



# Annual Report

## 2013



# President's Message

As we look back on 2013 I am reminded of a speech by Robert F. Kennedy in which he referenced the phrase "May we live in interesting times" and he described its origins as not a blessing, but a curse. As a nation, 2013 was no doubt "interesting" spanning the gamut of the tragic Boston Marathon bombing to the difficult rollout of the Affordable Healthcare Act. Worldwide political unrest has become the norm, the Federal Government continues to be dysfunctional and the United States economy continues to require medication provided by the Federal Reserve.



While we live under the curse of "interesting times" I am pleased to report that your Company had another successful year protecting your financial security.

We are now 116 years old and I imagine our founders would be proud of our ability to live our vision of a thriving organization that stands the test of time. We dream of a 500 year old company where future generations carry on our legacy of protecting member's financial security. I am told that the most common attribute of companies that thrive for more than a century is disciplined focus on serving their customers. We understand our sole purpose is to serve our policyholder members and the independent agents that are the sole source of new membership.

2013 was a positive year financially as we earned a healthy \$8.1 million net income and added nicely to policyholder surplus. Written premiums grew at 7.3% as we continue to add new members. We added 7.7% to policyholder surplus which further strengthens our already strong claims paying ability. Overall I believe you can be pleased that we have delivered to you an even stronger company than the prior year.

Your subsidiary Nevada General Insurance Company (NGIC) was able to post slight premium growth but was not able to earn a profit. We are optimistic that as the Nevada economy improves, and the NGIC distribution network expands, their performance will improve and be a benefit to the overall Enumclaw Group of Companies. Lest you have concerns, keep in mind that the small size of NGIC has very little impact on the overall Enumclaw Group results.

Your other subsidiary company Enumclaw Property and Casualty Insurance Company (EP&C) continues to have great success and the enhanced personal auto program offered there now has almost \$75 Million in premiums. Having this company continues to provide flexibility and offer product choices to our members.

A.M. Best Company, who is the primary organization that rates the financial security of insurance companies, affirmed our A- (Excellent) rating for 2013 with a stable outlook. You can be comforted as members that our financial security and claims paying ability has never been stronger. Your subsidiary, Nevada General Insurance, was downgraded from their standalone "A" (Superior) rating to a rating of "A-" (Excellent) to match the overall group rating. NGIC continues to be well capitalized and secure.

**For 2014, our plan continues to be a simple one (simple does not imply easy):**

To deliver to our policyholders and agents an insurance experience so rare and valuable 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 personal touch to create a positive experience.
- Efficient – Focus on continuous improvement in all we do.

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

Best Wishes for a prosperous 2014,

A handwritten signature in black ink that reads "Eric Nelson". The signature is written in a cursive, flowing style.

Eric Nelson, CPCU, CIC, ARP  
President and CEO, Mutual of Enumclaw Insurance Company

# Thoughtful Coverage Through the Years

We were founded in 1898, when a group of Enumclaw, Washington residents got together to create the Farmers' Mutual Insurance Company.

