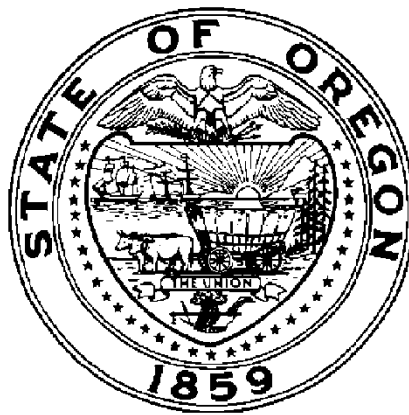


**STATE OF OREGON**  
**DEPARTMENT OF**  
**CONSUMER & BUSINESS**  
**SERVICES**  
**DIVISION OF FINANCIAL**  
**REGULATION**



**REPORT OF FINANCIAL EXAMINATION**  
**OF**  
**SAFECO INSURANCE COMPANY OF OREGON**  
**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

**SAFECO INSURANCE COMPANY OF OREGON  
PORTLAND, OREGON**

**NAIC COMPANY CODE 11071**

AS OF

DEC. 31, 2023

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## **SALUTATION**

May 1, 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

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

**NAIC Company Code 11071**

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 Safeco Insurance Company of Oregon, together with its affiliate, Liberty Northwest Insurance Corporation, and its 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 (LMG), 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 on Oct. 16, 2000, by Safeco Corporation and received its certificate of authority on Nov. 29, 2000, to transact property and casualty (excluding workers' compensation) insurance. On Sept. 28, 2001, Safeco Corporation made a capital contribution to its subsidiary, Safeco Insurance Company of America (SICA), in the form of all of the issued and outstanding capital stock of the company. SICA thus became the direct parent of the company.

On April 23, 2008, Safeco Corporation announced an agreement to be acquired by Liberty Mutual for \$68.25 per share. Effective Sept. 22, 2008, Liberty Mutual completed the acquisition and Safeco Corporation and all of its subsidiaries became subsidiaries of Liberty Insurance Holdings, Inc. (LIH), a downstream holding company of Liberty Mutual Holding Company, Inc.

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 (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.

### **Capitalization**

The articles of incorporation as amended, Article IV, state the capital stock of the company shall be \$2 million and the number of shares shall be 20,000 with a par value of \$100. All 20,000 shares have been issued and are owned by SICA.

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

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

## **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 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 Sept. 28, 2011. The articles of incorporation conformed to the Oregon Insurance Code.

### **Bylaws**

The company's bylaws were last restated on Jan. 1, 2009. 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 restated bylaws dated Jan. 1, 2009, stated the board shall consist of not less than five members, no fewer than five directors or one-quarter of the directors, whichever is fewer, shall be residents of Oregon. The term for each director is one year. As of Dec. 31, 2023, the company was governed by a 12-member board of directors as follows:

<b><u>Name and address</u></b>	<b><u>Principal affiliation</u></b>	<b><u>Member since</u></b>
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 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, in accordance with the provisions of ORS 731.386.

### **Officers**

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

<b><u>Name</u></b>	<b><u>Title</u></b>
Hamid Talal Mirza	President and chief executive officer

