



MUTUAL OF
ENUMCLAW
INSURANCE

123
YEAR

ANNIVERSARY

Annual Report 2022

President's Commentary

Your company entered 2022 with great optimism after enjoying multiple successful years. Early in the year, however, it felt like we hit a patch of black ice, and suddenly we found ourselves in a spin of worsening results. By midyear, loss trends were increasing exponentially due to inflationary effects on auto parts, used vehicles, building materials, and medical costs. In addition, loss severity saw large increases as auto fatalities grew by over 20%. Investment market returns suffered historic losses as well, and the reinsurance market, which we use to cap our loss exposure, shrank significantly, making unavailable some contracts that we routinely purchase. We also experienced five natural catastrophe losses, including two hailstorms and three windstorms. Last but not least, regulators have been extremely slow to approve needed rate increases to address these trends.

Just as you would when encountering black ice in an automobile, your executive team reacted quickly, enacting a variety of plans to overcome the sudden unexpected headwinds. Rate increases were filed across nearly all lines of business in all states. We narrowed our risk appetite as appropriate and identified specific accounts that consequently no longer qualified; we are actively seeking to retire from those accounts now. While it is always a very difficult decision to retire from insuring any of our members, we deemed it necessary in this case for the good of the membership community. Controls on expenses have also been put into place. We believe these quick actions will minimize the duration of the downturn in your company's performance.

Turning to more positive developments, the organization exceeded growth expectations and continued to earn world-class customer experience Net Promoter scores and best-in-class independent agent satisfaction scores. The company was also named one of the "100 Best Places to Work in Washington" for the 11th straight year—a record. Finally, Deep Customer Connections selected us as one of its DCC Elite carriers for the third straight year, a testament to our work with independent insurance agents and the ease of doing business with us.

In other welcome news, Mutual of Enumclaw finally prevailed in its fight against class action lawsuits that arose across the insurance industry during the pandemic, seeking coverage for business interruptions. We were not spared from this litigation despite having clear policy language precluding coverage for a pandemic-related event; these types of events are simply not insurable. The case rose all the way to the Washington State Supreme Court where it was ultimately dismissed. The outcome represents a significant and precedent-setting victory for our entire industry.

We are also happy to report that despite the challenges, our balance sheet remains strong, and we are sufficiently capitalized to assure our claims-paying ability. AM Best, one of our financial rating organizations, rated Mutual of Enumclaw "A- Excellent" with a stable outlook. Demotech, another rating agency, continues to give your company its "A" (A Prime), Unsurpassed" rating.

As we enter our 126th year of operation, we continue to strive to improve how we serve you, our member owners, with a blend of respect for our past and enthusiasm for our future in a rapidly changing world. We are deepening our commitment to our mission of "Thoughtful people protecting our members" and aspire to provide value to your membership beyond just paying for losses. We have adopted the motto "Safer Lives Are Better Lives" and are endeavoring to help you stay safe and improve the quality of your life.

Four things that remain constant are the core values that we live every day:

- 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.

When we think of our organization, we understand we are stewards 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 in which 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 2023.



Eric Nelson, CPCU, ARP
President and CEO

Our Mission

Thoughtful people protecting our members.

Our Vision

To deliver rare and valuable experiences across America for generations to come.

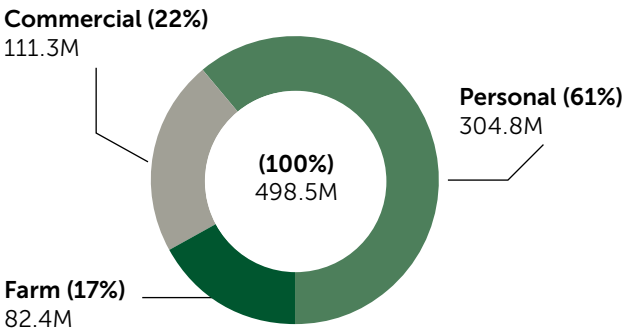
Our Purpose

To build a 500-year-old company.

