



MUTUAL OF
ENUMCLAW
INSURANCE



ANNUAL REPORT

2012



President's Message

I am happy to report that the Mayan's were incorrect in their end of world prediction even though the elections leading up to it added some credibility to the possibility.

We find ourselves in continued turbulent times as we struggle as a nation with ongoing worldwide political unrest, an astronomic national debt and a legislative system locked in a perpetual stalemate. In spite of living in interesting times, the Enumclaw Insurance Group of companies continues to have success in meeting our vision of building a thriving financial services organization that stands the test of time. Our company was established in 1898 which means we are now 115 years old but I can assure you we do not look our age as we continue to invest in modern technology to improve our service to our policyholder members and to improve the ease of doing business with our Independent Agent partners.

2012 was a positive year financially as we earned a healthy net income and added nicely to policyholder surplus. We also saw an overall increase in our membership of 3.6% which is good news after slight declines the prior two years. This translated to an overall increase in written premiums of 3.8%. Our balance sheet continues to strengthen and our financial strength and claims paying ability continue to improve. These are very good outcomes considering the sluggish economic conditions we are operating in. 2012 is further evidence that our focus on fundamentally sound risk management continues to be a formula that enhances our financial security year over year.

Our subsidiary, Enumclaw Property and Casualty Insurance Company, was utilized to launch a new auto program in 2011 and as a result, auto premiums grew to over \$27 million as members selected our new auto program. Total premiums are now \$37.5 million. Having this company continues to provide flexibility and offer product choices to our members.

Our other subsidiary, Nevada General Insurance Company posted a slight profit but missed their premium goals as the Nevada economy continues to languish. Plans for state expansion and other marketing affiliations give us optimism that NGIC will see improved conditions over the coming year.

A.M. Best Company is the primary organization that rates the financial security of insurance companies. They affirmed our A- (Excellent) rating for 2012 as our capital adequacy and claims paying ability have never been stronger. Nevada General Insurance carries their own A.M. Best rating of A (Superior) as they also have strong capitalization and security.

For 2013, our plan continues to be a simple one (simple does not imply easy):

- To deliver to our policyholders and agents an insurance experience so special that it cannot be obtained anywhere else.
- We do this by living our values of being:
 - Ethical – Do what's right.
 - Responsive – Listen, understand, respond and satisfy.
 - Personal – Add that special touch to make working with us memorable.
 - Efficient – Focus on continuous improvement in all we do.
- We know we are succeeding by the improvement in our customer loyalty and agent ease of doing business scores.

We believe that having great focus on improving what we do for those we serve will help to sustain us and meet our policyholder, agent and employee needs for many generations to come.

Eric Nelson, CPCU, CIC, ARP
President and CEO



From Humble Beginnings

In 1898, a group of Enumclaw, Washington, residents got together to create the Farmers' Mutual Insurance Company. The articles of incorporation stated that the purpose of the organization was "to insure farm and village buildings and personal property against loss by fire and lightning." Funding was provided by assessment of the members to restore property after catastrophic loss.

During the next 45 years, the company slowly expanded its insurance writings. In 1943, extended coverage perils were added to the fire and lightning coverages. In 1947, the company began to write non-farm properties. A year later, casualty insurance was added to the portfolio of offerings putting Farmers' Mutual Insurance Company on an equal footing with other companies for the first time.

In 1952, Oregon and Idaho were added to the service area. Ten years later Farmers' Mutual merged with the Butteville Insurance Company of Woodburn, Oregon. The company also began writing commercial insurance in 1963.

On May 1, 1966, the name of the company was changed to Mutual of Enumclaw Insurance Company.

Growth continued through the years and in the summer of 2002, the company expanded to Utah.

Enumclaw Property & Casualty Insurance Company was launched in Washington in December 2002 as a wholly owned subsidiary of Mutual of Enumclaw Insurance Company. The new company was established to facilitate new marketing opportunities in both personal and commercial lines of insurance.

