

SAIF Corporation

*Financial Statements—Statutory Basis
as of and for the Years Ended December 31,
2025 and 2024, Supplementary Schedules
as of December 31, 2025, 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 basis financial statements of SAIF Corporation (SAIF), which comprise the statutory basis statements of admitted assets, liabilities, and capital and surplus, as of December 31, 2025 and 2024, and the related statutory basis 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 basis financial statements referred to above present fairly, in all material respects, the financial position of SAIF as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the Oregon Department of Consumer and Business Services, Division of Financial Regulation.

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 basis financial statements in accordance with the statutory basis of accounting, 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 statutory basis 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 within one year after the date that the statutory basis financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory basis 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 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, 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 statutory basis 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 statutory basis financial statements to meet the requirements of the Oregon Department of Consumer and Business Services, Division of Financial Regulation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division of Financial Regulation 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 an opinion on the statutory basis financial statements as a whole. The summary investment schedule, supplemental investment risks interrogatories, and general interrogatories (reinsurance) are presented for purposes of additional analysis as required by the National Association of Insurance Commissioners, 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 basis financial statements or to the statutory basis 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 statutory basis 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 Division of Financial Regulation 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.

Baker Tilly US, LLP

Portland, Oregon
July 27, 2026

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS—STATUTORY BASIS
AS OF DECEMBER 31, 2025 and 2024
(In thousands)

	2025	2024
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Bonds	\$ 3,794,144	\$ 3,770,280
Common stocks	511,230	524,180
Real estate investments	248,595	249,675
Real estate, net of accumulated depreciation of \$34,483 and \$31,282:		
Properties occupied by SAIF	80,402	83,213
Cash, cash equivalents, and short-term investments	29,222	55,152
Other invested assets	16,303	16,307
Security lending reinvested collateral	160,989	135,641
Total cash and invested assets	<u>4,840,885</u>	<u>4,834,448</u>
Interest, dividends, and real estate income due and accrued	43,112	36,673
Premiums in course of collection	6,812	6,206
Premiums and installments booked but deferred and not yet due	324,507	299,243
Accrued retrospective premiums receivable	37,506	42,446
Reinsurance recoverables	4,047	2,218
Electronic data processing (EDP) equipment and operating software, net of accumulated depreciation of \$5,150 and \$6,157	699	938
Due from Workers' Compensation Division	17,198	8,357
Other assets	34,091	33,598
TOTAL	<u>\$ 5,308,857</u>	<u>\$ 5,264,127</u>
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES:		
Losses	\$ 2,202,082	\$ 2,205,196
Loss adjustment expenses	441,030	430,831
Other accrued expenses	65,041	58,535
Taxes, licenses, and fees	46,467	45,471
Unearned premiums	262,664	249,506
Advance premium	12,316	10,840
Amounts withheld or retained for account of others	31,722	37,330
Other liabilities	3,786	2,805
Unclaimed property	2,085	1,840
Payable for securities purchased	3,752	44
Payable for securities lending	160,970	135,615
Accrued retrospective premiums payable	5,305	8,331
Total liabilities	<u>3,237,220</u>	<u>3,186,344</u>
CAPITAL AND SURPLUS:		
Assigned surplus - PERS unfunded actuarial liability	126,800	120,700
Unassigned surplus	1,944,837	1,957,083
Total capital and surplus	<u>2,071,637</u>	<u>2,077,783</u>
TOTAL	<u>\$ 5,308,857</u>	<u>\$ 5,264,127</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, 2025 AND 2024 (In thousands)

	2025	2024
UNDERWRITING REVENUES—Premiums earned, net	\$ 590,684	\$ 605,093
UNDERWRITING EXPENSES:		
Losses incurred, net	410,435	474,469
Loss adjustment expenses incurred	143,853	159,747
Other underwriting expenses incurred	188,778	177,706
Total underwriting expenses	743,066	811,922
NET UNDERWRITING LOSS	(152,382)	(206,829)
NET INVESTMENT INCOME:		
Net investment income earned	178,159	168,684
Net realized investment (losses) gains	(8,627)	34,185
Net investment income	169,532	202,869
OTHER INCOME (EXPENSE):		
Net loss from premium balances charged off	(2,378)	(2,579)
Other income	1,344	1,371
Total other income (expense), net	(1,034)	(1,208)
Net income (loss) before dividends to policyholders	16,116	(5,168)
POLICYHOLDER DIVIDENDS	(49,988)	(59,938)
NET LOSS	\$ (33,872)	\$ (65,106)
CAPITAL AND SURPLUS:		
Total capital and surplus—beginning of year	\$ 2,077,783	\$ 2,114,383
Net loss	(33,872)	(65,106)
Change in net unrealized capital gains	17,039	17,534
Change in nonadmitted assets	10,691	10,973
Change in provision for reinsurance	(4)	-
Net change in capital and surplus	(6,146)	(36,599)
Total capital and surplus—end of year	\$ 2,071,637	\$ 2,077,783

See notes to financial statements—statutory basis.

SAIF CORPORATION

STATEMENTS OF CASH FLOWS—STATUTORY BASIS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In thousands)

	2025	2024
CASH (USED IN) FROM OPERATIONS:		
Cash from underwriting:		
Premiums collected, net of reinsurance	\$ 579,331	\$ 594,037
Net investment income	<u>175,463</u>	<u>171,305</u>
Net cash from underwriting	<u>754,794</u>	<u>765,342</u>
Miscellaneous expense	(1,034)	(1,208)
Benefits and loss related payments	(413,578)	(397,604)
Underwriting expenses paid	(304,162)	(289,476)
Policyholder dividend payments	<u>(49,988)</u>	<u>(59,938)</u>
Net cash (used in) from operations	<u>(13,968)</u>	<u>17,116</u>
CASH FROM (USED IN) INVESTMENTS:		
Proceeds from investments sold, matured, or repaid:		
Bonds	1,922,585	918,383
Common stocks	120,191	80,201
Other invested assets	(24,706)	(69,603)
Cash and short-term investments	1	3
Miscellaneous payments	<u>-</u>	<u>1,028</u>
Total proceeds from investments sold, matured, or repaid	<u>2,018,071</u>	<u>930,012</u>
Cost of investments acquired:		
Bonds	2,045,158	1,017,711
Common stocks	222	194
Real estate investments	-	2,500
Real estate - occupied by SAIF	390	-
Other invested assets	(25,355)	(70,262)
Miscellaneous receipts	<u>(3,708)</u>	<u>(44)</u>
Total cost of investments acquired	<u>2,016,707</u>	<u>950,099</u>
Net cash from (used in) investments	<u>1,364</u>	<u>(20,087)</u>
CASH (USED IN) FROM FINANCING AND MISCELLANEOUS SOURCES:		
Other cash (applied) provided	<u>(13,327)</u>	<u>1,169</u>
Net cash (used in) from financing and miscellaneous sources	<u>(13,327)</u>	<u>1,169</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Net decrease in cash, cash equivalents, and short-term investments	(25,931)	(1,802)
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Beginning of year	<u>55,152</u>	<u>56,954</u>
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—End of year	<u>\$ 29,222</u>	<u>\$ 55,152</u>

See notes to financial statements—statutory basis.

Supplemental schedule of noncash transactions:

Noncash investment transactions were \$39.4 million and \$37.8 million for both investment acquisitions and dispositions resulting from exchange transactions for the years ended December 31, 2025 and 2024, respectively.

