STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION

OF

ENUMCLAW PROPERTY AND CASUALTY INSURANCE COMPANY

ENUMCLAW, WASHINGTON

NAIC CODE 11232

December 31, 2009

Participating States:

Washington

Order No. 11-52
Enumclaw Property and Casualty
Insurance Company
Exhibit A

SALUTATION

Seattle, Washington
March 16, 2011

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building-Capitol Campus
302 Sid Snyder Avenue SW, Suite 200
Olympia, WA 98504

The Honorable Joseph Torti, III, Superintendent
Chair, NAIC Financial Condition (E) Committee
State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, RI 02920

The Honorable Monica J. Lindeen, Commissioner
Secretary, NAIC Western Zone
Montana Office of the Commissioner of Securities and Insurance
840 Helena Avenue
Helena, MT 59601

Dear Commissioners and Superintendent:

In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an Association examination was made of the corporate affairs and financial records of

Enumclaw Property and Casualty Insurance Company

of

Enumclaw, Washington

hereinafter referred to as "EPC" or the "Company" at the location of its home office, 1460 Wells Street, Enumclaw, Washington 98022. This report is respectfully submitted showing the financial condition and related corporate matters of EPC as of December 31, 2009.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Enumclaw Property and Casualty Insurance Company of Enumclaw, Washington. This report shows the financial condition and related corporate matters as of December 31, 2009.

Patrick H. McNaughton

Patrick H. McNaughton
Chief Examiner

3-16-11

Date

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SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2005 through December 31, 2009 and comprises a risk focused review of the books and records of the Company. The examination followed statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination through the end of fieldwork on January 24, 2011.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following section of this report. In addition, the Company's Certified Public Accountant's (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

This examination was performed in compliance with the 2009 NAIC Financial Condition Examiners Handbook which requires the examiner to consider the Company's risk management process, corporate governance structure, and control environment. The examiners utilized the information obtained during the examination to assess EPC's overall potential risks both currently and on an on-going basis, allowing the examiners to focus on the Company's greatest areas of risk, and providing assurance on the Company's financial statements as of the examination date.

INSTRUCTIONS

The examiners reviewed the Company's filed 2009 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the NAIC Annual Statement in accordance with the NAIC Annual Statement Instructions and to determine if the Company's accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC Statements of Statutory Accounting Principles (SSAP) as outlined in the NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review:

1. **Administrative Services Contract**

   According to the Administrative Services Contract effective January 25, 2001 between EPC and its parent company, Mutual of Enumclaw Insurance Company (MOE), the administrative services provided to EPC by MOE are charged at a reasonable value. Additionally, Note 10F in each Company's 2009 NAIC Annual Statement, Notes to Financial Statements, states that MOE's compensation should be equal to the reasonable value of services provided.

RCW 48.31B.030(1)(a)(iii) requires that, "Expenses incurred and payments received must be allocated to the insurer in conformity with customary insurance accounting practices consistently applied." SSAP No. 70, paragraph 8, requires shared expenses to be apportioned as if paid directly by the entity incurring the expenses, and where specific identification is not feasible, apportionment shall be based upon pertinent factors or ratios.

The Administrative Services Contract is linked with its Intercompany Quota Share Reinsurance Agreement with MOE by the monthly ceding commission rate, but this linkage was not mentioned in either agreement. The monthly ceding commission percentage rate, which the Company uses as its pertinent factors or ratios apportionment, is based on EPC's direct written premiums divided by the sum of both MOE's and EPC's combined direct written premiums for a specified month, with the Company establishing a minimum 5 percent ceding commission rate. This cost apportionment method was not mentioned in either the Administrative Services Contract or the Intercompany Quota Share Reinsurance Agreement.

Although the Company is settling its administrative services monthly, the Administrative Services Contract did not specify a particular due date for settlement of administrative services; only that a written statement of amounts charged should be periodically rendered to EPC from MOE no less frequently than annually and settled within 30 days after receipt of such statement.

SSAP No. 25, paragraph 6, states that transactions between related parties must be in the form of a written agreement. The written agreement must provide for timely settlements of amounts owed, with a specified due date, and amounts owed to the reporting entity over ninety days from the written agreement due date shall be nonadmitted.

