# STATE OF OREGON

# DEPARTMENT OF CONSUMER & BUSINESS SERVICES

# DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**OREGON AUTOMOBILE INSURANCE COMPANY**
**PORTLAND, OREGON**

AS OF

DEC. 31, 2023

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

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**PORTLAND, OREGON**

**NAIC COMPANY CODE 23922**

AS OF

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## SALUTATION

April 18, 2023

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

**OREGON AUTOMOBILE INSURANCE COMPANY**
**One Liberty Centre**
**650 NE Holladay Street**
**Portland, Oregon 97232**

**NAIC Company Code 23922**

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

## SCOPE OF EXAMINATION

We have performed our regular, multi-state, full-scope examination of Oregon Automobile Insurance Company, together with its affiliates, Safeco Insurance Company of Oregon and North Pacific Insurance Company, and the company's direct parent, Liberty Northwest Insurance Corporation. 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 Dec. 28, 1925, and received a certificate of authority on Dec. 31, 1925. Its original certificate of authority authorized the company to transact casualty and fire (automobile) lines of business. Through subsequent amendments to its certificates of authority, the company acquired authority to write property, casualty (including workers' compensation), marine and transportation, and surety lines.

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 includes the following internal business units (SBUs): 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, 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, 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 15,000 shares of common stock of $200 par value common stock. The company has issued all 15,000 shares to its direct parent, Liberty Northwest Insurance Corporation, representing 100 percent of the shares outstanding. No additional capital was contributed to the company during the period under examination.

### ***Dividends to stockholders and other distributions***

The company has not declared nor paid any dividends or made any distributions to its parent during the period under examination.

## CORPORATE RECORDS

### ***Board minutes***

In general, the review of the 2023 board meeting minutes indicated that the minutes support the transactions of the company and the actions taken by its directors and officers. A quorum, as defined by the company's bylaws, met at all of the meetings held during the period under review.

***Articles of incorporation***

The company's restated articles of incorporation were most recently amended on July 7, 2006. The articles of incorporation conformed to the Oregon Insurance Code.

***Bylaws***

The company's bylaws were last restated on Sep. 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, Section 2 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 twelve-member board of directors as follows:

| Name and address | Principal affiliation | Member since |
|---|---|---|
| Damon Paul Hart*<br>Brookline, Massachusetts | Chief legal officer and secretary<br>Liberty Mutual Group Inc. | 2022 |
| Hamid Talal Mirza<br>Norwell, Massachusetts | President, USRM<br>Liberty Mutual Group Inc. | 2023 |
| Paul Sanghera<br>Medfield, Massachusetts | EVP and comptroller<br>Liberty Mutual Group Inc. | 2021 |
| James Matthew Czapla<br>Marblehead, Massachusetts | Deputy general counsel, USRM<br>Liberty Mutual Group Inc. | 2021 |
| Michael Joseph Fallon<br>Bedford, Massachusetts | President, major accounts, GRS Liberty<br>Mutual Group Inc. | 2018 |
| Elizabeth Julia Morahan<br>Newtonville, Massachusetts | Deputy general counsel, GRS<br>Liberty Mutual Group Inc. | 2018 |

| | | |
|---|---|---|
| Matthew Paul Dolan<br>Avon, Connecticut | President, Ironshore, GRS Liberty Mutual Group Inc. | 2018 |
| Michael George McUne<br>Portland, Oregon | Director, state operations<br>Liberty Mutual Group Inc. | 2021 |
| Alison Brooke Erbig<br>Stoneham, Massachusetts | Chief financial officer, GRS<br>Liberty Mutual Group, Inc. | 2015 |
| Matthew Edwin Johnson<br>Boston, Massachusetts | Chief financial officer, USRM<br>Liberty Mutual Group Inc. | 2023 |
| Joseph Lee Meils<br>West Linn, Oregon | Executive underwriting manager<br>Liberty Mutual Group Inc. | 2018 |
| Gregory Loren Starr<br>Keizer, Oregon | Claims field manager<br>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 non-salaried officers of the company. The company was in compliance with this statute. The directors as a group had experience in law, insurance, actuarial, accounting and management, in accordance with the provisions of ORS 731.386.

