

**STATE OF OREGON**

**DEPARTMENT OF  
CONSUMER AND BUSINESS  
SERVICES**

**DIVISION OF FINANCIAL  
REGULATION**



**REPORT OF FINANCIAL EXAMINATION**

**OF**

**VALLEY PROPERTY & CASUALTY INSURANCE COMPANY**  
**SALEM, OREGON**

**AS OF**

**DEC. 31, 2023**

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**NAIC COMPANY CODE 10698**

AS OF

DEC. 31, 2023

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## **SALUTATION**

May 28, 2025

Honorable TK Keen, commissioner  
Department of Consumer and Business Services  
Division of Financial Regulation  
State of Oregon  
350 Winter St. NE  
Salem, OR 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

**VALLEY PROPERTY & CASUALTY INSURANCE COMPANY**  
**4263 Commercial Street, Suite 400**  
**Salem, OR 97301**

**NAIC Company Code 10698**

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 Valley Property & Casualty Insurance Company. The examination was conducted in conjunction with the coordinated examination of the Kemper Insurance Group, with the State of Illinois 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. 5, 1996, received a Certificate of Authority to act as a property casualty insurer on Dec. 30, 1996, and commenced business on Feb. 2, 1997.

#### **Capitalization**

The company is a for-profit stock insurer. As of Dec. 31, 2023, the company's articles authorized 100,000 shares of common stock, with a par value of \$280 per share. The company reported 12,550 shares currently issued and outstanding. Trinity Universal Insurance Company, the company's direct parent, owns 100 percent of the issued and outstanding shares as of Dec. 31, 2023.

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

During the period under examination, the company declared and paid dividends totaling \$1,435,000 to its sole stockholder, as follows:

<b><u>Paid date</u></b>	<b><u>Amount</u></b>	<b><u>Description</u></b>
12/23/2019	\$600,000	Ordinary
12/24/2020	300,000	Ordinary
12/27/2021	250,000	Ordinary
12/28/2022	160,000	Ordinary
12/29/2023	125,000	Ordinary

Oregon Revised Statute (ORS) 732.554 states except as provided in ORS 732.576, each registered insurer shall so report all dividends and other distributions to shareholders within five business days following the declaration thereof and not less than 10 business days prior to payment of the dividends and distributions, commencing from the date of receipt of the report by the director.

ORS 732.576(2)(a) states a domestic insurer subject to registration may not pay or make any extraordinary dividend or distribution to the domestic insurer's shareholders either until 30 days after the director of the Department of Consumer and Business Services (DCBS) has received notice of the declaration of the dividend or distribution, if the director has not disapproved the payment within the 30-day period, or until the date on which the director approves the payment if approval occurs within the 30-day period.

For one of the noted dividends, the company did not make the proper notification of the distribution to the director of DCBS in accordance with the reporting requirements established by ORS 732.554 and 732.576.

**I recommend the company to comply with the provisions of ORS 732.554 and ORS 732.576(2)(a), by properly notifying the distributions to the director of DCBS in a timely manner.**

## **CORPORATE RECORDS**

### **Board minutes**

In general, the review of the board meeting minutes indicated that the minutes support the transactions of the company and the actions taken by its directors and officers. The minute books also contained accompanying documentation that supported the minutes. A quorum, as defined by the company's bylaws, met at all of the meetings held during the period under review. The annual meeting of the shareholders of the corporation shall be held each year as designated by the board of directors. The bylaws state that special meetings may be called at any time by the president or by the members of the board of directors.

### **Articles of incorporation**

The company's restated Articles of Incorporation were most recently amended on Aug. 10, 2008.

The Articles of Incorporation conformed to the Oregon Insurance Code.

### **Bylaws**

The company's bylaws were last amended on Aug. 10, 2008. 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 nor more than eight members, the exact number thereof to be fixed by resolution of the board of directors.

