.7 billion during 2021 and 2020, respectively. Proceeds from the sale of stocks were \$152.5 million and \$0.3 million during 2021 and 2020, respectively.

The carrying value and fair value of bonds at December 31, 2021 and 2020, 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.

	<b>2021</b>		<b>2020</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Due in one year or less	\$ 18,700	\$ 18,933	\$ 55,816	\$ 56,770
Due after one year through five years	863,569	899,501	640,218	693,727
Due after five years through ten years	986,485	1,049,462	1,083,327	1,218,151
Due after ten years	<u>1,936,254</u>	<u>2,122,876</u>	<u>1,899,930</u>	<u>2,176,184</u>
Total bonds	<u>\$ 3,805,008</u>	<u>\$ 4,090,772</u>	<u>\$ 3,679,291</u>	<u>\$ 4,144,832</u>

Net investment income earned for the years ended December 31, 2021 and 2020, was comprised of the following (dollars in thousands):

	<b>2021</b>	<b>2020</b>
Bonds	\$ 127,719	\$ 142,201
Common stock	110	188
Real estate investments	7,214	4,879
Other invested assets	<u>4,296</u>	<u>5,835</u>
Total gross investment income earned	139,339	153,103
Less investment expenses	<u>11,291</u>	<u>12,292</u>
Net investment income earned	<u>\$ 128,048</u>	<u>\$ 140,811</u>

Gross realized gains and losses and the net realized gains (losses) for the years ended December 31, 2021 and 2020, were as follows (dollars in thousands):

<b>2021</b>	<b>Gross Realized Gains</b>	<b>Gross Realized Losses</b>	<b>Net Realized Gains (Losses)</b>
Bonds	\$ 39,742	\$ (8,251)	\$ 31,491
Common stock	104,008	-	104,008
Short-term investments	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 143,750</u>	<u>\$ (8,251)</u>	<u>\$ 135,499</u>

<b>2020</b>	<b>Gross Realized Gains</b>	<b>Gross Realized Losses</b>	<b>Net Realized Gains (Losses)</b>
Bonds	\$ 75,394	\$ (9,348)	\$ 66,046
Common stock	140	-	140
Short-term investments	<u>47</u>	<u>-</u>	<u>47</u>
Total	<u>\$ 75,581</u>	<u>\$ (9,348)</u>	<u>\$ 66,233</u>

The following tables represent unrealized losses on bonds at December 31, 2021 and 2020, 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):

<b>2021 Unrealized Losses</b>	<b>Amortized Cost</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
Less than one year			
U.S. Government	\$ 199,334	\$ 3,055	\$ 196,279
All other governments	8,917	359	8,558
Hybrid securities	5,650	30	5,620
Industrial and miscellaneous	423,045	7,820	415,225
Mortgage and other asset-backed securities	<u>576,683</u>	<u>6,362</u>	<u>570,321</u>
Total less than one year	<u>\$ 1,213,629</u>	<u>\$ 17,626</u>	<u>\$ 1,196,003</u>
Greater than one year			
U.S. Government	\$ 39,469	\$ 3,688	\$ 35,781
Industrial and miscellaneous	9,583	544	9,039
Mortgage and other asset-backed securities	<u>10,865</u>	<u>942</u>	<u>9,923</u>
Total greater than one year	<u>\$ 59,917</u>	<u>\$ 5,174</u>	<u>\$ 54,743</u>
Total unrealized losses	<u>\$ 1,273,546</u>	<u>\$ 22,800</u>	<u>\$ 1,250,746</u>
<b>2020 Unrealized losses</b>	<b>Amortized Cost</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
Less than one year			
U.S. Government	\$ 61,469	\$ 1,829	\$ 59,640
All other governments	-	-	-
Hybrid securities	10,224	534	9,690
Industrial and miscellaneous	51,746	3,658	48,088
Mortgage and other asset-backed securities	<u>181,603</u>	<u>1,772</u>	<u>179,831</u>
Total less than one year	<u>\$ 305,042</u>	<u>\$ 7,793</u>	<u>\$ 297,249</u>
Greater than one year			
U.S. Government	\$ -	\$ -	\$ -
Industrial and miscellaneous	1,448	262	1,186
Mortgage and other asset-backed securities	<u>53,077</u>	<u>1,217</u>	<u>51,860</u>
Total greater than one year	<u>\$ 54,525</u>	<u>\$ 1,479</u>	<u>\$ 53,046</u>
Total unrealized losses	<u>\$ 359,567</u>	<u>\$ 9,272</u>	<u>\$ 350,295</u>

As of December 31, 2021 and 2020, 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, 2021, there was \$1.5 million in investment losses recorded due to OTTI. There was no OTTI recorded for the year ended December 31, 2020.