***Officers***

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

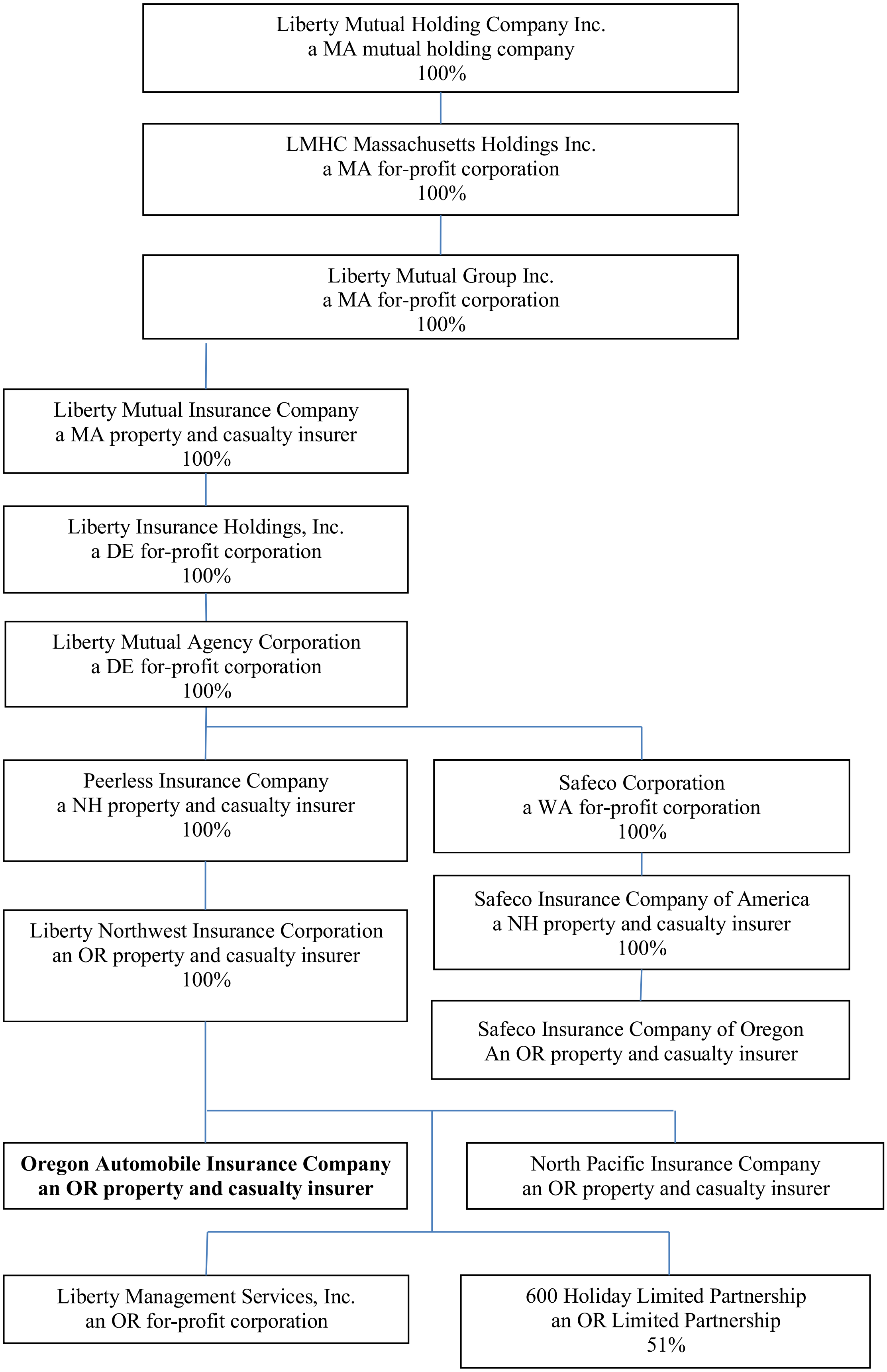
| **Name** | **Title** |
|---|---|
| Hamid Talal Mirza | President and chief executive officer |
| Nikos Vasilakos | Executive vice president and treasurer |
| Damon Paul Hart | Executive vice president, chief legal officer and secretary |
| Paul Sanghera | Executive vice president and comptroller |
| 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. 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 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:


