



Annual Report 2017



President's Message

Over the winter you may have heard people singing, "Let it snow, let it snow, let it snow..."

Well, last year someone sang too loudly—we had more snow in the first three months of 2017 than the Northwest has seen in half a century. The effect was devastating. Commercial and agriculture buildings collapsed under the weight of the snow. Increased snow and ice also caused ice dams to build up along roof edges, which led to water damage and extensive homeowner losses. In terms of catastrophe losses, it was the worst first quarter in the past 30 years.

The good news is that we thoughtfully prepare for these types of unforeseen events. We set aside resources in the good years, so that we are able to help our members when bad things happen. And this year we helped many members recover from the loss and disruption caused by these weather events.

After digging out from the winter storms, we experienced one of the driest summers in history, with significant wildfires across the entire western region. Many members' homes were threatened, but there were relatively few losses. We believe this can be attributed to our affiliation with Wildfire Defense Systems (WDS). WDS provides fire crews and engines dedicated to protecting our members' properties. Since we began our affiliation with WDS, our wildfire losses have declined by 90%. We are fortunate to be one of the few insurance carriers able to provide this service to our members.

While these catastrophic events tempered our net income and capital growth, it is a testament to our good planning and foresight that we were able to withstand the onslaught of Mother Nature, while still maintaining our financial strength and capital adequacy. We are well-positioned in the event of another unexpected catastrophe, so you can feel confident in our ability to pay your claims should you suffer an unfortunate loss. And as of January 2018, the industry financial rating agency, A.M. Best, has affirmed our A- (Excellent) rating with a stable outlook.

One of the ways we can determine how we are doing is to look at how our members rate us on the Net Promoter Score (NPS) survey. I encourage you to complete and return the one-question survey if you receive one. I am proud to report that our NPS score went up for the seventh straight year. We now rank as one of the best companies nationally in providing a great customer experience. Thank you.

Another way we measure ourselves is by the rating that your Independent Agent assigns to us through an independent survey conducted by Deep Customer Connections. Once again, Mutual of Enumclaw ranked best among our peer companies. We believe our Independent Agents provide excellent service and advice, and we will continue to work with them to make your experience seamless and convenient.

I am also pleased to report we received industry recognition in 2017. We received the Award in Innovation from the National Association of Mutual Insurance Companies for our auto claims mobile application, MOEstimate, which allows members to take photos of vehicle damage, use the photos to submit a claim, and receive an approved estimate for repairs within three hours. We were also the highest rated company in five of our six states according to ValChoice, an independent company that rates insurers on their price, protection, and service.

Last, I want to thank our great employees, as they are the ones who put their hearts into ensuring our success. For the sixth straight year, they voted us as one of the 100 Best Places to Work in Washington. This is validation that we have the most engaged and thoughtful employees in the industry.

Looking forward, we will continue to live our values of being ethical, responsive, personal, and efficient. We believe that what has energized us for more than 120 years is the focus we put on benefiting our members. And we dream of building a 500-year-old company—one where our children's children continue to work and protect our members for generations to come. **Best wishes for a prosperous 2018.**



Eric Nelson

Eric Nelson, CPCU, ARP
President & CEO

We've spent 120 years doing something new.

