2014
Annual Report

MUTUAL OF
ENUMCLAW
INSURANCE

President's Message

I am a casual golfer, which means I am not very good. There are times, however, when I suddenly put together a few good scores during a round and my golfing friends have learned that all they need to say to disrupt me is, "You're having a pretty good round." I then immediately score a triple bogey on the next hole! (For you non-golfers, a triple bogey is a bad score.)

2014 was a little like my golf game. Through June, we were having an extremely good year financially and our Chief Financial Officer said to me, "We're having a pretty good year." Immediately thereafter, we experienced the worst wildfire in Washington state history and five successive windstorms over the next six months. While these catastrophic events created unexpected financial stress, they served to remind us why we exist: To take care of our policyholder members when bad things happen.

There have been many stories of how Mutual of Enumclaw was first on the scene and the first to begin helping rebuild our members' lives. One of our claims adjusters arrived on the scene so quickly after the fire that his car tires literally melted because the ground had not yet cooled. This humorous, and totally true story, illustrates an important point. While it cost us a set of tires, I can assure you our policyholder member was glad we were there so quickly. I am proud to be a part of this company that truly lives its promise of being there when our members need us.

You can feel secure in the knowledge that the company is stronger financially than the prior year. Even though we scored a financial "triple bogey" on the fire and wind losses, we were still able to produce positive financial performance. We achieved a good net income and added to policyholder surplus, both of which improve our financial security and claims paying ability. Written premiums grew nicely at 5.6% as we continued to add new members.

2014 saw the addition of Arizona to our operating territory, so we now operate in five states (WA, OR, ID, UT, AZ). After only eight months, Arizona was able to produce almost $7 million in written premiums as agents and policyholders there embraced our personal style of doing business.

Your subsidiary Nevada General Insurance Company (NGIC) had a difficult year as the high-risk auto business saw an increasing severity of losses across the entire segment. Despite the challenges, NGIC has undertaken a strategic shift to marketing via the Independent Agent Network to better align with Mutual of Enumclaw's distribution. We believe this arrangement will be a more sustainable and successful model over time. Even though NGIC produced a net loss for the year, their team is working hard to add to the overall performance of the Enumclaw Group. 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, Enumclaw Property and Casualty Insurance Company (EP&C), continues to have great success, and the enhanced personal lines products offered there now have over $98 million in premiums. This company continues to provide flexibility and offer more product choices.

A.M. Best Company, which is the primary organization that rates the financial security of insurance companies, affirmed our A- (Excellent) rating for 2014 with a stable outlook. As members, you can be comforted that our financial security and claims paying ability has never been stronger. Your subsidiary, Nevada General Insurance, was downgraded from their standalone "A-" (Excellent) rating to a rating of "B++" (Good) as a result of their operating losses. Despite this, NGIC continues to be well-capitalized and secure.

Mutual of Enumclaw has reached the 117-year-old milestone as we carry on the legacy of our founding fathers. We dream of another 100 years of service to our members, and it is our wish to see our children's children working here in the future to protect the financial security of our members. For 2015, our plan continues to be focused on delivering a positive insurance experience that is so rare and valuable it can't be found elsewhere. 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 2015,

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

Important Information About Our Reorganization Proposal

We are excited to be proposing to our members a change in our corporate structure. At our heart, we are a mutual insurance company. A mutual company is owned by its policyholders, and we think that shared ownership is critical to our mutual success. Therefore, it is in the best interest of our policyholders to reorganize our business in a way that demonstrates this philosophy.

As noted in the President's Message, Enumclaw Property and Casualty continues to have great success. Unfortunately, EP&C policyholders are not mutual members. Our proposal is to reorganize into a mutual holding company in order to enable us to provide the same mutual membership rights to our EP&C policyholders that are currently enjoyed by Mutual of Enumclaw policyholders. This will allow us to be 100% policyholder owned.