SAIF CORPORATION

NOTES TO FINANCIAL STATEMENTS—STATUTORY BASIS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 Acrisure United States Insurance Services (USIS) to provide other states coverage. SAIF's Board of Directors is appointed by the governor of the State of Oregon and consists of Oregon business and community leaders not otherwise in the employ of SAIF. Certain members of SAIF's Board of Directors are SAIF policyholders or are employed by SAIF policyholders. The transactions between SAIF and these policyholders were within SAIF's standard terms and conditions.

SAIF writes business on a direct basis as well as through agents. Premiums written on a direct basis were 18.5 percent and 16.8 percent of standard premium during 2025 and 2024, respectively. 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 \$405.4 million and \$427.5 million at December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, 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.

Surplus is deemed adequate to protect the Industrial Accident Fund. No significant changes in current operations are anticipated. However, significant declines in investment values or adverse loss reserve development could significantly erode surplus in future years.

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 2025 and 2024, 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 the 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 the 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, 2025 and 2024. 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 was \$126.8 million and \$120.7 million at December 31, 2025 and 2024, 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.
- (k) GAAP requires lessees to recognize a lease liability and an intangible asset while lessors are required to recognize lease receivables and a deferred inflow of resources on their financial statements for the value of payments expected to be made during the lease term. Similar amounts are recognized for the value of Subscription Based Information Technology Arrangements (SBITAs). SAP records an income or expense in the period the lease payments are made.
- (l) GAAP requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Statutory Accounting accrues compensated absences only for leave that is paid out upon termination (vacation) while GAAP accrues the cash and noncash portions.

Investments—Effective January 1, 2025, SAIF adopted the revised Principles-Based Bond Definition guidance. Bonds are classified as issuer credit obligations or asset-backed securities in accordance with SSAP Nos. 26R and 43R. 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, 2025 and 2024. 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 2025 and 2024 were obtained from Intercontinental Exchange, Refinitiv, 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, 2025 and 2024.

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, 2025 and 2024, 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, 2025 and 2024.

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. Cash equivalents consist primarily of money market funds and investments with original maturities of three months or less. 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, 2025 and 2024, SAIF's balance in the OSTF was \$16.8 million and \$39.1 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 as of December 31, 2025 and 2024, was 45 days and 40 days, respectively. The Institutional U.S. Government Money Market Fund had a credit quality rating of AAAM as of December 31, 2025 and 2024. At December 31, 2025 and 2024, SAIF's balance in the Institutional U.S. Government Money Market Fund was \$8.5 million and \$13.1 million, respectively. There were no Treasury bills held as of December 31, 2025 and 2024.

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

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

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

Total depreciation and amortization expense for both admitted and nonadmitted property, equipment, and software was \$14.0 million and \$14.1 million at December 31, 2025 and 2024, respectively.

SAIF has several capital projects in progress or completed during the years ended December 31, 2025 and 2024. These include a legal system replacement and next generation portals. The table below shows the total costs incurred on these projects for the years ended December 31, 2025 and 2024.

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

	2025		2024	
	Year-to-date	Life-to-date	Year-to-date	Life-to-date
Claims System	\$ -	\$ 38,889	\$ 2,749	\$ 38,889
RPM Phase II	\$ -	\$ 787	\$ 67	\$ 787
Digital Payment Platform	\$ -	\$ 1,838	\$ 866	\$ 1,838
Next Generation Portals	\$ 4,584	\$ 4,584	\$ -	\$ -
Legal System Replacement Implementation	\$ 71	\$ 71	\$ -	\$ -
Building Renovations	\$ 390	\$ 390	\$ -	\$ -

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, 2025 and 2024, were \$324.5 million and \$299.2 million, respectively, including unearned premiums of \$180.7 million and \$171.6 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, 2025 and 2024, were \$14.1 million and \$16.4 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 2025 and 2024 were \$95.7 million and \$79.0 million, respectively, or 15.9 and 13.3 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, 2025 and 2024, the admitted balance was as follows (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Total accrued retrospective premiums receivable	\$ 41,673	\$ 47,162
Less nonadmitted amount (10 percent)	4,167	4,716
Admitted accrued retrospective premiums receivable	<u>\$ 37,506</u>	<u>\$ 42,446</u>

Reserve for losses and loss adjustment expenses—Reserves for losses and loss adjustment expenses (LAE) are informed by historical experience and assumptions regarding future development. The reserves include provisions for claims reported and claims incurred but not reported (IBNR).

Reserves for loss and LAE are estimates to cover future costs associated with settling all claims obligations. Reserve estimates are based 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. Adjustments resulting from changes in reserve estimates will be reflected in the period in which the adjustments occur (see Note 7).

Management believes the reserves established for unpaid losses and LAE as of December 31, 2025 and 2024, are reasonable estimates of future claim costs and expenses associated with administering claims. Executive leadership reviews the key assumptions underlying the Actuarial Services Division's reserve analysis annually to ensure they appropriately consider the significant uncertainty associated with the unpaid liability.

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, 2025 and 2024, 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 2025 and 2024, policyholder dividends of \$50.0 million and \$59.9 million, respectively, were incurred and paid to qualifying policyholders.

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

SAIF collects and remits levies on behalf of their policyholders to the Oregon Workers' Compensation Division of DCBS. Such assessments constitute an in-lieu-of-tax relative to premiums. Premium assessment expenses were \$57.0 million and \$53.1 million for the years ended December 31, 2025 and 2024, respectively. Premium assessments were accrued in the amount of \$45.3 million and \$44.8 million as of December 31, 2025 and 2024, respectively. Premium assessment income for the years ended December 31, 2025 and 2024 was \$57.0 million and \$53.1 million, respectively, and is included as a reduction to 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):

	2025			2024		
	Loss Adjustment Expenses Incurred	Other Underwriting Expenses Incurred	Investment Expenses	Loss Adjustment Expenses Incurred	Other Underwriting Expenses Incurred	Investment Expenses
Salaries, wages, & other benefits	\$ 104,582	\$ 111,856	\$ 4,484	\$ 117,664	\$ 102,653	\$ 4,102
Commissions	-	42,683	-	-	43,471	-
Other	39,271	34,239	9,934	42,083	31,582	9,736
Total allocable expenses	<u>\$ 143,853</u>	<u>\$ 188,778</u>	<u>\$ 14,418</u>	<u>\$ 159,747</u>	<u>\$ 177,706</u>	<u>\$ 13,838</u>

Subsequent events—Subsequent events have been considered through July 27, 2026, which is the date the financial statements were available to be issued.

3. NEW STATUTORY ACCOUNTING PRINCIPLES

Effective January 1, 2025, SAIF implemented the new Principles-Based Bond Definition (PBB) guidance found in SSAP No. 26. The changes primarily impact classification within the notes and supporting schedules. Prior year bond classifications were not required to be restated. There were no changes to net income, surplus, total assets, or total liabilities. Bonds are classified as issuer credit obligations or asset-backed securities in accordance with SSAP Nos. 26R and 43R.

No additional significant new Statutory Accounting Principles were adopted by SAIF for the years ended December 31, 2025 and 2024.

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 October 23, 2024, the Council approved a revised asset allocation policy for SAIF Corporation. The allocation reaffirms a 5 percent target allocation to real estate in the form of private or publicly traded funds, allows for a 5 percent allocation to private credit through senior secured direct lending, and increased the target allocation to fixed income holdings from 77 percent to 80 percent. The target allocation to global equities is unchanged at 10 percent.

