

# ANNUAL REPORT

2016



# LETTER FROM THE PRESIDENT



As I reflect on 2016 I can't help but comment on the story that dominated the headlines throughout the year—the presidential election. I don't recall ever witnessing such a contentious battle and such a surprising outcome. It was a remarkable lesson in democracy at work.

While there were many distractions in 2016, your company maintained focus on improving after a 2015 fraught with wildfires, windstorms and increased losses. I am pleased to report that the hard work was successful and we were able to replenish our lost capital and post a modest net income. We are well-positioned in the event of another unexpected catastrophe, and you can feel confident in our ability to pay your claims should you suffer an unfortunate loss. The industry financial rating agency, A.M. Best, affirmed our A- (Excellent) rating with a stable outlook.

Regarding your subsidiary company Nevada General Insurance, we elected to divest them in a sale to another insurer. We felt that writing high-risk auto insurance in the Southwest was not strategically in the best interest of our members.

Your other subsidiary company, Enumclaw Property and Casualty, continues to have great success in providing additional preferred products within our core five-state operating territory.

We completed our first year of affiliation with Wildfire Defense Systems (WDS) and were very pleased with the outcome. There were 41 wildfires that occurred in our five states last year. WDS responded with their crews and engines to 14 of them, providing on-site protection at more than 100 of our members' properties threatened by the fires. We plan to continue with this program, which provides direct protection and prevention for our members when wildfire threatens.

One of the ways we determine how we are doing for you is the Net Promoter Score (NPS) that you give us when we survey you. I encourage you to complete and return the one-question survey if you receive one. I am proud to report that our NPS score (how you rate us) maintained its high levels for the sixth straight year. We now rank as one of the best companies nationally in providing a great customer experience. Thank you.

Another way we measure ourselves is by the rating your independent agent provides us through an independent survey conducted by Deep Customer Connections. We survey all of your agents each year, and our scores improved for the sixth straight year. We have been ranked by the agents as the number one overall carrier that they represent for two straight years. We believe your independent agents provide great value in the service and advice they provide.

Last, I would be remiss if I did not mention our great employees, as they are the ones who make the sacrifices needed to ensure success. For the fifth straight year they voted us as one of the 100 Best Places to Work in Washington. We are one of only seven companies that have achieved this status for five straight years. This is validation that we have the most engaged and thoughtful employees in the industry.

Our focus on benefiting our members has kept us strong for more than 119 years. Looking forward, we will continue this focus while living our values of being ethical, responsive, personal and efficient. We dream of building a 500-year-old company that protects and serves our members for many generations to come.

Best wishes for a prosperous 2017.

A handwritten signature in white ink that reads "Eric Nelson". The signature is fluid and cursive.

Eric Nelson, CPCU, ARP  
President & CEO

# WE'RE ALL IN THIS TOGETHER, JUST LIKE WE'VE ALWAYS BEEN.

We are more than insurance, agents and policyholders. We are partners, working together to make things better for all of us. It's how we've done business since 1898, when a group of Enumclaw residents joined together to help neighbors during times of trouble, establishing the Farmers' Mutual Insurance Company. Our founders knew it then and we still believe it today—when we take mutual responsibility, we enjoy mutual strength and prosperity.

While we have grown into a prominent western regional carrier, we've never lost sight of the idea that every single one of us is part of the rest of us. Together with our network of community-based independent agents, we provide coverage to families, farms and businesses, always remembering that we are mutually interconnected—and we're better for it.

In 2017, we will continue to lean on each other and look out for one another. We remain true to the original purpose of the farmers who first banded together in Enumclaw more than a century ago. Giving people the certainty and confidence to move forward together is what we've always done and what we will continue to do long into the future.





## OUR MISSION

Thoughtful people protecting members' financial security.

## OUR VISION

To build a thriving organization, trusted by its members, that stands the test of time.

## OUR PURPOSE

To deliver an insurance experience so rare and valuable that it can't be found elsewhere.

## OUR QUALITY STANDARDS

### ETHICAL

Do what's right.

### RESPONSIVE

Speed and competency build trust.

### PERSONAL

Positive and memorable customer service begins with a personal touch.

### EFFICIENT

Continually improve what we do every day.