To accomplish this, we need to change our state of domicile to Oregon. Currently, Washington law does not allow us to be 100% policyholder owned. Oregon law does, and this includes subsidiary companies. With an Oregon domicile, we can convert to a mutual holding company that is the sole method for extending mutual ownership rights to the policyholders of subsidiary companies. The best part about the proposal is that we are able to do this without any changes to how we operate today. Our home office will remain in Enumclaw, Washington, where it has resided for 117 years.

We will be sending our Mutual of Enumclaw policyholders an information packet and instructions on how to cast your vote in the near future. We request that you vote "For" this proposal, as we believe it is in the best interests of all to be 100% policyholder owned.

More detailed information is on our website if you are interested. Thank you for your continued support of our company.

117 Years
of Thoughtful Coverage

Since 1898, we've always remembered that our customers are also friends and neighbors.

Mutual of Enumclaw was born from humble roots and a simple mission to help the communities we serve. Founded as the Farmers' Mutual Insurance Company, we have grown along with the population of the American West. Today we are a prominent regional carrier, providing coverage to families, farms, and businesses through our network of community-based independent agents.

As a company, we have solidified our position in the marketplace by providing 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 a philosophy that obligates us to stay focused on our customers, and strive to do the right thing in every situation.

One notable example of acting on this philosophy occurred in 2014, when many of our policyholders and agents were directly affected by the Carlton Complex wildfire in Washington state. MOE adjusters and agents worked tirelessly and diligently to provide assistance where it was needed.

In 2015, we will continue to provide thoughtful coverage for the communities we serve and support for the wonderful independent agents who represent us. We remain true to the original purpose of the farmers who first banded together in Enumclaw 117 years ago. For us, there's simply no other way to do business.

2014 ACHIEVEMENTS AND RECOGNITIONS

AWARD IN INNOVATION

from the National Association of Mutual Insurance Companies (NAMIC)

JERRY KELLY, INDUSTRY PERSON OF THE YEAR

as recognized by the Independent Insurance Agents & Brokers of Washington (IIABW)

LAUREN HEFFLIN, UNDERWRITER OF THE YEAR

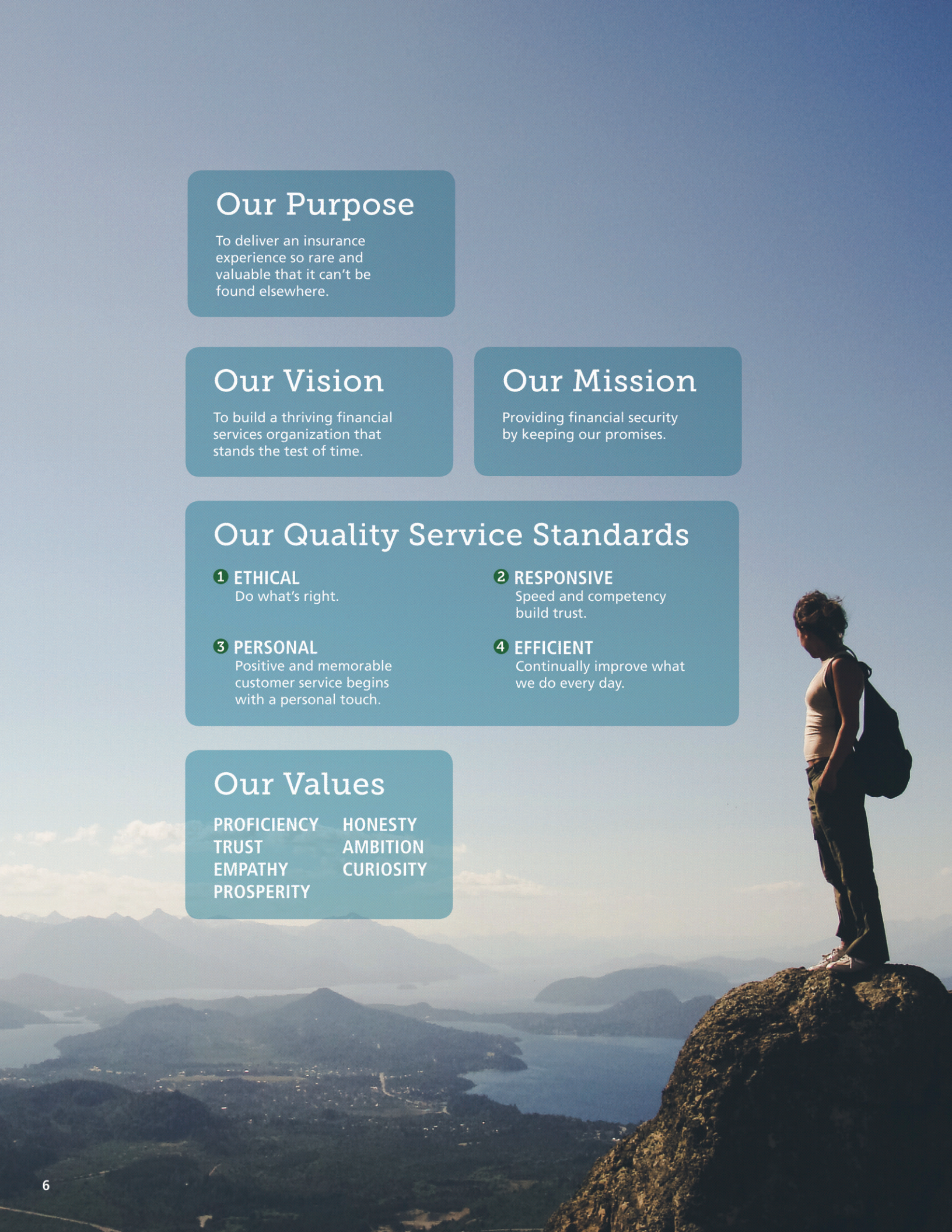
for Oregon and Idaho by the Professional Insurance Agents (PIA) Western Alliance