Written Premiums by Line of Business

Membership Grew

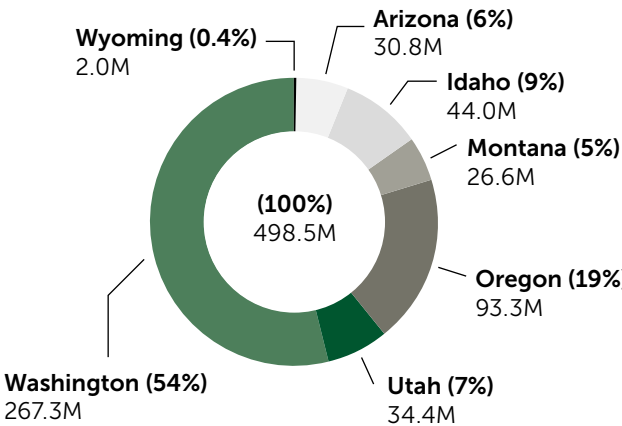
Thank you, our members, for being part of our member-owned mutual company. Membership grew during 2022, and we had **257,825 policies** as of the end of the year.



Premiums Written by State

Footprint Remained Steady

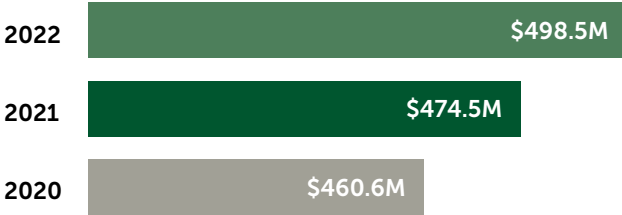
We have **members in seven states**: Washington, Oregon, Idaho, Utah, Arizona, Montana, and Wyoming. We are proud to expand our footprint while continuing to provide member-centric services to you.



Premiums Written by Year

Premiums Grew

Premiums written grew by 5.1% during 2022, totaling \$498.5 million. Our large independent agency network continued to partner with us to serve you locally. Thank you for continuing to entrust us with thoughtful coverage you can count on for many years to come.

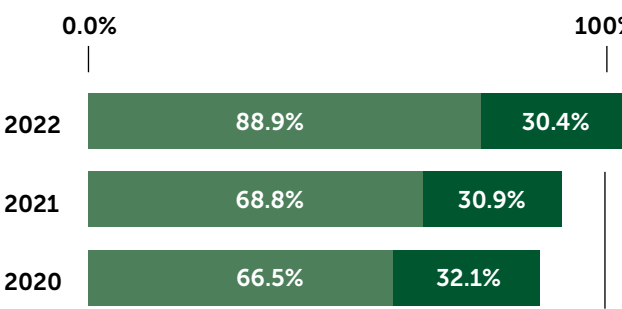


Combined Ratio

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

Claims Costs Rose

Following two years of consecutive combined ratios below 100%, we posted a **119.3% combined ratio**. This means for every dollar of premium we received, our cost was roughly one dollar and 19 cents. Record-breaking global inflation and labor/material shortages increased claims costs across our lines of businesses and territories.



Equity

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

Equity Remained Strong

Impacted by investment market volatilities and underwriting results, **equity temporarily contracted in 2022**, ending at \$344.1 million. Our AM Best is A- (Excellent) Stable, and Demotech also affirmed our financial stability rating at A', Unsurpassed. In the last 124 years, we've built a solid foundation that paved the way to provide financial security to benefit our members and agents.

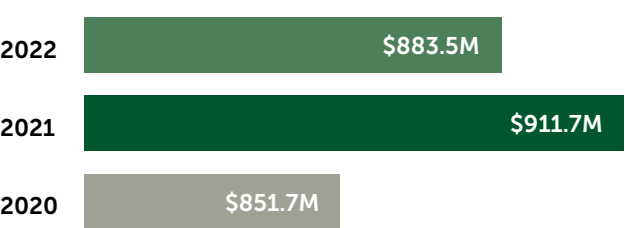


Total Assets

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

The Worst Investment Market Since 2008

Total assets reduced by -3.1%, ending at \$883.5 million as of the end of 2022. The temporary decline was driven by investment market volatilities, and our conservative and long-term-driven investment approach will weather uncertainties.

