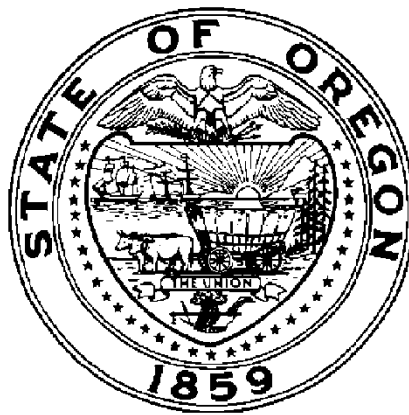


STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS
SERVICES
DIVISION OF FINANCIAL
REGULATION



REPORT OF FINANCIAL EXAMINATION
OF
LIBERTY NORTHWEST INSURANCE CORPORATION
PORTLAND, OREGON

AS OF
DEC 31, 2023

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**LIBERTY NORTHWEST INSURANCE CORPORATION
PORTLAND, OREGON**

NAIC COMPANY CODE 41939

AS OF

DEC 31, 2023

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SALUTATION

March 10, 2025

Honorable TK Keen, acting insurance commissioner
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, Oregon, 97301-3883

Dear commissioner:

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

LIBERTY NORTHWEST INSURANCE CORPORATION

**One Liberty Centre
650 NE Holladay Street
Portland, Oregon 97232**

NAIC Company Code 41939

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

SCOPE OF EXAMINATION

We have performed our regular, multistate, full-scope examination of Liberty Northwest Insurance Corporation, together with its affiliate, Safeco Insurance Company of Oregon, and the company's wholly owned insurance subsidiaries, North Pacific Insurance Company and Oregon Automobile Insurance Company. There will be a separate report of financial examination prepared for each company. The examination was coordinated with the insurers in the Liberty Mutual Group, with the State of Massachusetts designated as the lead state. The last examination of this property and casualty insurer was completed as of Dec. 31, 2018. This examination covers the period of Jan. 1, 2019, to Dec. 31, 2023.

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

The company was incorporated in Oregon on Jan. 21, 1983, and received a certificate of authority on Feb. 18, 1983, to transact property, casualty (including workers' compensation), marine & transportation, and surety lines of business. The company was part of the Liberty Mutual Agency Corporation strategic business unit (LMAC SBU) within the Liberty Mutual Group. LMAC merged into the commercial insurance SBU. After an internal reorganization, the business written by the statutory entities in the Liberty Mutual Insurance Company (LMIC) pool included the following internal business units (SBU's): Global Retail Markets (GRN) and Global Risk Solutions (GRS). To increase efficiencies in 2023, Liberty Mutual Holding Company (LMHC) announced strategic realignments "to focus on long-term strategic markets, while better leveraging scale advantages to drive improved profitability and faster innovation." The realignment created U.S. retail markets (USRM) focused solely on U.S. personal and small commercial lines, and reorganized the other primary business unit, Global Risk Solutions (GRS), which serves large commercial, specialty business, and international business. USRM and GRS operate independently in sales, underwriting, and claims, but use shared services in corporate and other operational areas.

As described in the reinsurance section below, effective Jan. 1, 2013, the company ceded all of its risks to the lead insurer, Liberty Mutual Insurance Company (LMIC) and was retroceded 0 percent of the pooled business. Effective Oct. 15, 2021, all new and renewal business and associated policies were transferred out of the company and into the Ohio Casualty Group.

Capitalization

Under Article III of the article of incorporation, the company is authorized to issue 10 million shares of common stock of \$3 par value common stock. The company has issued 1 million shares to its direct parent, Peerless Insurance Company, representing 100 percent of the shares outstanding. No additional capital had been contributed to the company during the period under examination.

Dividends to stockholders and other distributions

During the period under examination, the company did not declare or pay any dividends to its stockholder.

CORPORATE RECORDS

Board minutes

In general, the review of board meeting minutes of the company indicated that 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, was met at all of the meetings held during the period under review.

The minutes indicated the board directly approves the CEO's compensation through its compensation committee and indirectly approves the compensation of senior executives through

approval of an annual performance compensation plan. This process complies with the provisions of ORS 732.320(3).

Articles of incorporation

The company's restated articles of incorporation were most recently amended on April 6, 1993. The articles of incorporation conformed to the Oregon Insurance Code.