NUMBER ONE AUTO INSURER

by the Northwest Automotive Trades Association (NATA) in Oregon

2014 DISTINGUISHED BUSINESS PARTNER

by Oregon State University's College of Business



Our Purpose

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

Our Vision

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

Our Mission

Providing financial security by keeping our promises.

Our Quality Service Standards

1. **ETHICAL**
   Do what's right.
2. **RESPONSIVE**
   Speed and competency build trust.
3. **PERSONAL**
   Positive and memorable customer service begins with a personal touch.
4. **EFFICIENT**
   Continually improve what we do every day.

Our Values

PROFICIENCY
TRUST
EMPATHY
PROSPERITY
HONESTY
AMBITION
CURIOSITY

MOE:
Taking Action During the Carlton Complex Wildfire

Last July, the nation watched with great concern when the Carlton Complex wildfire, the largest in Washington state's recorded history, swept through Chelan and Okanogan counties. Many of our policyholders were in the blaze's path, and we pledged our support on both professional and personal levels.

In our Enumclaw headquarters and at the scene, MOE employees worked tirelessly to help. We provided immediate assistance to policyholders affected by the wildfire and proactively reached out to others in its potential path. One of our claims adjusters set up shop in a local diner, owned by a policyholder, and helped assist some in the area who did not have policies with MOE.

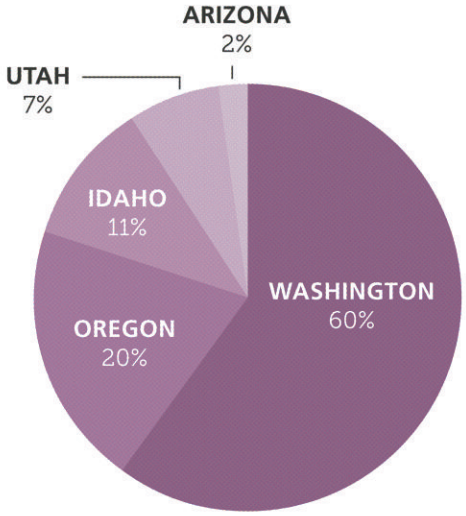
We thank all of our employees for their work during this difficult period, and the work they continue to do helping these communities rebuild. It was a poignant reminder once again of our mission to be thoughtful in everything we do, through good times and bad.