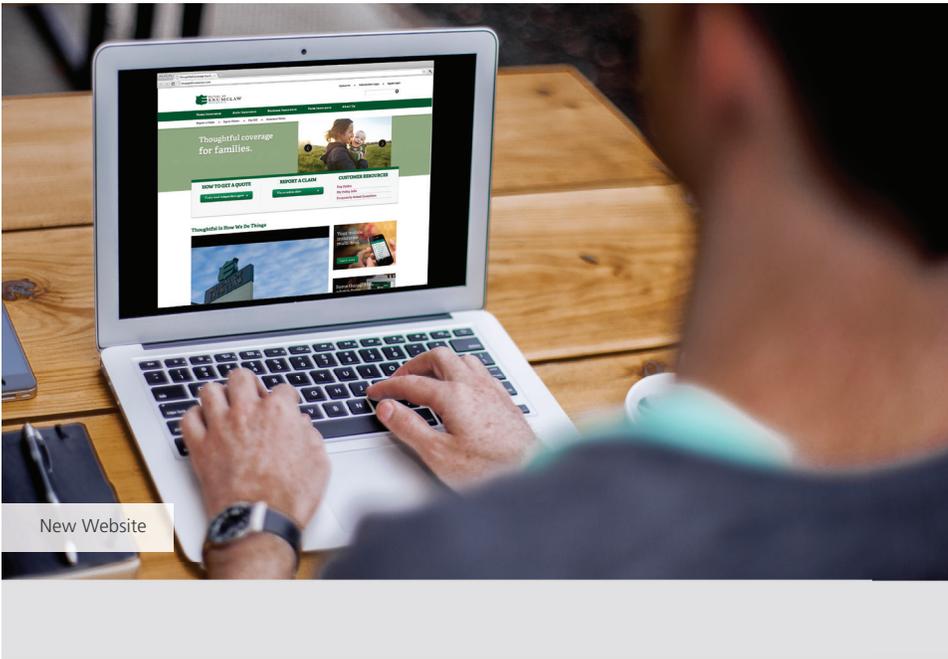
While we have grown into a prominent western regional carrier, we have stayed true to our roots. Together with our network of community-based independent agents, we provide coverage to families, farms, and businesses, always remembering that our customers are also friends and neighbors.

What we offer is what we call thoughtful coverage — meticulous, well-prepared policies that truly cover. And when a claim is filed, we take extra care to handle it diligently and with empathy for everyone involved. It's simply the right thing to do, and we think it distinguishes us from other insurance companies.

Every day, our people come to work with an intense belief in this thoughtful approach to insurance, and it shows. It's a major reason why we were named one of Washington's 100 Best Companies to Work For by Seattle Business magazine for the second year in a row.

In mid-2014, we'll begin offering coverage in Arizona, adding to our western footprint. We will provide thoughtful coverage for these new friends and neighbors, in good times and bad, just like we do for our existing customers. After 116 years, it's proven to be the best way — and frankly, the only way — to do business.





## Service Improvements and Enhancements

**Several new initiatives we introduced in 2013 provided both customers and agents with an improved experience:**

We made major updates to our primary website, [MutualOfEnumclaw.com](http://MutualOfEnumclaw.com), giving it a cleaner, fresh look that helps us tell our story better. Our Policyholder Site was also improved to make it easier to navigate and consistent with the company website.

We enhanced our mobile app so it runs more efficiently and includes a digital insurance ID card that policyholders can access anywhere.

We introduced MOE Quote, which allows agents to quote and write any of our personal lines products.

We added a new endorsement designed to cover garden, light farm and nursery operations. For our Farm, Commercial Package, and Business Owner policyholders we introduced Employment Practices Liability coverage.

We introduced cross-company bills for Personal Lines, which brings together policies from Mutual of Enumclaw and Enumclaw Property & Casualty. This saves customers from having to pay separate fees on multiple bills.

# Telling our story

We launched two major marketing efforts to support our Independent Agents and reach potential customers:

In May, we launched our “Thoughtful” multi-media advertising campaign in several of the markets we serve. And in August, we launched ThoughtfulCoverage.com, which features video vignettes from some of our independent agents to answer commonly asked questions, promote the benefits of community-based representatives, and help consumers find an agent.



“Thoughtful” Billboard



Independent agent Stacia Gray for thoughtfulcoverage.com

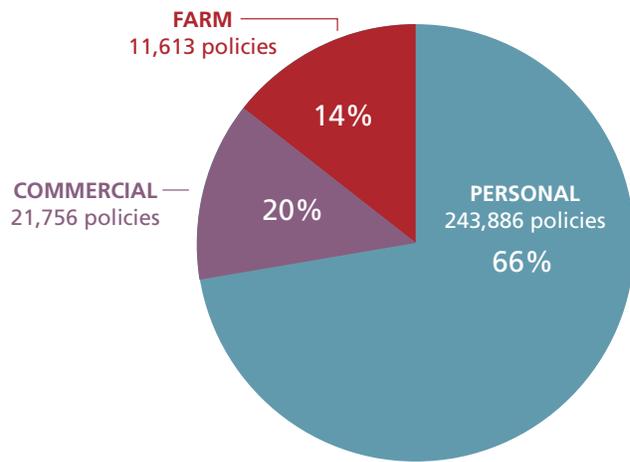
# Recognition

Our exemplary people and our outstanding customer service received major honors in 2013:

For the second year in a row, we were named one of Washington’s 100 Best Companies to Work For by Seattle Business magazine.