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 certain 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, 2025 and 2024.

Due to the implementation of the PBB effective January 1, 2025, the investment tables below have been reformatted to conform to the new presentation.

The carrying value and fair value of SAIF's investment securities at December 31, 2025 and 2024, were as follows (dollars in thousands):

	Carrying Value	Fair Value	Excess Of Fair Value Over (Under) Carrying Value
2025			
Bonds (issuer credit obligations):			
U.S. government obligations	\$ 365,144	\$ 347,624	\$ (17,520)
Other U.S. government obligations	1,325	1,414	89
Non-U.S. sovereign jurisdiction securities	13,972	11,173	(2,799)
Municipal bonds-general obligations	10,231	10,281	50
Municipal bonds-special revenue	21,764	20,501	(1,263)
Corporate bonds	2,113,520	2,100,535	(12,985)
Bonds issued by funds representing operating entities	65,605	64,828	(777)
Certificates of deposit	923	923	-
Total issuer credit obligations	2,592,484	2,557,279	(35,205)
Bonds (asset-backed securities):			
Agency residential mortgage-backed securities-guaranteed	40,632	39,792	(840)
Agency residential mortgage-backed securities-not/partially guaranteed	465,933	447,473	(18,460)
Agency commercial mortgage-backed securities-not/partially guaranteed	4,334	5,178	844
Non-agency residential mortgage-backed securities	69,982	69,799	(183)
Non-agency commercial mortgage-backed securities	103,365	107,013	3,648
Non-agency CLOs/CBOs/CDOs	356,092	356,521	429
Other financial asset-backed securities-self liquidating	59,344	58,349	(995)
Lease-backed securities-practical expedient	11,500	11,588	88
Lease-backed securities-full analysis	28,686	28,943	257
Other non-financial asset-backed securities-full analysis	61,792	62,750	958
Total asset-backed securities	1,201,660	1,187,406	(14,254)
Total bonds (issuer credit obligations & asset-backed securities)	<u>\$ 3,794,144</u>	<u>\$ 3,744,685</u>	<u>\$ (49,459)</u>
Short-term investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Real estate investments			
Prime Property Fund LLC	\$ 132,791	\$ 132,791	\$ -
RREEF America II LP	115,804	115,804	-
Total real estate investments	<u>\$ 248,595</u>	<u>\$ 248,595</u>	<u>\$ -</u>
Other invested assets - Surplus Notes	<u>\$ 16,303</u>	<u>\$ 19,134</u>	<u>\$ 2,831</u>
Common stocks - BlackRock MSCI ACWI IMI Index Fund	<u>\$ 511,230</u>	<u>\$ 511,230</u>	<u>\$ -</u>
	Carrying Value	Fair Value	Excess Of Fair Value Over (Under) Carrying Value
2024			
Bonds:			
U.S. Government	\$ 344,323	\$ 295,455	\$ (48,868)
All other governments	15,678	11,927	(3,751)
U.S. political subdivisions of states, territories, and possessions	6,028	6,028	-
U.S. special revenue and special assessment	55,533	54,063	(1,470)
Hybrid securities	36,747	37,594	847
Industrial and miscellaneous	2,197,553	2,062,686	(134,867)
Mortgage and other asset-backed securities	1,114,418	1,043,187	(71,231)
Total bonds	<u>\$ 3,770,280</u>	<u>\$ 3,510,940</u>	<u>\$ (259,340)</u>
Short-term investments	<u>\$ 2,372</u>	<u>\$ 2,372</u>	<u>\$ -</u>
Real estate investments			
Prime Property Fund LLC	\$ 134,794	\$ 134,794	\$ -
RREEF America II LP	114,881	114,881	-
Total real estate investments	<u>\$ 249,675</u>	<u>\$ 249,675</u>	<u>\$ -</u>
Other invested assets - Surplus Notes	<u>\$ 16,307</u>	<u>\$ 18,354</u>	<u>\$ 2,047</u>
Common stocks - BlackRock MSCI ACWI IMI Index Fund	<u>\$ 524,180</u>	<u>\$ 524,180</u>	<u>\$ -</u>

Proceeds from the sale of bonds were \$1.9 billion and \$0.9 billion during 2025 and 2024, respectively. Proceeds from the sale of stocks were \$120.2 million and \$80.2 million during 2025 and 2024, respectively.

The carrying value and fair value of bonds at December 31, 2025 and 2024, 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.

	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Due in one year or less	\$ 60,798	\$ 59,936	\$ 58,916	\$ 58,896
Due after one year through five years	508,689	518,293	698,673	684,320
Due after five years through ten years	1,042,542	1,067,981	939,785	909,503
Due after ten years through twenty years	1,030,829	1,023,837	838,834	799,453
Due after twenty years	<u>1,151,286</u>	<u>1,074,638</u>	<u>1,234,072</u>	<u>1,058,768</u>
Total bonds	<u>\$ 3,794,144</u>	<u>\$ 3,744,685</u>	<u>\$ 3,770,280</u>	<u>\$ 3,510,940</u>

Net investment income earned for the years ended December 31, 2025 and 2024, was comprised of the following (dollars in thousands):

	2025	2024
Bonds	\$ 174,404	\$ 162,949
Common stock	148	151
Real estate investments	9,676	10,148
Other invested assets	<u>8,349</u>	<u>9,274</u>
Total gross investment income earned	192,577	182,522
Less investment expenses	<u>14,418</u>	<u>13,838</u>
Net investment income earned	<u>\$ 178,159</u>	<u>\$ 168,684</u>

Gross realized gains and losses and the net realized gains (losses) for the years ended December 31, 2025 and 2024, were as follows (dollars in thousands):

2025	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)
Bonds	\$ 12,878	\$ (113,308)	\$ (100,430)
Common stock	91,828	(19)	91,809
Other invested assets	-	(7)	(7)
Short-term investments	<u>1</u>	<u>-</u>	<u>1</u>
Total	<u>\$ 104,707</u>	<u>\$ (113,334)</u>	<u>\$ (8,627)</u>
2024	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)
Bonds	\$ 7,319	\$ (30,986)	\$ (23,667)
Common stock	57,854	-	57,854
Other invested assets	1	(6)	(5)
Short-term investments	<u>3</u>	<u>-</u>	<u>3</u>
Total	<u>\$ 65,177</u>	<u>\$ (30,992)</u>	<u>\$ 34,185</u>

The following tables represent unrealized losses on bonds at December 31, 2025 and 2024, 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):

2025 Unrealized Losses	Amortized Cost	Unrealized Losses	Fair Value
Less than one year			
U.S. Government	\$ 149,394	\$ 2,609	\$ 146,785
Non-U.S. sovereign jurisdiction securities	1,306	14	1,292
Municipal bonds-general obligations	-	-	-
Municipal bonds-special revenue	-	-	-
Corporate bonds	203,959	3,272	200,687
Bonds issued by funds representing operating entities	1,100	1	1,099
Asset-backed securities	<u>178,088</u>	<u>2,011</u>	<u>176,077</u>
Total less than one year	<u>533,847</u>	<u>7,907</u>	<u>525,940</u>
Greater than one year			
U.S. Government	91,860	16,078	75,782
Non-U.S. sovereign jurisdiction securities	12,666	2,785	9,881
Municipal bonds-general obligations	6,258	133	6,125
Municipal bonds-special revenue	13,244	2,693	10,551
Corporate bonds	538,786	69,834	468,952
Bonds issued by funds representing operating entities	17,544	1,620	15,924
Asset-backed securities	<u>286,368</u>	<u>26,281</u>	<u>260,087</u>
Total greater than one year	<u>966,726</u>	<u>119,424</u>	<u>847,302</u>
Total unrealized losses	<u>\$ 1,500,573</u>	<u>\$ 127,331</u>	<u>\$ 1,373,242</u>

