SAIF Corporation

Financial Statements—Statutory Basis as of and for the Years Ended December 31, 2023 and 2022, Supplementary Schedules as of December 31, 2023, 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, 2023 and 2022, 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 respective financial position of SAIF as of December 31, 2023 and 2022, 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, Insurance Division.

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

In preparing the 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, Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Insurance Division of the State of Oregon. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the statutory basis financial statements as a whole. The summary investment schedule, supplemental investment risk 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 Insurance Division of the Oregon Department of Consumer and Business Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
July 26, 2024

SAIF CORPORATION

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS—STATUTORY BASIS
AS OF DECEMBER 31, 2023 and 2022
(In thousands)

	2023	2022
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Bonds	$ 3,693,624	$ 3,795,115
Common stocks	521,906	428,252
Real estate investments	258,832	296,564
Real estate, net of accumulated depreciation of $28,084 and $24,886:		
Properties occupied by SAIF	86,411	89,608
Cash, cash equivalents, and short-term investments	56,954	37,228
Other invested assets	16,310	16,314
Receivable for securities sold	1,028	942
Security lending reinvested collateral	65,366	50,288
Total cash and invested assets	4,700,431	4,714,311
Interest, dividends, and real estate income due and accrued	33,000	32,871
Premiums in course of collection	7,840	4,988
Premiums and installments booked but deferred and not yet due	315,760	288,480
Accrued retrospective premiums receivable	23,815	30,090
Reinsurance recoverables	2,280	2,240
Electronic data processing (EDP) equipment and operating software, net of accumulated depreciation of $5,808 and $4,922	1,365	569
Due from Workers' Compensation Division	9,865	9,703
Other assets	33,126	33,480
TOTAL	$ 5,127,482	$ 5,116,732
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES:		
Losses	$ 2,128,393	$ 2,092,267
Loss adjustment expenses	391,772	379,002
Other accrued expenses	59,977	54,830
Taxes, licenses, and fees	46,063	42,315
Unearned premiums	258,526	240,541
Advance premium	10,333	13,379
Amounts withheld or retained for account of others	36,374	44,672
Other liabilities	4,764	5,256
Unclaimed property	2,143	1,630
Payable for securities purchased	-	7
Payable for securities lending	65,353	50,274
Accrued retrospective premiums payable	9,401	12,390
Total liabilities	3,013,099	2,936,563
CAPITAL AND SURPLUS:		
Assigned surplus - PERS unfunded actuarial liability	72,700	72,700
Unassigned surplus	2,041,683	2,107,469
Total capital and surplus	2,114,383	2,180,169
TOTAL	$ 5,127,482	$ 5,116,732

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, 2023 AND 2022
(In thousands)

	2023	2022
UNDERWRITING REVENUES—Premiums earned, net	$ 590,847	$ 555,377
UNDERWRITING EXPENSES:		
Losses incurred, net	413,090	303,066
Loss adjustment expenses incurred	125,785	81,518
Other underwriting expenses incurred	166,827	152,071
Total underwriting expenses	705,702	536,655
NET UNDERWRITING (LOSS) GAIN	(114,855)	18,722
NET INVESTMENT INCOME:		
Net investment income earned	159,277	138,692
Net realized investment (losses)	(39,878)	(33,766)
Net investment income	119,399	104,926
OTHER INCOME (EXPENSE):		
Net loss from premium balances charged off	(1,563)	(1,319)
Other income	1,249	1,340
Total other income (expense), net	(314)	21
Net income before dividends to policyholders	4,230	123,669
POLICYHOLDER DIVIDENDS	(134,986)	(74,995)
NET (LOSS) INCOME	$ (130,756)	$ 48,674
CAPITAL AND SURPLUS:		
Total capital and surplus—beginning of year	$ 2,180,169	$ 2,243,638
Net (loss) income	(130,756)	48,674
Change in net unrealized capital gains (losses)	63,580	(103,785)
Change in nonadmitted assets	1,390	(8,358)
Net change in capital and surplus	(65,786)	(63,469)
Total capital and surplus—end of year	$ 2,114,383	$ 2,180,169

See notes to financial statements—statutory basis.

SAIF CORPORATION

STATEMENTS OF CASH FLOWS—STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands)

	2023	2022
CASH FROM (USED IN) OPERATIONS:		
Cash from underwriting:		
Premiums collected, net of reinsurance	$ 576,869	$ 550,393
Net investment income	166,968	150,418
Net cash from underwriting	743,837	700,811
Miscellaneous income (expense)	(314)	22
Benefits and loss related payments	(377,004)	(359,572)
Underwriting expenses paid	(262,247)	(242,630)
Policyholder dividend payments	(134,986)	(74,995)
Net cash (used in) from operations	(30,714)	23,636
CASH FROM (USED IN) INVESTMENTS:		
Proceeds from investments sold, matured, or repaid:		
Bonds	812,455	1,027,774
Common stocks	236	240
Other invested assets	(14,435)	(7,302)
Cash and short-term investments	(4)	(14)
Miscellaneous payments	(86)	(175)
Total proceeds from investments sold, matured, or repaid	798,166	1,020,523
Cost of investments acquired:		
Bonds	746,111	1,080,953
Common stocks	-	268
Real estate investments	2,568	39,602
Other invested assets	(15,079)	(7,301)
Miscellaneous receipts	7	(6)
Total cost of investments acquired	733,607	1,113,516
Net cash from (used in) investments	64,559	(92,993)
CASH FROM (USED IN) FINANCING AND MISCELLANEOUS SOURCES:		
Other cash provided	(8,458)	(2,482)
Other cash applied	(5,661)	(19,153)
Net cash from (used in) financing and miscellaneous sources	(14,119)	(21,635)
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Net increase (decrease) in cash, cash equivalents, and short-term investments	19,726	(90,992)
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Beginning of year	37,228	128,220
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—End of year	$ 56,954	$ 37,228

See notes to financial statements—statutory basis.

Supplemental schedule of noncash transactions:
Noncash investment transactions were $45.3 million and $27.3 million for both investment acquisitions and dispositions resulting from tax-free exchange transactions for the years ended December 31, 2023 and 2022, respectively. During 2023, one real estate fund totaling $120.6 million which was previously classified as common stock went through a restructuring, and now both funds are included in in other invested assets.

1. NATURE OF OPERATIONS

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

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

SAIF writes business on a direct basis as well as through agents. Premiums written on a direct basis were 16.9 percent and 17.4 percent of standard premium during 2023 and 2022. 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 $435.2 million and $391.8 million at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, 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.