Bylaws

The company's bylaws were last restated on Sept. 1, 2007. The bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of directors

Management and control of the company is vested in a board of directors. Article III of the company's bylaws designates that the board shall be comprised of not less than five members, the exact number thereof to be fixed by resolution. As of Dec. 31, 2023, the company was governed by a 12 member board of directors as follows:

<u>Name and address</u>	<u>Principal affiliation</u>	<u>Member since</u>
Damon Paul Hart* Brookline, Massachusetts	Chief legal officer and secretary Liberty Mutual Group Inc.	2022
Hamid Talal Mirza Norwell, Massachusetts	President, USRM Liberty Mutual Group Inc.	2023
Paul Sanghera Medfield, Massachusetts	EVP and comptroller Liberty Mutual Group Inc.	2021
James Matthew Czapla Marblehead, Massachusetts	Deputy general counsel, USRM Liberty Mutual Group Inc.	2021

Michael Joseph Fallon Bedford, Massachusetts	President, major accounts, GRS Liberty Mutual Group Inc.	2018
Elizabeth Julia Morahan Newtonville, Massachusetts	Deputy general counsel, GRS Liberty Mutual Group Inc.	2018
Matthew Paul Dolan Avon, Connecticut	President, Ironshore, GRS Liberty Mutual Group Inc.	2018
Michael George McUne Portland, Oregon	Director, state operations Liberty Mutual Group Inc.	2021
Alison Brooke Erbig Stoneham, Massachusetts	Chief financial officer, GRS Liberty Mutual Group Inc.	2015
Matthew Edwin Johnson Boston, Massachusetts	Chief financial officer, USRM Liberty Mutual Group Inc.	2023
Joseph Lee Meils West Linn, Oregon	Executive underwriting manager Liberty Mutual Group Inc.	2018
Gregory Loren Starr Keizer, Oregon	Claims field manager Liberty Mutual Group Inc.	2021

*Chairman

Under Oregon law, ORS 732.305, at least five, or one-quarter of the directors, whichever is fewer, must be residents of Oregon and a majority of directors must be persons who are not salaried officers of the company. The company was in compliance with this statute. The directors as a group had experience in law, insurance, accounting, and management, in accordance with the provisions of ORS 731.386.

Officers

Principal officers serving at Dec. 31, 2023, were as follows:

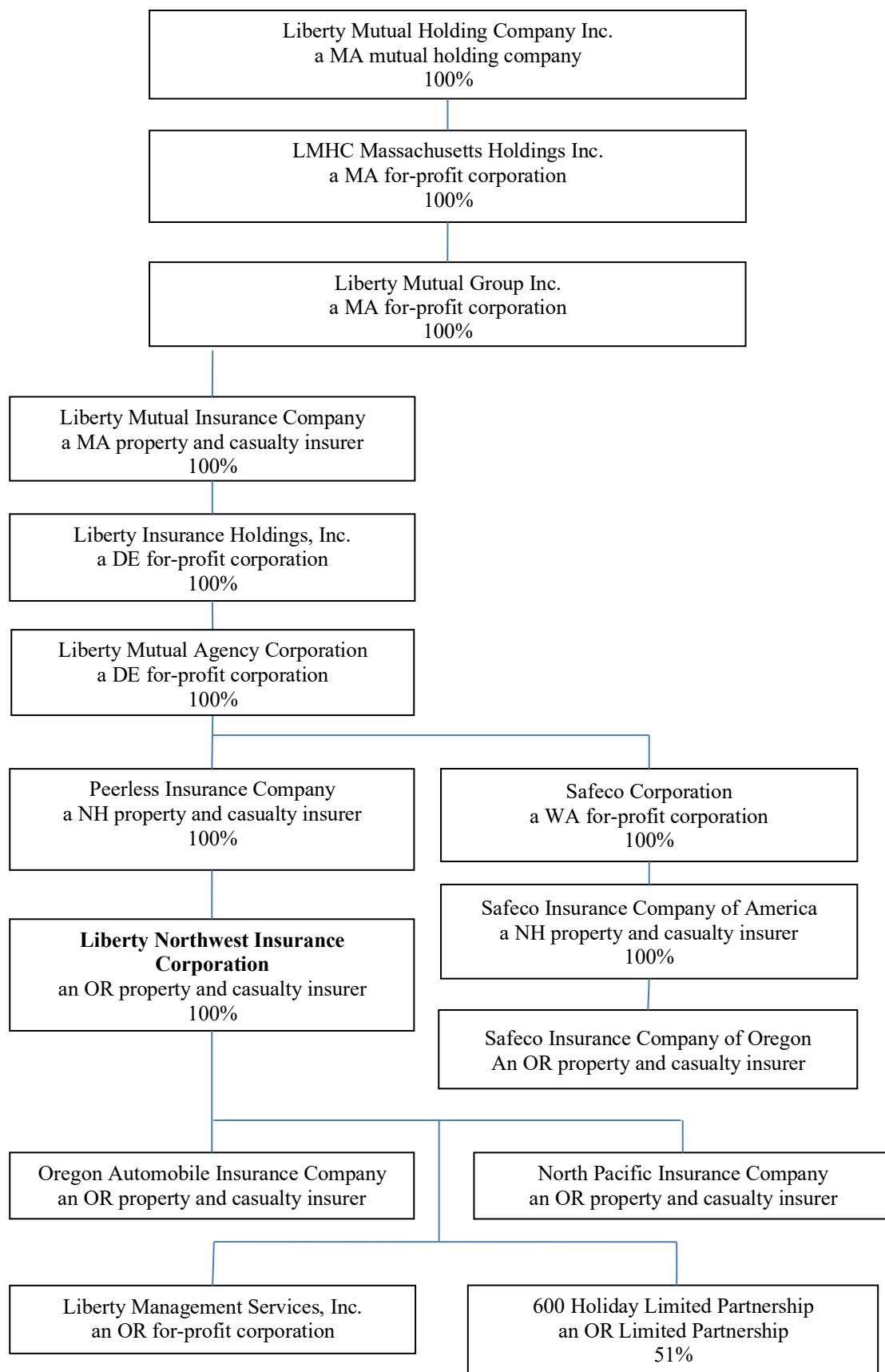
<u>Name</u>	<u>Title</u>
Hamid Talal Mirza	President and chief executive officer
Nikos Vasilakos	Executive vice president and treasurer
Damon Paul Hart	Executive vice president, chief legal officer and secretary
Paul Sanghera	Executive vice president and comptroller
Vlad Yakov Barbalat	Executive vice president and chief investment officer
Christopher Locke Peirce	Executive vice president and chief financial officer

Conflict of interest

The company is party to the Liberty Mutual Code of Business Ethics and Conduct, which requires officers, directors, and selected responsible employees to report annually any conflicts of interest or violations of ethical business practices to the company. Liberty Mutual has an established formal conflict of interest policy, has a formal annual process which identifies all conflicts of interest for directors and officers of Liberty Mutual Holding Company and all regulated insurance entities, ensures they are sufficiently mitigated where necessary through review by internal legal and compliance leaders and has a process for summarizing and reporting the conflicts to the board of directors. The company was in compliance with provisions for annual disclosures of conflicts of interest to board of directors or trustees and officers.

Insurance company holding system

An insurance holding company registration statement was filed by the company in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020(1). The following condensed organizational chart depicts the relationships of the company within the holding company system:



A description of each of the entities above is as follows:

Liberty Mutual Group Inc. (LMG) is a Massachusetts holding company formed as part of the reorganization of Liberty Mutual Insurance Company in 2001 under a mutual holding company system. As part of the transaction, it formed Liberty Mutual Holding Company Inc. (LMHC) as a mutual holding company and the ultimate controlling entity. LMHC Massachusetts Holdings Inc. was formed as a stock holding company 100 percent owned by LMHC and is the direct parent of LMG. Significant subsidiaries of LMG include:

- Liberty Mutual Insurance Company (LMIC), a Massachusetts domiciled property and casualty insurer, was formed in 1912 and is the flagship insurance company of the group, 100 percent owned by LMG.
- Liberty Insurance Holdings, Inc. (LIH), a Delaware stock holding company 100 percent owned by LMIC.
- Liberty Mutual Agency Corporation. (LMAC), a Delaware stock for-profit corporation 100 percent owned by LIH.
- Safeco Corporation (SC), a Washington for-profit corporation 100 percent owned by LMAC.
- Safeco Insurance Company of America (SICA), a New Hampshire property and casualty insurance company 100 percent owned by SC.
- Safeco Insurance Company of Oregon (SICO), an Oregon property and casualty insurance company 100 percent owned by SICA.
- Peerless Insurance Company (PIC), a New Hampshire stock property and casualty insurance company 100 percent owned by LMAC. PIC owns 100 percent of the outstanding shares of the Company's common stock and is the direct parent.
- Oregon Automobile Insurance Company (OAIC), an Oregon-domiciled stock property and casualty insurer.
- North Pacific Insurance Company (NPIC), an Oregon-domiciled stock property and casualty insurer.

