STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

MUTUAL OF ENUMCLAW INSURANCE COMPANY
ENUMCLAW, WASHINGTON

AS OF

DEC. 31, 2023

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

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NAIC COMPANY CODE 14761

AS OF

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SALUTATION

May 6, 2025

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

Dear director:

According to your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*, under Oregon Revised Statutes (ORS) 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

MUTUAL OF ENUMCLAW INSURANCE COMPANY
1460 Wells St.
Enumclaw, WA, 98022

NAIC Company Code 14761

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

SCOPE OF EXAMINATION

We have performed our regular, single-state, full-scope examination of Mutual of Enumclaw Insurance Company. The examination was conducted in conjunction with the examination of a subsidiary property and casualty insurer, Enumclaw Property & Casualty Insurance Company, and a separate report of examination has been prepared for that entity. 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 under ORS 731.300 and according to 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 originally incorporated in February 1898, as the Farmers Mutual Insurance company under the laws of the state of Washington. The company was reincorporated on Aug.11, 1899, under the Mutual Insurance Law of 1899, to form an assessment plan. The company was organized by, and run for the benefit of, its policyholder members with the purpose of insuring farm and village buildings and personal property against loss by fire and lightning. The name was changed to Mutual of Enumclaw Insurance Company in 1966.

In 2015, the company reorganized itself pursuant to the provisions of ORS 731.363, ORS 732.015 – 732.175, and ORS 732.600 – 732.630 by doing the following: reincorporating as a domestic insurer, forming an Oregon mutual insurance holding company, converting from an Oregon mutual insurer into an incorporated Oregon stock insurer, and becoming a wholly owned subsidiary of the Oregon mutual insurance holding company. Mutual policyholders of the company or any other subsidiary that issues mutual insurance policies, including Enumclaw Property & Casualty Insurance Company, were granted membership interests in the mutual insurance holding company. There are no plans to issue shares of the company to the public, any director or officer of the mutual holding company, or to any other persons except for the granting of membership interests. The company now writes nonassessable policies, meaning that if the company has adverse losses or expenses, it cannot assess the policyholders to replenish surplus.

Capitalization

The company is a for-profit stock insurer owned by Mutual of Enumclaw Insurance Holding Company, an Oregon nonprofit corporation. However, no shares have been authorized or issued. Instead, the company reported $3 million as the value of common capital stock funded from unassigned surplus. Additionally, the company reported issuance of three surplus notes issued to nonaffiliated entities, as follows:

Purchaser	Issued	Principal	Rate	Maturity
I Preferred Term Securities III, Ltd	10/29/2003	$ 10,000,000	Floating rate	10/29/2033
I Preferred Term Securities III, Ltd	10/29/2003	10,000,000	Floating rate	10/29/2033
Federated Mutual Ins. Co.	4/29/2016	20,000,000	7.40%	4/29/2046
Total		$ 40,000,000		

All notes are callable in whole or in part after five years at the company's option. Both of the 2003 notes are hedged through a 10-year interest rate swap, with an effective rate of 7.30 percent and 7.20 percent, respectively. Refer to Note 4 – Surplus notes below for a description.

Dividends to stockholders and other distributions

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

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, met at all of the meetings held during the period under review.

The company's bylaws authorize the board to establish committees as it deems necessary. Further, the company's board has created committees that oversee and support the Mutual of Enumclaw Insurance Group: an audit committee, a compensation committee, a board governance committee, and an investment committee.

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 Aug. 14, 2015, to reincorporate as an Oregon domestic for-profit stock insurance company pursuant to the Plan of Conversion filed with the Division of Financial Regulation (DFR) under the provisions of ORS 732.600 to 732.630. The articles of incorporation conformed to the Oregon Insurance Code.