In 2010, we purchased Nevada General Insurance Company (NGIC) and Auto Insurance America (AIA), headquartered in Las Vegas, Nevada. We believe their knowledge of the non-standard auto market, agency operations and Internet marketing will strengthen us and provide unique strategic opportunities in the future.

Since our humble beginnings in 1898, Mutual of Enumclaw Insurance Company has grown into a super-regional carrier. We are still based in Enumclaw, Washington, which is nestled in the Cascade Foothills at the base of Mt. Rainier, and we're about as down home as you can get. We are still owned by our policyholders and we are proud of our rural roots.



Our Mission

Providing financial security by keeping our promises.

Our Vision

To build a thriving financial services organization that stands the test of time.

Our Quality Service Standards

Ethical

Do what's right.

Responsive

Listen, understand, respond, satisfy.

Personal

Add that special touch to become memorable.

Efficient

Continual improvement will ensure profitability and create better ways to provide service.

Our Values

Proficiency

Honesty

Trust

Ambition

Empathy

Curiosity

Prosperity



Highlights from 2012

Our Quality Service Standards in Action

The 2012 Wildfire season was ranked by the National Oceanic & Atmospheric Administration (NOAA) as the third largest in terms of total acres burnt in recorded history. It was number one for total acres burnt per fire.

We monitored our four-state area for any fire activity. When fires broke out employees from throughout the company helped generate lists of Policyholders in each affected area.

Our locally based claims adjusters made contact with policyholders, confirmed and assessed any damages, and processed their claims as quickly as possible. In the aftermath of one major fire, the Taylor Bridge Fire in Washington State, a total of 15 claims were handled and paid within eight days.

Technology

Our corporate objectives are geared towards improving customer satisfaction – both policyholder and independent agent. These 2012 technology related projects were completed specifically to answer customer needs.

Updated Mobile App: Available in the iTunes Store and Google Play (Android), auto policyholders can use our mobile app to file a claim, call for a tow, or contact their independent agent. We recently added the ability to view proof of insurance.

We went paperless in 2012. We scanned the last of our paper files in 2012. Employees can access files at the touch of a button, clearing the way for faster and more efficient service for our policyholders and independent agents.

Corporate Citizenship

Here are a few charities we contributed to in 2012:

YMCA of Snohomish County

Black Diamond Community Center

YMCA of Pierce County

Rotary First Harvest

Big Brothers Big Sisters of Southwest Idaho

Children's Developmental Center

Pediatric Interim Care Center

United Way of Pierce County

Enumclaw Youth & Family Services

United Way of King County

Auburn Food Bank

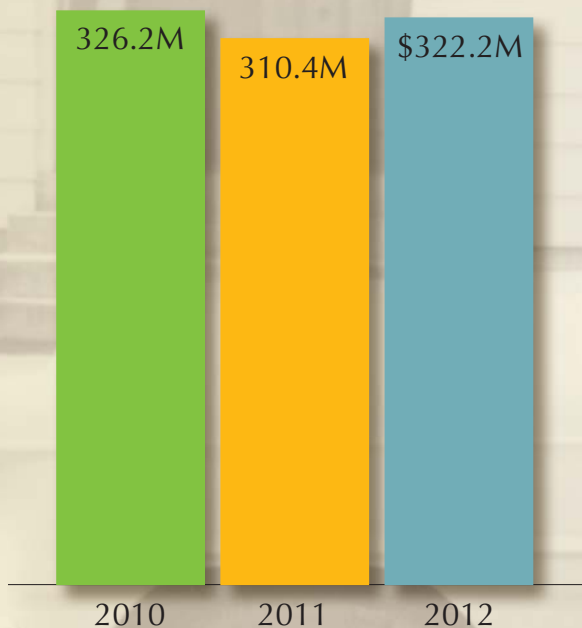
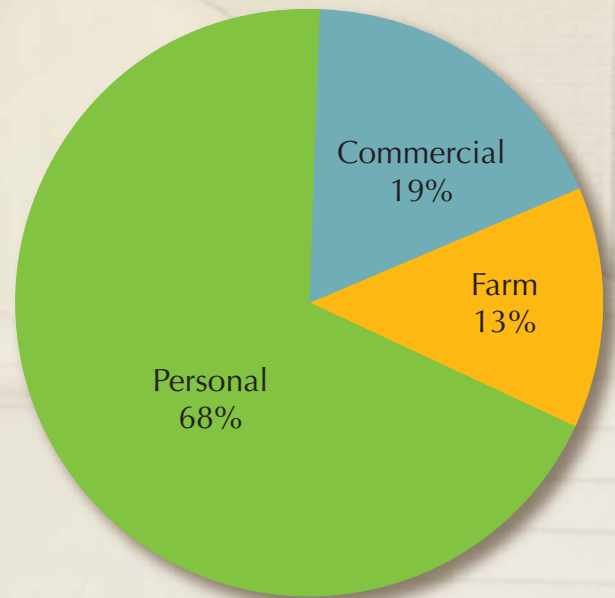
Special Olympics