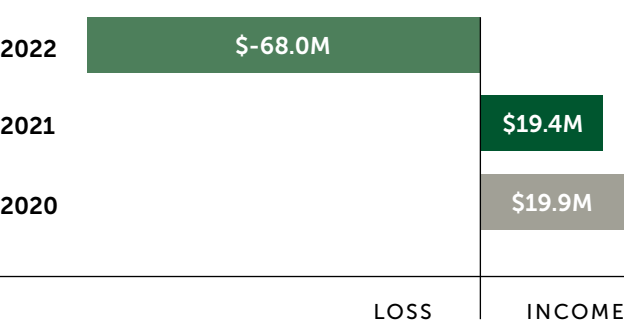


Net Income

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

Profit Impaired by Global Inflation and Weather Catastrophes

Despite improved operating efficiencies, inflation and higher claims costs contributed to a **net loss of \$68.0 million**. As your mutual insurance company, we stood by you when we were needed the most, and we will return to financial excellence.



"Turning to more positive developments, the organization exceeded growth expectations and continued to earn world-class customer experience Net Promoter scores and best-in-class independent agent satisfaction scores." – Eric Nelson



YEARS

Celebrating 125 Years of Thoughtful Service

Mutual of Enumclaw is commemorating a big birthday this year. As we acknowledge our more than 12 decades serving members, it's worth taking a moment to reflect on what has sustained us for so many years and through so many changes.



Celebrating 125 Years of Thoughtful Service

This year marks 125 years since our founder, SL Sorenson, began traveling from farm to farm on his horse to introduce his neighbors and fellow farmers to the benefits of fire insurance.

Sorenson and those who joined him turned those early miles into a thriving network of members **built around the promise of thoughtful protection**. In the decades since, Mutual of Enumclaw has continued to grow. The company is proud to now **serve families, businesses, and farms across seven states** in the American West.

We’ve also continued to **evolve as a company** over that time. We’ve adopted new technologies, **consistently modernized our products**, and kept pace with groundbreaking changes in industrial and consumer goods. The advances we’ve seen in building materials, home appliances and systems, and medical equipment have been nothing short of stunning.

