

STATE OF OREGON

**DEPARTMENT OF
CONSUMER & BUSINESS
SERVICES**

**DIVISION OF FINANCIAL
REGULATION**



REPORT OF FINANCIAL EXAMINATION

OF

**CALIFORNIA CASUALTY GENERAL INSURANCE COMPANY OF
OREGON
PORTLAND, OREGON**

AS OF

DECEMBER 31, 2017

STATE OF OREGON

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DIVISION OF FINANCIAL REGULATION

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PORTLAND, OREGON

NAIC COMPANY CODE 35955

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SALUTATION

March 26, 2019

Honorable Cameron Smith, Director
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Director:

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

**CALIFORNIA CASUALTY GENERAL INSURANCE COMPANY OF OREGON
10260 SW Greenburg Road, Suite 448
Portland, Oregon 97223**

NAIC Company Code 35955

hereinafter referred to as the "Company." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our regular, quadrennial, multi-state examination of California Casualty General Insurance Company of Oregon, coordinated with the examination of insurers within the California Casualty Group. California was designated as the lead state. The examination was conducted in conjunction with the examination of five affiliated property and casualty insurers. A separate report of examination will be prepared for each entity. The last examination of this property and casualty insurer was completed as of December 31, 2013. This examination covers the period of January 1, 2014 to December 31, 2017.

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

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

This examination report includes significant findings of fact, as mentioned in ORS 731.302, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report, but separately communicated to other regulators and the Company.

COMPANY HISTORY

California Casualty Group (CCG) was formed in 1914 by Carl G. Brown, Sr., as a customer-owned insurance company under the name of California Casualty Indemnity Exchange, which originally wrote workers' compensation risks in California. In 1917, the Company began offering automobile insurance, with homeowner's coverage starting in 1954. Effective October 1, 1997, CCG exited the workers' compensation line, placing all existing business in run-off.

In 1951, CCG pioneered what is currently an industry trend by seeking endorsement of its affinity insurance programs with the California Teachers Association (CTA) to provide auto and home insurance to its members. It still serves CTA and its members and have expanded nationally with over 100 other endorsements from groups including the National Education Association (NEA), police forces, state troopers, firefighter associations, universities and medical centers.

CCG formed the Company in 1977 as the California Casualty General Insurance Company, and it commenced business in March 1978, as a California domiciled stock insurance company. The director of the Department of Consumer and Business Services (DCBS) approved the re-domestication of the Company from California to Oregon on February 7, 2005. Concurrently, the Company adopted its current name.

Capitalization

Article Six of the Articles of Incorporation authorize the Company to issue thirty thousand (30,000) shares of stock with a par value of \$100 per share. Of these, 26,020 shares were issued to California Casualty Insurance Company, the direct parent. Gross paid in and contributed surplus of \$12,200,000 was reported on the books and remained unchanged during the period under examination.

Dividends and Other Distributions

During the period under examination, the Company neither declared nor paid any dividends or made any distributions to its parent.

CORPORATE RECORDS

Board Minutes

In general, the review of the Board meeting minutes indicated the minutes support the transactions of the Company and clearly describe the actions taken by its directors. A quorum, as defined by the Company's Bylaws, met at all of the meetings held during the period under review.

The Company's Bylaws authorize committees, but no committees were formed during the period under examination. Instead, the Advisory Board of the upstream parent, California Casualty Indemnity Exchange (CCIE), created and delegated responsibilities to four separate committees: 1) an Audit and Financial Review Committee; 2) a Nominating/Compensation/Governance Committee; 3) an Investment Policy Review Committee, and; 4) a Contribution Committee. On December 2, 2009, the Board formally adopted a resolution to designate the Audit and Financial Review Committee of CCIE to serve as the Company's Audit Committee, to comply with provisions of the NAIC Annual Financial Reporting Model Regulation.

Articles of Incorporation

The Articles of Incorporation were filed with the Oregon Division of Financial Regulation on February 7, 2005. No changes or amendments were made during the period under examination. The Articles of Incorporation conformed to the Oregon Insurance code.

Bylaws

No changes were made to the restated Bylaws. The Bylaws conform to Oregon Statutes.