- Liberty Management Services, Inc. (LMS), an Oregon corporation formed in 1987 as a non-insurance claims servicing company, providing operational support for employers that are self-insured for workers' compensation.
- 600 Holiday Limited Partnership, an Oregon limited partnership that held office space that the company partially occupied.

INTERCOMPANY AGREEMENTS

The following agreements are in place between the company and members of the insurance holding company system:

Management services agreement

Effective Jan. 1, 2013, the company and LMIC entered into an agreement whereby LMIC will provide; A) insurance; B) accounting, actuarial, risk management, financial, tax, and auditing services; C) purchasing, payroll, human resources, and employee benefits; D) marketing and strategic support; E) information technology and support; F) policy administration and production; G) real estate management; H) legal and compliance; I) general administration; J) miscellaneous; K) reinsurance negotiations; and L) maintenance of and access to records. Pursuant to the agreement, the company shall reimburse LMIC for the reasonable cost of services provided and shall include direct expenses and direct allocable expenses, consistent with the principles of SSAP No. 70. Settlement shall be quarterly and amounts owing shall be made within 45 days.

Cash management agreement

Effective Jan. 1, 2016, the company entered into an agreement with Liberty Mutual Insurance company, (LMIC) to make, hold, and administer certain positions in short-term investments. Monthly fees charged will be based on an average of the market value of cash and securities times .00015 plus its proportionate share of all reasonable cost and expenses incurred by the LMIC in performing its obligations under this agreement, including but not limited to commissions,

transaction fees, and custodial fees incurred. All amounts are to be made within 45 days after the end of the month. Exhibit A of the agreement described the permitted assets allowed for purchase. The agreement has no expiration date but may be terminated immediately upon written notice by the company or with 180 days written notice by LMIC.

Investment management agreement

Effective July 1, 2011, the company entered into an agreement with LMGAM to act as discretionary investment manager of all the invested assets held by the company, subject to the guidelines, limitations, and objectives set by the company's board of directors. The agreement has no expiration date, but may be terminated immediately upon written notice by the company or with 180 days written notice by LMGAM. Monthly fees charged will be based on an average of the market value of cash and securities times .00015.

Tax sharing agreement

On Jan. 1, 2002, the company joined LMHC in a tax-sharing agreement. Under the terms of the agreement, LMHC shall compute a consolidated federal tax return of any legal entity that is part of the Liberty Mutual Group. All taxes payable from each legal entity shall be based on a separate tax return liability, after adjusting for any current year, carryovers or carrybacks of net operating losses, net capital losses, excess tax credits, or other tax attributes. Payments reflecting the final tax return liability for a given tax year will be settled after the filing of Liberty Mutual Group's federal tax return.

Agency agreement

Effective April 11, 2022, the company entered into an agency agreement with Comparion Insurance Agency, LLC. (CIA) whereby CIA was appointed a property-casualty insurance agent for the company. Under the terms of the agreement

- Insurer authorizes agency to solicit and submit insurance applications, and bind policies in adherence to insurer's underwriting and eligibility guidelines
- Insurer retains unilateral right to determine and make changes to products, services, rates, rules, underwriting guidelines, and risk appetites
- Agency may not use sub-contractors without the express approval of insurer
- Agency must maintain E&O and Fidelity insurance of no less the \$1 million per claim, and provide evidence upon request
- Policies will be made on a direct-bill basis, and agency will promptly forward any premiums received
- Agency indemnifies insurer against liability arising by reason of breach of contract
- Records of transactions will be retained for a minimum of five years

FIDELITY BOND AND OTHER INSURANCE

The company was covered against losses through a fidelity bond with a single loss limit of \$15 million with a single loss limit deductible of \$10 million. This coverage met the amounts recommended by the NAIC. An endorsement of the policy defined any subsidiary of Liberty Mutual Holding Company to be an insured. The company is insured under an enhanced commercial umbrella liability policy with a limit of \$10 million and a self-insurance retention of \$2 million. Other major insurance coverages in force included business auto, directors' and officers' liability, commercial general liability, professional liability, commercial property,

financial institution bond, workers' compensation, and a blanket accident insurance policy. All coverages appeared adequate as of Dec. 31, 2023.