# AWARDS & RECOGNITION



## 100 BEST COMPANIES TO WORK FOR FIFTH YEAR IN A ROW

Seattle Business magazine

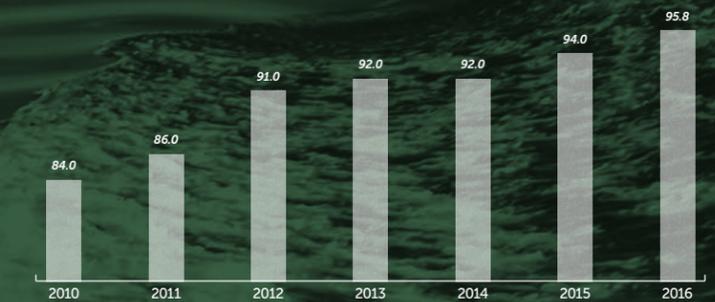


## BEST SERVICE AZ, ID, OR, UT, WA

ValChoice

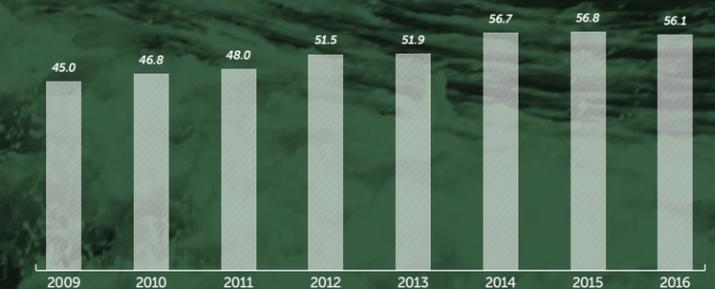
## DEEP CUSTOMER CONNECTIONS

Measures how easy our independent agents believe it is to do business with us

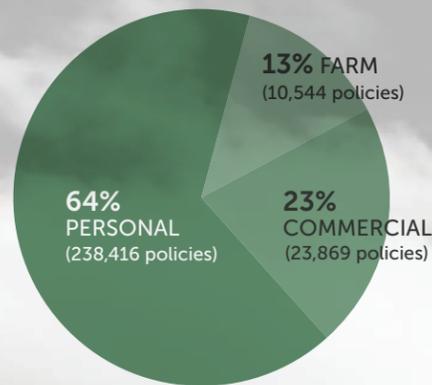


## NET PROMOTER SCORE

Measures how likely our members are to recommend us to friends and family

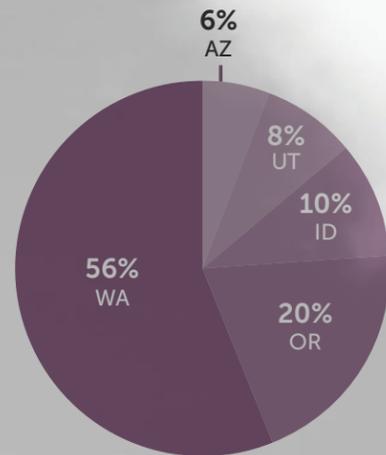


# 2016 FINANCIAL HIGHLIGHTS



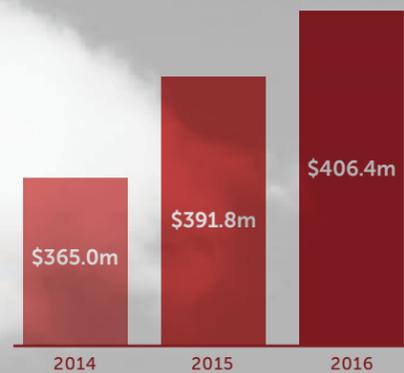
## PREMIUMS WRITTEN BY LINE OF BUSINESS

Policy count was 272,829 for 2016, with premiums spread by risk type between personal (64%), commercial (23%) and farm (13%).



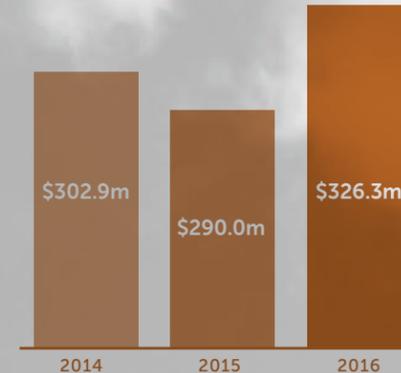
## PREMIUMS WRITTEN BY STATE

We have members in five western states (Washington, Oregon, Idaho, Utah and Arizona). Our geographic footprint allows us to serve you quickly while managing concentration and weather-related risks.