The Company is instructed to comply with RCW 48.05.073, RCW 48.05.250 and WAC 284-07-050(2) by:

- **i. Amending its Administrative Services Contract to include:**
  - **a. A description of its cost apportionment method as required by RCW 48.31B.030(1) and SSAP No. 70, paragraph 8.**
  - **b. Specific due dates for settlement of its administrative services as required by SSAP No. 25, paragraph 6.**
- **ii. Correctly describing the value of such related party services based on cost in its NAIC Annual Statement, Notes to Financial Statements, Note 10F.**

In addition, the Company is instructed to file all written intercompany agreements, including any related party agreements that are amended, with the OIC in compliance with RCW 48.31B.025(2)(c)(v) and RCW 48.31B.030(1)(b).

2. Intercompany Payables and Receivables

The beginning balances of intercompany receivables and payables between EPC and MOE as of January 1, 2009 were completely settled by July 31, 2009. The December 31, 2009 balance for intercompany receivables and payables between EPC and MOE were not settled as of the end of the 1st Quarter 2010.

As noted in Instruction No. 1, above, the Administrative Services Contract between MOE and EPC did not specify a particular due date for settlement of administrative services; only that a written statement of amounts charged should be periodically rendered to EPC from MOE no less frequently than annually and settled within 30 days after receipt of such statement. The Intercompany Quota Share Reinsurance Agreement, effective June 1, 2007, which both MOE and EPC currently use to settle their intercompany payables and receivables using the ceding commission, mentions, "Within 45 days following the end of the month the debtor party will remit to the creditor party any balance due."

The Company cannot provide supporting documentation for specifically demonstrating its timely settlement of intercompany payables and receivables regarding timely settlements of amounts owed and non-admitting amounts owed that are over ninety days from the written agreement due date.

The Company is instructed to comply with RCW 48.05.073, RCW 48.05.250 and WAC 284-07-050(2) by settling its intercompany payables and receivables balances in accordance with SSAP No. 25, paragraph 6, and to keep full and adequate accounts that support the settlement amounts in accordance with RCW 48.05.280.

3. Consolidated Federal Income Tax Sharing Agreement

According to the Consolidated Federal Income Tax Sharing Agreement signed on January 30, 2004 between MOE and EPC, the companies "agree to allocate federal income tax provisions on a separate company, reporting entity basis. Allocation is based upon separate return calculations with current credit for net losses." However, federal income tax is calculated on a combined income basis and the total tax bill is then allocated to the two companies.

Instead of using the appropriate federal corporate tax rate table and taking into account any deductions, credits, or refunds that may be applicable specifically to EPC's tax return calculation, EPC is charged a flat 35 percent tax rate on its pre-tax income; this amount is subtracted from the combined total tax calculation and the remainder of the tax bill is then allocated to MOE. The Consolidated Federal Income Tax Sharing Agreement does not mention using this flat 35 percent tax rate, nor does it explain how MOE will treat any tax return deductions, credits, or refunds that EPC generated.

The Company is instructed to comply with WAC 284-07-050(2), which requires adherence to the AP&P, specifically with SSAP No. 10, paragraphs 12(a), 12(b) and 13, which state that transactions between related parties will only be recognized if they are pursuant to a written income tax allocation agreement and such transactions are in compliance with SSAP No. 25. Furthermore, RCW 48.31B.030(1)(a) requires the terms of the agreement to be fair and reasonable and must be allocated to the affiliated companies in conformity with customary insurance accounting practices

consistently applied, by complying with its Consolidated Federal Income Tax Sharing Agreement and allocate the consolidated tax bill on a separate company, reporting entity basis.

4. Forms B and D Holding Company Filings

Throughout the examination period, the Company did not disclose its Consolidated Federal Income Tax Sharing Agreement between MOE and EPC, effective January 30, 2004, in Form B, Item 5(h), as required by WAC 284-18-920.

Also, in its Form B filings as of May 15, 2009 and May 15, 2010, Item 5(f), the Company referred to its Intercompany Quota Share Reinsurance Agreement effective as of 2002, when in fact, the Company had subsequently revised its Intercompany Quota Share Reinsurance Agreement, which became effective June 1, 2007.

In addition, no Form D was filed for either the Consolidated Federal Income Tax Sharing Agreement effective January 30, 2004, or the Intercompany Quota Share Reinsurance Agreement effective June 1, 2007, in compliance with WAC 284-18-940.