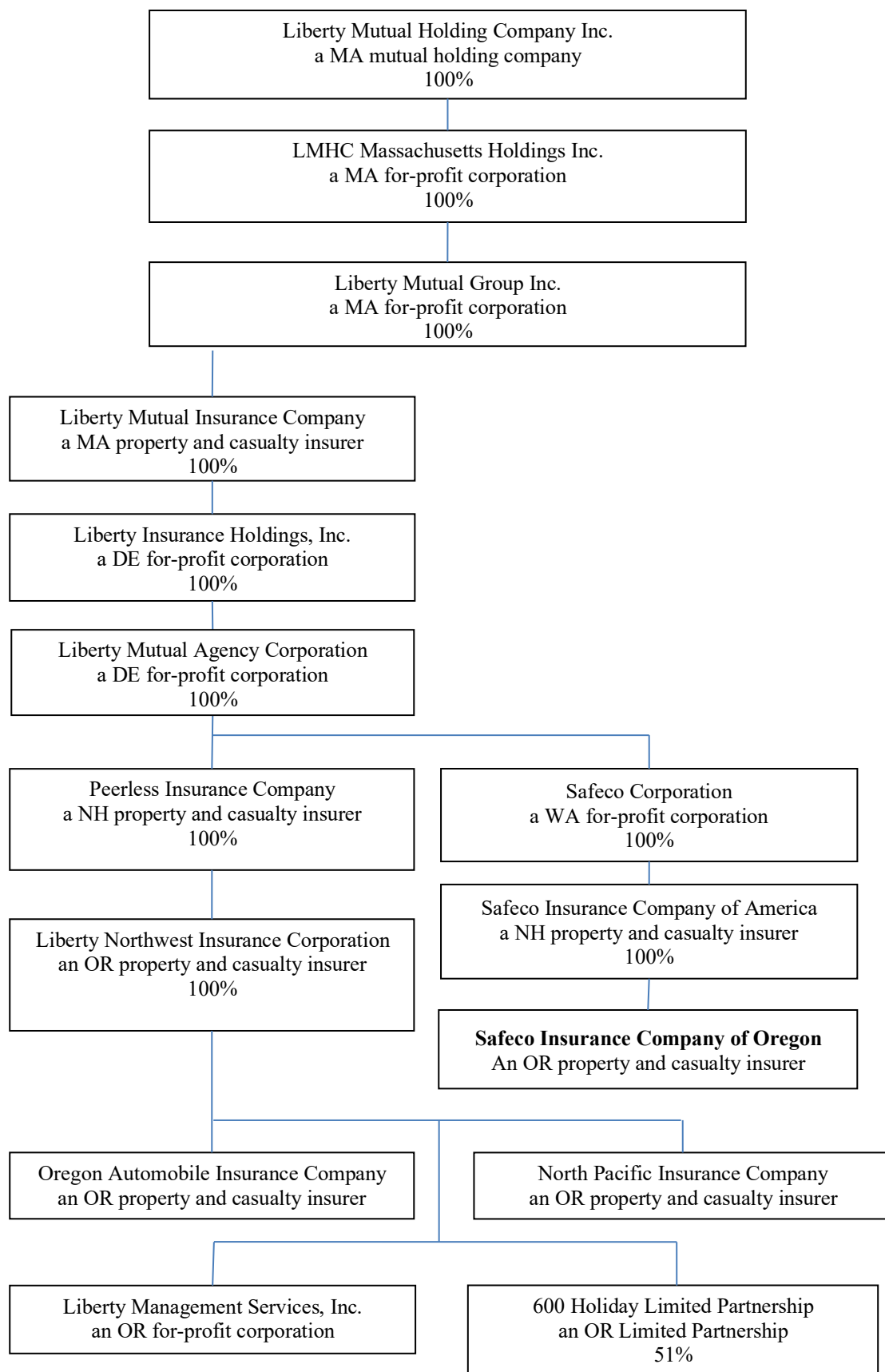
Nikos Vasilakos	Executive vice president and Treasurer
Damon Paul Hart	Executive vice president, chief legal officer, and secretary
Paul Sanghera	Executive vice president and comptroller
Vlad Yakov Barbalat	Executive vice president and chief investment officer
Christopher Locke Peirce	Executive vice 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 LMHC 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:

LMG is a Massachusetts holding company formed as part of the reorganization of LMIC 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:

- 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.
- 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. SICA owns 100 percent of the outstanding shares of the company's common stock and is the direct parent.
- 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 the following subsidiaries, all 100 percent owned:
  - 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 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.

#### Unconditional guarantee

Effective March 26, 2013 the company and LMIC entered into an unconditional guarantee whereby LMIC (guarantor) unconditionally guarantees that if the company (primary obligor) suffers any reduction to its capital and surplus as a direct result of a failure or default under any qualifying Louisiana investment to pay its obligations under qualifying Louisiana investments, LMIC will pay the company a sufficient amount to reimburse the company for any and all reductions. The parties shall account for any such payment as an additional contribution to the capital of company, unless the parties mutually agree that other accounting treatment is appropriate. The maximum outstanding liability of LMIC at any one time shall be \$15 million. In the event the company ceases to be owned or controlled by LMIC, the guarantee shall immediately be null and void.