2024 Unrealized losses	Amortized Cost	Unrealized Losses	Fair Value
Less than one year			
U.S. Government	\$ 148,615	\$ 6,760	\$ 141,855
All other governments	-	-	-
U.S. political subdivisions of states, territories, and possessions	6,247	219	6,028
U.S. special revenue and special assessment	-	-	-
Hybrid securities	239	1	238
Industrial and miscellaneous	438,369	11,101	427,268
Mortgage and other asset-backed securities	<u>246,653</u>	<u>3,734</u>	<u>242,919</u>
Total less than one year	<u>840,123</u>	<u>21,815</u>	<u>818,308</u>
Greater than one year			
U.S. Government	167,151	42,420	124,731
All other governments	16,527	4,600	11,927
U.S. political subdivisions of states, territories, and possessions	-	-	-
U.S. special revenue and special assessment	13,935	3,014	10,921
Hybrid securities	16,639	828	15,811
Industrial and miscellaneous	1,119,832	154,731	965,101
Mortgage and other asset-backed securities	<u>576,997</u>	<u>75,595</u>	<u>501,402</u>
Total greater than one year	<u>1,911,081</u>	<u>281,188</u>	<u>1,629,893</u>
Total unrealized losses	<u>\$ 2,751,204</u>	<u>\$ 303,003</u>	<u>\$ 2,448,201</u>

As of December 31, 2025 and 2024, 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. The asset-backed securities in the table above were not considered OTTI as of December 31, 2025. The Company'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. It is possible that the Company could recognize OTTI in the future on some of the securities held at December 31, 2025, if future events, information, and the passage of time causes it to conclude that declines in value are other-than-temporary. Investment losses due to OTTI were \$1.2 million and \$0.2 million as of December 31, 2025 and 2024, respectively.

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 one security, New Residential Mortgage Loan Trust included below. Default risk on the bond appears minimal at this time. The impact on this investment, should the market conditions worsen, cannot be assessed at this time. The following table summarizes SAIF's investments with subprime exposure. The mortgage-backed securities portfolio at December 31, 2025 and 2024, were (dollars in thousands):

Description	Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
2025 Residential mortgage-backed securities	\$ 1,514	\$ 1,482	\$ 1,373	\$ -
2024 Residential mortgage-backed securities	\$ 5,309	\$ 5,370	\$ 4,950	\$ -

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, 2025 and 2024, and reacquired within 30 days of the sale.

Securities on deposit—U.S. Treasury obligations with a carrying value of \$8.3 million and \$8.4 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 as of December 31, 2025 and 2024, respectively. Certificates of deposit with a carrying value of \$923 thousand and \$350 thousand were on deposit at U.S. Bank as required by DCBS as of December 31, 2025 and 2024, respectively. U.S. Treasury obligations with a carrying value of \$65.3 million and \$54.6 million were on deposit with Wilmington Trust for loss payments with Zurich, a reinsurer for other states coverage, as of December 31, 2025 and 2024.

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 2025 and 2024, 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 2025 and 2024. At December 31, 2025 and 2024, the Fund had an average life-final maturity of 104 days and 64 days, respectively.

The cash collateral held at December 31, 2025 and 2024, was \$161.0 million and \$135.6 million, respectively. SAIF held \$119.9 million and \$16.1 million in securities received as collateral at December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the fair value, including accrued investment income related to the securities on loan, was \$273.8

million and \$148.3 million, respectively. For 2025 and 2024, securities lending income was \$7.0 million and \$6.2 million and securities lending expense was \$6.5 million and \$5.8 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.

SAIF's real estate portfolio includes initial investments of \$120.0 million in the Morgan Stanley Prime Property Fund, LLC and \$120.0 million in the DWS RREEF America REIT II LP fund. As of December 31, 2025 and 2024, SAIF had no unfunded commitments. 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, 2025 and 2024, were (dollars in thousands):

2025

Description For Each Class of Asset or Liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at fair value					
Bonds-issuer credit obligations	\$ -	\$ 27,578	\$ -	\$ -	\$ 27,578
Bonds-asset backed securities	-	2,783	-	-	2,783
Common stocks-mutual funds	-	511,229	-	-	511,229
Cash equivalents-money market fund	-	8,528	-	-	8,528
Real estate investments	-	-	-	248,595	248,595
Total assets at fair value	<u>\$ -</u>	<u>\$ 550,118</u>	<u>\$ -</u>	<u>\$ 248,595</u>	<u>\$ 798,713</u>
Liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2024

Description For Each Class of Asset or Liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at fair value					
Bonds-issuer credit obligations	\$ -	\$ 63,657	\$ -	\$ -	\$ 63,657
Bonds-asset backed securities	-	4,057	-	-	4,057
Common stocks-mutual funds	-	524,180	-	-	524,180
Cash equivalents-money market fund	-	13,081	-	-	13,081
Real estate investments	-	-	-	249,675	249,675
Total assets at fair value	<u>\$ -</u>	<u>\$ 604,975</u>	<u>\$ -</u>	<u>\$ 249,675</u>	<u>\$ 854,650</u>
Liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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, 2025 and 2024, 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, 2025 and 2024.

The following tables reflect the fair values and admitted values of all admitted assets and liabilities that are financial instruments at December 31, 2025 and 2024, 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):

2025							
	Aggregate	Admitted				Net Asset	Not
Type of Financial Instrument	Fair Value	Value	Level 1	Level 2	Level 3	Value	Practicable
						(NAV)	(Carrying
							Value)
Assets							
Bonds-issuer credit obligations	\$ 2,556,357	\$ 2,592,484	\$ 2,265	\$ 2,554,092	\$ -	\$ -	\$ 923
Bonds-asset backed securities	1,187,406	1,201,660	-	1,187,406	-	-	-
Common stocks	511,230	511,230	-	511,230	-	-	-
Real estate investments	248,595	248,595	-	-	-	248,595	-
Other invested assets	19,134	16,303	-	19,134	-	-	-
Securities lending reinvested collateral	160,989	160,989	-	160,989	-	-	-
Cash, cash equivalents, & short-term	29,222	29,222	20,694	8,528	-	-	-
Total assets	<u>\$ 4,712,933</u>	<u>\$ 4,760,483</u>	<u>\$ 22,959</u>	<u>\$ 4,441,379</u>	<u>\$ -</u>	<u>\$ 248,595</u>	<u>\$ 923</u>
Liabilities							
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2024							
	Aggregate	Admitted				Net Asset	Not
Type of Financial Instrument	Fair Value	Value	Level 1	Level 2	Level 3	Value	Practicable
						(NAV)	(Carrying
							Value)
Assets							
Bonds-issuer credit obligations	\$ 2,438,530	\$ 2,626,983	\$ 2,248	\$ 2,436,282	\$ -	\$ -	\$ 125
Bonds-asset backed securities	1,072,285	1,143,297	-	1,072,285	-	-	-
Common stocks	524,180	524,180	-	524,180	-	-	-
Real estate investments	249,675	249,675	-	-	-	249,675	-
Other invested assets	18,354	16,307	-	18,354	-	-	-
Securities lending reinvested collateral	135,641	135,641	-	135,641	-	-	-
Cash, cash equivalents, & short-term	54,928	55,152	39,474	15,454	-	-	225
Total assets	<u>\$ 4,493,593</u>	<u>\$ 4,751,235</u>	<u>\$ 41,722</u>	<u>\$ 4,202,196</u>	<u>\$ -</u>	<u>\$ 249,675</u>	<u>\$ 350</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, 2025 and 2024, 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):