One of Washington's
100 Best Companies to Work For

In 2014, we were honored for the third year in a row as one of Washington's "100 Best Companies to Work For" by *Seattle Business* magazine. The winners of this award are chosen based on extensive employee surveys, making it a particularly special honor for us. Thanks, team!

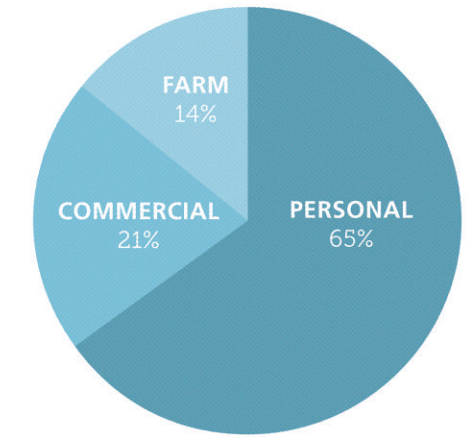
Seattle Business
WASHINGTON'S
100
BEST COMPANIES
TO WORK FOR
2014

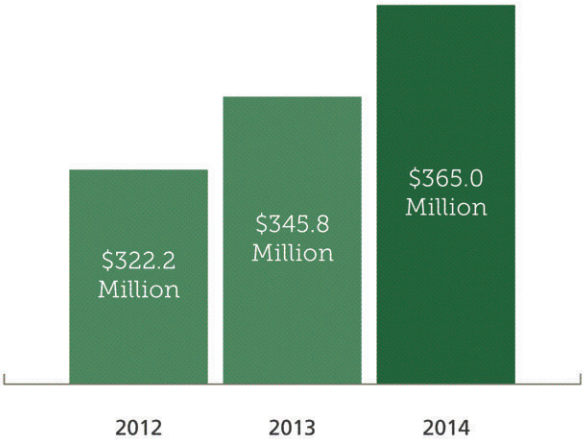
2014 by the Numbers



Premiums Written by State

During 2014, we added to our western state footprint by expanding our operations into Arizona, which now accounts for 2% of our premium. Expanding geographically lowers our overall risk profile from our historical concentration in Washington.



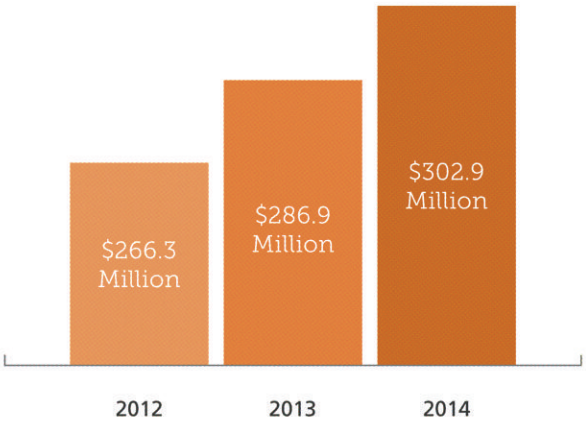


Premiums Written and Policy Count by Line of Business

Our policy count grew to over 280,000 policies during 2014, with premiums spread by risk type between personal (65%), commercial (21%), and farm (14%).

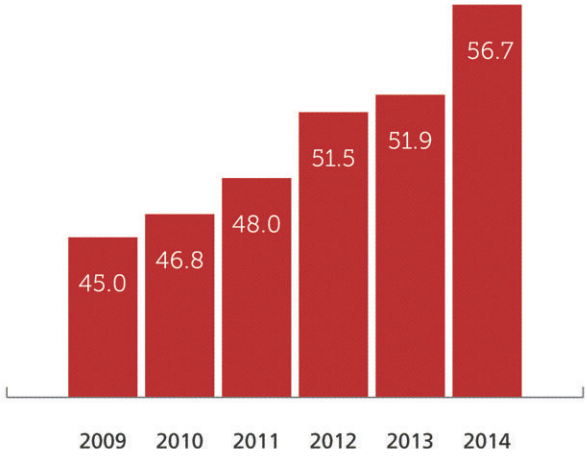
Premiums Written by Year

Thanks to continued policy growth and our Arizona expansion, premiums increased 5.6% to $365.0 million. We are excited by growth when more policyholders trust us with their financial security.