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 security portfolio and determined 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 nine securities, Bayview Financial Acquisition, Bayview Opportunity Master Fund Trust, Credit Suisse Mortgage Trust, Countrywide Asset Backed, Harborview Mortgage Loan Trust, JP Morgan Mortgage Acquisition, Long Beach Mortgage Loan Trust, Merrill Lynch Mortgage, and New Residential Mortgage Loan, included below. Default risk on the bonds appears minimal at this time. The impact on these investments, should the market conditions worsen, cannot be assessed at this time. The following table summarizes the Company's investments with subprime exposure. The mortgage-backed securities portfolio at December 31, 2021 and 2020, were (dollars in thousands):

Description	Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
2021 Residential mortgage-backed securities	\$ 13,396	\$ 13,374	\$ 13,328	\$ -
2020 Residential mortgage-backed securities	\$ 6,981	\$ 6,972	\$ 7,004	\$ -

**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, 2021 and 2020, and reacquired within 30 days of the sale.

**Securities on deposit**—U.S. Treasury obligations with a carrying value of \$8.2 million and \$8.3 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, 2021 and 2020, respectively. Certificates of deposit with a carrying value of \$350 thousand and \$458 thousand were on deposit at U.S. Bank as required by DCBS at December 31, 2021 and 2020, respectively. U.S. Treasury obligations with a carrying value of \$47.8 million and \$35.1 million were on deposit with Wilmington Trust for loss payments with Zurich, a reinsurer for other states coverage, as of December 31, 2021 and 2020.

## **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 2021 and 2020, 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 2021 and 2020. At December 31, 2021 and 2020, the Fund had an average life-final maturity of 61 days and 87 days, respectively.

The cash collateral held at December 31, 2021 and 2020, was \$43.0 million and \$56.5 million, respectively. Securities received as collateral at December 31, 2021 and 2020, were \$25.2 million and \$1.9 million, respectively. At December 31, 2021 and 2020, the fair value, including accrued investment income related to the securities on loan, was \$66.7 million and \$57.4 million, respectively. For 2021 and 2020, securities lending income was \$168 thousand and \$0.5 million and securities lending expense was \$40 thousand and \$0.3 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.

At the end of 2021, SAIF had invested \$85.0 million in DWS RREEF America REIT II fund. SAIF invested \$40.0 million in the fund in 2020, and an additional \$45.0 million was invested in the fund in 2021. As of December 31, 2021, SAIF had unfunded commitments of \$35.0 million to be invested in the fund, subject to capital calls by the fund. SAIF completed the total commitment of \$120.0 million to the Morgan Stanley Prime Property Fund, LLC, after investing \$60.0 million to the fund on March 30, 2020. Previously, SAIF invested \$60.0 million to the 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 at December 31, 2021 and 2020, were (dollars in thousands):

#### **2021**

<b>Description For Each Class of Asset or Liability</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Net Asset Value (NAV)</b>	<b>Total</b>
Assets at fair value					
Bonds-industrial and miscellaneous	\$ -	\$ 27,380	\$ -	\$ -	\$ 27,380
Common stocks-mutual funds	-	523,133	-	-	523,133
Cash equivalents-money market fund	-	2,615	-	-	2,615
Real estate investments	-	-	-	248,878	248,878
Total assets at fair value	<u>\$ -</u>	<u>\$ 553,128</u>	<u>\$ -</u>	<u>\$ 248,878</u>	<u>\$ 802,006</u>
Liabilities at fair value	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### **2020**

<b>Description For Each Class of Asset or Liability</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Net Asset Value (NAV)</b>	<b>Total</b>
Assets at fair value					
Bonds-industrial and miscellaneous	\$ -	\$ 35,925	\$ -	\$ -	\$ 35,925
Common stocks-mutual funds	-	574,370	-	-	574,370
Cash equivalents-money market fund	-	8,176	-	-	8,176
Real estate investments	-	-	-	161,190	161,190
Total assets at fair value	<u>\$ -</u>	<u>\$ 618,471</u>	<u>\$ -</u>	<u>\$ 161,190</u>	<u>\$ 779,661</u>
Liabilities at fair value	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021 and 2020, 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, 2021 and 2020.

