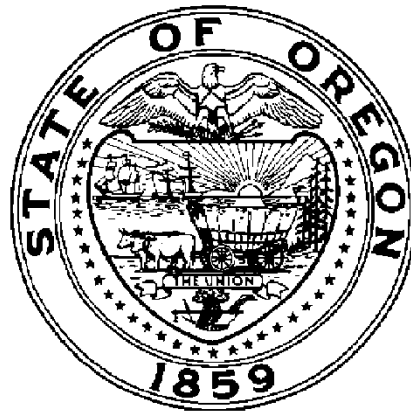


**STATE OF OREGON**

**DEPARTMENT OF  
CONSUMER AND BUSINESS  
SERVICES**

**DIVISION OF FINANCIAL  
REGULATION**



REPORT OF FINANCIAL EXAMINATION

OF

**STATE ACCIDENT INSURANCE FUND CORPORATION**  
**SALEM, OREGON**

AS OF

DEC. 31, 2022

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**STATE ACCIDENT INSURANCE FUND CORPORATION  
SALEM, OREGON**

**NAIC COMPANY CODE 36196**

AS OF

DEC. 31, 2022

## TABLE OF CONTENTS

<b>SALUTATION</b> .....	<b>3</b>
<b>SCOPE OF EXAMINATION</b> .....	<b>4</b>
<b>COMPANY HISTORY</b> .....	<b>5</b>
<b>CORPORATE RECORDS</b> .....	<b>6</b>
<i>Board Minutes</i> .....	6
<i>Articles of Incorporation</i> .....	6
<i>Bylaws</i> .....	7
<b>MANAGEMENT AND CONTROL</b> .....	<b>7</b>
<i>Board of Directors</i> .....	7
<i>Officers</i> .....	8
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	<b>8</b>
<b>PENSION PLANS AND OTHER POST RETIREMENT BENEFITS</b> .....	<b>9</b>
<i>Post Employment Benefits and Compensated Absences</i> .....	10
<i>Post Employment Benefits Unfunded Obligation</i> .....	10
<b>TERRITORY AND PLAN OF OPERATION</b> .....	<b>11</b>
<b>GROWTH OF THE COMPANY</b> .....	<b>12</b>
<b>LOSS EXPERIENCE</b> .....	<b>12</b>
<b>REINSURANCE</b> .....	<b>13</b>
<b>ACCOUNTS AND RECORDS</b> .....	<b>16</b>
<b>STATUTORY DEPOSIT</b> .....	<b>16</b>
<b>COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS</b> .....	<b>16</b>
<b>SUBSEQUENT EVENTS</b> .....	<b>16</b>
<b>FINANCIAL STATEMENTS</b> .....	<b>17</b>
<b>ASSETS</b> .....	18
<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b> .....	19
<b>STATEMENT OF INCOME</b> .....	20
<b>RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION</b> .....	21
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	<b>22</b>
<i>Note 1 – Invested Assets</i> .....	22
<i>Note 2 – Securities Lending Program</i> .....	22
<i>Note 3 – Actuarial Reserves</i> .....	22
<b>SUMMARY OF COMMENTS AND RECOMMENDATIONS</b> .....	<b>23</b>
<b>CONCLUSION</b> .....	<b>23</b>
<b>ACKNOWLEDGMENT</b> .....	<b>24</b>
<b>AFFIDAVIT</b> .....	<b>25</b>

## SALUTATION

Feb. 23, 2023

Honorable Andrew R. Stolfi  
Director  
Department of Consumer and Business Services  
Division of Financial Regulation  
State of Oregon  
350 Winter St. NE  
Salem, Oregon 97301-3883

Dear Director:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

**STATE ACCIDENT INSURANCE FUND CORPORATION**  
**400 High St. SE**  
**Salem, Oregon 97312**

**NAIC Company Code 36196**

Hereinafter referred to as “SAIF” or the “company.” The following report is respectfully submitted.

## **SCOPE OF EXAMINATION**

We have performed a regular, single-state financial examination of the State Accident Insurance Fund Corporation. The last examination covered the period of Jan. 1, 2014, through Dec. 31, 2017. This examination covers the period of Jan. 1, 2018, through Dec. 31, 2022.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1) which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the company's financial statements.