The current market volatility is reflected in SAIF's investment results. Inflation, rising interest rates, and geopolitical risks continue to impact SAIF's financial position. For the year, SAIF's investment holdings posted an unrealized gain of $63.6 million primarily driven by increase in equity and bond holdings. Equity holdings recorded $93.7 million of unrealized gains, bond holdings recorded $9.5 million in unrealized gains, and real estate fund investments recorded $39.6 million in unrealized losses driven by declines in office and retail sectors.

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 2023 and 2022, 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 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, 2023 and 2022. Due to the timing delay, SAIF has evaluated subsequent events that may impact the assets and liabilities of the plan and determined that the valuation of liability is still materially accurate. Based on this information, the special surplus fund for the unfunded pension benefits is $72.7 million at December 31, 2023 and 2022.

(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.

Investments—Bonds and short-term investments not backed by mortgages or other assets are generally carried at amortized cost using the scientific interest method. Noninvestment grade bonds (NAIC designation 3 to 6) are carried at the lower of amortized cost or fair value. There were no bonds held by SAIF which were in or near default at December 31, 2023 and 2022. 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 2023 and 2022 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, 2023 and 2022.

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, 2023 and 2022, 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, 2023 and 2022.

Cash, cash equivalents, and short-term investments—SAIF places its temporary cash investments with the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool that operates as a demand deposit account. As a result, SAIF's investment is not impacted by changes in the market value of the OSTF. By statute, the OSTF may hold securities with maturities no greater than three years. Audited financial statements and monthly compliance summaries, which include information about the OSTF's maturity distribution and credit quality, may be obtained at the Oregon State Treasury's web site: https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx. As of December 31, 2023 and 2022, SAIF's balance in the OSTF was $35.5 million and $18.9 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, 2023 and 2022, was 46 days and 12 days, respectively. The Institutional U.S. Government Money Market Fund had a credit quality rating of AAAm as of December 31, 2023 and 2022. At December 31, 2023 and 2022, SAIF's balance in the Institutional U.S. Government Money Market Fund was $4.1 million and $18.3 million, respectively. As of December 31, 2023, SAIF held $15.0 million in Treasury bills. There were no Treasury bills held as of December 31, 2022. At December 31, 2023, SAIF held $2.2 million in short-term bonds. There were no short-term bonds held as of December 31, 2022.

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 $11.9 million and $11.1 million at December 31, 2023 and 2022, respectively.

SAIF has several capital projects in progress or completed during the years ended December 31, 2023 and 2022. These include a human resources (HR) system, a registration and profile management system phase I, and final costs on a finance and procurement system completed in 2022. A new claims system, a registration and profile management system phase II, and a digital payment project were in progress in 2023. The table below shows the total costs incurred on these projects for the years ended December 31, 2023 and 2022.

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

	2023		2022	
	Year-to-date	**Life-to-date**	**Year-to-date**	**Life-to-date**
Finance and procurement system	$ -	$ 1,954	$ 12	$ 1,954
HR core system	$ 162	$ 3,032	$ 1,905	$ 2,870
Claims system	$ 8,175	$ 36,140	$ 17,980	$ 27,965
RPM phase I	$ 380	$ 950	$ 570	$ 570
RPM phase II	$ 720	$ 720	$ -	$ -
Digital Payment	$ 972	$ 972	$ -	$ -

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, 2023 and 2022, were $315.8 million and

$288.5 million, respectively, including unearned premiums of $184.1 million and $178.4 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, 2023 and 2022, were $17.3 million and $18.3 million, respectively.

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

SAIF estimates accrued retrospective premiums receivable and payable by reviewing historical loss and premium development patterns at various stages of maturity and using these historical patterns to arrive at the best estimate of return and additional retrospective premiums on all open retrospectively rated policies. Premiums written on retrospective workers' compensation policies for 2023 and 2022 were $102.3 million and $96.1 million, respectively, or 16.8 and 17.0 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, 2023 and 2022, the admitted balance was as follows (dollars in thousands):

	2023	**2022**
Total accrued retrospective premiums receivable	$26,461	$33,434
Less nonadmitted amount (10 percent)	2,646	3,344
Admitted accrued retrospective premiums receivable	$23,815	$30,090

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

Management believes the reserve for unpaid losses and LAE at December 31, 2023 and 2022, is a reasonable estimate of net future claim costs and expenses associated with administering claims. Annually, executive leaders review key actuarial assumptions used to estimate this liability and consider the significant uncertainty associated with these estimates in booking the reserve. Actual future claims costs and LAE depend on a number of factors, including, but not limited to, the duration of worker disability, claimant and beneficiary lifespans, medical cost trends, occupational disease exposure, inflation, and other societal, legislative, judicial, and economic factors. As a result, the process used to compute the ultimate cost of settling claims and expenses associated with administering claims is necessarily based on estimates. The amount ultimately paid may be higher or lower than these estimates. Adjustments resulting from changes in estimates of these liabilities are charged or credited to operations in the period in which they occur (see Note 7).

Premium deficiency—Premium deficiency is based upon an estimate of the amount by which the sum of anticipated claims costs, claims adjustment expenses, and maintenance expenses exceeds expected premium income and earnings on investments. At December 31, 2023 and 2022, 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 2023 and 2022, policyholder dividends of $135.0 million and $75.0 million, respectively, were incurred and paid to qualifying policyholders.

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

SAIF collects and remits levies on behalf of their policyholders to the Oregon Workers' Compensation Division of DCBS. Such assessments constitute an in-lieu-of-tax relative to premiums. Premium assessment expenses were $56.6 million and $53.8 million for the years ended December 31, 2023 and 2022, respectively. Premium assessments were accrued in the amount of $45.4 million and $41.7 million as of December 31, 2023 and 2022, respectively. Premium assessment income for the years ended December 31, 2023 and 2022 was $56.6 million and $53.8 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):

	2023			2022		
	Loss Adjustment Expenses Incurred	**Other Underwriting Expenses Incurred**	**Investment Expenses**	**Loss Adjustment Expenses Incurred**	**Other Underwriting Expenses Incurred**	**Investment Expenses**
Salaries, wages, & other benefits	$ 98,366	$ 88,362	$ 3,295	$ 63,261	$ 78,916	$ 2,943
Commissions		45,048		-	41,814	-
Other	27,419	33,417	9,353	18,257	31,341	8,637
Total allocable expenses	$ 125,785	$ 166,827	$ 12,648	$ 81,518	$ 152,071	$ 11,580

Prior year presentation—Certain prior year balances have been modified to conform to the current year presentation. 2022 Other Investment Expenses was $3,406 per the issued report. A corrected table did not make it into the final version.