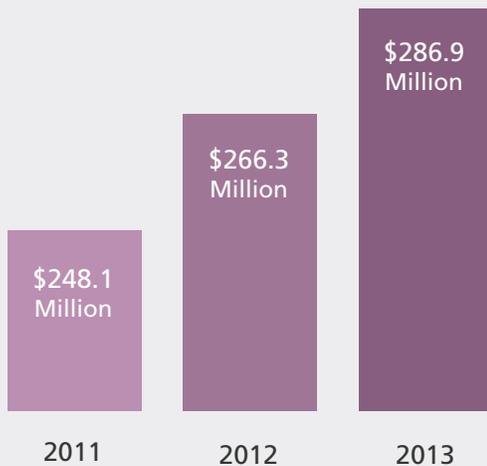
In the 2013 Deep Customer Connections National Independent Agent Survey, we were ranked #1 in Handling Claims Fairly and #1 in Handling Claims Promptly.

We received the Technology Best Practice Award from the ACORD | LOMA Forum for advancements in our work flow management process, which has reduced processing time for Personal Lines business by 29%.



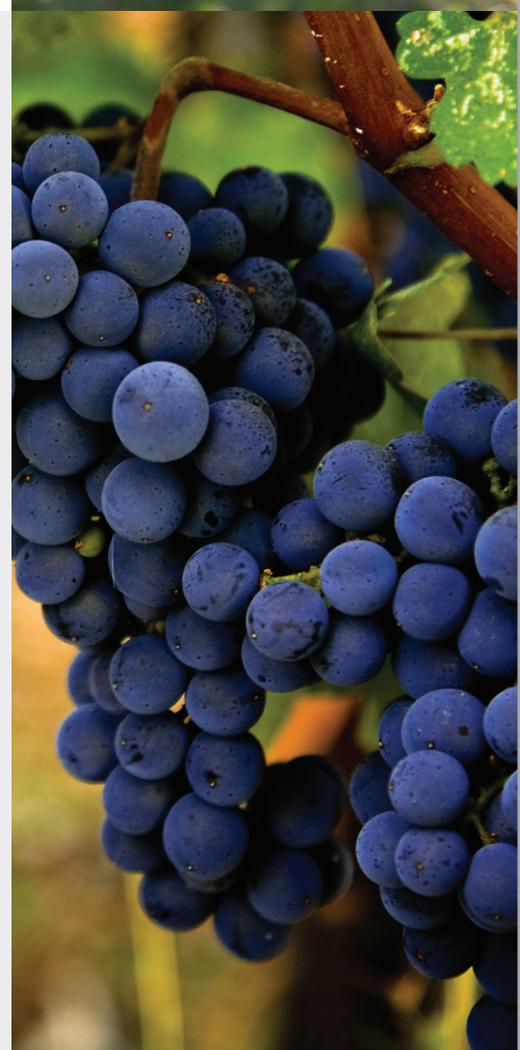
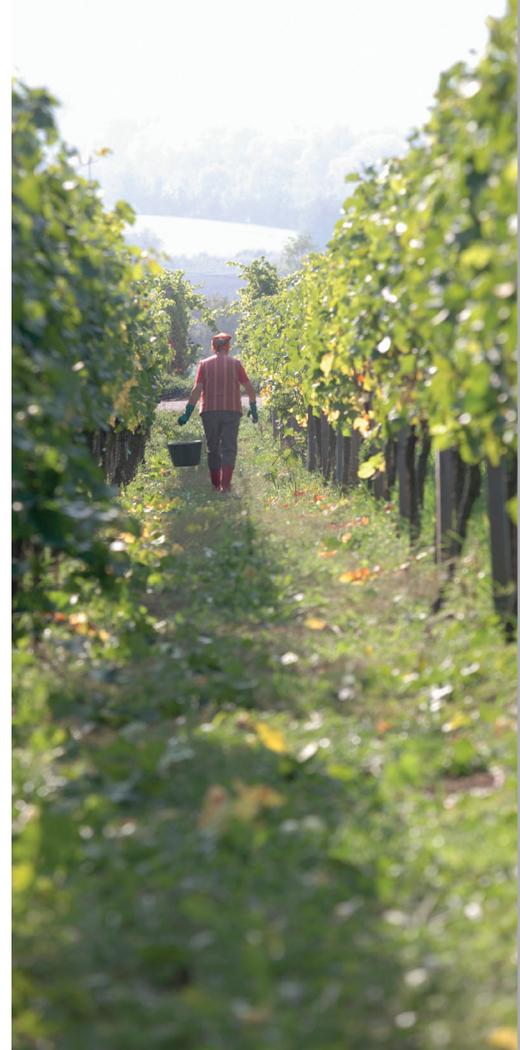
## Premiums Written and Policy Count by Line of Business