As of Dec. 31, 2023, the company was governed by a seven 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>
Robert F. Otis Glenview, Illinois	Senior vice president and president, Kemper Personal Insurance, Kemper Corporation	2018
John M. Boschelli Chicago, Illinois	Executive vice president, chief investment officer Kemper Corporation	2009
Troy J. McGill Cross Plains, Wisconsin	Senior vice president, tax Kemper Corporation	2017
Maxwell T. Mindak Elmhurst, Illinois	Senior vice president, chief risk officer Kemper Corporation	2013



Don S. Dana II Salem, Oregon	Director, claims reporting Kemper Corporation	2023
Christopher D. Dell Isola Chicago, Illinois	Vice president, investment finance Kemper Corporation	2023
Michael E. Prestegaard Wheaton, Illinois	Senior vice president, business transformation Kemper Corporation	2023

Note: No chairman has been designated

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 not in compliance with this statute.

**I recommended the company to appoint additional board of directors who are residents of Oregon, in accordance with ORS 732.305.**

### **Officers**

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

<b><u>Name</u></b>	<b><u>Title</u></b>
Robert F. Otis	President
Christopher D. Dell Isola	Vice president and secretary
Ryan E. Erickson	Treasurer

### **Conflict of interest**

The company is party to the Kemper Corporation's 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, the company's personnel performed due diligence in completing the conflict of interest 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 table depicts the relationships of the company within the holding company system (all ownership was 100 percent unless otherwise noted):

#### Kemper Corporation (Delaware)

- KAHG LLC (Illinois)
- Kemper Corporate Services, Inc. (Illinois)
- Trinity Universal Insurance Company (Texas)
  - Alpha Property & Casualty Insurance Company (Wisconsin)
  - Charter Indemnity Company (Texas)
  - Direct Response Corporation (Delaware)
    - Response Insurance Company (Illinois)
      - Kemper Financial Indemnity Company (Illinois)
      - Response Worldwide Insurance Company (Illinois)
    - Warner Insurance Company (Illinois)
      - Response Worldwide Direct Auto Insurance Company (Illinois)
  - Financial Indemnity Company (Illinois)
  - Kemper General Agency, Inc. (Texas)
  - Kemper Independence Insurance Company (Illinois)
  - Merastar Industries LLC (Delaware)
    - Merastar Insurance Company (Illinois)
    - Security One Agency LLC (Tennessee)
  - NCM Management Corporation (Delaware)
    - Leader Managing General Agency, Inc. (Texas)
    - Infinity County Mutual Insurance Company (Texas)
    - Unitrin County Mutual Insurance Company (Texas)
  - Union National Fire Insurance Company (Louisiana)
  - United Casualty Insurance Company of America (Illinois)
  - Unitrin Advantage Insurance Company (New York)
  - Unitrin Auto and Home Insurance Company (New York)
  - Unitrin Direct Insurance Company (Illinois)
  - Unitrin Direct Property & Casualty Company (Illinois)
    - Kemper Personal Insurance Agency, Inc. (Texas)
  - Unitrin Preferred Insurance Company (New York)
  - Unitrin Safeguard Insurance Company (Wisconsin)
  - **Valley Property & Casualty Insurance Company (Oregon)**
- United Insurance Company of America (Illinois)
  - Mutual Savings Life Insurance Company (Alabama)
    - Mutual Savings Fire Insurance Company (Alabama)
  - The Reliable Life Insurance Company (Missouri)
    - Family Security Funerals Company (Texas)

- Union National Life Insurance Company (Louisiana)

A description of the direct owners within the holding company system is as follows:

Kemper Corporation is a Delaware domiciled publicly traded insurance and consumer finance corporation (NYSE: KMPR). It is a holding company owning a number of property and casualty and life and health insurers. It would be considered the ultimate controlling entity of the company.

Trinity Universal Insurance Company (Trinity) is a Texas domiciled property and casualty insurer licensed multiple classes of insurance in Oregon and wholly owned by Kemper. It holds 100 percent of the common capital stock of the company and is the direct parent.

