MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. G06-20
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
MUTUAL OF ENUMCLAW	)	AND ORDER ADOPTING
INSURANCE COMPANY	)	REPORT OF
	)	FINANCIAL EXAMINATION
A Domestic Insurer.		

BACKGROUND

An examination of the financial condition of **MUTUAL OF ENUMCLAW INSURANCE COMPANY** (the Company) as of December 31, 2004, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a mutual insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings and instructions was transmitted to the Company for its comments on March 17, 2006. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 17 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **MUTUAL OF ENUMCLAW INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-3.

1. The Company is ordered to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050(2) in filing its NAIC Annual Statements in accordance with the NAIC Accounting Practices and Procedures Manual, and the NAIC Annual Statement Instructions, because of several NAIC Annual Statement errors and misclassifications. Instruction 1, Examination Report, page 1.

2. The Company is ordered to comply with RCW 48.05.073, which requires every insurer to "... file its financial statements in accordance with the accounting practices and procedures manual..."; RCW 48.05.280, which stipulates that, "Every insurer shall keep full and adequate accounts and records of its assets, obligations, transactions and affairs."; and, WAC 284-07-050(2) which states that each company should prepare "an annual statement as promulgated by the NAIC ...insurers shall adhere to the appropriate NAIC Annual Statement Instructions and Accounting Practices and Procedures Manuals promulgated by the NAIC." Instruction 2, Examination Report, page 3.

3. The Company is ordered to comply with RCW 48.05.073, and WAC 284-07-050(2) in filing its NAIC Annual Statements in accordance with the NAIC Accounting Practices and Procedures Manual, and the NAIC Annual Statement Instructions in order to properly reflect the amount of deferred tax assets. Instruction 3, Examination Report, page 3.

4. The Company is ordered to work with its subsidiary company to negotiate inter-company charges which are based on the provider's pure cost, in compliance with RCW 48.31.B.030(1)(a)(iii), and SSAP 70, pursuant to WAC 284-07-050(2). Instruction 4, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 3rd day of April, 2006.

MIKE KREIDLER
Insurance Commissioner

Enumclaw Insurance Group™

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MAR 27 2006
INSURANCE COMMISSIONER
COMPANY SUPERVISION

March 24, 2006

Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
P.O. Box 40255
Olympia, WA 98504-0255

RE: Comments for Examination Report of Mutual of Enumclaw Insurance Company and Enumclaw Property and Casualty Insurance Company as of December 31, 2004

Dear Mr. Odiorne:

Thank you and the Washington Office of Insurance Commissioner for the 2004 examination. We appreciate the professionalism of the examination team, and we appreciate the continued positive and cooperative relationship with the Office of the Insurance Commissioner.

We have reviewed the draft report of examination for both companies and we agree that the facts presented are correctly reported.

Please contact me if you have questions.

Sincerely,

G. P. Schmidt

Gerald P. Schmidt, CPCU
President and CEO
Mutual of Enumclaw Insurance Company
Enumclaw Property and Casualty Insurance Company

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