TERRITORY AND PLAN OF OPERATION

The company is licensed in the states of Alaska, California, Idaho, Massachusetts, Montana, Oregon, Utah, Washington, and Wyoming. During the period under examination, the company wrote primarily casualty business, including workers compensation, and commercial auto liability through independent agents. At Dec. 31, 2023, the company only wrote direct premiums in one state in which it is licensed, as follows:

<u>State</u>	<u>Direct premiums written</u>	<u>Percentage</u>
Alaska	-	-
California	246,917	100%
Idaho	-	-
Massachusetts	-	-
Montana	-	-
Oregon	(79,240)	-
Utah	-	-
Washington	-	-
Wyoming	-	-
Total	<u>\$ 167,677</u>	<u>100%</u>

The negative amount for Oregon represents a premium refund on a workers compensation policy.

The following is a breakdown of the direct premiums written in 2023:

<u>Lines of business</u>	<u>Premium</u>	<u>Percentage</u>
Workers' compensation	167,677	100%
Totals	<u>\$ 167,677</u>	<u>100%</u>

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Income (Loss)</u>
2019	\$ 71,464,079	\$ 15,072,752	\$ 56,391,328	\$ 4,753,834
2020	59,282,081	2,202,637	57,079,444	450,378
2021	58,898,998	1,104,045	57,794,953	497,693
2022	59,189,661	614,349	58,575,312	188,581
2023 *	59,918,315	405,585	59,512,730	897,093

*Per examination

All business was 100 percent ceded to Liberty Mutual Insurance Company, the lead insurer in the pool, pursuant to the second amended and restated intercompany reinsurance agreement, which resulted in \$0 net underwriting gains for the entire examination period.

REINSURANCE

Effective Jan. 1, 2013, the company entered into a second amended and restated intercompany reinsurance agreement, a 100 percent quota-share pooling reinsurance agreement with its indirect parent, LMIC, the lead insurer in the LMIC Pool. The agreement calls for LMIC to assume all risks from first dollar, both assumed and direct.

Although the LMIC Pool has various reinsurance agreements with outside reinsurers and with affiliates within the Liberty Mutual Group, the company is not a party to any other reinsurance agreements on a direct basis.

As part of the second amended and restated intercompany reinsurance agreement, 100 percent of the business is ceded by 55 affiliated insurers to the lead company, Liberty Mutual Insurance

Company. LMIC records 100 percent of its external assumed and ceded reinsurance activity after recording the assumed affiliate transactions and then retrocedes to the pool members in accordance with each company's pooling percentage. The company did not participate in any retrocession, and as a result, it reported no reserves or other policy-related liabilities.

The following is the retrocession reinsurance participants and their respective participation percentages (six companies):

Liberty Mutual Insurance Company	50%
Peerless Insurance Company	20%
Employers Insurance Company of Wausau	8%
The Ohio Casualty Insurance Company	8%
Liberty Mutual Fire Insurance Company	8%
Safeco Insurance Company of America	6%
Total	<u>100%</u>

Risk retention

The company did not retain risk on any one subject in excess of 10 percent of its surplus as regards policyholders. The company complied with the provisions of ORS 731.504.

Insolvency clause

The reinsurance agreement contained an insolvency clause that specified payments would be made to a statutory successor without diminution in the event of insolvency in compliance with ORS 731.508(3).

ACCOUNTS AND RECORDS

The company's records and source documentation supported the amounts presented in the company's Dec. 31, 2023, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

However, the company did not properly disclose intercompany agreement payment amounts on its 2023 holding company registration statement filed with DFR in violation of ORS 732.552.

I recommend the company properly disclose intercompany agreement payment amounts on future holding company registration statements in accordance with the requirements of ORS 732.552.