2025

Type or Class of Financial Instrument	Carrying Value	Effective Interest Rate	Maturity Date
Bonds			
U.S. Bank certificate of deposit	\$ 125	2.21%	10/30/2026
U.S. Bank certificate of deposit	225	3.00%	4/1/2027
U.S. Bank certificate of deposit	206	3.00%	4/1/2027
U.S. Bank certificate of deposit	254	3.26%	7/1/2030
U.S. Bank certificate of deposit	113	3.00%	12/2/2030
Total	<u>\$ 923</u>		

2024

Type or Class of Financial Instrument	Carrying Value	Effective Interest Rate	Maturity Date
Bonds			
U.S. Bank certificate of deposit	\$ 225	2.25%	4/1/2025
U.S. Bank certificate of deposit	125	0.25%	10/7/2025
Total	<u>\$ 350</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. Beginning with the 2023 financial statement, SAIF will use the Appointed Actuary's models and analysis to inform SAIF's recorded liabilities for unpaid claims. When necessary, SAIF adjusted the Appointed Actuary's model assumptions to reflect SAIF's reserving philosophy.

The following table provides a reconciliation of the beginning and ending reserve for losses and LAE at December 31, 2025 and 2024 (dollars in thousands):

	2025	2024
Gross reserve for losses and loss adjustment expenses—beginning of year	\$ 2,704,182	\$ 2,592,273
Less reinsurance ceded—beginning of year	<u>(68,155)</u>	<u>(72,108)</u>
Net balance—beginning of year	<u>2,636,027</u>	<u>2,520,165</u>
Inurred related to:		
Current year	671,372	651,204
Prior year	<u>(117,084)</u>	<u>(16,988)</u>
Total incurred losses and loss adjustment expenses	<u>554,288</u>	<u>634,216</u>
Paid related to:		
Current year	223,537	202,901
Prior year	<u>323,666</u>	<u>315,453</u>
Total paid losses and loss adjustment expenses	<u>547,203</u>	<u>518,354</u>
Net balance—end of year	2,643,112	2,636,027
Plus reinsurance ceded—end of year	<u>57,135</u>	<u>68,155</u>
Gross reserve for losses and loss adjustment expenses—end of year	<u>\$ 2,700,247</u>	<u>\$ 2,704,182</u>

The net reserve for losses and LAE increased \$7.1 million (0.3 percent) compared to the prior year. This was driven by establishing reserves for the 2025 accident year, offset by payments made on previously incurred claims, and favorable development in prior accident years. Loss reserves decreased \$3.1 million due to current accident year incurred claims of \$524.3 million less total paid claims of \$413.6 million and favorable prior accident year reserve reduction of \$113.8 million. In past years, favorable development was strongly driven by medical claims. However, in 2025 favorable loss development was driven by favorable outcomes across all segments of the portfolio. The decrease in claim frequency continues to contribute to this positive trend, although it has been partially offset by rising medical costs.

LAE reserves increased \$10.2 million (2.4 percent). This was driven by newly established reserves for the 2025 accident year, partially offset by paid LAE associated with previously incurred claims and favorable development in prior accident years. The favorable development in unpaid LAE for prior accident years was largely attributable to a decrease in claims frequency.

For 2024, the net reserve for losses and LAE increased \$115.9 million (4.6 percent) compared to the prior year. This was driven by establishing reserves for the 2024 accident year, offset by payments made on previously incurred claims, and favorable development in prior accident years. Loss reserves increased \$76.8 million due to current accident year incurred claims of \$522.8 million less total paid claims of \$397.6 million and favorable prior accident year reserve reduction of \$48.4 million. In past years, favorable development was strongly driven by medical claims. However, in 2024 favorable medical claim development slowed due to increasing average medical payment per claim. Subsequently, there was less total favorable reserve development.

- Projected ultimate claims costs reduced primarily due to fewer than expected frequency on disabling and non-disabling claims.
- Rising costs of medical services is driving medical escalation adding pressure to claims costs. These impacts are partially offset by decreased utilization.

LAE reserves increased \$39.1 million (10.0 percent). This was driven by newly established reserves for the 2024 accident year, partially offset by paid LAE associated with previously incurred claims and unfavorable development in prior accident years. The unfavorable development in unpaid LAE for prior accident years was largely attributable to rising operating expenses.

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 \$212.1 million and \$209.6 million at December 31, 2025 and 2024, respectively. The discounts were \$111.8 million and \$109.1 million at December 31, 2025 and 2024, respectively.

Anticipated salvage and subrogation of \$62.7 million and \$59.8 million was included as a reduction of the reserve for losses and LAE at December 31, 2025 and 2024, respectively.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. Reserves of \$12.8 million and \$13.9 million for losses and LAE are related to asbestos claims at December 31, 2025 and 2024, respectively. Amounts paid for asbestos-related claims were \$693 thousand and \$409 thousand for the years ended December 31, 2025 and 2024, 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-through the fund. SAIF's assessment was \$0.7 million and \$0.4 million for the years ended December 31, 2025 and 2024, respectively.

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. As a tax-advantaged retirement savings vehicle, the plan authorizes the employee to execute an individual agreement with the plan's record keeper, Empower Retirement. 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 the account is amortized at approximately \$6.06 million per year. As of December 31, 2025, SAIF received rate relief of 7.26 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, 2025, SAIF contributes 24.82 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, 7.26 percent of employees' salaries is covered by the side account rate relief, and SAIF contributes the remaining 17.56 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, 2025, SAIF contributes 21.94 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, 7.26 percent of employee's salaries is covered by the side account rate relief, and SAIF contributes the remaining 14.68 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 4.00 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, 2025 and 2024, consist of the following (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Employer contributions:		
Debt service	\$ 5,986	\$ 5,713
PERS-Pension Program	6,010	5,930
OPSRP-Pension Program	<u>20,680</u>	<u>16,986</u>
Total employer contributions	<u>32,676</u>	<u>28,629</u>
PERS side account rate relief:	<u>(11,438)</u>	<u>(12,342)</u>
Net employer contributions	<u>21,238</u>	<u>16,287</u>
Employee contributions paid by SAIF:		
PERS-IAP	1,494	1,566
OPSRP-IAP	<u>6,190</u>	<u>5,574</u>
Total employee contributions	<u>7,684</u>	<u>7,140</u>
Total contributions	<u>\$ 28,922</u>	<u>\$ 23,427</u>

For the years ended December 31, 2025 and 2024, 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, 2025. 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 Accumulated Postretirement Benefit Obligation (APBO) was \$9.0 million and \$8.9 million as of December 31, 2025 and 2024, 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, 2025 and 2024, using the projected unit credit cost method. Significant assumptions used in the actuarial valuation include a 5.0 percent and 5.25 percent discount rate for the years ended December 31, 2025 and 2024, respectively. The health care cost trend rate used for 2025 was:

2025	
Year	Rate
2025	6.75%
2026	6.00%
2027-2028	5.00%
2029-2031	4.75%
2032-2033	4.50%
2034-2066	4.25%
2067-2072	4.00%
2073+	3.75%

The net periodic benefit cost recognized for the years ended December 31, 2025 and 2024, was (dollars in thousands):

	Postemployment & Compensated Absence Benefits	
	2025	2024
Service cost	\$ 424	\$ 450
Interest cost	449	403
Recognition of net loss (gain)	(65)	(583)
Total net periodic benefit cost	<u>\$ 808</u>	<u>\$ 270</u>

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated (dollars in thousands):

Year(s)	Amount
2026	\$ 693
2027	801
2028	813
2029	773
2030	790
2031 through 2035	3,874

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 \$10.4 million and \$9.9 million for the years ended December 31, 2025 and 2024, respectively.