Bylaws

The company's bylaws were last restated on May 24, 2022, to impose term limits on directors after serving five consecutive, full, three-year terms. A director may apply for a waiver to serve an additional three-year term before the completion of his or her fifth consecutive full term. A majority of the remaining directors must approve for the applying director to remain eligible for reelection for an additional three years. The chief executive officer is exempt from term limits. The bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of directors

The bylaws, in Article III, state the affairs of the company shall be managed by a board of not less than seven and not more than 14 members, the specific number to be set by resolution of the board. As of Dec. 31, 2023, the company was governed by an eight-member board of directors as follows:

Name and Address	Principal Affiliation	Representative	Member Since
Anthony Lawrence Baruffi Seattle, Washington	Vice president Garde Capital	Public	2014
*Kerry Evan Barnett Portland, Oregon	Retired executive	Public	2021
Laurinda Mackenzie Portland, Oregon	Retired executive	Public	2015
Eric Paul Nelson Kent, Washington	President and CEO Mutual of Enumclaw Insurance Co.	Company	2010
Elizabeth Cohen Hunter Bellevue, Washington	Senior VP technology T-Mobile	Public	2023
Shan Sugoon Kim Mercer Island, Washington	Retired executive	Public	2022
Eileen O’Neil Odum Portland, Oregon	Retired executive	Public	2021
Don Edward Powell Richland, Washington	Attorney at law Powell & Gunter.	Public	2008

*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 non-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, according to the provisions of ORS 731.386.

Officers

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

Name	Title
Eric Paul Nelson	President
Andrew Chen	Vice president and treasurer
Jerel Lee Titus	Vice president, underwriting
Jeffrey Quinn Gardner	Vice president, marketing
Celeste Melinda Holmes	Vice president, claims
Richard Alan Crosley	Vice president, information technology
Sandra Jean Williams	Vice president, administration
Kerry Evan Barnett	Board chair
Athan Michael Shinas	Secretary

Conflict of interest

The company's board adopted a formal statement of policy concerning conflict of interest for all directors, officers, and responsible employees. Board members, senior officers, and key employees are required to annually sign a conflict-of-interest declaration. From a review of the completed conflict of interest statements, it appeared that the affected personnel performed due diligence in completing the statements. No material conflicts of interest were noted.

Insurance company holding system

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

Mutual of Enumclaw Insurance Holding Company
an Oregon mutual holding company

100%

Mutual of Enumclaw Insurance Company
an Oregon for-profit property/casualty stock insurer

100%

Enumclaw Property & Casualty Insurance Company
an Oregon for-profit property/casualty stock insurer

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

Mutual of Enumclaw Insurance Holding Company is an Oregon domiciled mutual holding company. It was formed pursuant to the re-domestication from Washington to Oregon in 2015 and is the ultimate controlling entity. It owns 100 percent of the company and would be the ultimate controlling entity. The purpose of the holding company is to grant membership interests to all mutual policyholders of the parent or any subsidiary that issues mutual insurance policies, including Enumclaw Property & Casualty Insurance Company.

Enumclaw Property and Casualty Insurance Company (EPC) is an Oregon domiciled for-profit multiple line property and casualty stock insurer that was incorporated on Nov. 27, 2001, in the state of Washington. The company owns 100 percent of the issued and outstanding shares. It mainly sells personal auto and homeowner’s coverage and currently writes only in Oregon, Utah, and Washington. EPC cedes 100 percent of its premiums written to the company and as a result has no net business, but gets to share MOE’s A.M. Best rating. EPC was created to facilitate new products with different underwriting standards and to improve the quality and profitability of new business with the use of insurance scoring in policy rating.