This examination report includes significant findings of fact, as mentioned in ORS 731.302 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions or

proprietary information), are not included within the examination report, but separately communicated to other regulators and the company.

## **COMPANY HISTORY**

The State Accident Insurance Fund Corporation was created in 1979 as an independent public corporation by passage of Senate Bill 255. By this enactment, SAIF became the successor to the State Accident Insurance Fund, which was created for the purpose of transacting workers' compensation business formerly transacted by the State Industrial Accident Commission. The latter operated as the exclusive state workers' compensation agency from 1914 through 1965.

### **Regulation of SAIF**

The provisions of ORS 731.028 exempt the company from many of the Insurance Code requirements, except those covering rate filings, accounting methods, annual statement filings and examinations. SAIF is not subject to several of the provisions that limit insurer investments, such as the limitations ordinarily imposed on investments in mortgage loans (ORS 733.600), real property (ORS 733.610), stocks of corporations (ORS 733.620), stocks or obligations of subsidiaries (ORS 733.630), noninvestment grade securities (ORS 733.695), and many other such items. SAIF is exempt from the "prudent investor" and prohibited investment standards of ORS 733.670 and 733.780. SAIF is not legally empowered to control its own investments or investment decisions. SAIF's investments are subject to the control of the Oregon state treasurer, pursuant to ORS 293.701 through 293.820.

SAIF is not subject to the statutory requirements of minimum required capital or surplus per ORS 731.554. Additionally, in the event of insolvency, SAIF is not subject to supervision, rehabilitation or liquidation statutes in ORS chapter 734.

While SAIF is exempt from many of the Insurance Code sections, it is subject to regulatory requirements that are not applicable to other insurers. Some of these special regulatory requirements include SAIF's board of directors is appointed by the governor, SAIF's investment officer is the Oregon state treasurer, SAIF's auditor is the secretary of state, SAIF's legal firm is the Oregon Department of Justice, and SAIF is statutorily required to insure state agencies. In addition, SAIF's records are subject to public record laws.

## **CORPORATE RECORDS**

### **Board Minutes**

The provisions of ORS 656.751(6) and the company's bylaws, Section 5, require the board to meet at least once every three months. The board held meetings during the period examined in accordance with the statute and the bylaws of the company. The provisions of ORS 656.751(5) define a quorum as a majority of the members of the board of directors.

In general, the review of 2018 to 2022 board meeting minutes of the company, as well as the audit and compensation committees authorized by the board, indicated that the minutes support the transactions of the company and clearly describes the actions taken by its directors and officers. A quorum met at all of the meetings held during the period under review. The board met quarterly, and additional meetings were scheduled as necessary.

### **Articles of Incorporation**

The company has no articles of incorporation. The board of director requirements and the company's purpose and function are defined by ORS 656.751 and ORS 656.752.

## **Bylaws**

The bylaws were most recently restated on June 12, 2012. There were no changes made to the company's bylaws during the period under examination. The bylaws conform to Oregon statutes.

## **MANAGEMENT AND CONTROL**

### **Board of Directors**

The company is governed by a five-member board of directors appointed by the governor, subject to confirmation by the Oregon Senate. Directors are appointed to four-year terms, but serve at the pleasure of the governor. Two members of the board are chosen to represent the public, and one of the remaining three members must be an insured or an employee of a SAIF insured. The board of directors met all the requirements of ORS 656.751. Board of directors members appointed and serving as of Dec. 31, 2022, were:

<b><u>Name and Address</u></b>	<b><u>Principal Affiliation</u></b>	<b><u>Last Appointed</u></b>
John C. Mohlis* Oregon City, Oregon	Retired – Former Executive Secretary Oregon State Building and Construction Trades Council	May 2022
Krishna Balasubramani Portland, Oregon	Partner Sather, Byerly, and Holloway, LLP	September 2021
Tamara L. Towner Baney Bend, Oregon	Executive Director Central Oregon Intergovernmental Council	September 2022
Johnell M. Bell Portland, Oregon	Chief Executive Director Espousal Strategies, LLC	September 2022
Hans E. Bernard Portland, OR	Director, North American Governmental and Public Affairs/Lobbyist Nike, Inc.	September 2022