### **INTERCOMPANY AGREEMENTS**

The company was party to the following agreements with its parent and affiliates as of Dec. 31, 2023:

#### **General services agreement**

Effective Jan. 1, 2019, the company entered into a General Services Agreement with affiliates, Merastar Insurance Company (Merastar) and Infinity Insurance Company (Infinity). Under the agreement, Merastar and Infinity agree to provide accounting and financial services, accounts payable and administrative services, cash management and financial planning services, human resource services, legal and risk management services, and miscellaneous services, including, but not limited to branding, communications, and media relations. In addition to the services noted above, Merastar and Infinity will also provide certain other services and facilities to the company, which includes, marketing, underwriting, losses, claim expenses, attorney appointments, loss reporting and reinsurance, facilities, supplies and staffing, accounting services, computer and information technology services, IT equipment, software and consulting services. During 2023,

there were no expenses charged to the company under this agreement, since expenses are net of reinsurance. Terms of the agreement call for the company to reimburse Merastar and Infinity based on actually incurred basis, or on actual costs incurred for out of pocket items. Payments for such services and expenses shall be made within 30 days after the close of the quarter. The agreement will be in effect for a term of three years and unless the Merastar, Infinity, or the company, determine that this agreement requires renegotiation. The agreement will automatically renew for an additional three-year term, unless terminated by either Merastar and Infinity or company upon not less than 60 days prior written notice to the other.

#### Assignment and consent agreement

Effective Jan. 1, 2009, the company entered into an assignment and consent agreement whereby Trinity and the company assigned administration of the business reinsured by Trinity under the 100 percent quota share reinsurance agreement to Merastar. Under the agreement, Merastar agreed to provide administrative services for those policies for which Trinity has assumed based on a 100 percent quota share reinsurance agreement entered into by Trinity and the company effective Jan. 1, 2009. Under the consent, Trinity agreed to pay Merastar's fees in performing these services.

#### Information technology services agreement

Agreement with Unitrin Direct Property & Casualty Company (UDPC). Under the terms of the contract, UDPC will provide information technology services, such as IT applications and consulting services with respect to technology shared among the Unitrin, Kemper Corporation property and casualty affiliates. Payments for such services and expenses shall be made within 30 days after the close of the quarter. The agreement will be in effect unless terminated on a date determined by company and communicated to UDPC, or by either company or UDPC upon not

less than 90 days prior written notice to the other. The agreement was terminated effective as of Oct. 30, 2019.

#### Tax allocation agreement

Effective for tax years ending Dec. 31, 1999, the company is party to a written tax allocation agreement with Kemper Corporation, and its eligible subsidiaries. Under this tax allocation agreement, the company files a consolidated federal income tax return with Kemper Corporation and its eligible subsidiaries.

The tax allocation agreement states that each participant in the agreement shall be allocated tax as if it filed a separate company return and the tax liability can be no greater under the agreement than it would have been had a separate tax return been filed for all years in the consolidated period.

### **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.

Kemper Corporation purchased financial institution bond coverage for itself and its subsidiaries, including the company. This bond covers losses from forgery or alteration, securities, computer systems, trading losses, and extortion up to \$20 million with a \$500,000 single loss deductible. The company's fidelity coverage met the limits recommended by the NAIC.

Kemper Corporation purchased other coverage for itself and its subsidiaries, including the company. Kemper's insurance coverages include auto liability, general liability, property damage, fiduciary liability, workers' compensation liability, insurance company errors and omissions,

directors and officers liability insurance, employment practices liability, and cyber risk, among other insurances. Coverages are typically renewed annually.

### **TERRITORY AND PLAN OF OPERATION**

The company is authorized to write property, casualty including workers' compensation, health, and inland marine in Oregon. It is also authorized in the states of Washington and Wisconsin.