Intercompany agreements

The following agreements are in place between the company and its subsidiary:

Intercompany quota share reinsurance agreement

Effective March 18, 2015, EPC and the company entered into an intercompany quota share reinsurance agreement. Under the terms of the agreement, the company assumes 100 percent of all EPC gross premiums, losses, and expenses. The company is also liable for its pro rata share of loss adjustment expenses (LAE), extra contractual obligations and losses in excess of policy limits. EPC is required to report to the company within 30 days following the end of each month all premiums written and earned during the month, ceding commissions, losses, and LAE paid and incurred on losses occurring during the term of the agreement, subrogation, salvage, or other recoveries on losses occurring during the term of the agreement, and the outstanding loss and LAE reserve and premiums unearned at the end of the month. The company and EPC are required to settle any outstanding balances in the intercompany accounts within 45 days following the end of each quarter.

With the two entities commonly managed and staffed, expenses will be allocated between the company and EPC, taking into consideration factors such as premium volume, policy counts, underwriting profitability, or any other factor deemed significant. The company allows EPC a ceding commission equivalent to the allocated expenses. The agreement remains effective until terminated by either party, which requires 12 months prior notice in writing. Upon termination of the agreement, the company will remain liable under all policies ceded within the terms of the agreement before the effective date of such termination until all liabilities under such policies are fully satisfied.

Tax allocation agreement

Effective Jan. 30, 2004, a Consolidated Federal Income Tax Sharing Agreement was entered into between the company and EPC. The agreement requires the two entities to allocate federal income tax provisions on a separate company, reporting entity basis. Allocation is based on separate return calculations with current credit for net losses. Amounts are to be settled within 90 days of the filing of the consolidated income tax return, or within 90 days of the receipt of a refund, when a refund is due to the reporting entity's parent. The agreement may be amended at any time for provisions relating to changes in statement of statutory accounting principles or for changes in state insurance laws and regulations.

The agreement was not updated to reflect the Oregon insurance laws and regulations. Further, the Form D filing did not include an effective date, nor all of the required clauses according to OAR 836-027-0160**.**

I recommend the company file an amended and restated Consolidated Tax Sharing Agreement to reflect Oregon insurance laws and regulations, to include an effective date, and to include all of the requirements of OAR 836-027-0160.

During fieldwork, the company filed an amended and restated Consolidated Tax Sharing Agreement that reflected Oregon insurance laws and regulations with an effective date, and included all of the requirements of OAR 836-027-0160.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions, and the solvency of the insurers providing the coverages. The insurance coverages are provided through insurance policies issued by unaffiliated companies. Coverage protected just the company. The group as a whole is insured up to $10 million per occurrence, after a $75,000 deductible per single loss, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity bond coverage was found to meet the coverage recommended by the NAIC.

Other insurance coverages in force at Dec. 31, 2023, were found to be adequate, and are as follows:

Cyber and cyber excess policy
Property
General liability
Insurance company professional liability
Director's and officer's
Automobile liability

TERRITORY AND PLAN OF OPERATION

The company has Certificates of Authority in the states of in Alaska, Arizona, Colorado, Idaho, Nevada, Montana, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, Wisconsin, and Wyoming. Direct premiums written in 2023 were:

State	Direct premiums written	Percentage
Arizona	$ 18,294,836	4.5%
Idaho	35,149,413	8.7%
Montana	30,837,220	7.6%
Oregon	74,965,763	18.6%
Utah	22,779,480	5.7%
Washington	218,941,620	52.3%
Wyoming	2,559,119	0.6%
Total	$ 403,527,451	100.0%

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

Lines of Business	Premium	Percentage
Fire	$ 2,207,173	0.5%
Allied lines	1,805,394	0.4%
Farm owners multiple peril	54,123,804	13.4%
Homeowners multiple peril	95,647,783	23.7%
Commercial multiple peril	48,376,615	12.0%
Inland marine	3,558,698	0.9%
Other liability – occurrence	14,169,172	3.5%
Other liability – claims-made	184,795	0.1%
Products liability – occurrence	127,871	0.0%
Private passenger auto liability	78,874,204	19.6%
Commercial auto liability	29,629,740	7.3%
Auto physical damage	71,677,006	17.8%
Burglary and theft	9,306	0.0%
Boiler and machinery	3,135,890	0.8%
Totals	$ 403,527,451	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 annual statements, except in those years when a report of examination was published by DFR.