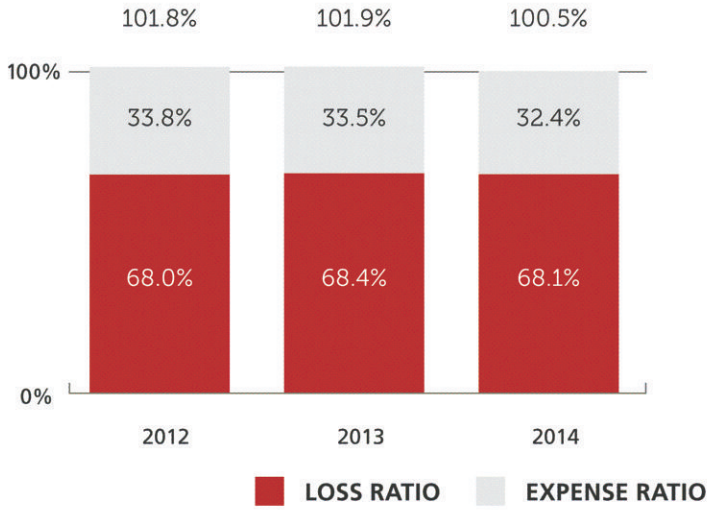
Policyholder Surplus

Policyholder Surplus represents retained earnings and measures an insurer's financial strength and capacity to write new business. Policyholder Surplus now exceeds $300 million and our excellent financial strength allows us to provide financial security to benefit our policyholders and agents.



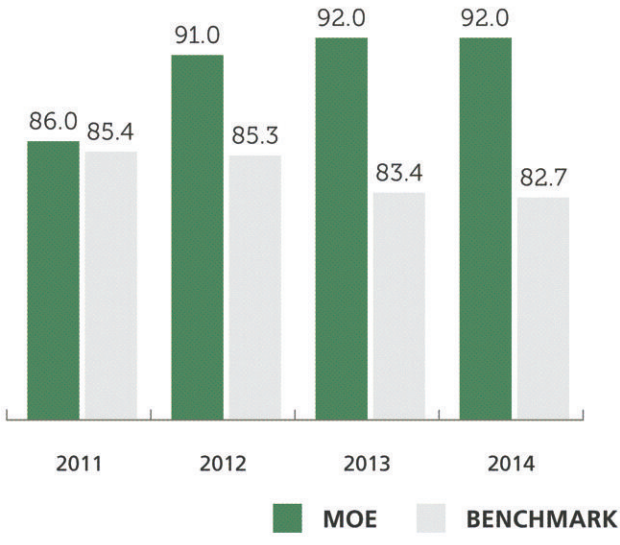
Net Promoter Score®

The Net Promoter Score (NPS) measures the policyholder response to the question, "How likely are you to recommend Mutual of Enumclaw to your friends and family?" Our NPS score has increased every year since 2009, and is one of the highest in the industry.



Combined Ratio

The Combined Ratio measures an insurer's underwriting profitability, with results under 100% indicating an underwriting profit. We remain focused on addressing process efficiencies, resulting in an improved expense ratio each year. While we fell short of an underwriting profit, adding in income from investments helped us generate net income of $11.4 million.



Deep Customer Connections

The Deep Customer Connections score measures how easy our independent agents believe it is to do business with Mutual of Enumclaw. In 2014, our Deep Customer Connection score remained quite high, well above the average score of similar insurers.