\*Chairperson



**Officers**

Principal officers serving as of Dec. 31, 2022, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Charles A. Terhune III	President and Chief Executive Officer
Gina M. Manley	Vice President – Finance and CFO
Kevin A. Grainey	Controller
Laura N. Cali Robison	Vice President – Chief Actuarial and Strategy Officer
Pamela R. Ahr	Chief Safety Officer
Kathy L. Gehring	Vice President – Claims
Sharifa T. Gomez	Vice President – Human Resources
Christine A. Vrontakis	Vice President – Policyholder Services
Christine L. Witzke	Vice President – Marketing, Sales, and Communications
Kenneth R. Collins	Vice President – Information Technology & CIO
Todd P. Graneto	Vice President – Premium Audit and Underwriting
Christina A. Lincicome	Chief Diversity Equity and Inclusion Officer
Shannon N. Rickard	Vice President – Chief Legal Counsel and Procurement
Holly A. Tindall	Vice President – Corporate Services
Ian M. Williams	Chief Operating Officer

**FIDELITY BOND AND OTHER INSURANCE**

A fidelity bond written by Fidelity and Deposit Company of Maryland insures the State of Oregon (including SAIF Corporation) against losses caused by its employees and officers’ dishonesty.

This fidelity bond coverage met the NAIC recommended minimum coverage.

The purpose of self-insuring is to pay reasonably for harm wrongly or negligently done by or on behalf of the state and to defend against claims that appear false or unfounded. These services are provided to state agencies by the Department of Administrative Services – Risk Management Division and the Department of Justice – Trial Division.

All other insurance coverages in force as of Dec. 31, 2022, provided by the State of Oregon’s Risk Management Division, is as follows:

Boiler and Machinery Breakdown

Excess Real and Personal Property

## Terrorism

The company insures its own employees for workers' compensation.

Although the company does not have directors and officer's coverage, directors and officers of the company are afforded protection under the State of Oregon's tort laws, which limit the damages against employees performing services on behalf of the company.

The above coverages were found to be adequate as of Dec. 31, 2022.

## **PENSION PLANS AND OTHER POST RETIREMENT BENEFITS**

### **Pension Funds**

Many of the company's employees participate in the Oregon Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined-benefit pension plan. The PERS Board of Trustees administers the program under the guidelines of ORS Chapter 238. Beginning Jan. 1, 2004, all covered employees are required by state statute to contribute 6 percent of their salary to the Individual Account Program (a defined contribution plan). Current law permits employers to pay its employees' contributions to PERS, which the company has elected to do. As of Dec. 31, 2022, SAIF contributes 21.36 percent of each employee's covered salary to the PERS program and 6 percent to the IAP. For the required contributions, 9.71 percent of employees' salaries is covered by the side account rate relief, and SAIF contributes the remaining 11.65 percent of salary. Rates are subject to change as a result of subsequent actuarial valuations.

Company employees hired on or after Aug. 29, 2003, participate in the Oregon Public Service Retirement Plan (OPSRP) after completing six months of service. OPSRP is a hybrid pension plan administered by the PERS Board of Trustees with two components: the pension program (defined

benefit) and the Individual Account Program (defined contribution). As of Dec. 31, 2022, the company contributes 17.29 percent of each covered employee's salary to the pension program and 6 percent to the Individual Account Program. For the required OPSRP pension program contributions, 9.71 percent of employee's salaries is covered by the side account rate relief, and SAIF contributes the remaining 7.58 percent of salary. Rates are subject to change as a result of subsequent actuarial valuations.

Along with other State of Oregon agencies, the company participates in paying debt service on PERS bonds issued in October 2003 to reduce the unfunded PERS liability. The bonds are due to mature 25 years after the date of issuance. As of Dec. 31, 2022, the repayment rate is 5.60 percent of payroll each month. The payment rate is recalculated each state fiscal biennium.

Amounts contributed by the company for all plans for the years ended Dec. 31, 2022, and 2021 were \$19,177,254 and \$17,679,911, respectively.

#### **Post-Employment Benefits and Compensated Absences**

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

#### **Post-Employment Benefits Unfunded Obligation**

Because PERS is a multiemployer plan, the company does not record the PERS unfunded actuarial liability on its balance sheet. All contributions to the plan are recognized as an expense and charged to surplus as they are required to be made. To be more transparent, the company has segregated

the unfunded portion in its surplus account as an “aggregate write-ins for special surplus funds” in accordance with SSAP No. 72, paragraph 13, in the amount of \$44,300,000 as of Dec. 31, 2022.