Year	Assets	Liabilities	Capital and surplus	Net income (loss)
2019	806,969,006	444,161,746	362,807,260	15,228,663
2020	851,698,944	457,018,163	394,680,781	19,776,670
2021	911,705,281	483,766,580	427,938,701	19,292,404
2022	883,460,246	539,402,736	344,057,510	(68,139,822)
2023*	872,315,734	598,880,416	273,435,318	(95,639,432)

*Per examination

LOSS EXPERIENCE

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

Year	(1) Premium earned	(2) Losses and LAE incurred	(3) Other underwriting expenses incurred	(2)+(3)/(1) Combined ratio
2019	425,393,915	300,119,960	132,157,869	101.62%
2020	421,710,876	280,554,905	136,209,031	98.83%
2021	428,052,602	294,681,602	135,966,306	100.61%
2022	448,141,690	398,418,184	137,743,550	119.64%
*2023	445,943,476	443,372,582	132,339,020	129.10%

*Per examination

A combined ratio of more than 100 percent would indicate an underwriting loss. The company had net underwriting losses in four of the past five years.

REINSURANCE

Assumption agreement

An intercompany quota share reinsurance agreement between the company and EPC was described under intercompany agreements above.

Ceded

The company uses external reinsurers to secure additional capacity in its capital and surplus level with two annual renewal dates of July 1 and Jan. 1 to ensure maximum overlapping coverage. The property aggregate program has an annual renewal date of Jan. 1 and covers wildfires and windstorms with higher maximum limits. The property program has an annual renewal date of July 1 and covers larger catastrophic events. The casualty program has an annual renewal date of July 1 and covers smaller claims with a required $1.25 million retention for layer one and a $7 million retention for layer two. All treaties include Enumclaw Property & Casualty Insurance Company and are syndicated across multiple reinsurers of excellent financial strength. The company has a requirement to only work with reinsurers who are rated A- or A by AM Best. The reinsurance structure is as follows:

Jan. 1, 2023, through Dec. 31, 2023

- Fourth event drop down excess of loss reinsurance agreement – Reinsurer liable for the ultimate net loss in excess of $1 million for each loss occurrence. The reinsurer's liability for each loss occurrence shall not exceed $6.5 million. The reinsurer's liability in respect for all loss occurrences shall not exceed $6.5 million. The company shall retain an annual aggregate retention of $19.5 million of the ultimate net loss. The maximum contribution to ultimate net loss from any one loss occurrence shall be $7.5 million.

July 1, 2023, through July 1, 2024

- First property per risk excess of loss – Covers losses under any policies covering property business in force, written or renewed on behalf of the company, subject to included terms and conditions, $6.25 million per risk in excess of $1.25 million, for each and every loss occurrence. Reinsurer is limited to $37.5 million for any and all claims arising from all losses and all risks during the contract term.

- Second property per Risk excess of loss – Covers losses under any policies covering property business in force, written or renewed on behalf of the company, subject to included terms and conditions, $7.5 million per risk in excess of $7.5 million for each and every loss occurrence. Reinsurer is limited to $15 million for any and all claims arising from all losses and all risks during the contract term.

- Property catastrophe excess of loss – Covers each and every loss occurrence during the contract term for any policies covering property business in force written or renewed by or on behalf of the company (including losses from acts of terrorism), subject to terms and conditions included in the contract.

    - First excess layer – $12.5 million in excess of $12.5 million with an aggregate loss limit for all loss occurrences of $25 million
    - Second excess layer – $25 million in excess of $25 million with an aggregate loss limit for all loss occurrences of $50 million
    - third excess layer – $60 million in excess of $50 million with an aggregate loss limit for all loss occurrences of $120 million.