STATUTORY DEPOSIT

The company had deposits with the Oregon Division of Financial Regulation, Department of Consumer and Business Services, pursuant to the provisions of ORS 731.604 and 731.628. The deposits consist of two U.S. treasury notes, one other government bond, and three U.S special revenue bonds with a total par value of \$2,415,000. This asset was confirmed directly by DFR, DCBS. The deposits were properly disclosed on Schedule E – Part 3 of the 2023 annual statement. The company also listed deposits with other states, which were confirmed directly with those jurisdictions.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were four recommendations made from the prior report of examination as follows:

I recommend the company declare and pay all future dividends or distributions in accordance with the requirements of ORS 732.554 and ORS 732.576

The company did not declare or pay any dividends during the period under examination.

I recommend the lead company record all external assumed reinsurance on a gross basis for all companies that participate in the pool, including the company, in accordance with the provisions of SSAP No. 62R, paragraph 20, SSAP No. 63, paragraph 8, and ORS 731.574(1).

Massachusetts, the lead state, confirmed that LMIC is now recording the effects of nonaffiliated external assumed reinsurance on a gross basis.

I recommend the company file its annual and quarterly financial statements in accordance with the requirements of ORS 731.574(1) and OAR 836-011-0000.

I recommend that the company properly report investments in subsidiaries on Schedule D – Part 2 – Section 2 of the annual statement in accordance with the provisions of SSAP No. 97, paragraph 8, ORS 731.574(1) and the annual statement instructions for property/casualty manual.

The company is now valuating Liberty Management Services, a subsidiary of the company, in accordance with the provisions of SSAP No.97, paragraph 8, ORS 731.574(1) and the annual statement instructions for property/casualty companies.

SUBSEQUENT EVENTS

On July 25, 2024, LMIC announced that Julie Haase was named executive vice president and chief financial officer, effective Jan. 1, 2025. Current executive vice president and chief financial officer, Chris Peirce, announced his retirement at the end of 2024.

In January 2025, there were a series of severe wildfires that impacted areas of Southern California and these catastrophe losses will be recorded in the LMIC's Q1 2025 financial statements

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the company with DFR and present the financial condition of the company for the period ending Dec.

31, 2023. The financial statements are prepared by management and therefore, the responsibility of management. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

- Statement of assets
- Statement of liabilities, surplus, and other funds
- Statement of income
- Reconciliation of capital and surplus since the last examination

LIBERTY NORTHWEST INSURANCE CORPORATION
ASSETS
As of Dec. 31, 2023

Assets	Net admitted assets	Notes
Bonds	\$ 40,511,091	1
Common stocks	17,253,135	1
Cash, cash equivalents and short-term investments	1,567,745	1
Other invested assets	-	
Aggregate write-ins for invested assets	-	
Subtotal, cash and invested assets	<u>59,331,971</u>	
Investment income due and accrued	271,517	
Uncollected premiums and agents' balances in course of collection	(3,034)	
Amounts recoverable from reinsurers	51	
Funds held or deposited with reinsured companies	4,315	
Current federal and foreign income tax recoverable and interest thereon	187,619	
Receivables from parent, subsidiaries and affiliates	<u>125,876</u>	
Total assets	<u>\$ 59,918,315</u>	

LIBERTY NORTHWEST INSURANCE CORPORATION
LIABILITIES, SURPLUS AND OTHER FUNDS
As of Dec. 31, 2023

	Current year total	Notes
Losses	\$ -	2
Reinsurance payable on paid losses and loss adjustment expenses	93,517	
Loss adjustment expenses	-	2
Other expenses	-	
Current federal and foreign income taxes payable	-	
Net deferred tax liability	252,000	
Aggregate write-ins for liabilities	<u>60,068</u>	
Total Liabilities	<u>\$ 405,585</u>	
Common capital stock	\$ 3,000,000	
Gross paid-in and contributed capital	53,694,367	
Unassigned funds (surplus)	<u>2,818,363</u>	
Surplus as regards policyholders	<u>59,512,730</u>	
Total liabilities, surplus, and other funds	<u>\$ 59,918,315</u>	

LIBERTY NORTHWEST INSURANCE CORPORATION
STATEMENT OF INCOME
For the year ended Dec. 31, 2023