The following tables reflect the fair values and admitted values of all admitted assets and liabilities that are financial instruments at December 31, 2021 and 2020, 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):

<b>2021</b>						<b>Net Asset Value (NAV)</b>	<b>Not Practicable (Carrying Value)</b>
<b>Type of Financial Instrument</b>	<b>Aggregate Fair Value</b>	<b>Admitted Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>		
Assets							
Bonds	\$ 4,090,422	\$ 3,805,008	\$ 2,093	\$ 4,088,329	\$ -	\$ -	\$ 350
Common stocks	523,133	523,133	-	523,133	-	-	-
Real estate investments	248,878	248,878				248,878	
Other invested assets	24,327	16,316	-	24,327	-	-	-
Securities lending reinvested collateral	42,968	42,968	-	42,968	-	-	-
Cash, cash equivalents, & short-term	128,218	128,220	52,617	75,601	-	-	-
Total assets	<u>\$ 5,057,946</u>	<u>\$ 4,764,523</u>	<u>\$ 54,710</u>	<u>\$ 4,754,358</u>	<u>\$ -</u>	<u>\$ 248,878</u>	<u>\$ 350</u>
Liabilities							
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>2020</b>						<b>Net Asset Value (NAV)</b>	<b>Not Practicable (Carrying Value)</b>
<b>Type of Financial Instrument</b>	<b>Aggregate Fair Value</b>	<b>Admitted Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>		
Assets							
Bonds	\$ 4,144,481	\$ 3,679,291	\$ 2,138	\$ 4,142,343	\$ -	\$ -	\$ 350
Common stocks	574,370	574,370	-	574,370	-	-	-
Real estate investments	161,190	161,190				161,190	
Other invested assets	25,012	16,319	-	25,012	-	-	-
Securities lending reinvested collateral	56,546	56,546	-	56,546	-	-	-
Cash, cash equivalents, & short-term	246,886	246,979	42,671	204,215	-	-	108
Total assets	<u>\$ 5,208,485</u>	<u>\$ 4,734,695</u>	<u>\$ 44,809</u>	<u>\$ 5,002,486</u>	<u>\$ -</u>	<u>\$ 161,190</u>	<u>\$ 458</u>
Liabilities							
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

It was not practicable to determine the fair values of the bonds in the following table at December 31, 2021 and 2020, 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):

**2021**

<b>Type or Class of Financial Instrument</b>	<b>Carrying Value</b>	<b>Effective Interest Rate</b>	<b>Maturity Date</b>
Bonds			
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	<u>\$ 350</u>		

**2020**

<b>Type or Class of Financial Instrument</b>	<b>Carrying Value</b>	<b>Effective Interest Rate</b>	<b>Maturity Date</b>
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	<u>\$ 458</u>		

**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, 2021 and 2020 (dollars in thousands):

	<b>2021</b>	<b>2020</b>
Gross reserve for losses and loss adjustment expenses—beginning of year	\$ 2,557,305	\$ 2,618,492
Less reinsurance ceded—beginning of year	<u>(78,329)</u>	<u>(79,317)</u>
Net balance—beginning of year	<u>2,478,976</u>	<u>2,539,175</u>
Incurred related to:		
Current year	595,510	536,266
Prior year	<u>(94,240)</u>	<u>(178,549)</u>
Total incurred losses and loss adjustment expenses	<u>501,270</u>	<u>357,717</u>
Paid related to:		
Current year	160,641	146,257
Prior year	<u>271,639</u>	<u>271,659</u>
Total paid losses and loss adjustment expenses	<u>432,280</u>	<u>417,916</u>
Net balance—end of year	2,547,966	2,478,976
Plus reinsurance ceded—end of year	<u>73,960</u>	<u>78,329</u>
Gross reserve for losses and loss adjustment expenses—end of year	<u><u>\$ 2,621,926</u></u>	<u><u>\$ 2,557,305</u></u>

The net reserve for losses and LAE increased \$69.0 million in 2021, which was net of favorable loss development of \$94.2 million. Loss reserves increased \$93.6 million as compared to the prior year. This was driven by establishing reserves for the 2021 accident year, offset by payments made on previously incurred claims, and favorable development in prior accident years. 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 for 2021 was attributed primarily to permanent disability reserves. The key drivers are continued low average medical payments and lower frequency rates of permanent disabling claims during recent years. The favorable development on medical loss reserves was partially offset by increases in indemnity loss reserves.