MANAGEMENT AND CONTROL

Board of Directors

Management and control of the Company was vested in a Board of Directors, comprised of advisory board members of the Exchange, CCIE, which included two Oregon residents to meet the requirements of ORS 732.305. All directors would be considered external Directors, as none are employed by any of the CCG companies. Article Eight of the Company's Articles of Incorporation state the number of directors shall be five (5). As of December 31, 2017, the Company was governed by a five-member Board of Directors as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
Wayne Shawn Diviney Clifton, Virginia	Retired National Education Assoc.	2011
Jon Howell Hamm Eldorado Hills, California	Labor Union Executive California Assoc. of Highway Patrolmen	2009
Mitchell Ebright Hornecker Portland, Oregon	Business Consultant Modoc Consulting	2017
Heather Shea Schafer Millersville, Maryland	Executive Director National Volunteer Fire Council	2014
Thomas Michael Tongue Portland, Oregon	Attorney Schwabe, Williamson & Wyatt PC	2015

Officers

Principal officers serving the Company at December 31, 2017, were:

Officer

Carl Beaumont Brown
Michael Allen Ray
James Robert Englese
Wayne Shawn Diviney

Office

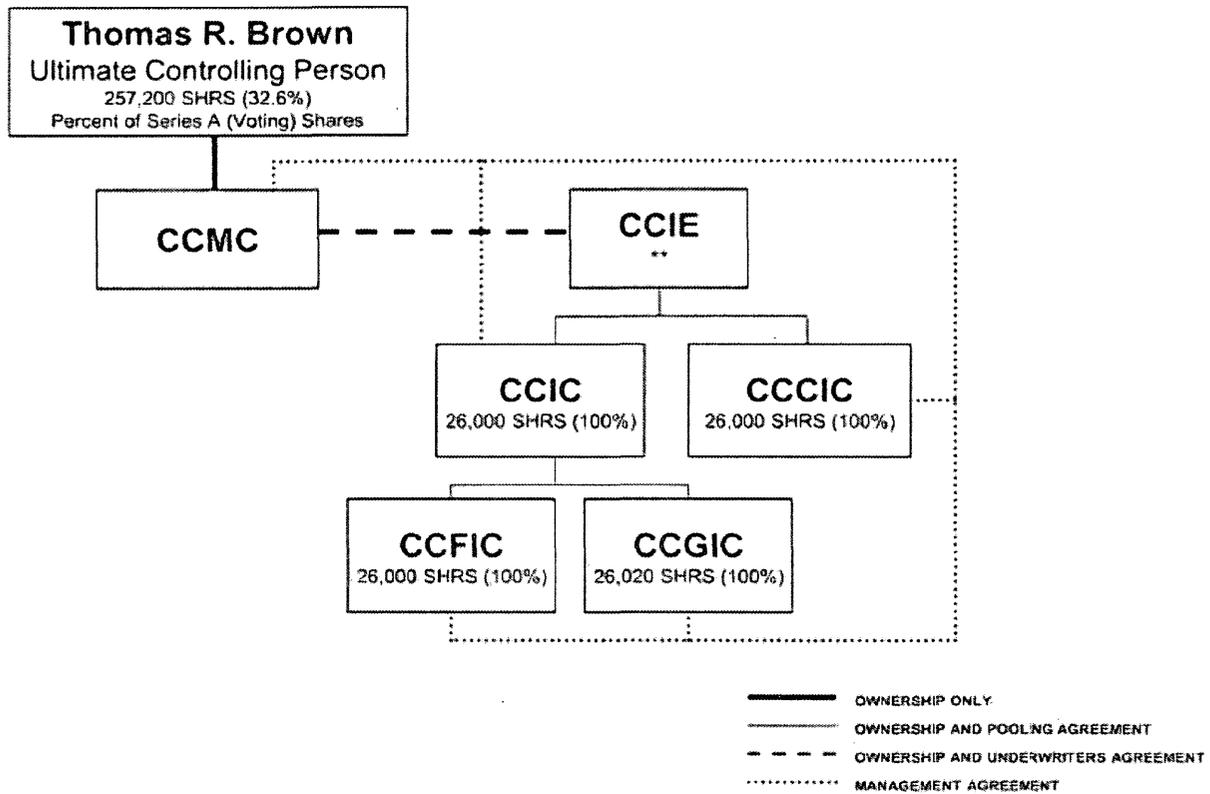
President
Chief Financial Officer
Secretary
Board Chairman