Subsequent events—Subsequent events have been considered through July 26, 2024, which is the date the financial statements were available to be issued.

3. NEW STATUTORY ACCOUNTING PRINCIPLES

No applicable new Statutory Accounting Principles were adopted by SAIF for the years ended December 31, 2023 or 2022.

4. INVESTMENTS

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

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

Bond, mortgage-backed, asset-backed, and equity security transactions are recorded on a trade-date basis, generally three business days prior to the settlement date. However, the number of days between trade and settlement dates for mortgage-backed securities can be up to 30 days or longer, depending on the security. Receivables for securities not received within 15 days from the settlement date are nonadmitted. There were no such receivables at December 31, 2023 and 2022.

The carrying value and fair value of SAIF's investment securities at December 31, 2023 and 2022, were as follows (dollars in thousands):

2023	Carrying Value	Fair Value	Excess Of Fair Value Over (Under) Carrying Value
Bonds:			
U.S. Government	$ 357,676	$ 325,150	$ (32,526)
All other governments	15,896	13,351	(2,545)
U.S. political subdivisions of states, territories, and possessions	6,159	6,159	-
U.S. special revenue and special assessment	63,881	63,752	(129)
Hybrid securities	34,465	33,842	(623)
Industrial and miscellaneous	2,186,179	2,078,320	(107,859)
Mortgage and other asset-backed securities	1,029,368	957,802	(71,566)
Total bonds	$ 3,693,624	$ 3,478,376	$ (215,248)
Short-term investments	$ 2,210	$ 2,211	$ 1
Real estate investments			
Prime Property Fund LLC	$ 141,353	$ 141,353	$ -
RREEF America II LP	117,479	117,479	-
Total real estate investments	$ 258,832	$ 258,832	$ -
Other invested assets - Surplus Notes	$ 16,310	$ 18,809	$ 2,499
Common stocks - BlackRock MSCI ACWI IMI Index Fund	$ 521,906	$ 521,906	$ -

2022	Carrying Value	Fair Value	Excess Of Fair Value Over (Under) Carrying Value
Bonds:			
U.S. Government	$ 369,928	$ 322,211	$ (47,717)
All other governments	15,671	12,445	(3,226)
U.S. political subdivisions of states, territories, and possessions	5,564	5,564	-
U.S. special revenue and special assessment	60,731	58,658	(2,073)
Hybrid securities	36,690	35,195	(1,495)
Industrial and miscellaneous	2,304,593	2,090,798	(213,795)
Mortgage and other asset-backed securities	1,001,938	905,016	(96,922)
Total bonds	$ 3,795,115	$ 3,429,887	$ (365,228)
Short-term investments	$ -	$ -	$ -
Real estate investments			
Prime Property Fund LLC	$ 156,205	$ 156,205	$ -
RREEF America II LP	140,359	140,359	-
Total real estate investments	$ 296,564	$ 296,564	$ -
Other invested assets - Surplus Notes	$ 16,314	$ 18,237	$ 1,923
Common stocks - BlackRock MSCI ACWI IMI Index Fund	$ 428,252	$ 428,252	$ -

Proceeds from the sale of bonds were $0.8 billion and $1.0 billion during 2023 and 2022, respectively. Proceeds from the sale of stocks were $0.4 million and $0.2 million during 2023 and 2022, respectively.

The carrying value and fair value of bonds at December 31, 2023 and 2022, 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.

	2023		2022	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Due in one year or less	$ 26,943	$ 26,701	$ 47,409	$ 46,864
Due after one year through five years	803,259	785,769	713,753	681,395
Due after five years through ten years	848,621	814,658	1,047,802	960,797
Due after ten years	2,014,801	1,851,248	1,986,151	1,740,831
Total bonds	$ 3,693,624	$ 3,478,376	$ 3,795,115	$ 3,429,887

Net investment income earned for the years ended December 31, 2023 and 2022, was comprised of the following (dollars in thousands):

	2023	**2022**
Bonds	$ 153,285	$ 134,950
Common stock	69	269
Real estate investments	9,917	9,780
Other invested assets	8,654	5,272
Total gross investment income earned	171,925	150,271
Less investment expenses	12,648	11,579
Net investment income earned	$ 159,277	$ 138,692

Gross realized gains and losses and the net realized gains (losses) for the years ended December 31, 2023 and 2022, were as follows (dollars in thousands):

2023	**Gross Realized Gains**	**Gross Realized Losses**	**Net Realized Gains (Losses)**
Bonds	$ 1,398	$ (41,482)	$ (40,084)
Common stock	172	-	172
Other invested assets	38	-	38
Short-term investments	-	(4)	(4)
Total	$ 1,608	$ (41,486)	$ (39,878)

2022	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)
Bonds	$ 6,598	$ (40,502)	$ (33,904)
Common stock	152	-	152
Other invested assets	-	-	-
Short-term investments	-	(14)	(14)
Total	$ 6,750	$ (40,516)	$ (33,766)

The following tables represent unrealized losses on bonds at December 31, 2023 and 2022, 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):

2023 Unrealized Losses	Amortized Cost	Unrealized Losses	Fair Value
Less than one year			
U.S. Government	$ 58,253	$ 1,020	$ 57,233
All other governments	-	-	-
U.S. political subdivisions of states, territories, and possessions	-	-	-
U.S. special revenue and special assessment	-	-	-
Hybrid securities	2,750	610	2,140
Industrial and miscellaneous	106,439	2,790	103,649
Mortgage and other asset-backed securities	81,259	901	80,358
Total less than one year	$ 248,701	$ 5,321	$ 243,380
Greater than one year			
U.S. Government	$ 182,051	$ 37,072	$ 144,979
All other governments	16,523	3,172	13,351
U.S. political subdivisions of states, territories, and possessions	6,237	78	6,159
U.S. special revenue and special assessment	23,161	2,821	20,340
Hybrid securities	14,666	1,178	13,488
Industrial and miscellaneous	1,476,952	153,334	1,323,618
Mortgage and other asset-backed securities	763,374	80,187	683,187
Total greater than one year	$ 2,482,964	$ 277,842	$ 2,205,122
Total unrealized losses	$ 2,731,665	$ 283,163	$ 2,448,502