Childrens' Hospital



Premiums Written by Line of Business

Mutual of Enumclaw has its roots providing farm owners policies, and through time we have grown our commercial and personal lines business as well. In 2012, premiums written by line of business were well spread between personal lines (68%), commercial lines (19%), and farm lines (13%).

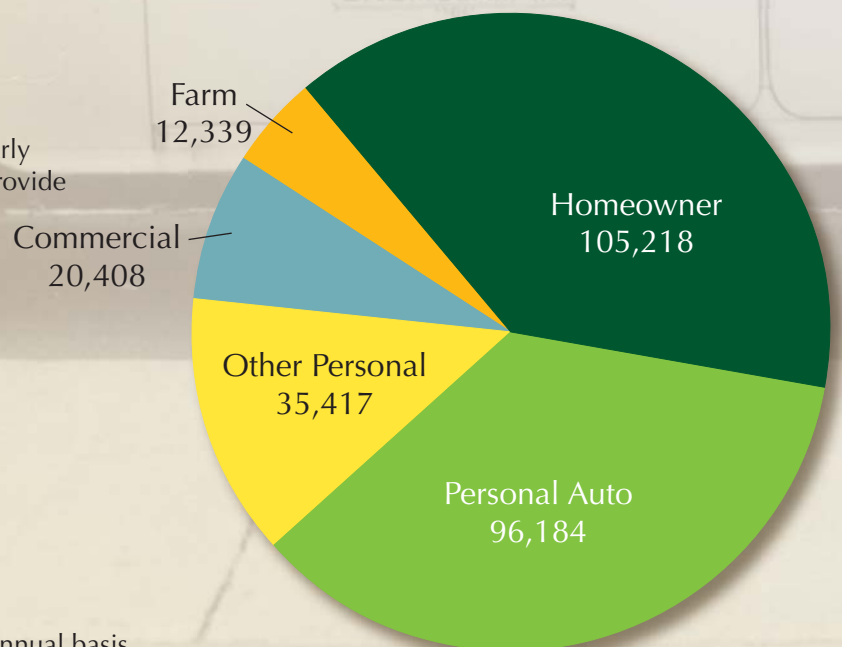


Premiums Written by Year

In 2012, premiums written increased 3.8% over 2011, from \$310 million to \$322 million, respectively. While 2012 premiums did not return to 2010 levels, we are encouraged by the growth in all lines of business.