Liberty Mutual Holding Company Inc.
a MA mutual holding company
100%
LMHC Massachusetts Holdings Inc.
a MA for-profit corporation
100%
Liberty Mutual Group Inc.
a MA for-profit corporation
100%
Liberty Mutual Insurance Company
a MA property and casualty insurer
100%
Liberty Insurance Holdings, Inc.
a DE for-profit corporation
100%
Liberty Mutual Agency Corporation
a DE for-profit corporation
100%
Peerless Insurance Company
a NH property and casualty insurer
100%
Safeco Corporation
a WA for-profit corporation
100%
Safeco Insurance Company of America
a NH property and casualty insurer
100%
Liberty Northwest Insurance Corporation
an OR property and casualty insurer
100%
Safeco Insurance Company of Oregon
An OR property and casualty insurer
**Oregon Automobile Insurance Company**
**an OR property and casualty insurer**
North Pacific Insurance Company
an OR property and casualty insurer
Liberty Management Services, Inc.
an OR for-profit corporation
600 Holiday Limited Partnership
an OR Limited Partnership
51%

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, 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, 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.
- Liberty Northwest Insurance Corporation (LNW), an Oregon stock property and casualty insurance company 100 percent owned by PIC. LNW owns 100 percent of the outstanding shares of the company's common stock and is the direct parent. LNW owns the following subsidiaries, all 100 percent owned with the exception of 600 Holiday Limited Partnership:
- 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 LNW 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.

### 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 LMG. 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 LMHC to be an insured. The company is insured under a 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

As of Dec. 31, 2023, the company was authorized to write property and casualty excluding workers' compensation in the State of Oregon. The company was also authorized to write business in Alaska, Idaho, Montana, Nevada, Utah, and Washington. During the period under examination, the company wrote property and casualty business, including a commercial multi-peril, commercial liabilities, other commercial auto liabilities and auto physical damage through independent agents. At Dec. 31, 2023, the company wrote direct premiums in none of the seven states in which it is licensed, as follows:

| State | Direct premiums written | Percentage |
|---|---|---|
| Alaska | $ - | - |
| Idaho | - | - |
| Montana | - | - |
| Nevada | - | - |
| Oregon | - | - |
| Utah | - | - |
| Washington | - | - |
| Total | $ - | - |

The company did not have any direct written premiums in 2023

## 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).

| Year | Assets | Liabilities | Capital and surplus | Net income (loss) |
|---|---|---|---|---|
| 2019 | $ 8,594,431 | $ 460,301 | $ 8,134,131 | $ 130,895 |
| 2020 | 8,330,491 | 73,946 | 8,256,546 | 122,415 |
| 2021 | 8,817,011 | 476,417 | 8,340,594 | 85,046 |
| 2022 | 9,193,030 | 757,329 | 8,435,701 | 98,107 |
| 2023* | 9,448,563 | 899,135 | 8,549,428 | 117,727 |

*Per examination

All business was 100 percent ceded to LMIC, 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 LMG, the company is not a party to any other reinsurance agreements on a direct basis.

The company is part of the reinsurance pooling agreement where 100 percent of the business is ceded by 55 affiliated insurers to the lead company, LMIC. Liberty Mutual Insurance Company 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 | 100% |

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).

## ACCOUNTS AND RECORDS

In general, the company's records and source documentation supported the amounts presented in the company's Dec. 31, 2018, 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 has a deposit with DFR, Department of Consumer Business Services, pursuant to the provisions of ORS 731.604 and 731.628. The deposit consisted of two U.S. treasury notes with a total par value of $2,275,000. This asset was confirmed directly by DFR, Department of Consumer and Business Services. The amount was properly disclosed on Schedule E – Part 3 of the 2023 annual statement

## COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were two comments and recommendations made from the prior report of 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**.

The company has not totally corrected this issue, as disclosed in Note 1 for investments.

## 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

# OREGON AUTOMOBILE INSURANCE COMPANY
# ASSETS
# As of Dec. 31, 2023

| Assets | Net admitted assets | Notes |
|---|---|---|
| Bonds | $ 8,547,224 | 1 |
| Cash, cash equivalents and short-term investments | 1,162 | 1 |
| Receivable for securities | 2,156 | |
| Securities lending reinvested collateral assets | 856,626 | 1 |
| Aggregate write-ins for invested assets | - | |
| Subtotal, cash and invested assets | 9,407,168 | |
| | | |
| Investment income due and accrued | 41,397 | |
| Uncollected premiums | 16 | |
| Funds held or deposited with reinsured companies | (22) | |
| Aggregate write-ins for other than invested assets | 4 | |
| Total assets | $ 9,448,563 | |