2022 Unrealized losses	Amortized Cost	Unrealized Losses	Fair Value
Less than one year			
U.S. Government	$ 232,195	$ 22,037	$ 210,158
All other governments	12,658	3,001	9,657
U.S. political subdivisions of states, territories, and possessions	6,228	664	5,564
U.S. special revenue and special assessment	23,258	3,857	19,401
Hybrid securities	21,980	2,223	19,757
Industrial and miscellaneous	1,588,486	171,583	1,416,903
Mortgage and other asset-backed securities	530,986	42,534	488,452
Total less than one year	$ 2,415,791	$ 245,899	$ 2,169,892
Greater than one year			
U.S. Government	$ 109,190	$ 25,802	$ 83,388
All other governments	3,862	1,074	2,788
U.S. political subdivisions of states, territories, and possessions	-	-	-
U.S. special revenue and special assessment	-	-	-
Hybrid securities	5,650	789	4,861
Industrial and miscellaneous	397,144	79,339	317,805
Mortgage and other asset-backed securities	441,968	59,621	382,347
Total greater than one year	$ 957,814	$ 166,625	$ 791,189
Total unrealized losses	$ 3,373,605	$ 412,524	$ 2,961,081

As of December 31, 2023 and 2022, there were no unrealized losses on equity securities that were in a loss position for less than one year and a continuous loss position for greater than one year.

SAIF seeks guidance from the external investment managers on a regular basis to determine if any OTTI exists. OTTI is recorded as realized investment losses on the Statement of Revenues, Expenses, and Capital and Surplus. As of December 31, 2023 there were no investment losses recorded due to OTTI. There was $0.7 million in investment losses recorded due to OTTI as of December 31, 2022.

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 seven securities, Countrywide Asset Backed, Harborview Mortgage Loan Trust, JP Morgan Mortgage Acquisition, Long Beach Mortgage Loan Trust, Merrill Lynch Mortgage Investors Trust, Credit Suisse Mortgage Trust, and New Residential Mortgage Loan included below. Default risk on the bonds appears minimal at this time. The impact on these investments, should the market conditions worsen, cannot be assessed at this time. The following table summarizes the SAIF's investments with subprime exposure. The mortgage-backed securities portfolio at December 31, 2023 and 2022, were (dollars in thousands):

Description	Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
2023 Residential mortgage-backed securities	$ 8,078	$ 8,168	$ 7,505	$ -
2022 Residential mortgage-backed securities	$ 9,769	$ 9,753	$ 8,813	$ -

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, 2023 and 2022 and reacquired within 30 days of the sale.

Securities on deposit—U.S. Treasury obligations with a carrying value of $8.2 million and $8.1 million were on deposit with the Federal Reserve as required by the U.S. Department of Labor under the Longshore and Harbor Workers' Compensation Act at December 31, 2023 and 2022, respectively. Certificates of deposit with a carrying value of $350 thousand were on deposit at U.S. Bank as required by DCBS at December 31, 2023 and 2022, respectively. U.S. Treasury obligations with a carrying value of $52.5 million and $47.7 million were on deposit with Wilmington Trust for loss payments with Zurich, a reinsurer for other states coverage, as of December 31, 2023 and 2022.

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 2023 and 2022, 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 2023 and 2022. At December 31, 2023 and 2022, the Fund had an average life-final maturity of 88 days and 81 days, respectively.

The cash collateral held at December 31, 2023 and 2022, was $65.4 million and $50.3 million, respectively. There were no securities received as collateral as of December 31, 2023. As of December 31, 2022, SAIF held $0.9 million in securities received as collateral. At December 31, 2023 and 2022, the fair value, including accrued investment income related to the securities on loan, was $64.0 million and $50.1 million, respectively. For 2023 and 2022, securities lending income was $3.0 million and $1.3 million and securities lending expense was $2.6 million and $1.1 million, respectively. These amounts are reported net in the accompanying financial statements as a component of net investment income earned.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

At the end of 2023, SAIF had invested $117.5 million in DWS RREEF America II LP fund. The final capital commitment of $2.5 million was contributed in January 2024. A total of $120.0 million was invested in Morgan Stanley Prime Property Fund, LLC, which was funded completely in 2020. 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, 2023 and 2022, were (dollars in thousands):

2023

Description For Each Class of Asset or Liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at fair value					
Bonds-industrial and miscellaneous	$ -	$ 66,360	$ -	$ -	$ 66,360
Common stocks-mutual funds	-	521,906	-	-	521,906
Cash equivalents-money market fund	-	4,102	-	-	4,102
Real estate investments	-	-	-	258,832	258,832
Total assets at fair value	$ -	$ 592,368	$ -	$ 258,832	$ 851,200
Liabilities at fair value	$ -	$ -	$ -	$ -	$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -	$ -

2022

Description For Each Class of Asset or Liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at fair value					
Bonds-industrial and miscellaneous	$ -	$ 114,970	$ -	$ -	$ 114,970
Common stocks-mutual funds	-	428,252	-	-	428,252
Cash equivalents-money market fund	-	18,254	-	-	18,254
Real estate investments	-	-	-	296,564	296,564
Total assets at fair value	$ -	$ 561,476	$ -	$ 296,564	$ 858,040
Liabilities at fair value	$ -	$ -	$ -	$ -	$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -	$ -

At the end of each reporting period, SAIF evaluates whether or not any event has occurred, or circumstances have changed, that would cause an instrument to be transferred into and out of Level 3. At December 31, 2023 and 2022, 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, 2023 and 2022.

The following tables reflect the fair values and admitted values of all admitted assets and liabilities that are financial instruments at December 31, 2023 and 2022, 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):

2023 **Type of Financial Instrument**	**Aggregate Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Net Asset Value (NAV)**	**Not Practicable (Carrying Value)**
Assets							
Bonds	$ 3,478,026	$ 3,693,624	$ 2,141	$ 3,475,885	$ -	$ -	$ 350
Common stocks	521,906	521,906	-	521,906	-	-	-
Real estate investments	258,832	258,832				258,832	
Other invested assets	18,809	16,310	-	18,809	-	-	-
Securities lending reinvested collateral	65,366	65,366	-	65,366	-	-	-
Cash, cash equivalents, & short-term	56,956	56,954	35,690	21,266	-	-	-
Total assets	$ 4,399,895	$ 4,612,992	$ 37,831	$ 4,103,232	$ -	$ 258,832	$ 350
Liabilities							
Total liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -

2022 **Type of Financial Instrument**	**Aggregate Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Net Asset Value (NAV)**	**Not Practicable (Carrying Value)**
Assets							
Bonds	$ 3,429,538	$ 3,795,115	$ 2,130	$ 3,427,408	$ -	$ -	$ 350
Common stocks	428,252	428,252	-	428,252	-	-	-
Real estate investments	296,564	296,564				296,564	
Other invested assets	18,237	16,314	-	18,237	-	-	-
Securities lending reinvested collateral	50,288	50,288	-	50,288	-	-	-
Cash, cash equivalents, & short-term	37,228	37,228	18,974	18,254	-	-	-
Total assets	$ 4,260,107	$ 4,623,761	$ 21,104	$ 3,942,439	$ -	$ 296,564	$ 350
Liabilities							
Total liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -

It was not practicable to determine the fair values of the bonds in the following table at December 31, 2023 and 2022, 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):

2023

Type of Class of Financial Instrument	Carrying Value	Effective Interest Rate	Maturity Date
Bonds			
U.S. Bank certificate of deposit	$ 225	2.05%	4/1/2024
U.S. Bank certificate of deposit	125	0.25%	10/7/2025
Total	$ 350		

2022

Type of Class of Financial Instrument	Carrying Value	Effective Interest Rate	Maturity Date
Bonds			
U.S. Bank certificate of deposit	$ 225	2.05%	4/1/2024
U.S. Bank certificate of deposit	125	0.25%	10/7/2025
Total	$ 350		

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. During 2022, SAIF changed the year-end reserving process to use data as of September 30, 2022, versus our prior approach to use data as of December 31, 2022. Ultimate loss estimates derived from the September 30th data were reevaluated alongside a comparison between actual and expected emergence during fourth quarter. 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, 2023 and 2022 (dollars in thousands):

	2023	2022
Gross reserve for losses and loss adjustment expenses—beginning of year	$ 2,538,934	$ 2,621,926
Less reinsurance ceded—beginning of year	(67,665)	(73,960)
Net balance—beginning of year	2,471,269	2,547,966
Incurred related to:		
Current year	640,563	630,045
Prior year	(101,688)	(245,461)
Total incurred losses and loss adjustment expenses	538,875	384,584
Paid related to:		
Current year	193,980	167,528
Prior year	295,999	293,753
Total paid losses and loss adjustment expenses	489,979	461,281
Net balance—end of year	2,520,165	2,471,269
Plus reinsurance ceded—end of year	72,108	67,665
Gross reserve for losses and loss adjustment expenses—end of year	$ 2,592,273	$ 2,538,934

The net reserve for losses and LAE increased $48.9 million (2.0 percent) compared to the prior year. This was driven by establishing reserves for the 2023 accident year, offset by payments made on previously incurred claims, and favorable development in prior accident years. Loss reserves increased $36.1 million due to current accident year incurred claims of $507.5 million less total paid claims of $377.0 million and favorable prior accident year reserve reduction of $94.4 million. In past years, favorable development was strongly driven by medical claims. However, in 2023 favorable medical claim development slowed due to increasing average medical payment per claim. Subsequently, there was less total favorable reserve development, and the favorable development is evenly spread across all portfolio segments.

- Projected ultimate medical claims costs reduced primarily due to fewer than expected permanent partial disability (PPD) claims and favorable average medical cost per claim. Although medical costs have emerged more favorably than expected, medical escalation is increasing, partially due to changes in the Oregon medical fee schedule.
- Projected ultimate indemnity claim costs reduced primarily due to favorable frequency rates for permanent disabling and fatal claims.
- Projected ultimate COVID-19 claim costs reduced due to fewer than expected severe claims as well as overall favorable frequency trends.

LAE reserves increased $12.8 million (3.4 percent) in 2023. This was driven by newly established reserves for the 2023 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 the decrease in loss reserves.

For 2022, the net reserve for losses and LAE decreased $76.7 million (3.0 percent) compared to the prior year. This was driven by establishing reserves for the 2022 accident year, offset by payments made on previously incurred claims, and favorable development in prior accident years. Loss reserves decreased $56.5 million due to current accident year incurred claims of

$522.1 million less total paid claims of $359.6 million and favorable prior accident year reserve reduction of $219.0 million. A significant portion of the favorable development on prior accident years is due to a decrease in estimated ultimate medical claims costs. Estimates of ultimate medical claims costs are based on numerous assumptions, including future increases in medical costs (i.e., medical escalation), the number and types of claims, and how far into the future payments will be made. The reduction in ultimate medical claims costs for 2022 was attributed primarily to permanent disability reserves. The key drivers are continued low average medical payments and lower frequency rates of permanent disabling claims during recent years.

LAE reserves decreased $20.2 million in 2022. This was driven by paid LAE associated with previously incurred claims and favorable development in prior accident years, offset by newly established reserves for the 2022 accident year. The favorable development in unpaid LAE was largely attributable to the decrease in loss reserves.

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 $209.2 million and $202.9 million at December 31, 2023 and 2022, respectively. The discounts were $106.0 million and $102.6 million at December 31, 2023 and 2022, respectively.

Anticipated salvage and subrogation of $54.7 million and $53.1 million was included as a reduction of the reserve for losses and LAE at December 31, 2023 and 2022, respectively.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. Reserves of $12.6 million and $11.9 million for losses and LAE are related to asbestos claims at December 31, 2023 and 2022, respectively. Amounts paid for asbestos-related claims were $841 thousand and $414 thousand for the years ended December 31, 2023 and 2022, 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 $4.6 million.

SAIF participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each participating state entity based on its share of services provided in a prior period. The total statewide assessment of each type of coverage is based on independent biennial actuarial forecasts and administrative expenses, less any available fund balance of the Insurance Fund from the prior biennium. In addition, SAIF can elect to purchase additional coverage, including cyber insurance, through the fund. SAIF carried cyber insurance through March 31, 2023 at which point SAIF chose to self-insure. SAIF's assessment was $0.4 million for both of the years ended December 31, 2023 and 2022.

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 of December 31, 2023, SAIF received rate relief of 10.27 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, 2023, SAIF contributes 21.78 percent of each employee's covered salary to the PERS program. This contribution is the minimum contribution required for future periods. For the required contributions, 10.27 percent of employees' salaries is covered by the side account rate relief, and SAIF contributes the remaining 11.51 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, 2023, SAIF contributes 18.28 percent of each covered employee's salary to the Pension Program and 6.00 percent to the IAP. This contribution is the minimum contribution required for future periods. For the required OPSRP Pension Program contributions, 10.27 percent of employee's salaries is covered by the side account rate relief, and SAIF contributes the remaining 8.01 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 4.80 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, 2023 and 2022, consist of the following (dollars in thousands):

	2023	2022
Employer contributions:		
Debt service	$ 5,914	$ 5,261
PERS-Pension Program	6,054	5,969
OPSRP-Pension Program	14,428	11,573
Total employer contributions	26,396	22,803
PERS side account rate relief:	(10,904)	(9,215)
Net employer contributions	15,492	13,588
Employee contributions paid by SAIF:		
PERS-IAP	1,615	1,621
OPSRP-IAP	4,870	4,016
Total employee contributions	6,485	5,637
Total contributions	$ 21,977	$ 19,225

For the years ended December 31, 2023 and 2022, 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, 2023. SAIF is a funder of last resort, embodied in the scheme of ORS Chapter 238, along with every other employer in PERS. PERS' board from time to time will evaluate the liabilities of PERS and set the amount of contributions to be made by SAIF to ensure that those liabilities will be funded no more than 40 years after the date on which the determination is made.