Conflict of Interest

The Company is required to comply with the California Casualty Code of business ethics and conduct which requires annual disclosure of potential conflicts of interest for all directors, officers and responsible employees. They are required to annually sign a conflict of interest declarations. From a review of the completed conflict of interest questionnaires, the Company's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Insurance Company Holding System

The Company is part of an insurance company holding system in which Thomas R. Brown is the ultimate controlling person. The organization is divided into the Management Group represented by California Casualty Management Company (CCMC) and the California Casualty Group represented by the five insurance companies. CCMC is the attorney-in-fact for CCIE, also called the Exchange. CCIE is not incorporated, but it does own a portion of CCMC and collects dividends from its investment. It owns, directly or indirectly 100% of the insurance companies shown in the following chart:



A brief description of the entities listed in the above chart is as follows:

California Casualty Management Company (CCMC) is a California corporation formed to be the attorney-in-fact of California Casualty Insurance Exchange. It manages all business of the insurers under a management agreement described below.

California Casualty Insurance Exchange (CCIE) is a California domiciled inter-insurance exchange, also known as a reciprocal. CCIE, as an exchange, is a special form of insurance organization that is not a corporation but is ultimately owned by its subscribers, all of whom are policyholders. Policyholders who buy insurance must first join to become subscribers. To join, each subscriber to CCIE approves a written Underwriters Agreement that appoints CCMC to perform all business functions on the subscriber's behalf. Under California law, an exchange is considered the insurer, while each subscriber is an insured. CCIE owns 20.1% of CCMC Series

A (Voting) Shares. Additionally, CCIE owns 100% of the Company and another affiliated insurance subsidiary:

California Casualty Compensation Insurance Company (CCCIC) is a California domiciled property and casualty insurer. It currently holds the remaining workers' compensation risks, as well as any non-personal lines risks, within the CCG. These lines have been in run-off since 1997.

California Casualty Insurance Company (CCIC) is an Oregon domiciled property and casualty insurer. CCIC re-domesticated from California to Oregon in 2012 with approval from both states insurance regulators. CCIC owns 100% of the Company's capital stock and would be considered its direct parent. In addition to the Company, CCIC also owns the following affiliated insurer:

California Casualty & Fire Insurance Company (CCFIC) is a California domiciled property and casualty insurer.

INTERCOMPANY AGREEMENTS

The following agreements are in place between the Company and its affiliates or subsidiaries within the insurance company holding system:

Management Agreement

Effective January 1, 1994, all of the insurers in the California Casualty Group became party to a Management Agreement, which designated CCMC to cover all insurance business operations of its affiliates including marketing, underwriting, collection of premiums, losses and other legal actions, accounting and recordkeeping, reinsurance, and investments. Under the terms of the Agreement, CCMC is paid a management fee of up to 125% of expenses incurred on behalf of the

affiliates. All expenses incurred by CCMC related to management of their affiliates shall be paid by CCMC and reimbursed through the management fee with the exception of the following, which shall be paid directly by the affiliate, or if paid by CCMC, reimbursed separately from the management fee: losses, allocated loss adjustment expenses, boards and bureaus, governmental charges, premium taxes, federal income and all other taxes, reinsurance premiums and commissions, examination fees, directors' expenses, outside legal and accounting fees, and specific expenses authorized by the Board of Directors.

Tax Allocation Agreement

Effective January 1, 1999, all insurers of CCG became party to a tax allocation agreement with CCIE. Under the terms of the agreement, the consolidated federal income tax liability of CCG is allocated to each company in proportion to each company's share of taxable income, computed on a separate company basis. Any credits such as net operating losses, capital losses, and alternative minimum tax (AMT) shall be reimbursed to CCIE or the subsidiary eligible for the credit. Amounts owed shall be settled within 90 days. Intercompany amounts not settled within 90 days shall be treated as loans, advances, or non-admitted. CCIE is responsible for filing and making all tax payments on behalf of CCG.