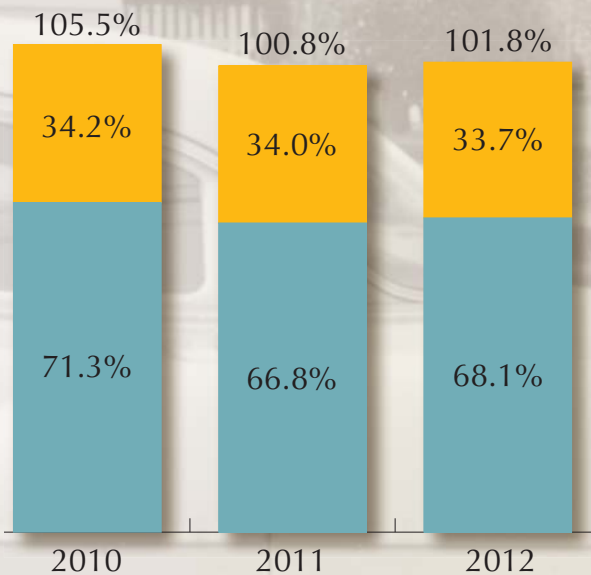
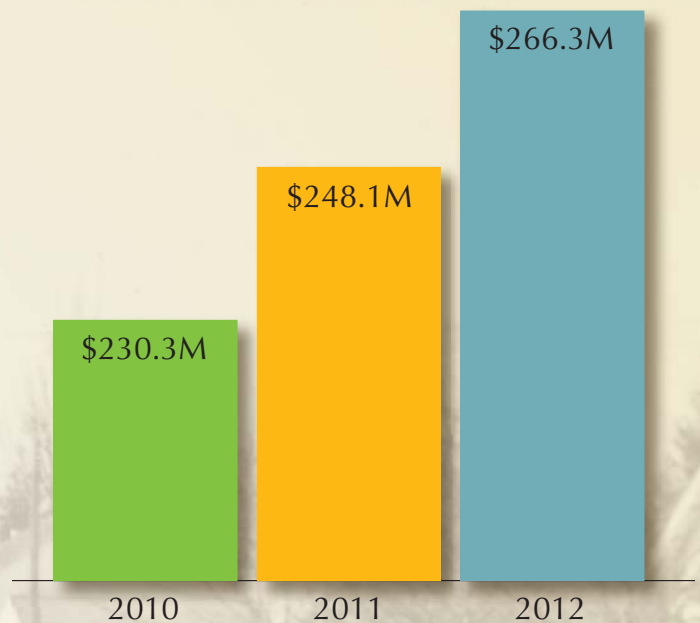
Policy Count

Throughout the years, our policy counts have grown to nearly 270,000; we appreciate your business as we continue to provide you with financial security.



Policyholder Surplus

Policyholder Surplus is a measure of a company's financial strength and capacity to write new business. As a mutual company, Mutual of Enumclaw is directly responsible to its policyholder owners. We grew Policyholder Surplus at a healthy rate, 15.6% over two years, to \$266.3 million. Our excellent financial strength allows us to continue to provide financial stability and to develop future product features to benefit our policyholders and agents.