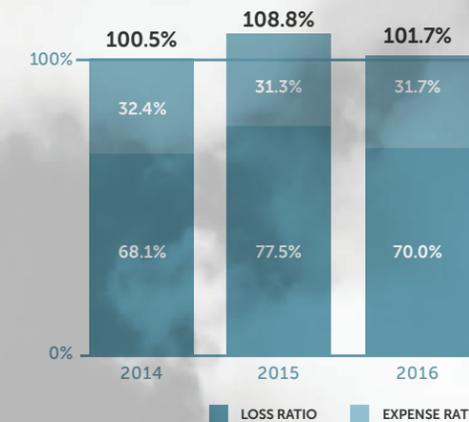
## PREMIUMS WRITTEN BY YEAR

The number of premiums written passed \$400 million during 2016, growing to \$406.4 million. We thank our members for trusting us to provide coverages they can count on.



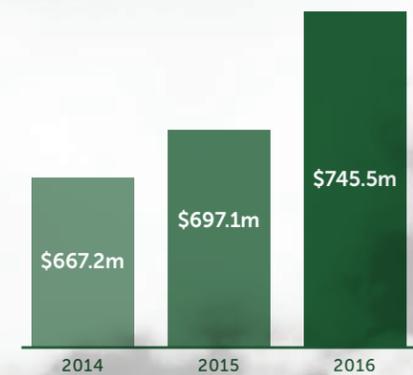
## EQUITY

Equity represents retained earnings and measures an insurance company's financial strength and capacity to write new business. Equity grew to \$326.3 million, and our excellent financial strength allows us to provide solid financial security to benefit our members and agents.



## COMBINED RATIO

The Combined Ratio measures an insurer's underwriting profitability, with results below 100% indicating an underwriting profit. After we helped our members recover from the devastating Chelan Complex Wildfires and Spokane Windstorm in 2015 through claims paid, our operating results improved in 2016 with a 101.7% Combined Ratio.



## TOTAL ASSETS

Total Assets is a measure of an insurance company's resources that provide future benefits. Our Total Assets passed \$700 million in 2016, growing to \$745.5 million. We've invested these into technologies and operations that help us provide enhanced products and claim services to our valuable members.

# OUR LOCAL PRESENCE



Our employees live and work alongside our members, in communities throughout Oregon, Idaho, Washington, Arizona and Utah.

# BOARD MEMBERS

**BERNADENE DOCHNAHL**  
Chair  
Owner, Denbe LLC

**LAURINDA MACKENZIE**  
Director  
Retired

**MIKE SHERMAN**  
Director  
CEO, Direct Marketing Solutions

**ANTHONY BARUFFI**  
Director  
VP, Garde Capital

**ERIC NELSON**  
Director  
President & CEO, Mutual of Enumclaw

**FREDERICK SCHUNTER**  
Director  
Retired

**T. ANDREW FUJIMOTO**  
Director  
CEO, AmeriBen/IEC Group

**CORT O'HAVER**  
Director  
Commercial Bank President, Umpqua Bank

**NORMAN SMITH**  
Director  
Senior Fellow, M.J. Murdock Charitable Trust

**THOMAS GARLAND**  
Director  
Retired

**DON POWELL**  
Director  
Attorney at Law, Powell & Gunter

**DAVID WALDO**  
Director  
President and CEO, Field-Waldo Insurance

**ROBERT GUILÉ**  
Director  
Retired

**JANE REPENSEK**  
Director  
Senior VP, The Seattle Foundation

# EXECUTIVE MEMBERS

**ERIC NELSON**  
President & CEO

**RICHARD HAWKINS**  
VP, Marketing

**MEGAN HALL**  
VP, Product Development

**ANDREW CHEN**  
CFO & VP, Financial Services

**ALICE CAMERON**  
VP, Personal Lines

**ATHAN SHINAS**  
General Counsel

**SANDY WILLIAMS**  
VP, Administration

**CORI MEDRANO**  
VP, Commercial & Farm

**TOM TAYLOR**  
Chief Risk Officer

**MICHELE WYATT**  
CCO & VP, Claims

**DAVID WILSON**  
CIO & VP, Information Technology

A scenic mountain landscape with a river and a central green text box. The background shows a valley with a river, surrounded by forested mountains and snow-capped peaks under a hazy sky. A dark green rectangular box is centered over the middle of the image, containing the text.

THOUGHTFUL  
IS HOW WE  
DO THINGS



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