Drawing Inspiration From Our Past

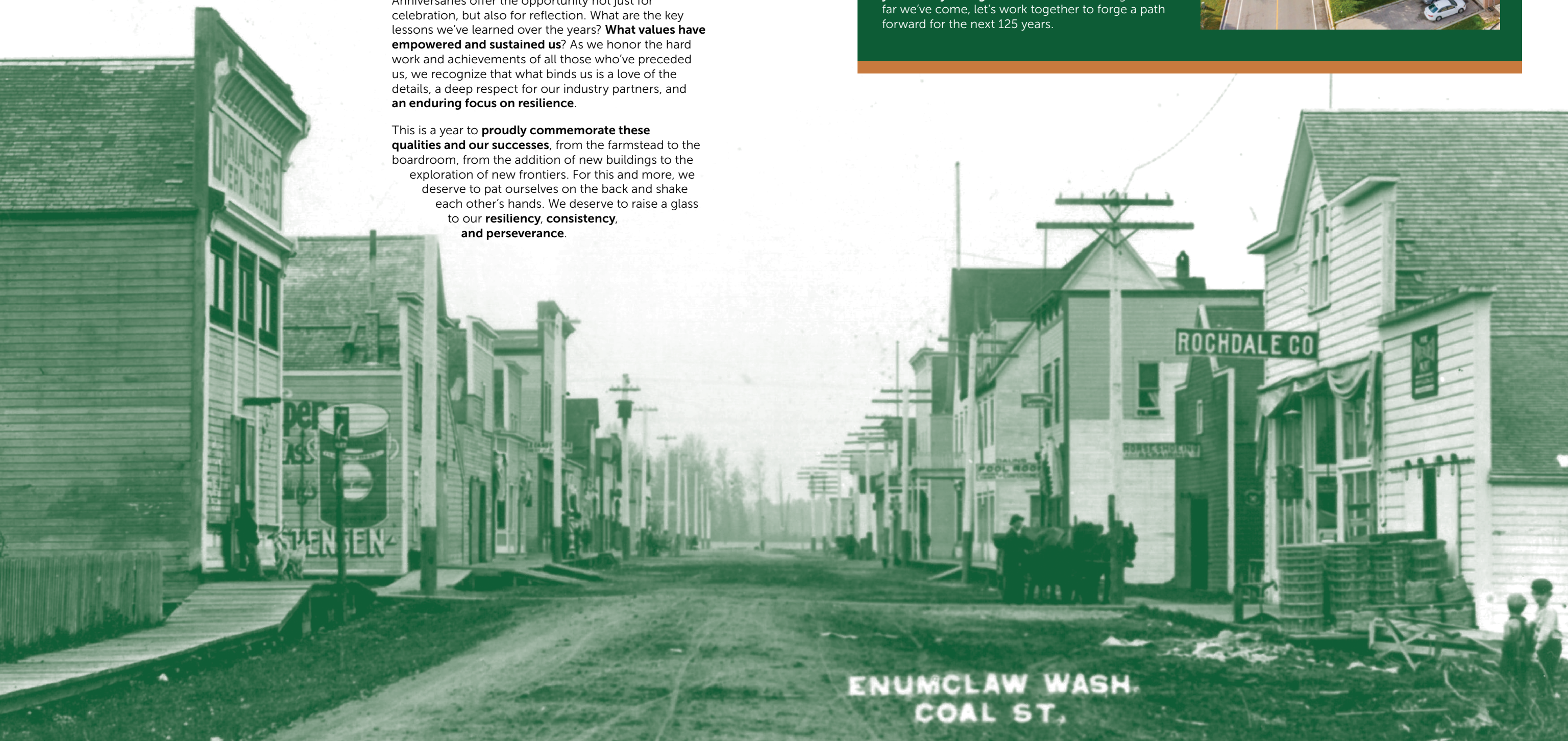
Anniversaries offer the opportunity not just for celebration, but also for reflection. What are the key lessons we’ve learned over the years? **What values have empowered and sustained us?** As we honor the hard work and achievements of all those who’ve preceded us, we recognize that what binds us is a love of the details, a deep respect for our industry partners, and **an enduring focus on resilience**.

This is a year to **proudly commemorate these qualities and our successes**, from the farmstead to the boardroom, from the addition of new buildings to the exploration of new frontiers. For this and more, we deserve to pat ourselves on the back and shake each other’s hands. We deserve to raise a glass to our **resiliency, consistency, and perseverance**.

Building for the Next 125 Years

When the celebration is done, we will, as we have since 1898, return to our abiding focus—**the future and what it holds for members**. It’s what we do day in and day out, and that commitment will continue past this anniversary and those that follow. Because even as the year changes, our goal remains largely the same as Sorenson’s and our other founders’: **Offer the promise of financial protection in exchange for a reasonable insurance premium**.

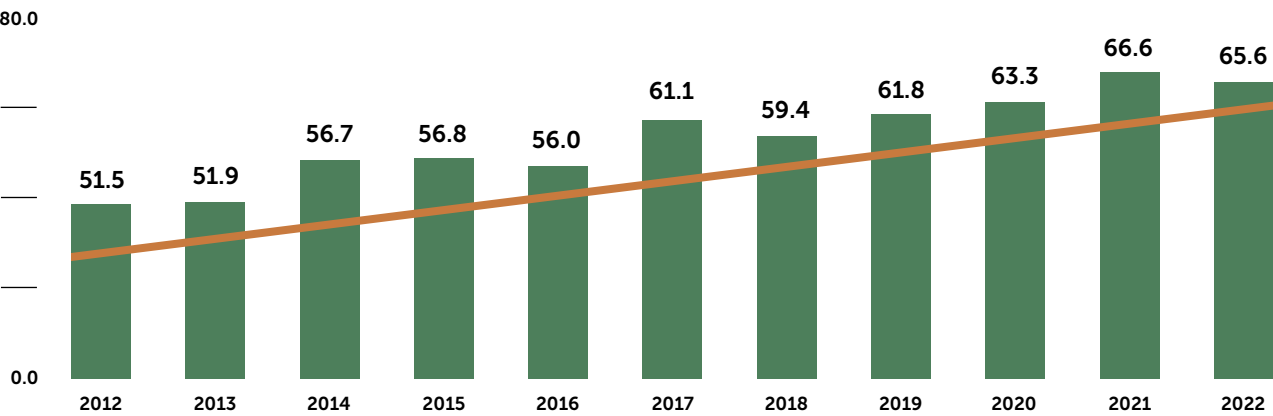
So congratulations to all during this historic year. **Feel proud about what we’ve accomplished, not just yesterday but every day. And we’re not done yet—not by a long shot**. As we acknowledge how far we’ve come, let’s work together to forge a path forward for the next 125 years.