	Current year total	Notes
Underwriting income		
Premium earned	\$ -	
Deductions		
Losses incurred	-	
Loss adjustment expenses incurred	-	
Other underwriting expenses	-	
Aggregate write-ins for underwriting deductions	-	
Total underwriting deductions	-	
Net underwriting gain or (loss)	-	
Investment income		
Net investment income earned	866,093	
Net realized gains or (losses)	-	
Net investment gain or (loss)	866,093	
Other income		
Net gain or (loss) from agents' or premium balances charges off	-	
Finance and service charges not included in premiums	-	
Aggregate write-ins for miscellaneous income	-	
Total other income	-	
Net income before dividends to policyholders and income taxes	866,093	
Dividends to policyholders	-	
Federal income taxes incurred	(31,000)	
Net income	<u>\$ 897,093</u>	

LIBERTY NORTHWEST INSURANCE CORPORATION
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the year ended Dec. 31,

	2023	2022	2021	2020	2019
Surplus as regards policyholders, Dec. 31, previous year	<u>\$ 58,575,312</u>	<u>\$ 57,794,953</u>	<u>\$ 57,079,444</u>	<u>\$ 56,391,330</u>	<u>\$ 51,820,904</u>
Net income (loss)	897,093	188,581	497,693	450,378	4,753,834
Change in net unrealized capital gains or (losses)	(11,284,071)	606,434	193,867	676,623	847,200
Change in net deferred income tax	(3,272,308)	486,175	24,013	208,008	(3,787,785)
Change in non-admitted assets	14,596,704	(500,831)	(64)	(646,895)	2,757,177
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	-	-	-	-	-
Distributions to parent (cash)	-	-	-	-	-
Change in treasury stock	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in surplus as regards policyholders for the year	<u>937,418</u>	<u>780,359</u>	<u>715,509</u>	<u>688,114</u>	<u>4,570,426</u>
Surplus as regards policyholders, Dec. 31, current year	<u>\$ 59,512,730</u>	<u>\$ 58,575,312</u>	<u>\$ 57,794,953</u>	<u>\$ 57,079,444</u>	<u>\$ 56,391,330</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested assets

At year-end 2023, the company's long-term bond investments were in U.S. treasury obligations, residential mortgage backed securities, U.S. special revenue issuer obligations, and corporate issues. The majority of all bonds were NAIC designation 1 or 2 and represented 68.3 percent of total invested assets. One bond was had an NAIC designation of 4.

Common stocks were comprised of three subsidiaries of the company (North Pacific Insurance Company, Oregon Automobile Insurance Company, and Liberty Management Services Inc). The common stocks were all valued at the subsidiaries statutory surplus in the amounts of \$8,703,710; \$8,549,425; and \$10,466, respectively. The valuation of all three subsidiaries were in compliance with SSAP No. 97, paragraph 8.

Cash equivalents consisted of one short-term money market mutual fund and an LMG cash pool amount. The company did not record any cash or short-term investments

A comparison of the major investments over the past five years is as follows:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Common</u> <u>stocks</u>	<u>C</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</u> <u>assets</u>	<u>Ratio</u> <u>C/</u> <u>Total</u> <u>assets</u>
2019	\$ 36,054,607	\$ 16,360,184	443,776	50.5%	22.9%	0.6%
2020	37,027,975	16,601,216	156,972	62.5%	28%	0.3%
2021	37,750,700	16,795,032	4,144,043	64.1%	28.5%	7%
2022	39,156,524	17,005,810	2,611,818	66.2%	28.7%	4.4%
2023*	40,511,091	17,253,135	1,567,745	67.6%	28.8%	2.6%

*Balance per examination.

As of Dec. 31, 2023, sufficient invested assets were invested in amply secured obligations of the U.S., the State of Oregon, or in FDIC insured cash deposits, and the company was in compliance with ORS 733.580.

The company entered into a global custody agreement with JP Morgan Chase, NA, dated April 11, 2002. An Oregon rider was executed on Jan. 20, 2009, to comply with the protections required in OAR 836-027-0200 (4)(a) through (l).

However, the company did not complete items 29.01 and 29.02 of the general interrogatories, Part 1 of the year-end 2023 annual statement pertaining to custodial agreement compliance or non-compliance in violation of ORS 731.574(1) and the NAIC annual statement instructions for property and casualty companies.

I recommend the company complete items 29.01 and 29.02 of the general interrogatories, Part 1 of the year-end 2023 annual statement and in all future annual statement filings, in accordance with ORS 731.574(1); OAR 836-011-0000 and the NAIC annual statement instructions for property and casualty companies.