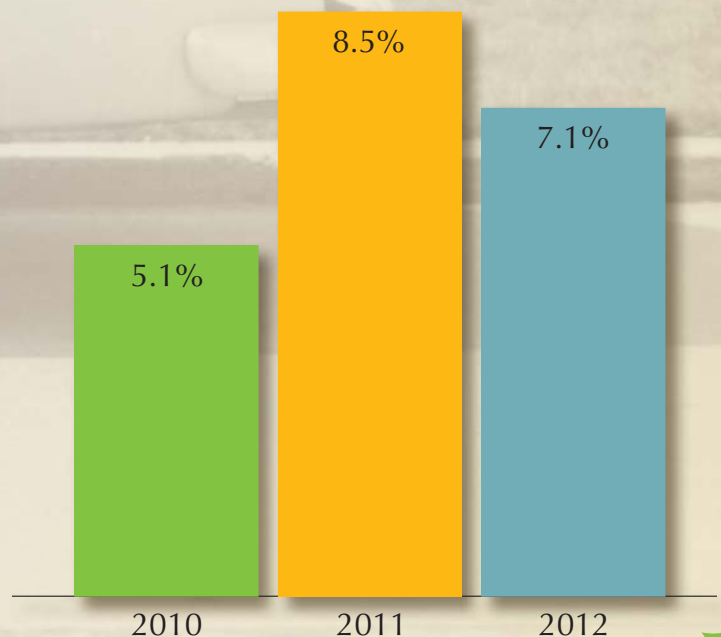
Combined Ratio

The Combined Ratio measures an insurance company's underwriting profitability, including both losses from claims and operating expenses. Since 2012, we improved our expense ratio each year through process efficiencies. The loss ratio has also been favorable since 2010 due to better loss experience from relatively mild winter weather.

- Expense Ratio
- Loss Ratio

Return on Policyholder Surplus

Return on Policyholder Surplus (Return on Equity in other industries) was healthy in 2012 at 7.1%. This metric fluctuates primarily due to net income. In the past two years, net income benefited greatly from an improved investment environment and an ability to realize gains on securities.





Anytime we had a problem or need an answer, it's taken care of right away. Couldn't be happier.

Policyholder

Everyone who works for this company is friendly.

Policyholder

Surveys Say?

We take great pride in listening to the needs of our policyholders, agency partners, and employees.

Here's how they say we do:

We recently had a claim on our policy and were very happy with how it was handled.

Policyholder

Deep Customer Connections (DCC) surveyed nearly 8,000 independent agents and Mutual of Enumclaw rated #1 in Claims Handling.



I speak with people from different companies all day long and Enumclaw employees always take the time to explain things to me.

Agent

Straight forward. Helpful. Honesty First.

Policyholder



They treat us like our time is important, too, which is rarely found.

Agent

We were totally satisfied with the service we received.

Policyholder

You were very professional and timely.

Policyholder

I can't think of anything you need to improve. I've been very impressed with your quick response and help.

Policyholder



When asked, 51% of our policyholders say they are "Extremely Likely" to enthusiastically refer family, friends, or colleagues to us.

NET PROMOTER®

The **100**
BEST
COMPANIES
TO WORK FOR

I never have to wait longer for answers to my questions and/or concerns. Top notch.

Agent

They always call back when they say they will and that is important to us.

Policyholder

Quick response to my calls and I liked the way claims were handled in the past. Thank you for your service.

Policyholder

Thank you so much for everything! I will definitely recommend you to everyone I know.

Policyholder

According to our employees, we are one of the top 100 best companies to work for in the state of Washington.

We Are a Super-Regional Carrier

Mutual of Enumclaw and Enumclaw Property & Casualty

Founded in 1898 and headquartered in Enumclaw, Washington, Mutual of Enumclaw Insurance Company (MOE) and its wholly owned subsidiary, Enumclaw Property and Casualty Insurance Company (EPC), is a super-regional property and casualty insurance carrier that writes preferred personal, commercial and farm lines of business sold exclusively through Independent Agents. There are 17 claims offices throughout Washington, Oregon, Idaho, and Utah and we are a mutual company owned by our policyholders. MOE is rated "A-" "Excellent" by AM Best.