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, 2025 and 2024, was as follows (dollars in thousands):

	2025	2024
Net unrealized investment gains	\$ 386,820	\$ 369,781
Nonadmitted assets	\$ (116,087)	\$ (126,778)

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, 2025. 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 are \$126.8 million and \$120.7 million at December 31, 2025 and 2024, 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 \$1.4 million and \$1.5 million at December 31, 2025 and 2024, 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.

14. LEASE COMMITMENTS

SAIF leases office space in several locations under operating leases expiring during various years through 2030. Lease expense were \$1.6 million and \$1.5 million for the years ended December 31, 2025 and 2024, respectively.

SAIF's future minimum lease payments under noncancelable operating leases at December 31, 2025, are as follows (dollars in thousands):

<u>Year(s)</u>	<u>Amount</u>
2026	\$ 1,390
2027	1,424
2028	1,464
2029	1,104
2030	<u>150</u>
Total minimum payments	<u>\$ 5,533</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 retention, with a \$15.0 million limit on any one life. The Terrorism Risk Insurance Act provides coverage for certified domestic and foreign terrorist events that are nuclear, biological, chemical, or radiological in nature, which are excluded from the reinsurance contract. During 2025, SAIF had reinsurance protection for 80 percent of losses in excess of 20 percent of 2024 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 2025 and 2024 (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Reserve for losses and loss adjustment expenses	\$ 12,764	\$ 18,003
Premiums written and earned	\$ 2,206	\$ 2,203
Losses and loss adjustment expenses incurred	\$ (5,073)	\$ (4,276)

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

In 2025 and 2024, 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 2025 and 2024 (dollars in thousands):

Other States Coverage	<u>2025</u>	<u>2024</u>
Assumed:		
Reserve for losses and loss adjustment expenses	\$ 47,751	\$ 47,236
Unearned premiums	9,677	9,712
Premiums written	20,424	25,170
Premiums earned	20,458	25,022
Losses and loss adjustment expenses incurred	15,279	17,923
Commission expense	3,511	3,933

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 2025 and 2024 (dollars in thousands):

NWCRP	2025	2024
Assumed:		
Reserve for losses and loss adjustment expenses	\$ 79,343	\$ 85,665
Unearned premiums	3,573	3,653
Premiums written	12,306	13,484
Premiums earned	12,386	13,980
Losses and loss adjustment expenses incurred	445	1,982
Commission expense	3,282	4,059
Ceded:		
Reserve for losses and loss adjustment expenses	\$ 44,371	\$ 50,152
Unearned premiums	3,180	3,436
Premiums written	6,840	8,157
Premiums earned	7,096	8,596
Losses and loss adjustment expenses incurred	(1,783)	5,834
Commission expense	1,354	2,205

16. ELECTRONIC DATA PROCESSING (EDP) EQUIPMENT AND SOFTWARE

EDP equipment and operating and nonoperating software are carried at cost less accumulated depreciation. Depreciation expense was 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 was 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, 2025 and 2024.

Admitted EDP equipment and software at December 31, 2025 and 2024, were as follows (dollars in thousands):

	2025	2024
EDP equipment and software	\$ 92,368	\$ 92,602
Nonadmitted EDP software in development	(27,334)	(35,003)
Accumulated depreciation	(64,335)	(56,661)
Balance, net	<u>\$ 699</u>	<u>\$ 938</u>

Depreciation expense related to admitted EDP equipment and software was \$10.4 million and \$10.7 million for the years ended December 31, 2025 and 2024, 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, 2025 and 2024.

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, which impacts the allocation between assigned surplus and unassigned surplus (see Note 12) (dollars in thousands):

2025**(In thousands)**

	<u>Filed</u>	<u>Audited</u>	<u>Difference</u>
Statement of admitted assets, liabilities, and capital and surplus:			
Other assets	\$ 33,998	\$ 34,091	\$ 93
Total admitted assets	5,308,764	5,308,857	93
Losses	2,204,386	2,202,082	(2,304)
Unearned premiums	262,968	262,664	(304)
Other liabilities	2,638	3,786	1,148
Other accrued expenses	64,526	65,041	515
Total liabilities	3,238,165	3,237,220	(945)
Capital and surplus—PERS UAL	120,700	126,800	6,100
Capital and surplus—unassigned funds	1,949,899	1,944,837	(5,062)
Total capital and surplus	2,070,599	2,071,637	1,038
Total assets, liabilities and surplus	\$ 5,308,764	\$ 5,308,857	93
Statement of revenues, expenses, and capital and surplus:			
Premiums earned, net	\$ 591,317	\$ 590,684	\$ (633)
Losses incurred, net	410,413	410,435	22
Other underwriting expenses incurred	188,836	188,778	(58)
Total underwriting expenses	743,102	743,066	(36)
Net underwriting gain (loss)	(151,785)	(152,382)	(597)
Net loss from premium balances charged off	(2,484)	(2,378)	106
Other income (expense)	1,344	1,344	-
Total other income (expense)—net	(1,139)	(1,034)	105
Net income (loss) before dividends to policyholders	16,608	16,116	(492)
Net income (loss)	(33,380)	(33,872)	(492)
Net change in capital and surplus	(5,654)	(6,146)	(492)
Total capital and surplus—end of year	\$ 2,070,599	\$ 2,071,637	\$ 1,038
Statement of cash flows:			
Premiums collected net of reinsurance	\$ 579,806	\$ 579,331	\$ (475)
Miscellaneous income (expense)	(1,139)	(1,034)	105
Benefits and loss related payments	(414,157)	(413,578)	579
Underwriting expenses paid	(302,917)	(304,162)	(1,245)
Net cash from operations	\$ (12,932)	\$ (13,968)	\$ (1,036)
Other cash (applied) provided	(14,363)	(13,327)	1,036
Net cash from (used by) financing and miscellaneous sources	\$ (14,363)	\$ (13,327)	\$ 1,036

2024**(In thousands)****Statement of admitted assets, liabilities, and capital and surplus:**

	Filed	Audited	Difference
Other assets	\$ 33,193	\$ 33,598	\$ 405
Total admitted assets	5,263,722	5,264,127	405
Losses	2,208,101	2,205,197	(2,905)
Unearned premiums	249,967	249,506	(461)
Other liabilities	2,380	2,805	425
Other accrued expenses	56,719	58,535	1,816
Total liabilities	3,187,469	3,186,344	(1,125)
Capital and surplus—PERS UAL	72,700	120,700	48,000
Capital and surplus—unassigned funds	2,003,553	1,957,083	(46,470)
Total capital and surplus	2,076,253	2,077,783	1,530
Total assets, liabilities and surplus	\$ 5,263,722	\$ 5,264,127	405