LAE reserves decreased \$24.6 million in 2021. This was driven by a combination of paid LAE associated with previously incurred claims and favorable development in prior accident years, partially offset by newly established reserves for the 2021 accident year. The favorable development in unpaid LAE was largely attributable to shifting assumptions to rely on a more stable reserving method.

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 in 2020. 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.

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 incurred but not reported reserves reported by the National Workers Compensation Reinsurance Pool. Net reserves subject to tabular discounting were \$201.9 million and \$196.3 million at December 31, 2021 and 2020, respectively. The discounts were \$101.7 million and \$94.9 million at December 31, 2021 and 2020, respectively.

Anticipated salvage and subrogation of \$52.1 million and \$43.4 million was included as a reduction of the reserve for losses and LAE at December 31, 2021 and 2020, respectively.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. Reserves of \$13.7 million and \$13.0 million for losses and LAE are related to asbestos claims at December 31, 2021 and 2020, respectively. Amounts paid for asbestos-related claims were \$477 thousand and \$363 thousand for the years ended December 31, 2021 and 2020, 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, established by ORS 278.425, is used to provide both self-insurance and commercial insurance coverage for State of Oregon entities. 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 can elect to purchase additional coverage, including cyber insurance, through the fund. SAIF carried cyber insurance at December 31, 2021 and 2020. SAIF's assessment was \$0.5 million and \$0.7 million for the years ended December 31, 2021 and 2020.

SAIF is self-insured for workers' compensation insurance. SAIF's employees do not participate in the State of Oregon's health insurance plans. SAIF is also self-funded for one health and one dental insurance option offered to its employees.

## **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 eligible 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 income taxation until withdrawal. Participants cannot receive the funds until certain circumstances are met. Funds withheld from employee compensation and remitted to the plan may be 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 and their beneficiary(ies). Participants' rights under the plan are equal to the fair market value (or book value in the case of stable value option) of their deferred compensation plan account. 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 and monitoring 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 16 years. As of December 31, 2021, SAIF received rate relief of 9.71 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, 2021, SAIF contributes 21.36 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, 9.71 percent of employees' salaries is covered by the side account rate relief, and SAIF contributes the remaining 11.65 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, 2021, SAIF contributes 17.29 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, 9.71 percent of employee's salaries is covered by the side account rate relief, and SAIF contributes the remaining 7.58 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, 2021 and 2020, consist of the following (dollars in thousands):

	<b>2021</b>	<b>2020</b>
Employer contributions:		
Debt service	\$ 5,107	\$ 4,833
PERS-Pension Program	6,453	6,784
OPSRP-Pension Program	9,770	8,150
Total employer contributions	<u>21,330</u>	<u>19,767</u>
PERS side account rate relief:	<u>(9,170)</u>	<u>(9,014)</u>
Net employer contributions	<u>12,160</u>	<u>10,753</u>
Employee contributions paid by SAIF:		
PERS-IAP	1,805	1,915
OPSRP-IAP	3,671	3,315
Total employee contributions	<u>5,476</u>	<u>5,230</u>
Total contributions	<u>\$ 17,636</u>	<u>\$ 15,983</u>

For the years ended December 31, 2021 and 2020, 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, 2021. 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 \$9.4 million and \$10.9 million as of December 31, 2021 and 2020, 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, 2021 and 2020, using the projected unit credit cost method. Significant assumptions used in the actuarial valuation include a 2.50 percent discount rate as of December 31, 2021, and 2.00 percent as of December 31, 2020. The health care cost trend rate used for 2021 was:

<b>Year</b>	<b>Rate</b>
2021	5.75%
2022	5.25%
2023-2024	5.00%
2025-2058	4.75%
2059-2066	4.50%
2067-2070	4.25%
2071+	4.00%

The net periodic benefit cost recognized for the years ended December 31, 2021 and 2020, was (dollars in thousands):

	<b>Postemployment &amp; Compensated Absence Benefits</b>	
	<b>2021</b>	<b>2020</b>
Service cost	\$ 646	\$ 534
Interest cost	213	261
Recognition of net loss (gain)	(1,887)	828
Total net periodic benefit cost	<u>\$ (1,028)</u>	<u>\$ 1,623</u>

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):

	<b>1 Percentage Point Increase</b>	<b>1 Percentage Point Decrease</b>
Effect on APBO	\$ 1,083	\$ (934)
Effect on total of service and interest cost component	\$ 123	\$ (101)

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

<b>Year(s)</b>	<b>Amount</b>
2022	\$ 421
2023	438
2024	515
2025	538
2026	612
2027 through 2031	3,600

SAIF has accrued obligations to former employees for benefits after their employment but before their retirement. A liability for earned but untaken vacation pay, including taxes and PERS benefits, for current employees has been accrued in the amount of \$7.8 million for the years ended December 31, 2021 and 2020.