11. POST RETIREMENT BENEFITS AND COMPENSATED ABSENCES

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

Funding policy – SAIF's funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. The plan's APBO was $9.3 million and $8.1 million as of December 31, 2023 and 2022, 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, 2023 and 2022, using the projected unit credit cost method. Significant assumptions used in the actuarial valuation include a 4.5 percent discount rate as of December 31, 2023, and 4.75 percent as of December 31, 2022. The health care cost trend rate used for 2023 was:

Year	Rate
2023	6.50%
2024	6.75%
2025	6.25%
2026	5.50%
2027	5.00%
2028-2029	4.75%
2030-2031	4.50%
2032-2066	4.25%
2067-2072	4.00%
2073+	3.75%

The net periodic benefit cost recognized for the years ended December 31, 2023 and 2022, was (dollars in thousands):

	Postemployment & Compensated Absence Benefits	
	2023	**2022**
Service cost	$ 382	$ 503
Interest cost	374	229
Recognition of net loss (gain)	880	(1,592)
Total net periodic benefit cost	$ 1,636	$ (860)

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**
2024	$ 674
2025	670
2026	708
2027	805
2028	819
2029 through 2033	4,080

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 $9.3 million and $8.4 million for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, was as follows (dollars in thousands):

	2023	**2022**
Net unrealized investment gains	$ 352,247	$ 288,666
Nonadmitted assets	$ (137,751)	$ (139,141)

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, 2023. Due to the timing delay, SAIF has evaluated subsequent events that may impact the assets and liabilities of the plan and determined that the valuation of liability is still materially accurate. Based on this information, the special surplus fund for the unfunded pension benefits is $72.7 million at December 31, 2023 and 2022.

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 $1.6 million and $1.8 million at December 31, 2023 and 2022, respectively.

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

SAIF had unfunded commitments of $2.5 million to be invested in DWS RREEF America II LP fund, subject to capital calls by the fund, as of December 31, 2023. On January 2, 2024, SAIF invested the remaining $2.5 million in the fund (Note 6).

14. LEASE COMMITMENTS

SAIF leases office space in several locations under operating leases expiring during various years through 2029. Lease expense was $1.5 million and $1.6 million for the years ended December 31, 2023 and 2022, respectively.

SAIF’s future minimum lease payments under noncancelable operating leases at December 31, 2023, are as follows (dollars in thousands):

Year(s)	Amount
2024	$ 1,300
2025	1,162
2026	1,034
2027	1,064
2028	1,093
2029	746
Total minimum payments	$ 6,401

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

15. REINSURANCE

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

SAIF maintains reinsurance protection which provides limits of $160.0 million of coverage per occurrence in excess of a $35.0 million retentions, with a $15.0 million limit on any one life. The Terrorism Risk Insurance Act provides coverage for terrorist events that are nuclear, biological, chemical, or radiological in nature, which are excluded from the reinsurance contract. During 2023, SAIF had reinsurance protection for 80 percent of losses in excess of 20 percent of 2022 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 2023 and 2022 (dollars in thousands):

	2023	2022
Reserve for losses and loss adjustment expenses	$ 22,400	$ 13,816
Premiums written and earned	$ 2,170	$ 2,132
Losses and loss adjustment expenses incurred	$ 8,769	$ (31)

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

In 2023 and 2022, 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 2023 and 2022 (dollars in thousands):

Other States Coverage	2023	2022
Assumed:		
Reserve for losses and loss adjustment expenses	$ 43,657	$ 38,746
Unearned premiums	9,564	9,538
Premiums written	24,305	21,655
Premiums earned	24,279	21,134
Losses and loss adjustment expenses incurred	17,331	17,270
Commission expense	4,464	3,764

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

The following amounts are included in the accompanying financial statements as a result of participation in the Plan in 2023 and 2022 (dollars in thousands):

NWCRP	2023	2022
Assumed:		
Reserve for losses and loss adjustment expenses	$ 90,633	$ 96,309
Unearned premiums	4,149	4,821
Premiums written	14,367	19,597
Premiums earned	15,039	17,956
Losses and loss adjustment expenses incurred	3,497	18,087
Commission expense	4,287	6,197
Ceded:		
Reserve for losses and loss adjustment expenses	$ 49,707	$ 53,850
Unearned premiums	3,875	4,602
Premiums written	9,689	11,485
Premiums earned	10,415	11,481
Losses and loss adjustment expenses incurred	1,659	163
Commission expense	2,997	4,375

16. ELECTRONIC DATA PROCESSING (EDP) EQUIPMENT AND SOFTWARE

EDP equipment and operating and nonoperating software are carried at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over the lesser of the estimated useful life of the related asset or three years for EDP equipment and operating system software. Depreciation expense for nonadmitted nonoperating system software is computed using the straight-line method over the lesser of the estimated useful life of the related asset or five years. There were no nonoperating software assets admitted at December 31, 2023 and 2022.

Admitted EDP equipment and software at December 31, 2023 and 2022, were as follows (dollars in thousands):

	2023	2022
EDP equipment and software	$ 52,986	$ 49,834
Nonadmitted EDP software in development	(5,281)	(11,417)
Accumulated depreciation	(46,340)	(37,848)
Electronic data processing (EDP) equipment and software, net	$ 1,365	$ 569

Depreciation expense related to admitted EDP equipment and software was $8.5 million and $7.7 million for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