### **TERRITORY AND PLAN OF OPERATION**

The company is a direct writer of workers’ compensation insurance in the State of Oregon. The company is not required to hold a certificate of authority.

The company offers workers’ compensation coverage under distinct rate tiers based on an employer's loss experience. Rates are composed of a base rate, determined by the National Council on Compensation Insurance (NCCI) and approved by the Department of Consumer and Business Services, and then multiplied by a loss cost multiplier determined by the company. If an employer is unable to obtain coverage from an authorized insurer, the employer must obtain coverage through the State of Oregon’s Workers’ Compensation Insurance Plan (WCIP). The company participates as a servicing carrier of the WCIP residual market and pays its proportionate share of pool losses in excess of pooled premiums.

In addition to different rate classes, the company offers various forms of premium payment plans under premium calculation methods, such as the standard and retrospective plans. Under the standard plan, coverage is provided for a fixed premium paid on a monthly, quarterly, or yearly basis. The company's retrospective premium plans are generally offered to larger employers, and premiums are based on the employer’s actual loss experience, subject to maximum and minimum amounts. An employer’s losses are evaluated at fixed periods following the end of a policy period.

The company markets its business directly and through independent agents and has local offices throughout the state that offer safety services, marketing, premium audit, investigation, and return-

to-work services to policyholders. Local offices providing these policyholder services are in Bend, Eugene, Medford, North Bend, Portland, and Salem with additional staff members in other locations throughout the state.

### **GROWTH OF THE COMPANY**

Growth of the company over the past five years is reflected in the following schedule. Amounts were derived from company's annual statements, except in those years in which a report of examination was published by the Oregon Division of Financial Regulation.

<b><u>Year</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Surplus and Other Funds</u></b>	<b><u>Net Income (Loss)</u></b>
2018	\$ 5,122,475,181	\$ 3,116,494,087	\$ 2,005,981,094	\$ 185,339,599
2019	5,079,035,953	3,002,148,070	2,076,887,883	112,794,253
2020	5,199,570,607	2,945,022,238	2,254,548,369	90,454,683
2021	5,242,874,212	3,000,563,348	2,242,310,864	(47,781,836)
2022*	5,116,697,832	2,927,787,026	2,188,910,806	58,743,578

\*Per examination

### **LOSS EXPERIENCE**

The following exhibit reflects the annual underwriting results of the company over the last five years. The amounts were obtained from copies of the company's filed annual statements and, where indicated, from the previous examination reports.

<u>Year</u>	(1) <u>Premium Earned</u>	(2) <u>Losses Incurred</u>	(3) <u>LAE and Other Underwriting Expenses</u>	(2)+(3)/(1) <u>Ratio</u>
2018	\$ 524,287,256	\$ 163,453,750	\$ 174,838,888	64.52%
2019	507,268,241	316,606,777	208,566,791	103.53%
2020	483,377,217	264,258,435	215,566,436	99.27%
2021	538,944,051	436,515,382	202,858,511	118.63%
2022*	554,857,939	292,787,624	233,545,109	94.86%

\*Per examination

A ratio of losses incurred, LAE, and other underwriting expenses to premium earned of more than 100 percent typically indicates an underwriting loss. The company has reported net underwriting losses in two of the past five years.

## REINSURANCE

### Assumed Reinsurance

Effective Dec. 1, 2022, and expiring Nov. 30, 2025, the company entered into an agreement to assume workers' compensation insurance written by Zurich American Insurance Company, Zurich American Insurance Company of Illinois, and American Zurich Insurance Company (collectively "Zurich") under a 100 percent quota share fronting reinsurance agreement. This agreement covers workers' compensation insurance for workers based outside Oregon whose employers are based in Oregon and insured by the company and is identified as its Other States Coverage (OSC) program. This program has been in place since 2011 under previous agreements with Zurich. The underwriting of this business is handled by the company. The assumed written premium amount as of Dec. 31, 2022, was \$21,655,020. In accordance with the reinsurance trust agreement (trust) between the company, Zurich, and Wilmington Trust National Association, the company has pledged assets with a book-adjusted carrying value in the amount of \$47,650,180 supporting the outstanding obligations for that assumed business.