# OREGON AUTOMOBILE INSURANCE COMPANY
## LIABILITIES, SURPLUS AND OTHER FUNDS
## As of Dec. 31, 2023

| | Current year total | Notes |
|---|---|---|
| Losses | $ - | 2 |
| Loss adjustment expenses | - | 2 |
| Other expenses | - | |
| Current FIT payable | 5,649 | |
| Net deferred tax liability | 20,000 | |
| Payable to parent, subsidiaries and affiliates | 16,860 | |
| Payable for securities | 856,626 | |
| Aggregate write-ins for liabilities | - | |
| Total Liabilities | $ 899,135 | |
| | | |
| Common capital stock | $ 3,000,000 | |
| Gross paid-in and contributed capital | 3,257,395 | |
| Unassigned funds (surplus) | 2,292,033 | |
| Surplus as regards policyholders | 8,549,428 | |
| Total Liabilities, Surplus and other Funds | $ 9,448,563 | |

**OREGON AUTOMOBILE INSURANCE COMPANY**
**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 | 145,888 | |
| Net realized gains or (losses) | (917) | |
| Net investment gain or (loss) | 144,971 | |
| **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 | 144,971 | |
| Dividends to policyholders | - | |
| Federal income taxes incurred | 27,244 | |
| Net income | $ 117,727 | |

## OREGON AUTOMOBILE 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 | $ 8,435,701 | $ 8,340,594 | $ 8,256,548 | $ 8,134,133 | $ 8,006,238 |
| Net income (loss) | 117,727 | 98,107 | 85,046 | 122,415 | 130,895 |
| Change in net unrealized capital gains or (losses) | - | - | - | - | - |
| Change in net deferred income tax | (4,000) | (3,000) | (1,000) | - | (3,000) |
| Change in non-admitted assets | - | - | - | - | - |
| 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 | - | - | - | - | - |
| Examination adjustment | - | - | - | - | - |
| Aggregate write-ins for gains and losses in surplus | - | - | - | - | - |
| Change in surplus as regards policyholders for the year | 113,727 | 95,107 | 84,046 | 122,415 | 127,895 |
| Surplus as regards policyholders, Dec. 31, current year | $ 8,549,428 | $ 8,435,701 | $ 8,340,594 | $ 8,256,548 | $ 8,134,133 |

# 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 and a small amount U.S. special revenues issuer obligations.

Cash and short-term deposits consisted of one money market mutual fund. The company also recorded securities lending reinvested collateral assets comprised of cash and cash equivalents.

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

| | A | B | Ratio | Ratio |
|---|---|---|---|---|
| **Year** | **Bonds** | **Cash and short-term** | **A/ total assets** | **B/ total assets** |
| 2019 | $ 7,939,202 | $ 186,593 | 92.4% | 2.2% |
| 2020 | 8,224,611 | 17,641 | 98.7% | 0.2% |
| 2021 | 8,329,552 | 15,736 | 94.5% | 0.2% |
| 2022 | 8,334,444 | 106,713 | 90.1% | 1.2% |
| 2023* | 8,547,224 | 1,162 | 90.5% | 0.01% |

*Balance per examination.

The board of directors approved the investment transactions pursuant to ORS 733.730. 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 Jan. 10, 2002. An Oregon rider was executed on Jan. 20, 2009, and the agreement was amended effective Jan. 8, 2021, 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, the total fair value of securities on loan was $964,664, with corresponding collateral value of $987,788 of which $856,626 represents cash collateral that was reinvested.

***<u>Note 2 – Actuarial reserves</u>***

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, VP 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 opining 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 Oregon Automobile Insurance Company's reported loss and LAE reserves as of Dec. 31, 2023.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this examination. The following is a summary of the recommendations made as a result of this examination.

Page:

18 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

24 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 $8,006,236 as presented in the Dec. 31, 2018, report of examination, to $8,549,428, as shown in this report. The comparative assets and liabilities are:

| | Dec. 31, | | |
|---|---|---|---|
| | **2023** | **2018** | **Change** |
| Assets | $ 9,448,563 | $ 8,432,143 | $ 1,016,420 |
| Liabilities | 899,135 | 425,907 | 473,228 |
| Surplus | $ 8,549,428 | $ 8,006,236 | $ 543,192 |

## 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 Dahl, 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 Oregon Automobile Insurance Company, 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 Oregon Automobile 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

State of Oregon )
)
County of Marion )

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

OFFICIAL STAMP
LAUREN NICOLE BODINE
NOTARY PUBLIC - OREGON
COMMISSION NO. 1021742
MY COMMISSION EXPIRES MARCH 10, 2026

Lauren Bodine

Signature of Notary

Notary Printed Name: Lauren Bodine

My Commission Expires: March 10, 2026