Intercompany Pooling Agreement

During the period under examination, the Company was party to a revised reinsurance pooling agreement with CCIE, CCFIC, and CCGIC (effective January 1, 2011). The Agreement is described in the Reinsurance Section below.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2017, CCMC was covered for up to \$3,000,000 limit per occurrence with a \$6,000,000 aggregate limit, after a \$250,000 deductible against losses from acts of dishonesty and fraud by its employees. A policy amendment named the Company as an insured. This coverage met the limits recommended by the NAIC Financial Condition Examiners Handbook. CCIE employs all the employees, while CCMC leases or owns all the equipment and property used by the companies in their operations. CCMC and CCIE carried adequate coverages in force at December 31, 2017 as follows:

Auto liability	Crime Insurance Coverage
Earthquake coverage	Errors & Omissions liability
Property coverage	Business automobile liability
General liability	Directors and officer's liability
Excess liability	Employment practice liability
Umbrella excess liability	Workers' Compensation coverage

TERRITORY AND PLAN OF OPERATION

During the period under examination, the Company was authorized to write property and casualty business in Oregon, excluding workers' compensation. The Company was authorized to write in seventeen (17) states and reported direct business in twelve (12), as follows:

<u>State</u>	<u>Direct Premiums Written</u>
Arizona	\$ 8,575,342
Idaho	2,618,070
Illinois	7,750,219
Iowa	1,298,609
Kentucky	2,088,817
Missouri	4,505,143
Nebraska	1,490,086
Ohio	10,790,813
Oregon	18,241,393
Utah	2,582,545
Washington	10,624,986
Wyoming	1,940,016
Total	<u>\$ 72,326,039</u>

In addition to the above, the Company is authorized in California, Kansas, Nevada, New Mexico, and Wisconsin. At December 31, 2017, the Company wrote the following lines of direct business:

	<u>Direct Premium</u>	<u>Percentage</u>
Homeowner's	\$ 14,757,041	20.4%
Inland Marine	127,885	0.2%
Earthquake	231,170	0.3%
Private Passenger Auto	31,477,620	43.5%
Auto Physical Damage	<u>25,732,323</u>	<u>35.6%</u>
Total	<u>\$ 72,326,039</u>	100.0%

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Income (Loss)</u>
2013*	\$ 103,618,400	\$ 70,832,180	\$ 32,786,221	\$ (552,147)
2014	102,667,395	71,494,696	31,172,699	(1,574,535)
2015	113,081,771	86,648,816	26,432,955	(4,779,101)
2016	112,186,581	87,840,793	24,345,788	(2,073,724)
2017*	111,030,204	91,896,326	19,133,877	(5,191,668)

*Per examination

LOSS EXPERIENCE

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

<u>Year</u>	(1) <u>Premium Earned</u>	(2) <u>Losses and LAE Incurred</u>	(3) <u>Other Underwriting Expenses Incurred</u>	(2) + (3) / (1) <u>Combined Loss Ratio</u>
2013	\$ 17,760,531	\$ 14,101,423	\$ 5,327,454	109.4%
2014*	18,506,263	15,265,044	5,118,717	110.1%
2015	22,920,481	19,274,160	7,584,840	117.2%
2016	27,414,354	22,375,134	7,359,808	108.4%
2017*	28,163,967	24,919,359	7,482,193	115.0%

*Per examination

A combined loss, LAE and Other Underwriting expenses incurred to premium ratio of more than 100% would indicate an underwriting loss. The Company reported underwriting losses for all years under examination.

REINSURANCE

Pooling

Effective January 1, 2011, CCIE and its subsidiaries CCIC, CCFIC, CCGIC and CCCIC participate in revised pooling agreement whereby each participating affiliate cedes 100% of its direct and assumed business to CCIE. Personal lines of business are pooled separately from workers' compensation and miscellaneous commercial lines in run-off. Under the revised agreement, the personal lines of business are retroceded to and assumed by CCIC, CCFIC and CCGIC according to their pooling percentages of 8%; 10%; and 12% respectively. CCIE retains 70% of the pooled personal lines of business. All workers' compensation and miscellaneous commercial lines direct and assumed business are retroceded 100% to CCCIC. The revised agreement was amended to clarify that only CCIE may purchase non-affiliate reinsurance contracts, and each subsidiary's direct premiums and direct paid losses and expenses are ceded to CCIE.