Statement of revenues, expenses, and capital and surplus:

Premiums earned, net	\$ 603,927	\$ 605,093	\$ 1,166
Losses incurred, net	473,103	474,469	1,366
Other underwriting expenses incurred	177,364	177,706	342
Total underwriting expenses	810,214	811,922	1,708
Net underwriting gain (loss)	(206,287)	(206,829)	(542)
Net loss from premium balances charged off	(2,900)	(2,579)	321
Other income (expense)	1,371	1,371	-
Total other income (expense)—net	(1,529)	(1,208)	321
Net income (loss) before dividends to policyholders	(4,947)	(5,168)	(221)
Net income	(64,885)	(65,106)	(221)
Net change in capital and surplus	(36,378)	(36,600)	(222)
Total capital and surplus—end of year	\$ 2,076,253	\$ 2,077,783	\$ 1,530

Statement of cash flows:

Premiums collected net of reinsurance	\$ 593,240	\$ 594,037	\$ 797
Miscellaneous income (expense)	(1,529)	(1,208)	321
Benefits and loss related payments	(397,616)	(397,604)	12
Underwriting expenses paid	(290,502)	(289,476)	1,026
Net cash from operations	\$ 14,960	\$ 17,116	\$ 2,156
Other cash (applied) provided	3,325	1,169	(2,156)
Net cash from (used by) financing and miscellaneous sources	\$ 3,325	\$ 1,169	\$ (2,156)

SUPPLEMENTARY SCHEDULES

APPENDIX A
SUMMARY INVESTMENT SCHEDULE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 14	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 14
1. Issuer credit obligations (Schedule D, Part 1, Section 1):						
1.01 U.S. governments obligations	365,143,902	7.543	365,143,902		365,143,902	7.543
1.02 Other U.S. governments obligations	1,325,238	0.027	1,325,238		1,325,238	0.027
1.03 Non-U.S. sovereign jurisdiction securities	13,972,466	0.289	13,972,466		13,972,466	0.289
1.04 Municipal bonds – general obligations (direct & guaranteed)	10,231,443	0.211	10,231,443		10,231,443	0.211
1.05 Municipal bonds – special revenue	21,763,817	0.450	21,763,817		21,763,817	0.450
1.06 Project finance bonds issued by operating entities						
1.07 Corporate bonds	2,113,519,060	43.660	2,113,519,060		2,113,519,060	43.660
1.08 Mandatory convertible bonds						
1.09 Single entity backed obligations						
1.10 SVO-identified bond exchange traded funds – fair value						
1.11 SVO-identified bond exchange traded funds – systematic value						
1.12 Bonds issued by funds representing operating entities	65,605,112	1.355	65,605,112		65,605,112	1.355
1.13 Bank loans - issued						
1.14 Bank loans - acquired						
1.15 Mortgages loans that qualify as SVO-identified credit tenant loans						
1.16 Certificates of deposit	922,500	0.019	922,500		922,500	0.019
1.17 Other issuer credit obligations						
1.18 Total issuer credit obligations	2,592,483,538	53.554	2,592,483,538		2,592,483,538	53.554
2. Asset-backed securities (Schedule D, Part 1, Section 2):						
2.01 Financial asset-backed securities – self-liquidating	1,099,682,236	22.717	1,099,682,236		1,099,682,236	22.717
2.02 Financial asset-backed securities – not self-liquidating						
2.03 Non-financial asset-backed securities	101,977,776	2.107	101,977,776		101,977,776	2.107
2.04 Total asset-backed securities	1,201,660,012	24.823	1,201,660,012		1,201,660,012	24.823
3. Preferred stocks (Schedule D, Part 2, Section 1):						
3.01 Industrial and miscellaneous (Unaffiliated)						
3.02 Parent, subsidiaries and affiliates						
3.03 Total preferred stocks						
4. Common stocks (Schedule D, Part 2, Section 2):						
4.01 Industrial and miscellaneous Publicly traded (Unaffiliated)						
4.02 Industrial and miscellaneous Other (Unaffiliated)						
4.03 Parent, subsidiaries and affiliates Publicly traded						
4.04 Parent, subsidiaries and affiliates Other						
4.05 Mutual funds	511,229,448	10.561	511,229,448		511,229,448	10.561
4.06 Unit investment trusts						
4.07 Closed-end funds						
4.08 Exchange traded funds						
4.09 Total common stocks	511,229,448	10.561	511,229,448		511,229,448	10.561
5. Mortgage loans (Schedule B):						
5.01 Farm mortgages						
5.02 Residential mortgages						
5.03 Commercial mortgages						
5.04 Mezzanine real estate loans						
5.05 Total valuation allowance						
5.06 Total mortgage loans						
6. Real estate (Schedule A):						
6.01 Properties occupied by company	80,401,758	1.661	80,401,758		80,401,758	1.661
6.02 Properties held for production of income						
6.03 Properties held for sale						
6.04 Total real estate	80,401,758	1.661	80,401,758		80,401,758	1.661
7. Cash, cash equivalents and short-term investments:						
7.01 Cash (Schedule E, Part 1)	20,694,826	0.428	20,694,826		20,694,826	0.428
7.02 Cash equivalents (Schedule E, Part 2)	8,527,545	0.176	8,527,545	160,989,204	169,516,749	3.502
7.03 Short-term investments (Schedule DA)						
7.04 Total cash, cash equivalents and short-term investments	29,222,371	0.604	29,222,371	160,989,204	190,211,575	3.929
8. Contract loans						
9. Derivatives (Schedule DB)						
10. Other invested assets (Schedule BA)						
10.1 Receivables for securities	264,897,724	5.472	264,897,724		264,897,724	5.472
12. Securities Lending (Schedule DL, Part 1)	160,989,204	3.326	160,989,204	X X X	X X X	X X X
13. Other invested assets (Page 2, Line 11)						
14. Total invested assets	4,840,884,055	100.000	4,840,884,055	160,989,204	4,840,884,055	100.000

APPENDIX B

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES



36196202528500100

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2025

(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. \$ 5,308,764,101

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	\$ 511,229,448	9.630 %
2.02 FNMA	Bond	\$ 284,472,195	5.359 %
2.03 Morgan Stanley	Bond/Real Estate Fund	\$ 178,664,212	3.365 %
2.04 FHLMC	Bond	\$ 177,702,760	3.347 %
2.05 RREEF America II LP	Real Estate Fund	\$ 115,804,136	2.181 %
2.06 Bank of America Corp	Bond	\$ 66,198,454	1.247 %
2.07 JP Morgan & Chase Co	Bond	\$ 56,739,287	1.069 %
2.08 Citigroup Inc	Bond	\$ 55,640,944	1.048 %
2.09 Goldman Sachs Group Inc	Bond	\$ 41,045,002	0.773 %
2.10 Wells Fargo & Co	Bond	\$ 38,304,860	0.722 %

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	\$ 2,486,602,007	46.840 %	3.07 NAIC 1	\$	%
3.02 NAIC 2	\$ 1,103,294,166	20.783 %	3.08 NAIC 2	\$	%
3.03 NAIC 3	\$ 187,745,888	3.537 %	3.09 NAIC 3	\$	%
3.04 NAIC 4	\$ 12,167,026	0.229 %	3.10 NAIC 4	\$	%
3.05 NAIC 5	\$ 4,334,463	0.082 %	3.11 NAIC 5	\$	%
3.06 NAIC 6	\$	%	3.12 NAIC 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 \$ 856,673,293 16.137 %
 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	\$ 797,767,420		15.027 %
5.02 Countries designated NAIC 2	\$ 50,254,271		0.947 %
5.03 Countries designated NAIC 3 or below	\$ 8,651,602		0.163 %