- Property catastrophe excess of loss – $55 million excess $110 million – Covers property business in force, written or renewed by or on behalf of the company, subject to terms and conditions included in the contract. Reinsurer liable for each and every loss occurrence, regardless of the number and kinds of policies involved, for the ultimate net loss over and above an initial ultimate net loss retention of $110 million for each and every loss occurrence up to $55 million for each and every loss occurrence.

- Property catastrophe excess of loss – $25 million excess $165 million – Covers property business in force, written or renewed by or on behalf of the company, subject to terms and conditions included in the contract. Reinsurer liable for each and every loss occurrence, regardless of the number and kinds of policies involved, for the ultimate net loss over and above an initial ultimate net loss retention of $165 million for each and every loss occurrence up to $25 million for each and every loss occurrence.

- First casualty excess of loss – Covers casualty business on a claims made basis for claims made during the term of the contract, or during the term of an extended reporting period including personal and commercial excess liability – $5.75 million in excess of

$1.25 million, each and every loss occurrence, including terrorism. Reinsurer limited to $17.25 million for all terrorism losses occurring during the contract term. Maximum policy limits included for general liability; general liability/non-owned and hired auto liability; automobile liability; excess liability; church directors' and officers' liability; employee benefit liability; condominium association directors' and officers' liability; employment practices liability.

- Second casualty excess of loss – Covers casualty business on a claims made basis for claims made during the term of the contract, or during the term of an extended reporting period including personal and commercial excess liability $13 million in excess of $7 million, each and every loss occurrence, including terrorism. Reinsurer limited to $26 million for all losses occurring during the term of the contract, and further limited to $13 million for all terrorism losses occurring during the term of the contract. Maximum policy limits included for the same items as First Casualty XOL.

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 agreements each 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).

A review of the reinsurance agreements in effect at year end 2023 noted that while the agreements contained all the necessary clauses required by the State of Oregon, none of the agreements had been updated following the company's re-domestication to reflect being governed by the State of Oregon and still retained that they were to be governed by the State of Washington. This language does not comply with ORS 731.520(1)(d)(B) that requires, "The assuming insurer must consent in writing to the jurisdiction of the courts of this state and to the appointment of the director as agent for service of process." Further, the language does not comply with ORS 731.363(2) that requires a certificate of authority to transact insurance in Oregon~~"~~ "shall be subject as a domestic insurer to the authority and jurisdiction of this state."

I recommend the company revise its reinsurance agreements to reflect that they are subject to the governing laws of Oregon, according to ORS 731.520(1)(d)(B) and ORS 731.363(2).

ACCOUNTS AND RECORDS

In general, 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. The company has a system in place to account for unclaimed funds and the company has filed the reports on abandoned property pursuant to the provisions of ORS 98.352. The reports on abandoned property also included EPC.

However, the company recorded all reinsured amounts from EPC on its YE 2023 financial statement, which has led to an overstatement of some assets and liabilities and an understatement of other assets and liabilities on the year end 2023 financial statement of the Company**.** This included net reporting of reinsurance transactions, including offsetting of reinsurance recoverables. ORS 731.574(1) requires a financial statement to contain detailed exhibits of the condition and transactions of the insurer, in such form and otherwise, as the director of the

Department of Consumer and Business Services prescribes. The director shall consider and may prescribe the annual statement blank or other form established by the NAIC, including instructions prepared by the NAIC for completing the blank (the property and casualty annual statement instructions). If the director prescribes the blank established by the NAIC~~–~~, including the instructions, an insurer submitting the annual statement blank or form established by the NAIC must complete the blank or form according to the instructions. SSAP No. 64R, Paragraph 3, stipulates that assets and liabilities that meet the criteria for offset shall not be netted when prohibited by specific statements of statutory accounting principles. An example of such is in the case of reinsurance recoverables on paid losses and ceded premiums payable as provided for in SSAP No. 64R Paragraph 3,~~–~~ property and casualty reinsurance, which states these recoverables and payables "shall not be netted when prohibited by specific statements of statutory accounting principles,"~~;~~ such as in the case of SSAP 62R, Paragraph. 24; which states ~~–~~"reinsurance recoverables on paid losses shall be reported as an asset without any available offset."~~.~~

