



MUTUAL OF  
**ENUMCLAW**  
*INSURANCE*



**Annual Report 2023**

## President's Message

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In *A Tale of Two Cities*, Charles Dickens begins:

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair."

As I reflected on 2023, his quote resonated with the upheaval and unprecedented events that shook the property and casualty insurance industry. Unfortunately, your insurance company was not spared in the upheaval.

We came through the pandemic with great momentum, and while we expected losses to gradually increase post pandemic, we were unprepared to see the over 30 percent rise in loss costs across the board in nearly every line of business. This led to a very negative financial outcome with our net loss and decline in policyholder surplus (retained earnings), the worst the company has experienced in over 50 years. Gross premium to surplus ratios deteriorated to levels not seen since 2002. These results indicate just how extreme market conditions have become, as many other of our peer carriers had similar outcomes.

In addition to the increased losses driven by inflation and severity, we also experienced a major wildfire that burned through the town of Medical Lake, Washington, a suburb of Spokane. Losses for this one event totaled nearly \$20 million. The natural catastrophe risk in the Northwest continues to increase each year.

Our response to these events has been immediate and appropriately aggressive. Key elements of our response are:

- Narrowing of our risk appetite (the type of accounts we are able to insure).
  - This involved the painful decision to retire from accounts that no longer fit within our affordable risk appetite. This rare action is the last type of initiative we choose, but in some instances it is in the best interests of our membership as a whole and helps ensure our continued strong claims-paying ability.
- Raising premiums to match the increased loss activity.
  - We were forced to raise premiums in nearly every line of business, which again is not our desired approach because we strive to maintain the lowest premiums possible for our members. We needed to undertake this to address the accelerated claims costs.
- Reducing our distribution network.
  - We work only through independent insurance agents to distribute our products to our members, and we were forced to end relationships with distributors who were having the largest number of losses.

- Managing our catastrophe risk.
  - We developed stricter underwriting guidelines and risk-based models, and we enhanced the use of reinsurance contracts.

Your management team has confidence that these activities being undertaken will begin to have a positive effect in 2024, and we will begin to see a turn toward profitability.

Throughout these challenging times, we continue to provide exceptional service and maintain our high standards of delivering our promise to those unfortunate members who suffer a loss. Our commitment is reflected in our Net Promoter customer satisfaction scores, which ended the year at 63. This is an exceptional outcome compared to the industry average customer satisfaction score of 39.

We also continue to focus on maintaining our long-standing culture of highly engaged associates, and for the 12th straight year (a record), we were named one of the best places to work in Washington by *Seattle Business*.

More good news: The Deep Customer Connections Company awarded us the Elite Carrier award for the fourth straight year, which recognizes our commitment to serving our Independent Agent Partners.

Although weakened, our balance sheet remains strong, and we are sufficiently capitalized to assure our claims-paying ability. AM Best, our financial rating organization, rated Mutual of Enumclaw "A- (*Excellent*)."  
Demotech, our other rating agency, continues to give your company their "A Prime"—the unsurpassed capital adequacy rating.

As Dickens said, it was the best of times, it was the worst of times. We have experienced some of the worst, but it will lead us to great wisdom in the future and the ability to see stormy seas on the horizon more effectively. We are part of an organization that has stood the test of time for 126 years, and we stand on the shoulders of those who came before us and managed through difficult times. It is now our turn to adapt and overcome and create the best of times for those who come behind us and stand on *our* shoulders.

We believe that we are stewards of this organization whose role is to leave the company better off for our members than when we arrived. Our dream is to build a 500-year-old company, a company that thrives well beyond our lifetimes. A company where our children's children work to protect and serve our members for many generations to come. Thank you for being a member.

Best wishes for a safe and prosperous 2024.

“ We are part of an organization that has stood the test of time for 126 years, and we stand on the shoulders of those who came before us. ”



*Eric Nelson*

Eric Nelson, CPCU, ARP  
*President and CEO*

## **Our Mission**

Thoughtful people protecting our members.

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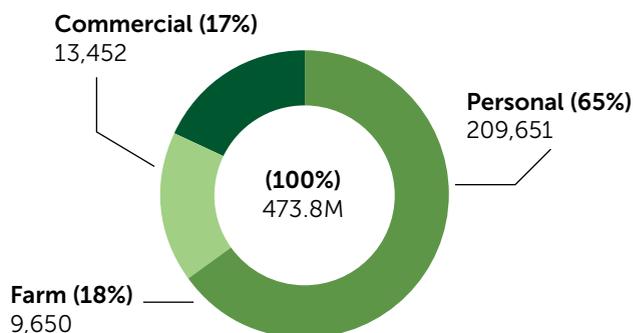
## **Our Purpose**

To build a 500-year-old company.

