STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

THE SURPLUS LINES ASSOCIATION OF OREGON
PORTLAND, OREGON

AS OF

DEC. 31, 2025

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SALUTATION

Sept. 23, 2026

Honorable TK Keen, Oregon 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 Keen:

In accordance with ORS 735.460 and using the guidelines in the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of the

THE SURPLUS LINE ASSOCIATION OF OREGON
7360 SW Hunziker Street, Suite 105
Portland, Oregon 97223-2305

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

SCOPE OF EXAMINATION

Our financial examination of the association as of Dec. 31, 2025, covers the nine-year period from June 30, 2016 through Dec. 31, 2025, with a concentration on the last five years. Material transactions or events occurring subsequent to the examination cut-off-date were reviewed and noted during the examination.

We considered the provisions of ORS 731.300 and the NAIC procedures and guidelines during our examination. We conducted our examination as required by ORS 735.460. Accounting methods, records, and other supporting evidence were examined and tested by appropriate methods to the extent deemed necessary and appropriate for the type, volume and complexity of the accounting system and operations utilized by the association. Corrective actions taken by the association in response to comments and recommendations in the Dec. 31, 2010, report of examination were reviewed.

HISTORY

The Surplus Line Association of Oregon was originally formed in 1939 at the direction of the insurance commissioner of Oregon as an unincorporated association of surplus line brokers. Its purpose was to assist the Oregon Division of Financial Regulation (DFR) in regulating the surplus line market and collecting taxes on the surplus line business written in Oregon.

In August of 1980, the association was incorporated as a non-profit corporation.

MANAGEMENT AND CONTROL

Membership

Under article II of the bylaws, any person licensed as a surplus line producer under the laws of Oregon upon acceptance of the articles of incorporation and bylaws and payment of any membership fee shall become a member. Membership in the association shall automatically

terminate upon a member's ceasing to be a licensed surplus line producer. The association had 116 members at year-end 2025.

Board of directors

As required by the bylaws, article III, the number of directors of the association shall be no fewer than five and no more than nine, all of whom must be resident members of the association. Each elected director shall serve a term of three years or until a successor has been elected. The association's board of directors as of Dec. 31, 2025 were as follows:

Name and address	Board title	Term expires
Mark Wilson* West Linn, OR	President	2029
Kate Prentice Portland, OR	Vice President	2027
M'Lissa Rutherford Donald, OR	Secretary Treasurer	2028
Leslie Ballard Portland, OR	Director	2026
Brent Clair Hood River, OR	Director	2027
Jenny Crane* Lake Oswego, OR	President Ex officio	2026

* Ex-officio one-year extension

Officers

Association officers serving at Dec. 31, 2025, were:

Name	Title
Mark Wilson	President
Kate Prentice	Vice president
M'Lissa Rutherford	Secretary/treasurer

Jim Brown, executive director, and Carolee Lance, manager, manage the daily operations for the association.

CONFLICT OF INTEREST

The association has a formal conflict of interest policy. All directors and key employees signed the conflict-of-interest policy statements in May, 2026, and no conflicts were disclosed. Prior to that, directors and key employees were not required to sign conflict of interest policy statements.

CORPORATE RECORDS

Articles of incorporation

The articles of incorporation conformed to Oregon statutes. No amendments were made to the articles of incorporation during the period under review.

Bylaws

The bylaws conformed to Oregon statutes. The bylaws were last amended on Jan. 29, 2026

Board of director minutes

Board minutes for the examination period were reviewed. Overall, the minutes supported the transactions of the association and the actions taken by its board of directors and executive director. A quorum was met at all meetings.