Beginning with the 2025 first-quarter financial statement, I recommend the company accurately record all reinsurance recoverables on a gross basis, according to ORS 731.574(1), SSAP No.64R, paragraph 3 and SSAP No.62R, paragraph 24, and the property and casualty annual statement instructions. Further, I recommend the company only report assets and liabilities owned by the company per SSAP No. 4 and SSAP No. 5R. and in accordance with ORS 731.574(1) and the property and casualty annual statement instructions.

STATUTORY DEPOSIT

As of the examination date, the company maintained two U.S. Treasury notes with par values of $1 million each on file with DFR. In addition, the company reported one U.S. Treasury bond with a par value of $200,000 as a deposit held for the Nevada Department of Business and Industry and one U.S. Treasury bond with a par value of $315,000 held for the New Mexico Office of Superintendent of Insurance. The Oregon deposit was verified from the records of DFR. All deposits were confirmed through U.S. Bank.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There was one recommendation made from the prior examination performed by DFR, which has since been complied with.

SUBSEQUENT EVENTS

Effective Jan. 3, 2025, Athan Shinas, the company's general counsel and secretary resigned. The secretary position was voted on at the January 2025 board of directors meeting with Sandra Jean Williams, vice president of administration, being formally approved by the board of directors. Eric Nelson, president and CEO retired effective April 23, 2025. Effective April 14, 2025, the company hired Robert Otis as its new president and CEO. The Company will evaluate the general counsel replacement.

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

MUTUAL OF ENUMCLAW INSURACE COMPANY
ASSETS
As of Dec. 31, 2023

Assets	**Net admitted assets**	**Notes**
Bonds	$ 508,062,941	1
Common stocks	136,280,291	1
Properties occupied by the company	4,354,907	2
Cash, cash equivalents and short-term investments	17,717,421	
Receivable for securities	139,717	
Subtotal, cash and invested assets	666,555,277	
Investment income due and accrued	3,508,040	
Premiums and considerations		
Uncollected premiums, agents' balances in course of collection	20,472,975	
Deferred premiums, agents' balances and installments not yet due	83,633,129	
Reinsurance		
Amounts recoverable from reinsurers	5,802,674	
Current FIT recoverable	9,084,729	
Net deferred tax assets	27,491,110	
EDP equipment and software	240,051	
Receivables from parent, subsidiaries and affiliates	16,761	
Aggregate write-ins for other than invested assets	55,510,990	
Total Assets	$ 872,315,734	

MUTUAL OF ENUMCLAW INSURACE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
As of Dec. 31, 2023

	Current year total	Notes
Losses	$ 303,436,700	3
Loss adjustment expenses	45,751,516	3
Commissions payable, contingent commissions and other similar charges	10,992,743	
Other expenses	22,271,127	
Taxes, licenses and fees (excluding federal income taxes)	274,014	
Unearned premiums	206,047,640	
Advance premium	4,451,517	
Ceded reinsurance premium payable	5,309,306	
Funds held by company under reinsurance treaties	273,524	
Provision for reinsurance	57,116	
Payable to parent, subsidiaries and affiliates	0	
Payable for securities	15,213	
Aggregate write-ins for liabilities	-	
Total Liabilities	$ 598,880,416	
Common capital stock	$ 3,000,000	
Gross paid-in and contributed capital	-	
Surplus notes	40,000,000	4
Unassigned funds (surplus)	230,435,318	
Surplus as regards policyholders	273,435,318	
Total Liabilities, Surplus and other Funds	$ 872,315,734	

MUTUAL OF ENUMCLAW INSURANCE COMPANY
STATEMENT OF INCOME
For the Year Ended Dec. 31, 2023