### **Ceded Reinsurance**

As of Dec. 31, 2022, the company's reinsurance program was comprised of workers' compensation catastrophe excess of loss. The company's reinsurance agreements were obtained through a third-party intermediary.

The company maintains reinsurance protection providing limits of \$160 million excess of \$35 million per occurrence with a \$15 million maximum on any one life. This reinsurance protection excludes coverage for nuclear, biological, chemical, or radiological events. During 2022, the company had reinsurance protection for terrorism losses for the industry in excess of \$200,000,000. The company is covered with a deductible of 20 percent of its 2021 written premium for acts of foreign and domestic terrorism through the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA).

Effective Jan. 1, 2022, the company has reinsurance coverage through a first- and second-layer workers' compensation catastrophic excess of loss reinsurance agreement ceding 100 percent of the interest and liabilities to various foreign and alien professional reinsurers. The first layer of reinsurance covers up to \$60 million ultimate net loss in excess of \$35 million retention each loss. The second reinsurance layer covers \$100 million ultimate net loss in excess of \$65 million retention each loss. Together, the two layers of this reinsurance agreement establish an aggregate limit of \$320 million for all occurrences. Workers' compensation policies written by the company with maximum policy limits up to \$15 million on any one life are covered by this reinsurance agreement.

The following chart reflects the company’s retention and reinsurance under this catastrophe excess of loss agreement with various reinsurers, with the following terms:

Layer	Retention and Limit Schedule		
	Retention	Reinsurer’s	Limit of Liability
	Ultimate Net Loss in respect of each Loss Occurrence	In respect of each Loss Occurrence	Aggregate Limit of Liability for the term of this Contract
First Excess	\$35,000,000	\$60,000,000	\$120,000,000
Second Excess	\$95,000,000	\$100,000,000	\$200,000,000

**Assigned Risk Pool (Both Ceded and Assumed)**

The company operates as a servicing carrier for NCCI in Oregon. Under the terms of the servicing agreement, the company writes the assigned risk business and cedes 100 percent to the NCCI Assigned Risk Pool, whereby NCCI retrocedes all the assigned risk pool premiums and losses out to workers’ compensation insurance companies writing in Oregon based on their percentage of the total workers’ compensation net written premium for Oregon. This resulted in the company assuming \$18,685,929 in premium from the assigned risk pool.

**Risk Retention**

The provisions of ORS 731.504 generally prohibit an insurer from retaining risk on any one subject of insurance in excess of 10 percent of its surplus to policyholders. The company, however, is not subject to this statute pursuant to ORS 731.028. Given the company’s year-end 2022 surplus as regards policyholders of \$2,188,910,806, a single risk being greater than 10 percent of surplus is remote.



### **Insolvency Clause**

The reinsurance agreement's insolvency clause specifies that payments would be made to a statutory successor without diminution in the event of insolvency.

## **ACCOUNTS AND RECORDS**

In general, the company's records and source documentation supported the amounts presented in the company's Dec. 31, 2022, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. From a review of the company's internal controls and disaster recovery plan, it was determined that the current information system possessed the physical and internal controls as prescribed by the NAIC.

## **STATUTORY DEPOSIT**

The company is required to maintain a deposit with the Oregon Division of Financial Regulation, Department of Consumer and Business Services, pursuant to ORS 737.602. As of Dec. 31, 2022, two certificate of deposit with par values of \$225,000 and \$125,000, respectively.

As of Dec. 31, 2022, the company also had on deposit \$8,000,000 with the federal government under the U.S. Longshore and Harbor Workers' Compensation Act (LCHWCA). As well as, two U.S. Treasury bonds, with a par value of \$45,000,000 and \$1,950,000, respectively, held with Wilmington Trust.

## **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were no recommendations or comments made as a result of the prior examination.

## **SUBSEQUENT EVENTS**

Effective June 2023, Laura Cali Robison, chief actuary and strategy officer, resigned from the position. Effective July 2023, Olivia Keefer, actuarial director, was promoted to fill the position of chief actuarial officer.