A Local Presence in the States We Serve

LOCAL CLAIMS OFFICES

WASHINGTON LOCATIONS

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

OREGON LOCATIONS

Eugene, Lake Oswego, Medford, Pendleton

IDAHO LOCATIONS

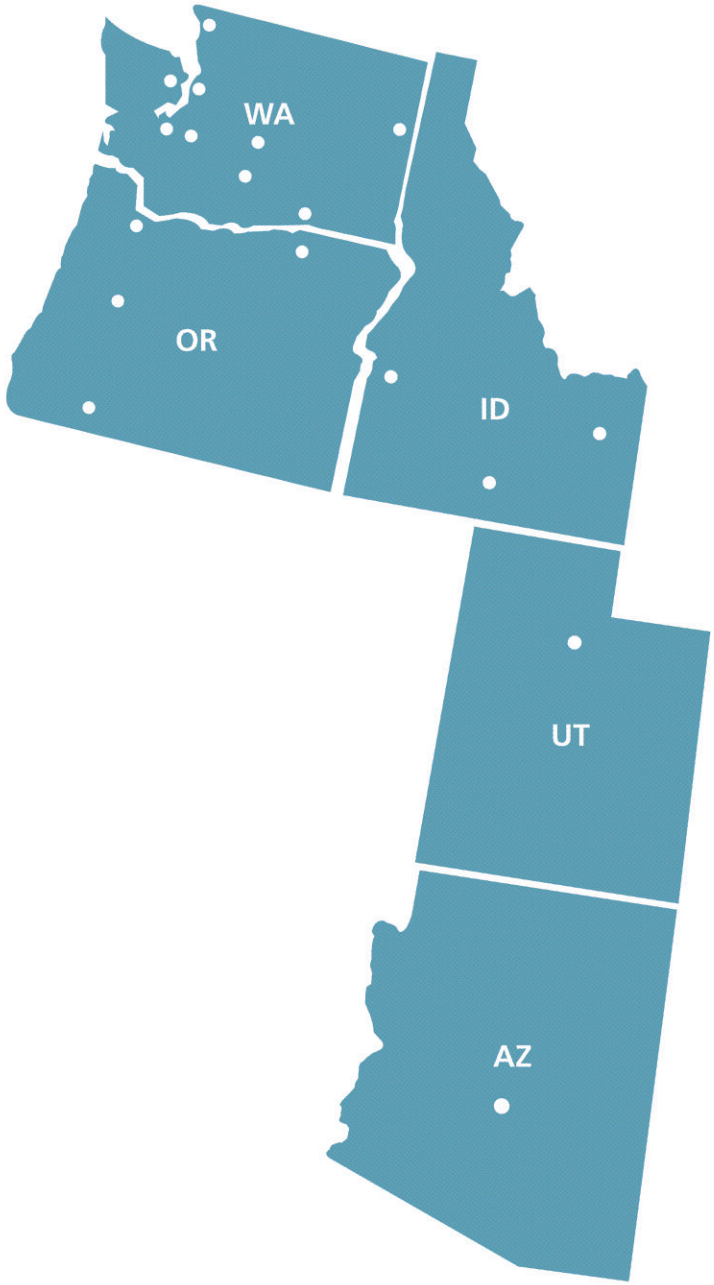
Boise, Idaho Falls, Twin Falls

UTAH LOCATION

Salt Lake City

ARIZONA LOCATION

Phoenix



Board Members

Bernadene Dochnahl
Chair

Anthony Baruffi
Trustee

T. Andrew Fujimoto
Trustee

Thomas Garland
Trustee

Robert Guile
Trustee

Eric Nelson
President & CEO

Don Powell
Trustee

Jane Repensek
Trustee

Frederick Schunter
Secretary

David Waldo
Trustee

Executive Members

Eric Nelson
President & CEO

Brad Gipson
CFO & VP, Financial Services

Rena Bilodeau
VP, Administration

Jeannie Fleming-Pixton
VP, Claims

Richard Hawkins
VP, Marketing

Denise Pavlov
CUO & VP, Underwriting

David Wilson
CIO & VP, Information Technology

Megan Hall
VP, Product Management

Athan Shinas
General Counsel

Tom Taylor
Chief Risk Officer

MUTUAL OF
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INSURANCE

Thoughtful is how we do things.

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