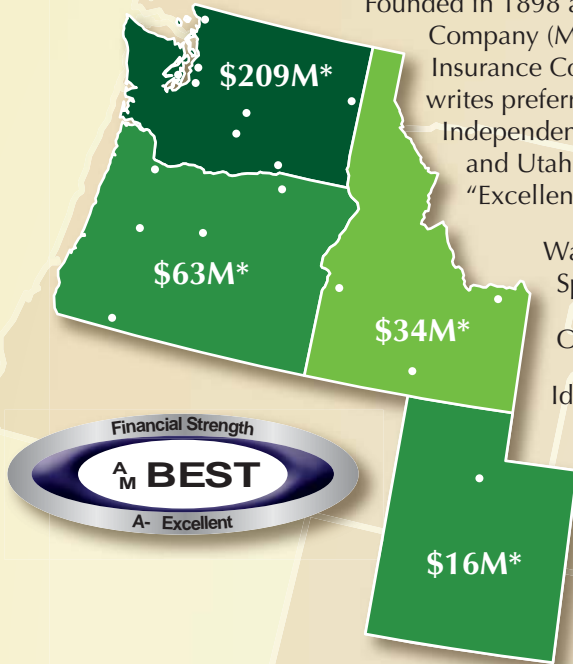
Washington Locations: Bellingham, Bothell, Enumclaw, Kennewick, Poulsbo, Spokane, Tacoma, Wenatchee, Yakima.

Oregon Locations: Bend, Eugene, Lake Oswego, Medford, Pendleton.

Idaho Locations: Boise, Idaho Falls, Twin Falls.

Utah Locations: Salt Lake City.

* Written premium in 2012 in millions.

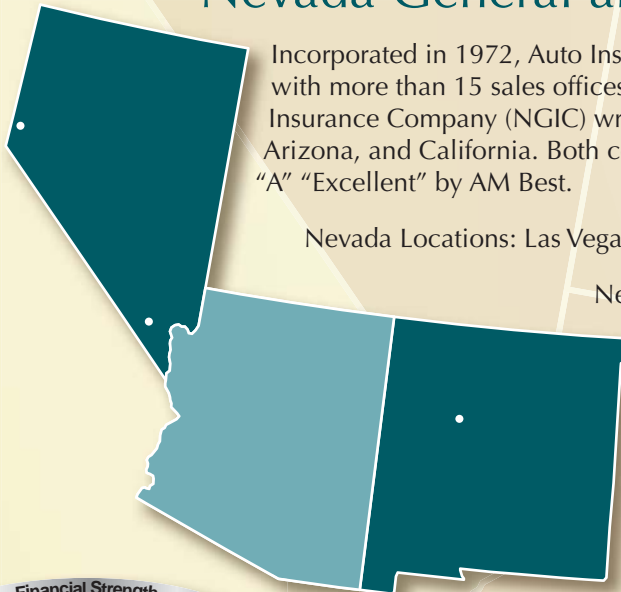


Nevada General and Auto Insurance America

Incorporated in 1972, Auto Insurance America (AIA) is a retail sales/service insurance agency with more than 15 sales offices in Nevada and New Mexico. Formed in 1993, Nevada General Insurance Company (NGIC) writes "non-standard" auto insurance in Nevada, New Mexico, Arizona, and California. Both companies are headquartered in Las Vegas, Nevada. NGIC is rated "A" "Excellent" by AM Best.

Nevada Locations: Las Vegas, Reno, Sparks.

New Mexico Locations: Albuquerque



Board Members

Bernadene Dochnahl
Chair

T. Andrew Fujimoto
Trustee

Thomas Garland
Trustee

Robert Guile
Trustee

Eric Nelson
President

Don Powell
Trustee

Jane Repensek
Trustee

Fredrick Schunter
Secretary

David Waldo
Trustee



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VP, Human Resources

Jeannie Fleming-Pixton
VP, Claims

Brad Gipson
CFO & VP, Financial Services

Richard Hawkins
VP, Marketing

Rich Hundven
VP, Services

Eric Nelson
President & CEO

Denise Pavlov
CUO & VP, Underwriting

David Wilson
CIO & VP, Information Technology



Empathy Customer Experience
“Best Places to Work in Washington”
Honesty Small Town Prosperity
Property Responsive Proficiency
Curiosity Ethical Protection
Delightful Smart Farm Casualty
Business Insurance
Enumclaw
Trust Mutual Home Family
Auto Efficient Personal Excess
A.M. Best A-
#1 in Claims Liability Memorable
Independent Agents Boat Rural Roots
Ambition Local

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