## 2023 Financial Summary

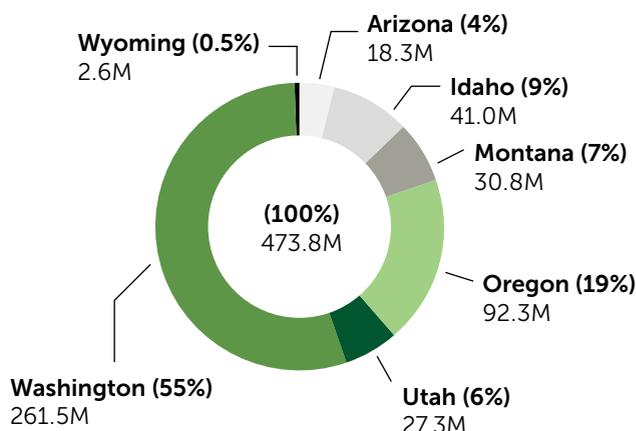
### Policy Count by Line of Business

The insurance industry struggled in 2023, and we adjusted our risk appetite to mitigate emerging inflationary trends. Membership reduced during 2023, and we had **232,753 policies** as of the end of the year. Premiums spread by risk type between personal (65%), commercial (17%), and farm (18%). Thank you, our members, for being part of our member-owned mutual company.



### Premiums Written by State

We have **members in seven states**: Washington, Oregon, Idaho, Utah, Arizona, Montana, and Wyoming. Washington remains our largest state, and Montana has grown quickly since our launch in 2018. We are proud to bring you localized insurance coverages and services when you need us the most.



### Premiums Written by Year

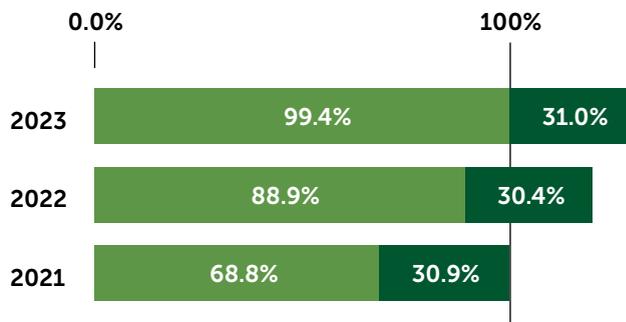
Premiums written **declined by 5.1% during 2023**, totaling \$473.0 million and coinciding with our policy count. Our large independent agency network continued to partner with us to serve you locally. Thank you for continuing to entrust us with thoughtful coverages you can count on.



### Combined Ratio

The combined ratio measures an insurer's underwriting profitability, with results under 100% indicating an underwriting profit.

Coming out of the pandemic and the reopening of the economy, we posted a **130.4% combined ratio**. This means for every dollar of premium we received, our cost was roughly one dollar and 30 cents. We took necessary rate and underwriting actions to combat loss trends, and we will be profitable again in the near future.



### Equity

Equity represents retained earnings and measures an insurance company's financial strength and capacity to write new business.

Impacted by increased claims loss severity, including wildfire losses near Spokane, Washington, **equity temporarily contracted in 2023**, ending at \$273.4 million. Our AM Best rating is A- (Excellent), and Demotech affirmed our financial stability rating at A' Unsurpassed. We've built a solid foundation in the last 126 years, and we will continue to provide financial security to benefit our members and agents.



### Total Assets

Total assets is a measure of an insurance company's resources that provide future benefits.

**Total assets reduced by -1.3%**, ending at \$872.4 million as of the end of 2023. The upbeat investment market and our conservative long-term investment approach helped us weather market volatilities.



### Net Income

Net income measures a company's overall profitability from claims handling, day-to-day operations, investment returns, and federal income taxes.

Persistent inflation, which drove higher claim costs, along with wildfire catastrophe outside of Spokane, Washington, contributed to **a net loss of \$95.5 million** for the year. As your mutual insurance company, we stood by you when we were needed the most, and we will return to financial excellence.



## Our local presence.

Even as we grow into a prominent regional carrier, our employees continue to live and work alongside our members and agents, in local communities throughout the West.

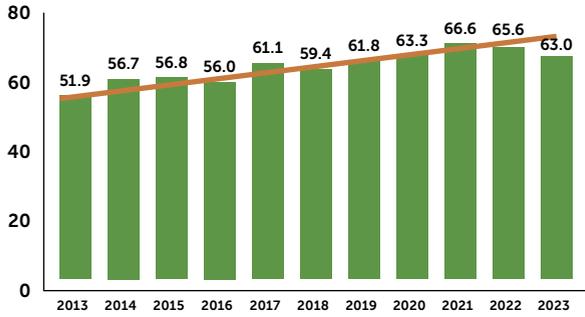


# Recognition & Ratings

## Member Satisfaction

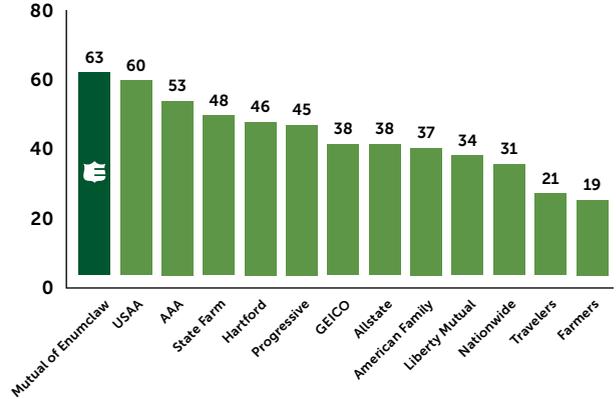
### Net Promoter Score (NPS)