	Current year total	Notes
Underwriting income		
Premium earned	$ 445,943,476	
Deductions		
Losses incurred	399,564,491	
Loss adjustment expenses incurred	43,808,091	
Other underwriting expenses	132,339,020	
Aggregate write-ins for underwriting deductions	-	
Total underwriting deductions	575,711,602	
Net underwriting gain or (loss)	(129,768,126)	
Investment income		
Net investment income earned	12,535,637	
Net realized gains or (losses)	9,259,477	
Net investment gain or (loss)	21,795,114	
Other income		
Net gain or (loss) from agents' or premium balances charges off	(352,354)	
Finance and service charges not included in premiums	1,024,475	
Aggregate write-ins for miscellaneous income	9,107,973	
Total other income	9,780,094	
Net income before dividends to policyholders and income taxes	(98,192,918)	
Dividends to policyholders	-	
Federal income taxes incurred	(2,553,486)	
Net income	$(95,639,432)	

MUTUAL OF ENUMCLAW INSURANCE COMPANY
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	$344,057,511	$427,938,701	$394,680,781	$362,807,260	$329,810,147
Net income (loss)	(95,639,432)	(68,139,822)	19,292,404	19,776,670	15,228,663
Change in net unrealized capital gains or (losses)	11,990.925	(19,632,709)	12,653,949	10,129,368	14,839,386
Change in net deferred income tax	22,052,753	6,610,572	1,141,714	893,884	60,648
Change in non-admitted assets	(10,207,414)	(1,563,794)	139,659	1,259,391	1,889,245
Change in provision for reinsurance	(46,584)	43,370	99,193	(145,441)	(3,911)
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	-	-	-	-	-
Examination adjustment	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	1,227,560	(1,198,807)	(68,999)	(40,350)	983,082
Change in surplus as regards policyholders for the year	(70,622,193)	(83,881,190)	33,257,920	31,873,522	32,997,113
Surplus as regards policyholders, December 31, current year	$273,435,318	$344,057,511	$427,938,701	$394,680,781	$362,807,260

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested assets

At year-end 2023, the company's long-term bond investments were in U.S. obligations, municipal obligations, U.S. special revenue bonds and corporate issues. The company did have a moderate exposure to mortgage-backed securities (MBS). Most of the MBS issues were investment rated, with a carrying book value of $134.8 million, which comprised 29.5 percent of the total long-term bond portfolio and 22.6 percent of all invested assets.

Common stocks included corporate issues and the equity in Enumclaw Property & Casualty Insurance Company.

The company did not hold any short-term investments. Cash equivalents consisted of one money market mutual fund.

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

Year	A Bonds	B Common stocks	C Cash and short-term	Ratio A/ Total assets	Ratio B/ Total assets	Ratio C/ Total assets
2019	504,765,945	102,332,899	20,626,708	62.5%	12.7%	2.6%
2020	522,214,364	114,652,201	25,017,168	61.3%	13.5%	2.9%
2021	541,400,916	140,545,880	37,486,725	59.4%	15.4%	4.1%
2022	538,533,475	121,883,280	14,633,778	61.0%	13.8%	1.7%
2023*	508,062,941	136,280,291	17,717,421	58.2%	15.6%	2.0%

* 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.

Effective Jan. 1, 2020, the company entered into a custodial agreement with Wells Fargo Bank N.A. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Properties occupied by the company

Represents the book value of the company's home office in Enumclaw, Washington, which includes both the remaining amortized cost of the building and the actual cost of the land.

Note 3 – Actuarial reserves

A review of the unpaid loss and LAE reserves for the company was performed by David Dahl, FCAS, MAAA, property and casualty actuary for DFR. The review included loss and LAE reserves for Enumclaw Property & Casualty Insurance Company, which is 100 percent assumed by the company. As part of the review, Mr. Dahl examined the supporting statements prepared by the company's opining actuary, Derik Freihaut, FCAS, MAAA, principle and consulting actuary for Pinnacle Actuarial Resources, Inc.