The pooling agreement contains a satisfactory insolvency clause, in accordance with the provisions of ORS 731.508(3). In addition, it was determined that the pooling agreement provided for risk transfer in accordance with the requirements of SSAP No. 62.

ACCOUNTS AND RECORDS

In general, the Company's records and source documentation supported the amounts presented in its December 31, 2017, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. The Company has a system in place to account for unclaimed funds and has filed the proper reports on abandoned property with the Department of State Lands, pursuant to the provisions of ORS 98.352.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no adjustments made to surplus and no recommendations were made in the 2013 report of examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date that would have a material impact on the financial statements of the Company.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Division of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2017. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

Statement of Assets
Statement of Liabilities, Capital and Surplus
Statement of Revenue and Expenses
Reconciliation of Surplus Since the Last Examination

**CALIFORNIA CASUALTY GENERAL INSURANCE COMPANY OF OREGON
ASSETS**

As of December 31, 2017

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 41,381,140	\$ -	\$ 41,381,140	1
Cash, cash equivalents and short-term investments	253,709	-	253,709	1
Aggregate write-ins for invested assets	<u>0</u>	<u>-</u>	<u>0</u>	
Subtotal, cash and invested assets	<u>\$ 41,634,849</u>	<u>\$ -</u>	<u>\$ 41,634,849</u>	
Investment income due and accrued	228,523	-	228,523	
Premiums and considerations Uncollected premiums, agents' balances in course of collection	323,136	-	323,136	
Deferred premiums, agents balances and installments booked but deferred and not yet due	48,867,195	-	48,867,195	
Amounts recoverable from reinsurers	5,162,056	-	5,162,056	
Receivables from parent, subsidiaries and affiliates	14,635,821	-	14,635,821	
Aggregate write-ins for other than invested assets	<u>178,623</u>	<u>-</u>	<u>178,623</u>	
Total Assets	<u>\$ 111,030,203</u>	<u>\$ -</u>	<u>\$ 111,030,203</u>	

CALIFORNIA CASUALTY GENERAL INSURANCE COMPANY OF OREGON
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2017

Liabilities, Surplus and other Funds	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Losses	\$ 15,334,035	\$ -	\$ 15,334,035	2
Reinsurance payable on paid losses and loss adjustment expenses	3,761,760	-	3,761,760	
Loss adjustment expenses	4,073,665	-	4,073,665	2
Other expenses	57,775	-	57,775	
Taxes, licenses and fees	190,656	-	190,656	
Current FIT payable	2,566	-	2,566	
Unearned premiums	21,847,282	-	21,847,282	
Advance premium	195,921	-	195,921	
Ceded reinsurance premiums payable	34,515,999	-	34,515,999	
Amounts withheld or retained by company for account of others	646,411	-	646,411	
Payable to parent, subsidiaries and affiliates	11,180,589	-	11,180,589	
Aggregate write-ins for liabilities	<u>89,758</u>	-	<u>89,758</u>	
Total Liabilities	<u>\$ 91,896,326</u>	<u>\$ -</u>	<u>\$ 91,896,326</u>	
Common capital stock	2,602,000	-	2,602,000	
Gross paid in and contributed surplus	12,200,000	-	12,200,000	
Unassigned funds (surplus)	<u>4,331,877</u>	-	<u>4,331,877</u>	
Surplus as regards policyholders	<u>19 133 877</u>	-	<u>19 133 877</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 111,030,203</u>	<u>\$ -</u>	<u>\$ 111,030,203</u>	

CALIFORNIA CASUALTY GENERAL INSURANCE COMPANY OF OREGON
STATEMENT OF INCOME
For the Year Ended December 31, 2017