FIDELITY BONDS AND OTHER INSURANCE

Insurance coverage was reviewed for adequacy of limits and retentions. The association maintains crime coverage (fiduciary liability) with a $1 million limit, which was concluded to be adequate. Other coverages included employment practices and third-party liability coverage with a $3 million limit, businessowners liability with a $4 million limit, umbrella coverage with a $4 million limit, directors and officers coverage with a $3 million limit,

technology and professional liability with a $1million limit, media liability with a $1 million limit, cybersecurity coverage with a $1 million limit and workers compensation/employers liability coverage which met the state of Oregon requirements. All of these coverages were concluded to be adequate.

TERRITORY AND PLAN OF OPERATION

Under the provisions of ORS 735.430, The Surplus Line Association of Oregon shall be the advisory organization of surplus line licensees to:

a) Facilitate and encourage compliance by resident and nonresident surplus line licensees with the laws of this state and rules of the director of the Department of Consumer and Business Services relative to surplus line insurance;

b) Provide means for the examination of all surplus line coverage written by resident and nonresident surplus line licensees to determine whether the coverages comply with the Oregon surplus line law;

c) Communicate with organizations of admitted insurers with respect to the proper use of the surplus line market;

d) Receive and disseminate to resident and nonresident surplus line licensees information relative surplus line coverages;

e) At the request of the director, receive and collect on behalf of the state and remit to the state premium receipts taxes for surplus line insurance pursuant to ORS 735.417 or 735.470.

GROWTH OF THE ASSOCIATION

The following exhibit illustrates the association's growth during the examination period. Amounts were derived from the associations' financial statements.

Year ending	Assets	Liabilities	Net assets
2016	3,704,052	17,991	3,686,061
2017	4,371,239	14,013	4,357,226
2018	4,195,304	11,122	4,184,182
2019	5,098,229	16,367	5,081,862
2020	5,662,635	8,152	5,654,483
2021	6,643,806	8,813	6,634,993
2022	5,806,105	154,053	5,652,052
2023	6,713,293	140,657	6,572,636
2024	7,478,200	102,101	7,376,099
2025*	8,521,155	64,152	8,457,003

**Per examination*

ACCOUNTS AND RECORDS

Basis of accounting

The association maintains its financial statements on a Generally Accepted Accounting Principles (GAAP) basis of accounting.

Income tax status

The association is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. It elects to pay the federal and state proxy tax on lobbying expenses. Tax returns are subject to examination by taxing authorities for the current and prior three years.

Fees and charges

The association charges a flat, fully earned $10 surplus line service charge (SLSC) for reviewing and processing new business, policy renewal, and master certificate policy records. The fee is waived for policies with pure premium (less fees/charges/taxes) less than $100 with an inception date of Jan. 1, 2011 or later. A full return of the SLSC is allowed for flat cancellation policy records. Since April 1, 1999, calculations for the SLSC have been based on the rate in effect on the inception date of the policy. The SLSC is paid quarterly to the association by surplus line licensees for policy records that were filed and registered during

the preceding calendar quarter. Since Jan. 1, 2020, the association has charged a flat, fully earned $100 service charge for reviewing and processing wet marine and transportation policy records.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The prior report of examination had one recommendation as follows:

I recommend that The Surplus Line Association of Oregon require its staff, officers and board of directors to annually complete a conflict-of-interest statement. This recommendation is supported by ORS 735.430(3). The association has complied with this recommendation, starting in May, 2026.

THE SURPLUS LINE ASSOCIATION OF OREGON
BALANCE SHEET
AS OF DEC. 31, 2025

ASSETS	**Net admitted assets**	**Notes**
Cash and cash equivalents	$ 750,033	**1**
Corporate equity securities	7,526,468	**2**
Accounts receivable	185,590	**3**
Total current assets	8,462,091	
Capital assets	733,487	
Less: accumulated depreciation	(729,024)	
Net capital assets	4,463	
Operating right-to-use asset	54,601	
Total long-term assets	54,601	
Total assets	$ 8,521,155	
LIABILITIES AND NET ASSETS		
Current year total		
Accounts payable and accrued taxes	$ 4,491	
Operating lease liability, current	29,981	**4**
Total current liabilities	34,472	
Operating lease liability, less current portion	29,680	
Total liabilities	$ 64,152	
Net assets		
Unrestricted	$ 6,457,003	
Restricted for capital assets	2,000,000	
Total net assets	$ 8,457,003	
Total liabilities and net assets	$ 8,521,155	