Mr. Dahl's review was based on the data, methods and calculations used in the actuarial report supporting the actuarial opinion as of Dec. 31, 2023; the data, methods, and calculations used by the company to establish its loss and LAE liabilities; the company's reserve position as measured by the appointed actuary's range; and independent actuarial tests as necessary. He also relied on work performed by the examiners who reviewed the underlying data used to create the annual statement filing. He determined the following:

	Annual statement
Unpaid losses	$303,436,700
Unpaid loss adjustment expenses	45,751,516

The appointed actuary opined that the reserves for unpaid losses and LAE carried by the company as of Dec. 31, 2023, were reasonable. Mr. Dahl's total estimate concluded that total loss and LAE reserves appeared to be redundant by approximately $14.4 million on a net basis, which was immaterial in relation to the company's surplus position. He concurred that the reserves of the company for losses and loss adjustment expenses were reasonably stated as of Dec. 31, 2023.

Note 4 – Surplus notes

On Oct. 29, 2003, the company issued two separate surplus notes to U.S. National Bank Association for $10 million each, for a total of $20 million. Both surplus notes are due Oct. 29, 2033. The first one carries an interest rate of 3.95 percent plus LIBOR, and the second one 3.85 percent plus LIBOR. Any payment of principal or interest must be paid from unassigned surplus and is subject to approval by DFR.

On April 29, 2016, the company issued a surplus note to Federated Mutual Insurance Company, for $20 million. The surplus note is due on April 29, 2046. The note carries a fixed interest rate of 7.40. Any payment of principle or interest must be paid from unassigned surplus and is subject to approval by DFR.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adjustments to the company's surplus; however, the following is a summary of the recommendations made in this report of examination.

Page

13 I recommend the company file an amended and restated consolidated tax sharing agreement to reflect Oregon state insurance laws and regulations, to include an effective date, and to include all of the requirements of OAR 836-027-0160.

20 I recommend the company revise its reinsurance agreements to reflect that they are subject to the governing laws of Oregon, according to ORS 731.520(1)(d)(B) and ORS 731.363(2).

21 Beginning with the 2025 first-quarter financial statement, I recommend the company accurately record all reinsurance recoverables on a gross basis, according to ORS 731.574(1), SSAP No.64R, paragraph 3 and SSAP No.62R, paragraph 24, and the property and casualty annual statement instructions. Further, I recommend the company only report assets and liabilities owned by the company per SSAP No. 4 and SSAP No. 5R. and in accordance with ORS 731.574(1) and the property and casualty annual statement instructions**.**

CONCLUSION

During the five-year period covered by this examination, the surplus of the company has decreased from $329,810,147, as presented in the Dec. 31, 2018, report of examination, to $273,435,318, as shown in this report. The comparative assets and liabilities are:

	Dec. 31		
	2023	**2018**	**Change**
Assets	$ 872,315,734	$ 765,757,463	$106,558,271
Liabilities	598,880,416	435,947,316	162,933,100
Surplus	$ 273,435,318	$ 329,810,147	$(56,374,829)

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, Jordan Mills, AFE insurance examiner, 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. Additionally, Richard Foster, CFE, senior staff examiner; John Albertini, CISA, CISM, CISSP, CISO, IT examination supervisor; David Gordon, CISA, CFE (Fraud), DCFE, IT manager; Joe Jacobson, CFE, APIR, staff examiner, and Kelly Willison, CPA, CFE, CFE (fraud), manager of The INS Companies participated in this examination, which was greatly appreciated.

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 Mutual of Enumclaw Insurance Company, Enumclaw, Washington.

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 Mutual of Enumclaw Insurance Company 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

Subscribed and sworn to before me this 10th day of June, 2025.

/s/ Cindy Engle
Notary Public in and for the State of Oregon

My Commission Expires: 7/9/2027