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Underwriting Income				
Premiums earned	\$ 42,274,973	\$ -	\$ 42,274,973	
Deductions				
Losses incurred	30,915,113	-	30,915,113	
Loss adjustment expenses	6,463,926	-	6,463,926	
Other underwriting expenses incurred	<u>11,223,290</u>	<u>-</u>	<u>11,223,290</u>	
Total underwriting deductions	<u>48,602,329</u>	<u>-</u>	<u>48,602,329</u>	
Net underwriting gain (loss)	(6,327,356)		(6,327,356)	
Investment Income				
Net investment income earned	960,874	-	960,874	
Net realized capital gains (losses)	<u>13,114</u>	-	<u>13,114</u>	
Net investment gain (loss)	973,988	-	973,988	
Other Income				
Net gain (loss) from agents' or premium balances charged off	(121,221)	-	(121,221)	
Finance and service charges not included in premiums	223,031	-	223,031	
Aggregate write-ins for miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>	
Total other income	<u>101,811</u>	<u>-</u>	<u>101,811</u>	
Net income before dividends to policyholders, after capital gains tax, before all other federal and foreign income taxes	(5,251,557)	<u>-</u>	(5,251,557)	
Dividends to policyholders	-	<u>-</u>	-	
Federal and foreign income taxes incurred	<u>(59,890)</u>	<u>-</u>	<u>(59,890)</u>	
Net income	<u>\$ (5,191,668)</u>	<u>\$ -</u>	<u>\$ (5,191,668)</u>	

CALIFORNIA CASUALTY GENERAL INSURANCE COMPANY OF OREGON
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2017	2016	2015	2014
Surplus as regards policyholders, December 31, previous year	<u>\$ 24,345,788</u>	<u>\$ 26,432,955</u>	<u>\$ 31,172,699</u>	<u>\$ 32,786,221</u>
Net income (loss)	(5,191,668)	(2,073,724)	(4,779,101)	(1,574,535)
Change in net unrealized capital	-	-	-	-
gains or (losses)	-	-	-	-
Change in non-admitted assets	(20,243)	(13,442)	39,357	(38,986)
Change in provision for reinsurance	-	-	-	-
Change in surplus notes	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	-	-
Capital changes:				
Paid in	-	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-	-
Transferred to surplus	-	-	-	-
Surplus adjustments:				
Paid in	-	-	-	-
Transferred to capital (Stock Dividend)	-	-	-	-
Transferred from capital	-	-	-	-
Net remittances from or (to) Home Office	-	-	-	-
Change in treasury stock	-	-	-	-
Examination adjustment	-	-	-	-
Change in surplus as regards policyholders for the year	<u>(5,211,911)</u>	<u>(2,087,167)</u>	<u>(4,739,744)</u>	<u>(1,613,521)</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 19,133,877</u>	<u>\$ 24,345,788</u>	<u>\$ 26,432,955</u>	<u>\$ 31,172,699</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

The majority of the Company's long-term bond investments were in US obligations, US federal agency bonds, municipal obligations, and corporate issues. The Company did have a moderate exposure to mortgaged-backed and asset-backed securities. All MBS/ABS issues were investment rated at year-end 2017, but the carrying book value of \$9.1 million comprised 22% of the total long-term bond portfolio, and 22% of all invested assets.

Short-term deposits consisted of one Blackrock Provident Institutional Funds Money Market account.

A comparison of the major investments over the past five years shows the following:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Cash and</u> <u>Short-term</u>	<u>Ratio</u> <u>A/</u> <u>Total Assets</u>	<u>Ratio</u> <u>B/</u> <u>Total Assets</u>
2013*	\$ 43,358,366	\$ 567,892	41.8%	0.5%
2014	42,740,623	1,025,847	41.6%	1.0%
2015	47,599,139	243,648	42.1%	0.2%
2016	47,108,983	220,002	42.0%	0.2%
2017*	41,381,140	253,709	37.3%	0.2%

* Balance per examination

The Board of Directors approved the investment transactions in each of the years under review, in accordance with ORS 733.740. As of December 31, 2017, sufficient assets were invested in amply secured obligations of the United States, in compliance with ORS 733.580.

Effective March 14, 2005, the Company entered into a custodial agreement with BNY Mellon. At December 31, 2017 the Company was not in compliance with the protections described in OAR 836-027-0200(4)(a) through (l). However, during fieldwork the Company revised their custodial agreement to comply with the protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Actuarial Reserves

As noted earlier in this report, the Company participates in an intercompany reinsurance pooling arrangement whereby 100% of the direct premiums, direct paid losses, and direct expenses are ceded to the Pool and 12% of the nationwide pool is retroceded back to the Company. As a result, all loss reserves, LAE reserves, premiums, unearned premium reserves, and any other amount to be actuarially determined were booked at the end of each reporting period in an amount equal to 12% of the pooled amounts.