### Tax Sharing Agreement

Effective Sept. 22, 2008, 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 LMG'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 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 Georgia, Illinois, Louisiana, Oregon, and Washington. During the period under examination, the company wrote property and casualty business including fire, homeowners' multiple peril, inland marine, private passenger auto and allied lines. Direct premiums written in 2023 were:

<b><u>State</u></b>	<b><u>Direct premiums written</u></b>	<b><u>Percentage</u></b>
Georgia	51,888,412	9.4%
Illinois	13,903,664	2.5%
Louisiana	133,224,270	24%
Oregon	338,829,758	61.1%
Washington	<u>16,617,949</u>	3%
Total	<u>\$ 554,464,053</u>	<u>100%</u>

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



<b><u>Lines of business</u></b>	<b><u>Premium</u></b>	<b><u>Percentage</u></b>
Fire	\$ 21,027,629	3.8%
Allied lines	28,104,315	5.1%
Homeowners multi-peril	174,718,809	31.5%
Inland marine	3,922,618	0.7%
Earthquake	1,073,232	0.2%
Other liability – occurrence	20,269,179	3.7%
Private passenger auto no-fault	16,510,163	3%
Private passenger auto liability	171,722,755	31%
Auto physical damage	<u>117,115,353</u>	<u>21.1%</u>
Totals	<u>\$ 554,464,053</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).

<b><u>Year</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Capital and surplus</u></b>	<b><u>Net income (loss)</u></b>
2019	\$ 14,552,501	\$ 19,475	\$ 14,533,027	\$ 346,957
2020	14,876,311	40,785	14,835,527	305,501
2021	15,877,396	774,744	15,102,652	267,124
2022	15,432,608	62,178	15,370,430	267,778
2023*	15,737,429	55,455	15,681,974	311,541

\*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	<u>6%</u>
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 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, 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 Business Services, pursuant to the provisions of ORS 731.604 and 731.628. The deposit consisted of a Louisiana state guaranteed issuer obligation with a par value of \$1.5 million which was confirmed with the Oregon Division of Financial Regulation, Department of Consumer

Business Services. The deposits were 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 company develop policies and procedures to annually report its unclaimed money and property to the Department of State Lands accurately and timely in accordance with the provisions of ORS 98.352 and OAR 141.045**

The company is now reporting its unclaimed money and property to the Oregon State Treasury accurately and timely in accordance with ORS 98.352 and OAR 141.045.

**I recommend the company file its annual and quarterly financial statements accurately and completely in accordance with the requirements of ORS 731.574 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.

On March 4, 2025, Liberty Mutual announced it will market and sell all of its personal lines products solely under the Liberty Mutual brand starting in 2026. As a result, Safeco Insurance, the company's brand within the independent agent channel, will retire as a brand.

## **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

# **SAFECO INSURANCE COMPANY OF OREGON**

## **ASSETS**

**As of Dec. 31, 2023**

<b>Assets</b>	<b>Net admitted assets</b>	<b>Notes</b>
Bonds	\$ 15,581,562	1
Cash, cash equivalents and short-term investments	2,420	1
Receivable for securities	<u>11,250</u>	
Subtotal, cash and invested assets	<u>15,595,232</u>	
Investment income due and accrued	130,662	
Current FIT recoverable	11,532	
Net deferred tax assets	-	
Aggregate write-ins for other than invested assets	<u>3</u>	
Total assets	<u>\$ 15,737,429</u>	

**SAFECO INSURANCE COMPANY OF OREGON**  
**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**As of Dec. 31, 2023**

	Current year total	Notes
Losses	\$ -	2
Loss adjustment expenses	-	2
Other expenses	-	
Payable to parent, subsidiaries and affiliates	55,455	
Aggregate write-ins for liabilities	<u>-</u>	
Total Liabilities	<u>\$ 55,455</u>	
Common capital stock	\$ 2,000,000	
Gross paid-in and contributed capital	8,100,000	
Unassigned funds (surplus)	<u>5,581,974</u>	
Surplus as regards policyholders	<u>15,681,974</u>	
Total liabilities, surplus, and other Funds	<u>\$ 15,737,429</u>	