Mutual of Enumclaw has its roots providing farm owners policies, and through time we expanded our commercial and personal businesses as well. During 2013, we grew to over 277,000 policies, with premiums written spread between personal (66%), commercial (20%), and farm (14%). We appreciate your business.



## Policyholder Surplus

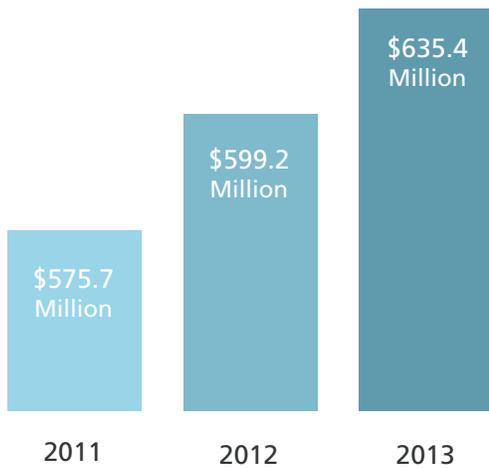
Policyholder Surplus is a measure of a company's financial strength and capacity to write new business. As a mutual company, Mutual of Enumclaw is directly responsible to policyholder owners. We grew Policyholder Surplus at a healthy rate, over 15% in two years, to \$286.9 million. Our excellent financial strength allows us to continue provide financial stability to benefit our policyholders and agents.



## Combined Ratio

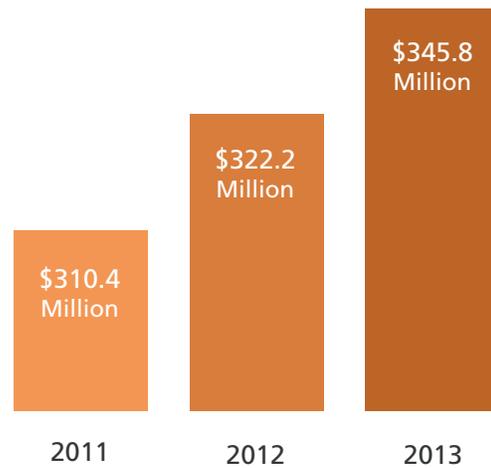
The Combined Ratio measures an insurance company's underwriting profitability, including both claims and operating expenses. Our focus on process efficiencies in recent years has improved our expense ratio each year. The loss ratio remains stable as we continue to provide industry-leading quality claims service to our policyholders. We generated a net income of \$8.1 million for 2013.