Direct premiums written in 2023 were:

<b><u>State</u></b>	<b><u>Direct premiums written</u></b>	<b><u>Percentage</u></b>
Oregon	\$ 2,279,744	100.18%
Washington	(4,057)	-.18%
Wisconsin	-	-%
Total	<u>\$ 2,275,687</u>	<u>100.0%</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	\$ 43,187	1.9%
Allied lines	25,576	1.1%
Homeowners multiple peril	1,201,617	52.8%
Inland marine	20,182	0.9%
Earthquake	36,267	1.6%
Other liability – occurrence	36,601	1.6%
Private passenger auto no-fault	90,889	4.0
Private passenger auto liability	498,902	21.9%
Auto physical damage	<u>322,466</u>	<u>14.2%</u>
Totals	<u>\$ 2,275,687</u>	<u>100.0%</u>

### **GROWTH OF THE COMPANY**

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

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and surplus</u>	<u>Net income (loss)</u>
2019	\$ 10,458,641	\$ 2,372,204	\$ 8,086,437	\$ 269,146
2020	9,691,796	1,698,035	7,993,762	205,863
2021	9,132,790	1,231,557	7,901,233	188,402
2022	8,572,565	686,327	7,886,238	189,485
2023*	8,297,053	425,904	7,871,149	201,023

\*Per examination

### **REINSURANCE**

Under an amended and restated 100 percent quota share reinsurance agreement effective Jan. 1, 2009, restating the 100 percent quota share agreement effective June 1, 1999, the company cedes, net of third-party reinsurance, 100 percent of premiums, losses and loss adjustment expenses for prior period business and current in-force business to Trinity. The company cedes all of the risks associated with policies written in exchange for the entire premium written. Under the terms of the agreements, Trinity is authorized to collect premiums directly from policyholders and to administer policies for the ceding companies. The company and Trinity then entered into assignment and consent agreements to assign the administration authority to Merastar.

#### **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 have a policy in place to ensure that all of its unclaimed money and property held in safekeeping are reported and paid to the Department of Treasury in an accurate and timely manner.

**I recommend the company to develop policies and procedures to annually report its unclaimed money and property to the Department of Treasury accurately and timely in accordance with the provisions of ORS 98.352 and OAR 170-145-0100.**

Further, it was noted that the company did not completely disclose some of the notes to the financial statement in its annual statement. The incomplete disclosures are in violation of ORS 731.574 and OAR 836-011-0000.

**I recommend the company ensure all of the notes to the financial statement are disclosed in its annual financial statements in accordance with the requirements of ORS 731.574(1) and OAR 836-011-0000.**

## **STATUTORY DEPOSIT**

As of Dec. 31, 2023, the company maintained a \$125,000 par value security deposit (U.S. Treasury note) with DFR for the purposes of complying with workers' compensation deposit requirements pursuant to ORS 731.628. This bond was confirmed with DFR.



## **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There was one recommendation made in the 2018 report of examination; however, no adjustments were made to the surplus as a result of the examination finding.

- 1) I recommend the company revise its custodial agreement to include all of the relevant protections pursuant to the provisions of OAR 836-027-0200(4)(a) through (l).

The current examination revealed that the company has complied with the recommendation made in the 2018 examination report.

## **SUBSEQUENT EVENTS**

There were no events subsequent to the examination date that would have a material impact on the company's solvency.

## **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 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

**VALLEY PROPERTY & CASUALTY INSURANCE COMPANY**  
**ASSETS**  
**As of Dec. 31, 2023**

<b>Assets</b>	<b>Current year total</b>	<b>Notes</b>
Bonds	\$ 7,768,148	1
Cash, cash equivalents, and short-term investments	78,432	1
Aggregate write-ins for invested assets	<u>-</u>	
Subtotals, cash and invested assets	<u>7,846,580</u>	
Investment income due and accrued	53,157	
Premiums and considerations		
Uncollected premiums and agents' balances in the course of collection	33,836	
Deferred premiums; agents' balances and installments booked but deferred and not yet due	287,191	
Reinsurance		
Amounts recoverable from reinsurers	-	
Funds held by or deposited with reinsured companies	-	
Other amounts receivable under reinsurance contracts	38,968	
Net deferred tax asset	2,209	
Receivables from parent; subsidiaries and affiliates	4,687	
Aggregate write-ins for other-than-invested assets	<u>30,426</u>	
Total assets	<u>\$ 8,297,053</u>	