**SAFECO INSURANCE COMPANY OF OREGON**  
**STATEMENT OF INCOME**  
**For the year ended Dec. 31, 2023**

	Current year total	Notes
<b>Underwriting income</b>		
Premium earned	\$ -	
<b>Deductions</b>		
Losses incurred	-	
Loss adjustment expenses incurred	-	
Other underwriting expenses	-	
Aggregate write-ins for underwriting deductions	_____-	
Total underwriting deductions	_____-	
Net underwriting gain or (loss)	-	
<b>Investment income</b>		
Net investment income earned	354,541	
Net realized gains or (losses)	_____-	
Net investment gain or (loss)	354,541	
<b>Other income</b>		
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	354,541	
Dividends to policyholders	-	
Federal income taxes incurred	43,000	
Net income	<u>\$ 311,541</u>	



**SAFECO INSURANCE COMPANY OF OREGON**  
**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>\$ 15,370,430</u>	<u>\$ 15,102,652</u>	<u>\$ 14,835,528</u>	<u>\$ 14,533,027</u>	<u>\$ 14,194,070</u>
Net income (loss)	311,541	267,778	267,124	305,501	346,957
Change in net unrealized capital gains or (losses)	-	-	-	-	-
Change in net deferred income tax	(4,000)	(3,000)	4,000	(9,000)	(9,000)
Change in non-admitted assets	4,000	3,000	(4,000)	6,000	1,000
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	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in surplus as regards policyholders for the year	<u>311,544</u>	<u>267,778</u>	<u>267,124</u>	<u>302,501</u>	<u>338,957</u>
Surplus as regards policyholders, Dec. 31, current year	<u>\$ 15,681,974</u>	<u>\$ 15,370,430</u>	<u>\$ 15,102,652</u>	<u>\$ 14,835,528</u>	<u>\$ 14,533,027</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, U.S. political subdivisions, U.S. special revenue issuer obligations, and U.S. states, territories, and possessions. All bonds were NAIC designation 1 and represented 98.6 percent of total invested assets.

Cash and short-term deposits consisted of one short-term money market mutual fund.

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

<b><u>Year</u></b>	<b><u>A</u></b> <b><u>Bonds</u></b>	<b><u>B</u></b> <b><u>Cash and</u></b> <b><u>short-term</u></b>	<b><u>Ratio</u></b> <b><u>A/</u></b> <b><u>total assets</u></b>	<b><u>Ratio</u></b> <b><u>B/</u></b> <b><u>total assets</u></b>
2019	\$ 14,307,557	\$ 73,590	98.3%	0.5%
2020	14,707,486	13,574	98.9%	0.1%
2021	14,796,467	950,459	93.2%	6%
2022	15,229,963	59,059	98.7%	0.4%
2023*	15,581,562	2,420	99%	0.02%

\*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 custodial agreement with JP Morgan Bank, NA, dated Dec. 12, 2008. The agreement contained all of the relevant protections described 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.**

## **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, 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 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. David F. Dahl concluded that there do not appear to be any significant issues raised in the RRC exam report that affect the reasonableness of Safeco Insurance Company of Oregon'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:

- 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 \$14,194,069 as presented in the Dec. 31, 2018, report of examination to \$15,681,974 as shown in this report. The comparative assets and liabilities are:

	<b><u>2023</u></b>	<b><u>Dec. 31, 2018</u></b>	<b><u>Change</u></b>
Assets	\$ 15,737,429	\$ 14,279,836	\$ 1,457,593
Liabilities	<u>55,455</u>	<u>85,768</u>	<u>( 30,313)</u>
Surplus	<u>\$ 15,681,974</u>	<u>\$ 14,194,069</u>	<u>\$ 1,487,905</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 Safeco Insurance Company of Oregon, Portland, Oregon.
2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report. The examination of Safeco Insurance Company of Oregon was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

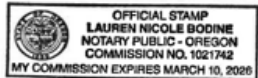
The affiant says nothing further.

/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