At its Sept. 6, 2023, board meeting, the company approved a \$135,000,000 policyholder dividend based on solid financial standing and continued success in managing workplace safety and health and controlling losses. A portion of the dividend was applied to past due balances at the end of September 2023, and the remainder was distributed to policyholders in October 2023.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the company with the Division of Financial Regulation and present the financial condition of the company for the period ending Dec. 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

- Statement of Assets
- Statement of Liabilities, Surplus and Other Funds
- Statement of Income
- Reconciliation of Capital and Surplus Since the last Examination

**STATE ACCIDENT INSURANCE FUND CORPORATION**  
**ASSETS**  
**As of Dec. 31, 2022**

<u>ASSETS</u>	<u>Balance per Company</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Notes</u>
Bonds	\$ 3,795,114,694	\$ -	\$ 3,795,114,694	1
Common stocks	568,610,842	-	568,610,842	1
Real estate			-	
Properties occupied by the company	89,608,397	-	89,608,397	
Cash, cash equivalents, and short- term investments	37,228,131	-	37,228,131	
Other invested assets	172,518,507	-	172,518,507	
Receivables for securities	941,741	-	941,741	
Securities lending reinvested collateral assets	50,288,421	-	50,288,421	2
Aggregate write-ins for invested assets	-	-	-	
Subtotals, cash and invested assets	<u>\$ 4,714,310,733</u>	<u>\$ -</u>	<u>\$ 4,714,310,733</u>	
Investment income due and accrued	32,871,225	-	32,871,225	
Premiums and considerations				
Uncollected premiums and agents' balances in the course of collection	4,988,363	-	4,988,363	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	288,479,792	-	288,479,792	
Accrued retrospective premiums	30,090,221	-	30,090,221	
Reinsurance				
Amounts recoverable	40,035	-	40,035	
Funds held by or deposited	2,200,000	-	2,200,000	
Electronic data processing equipment and software	568,679	-	568,679	
Aggregate write-ins for other-than- invested assets	43,148,784	-	43,148,784	
Total Assets	<u>\$ 5,116,697,832</u>	<u>\$ -</u>	<u>\$ 5,116,697,832</u>	

**STATE ACCIDENT INSURANCE FUND CORPORATION**  
**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**As of Dec. 31, 2022**

	<u>Balance per Company</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Notes</u>
Losses	\$ 2,085,679,307	\$ -	\$ 2,085,679,307	3
Loss adjustment expenses	379,002,063	-	379,002,063	3
Commissions payable	18,395,858	-	18,395,858	
Other expenses	36,308,194	-	36,308,194	
Taxes; licenses and fees	42,315,241	-	42,315,241	
Unearned premiums	240,685,390	-	240,685,390	
Advance premium	13,378,734	-	13,378,734	
Ceded reinsurance premiums payable	(21,815)	-	(21,815)	
Amounts withheld or retained by company for account of others	44,671,841	-	44,671,841	
Remittances and items not allocated	125,731	-	125,731	
Payable for securities	7,460	-	7,460	
Payable for securities lending	50,273,993	-	50,273,993	
Aggregate write-ins for liabilities	16,965,029	-	16,965,029	
Total Liabilities	<u>\$ 2,927,787,026</u>	<u>\$ -</u>	<u>\$ 2,927,787,026</u>	
Aggregate write-ins for special surplus funds	\$ 44,300,000	\$ -	\$ 44,300,000	
Unassigned funds (surplus)	2,144,610,806	-	2,144,610,806	
Surplus as regards policyholders	2,188,910,806	-	2,188,910,806	
Total Liabilities, Surplus and other Funds	<u>\$ 5,116,697,832</u>	<u>\$ -</u>	<u>\$ 5,116,697,832</u>	