The Company is instructed to comply with RCW 48.05.250, RCW 48.31B.025(2) and WAC 284-18-920 by correctly disclosing, in its Form B Holding Company filings, its Consolidated Federal Income Tax Sharing Agreement effective January 30, 2004, its Intercompany Quota Share Reinsurance Agreement effective June 1, 2007, and any other intercompany agreements in force. In addition, the Company is instructed to file intercompany agreements with the OIC in compliance with RCW 48.31B.025(1) and WAC 284-18-940, Form D, Prior Notice of A Transaction.

5. Custodial Agreement

EPC responded in its 2009 NAIC Annual Statement, General Interrogatories, Question 26.01, that its custodial agreement with Wells Fargo complied with the FCEH. However, the Wells Fargo custodial agreement did not contain several provisions as required by the FCEH and RCW 48.13.480. RCW 48.05.250 requires a company to file a true statement of its financial condition, transactions, and affairs.

The Company is instructed to execute a revised or amended custodial agreement that complies with the FCEH and RCW 48.13.480. The Company is also instructed to comply with RCW 48.05.250 by filing a true statement of its financial condition, transactions and affairs and to follow the NAIC Annual Statement Instructions and the AP&P, as required by WAC 284-07-050(2).

6. Annual Appointment of the Qualified Opining Actuary

According to the NAIC Annual Statement Instructions, the qualified actuary signing the Statement of Actuarial Opinion (SAO) must be annually appointed by the Company's Board of Directors (BOD), or by a Board Committee, by December 31 of each year. A review of EPC's BOD and its Committees' meeting minutes for the examination period indicates that no annual appointment of the qualified actuary was made during the examination period.

The Company is instructed to comply with RCW 48.05.383 by having the Company's Board of Directors annually appoint its qualified actuary pursuant to the NAIC Annual Statement Instructions.

7. Missing Required Reinsurance Terms

The Intercompany Quota Share Agreement between MOE and EPC did not stipulate that it constitutes the entire contract, as required by SSAP No. 62, paragraph 8.

The Company is instructed to comply with WAC 284-07-050(2) which requires adherence to the AP&P, SSAP No. 62, paragraph 8, by including all required terms for its reinsurance agreements.

8. NAIC Annual Statement Errors, Omissions, and Misclassifications

Several instances were discovered in which the Company's filing of the 2009 NAIC Annual Statement did not conform to the 2009 NAIC Annual Statement Instructions and the AP&P. While the Company needs to correct these practices, none of the following items in this instruction were material to the financial statements and no examination adjustments were necessary:

(1) EPC ceded to MOE $2,387,481 in administrative services, written premiums of $20,391,545, losses of $13,256,339, and loss adjustment expenses of $2,207,984 to MOE. The Company did not disclose the aforementioned amounts ceded to MOE as required in its 2009 NAIC Annual Statements, Notes to Financial Statements, Note 10.C.

(2) In its 2009 NAIC Annual Statement, the Company incorrectly classified Federal Home Loan Bank (FHLB) investments as a U.S. Government agency that was reported on Line 1.21 of the Summary Investment Schedule. According to the 2009 NAIC Annual Statement Instructions, FHLB investments should have been classified as U.S. Government sponsored agency investments and reported on Line 1.22 of the Summary Investment Schedule.

(3) In EPC's 2009 NAIC Annual Statement, under General Interrogatories, Part 1 - Common Interrogatories, General, the Company responded "No" to Question 2.1 regarding whether any changes were made to the Company's Articles of Incorporation and Bylaws during 2009. EPC filed with the OIC an "Amended and Restated Articles of Incorporation and Bylaws" effective as of December 2, 2009. The Company should have responded "Yes" to Question 2.1.

(4) In its 2009 NAIC Annual Statement, General Interrogatories, Part 1 - Common Interrogatories, General, Questions 9 and 10, the Company failed to fill in the name and address of both the Company's independent CPA and Actuarial consulting firms as required.

(5) In its 2009 NAIC Annual Statement, Notes to Financial Statements, Note 9, Item F.2, the Company failed to include the disclosure relating to the enforceable right to recoup federal income taxes or net losses carried forward.

The Company is instructed to comply with RCW 48.05.073 and RCW 48.05.250 by filing its financial statements in the general form and context approved by the NAIC and with WAC 284-07-050(2)(a), which requires adherence to the NAIC Annual Statement Instructions and the AP&P.