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



### NPS Competitor Comparison

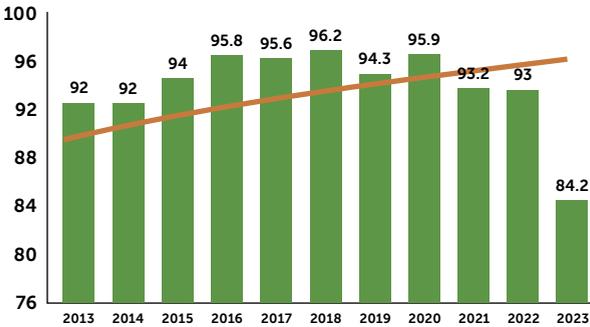
Satmetrix Industry Report 2023



## Agent Satisfaction

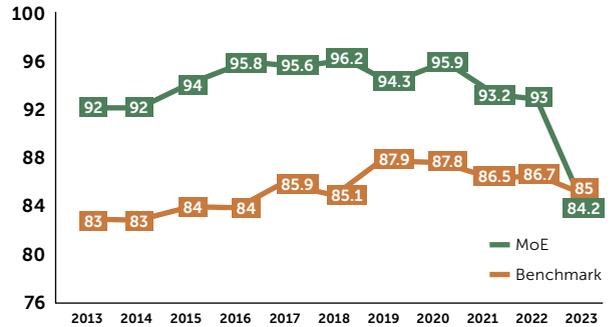
### Deep Customer Connections (DCC)

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



### DCC Competitor Comparison

MOE vs. benchmark competitors.



A- (Excellent)



A' (A Prime)  
Unsurpassed



Rated one of  
Washington's best  
companies to work  
for, 12 years in a row  
#1 in Large Companies  
category, 2024



Elite Carrier

## Board Members

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**Kerry Barnett**  
Director  
Retired executive

**Anthony L. Baruffi, CFA**  
Director  
Vice President, Garde Capital

**Elizabeth Hunter**  
Director  
Technology executive

**Shane Kim**  
Director  
Retired executive

**Laurinda Mackenzie**  
Director  
Retired executive

**Eric P. Nelson, CPCU, ARP**  
Director  
President and CEO,  
Mutual of Enumclaw

**Eileen O'Neill Odum**  
Director  
Retired executive

**Don E. Powell**  
Director  
Attorney at Law,  
Powell & Gunter

## Executive Members

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**Eric P. Nelson, CPCU, ARP**  
President and CEO

**Andrew Chen, CPA, MBA**  
Chief Financial Officer  
and Treasurer

**Richard Crosley**  
Chief Information Officer

**Jeff Gardner**  
Vice President,  
Marketing and Sales

**Celeste Holmes, GCA**  
Vice President, Claims

**Athan Shinas**  
Chief Legal Officer  
and Secretary

**Tom Taylor, CIA, MBA**  
Chief Risk Officer

**Jerel Titus**  
Chief Underwriting Officer

**Sandy Williams, SPHR,  
SHRM-SCP**  
Chief Administrative Officer

## Mutual means members come first.

Our members are our owners. That gives us freedom to look out for your interests and to make decisions that help you in times of need. Thoughtful is how we do things, and it shows.

*"I couldn't ask for a better experience, it was incredible. I was positively overwhelmed with the rapid response to my incident."*

—Cindy S.

*"We are very satisfied with our experience and could not have asked for a better claims team."*

—James T.

*"Very happy with service and result. Fast response, good communication. Thanks so much."*

—Karen B.

*"The claims experience was great. Everyone was courteous and accommodating."*

—Marlene C.

*"The two times I have had to use my insurance my experience has been amazing. Prior to this, I would dread calling my insurance. But not with you. Thank you."*

—Angela L.



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**ENUMCLAW**  
*INSURANCE*



**Everything we do reflects our quality service standards**

**Ethical**

We do what's right.

**Responsive**

Speed and competency  
build trust.

**Personal**

Positive and memorable  
customer service begins  
with a personal touch.

**Efficient**

We continually improve  
what we do every day.

**[mutualofenumclaw.com](http://mutualofenumclaw.com)**

The home office of Mutual of Enumclaw Insurance Company and Enumclaw Property & Casualty Insurance Company is located at 1460 Wells Street, Enumclaw, Washington 98022.