**STATE ACCIDENT INSURANCE FUND CORPORATION**  
**STATEMENT OF INCOME**  
**For the Year Ended Dec. 31, 2022**

	<u>Balance per Company</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Notes</u>
<b>Underwriting Income</b>				
Premiums earned	\$ 554,857,939	\$ -	\$ 554,857,939	
Deductions:				
Losses incurred	292,787,624	-	292,787,624	
Loss adjustment expenses incurred	81,517,530	-	81,517,530	
Other underwriting expenses incurred	152,027,579	-	152,027,579	
Aggregate write-ins for underwriting deductions	-	-	-	
Total underwriting deductions	<u>526,332,733</u>	-	<u>526,332,733</u>	
Net underwriting gain (loss)	<u>28,525,206</u>	-	<u>28,525,206</u>	
<b>Investment Income</b>				
Net investment income earned	138,691,359	-	138,691,359	
Net realized capital gains (losses)	<u>(33,765,796)</u>	-	<u>(33,765,796)</u>	
Net investment gain (loss)	<u>104,925,563</u>	-	<u>104,925,563</u>	
<b>Other Income</b>				
Net gain (loss) from agents' or premium balances charged off	(1,050,884)	-	(1,050,884)	
Finance and service charges not included in premiums	-	-	-	
Aggregate write-ins for miscellaneous income	1,339,061	-	1,339,061	
Total other income	<u>288,177</u>	-	<u>288,177</u>	
Net income before dividends to policyholders; federal income taxes incurred	133,738,946	-	133,738,946	
Dividends to policyholders	74,995,368	-	74,995,368	
Federal income taxes incurred	-	-	-	
Net income	<u>\$ 58,743,578</u>	<u>\$ -</u>	<u>\$ 58,743,578</u>	

**STATE ACCIDENT INSURANCE FUND CORPORATION**  
**RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION**  
**For the Year Ended Dec. 31,**

	2022	2021	2020	2019	2018
Surplus as regards policyholders, Dec. 31, previous year	<u>\$ 2,242,310,864</u>	<u>\$ 2,254,548,369</u>	<u>\$ 2,076,887,883</u>	<u>\$ 2,005,981,094</u>	<u>\$ 1,889,500,274</u>
Net income	58,743,578	(47,781,836)	90,454,683	112,794,253	185,339,599
Net transfers (to) from protected cell accounts	-	-	-	-	-
Change in net unrealized capital gains or (losses)	(103,784,969)	35,136,008	75,167,620	46,262,207	(66,017,661)
Change in net unrealized foreign exchange capital gain (loss)	-	-	-	-	-
Change in net deferred income tax	-	-	-	-	-
Change in nonadmitted assets	(8,358,667)	408,323	12,038,183	(100,087,671)	(3,452,804)
Change in provision for reinsurance	-	-	-	-	-
Change in surplus notes	-	-	-	-	-
Cumulative effect of changes in accounting principles	-	-	-	-	-
Capital changes:					
Paid in	-	-	-	-	-
Transferred from surplus (stock dividend)	-	-	-	-	-
Transferred to surplus	-	-	-	-	-
Surplus adjustments					
Paid in	-	-	-	-	-
Transferred to capital (stock dividend)	-	-	-	-	-
Transferred from capital	-	-	-	-	-
Dividends to parents (Cash)	-	-	-	-	-
Change in treasury stock	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-	11,938,000	611,686
Change in surplus as regards policyholders for the year	<u>(53,400,058)</u>	<u>(12,237,505)</u>	<u>177,660,486</u>	<u>70,906,789</u>	<u>116,480,820</u>
Surplus as regards policyholders, Dec. 31, current year	<u><u>\$ 2,188,910,806</u></u>	<u><u>\$ 2,242,310,864</u></u>	<u><u>\$ 2,254,548,369</u></u>	<u><u>\$ 2,076,887,883</u></u>	<u><u>\$ 2,005,981,094</u></u>

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Invested Assets

The company's investments are held by the Oregon state treasurer under the provisions of ORS 656.632. The Oregon Investment Council sets the investment goals and determines the asset allocations in accordance with ORS 293.726 and SAIF's business needs. At year-end 2022, the company's total investment components were 80.5 percent fixed income securities, 12.1 percent equities and .79 percent cash, short-term, and cash equivalents.

Most of the company's long-term bond investments were in industrial and miscellaneous corporate issues, U.S. agencies, U.S. Treasury, U.S. special revenue, and hybrid issues. Many of the securities were mortgage-backed and asset-backed securities. A comparison of the investments to total admitted assets over the past five years is as follows:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Common Stock</u>	<u>C</u> <u>Cash, Short Term</u> <u>and Cash</u> <u>Equivalents</u>	<u>Ratio</u> <u>A/</u> <u>Total</u> <u>Assets</u>	<u>Ratio</u> <u>B/</u> <u>Total</u> <u>Assets</u>	<u>Ratio</u> <u>C/</u> <u>Total</u> <u>Assets</u>
2018	\$3,879,279,318	\$532,875,263	\$ 62,016,206	75.7%	10.4%	1.2%
2019	3,828,094,580	492,780,536	151,093,508	75.4%	9.7%	3.0%
2020	3,679,291,416	614,411,472	246,979,155	70.8%	11.8%	4.7%
2021	3,805,008,289	624,834,966	128,220,230	72.6%	11.9%	2.4%
2022*	3,795,114,694	568,610,842	37,228,131	74.2%	11.1%	0.7%