The company participates in a securities lending program to generate additional income. Borrowers of those securities provide collateral equal to or in excess of 102 percent of the market value of the loaned securities. Cash collateral is carried as an asset with an offsetting liability on the balance sheet. At Dec. 31, 2023, there are no outstanding loans.

Note 2 – Actuarial reserves

As described earlier in this report, the company participated in an intercompany reinsurance pooling arrangement, whereby 100 percent of the direct business was ceded to the pool, with no business retroceded back to the company. As a result, all loss reserves, LAE reserves, premiums and considerations, unearned premium reserves, and any other amount to be actuarially determined would be reported in the statements of the participating insurers. Stephanie A. Neyenhouse, FCAS, MAAA, vice president and chief actuary for Liberty Mutual Group, Inc., prepared the LMIC actuarial report and opinion.

David F. Dahl, FCAS, MAAA, Oregon Division of Financial Regulation property and casualty actuary, reviewed the work performed by the lead state, Massachusetts, as well as the opening actuary over loss reserves and loss adjustment expenses reserves. Jennifer Balester, FCAS, MAAA, senior manager and Dave Heppen, FCAS, MAAA, partner of Risk and Regulatory Consulting, prepared the reserving section of the LMIC financial examination report for the Massachusetts Division of Insurance. Based on RRC's analysis and applied examination procedures, RRC determined that the LMIC pool's carried loss and LAE reserves are approximately \$7,941 million dollars higher than RRC's central estimate. The net loss and LAE reserves were determined to be sufficient as of Dec. 31, 2023. Based on RRC's analysis and applied examination procedures, RRC determined that the LMIC's carried Loss and LAE reserves are approximately \$3,971 million dollars higher than RRC's central estimate. The net loss and LAE reserves were determined to be sufficient as of Dec. 31, 2023. The appointed actuary's report showed a redundancy of \$2,262 million for the LMIC pool's carried loss and LAE reserves and a redundancy of \$1,131 million for LMIC's carried loss and LAE reserves. Neither amount was considered material and the company's reserves were accepted as stated. Dahl concluded that there do not appear to be any significant issues raised in the RRC exam report that affect the reasonableness of Liberty Northwest Insurance Corporations' reported loss and LAE reserves as of Dec. 31, 2023.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adjustments to the company's surplus, and two recommendations made in this report of examination.

Page:

- 19 I recommend the company properly disclose intercompany agreement payment amounts on future holding company registration statements in accordance with the requirements of ORS 732.552.
- 26 I recommend the company complete items 29.01 and 29.02 of the general interrogatories, Part 1 of the year-end 2023 annual statement and in all future annual statement filings, in accordance with ORS 731.574(1), OAR 836-011-0000 and the NAIC annual statement instructions for property and casualty companies.

CONCLUSION

During the five-year period covered by this examination, the surplus of the company has increased from \$51,810,715 as presented in the Dec. 31, 2018, report of examination, to \$59,512,730, as shown in this report. The comparative assets and liabilities are:

	<u>2023</u>	Dec. 31, <u>2018</u>	<u>Change</u>
Assets	\$ 59,918,315	\$ 59,063,155	\$ 855,160
Liabilities	<u>405,585</u>	<u>7,252,440</u>	<u>(6,846,855)</u>
Surplus	<u>\$ 59,512,730</u>	<u>\$ 51,810,715</u>	<u>\$ 7,702,015</u>

ACKNOWLEDGMENT

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

In addition to the undersigned, David Lorenz, CIE, Jordan Mills, AFE, and Danielle Marsh, APIR, insurance examiners, and David Dahl, FCAS, MAAA, property and casualty actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, all participated in this examination.

Respectfully submitted,

/s/ Mark Giffin
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 Liberty Northwest Insurance Corporation, 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 Liberty Northwest Insurance Corporation was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

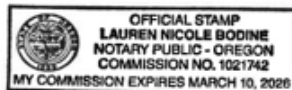
/s/ Mark Giffin

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

State of Oregon)
)
County of Marion)

I, Lauren Bodine, Notary Public, Witness my hand and official seal this 24th day of September, 2025.

Lauren Bodine



Signature of Notary

Notary Printed Name: Lauren Bodine

My Commission Expires: March 10, 2026