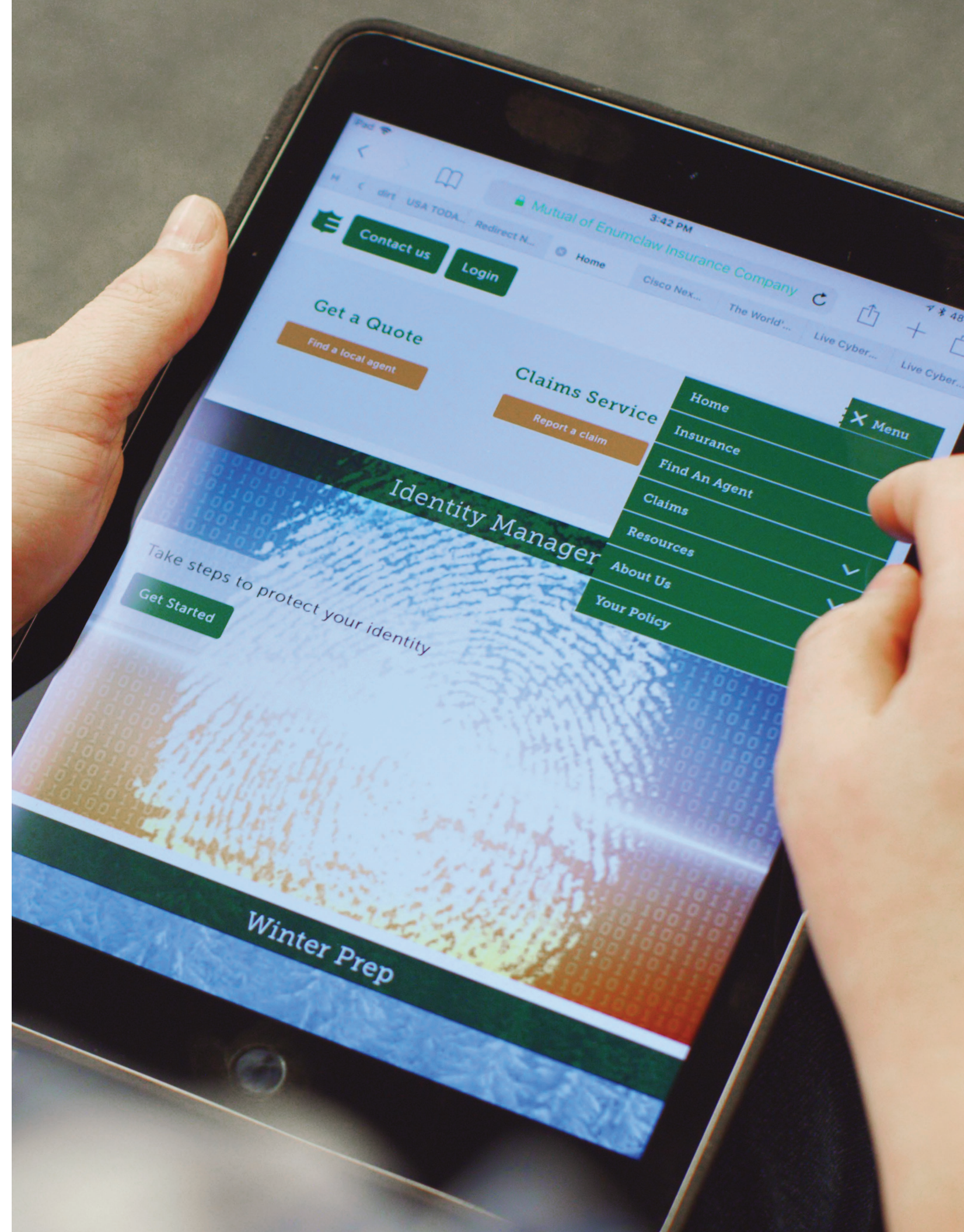
Insurance has changed a lot over the years—and we have always changed with it. This spirit goes all the way back to 1898, when a few Enumclaw farmers first rode on horseback to the nearest neighbor and knocked on the door. Simply starting the Farmers' Mutual Insurance Company to help neighbors during times of trouble was an innovative idea whose time had come.

Over time, we've gone from green-bar ledger paper to manual typewriters to desktop computers to smartphones. We stay true to our values, but implement them in more efficient, technical ways. That means the human connection remains ingrained in our culture, because it's been there from the beginning.

Our approach to thoughtful insurance continues to evolve, as we build on lessons from years past and strive to be more and more relevant for each generation. Recently, "thoughtful" has meant increasing awareness around natural disaster preparedness and prevention, improving our claims process, and creating tools to help agents communicate with our members.

Additionally, we've added specialized offerings and smart videos tailored to each member's unique needs. We've introduced Cyber Liability & Data Breach coverage for technology-based risks that our founders never could have anticipated. And last year we released MOEstimate, our award-winning mobile app that allows members to submit auto claims directly from a smartphone.

As we adapt and grow, one thing remains the same. Thoughtful is here to stay.





Living Our Values



We are proud to be one of Washington's 100 Best Companies.



In 2017 we were honored for the sixth consecutive year 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 and anonymous employee surveys, making it a particularly special honor for us.

Our Mission

Thoughtful people protecting members' financial security.

Our Vision

To build a thriving organization, trusted by its members, that stands the test of time.

Our Purpose

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

Quality Standards

These are the principles that guide us in all we do:

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.

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.

We are also grateful for the opportunity to increase this local presence with our expansion into Montana in January of 2018.