\* Balance per examination

### Note 2 – Securities Lending Program

The Oregon Investment Council directed the company's participation in a securities lending program. For the company's securities lending arrangements, borrowers are required to deliver collateral for each loan equal to not less than 102 percent. Securities loaned as of year-end 2022 had a fair market value of \$49,549,236 or 1.05 percent of total cash and invested assets. The fair market value of collateral held was \$51,166,085 or 102.1 percent of loan securities. Net income earned from security lending during 2022 was \$172,648.

### Note 3 – Actuarial Reserves

The State of Oregon secretary of state retained Steven G. McKinnon, FCAS, MAAA, FCA, senior principal of Oliver Wyman Actuarial Consulting Inc., to conduct an actuarial review of SAIF's loss liabilities as of Dec. 31, 2022. He examined the methods and assumptions used to determine the stated reserves of the company as determined by Rod Morris, FCAS, FSA, MAAA, of the firm

Deloitte Consulting LLP, who was appointed by the board on Sept. 8, 2021. Specifically, the items examined included losses, loss adjustment expenses (LAE), retrospective premiums payable and receivable, and dividends to policyholders.

Mr. McKinnon concluded the losses and LAE as stated were sufficient to provide unpaid claims cost as of Dec. 31, 2022.

Although his estimate of loss and LAE reserves was lower than the company’s estimate, they were within his range. Mr. McKinnon also noted that the company’s reserves has moved closer to his average estimate than has been the case for the past couple of years. In Mr. McKinnon’s opinion, the company carried reserves are within a range of reasonable value.

David Dahl, FCAS, MAAA, actuary for the Division of Financial Regulation, did a peer review of Mr. McKinnon’s assessment and concurred with the conclusion made.

### **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There were no adjustments made to the company’s surplus as a result of this examination and no recommendations were made.

### **CONCLUSION**

During the five-year period covered by this financial examination, the company’s surplus increased from \$1,889,500,274, as presented in the Dec. 31, 2017, financial report of examination, to \$2,188,910,806, as shown in this report of financial examination. Below are the comparative assets and liabilities:

	<b><u>2022</u></b>	<b>Dec. 31,</b>	<b><u>2017</u></b>	<b><u>Change</u></b>
Assets	\$5,116,697,832		\$5,294,193,781	\$ (177,495,949)
Liabilities	<u>2,927,787,026</u>		<u>3,404,693,507</u>	<u>(476,906,481)</u>
Surplus	<u>\$2,188,910,806</u>		<u>\$1,889,500,274</u>	<u>\$ 299,410,532</u>



## ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the company during the examination process are gratefully acknowledged.

In addition to the undersigned, Chivonne Bradley insurance examiner, David Dahl, FCAS, MAAA, and Ying Liu, ASA, MAAA, property and casualty actuaries for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in the examination. Additionally, Daniel Judge, CFE, supervisor, Mary Miller, AFE, senior associate, and Stephen Skenyon, CISA, CPA, IT senior manager, from Risk and Regulatory Consulting LLC, participated in the examination.

Respectfully submitted,

/s/ Tho Le  
Tho Le, CFE, PIR  
Senior Insurance Examiner  
Division of Financial Regulation  
Department of Consumer and Business Services  
State of Oregon

**AFFIDAVIT**

STATE OF OREGON)

County of Marion)

Tho Le, CFE, PIR, being duly sworn, states as follows:

1. I have authority to represent the State of Oregon in the examination of State Accident Insurance Fund Corporation, Salem, Oregon.
2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report. The examination of State Accident Insurance Fund Corporation was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

/s/ Tho Le  
Tho Le, CFE, PIR  
Senior Insurance Examiner  
Division of Financial Regulation  
Department of Consumer and Business Services  
State of Oregon

Subscribed and sworn to before me this 15th day of May, 2024.

/s/ Eliva R. Warrington  
Notary Public in and for the State of Oregon

My Commission Expires: 8/1/2026