Recognition & Ratings

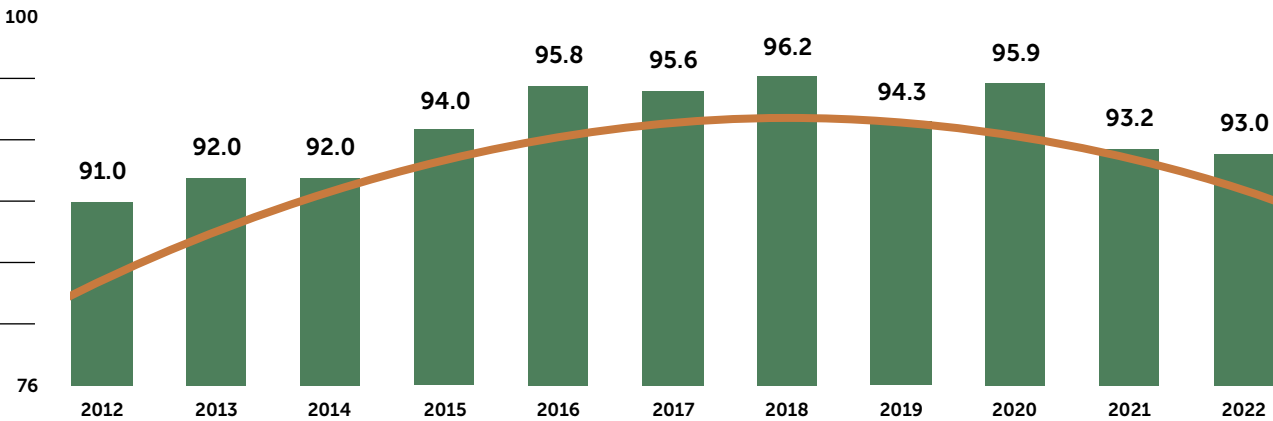
Net Promoter Score (NPS)

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



Deep Customer Connections (DCC)

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



Seattle Business

Washington’s 100 Best Companies to Work For (11 consecutive years)

ValChoice

Top 5 Carrier

AM Best

A- (Excellent) with a Stable Outlook

Demotech Inc.

A' (A Prime), Unsurpassed

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.

Board Members

T. Andrew Fujimoto, SHRM, SPBA
Chair
Retired executive

Kerry Barnett
Director
Retired executive

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

Shane Kim
Director
Retired executive

Laurinda Mackenzie
Director
Retired executive

Alexandra Morehouse
Director
Chief Digital Officer and Chief Marketing Officer, Banner Health

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

S. Mae Fujita Numata, CPA
Director
Founder, Numata Consulting PLLC

Eileen O’Neill Odum
Director
Retired executive

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

Jane L. Repensek, CPA, MBA
Director
COO/CFO, Seattle Opera

Norman J. (Norm) Smith
Director
Senior Fellow, M.J. Murdock Charitable Trust

Executive Members

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

Nick Sinkus
Chief Underwriting Officer

Tom Taylor, CIA, MBA
Chief Risk Officer

Jerel Titus
Chief Member Experience Officer

Sandy Williams, SPHR, SHRM-SCP
Chief Administrative Officer



MUTUAL OF
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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.