## 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, 2021 and 2020, was as follows (dollars in thousands):

	<b>2021</b>	<b>2020</b>
Net unrealized investment gains	\$ 392,451	\$ 357,315
Nonadmitted assets	\$ (130,783)	\$ (131,191)

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 as of June 30, 2021. 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 \$44.3 million and \$82.9 million at December 31, 2021 and 2020, 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 \$1.9 million and \$2.4 million at December 31, 2021 and 2020, 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 \$35.0 million to be invested in DWS RREEF American REIT II, subject to capital calls by the fund, as of December 31, 2021.

### 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 for each of the years ended December 31, 2021 and 2020.

SAIF's future minimum lease payments under noncancelable operating leases at December 31, 2021, are as follows (dollars in thousands):

<u>Year(s)</u>	<u>Amount</u>
2022	\$ 1,298
2023	1,258
2024	1,139
2025	1,049
2026	<u>992</u>
Total minimum payments	<u>\$ 5,736</u>

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 \$15.0 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 2021, SAIF had reinsurance protection for 80 percent of losses in excess of 20 percent of 2020 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 2021 and 2020 (dollars in thousands):

	<b>2021</b>	<b>2020</b>
Reserve for losses and loss adjustment expenses	\$ 13,982	\$ 20,369
Premiums written and earned	\$ 2,502	\$ 1,795
Losses and loss adjustment expenses incurred	\$ (6,094)	\$ (3,693)

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

In 2021 and 2020, 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 2021 and 2020 (dollars in thousands):

Other States Coverage	<b>2021</b>	<b>2020</b>
Assumed:		
Reserve for losses and loss adjustment expenses	\$ 30,600	\$ 31,214
Unearned premiums	9,018	7,177
Premiums written	19,077	15,667
Premiums earned	17,237	15,663
Losses and loss adjustment expenses incurred	6,540	10,928
Commission expense	3,175	2,649

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 (NWCPR). 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 2021 and 2020 (dollars in thousands):

NWCRP	2021	2020
Assumed:		
Reserve for losses and loss adjustment expenses	\$ 88,315	\$ 90,958
Unearned premiums	3,179	3,341
Premiums written	19,764	16,691
Premiums earned	19,926	17,194
Losses and loss adjustment expenses incurred	9,061	4,978
Commission expense	6,316	5,680
Ceded:		
Reserve for losses and loss adjustment expenses	\$ 59,978	\$ 57,960
Unearned premiums	4,598	4,505
Premiums written	12,100	11,001
Premiums earned	12,008	11,860
Losses and loss adjustment expenses incurred	8,599	10,003
Commission expense	4,648	4,336

## 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, 2021 and 2020.

Admitted EDP equipment and software at December 31, 2021 and 2020, were as follows (dollars in thousands):

	2021	2020
EDP equipment and software	\$ 47,157	\$ 46,087
Nonadmitted EDP software in development	(16,013)	(20,918)
Accumulated depreciation	<u>(30,157)</u>	<u>(24,230)</u>
Balance, net	<u>\$ 987</u>	<u>\$ 939</u>

Depreciation expense related to admitted EDP equipment and software was \$7.7 million and \$7.5 million for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

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 as well as the updated PERS UAL valuation (dollars in thousands):