COMMENTS AND RECOMMENDATIONS

None

COMPANY PROFILE

Company History

The Company was incorporated on November 27, 2001 as a stock, multiple line, property and casualty insurer in the state of Washington. The Company commenced business in the state of Washington on January 25, 2002.

Capitalization

As of December 31, 2009, the Company had 600,000 shares of common stock authorized, of which 300,000 shares are outstanding with a par value of $10 per share totaling $3 million. EPC's capitalization includes the outstanding common stock shares, gross paid in and contributed surplus of $3.1 million and policyholders surplus. Total capital and surplus as of December 31, 2009 was $7,299,577.

All issued and outstanding shares of stock of the Company are wholly owned by its parent, MOE.

Territory and Plan of Operations

The Company is licensed to transact business in Idaho, Oregon, and Washington. EPC writes only personal lines business with 61.3 percent written in Washington, 33.4 percent in Oregon and 5.3 percent in Idaho.

Growth of Company

The Company's growth, as reported in its filed NAIC Annual Statements, is illustrated below:

Year	Admitted Assets	Liabilities	Capital & Surplus
2009	$7,635,133	$335,556	$7,299,577
2008	7,446,714	278,254	7,168,460
2007	7,463,230	441,202	7,022,028
2006	7,558,964	721,590	6,837,374
2005	7,022,443	359,861	6,662,582

Year	Premiums Earned	Net Underwriting Gain (Loss)	Net Investment Gain (Loss)	Net Income
2009	$0	$0	$201,717	$131,117
2008	0	0	225,349	146,432
2007	0	0	284,082	184,654
2006	0	0	268,938	174,792
2005	0	0	264,339	171,820

All of EPC's net direct premiums written and its net business reinsured are ceded to its parent, MOE.

Affiliated Companies

The Company is 100 percent owned by its parent, MOE. MOE, in turn, is a mutual company owned by its policyholders.

The following organizational chart is taken from the Company's filed 2009 NAIC Annual Statement:

Mutual of Enumclaw Insurance Company

Enumclaw Property & Casualty Insurance Company

100% Owned

Intercompany Agreements

As of December 31, 2009, the Company had the following intercompany agreements in force with their effective dates:

Administrative Services Contract	January 25, 2001
Intercompany Quota Share Reinsurance Agreement	June 1, 2007
Consolidated Federal Income Tax Sharing Agreement	January 30, 2004

MANAGEMENT AND CONTROL

Board of Directors

Directors as of December 31, 2009:

Bernadene Dochnahl	Board Chairperson
Tadashi A. Fujimoto	
Thomas P. Garland	
Robert C. Guile	
Donald E. Powell	
Jane L. Repensek	
Gerald P. Schmidt	
Frederick M. Schunter	
David M. Waldo	
James R. Wulff	

Officers

Officers as of December 31, 2009:

Gerald P. Schmidt	President
Bradley G. Gipson	Treasurer and Vice President, Finance
Frederick M. Schunter	Secretary
Eric P. Nelson	Senior Vice President
Jeannie M. Fleming	Vice President, Claims
Robert C. Horn	Vice President, Marketing
Bryan K. Stanwood	Vice President, Underwriting

Conflict of Interest

MOE and EPC require conflict of interest statements to be completed and signed by the directors, officers, and employees for disclosure of any potential conflicts. The procedure includes reading the Washington State Statute, RCW 48.07.130, and returning a signed Statement of Disclosure to the

Company. Signed conflict of interest statements are reviewed by the Company and its BOD annually for conflicting situations. No exceptions were noted during the review.

Officers', Employees', and Agents' Welfare and Pension Plans

The Company operates with the use of MOE's employees. As of December 31, 2009, EPC reimbursed MOE based on intercompany sharing agreements in force. As such, no obligations to employees for pension or retirement plans are necessary for EPC.

Fidelity Bond and Other Insurance

Combined with its parent MOE, EPC has fidelity insurance that meets and exceeds the NAIC recommended minimum coverage levels. Additionally, EPC has coverages for Directors and Officers (D&O), employment practices, fiduciary, property, automobile, general liability, and umbrella.

CORPORATE RECORDS

Our review of minutes of the BOD indicated that the minutes supported the transactions of the Company and the actions taken by its officers. . All BOD meetings were conducted with a quorum present.

UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves carried by the Company for loss and loss adjusting expenses were $0 and $0, respectively, as of December 31, 2009. The zero balances are accurate due to the reinsurance agreement the Company has with MOE. The agreement calls on EPC to cede 100 percent of its net written premiums to MOE. All associated reserves are carried by MOE.

REINSURANCE

The Company cedes 100 percent of all net business written to its parent, MOE, and is allowed a ceding commission sufficient to cover all underwriting and acquisition expenses of EPC.

With MOE, EPC participates in quota share, catastrophe, and excess of loss treaties. MOE also has a boiler and machinery quota share treaty. Each of these treaties is spread across an extensive portfolio of reinsurers, limiting any concentrated assumed risk.

Reinsurance agreements were found to be in compliance with Washington State reinsurance statutes with the exception of the Intercompany Quota Share Reinsurance Agreement with MOE, which did not include the entire contract clause. (See Instruction No. 7.) All reinsurers are either authorized to do business in Washington State or the Company holds an approved letter of credit. All reinsurance agreements were properly classified in Schedule F of the 2009 NAIC Annual Statement. The Company has controls in place to adequately monitor its reinsurance program including the financial condition of the reinsurers.

The Company utilizes the services of a reinsurance intermediary, Willis Re, to solicit, negotiate, and place reinsurance cessions on its behalf.

STATUTORY DEPOSITS

EPC maintained the following statutory deposits as of December 31, 2009:

State	Type	Book Value	Fair Value
Idaho	Bond	$1,094,380	$1,122,908
Oregon	Bond	270,108	272,899
Washington	Bond	5,101,727	5,304,995
Total		**$6,466,215**	**$6,700,802**

ACCOUNTING RECORDS AND INFORMATION SYSTEMS

The Company maintains its accounting records on a Generally Accepted Accounting Principles (GAAP) accrual basis of accounting and adjusts to Statutory Accounting Principles (SAP) basis for NAIC Annual Statement reporting. The Company is audited annually by the certified public accounting firm of Ernst & Young and the Company received an unqualified opinion for all years under review. The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination and no exceptions were noted.

The Company's Information Technology (IT) environment was reviewed during the planning and testing phase of the examination, focusing on the following Control Objectives for Information and related Technology (COBIT) Framework domains:

- Plan and Organize
- Acquire and Implement
- Deliver and Support
- Monitor and Evaluate

The IT systems and controls were evaluated to gain an understanding of general IT control risks and assess the effectiveness of these controls. Appropriate mitigating and internal controls have been implemented to reduce residual risk to appropriate levels.

SUBSEQUENT EVENTS

On January 30, 2010, Gerald Schmidt retired as President of the Company. The Company's Senior Vice President, Eric Nelson, was named President by the Board of Directors and assumed all duties as the President of EPC effective January 30, 2010.

On October 25, 2010, EPC's parent announced its decision to acquire an insurance organization domiciled in Nevada by signing an agreement to purchase all outstanding common capital stock of Chicago-Vegas Holding Company, Inc., the parent of Nevada General Insurance Company and Auto Insurance America Insurance Agency.

There were no other material events impacting the Company between the examination date and the last day of fieldwork, January 24, 2011.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous report instructions and recommendations were corrected and satisfactorily addressed.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of Enumclaw Property and Casualty Insurance Company as of December 31, 2009:

Assets, Liabilities, Surplus and Other Funds
Statement of Income and Capital and Surplus Account
Five year reconciliation of Surplus

Enumclaw Property and Casualty Insurance Company
Assets, Liabilities, Surplus and Other Funds
December 31, 2009

	Balance Per Company	Examination Adjustments	Balance Per Examination	Notes
Assets				
Bonds	$6,466,215	$0	$6,466,215	
Cash and short-term investments	984,235		984,235	1
Subtotal, cash and invested assets	**7,450,450**	**0**	**7,450,450**	
Investment income due and accrued	70,980		70,980	
Receivables from parent, subsidiaries and affiliates	110,728		110,728	
Aggregate write-ins for other than invested assets	2,975		2,975	
Total Assets	**$7,635,133**	**$0**	**$7,635,133**	
Liabilities, Surplus and Other Funds				
Losses	$0	$0	$0	
Loss adjustment expenses	0		0	
Other expenses	4,184		4,184	
Taxes, licenses and other fees (excluding federal and foreign income taxes)	10		10	
Current federal and foreign income taxes	70,601		70,601	
Ceded reinsurance premiums payable	260,761		260,761	
Total Liabilities	**335,556**	**0**	**335,556**	
Common capital stock	3,000,000		3,000,000	
Gross paid in and contributed surplus	3,100,000		3,100,000	
Unassigned funds (surplus)	1,199,577		1,199,577	
Surplus as regards policyholders	**7,299,577**	**0**	**7,299,577**	
Total Liabilities, Surplus and Other Funds	**$7,635,133**	**$0**	**$7,635,133**	