Board Members

T. Andrew Fujimoto
Chair (Incoming)
CEO, AmeriBen/IEC Group

Don Powell
Director
Attorney at Law, Powell & Gunter

Bernadene Dochnahl
Chair (Outgoing)
Owner, Denbe LLC

Jane Repensek
Director
COO/CFO, Seattle Opera

Anthony Baruffi
Director
VP, Garde Capital

Mike Sherman
Director
CEO, Direct Marketing Solutions

Thomas Garland
Director
Retired

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

Laurinda Mackenzie
Director
Healthcare Executive

David Waldo
Director
President and CEO, Field-Waldo Insurance

Eric Nelson
Director
President & CEO, Mutual of Enumclaw

Executive Members

Eric Nelson
President & CEO

Cori Medrano
VP, Commercial & Farm

Andrew Chen
CFO & VP, Financial Services

David Wilson
CIO & VP, Information Technology

Sandy Williams
VP, Administration

Megan Hall
VP, Product Development

Michele Wyatt
CCO & VP, Claims

Athan Shinas
General Counsel

Richard Hawkins
VP, Marketing

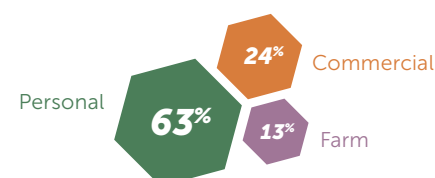
Tom Taylor
Chief Risk Officer

Alice Cameron
VP, Personal Lines

2017 Financial Highlights

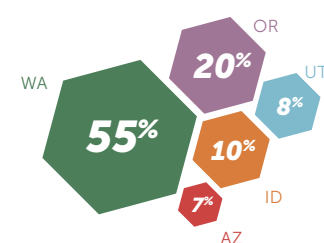
Premiums Written by Line of Business

Premiums were spread by risk type between personal (63%), commercial (24%), and farm (13%) for 2017. Total policy count was 259,708.



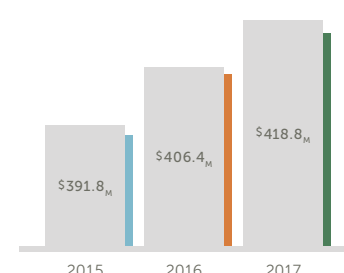
Premiums Written by State

We have members in five western states (Washington, Oregon, Idaho, Utah, and Arizona), and will expand into Montana in 2018. Our geographic footprint allows us to respond quickly, while managing concentration and weather-related risks.



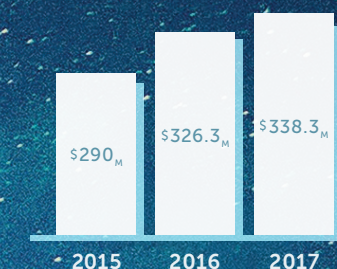
Premiums Written by Year

The number of premiums written grew modestly by 3% during 2017, reaching \$418.8 million. Our new Personal Lines Member's Best written premium grew by more than \$20 million. We thank our members for trusting us to provide thoughtful coverage they can count on.



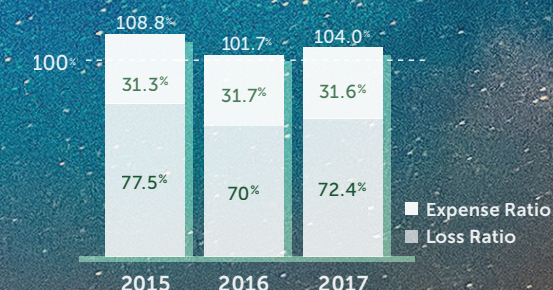
Equity

Equity represents retained earnings and measures an insurance company's financial strength and capacity to write new business. Equity grew to \$338.3 million after a one-time \$6.5 million shortfall impacted by the federal income tax reform. Our excellent financial strength allows us to provide solid financial security to benefit our members and agents.



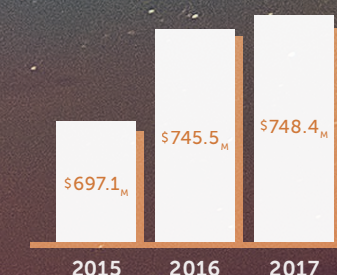
Combined Ratio

Combined Ratio measures an insurer's underwriting profitability, with results under 100% indicating an underwriting profit. A heavy snowfall in early 2017 caused catastrophic damages to many of our member's properties across the Pacific Northwest; however, we recovered and posted a 104.0% Combined Ratio for the year.



Total Assets

Total Assets is a measure of an insurance company's resources that provide future benefits. Our Total Assets was \$748.4 million at the end of 2017. The assets are invested in technologies and operations to help us provide enhanced products and claims service to our valuable members.



A.M. Best has again rated us **A- Excellent** with a Stable Outlook for 2018.



**Thoughtful is
how we do things.**



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