- Expense Ratio
- Loss Ratio



## Total Admitted Assets

Our assets are composed mostly of cash, investments, and receivables. We use these assets to pay claims, provide service to our policyholders, and to cover our general operating expenses. In 2013, total admitted assets grew to over \$635 million.



## Premiums Written

In 2013, thanks to policy count growth, premiums written increased 7.3% over 2012, from \$322.2 million to \$345.8 million. We are pleased with the growing number of people who have chosen us to protect their financial security.

# Expanding our Footprint in 2014

## **Mutual of Enumclaw and Enumclaw Property & Casualty**

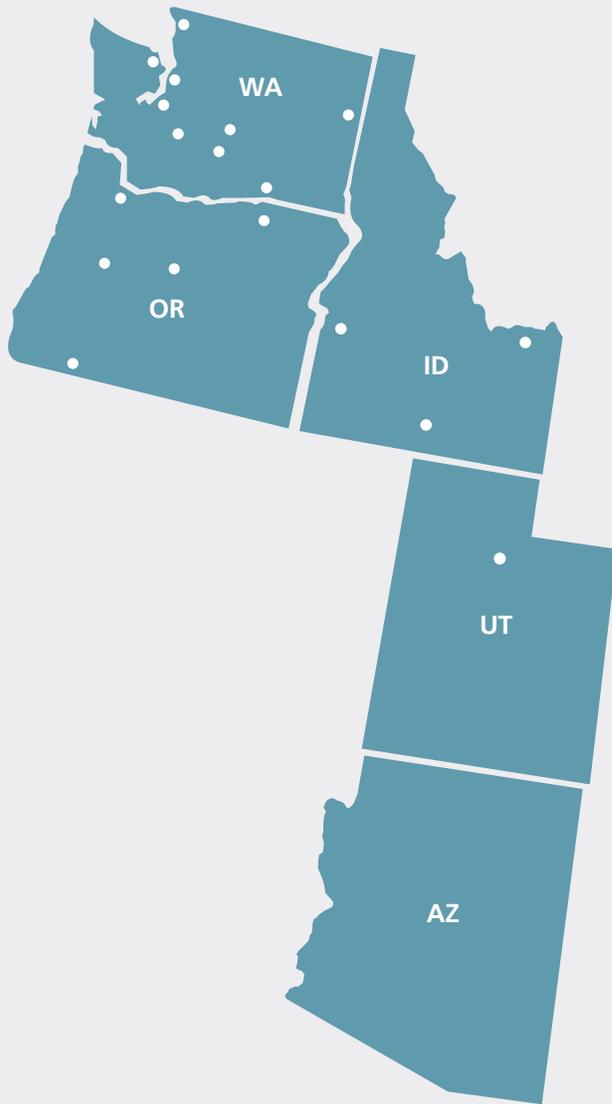
Founded in 1898 and headquartered in Enumclaw, Washington, Mutual of Enumclaw Insurance Company (MOE) and its wholly owned subsidiary, Enumclaw Property & Casualty Insurance Company (EP&C), is a super-regional property and casualty insurance carrier. We write personal, commercial and farm lines of business sold exclusively through a network of local Independent Insurance Agents.

In addition to our home office in Enumclaw, there are 16 claims offices throughout Washington, Oregon, Idaho and Utah, with Arizona being added in 2014. We are a mutual company owned by our policyholders. MOE is rated "A-" "Excellent" by AM Best.

## **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 and Arizona. Both companies are headquartered in Las Vegas, Nevada. NGIC is rated A- "Excellent" by AM Best.