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

2023 **(In thousands)**	**Filed**	**Audited**	**Difference**
Statement of admitted assets, liabilities, and capital and surplus:			
Other assets	$ 33,495	$ 33,126	$ (369)
Total admitted assets	5,127,851	5,127,482	(369)
Losses	2,132,676	2,128,393	(4,283)
Unearned premiums	258,618	258,526	(92)
Other liabilities	2,959	4,764	1,805
Other accrued expenses	59,529	59,977	448
Total liabilities	3,015,220	3,013,099	(2,121)
Capital and surplus—unassigned funds	2,039,931	2,041,683	1,752
Total capital and surplus	2,112,631	2,114,383	1,752
Total assets, liabilities and surplus	$ 5,127,851	$ 5,127,482	$ (369)
Statement of revenues, expenses, and capital and surplus:			
Premiums earned, net	$ 591,548	$ 590,847	$ (701)
Losses incurred, net	424,039	413,090	(10,949)
Other underwriting expenses incurred	167,029	166,827	(202)
Total underwriting expenses	716,853	705,702	(11,151)
Net underwriting gain (loss)	(125,305)	(114,855)	10,450
Net loss from premium balances charged off	(1,605)	(1,563)	42
Other income (expense)	1,247	1,249	2
Total other income (expense)—net	(358)	(314)	44
Net income (loss) before dividends to policyholders	(6,264)	4,230	10,494
Net income	(141,250)	(130,756)	10,494
Net change in capital and surplus	(76,280)	(65,786)	10,494
Total capital and surplus—end of year	$ 2,112,631	$ 2,114,383	$ 1,752
Statement of cash flows:			
Premiums collected net of reinsurance	$ 577,519	$ 576,869	$ (650)
Miscellaneous income (expense)	(358)	(314)	44
Benefits and loss related payments	(377,083)	(377,004)	79
Underwriting expenses paid	(262,771)	(262,247)	524
Net cash from operations	$ (30,711)	$ (30,714)	$ (3)
Other cash provided	-	-	-
Other cash applied	(14,122)	(14,119)	3
Net cash from (used by) financing and miscellaneous sources	$ (14,122)	$ (14,119)	$ 3

2022 **(In thousands)**	**Filed**	**Audited**	**Difference**
Statement of admitted assets, liabilities, and capital and surplus:			
Other assets	$ 33,445	$ 33,480	$ 35
Total admitted assets	5,116,697	5,116,732	35
Losses	2,085,679	2,092,267	6,588
Unearned premiums	240,685	240,541	(143)
Other liabilities	3,071	5,256	2,207
Other accrued expenses	54,704	54,830	125
Total liabilities	2,927,786	2,936,563	8,777
Capital and surplus—PERS UAL	44,300	72,700	28,400
Capital and surplus—unassigned funds	2,144,611	2,107,469	(37,142)
Total capital and surplus	2,188,911	2,180,169	(8,742)
Total assets, liabilities and surplus	$ 5,116,697	$ 5,116,732	$ 35
Statement of revenues, expenses, and capital and surplus:			
Premiums earned, net	$ 554,858	$ 555,377	$ 519
Losses incurred, net	292,788	303,066	10,278
Other underwriting expenses incurred	152,027	152,071	44
Total underwriting expenses	526,333	536,655	10,322
Net underwriting loss	28,525	18,722	(9,803)
Net loss from premium balances charged off	(1,051)	(1,319)	(268)
Total other income (expense)—net	289	21	(268)
Net income before dividends to policyholders	133,739	123,669	(10,071)
Net income	58,744	48,674	(10,071)
Net change in capital and surplus	(53,400)	(63,469)	(10,071)
Total capital and surplus—end of year	$ 2,188,911	$ 2,180,169	$ (8,742)
Statement of cash flows:			
Premiums collected net of reinsurance	$ 549,482	$ 550,393	$ 911
Miscellaneous income (expense)	288	22	(266)
Benefits and loss related payments	(359,771)	(359,572)	199
Underwriting expenses paid	(242,453)	(242,630)	(177)
Net cash from operations	22,969	23,636	667
Other cash provided	(20,968)	(21,635)	(667)
Other cash applied	-	-	-
Net cash from (used by) financing and miscellaneous sources	$ (20,968)	$ (21,635)	$ (667)

SUPPLEMENTARY SCHEDULES

APPENDIX A

SUMMARY INVESTMENT SCHEDULE

SUMMARY INVESTMENT SCHEDULE

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
Investment Categories	Amount	Percentage of Column 1 Line 13	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments	406,084,594	8.64	406,084,594		406,084,594	8.64
1.02 All other governments	15,896,447	0.34	15,896,447		15,896,447	0.34
1.03 U.S. states, territories and possessions, etc. guaranteed						
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	6,159,442	0.13	6,159,442		6,159,442	0.13
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	599,589,735	12.76	599,589,735		599,589,735	12.76
1.06 Industrial and miscellaneous	2,631,078,927	55.98	2,631,078,927		2,631,078,927	55.98
1.07 Hybrid securities	34,465,332	0.73	34,465,332		34,465,332	0.73
1.08 Parent, subsidiaries and affiliates						
1.09 SVO identified funds						
1.10 Unaffiliated bank loans						
1.11 Unaffiliated certificates of deposit	350,000	0.01	350,000		350,000	0.01
1.12 Total long-term bonds	3,693,624,477	78.58	3,693,624,477		3,693,624,477	78.58
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)						
2.02 Parent, subsidiaries and affiliates						
2.03 Total preferred stocks						
3 Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)						
3.02 Industrial and miscellaneous Other (Unaffiliated)						
3.03 Parent, subsidiaries and affiliates Publicly traded						
3.04 Parent, subsidiaries and affiliates Other						
3.05 Mutual funds	521,906,096	11.10	521,906,096		521,906,096	11.10
3.06 Unit investment trusts						
3.07 Closed-end funds						
3.08 Exchange traded funds						
3.09 Total common stocks	521,906,096	11.10	521,906,096		521,906,096	11.10
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages						
4.02 Residential mortgages						
4.03 Commercial mortgages						
4.04 Mezzanine real estate loans						
4.05 Total valuation allowance						
4.06 Total mortgage loans						
5. Real estate (Schedule A):						
5.01 Properties occupied by company	86,410,564	1.84	86,410,564		86,410,564	1.84
5.02 Properties held for production of income						
5.03 Properties held for sale						
5.04 Total real estate	86,410,564	1.84	86,410,564		86,410,564	1.84
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	35,690,055	0.76	35,690,055		35,690,055	0.76
6.02 Cash equivalents (Schedule E, Part 2)	19,053,296	0.41	19,053,296	65,366,194	84,419,490	1.80
6.03 Short-term investments (Schedule DA)	2,210,312	0.05	2,210,312		2,210,312	0.05
6.04 Total cash, cash equivalents and short-term investments	56,953,663	1.21	56,953,663	65,366,194	122,319,857	2.60
7. Contract loans						
8. Derivatives (Schedule DB)						
9. Other invested assets (Schedule BA)	275,141,979	5.85	275,141,979		275,141,979	5.85
10. Receivables for securities	1,028,139	0.02	1,028,139		1,028,139	0.02
11. Securities Lending (Schedule DL, Part 1)	65,366,194	1.39	65,366,194	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)						
13. Total invested assets	4,700,431,112	100.00	4,700,431,112	65,366,194	4,700,431,112	100.00