<b><u>2021</u></b> <b><u>(In thousands)</u></b>	<b><u>Filed</u></b>	<b><u>Audited</u></b>	<b><u>Difference</u></b>
Statement of admitted assets, liabilities, and capital and surplus:			
Other assets	\$ 29,870	\$ 29,304	\$ (566)
Total admitted assets	5,242,873	5,242,307	(566)
Losses	2,152,660	2,148,771	(3,889)
Unearned premiums	229,905	229,370	(535)
Other liabilities	5,556	7,827	2,271
Other accrued expenses	54,028	54,288	260
Total liabilities	3,000,562	2,998,669	(1,893)
Capital and surplus—PERS UAL	82,900	44,300	(38,600)
Capital and surplus—unassigned funds	2,159,411	2,199,338	39,927
Total capital and surplus	2,242,311	2,243,638	1,327
Total	5,242,873	5,242,307	(566)
Statement of revenues, expenses, and capital and surplus:			
Premiums earned, net	\$ 538,944	\$ 538,521	\$ (423)
Losses incurred, net	436,515	434,580	(1,935)
Other underwriting expenses incurred	136,169	136,098	(71)
Total underwriting expenses	639,374	637,368	(2,006)
Net underwriting loss	(100,430)	(98,847)	1,583
Net loss from premium balances charged off	(2,166)	(2,246)	(80)
Total other income (expense)—net	(891)	(971)	(80)
Net income before dividends to policyholders	162,226	163,729	1,503
Net income	(47,782)	(46,279)	1,503
Net change in capital and surplus	(12,238)	(10,735)	1,503
Total capital and surplus—end of year	2,242,311	2,243,638	1,327
Statement of cash flows:			
Premiums collected net of reinsurance	\$ 518,963	\$ 518,619	\$ (344)
Miscellaneous income (expense)	(891)	(971)	(80)
Benefits and loss related payments	(341,081)	(340,853)	228
Underwriting expenses paid	(214,353)	(214,068)	285
Net cash from operations	(97,632)	(97,543)	89
Other cash provided	(8,218)	1,706	9,924
Other cash applied	-	(10,013)	(10,013)
Net cash from (used by) financing and miscellaneous sources	(8,218)	(8,307)	(89)

<b>2020</b>	<b><u>Filed</u></b>	<b><u>Audited</u></b>	<b><u>Difference</u></b>
<b>(In thousands)</b>			
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
Other accrued expenses	53,250	53,250	
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)
Other income (expense)	(19,378)	(19,378)	
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)

## **SUPPLEMENTARY SCHEDULES**

**APPENDIX A**  
**SUMMARY INVESTMENT SCHEDULE**

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
	Amount	Percentage of Column 1 Line 13	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments	368,370,965	7.58	368,370,965		368,370,965	7.58
1.02 All other governments	36,663,490	0.75	36,663,490		36,663,490	0.75
1.03 U.S. states, territories and possessions, etc. guaranteed						
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	6,218,767	0.13	6,218,767		6,218,767	0.13
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	409,761,182	8.43	409,761,182		409,761,182	8.43
1.06 Industrial and miscellaneous	2,957,225,999	60.87	2,957,225,999		2,957,225,999	60.87
1.07 Hybrid securities	26,767,886	0.55	26,767,886		26,767,886	0.55
1.08 Parent, subsidiaries and affiliates						
1.09 SVO identified funds						
1.10 Unaffiliated bank loans						
1.11 Total long-term bonds	3,805,008,289	78.32	3,805,008,289		3,805,008,289	78.32
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)	101,702,424	2.09	101,702,424		101,702,424	2.09
3.03 Parent, subsidiaries and affiliates Publicly traded						
3.04 Parent, subsidiaries and affiliates Other						
3.05 Mutual funds	523,132,542	10.77	523,132,542		523,132,542	10.77
3.06 Unit investment trusts						
3.07 Closed-end funds						
3.08 Total common stocks	624,834,966	12.86	624,834,966		624,834,966	12.86
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	92,806,230	1.91	92,806,230		92,806,230	1.91
5.02 Properties held for production of income						
5.03 Properties held for sale						
5.04 Total real estate	92,806,230	1.91	92,806,230		92,806,230	1.91
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	52,617,210	1.08	52,617,210		52,617,210	1.08
6.02 Cash equivalents (Schedule E, Part 2)	23,615,042	0.49	23,615,042	42,967,854	66,582,896	1.37
6.03 Short-term investments (Schedule DA)	51,987,978	1.07	51,987,978		51,987,978	1.07
6.04 Total cash, cash equivalents and short-term investments	128,220,230	2.64	128,220,230	42,967,854	171,188,084	3.52
7. Contract loans						
8. Derivatives (Schedule DB)						
9. Other invested assets (Schedule BA)	163,491,816	3.37	163,491,816		163,491,816	3.37
10. Receivables for securities	767,089	0.02	767,089		767,089	0.02
11. Securities Lending (Schedule DL, Part 1)	42,967,854	0.88	42,967,854	X X X	X X X	X X X
12. Other invested assets (Page 2, Line 11)						
13. Total invested assets	4,858,096,474	100.00	4,858,096,474	42,967,854	4,858,096,474	100.00

**APPENDIX B**  
**SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES**



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## SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2021