THE SURPLUS LINE ASSOCIATION OF OREGON
INCOME STATEMENT
For the Year Ended Dec. 31, 2025

REVENUES

Fees	$ 770,305
Interest and dividends	186,384
Realized and unrealized gain on securities	982,801
Miscellaneous	464
Total revenue	$ 1,939,954

EXPENSES

Salaries	$ 454,024
Payroll taxes	40,430
Retirement plan	25,459
Contract labor	7,488
Software programming and maintenance	45,419
Website/internet	35,624
Legislative expenses	54,370
Office lease	33,335
Education	5,765
Conferences and meetings	56,305
Telephone	2,400
Professional fees	19,226
Insurance	21,017
Depreciation	1,179
Dues and subscriptions	-
Supplies	5,297
Delivery and postage	1,243
Taxes and licenses	(75)
Miscellaneous	6,367
Total expenses	$ 814,873
OTHER INCOME (EXPENSE)	
Investment advisory fees and expenses	(44,177)
Change in net assets	$ 1,080,904
Net assets at beginning of year	$ 7,376,099
Net assets at end of year	$ 8,457,003

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The reported balance was comprised of cash held in a U.S. Bank business checking account, a U.S. Bank Certificate of Deposit, undeposited funds, and cash and cash investments held with Charles Schwab.

Note 2 – Investments

Investments were comprised of corporate equities, mutual funds and exchange traded funds held with Charles Schwab.

Note 3 – Accounts receivable

Accounts receivable represents monies owed from the association's licensees for the service charge that the association made for its services during the year ended Dec. 31, 2025. The receivable amount is recorded in full with no allowance for bad debts made as it was considered to be 100 percent collectable by management.

Note 4 – Operating lease liability

The lease is for a small office space (1,187 sq. ft.) in Tigard, Oregon, with a modest monthly rent (less than $3,000) scheduled to increase at a rate of 3 percent per year. Terms and conditions of the lease are usual and customary and allow the association to operate in a manner consistent with its plan of operations. A lease was incurred on Sept. 1, 2022 for a term of 63 months. The association elected to use a risk-free interest rate of 5 percent to measure the lease at the present value of the required lease payments. Beginning in 2022, lease obligations over one year are required to be shown on the balance sheet as liabilities and right to use assets. The balance at year-end 2025 is the principal payment due for fiscal year 2026.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

There were no adjustments to net assets resulting from this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations as a result of the examination.

CONCLUSION

During the nine-year period covered by this examination, the association's surplus increased from $3,686,061, as presented in the Dec. 31, 2016 financial statements, to $8,457,003, as shown in this report of examination. The financial statements have followed a calendar year basis since Jan. 1, 2010. Comparative assets, liabilities and net assets (surplus) are shown below:

Year ending	Dec. 31, 2025	Dec. 31, 2016	Change
Assets	$8,521,155	$3,704,052	$4,817,103
Liabilities	64,152	17,991	46,161
Net Assets	$8,457,003	$3,686,061	$4,770,942

ACKNOWLEDGMENT

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

In addition to the undersigned, Tho Le, CFE, PIR, senior insurance examiner, Jordan Mills, CFE, and Danielle Marsh, APIR, insurance examiners with the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination.

Respectfully submitted,

/s/ Mark A. 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)
) ss
County of Marion)

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

1. I am authorized to represent the State of Oregon in the examination of The Surplus Line Association of Oregon.

2. The State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation 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, and the examination of The Surplus Line Association 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 A. 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 25th day of November, 2026.

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

My commission expires: 7/9/2027