APPENDIX B

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2023

(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. $ 5,127,851,857

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	BlackRock MSCI ACWI Index Fund	Index Fund	$ 521,906,096	10.178 %
2.02	FNMA	Bond	$ 312,061,082	6.086 %
2.03	FHLMC	Bond	$ 248,527,108	4.847 %
2.04	Morgan Stanley	Bond/Real Estate Fund	$ 193,266,483	3.769 %
2.05	RREEF America II LP	Real Estate Fund	$ 117,479,097	2.291 %
2.06	JP Morgan & Chase Co	Bond	$ 76,993,113	1.501 %
2.07	Bank of America Corp	Bond	$ 76,936,259	1.500 %
2.08	Citigroup Inc	Bond	$ 54,431,089	1.061 %
2.09	Goldman Sachs Group Inc	Bond	$ 40,998,005	0.800 %
2.10	Wells Fargo & Co	Bond	$ 36,200,411	0.706 %

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC 1	$ 2,329,353,504	45.426 %	3.07	NAIC 1	$	%
3.02	NAIC 2	$ 1,226,729,421	23.923 %	3.08	NAIC 2	$	%
3.03	NAIC 3	$ 128,720,783	2.510 %	3.09	NAIC 3	$	%
3.04	NAIC 4	$ 24,688,761	0.481 %	3.10	NAIC 4	$	%
3.05	NAIC 5	$ 1,294,112	0.025 %	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	$ 625,803,934	12.204 %
4.03	Foreign-currency-denominated investments	$	%
4.04	Insurance liabilities denominated in that same foreign currency	$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

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

		1	2
5.01	Countries designated NAIC 1	$ 563,842,598	10.996 %
5.02	Countries designated NAIC 2	$ 50,337,298	0.982 %
5.03	Countries designated NAIC 3 or below	$ 11,624,038	0.227 %

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

			1	2
	Countries designated NAIC 1:			
6.01	Country 1:	Cayman Islands	$ 102,747,548	2.004 %
6.02	Country 2:	United Kingdom	$ 89,936,913	1.754 %
	Countries designated NAIC 2:			
6.03	Country 1:	Mexico	$ 16,353,971	0.319 %
6.04	Country 2:	India	$ 15,338,470	0.299 %
	Countries designated NAIC 3 or below:			
6.05	Country 1:	Brazil	$ 5,174,362	0.101 %
6.06	Country 2:	Liberia	$ 2,160,300	0.042 %

	1	2
7. Aggregate unhedged foreign currency exposure	$	%

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

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

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

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

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

	1 Issuer	2 NAIC Designation	3	4
10.01	UBS Group Funding	1FE	$ 30,759,003	0.600 %
10.02	HSBC Holdings PLC	2FE	$ 20,181,370	0.394 %
10.03	BNP Paribas	2FE	$ 18,931,478	0.369 %
10.04	Barclays PLC	2FE	$ 14,040,714	0.274 %
10.05	Reese Park CLO Ltd	1FE	$ 13,430,000	0.262 %
10.06	Teva Pharmaceuticals	3FE	$ 11,677,576	0.228 %
10.07	Shell International Finance	1FE	$ 10,322,515	0.201 %
10.08	AERCAP Ireland	2FE	$ 10,224,623	0.199 %
10.09	Carlyle Global Market	1FE	$ 9,940,000	0.194 %
10.10	Deutsche Telekom International	2FE	$ 9,063,710	0.177 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

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

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

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

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

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

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

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	%

Largest three investments with contractual sales restrictions:

12.03		$	%
12.04		$	%
12.05		$	%

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

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

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

	1 Issuer	2	3
13.02	BlackRock MSCI ACWI Index Fund	$ 521,906,096	10.178 %
13.03	Morgan Stanley Prime Property Fund LLC	$ 141,352,889	2.757 %
13.04	RREEF America II LP	$ 117,479,097	2.291 %
13.05		$	%
13.06		$	%
13.07		$	%
13.08		$	%
13.09		$	%
13.10		$	%
13.11		$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

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

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

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

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

Largest three investments held in nonaffiliated, privately placed equities:

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

Ten largest fund managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Nondiversified
14.06	BlackRock	$ 521,906,096	$	$ 521,906,096 %
14.07	Morgan Stanley	$ 141,352,889	$	$ 141,352,889 %
14.08	DWS	$ 117,479,097	$	$ 117,479,097 %
14.09	State Street Global Advisors	$ 4,101,504	$	$ 4,101,504 %
14.10	N/A	$	$	$ %
14.11	N/A	$	$	$ %
14.12	N/A	$	$	$ %
14.13	N/A	$	$	$ %
14.14	N/A	$	$	$ %
14.15	N/A	$	$	$

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

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

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

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

Largest three investments in general partnership interests:

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

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

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

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

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

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

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

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

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

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

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

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

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

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

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

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

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

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

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

Largest three investments held in mezzanine real estate loans:

19.03		$	%
19.04		$	%
19.05		$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - Continued

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

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$ 63,110,550	1.231 %	$ 64,503,688	$ 42,006,470	$ 59,938,457
20.02 Repurchase agreements	$	%	$	$	$
20.03 Reverse repurchase agreements	$	%	$	$	$
20.04 Dollar repurchase agreements	$	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	%	$	$	$

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

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

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

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

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

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

APPENDIX C

GENERAL INTERROGATORIES (REINSURANCE)

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $

1.62 Total incurred claims $

1.63 Number of covered lives

All years prior to most current three years:

1.64 Total premium earned $

1.65 Total incurred claims $

1.66 Number of covered lives

1.7 Group policies:

Most current three years:

1.71 Total premium earned $

1.72 Total incurred claims $

1.73 Number of covered lives

All years prior to most current three years:

1.74 Total premium earned $

1.75 Total incurred claims $

1.76 Number of covered lives

2. Health Test:

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

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

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

3.21 Participating policies $ 572,326,814

3.22 Non-participating policies $ 9,688,951

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. Our exposure to workers' compensation comprises the probable maximum loss, 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 [X] No [ ]

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

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

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

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

8.2 If yes, give full information
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 [X]

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

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

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

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

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

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 [X] No [ ] N/A [ ]

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]

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 $ 96,392,190

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 17,503,936

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 [X] 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 [X]

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 [X]

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 [X]

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 [X]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]

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 adminstered 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 [ ]