(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. \$ 5,242,874,212

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

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01 BlackRock MSCI ACWI Index Fund	Index Fund	\$ 523,132,542	9.978 %
2.02 Morgan Stanley	Bond/Real Estate Fund	\$ 198,765,708	3.791 %
2.03 FNMA	Bond	\$ 191,531,661	3.653 %
2.04 FHLMC	Bond	\$ 184,240,239	3.514 %
2.05 RREEF America REIT II	Real Estate Fund	\$ 101,702,424	1.940 %
2.06 JP Morgan & Chase Co	Bond	\$ 86,127,392	1.643 %
2.07 Bank of America Corp	Bond	\$ 66,284,948	1.264 %
2.08 Citigroup Inc	Bond	\$ 57,961,784	1.106 %
2.09 Goldman Sachs Group Inc	Bond	\$ 54,737,116	1.044 %
2.10 AT&T Inc	Bond	\$ 51,447,425	0.981 %

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

<u>Bonds</u>	<u>1</u>	<u>2</u>	<u>Preferred Stocks</u>	<u>3</u>	<u>4</u>
3.01 NAIC 1	\$ 2,228,817,775	42.511 %	3.07 P/RP-1	\$	%
3.02 NAIC 2	\$ 1,450,721,787	27.670 %	3.08 P/RP-2	\$	%
3.03 NAIC 3	\$ 183,837,910	3.506 %	3.09 P/RP-3	\$	%
3.04 NAIC 4	\$ 14,618,414	0.279 %	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 \$ 802,592,904 15.308 %  
 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:

	<u>1</u>	<u>2</u>	
5.01 Countries designated NAIC 1	\$ 726,287,515	13.853	%
5.02 Countries designated NAIC 2	\$ 67,137,399	1.281	%
5.03 Countries designated NAIC 3 or below	\$ 9,167,990	0.175	%

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

Countries designated NAIC 1:			
6.01 Country 1:	Cayman Islands	\$ 214,210,461	4.086 %
6.02 Country 2:	United Kingdom	\$ 111,875,039	2.134 %
Countries designated NAIC 2:			
6.03 Country 1:	Indonesia	\$ 18,386,527	0.351 %
6.04 Country 2:	Italy	\$ 13,951,986	0.266 %
Countries designated NAIC 3 or below:			
6.05 Country 1:	Brazil	\$ 4,634,842	0.088 %
6.06 Country 2:	Colombia	\$ 2,196,776	0.042 %

7. Aggregate unhedged foreign currency exposure	<u>1</u>	<u>2</u>	%
	\$		

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

	<u>1</u>	<u>2</u>	
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:

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:

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Issuer	NAIC Designation		
10.01 Magnetite CLO Ltd	1FE	\$ 22,790,000	0.435 %
10.02 HSBC Holdings PLC	2FE	\$ 19,795,885	0.378 %
10.03 UBS Group Funding	1FE	\$ 19,086,000	0.364 %
10.04 BNP Paribas	2FE	\$ 15,095,183	0.288 %
10.05 Barclays PLC	2FE	\$ 14,785,756	0.282 %
10.06 Reese Park CLO Ltd	1FE	\$ 13,430,000	0.256 %
10.07 Credit Suisse Group	2FE	\$ 12,533,945	0.239 %
10.08 Telefonica Emisiones Sau	2FE	\$ 11,062,050	0.211 %
10.09 Regatta VI Funding Ltd	1FE	\$ 10,560,000	0.201 %
10.10 LCM Ltd Partnership	1FE	\$ 10,403,745	0.198 %

## 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 ☒ No ☐

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

	<u>1</u>	<u>2</u>	
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 ☒ No ☐

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

	<u>1</u>	<u>2</u>	<u>3</u>	
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 ☒

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

	<u>1</u> Issuer	<u>2</u>	<u>3</u>	
13.02 BlackRock MSCI ACWI Index Fund	\$	523,132,542	9.978	%
13.03 Morgan Stanley Prime Property Fund LLC	\$	147,175,843	2.807	%
13.04 RREEF America REIT II	\$	101,702,424	1.940	%
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.

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

Largest three investments held in nonaffiliated, privately placed equities:

14.03 \$ %

14.04 \$ %

14.05 \$ %

Ten largest fund managers:

	<u>1</u> Fund Manager	<u>2</u> Total Invested	<u>3</u> Diversified	<u>4</u> Nondiversified
14.06 BlackRock	\$	523,132,542	\$	\$ 523,132,542 %
14.07 Morgan Stanley	\$	147,175,843	\$	\$ 147,175,843 %
14.08 DWS	\$	101,702,424	\$	\$ 101,702,424 %
14.09 State Street Global Advisors	\$	2,615,423	\$	\$ 2,615,423 %
14.10 N/A	\$		\$	\$ %
14.11 N/A	\$		\$	\$ %
14.12 N/A	\$		\$	\$ %
14.13 N/A	\$		\$	\$ %
14.14 N/A	\$		\$	\$ %
14.15 N/A	\$		\$	\$ %

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.