**VALLEY PROPERTY & CASUALTY INSURANCE COMPANY**  
**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**As of Dec. 31, 2023**

	<b>Current year total</b>	<b>Notes</b>
Losses	\$ -	2
Loss adjustment expenses	-	2
Commissions payable; contingent commissions and other similar charges	-	
Other expenses	-	
Taxes, licenses and fees (excl. FIT)	-	
Unearned premiums	-	
Advance premium	22,545	
Ceded reinsurance premiums payable	326,349	
Payable to parent; subsidiaries and affiliates	77,010	
Aggregate write-ins for liabilities	-	
Total liabilities	<u>\$ 425,904</u>	
Common capital stock	\$ 3,514,000	
Gross paid in and contributed capital	4,225,000	
Unassigned funds (surplus)	<u>132,149</u>	
Surplus as regards policyholders	<u>7,871,149</u>	
Total liabilities, surplus and other funds	<u><u>\$ 8,297,053</u></u>	

**VALLEY PROPERTY & CASUALTY INSURANCE COMPANY**  
**STATEMENT OF INCOME**  
**For the Year Ended Dec. 31, 2023**

	Current year total	Notes
<b>Underwriting income</b>		
Premiums earned	\$ -	
<b>Deductions</b>		
Losses incurred	-	
Loss adjustment expenses incurred	-	
Other underwriting expenses incurred	-	
Aggregate write-ins for underwriting deductions	-	
Total underwriting deductions	-	
Net underwriting gain (loss)	-	
<b>Investment income</b>		
Net investment income earned	201,023	
Net realized gains or (losses)	-	
Net investment gain or (loss)	201,023	
<b>Other income</b>		
Net gain (loss) from agents' or premium balances charged 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	201,023	
Dividends to policyholders	-	
Federal and foreign income taxes incurred	-	
Net income	<u>\$ 201,023</u>	

**VALLEY PROPERTY & CASUALTY INSURANCE COMPANY**  
**RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION**  
**For the Year Ended Dec. 31,**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Surplus as regards policyholders, Dec. 31 previous year	<u>\$ 7,886,238</u>	<u>\$ 7,901,233</u>	<u>\$ 7,993,762</u>	<u>\$ 8,086,437</u>	<u>\$ 8,386,259</u>
Net income	201,023	189,485	188,402	205,863	269,146
Change in net unrealized capital gains or (losses)	-	-	-	-	-
Change in net deferred income tax	(729,735)	(127,374)	(131,646)	(18,898)	826,096
Change in nonadmitted assets	638,623	82,894	100,715	20,359	(795,064)
Change in provision for reinsurance	-	-	-	-	-
Change in surplus notes	-	-	-	-	-
Cumulative effect 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	-	-	-	-	-
Distribution to parent (cash)	(125,000)	(160,000)	(250,000)	(300,000)	(600,000)
Change in treasury stock	-	-	-	-	-
Examination adjustments	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in surplus as regards policyholders for the year	<u>(15,089)</u>	<u>(14,995)</u>	<u>(92,529)</u>	<u>(92,675)</u>	<u>(299,822)</u>
Surplus as regards policyholders, Dec. 31, current year	<u><u>\$ 7,871,149</u></u>	<u><u>\$ 7,886,238</u></u>	<u><u>\$ 7,901,233</u></u>	<u><u>\$ 7,993,762</u></u>	<u><u>\$ 8,086,437</u></u>

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1 – Invested assets**

The company's long-term bond investments were diversified in U.S. government issuer obligations, U.S. states, territories and possessions issuer obligations, U.S. political subdivisions obligations, U.S. special revenue bonds, and corporate issue. The company had a minimal exposure to residential mortgage-backed securities (MBS). All MBS issues were investment rated at year-end 2023, and the book carrying value of \$363,012 comprised 5 percent of the total long-term bond portfolio, and 4.6 percent of all invested assets.