## LOCAL CLAIMS OFFICES

### WASHINGTON LOCATIONS

Bellingham, Bothell, Enumclaw, Kennewick, Poulsbo, Spokane, Tacoma, Wenatchee, Yakima

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### OREGON LOCATIONS

Eugene, Lake Oswego, Medford, Pendleton

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### IDAHO LOCATIONS

Boise, Idaho Falls, Twin Falls

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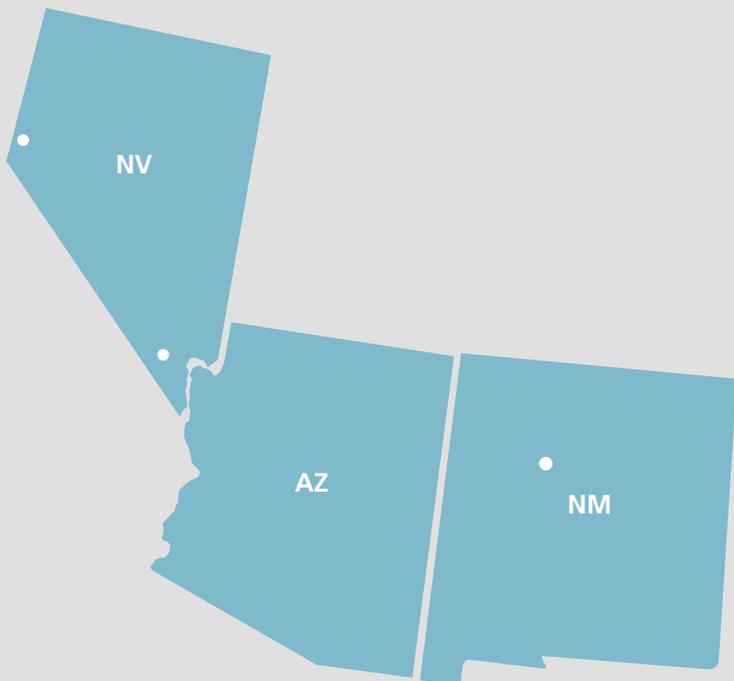
### UTAH LOCATIONS

Salt Lake City

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### ARIZONA LOCATIONS

Coming in 2014



## SALES OFFICES

### NEVADA LOCATIONS

Las Vegas, Reno, Sparks

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### NEW MEXICO LOCATIONS

Albuquerque

# 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 Values

Proficiency    Ambition    Curiosity  
Honesty      Empathy      Prosperity  
Trust

## Our Quality Service Standards

### Ethical

*Do what's right.*

### Responsive

*Listen, understand, respond, satisfy.*

### Personal

*Add a personal touch that makes each experience positive and memorable.*

### Efficient

*Continual improvement to add value for our members and our independent agents.*



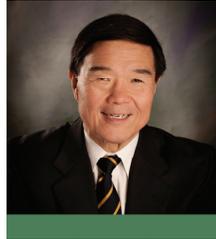
# Board Members



**Bernadene Dochnahl**  
*Chair*



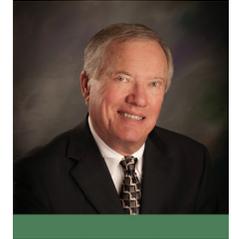
**Tony Baruffi**  
*Trustee*



**T. Andrew Fujimoto**  
*Trustee*



**Thomas Garland**  
*Trustee*



**Robert Guile**  
*Trustee*



**Eric Nelson**  
*President & CEO*



**Don Powell**  
*Trustee*



**Jane Repensek**  
*Trustee*



**Fredrick Schunter**  
*Secretary*



**David Waldo**  
*Trustee*

# Executive Members



**Eric Nelson**  
*President & CEO*



**Brad Gipson**  
*CFO & VP,  
Financial Services*



**Rena Bilodeau**  
*VP, Human Resources*



**Jeannie Fleming-Pixton**  
*VP, Claims*



**Richard Hawkins**  
*VP, Marketing*



**Rich Hundven**  
*VP, Services*



**Denise Pavlov**  
*CUO & VP, Underwriting*



**David Wilson**  
*CIO & VP,  
Information Technology*



Thoughtful is how we do things.

1460 Wells Street, Enumclaw, WA 98022

[www.MutualOfEnumclaw.com](http://www.MutualOfEnumclaw.com) | 360.825.2591 / 800.366.5551

Find us by searching for "Mutual of Enumclaw"