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

Largest three investments in general partnership interests:

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.

	<u>1</u> Type (Residential, Commercial, Agricultural)	<u>2</u>	<u>3</u>
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:

	<u>Loans</u>	
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:

	<u>Loan-to-Value</u>	<u>Residential</u>		<u>Commercial</u>		<u>Agricultural</u>	
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
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 ☒ 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.

	<u>Description</u>	<u>1</u>	<u>2</u>	<u>3</u>
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 ☒ No ☐

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

	<u>1</u>	<u>2</u>	<u>3</u>
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		
	<u>1</u>	<u>2</u>		<u>1st Qtr</u> <u>3</u>	<u>2nd Qtr</u> <u>4</u>	<u>3rd Qtr</u> <u>5</u>
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ 64,034,200	1.221 %	\$	76,753,310	\$ 120,252,926	\$ 75,328,207
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	
	<u>1</u>	<u>2</u>		<u>3</u>	<u>4</u>
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		
	<u>1</u>	<u>2</u>		<u>1st Qtr</u> <u>3</u>	<u>2nd Qtr</u> <u>4</u>	<u>3rd Qtr</u> <u>5</u>
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		
	<u>1</u>	<u>2</u>		<u>1st Qtr</u> <u>3</u>	<u>2nd Qtr</u> <u>4</u>	<u>3rd Qtr</u> <u>5</u>
23.01 Hedging	\$	%	\$	\$	\$	\$
23.02 Income generation	\$	%	\$	\$	\$	\$
23.03 Replications	\$	%	\$	\$	\$	\$
23.04 Other	\$	%	\$	\$	\$	\$

**APPENDIX C**  
**GENERAL INTERROGATORIES (REINSURANCE)**

## GENERAL INTERROGATORIES

## PART 2 – PROPERTY &amp; CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes ☐ No ☒

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 ☒ 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 \$ 509,864,297

3.22 Non-participating policies \$ 12,100,015

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes ☐ No ☒

4.2 Does the reporting entity issue non-assessable policies? Yes ☐ No ☒

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 ☒

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes ☐ No ☐ N/A ☒

5.22 As a direct expense of the exchange Yes ☐ No ☐ N/A ☒

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 ☒

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 \$15 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 &amp; 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 purchased 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 ☒ 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 uninsured 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 ☒
- 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 ☐
- 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 ☒
- 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 ☒
- 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 ☒
- 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 ☒
- 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  
(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  
(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 ☒



## GENERAL INTERROGATORIES

## PART 2 – PROPERTY &amp; CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes ☒ No ☐ N/A ☐
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes ☐ No ☒
- 11.2 If yes, give full information  
.....  
.....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |               |
|---|---------------|
| 12.11 Unpaid losses   | \$ 84,883,218 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ 14,832,386 |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 822,239
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes ☒ No ☐ N/A ☐
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |         |
|------------|---------|
| 12.41 From | 9.00 %  |
| 12.42 To   | 12.00 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes ☐ No ☒
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |    |
|----------------------------------|----|
| 12.61 Letters of Credit          | \$ |
| 12.62 Collateral and other funds | \$ |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes ☐ No ☒
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. \_\_\_\_\_
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes ☐ No ☒
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
.....  
.....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes ☐ No ☐
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes ☐ No ☐
- 14.5 If the answer to 14.4 is no, please explain:  
.....  
.....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes ☐ No ☒
- 15.2 If yes, give full information  
.....  
.....
- 16.1 Does the reporting entity write any warranty business? Yes ☐ No ☒
- If yes, disclose the following information for each of the following types of warranty coverage:
- |                  | 1<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home       | \$                             | \$                           | \$                             | \$                              | \$                            |
| 16.12 Products   | \$                             | \$                           | \$                             | \$                              | \$                            |
| 16.13 Automobile | \$                             | \$                           | \$                             | \$                              | \$                            |
| 16.14 Other*     | \$                             | \$                           | \$                             | \$                              | \$                            |

\* Disclose type of coverage: \_\_\_\_\_