Enumclaw Property and Casualty Insurance Company
Statement of Income and Capital and Surplus Account
For the Year Ended December 31, 2009

	Balance Per Company	Examination Adjustments	Balance Per Examination
Underwriting Income			
Premiums earned	$0	$0	$0
Deductions			
Losses incurred	0		0
Loss adjustment expenses incurred	0		0
Other underwriting expenses incurred	0		0
Total underwriting deductions	0		0
Net underwriting gain or (loss)	**0**	**0**	**0**
Investment Income			
Net investment income earned	201,717		201,717
Net realized capital gains or (losses)	0		0
Net investment gain or (loss)	**201,717**	**0**	**201,717**
Net income, after dividends to policyholders but before federal and foreign income taxes	201,717		201,717
Federal and foreign income taxes incurred	70,600		70,600
Net income	**$131,117**	**$0**	**$131,117**
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year	**$7,168,460**	**$0**	**$7,168,460**
Gains and (losses) in Surplus			
Net income	131,117		131,117
Change in surplus as regards policyholders for the year	**131,117**	**0**	**131,117**
Surplus as regards policyholders, December 31 current year	**$7,299,577**	**$0**	**$7,299,577**

Enumclaw Property and Casualty Insurance Company
Five Year Reconciliation of Surplus
For the Years Ended December 31,

	2009	2008	2007	2006	2005
Capital and Surplus, December 31, previous year	$7,168,460	$7,022,028	$6,837,374	$6,662,582	$6,490,762
Net income or (loss)	131,117	146,432	184,654	174,792	171,820
Changes in surplus as regards policyholders for the year	131,117	146,432	184,654	174,792	171,820
Capital and Surplus, December 31, current year	$7,299,577	$7,168,460	$7,022,028	$6,837,374	$6,662,582

NOTES TO THE FINANCIAL STATEMENTS

1. Special Consent

The Company holds a special consent, issued by the state of Washington, with an effective date of June 30, 2009, and subsequently renewed effective January 1, 2010, that allows the Company to own and purchase mutual funds if certain statutory requirements have been met. EPC is allowed to acquire and hold a single entity's NAIC non-exempt listed mutual funds totaling not more than four percent of EPC's assets. As of December 31, 2009, EPC's mutual fund investments represented 12.6 percent of its admitted assets. Several of EPC's mutual fund investments exceeded the one percent of assets limitation that would have been imposed by RCW 48.13.240(3) without the special consent.

The Company has no additional special consents, permitted practices, or orders from the state of Washington.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Enumclaw Property and Casualty Insurance Company and its affiliates during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; John Jacobson, AFE, CISA, AES, Automated Examination Specialist; Susan Campbell, CPA, FLMI, CFE, Reinsurance Specialist; D. Lee Barclay, FCAS, MAAA, Senior Actuary; Timothy F. Hays, CPA, JD, Investment Specialist; James Antush, Actuarial Analyst; Dan Forsman, Actuarial Analyst; Randy E. Fong, AFE, Examiner-in-Charge; Edsel R. Dino, Financial Examiner; Euli Rath, CPA, Financial Examiner; Katy Bardsley, Financial Examiner; and Zairina Othman, Financial Examiner; all from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,

Tarik Subbagh, CPA, CFE
Property and Casualty Field Supervising Examiner
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
} ss
COUNTY OF KING }

Tarik Subbagh, CPA, CFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Enumclaw Property and Casualty Insurance Company was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners.

Tarik Subbagh, CPA, CFE
Property and Casualty Field Supervising Examiner
State of Washington

Subscribed and sworn to before me this 16th day of March, 2011.

Notary Public in and for the
State of Washington

COLLEEN JANSEN
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
5-17-12