Bob Hallstrom, FCAS, Senior Casualty Actuary with the California Department of Insurance reviewed California Casualty Group's losses and loss adjustment expense reserves as of December 31, 2017. During his review, he examined the Statement of Actuarial Opinion and supporting statements for the California Casualty Insurance Companies as of December 31, 2017, prepared by F. Judy Jao, FCAS, MAAA, Senior Vice President and Actuary for CCMC.

Mr. Hallstrom reviewed the reconciliation of the data used in the Actuarial Report to the data in Schedule P and found them to be consistent. He did not review the underlying data used to create the annual statement filing, but relied upon the work performed by the examiners.

The actuary further reviewed the Statements of Actuarial Opinion and supporting Actuarial Report including supporting work-papers prepared by Ms. Jao. Other supporting documentation reviewed included the YE 2017 Annual Statements and answers to the Actuarial Questionnaire. He accepted the data from these sources as valid. In general, he found that the assumptions and methodologies used by Ms. Jao were accurate and appropriate. Furthermore, the loss and LAE reserve computations were performed correctly and the selected estimates were reasonable.

Ms. Jao, the appointed actuary, opined that the reserves for loss and LAE carried by the Company as of December 31, 2017, were reasonable. Mr. Hallstrom concurred that the loss and LAE reserves were reasonably stated as of December 31, 2017 as follows:

	<u>Actuarial Estimate</u>	<u>Annual Statement</u>
Losses	\$ 15,334,035	\$ 15,334,035
Reinsurance Payable on Paid	3,761,760	3,761,760
Losses and LAE		
Loss Adjustment Expenses	<u>4,073,665</u>	<u>4,073,665</u>
Total Actuarial Liabilities	\$ 23,169,460	\$ 23,169,460

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiners made no recommendations and there were no changes to surplus as a result of this examination.

CONCLUSION

During the four-year period covered by this examination, the surplus of the Company has decreased from \$32,786,220 as presented in the December 31, 2013, report of examination to \$19,133,878 as shown in this report. The comparative assets and liabilities are:

December 31,

	<u>2017</u>	<u>2013</u>	<u>Change</u>
Assets	\$ 111,030,204	\$ 103,618,400	\$ 7,411,804
Liabilities	<u>91,896,326</u>	<u>70,832,180</u>	<u>21,064,146</u>
Surplus	\$ 19,133,220	\$ 32,786,878	\$ (13,652,342)

ACKNOWLEDGMENT

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

In addition to the undersigned, Khoa V. Nguyen, AFE, and Maanik C. Gupta, insurance examiners for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination. We would also like to thank the following for their participation in this coordinated examination:

California Department of Insurance (CDI)
Anne Tong, Bureau Chief, San Francisco/Sacramento
Ber Vang, CFE, CISA, Senior Insurance Examiner
Mei Gu, CFE, Examiner In Charge
Vicky Au-Yeung, Associate Insurance Examiner
Sam Chiu, CFE, Associate Insurance Examiner
Man Yu Guan, Insurance Examiner
Jack Lee, CFE, Associate Insurance Examiner
Garen Sargsyan, Associate Actuary
Bob Hallstrom, FSA, MAAA, CDI Actuary
Bob Depp, CPCU, ARE, Claims Specialist
Grey Lieber, Investment Specialist

Respectfully submitted,



Mark A. Giffin, CFE
Senior Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON

County of Marion

Mark A. Giffin, CFE, being duly sworn, states as follows:

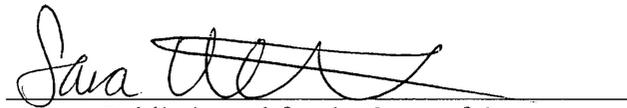
1. I have authority to represent the state of Oregon in the examination of California Casualty General Insurance Company of Oregon, Portland, Oregon.
2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association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

The affiant says nothing further.



Mark Giffin, CFE
Senior Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 29 day of May, 2019.



Notary Public in and for the State of Oregon

My Commission Expires: 12/17/2021