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

Countries designated NAIC 1:	<u>1</u>	<u>2</u>	
6.01 Country 1: Cayman Islands	\$ 325,774,635		6.137 %
6.02 Country 2: United Kingdom	\$ 77,999,168		1.469 %
Countries designated NAIC 2:			
6.03 Country 1: India	\$ 14,503,553		0.273 %
6.04 Country 2: Mexico	\$ 13,757,598		0.259 %
Countries designated NAIC 3 or below:			
6.05 Country 1: Liberia	\$ 3,316,920		0.062 %
6.06 Country 2: Brazil	\$ 2,440,619		0.046 %

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

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

8.01 Countries designated NAIC 1	<u>1</u>	<u>2</u>	
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:	<u>1</u>	<u>2</u>	
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 CIBC Funding Ltd	1FE		\$ 29,802,325	0.561 %
10.02 Magnette CLO Ltd	1FE		\$ 26,237,207	0.494 %
10.03 BNP Paribas	2FE		\$ 23,389,635	0.441 %
10.04 Ares CLO Ltd	2FE		\$ 22,452,378	0.423 %
10.05 Regatta Funding Ltd	1FE		\$ 20,045,181	0.378 %
10.06 Apalos CLO Ltd	1FE		\$ 17,469,672	0.329 %
10.07 Carlyle Global Market	1FE		\$ 16,414,538	0.309 %
10.08 AGL CLO Ltd	1FE		\$ 16,212,158	0.305 %
10.09 UBS Group Funding	1FE		\$ 14,999,984	0.283 %
10.10 NTT Finance Corp	1FE		\$ 14,114,044	0.266 %

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> <u>Issuer</u>	<u>2</u>	<u>3</u>	
13.02 BlackRock MSCI ACWI Index Fund	\$ 511,229,448	9.630	%	
13.03 Morgan Stanley Prime Property Fund LLC	\$ 132,790,194	2.501	%	
13.04 RREEF America II LP	\$ 115,804,136	2.181	%	
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	\$	511,229,448	\$	\$	%
14.07 Morgan Stanley	\$	132,790,194	\$	\$	%
14.08 DWS	\$	115,804,136	\$	\$	%
14.09 State Street Global Advisors	\$	8,527,545	\$	\$	%
14.10	\$		\$	\$	%
14.11	\$		\$	\$	%
14.12	\$		\$	\$	%
14.13	\$		\$	\$	%
14.14	\$		\$	\$	%
14.15	\$		\$	\$	%

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>2</u>	<u>3</u>	
	<u>1</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:

	<u>At Year-end</u>		<u>1st Qtr</u>	<u>At End of Each Quarter</u>	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ 284,691,480	5.363 %	\$ 123,704,576	\$ 194,362,781	\$ 203,835,737
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:

	<u>Owned</u>		<u>3</u>	<u>Written</u>	
	<u>1</u>	<u>2</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:

	<u>At Year-end</u>		<u>1st Qtr</u>	<u>At End of Each Quarter</u>	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>2nd Qtr</u>	<u>3rd Qtr</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:

	<u>At Year-end</u>		<u>1st Qtr</u>	<u>At End of Each Quarter</u>	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
23.01 Hedging	\$	%	\$	\$	\$
23.02 Income generation	\$	%	\$	\$	\$
23.03 Replications	\$	%	\$	\$	\$
23.04 Other	\$	%	\$	\$	\$

APPENDIX C
GENERAL INTERROGATORIES (REINSURANCE)

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [] No [X]
1.2 If yes, indicate premium earned on U.S. business only.	\$ _____
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$ _____
1.31 Reason for excluding	_____
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$ _____
1.5 Indicate total incurred claims on all Medicare Supplement insurance.	\$ _____
1.6 Individual policies:	
Most current three years:	
1.61 Total premium earned	\$ _____
1.62 Total incurred claims	\$ _____
1.63 Number of covered lives	_____
All years prior to most current three years:	
1.64 Total premium earned	\$ _____
1.65 Total incurred claims	\$ _____
1.66 Number of covered lives	_____
1.7 Group policies:	
Most current three years:	
1.71 Total premium earned	\$ _____
1.72 Total incurred claims	\$ _____
1.73 Number of covered lives	_____
All years prior to most current three years:	
1.74 Total premium earned	\$ _____
1.75 Total incurred claims	\$ _____
1.76 Number of covered lives	_____
2. Health Test:	
	1 2
	Current Year Prior Year
2.1 Premium Numerator	\$ _____ \$ _____
2.2 Premium Denominator	\$ _____ \$ _____
2.3 Premium Ratio (2.1 / 2.2)	_____
2.4 Reserve Numerator	\$ _____ \$ _____
2.5 Reserve Denominator	\$ _____ \$ _____
2.6 Reserve Ratio (2.4 / 2.5)	_____
3.1 Did the reporting entity issue participating policies during the calendar year?	Yes [X] No []
3.2 If yes, provide the amount of premium written for participating and/or non-participating policies during the calendar year	
3.21 Participating policies	\$ 573,318,967
3.22 Non-participating policies	\$ 6,840,374
4. For Mutual reporting entities and Reciprocal Exchanges only:	
4.1 Does the reporting entity issue assessable policies?	Yes [] No [X]
4.2 Does the reporting entity issue non-assessable policies?	Yes [] No [X]
4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders?	_____ %
4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$ _____
5. For Reciprocal Exchanges Only:	
5.1 Does the exchange appoint local agents?	Yes [] No [X]
5.2 If yes, is the commission paid:	
5.21 Out of Attorney's-in-fact compensation	Yes [] No [] N/A [X]
5.22 As a direct expense of the exchange	Yes [] No [] N/A [X]
5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?	_____
5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?	Yes [] No [X]
5.5 If yes, give full information	_____
6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:	
The Company purchased reinsurance which provides \$160 million of coverage per occurrence in excess of a \$35 million retention, with a \$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 & 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 probable maximum loss is comprised of workers' compensation exposures, and the greatest concentrations of exposure are in Portland, Salem and along the Oregon coast. The Company has no exposure to property losses.
- 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?
N/A
- 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
N/A
- 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
N/A
- 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 & 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	\$ 117,074,229
12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$ 39,241,414

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? \$ 104,121

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 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home	\$	\$	\$	\$	\$
16.12 Products	\$	\$	\$	\$	\$
16.13 Automobile	\$	\$	\$	\$	\$
16.14 Other*	\$	\$	\$	\$	\$

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that is exempt from the statutory provision for unauthorized reinsurance?

Yes [] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from the statutory provision for unauthorized reinsurance. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3
exempt from the statutory provision for unauthorized reinsurance

\$ _____

17.12 Unfunded portion of Interrogatory 17.11

\$ _____

17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11

\$ _____

17.14 Case reserves portion of Interrogatory 17.11

\$ _____

17.15 Incurred but not reported portion of Interrogatory 17.11

\$ _____

17.16 Unearned premium portion of Interrogatory 17.11

\$ _____

17.17 Contingent commission portion of Interrogatory 17.11

\$ _____

18.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$ _____

18.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

18.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$ _____

19. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states?

Yes [] No [X]

19.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity?

Yes [X] No [] N/A []