Cash and short-term deposits consisted of cash on deposit and a US Treasury Bill.

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

<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	\$ 7,775,580	\$ 465,951	74.3%	4.5%
2020	5,354,062	2,775,364	55.2%	28.6%
2021	8,230,121	(143,229)	90.1%	-1.6%
2022	7,824,712	41,895	91.3%	0.5%
2023 *	7,768,148	78,432	93.6%	0.9%

\* 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. or FDIC-insured cash deposits, as required by ORS 733.580.

Effective June 15, 2020, the company entered into a custodial agreement with The Northern Trust Company. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (n).

### **Note 2 – Actuarial reserves**

David Dahl, FCAS, MAAA, DFR P&C actuary, reviewed the company's loss and loss adjustment expense (LAE) reserves at Dec. 31, 2023. His findings and scope of review are contained in a memorandum. He reviewed the actuarial examination summary for Trinity Universal Insurance Company (TUIC), the 2023 Statements of Actuarial Opinion for Valley Property & Casualty Insurance Company (VPCIC) and TUIC. The data, methods, and assumptions used by the company to establish its liabilities for the Kemper Preferred business segment of TUIC as of Dec. 31, 2023, which includes VPCIC. TUIC is the lead company in an intercompany pooling

arrangement between several affiliate companies in the Kemper Property and Casualty group of companies, which includes VPCIC. The purpose of this review was to determine in general if the company's liabilities were reasonably stated.

He concluded that, Valley Property and Casualty Insurance Company's direct and assumed liabilities for loss and loss adjustment expense as of Dec. 31, 2023, appear to be reasonably stated.

### **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

There were no adjustments to capital and surplus resulting from this examination.

### **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

The following is a summary of the recommendations made in this report of examination.

Page

- |    |   |
|----|---|
| 6  | <b>I recommend the company to comply with the provisions of ORS 732.554 and ORS 732.576(2)(a), by properly notifying of the distributions to the director of DCBS in a timely manner.</b>   |
| 8  | <b>I recommend the company appoint additional board directors who are residents of Oregon, in accordance with ORS 732.305.</b>  |
| 17 | <b>I recommend the company to develop policies and procedures to annually report its unclaimed money and property to the Department of Treasury accurately and timely in accordance with the provisions of ORS 98.352 and OAR 170-145-0100.</b> |
| 17 | <b>I recommend the company to ensure all of the Notes to the Financial Statement are disclosed in its annual financial statements in accordance with the requirements of ORS 731.574(1) and OAR 836-011-0000.</b>                               |

## **CONCLUSION**

During the five year period covered by this examination, the surplus of the company has decreased from \$8,386,259, as presented in the Dec. 31, 2018, report of examination, to \$7,871,149, as shown in this report. The comparative assets and liabilities are:

	<b><u>2023</u></b>	<b>Dec. 31,</b> <b><u>2018</u></b>	<b><u>Change</u></b>
Assets	\$ 8,297,053	\$ 11,927,948	\$ 3,630,895)
Liabilities	<u>425,904</u>	<u>3,541,689</u>	<u>(3,115,785)</u>
Surplus	<u>\$ 7,871,149</u>	<u>\$ 8,386,259</u>	<u>\$ (515,110)</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 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/ Tho Le  
Tho Le, CFE, PIR  
Senior insurance examiner  
Division of Financial Regulation  
Department of Consumer and Business Services  
State of Oregon

**AFFIDAVIT**

STATE OF OREGON)

County of Marion)

Tho Le, CFE, PIR, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Valley Property & Casualty Insurance Company, Salem, 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 Valley Property & Casualty 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/ Tho Le

Tho Le, CFE, PIR  
Senior insurance examiner  
Division of Financial Regulation  
Department of Consumer and Business Services  
State of Oregon

Subscribed and sworn to before me this 5<sup>th</sup> day of August, 2025.

/s/ Tara McCafferty

Notary Public in and for the State of Oregon

My Commission Expires: June 2, 2029