



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 14-215
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
PEMCO MUTUAL INSURANCE)	AND ORDER ADOPTING REPORT
COMPANY)	OF FINANCIAL EXAMINATION
)	

A Domestic Insurer.

BACKGROUND

An examination of the financial condition of **PEMCO MUTUAL INSURANCE COMPANY**, (the Company) as of December 31, 2013, 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, instructions, and recommendations was transmitted to the Company for its comments on October 31, 2014. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the 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 12 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 **PEMCO MUTUAL 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 is an appropriate response to the matters found in the examination.

ORDER

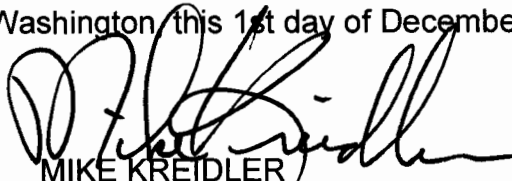
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-2.

1. The Company is ordered to comply with RCW 48.13.051 and ensure that its written investment policy meets the requirements of Chapter 48.13 RCW, and that investment policy is reviewed and approved by its Board of Directors annually, including such approval being documented in the Board minutes. Instruction 1, Examination Report, page 1.
2. The Company is ordered to comply with RCW 48.43.097 by filing its financial statements in accordance with the AP&P, and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and SSAP No. 43R. Instruction 2, Examination Report, page 2.
3. The Company is ordered to comply with RCW 48.43.097 by filing its financial statements in accordance with the AP&P, and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Instruction 3, 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 1st day of December, 2014.


MIKE KREIDLER
Insurance Commissioner



PEMCO
Insurance

325 Eastlake Avenue East
PO Box 778
Seattle, WA 98111-0778

November 20, 2014

RECEIVED
NOV 21 2014
Insurance Commissioner
Company Supervision

William R. Michels
Deputy Insurance Commissioner
State of Washington
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

RE: Financial Examination Report of PEMCO Mutual Insurance Company as of December 31, 2013

Dear Mr. Michels:

We have had the opportunity to review the draft examination report for the five-year period ending December 31, 2013, and offer the following responses. It is my understanding that these comments will be included with the final report that will be published on the OIC website after adoption.

Response to Instructions

1. The Company is instructed to comply with RCW 48.13.051 and ensure that its written Investment Policy meets the requirements of Chapter 48.13 RCW, and that the Policy is reviewed and approved by its Board of Directors annually, including such approval being documented in the Board minutes.

Response: The Company's Board of Directors adopted a revised Investment Policy to comply with RCW 48.13.051. The Company will ensure that its Investment Policy meets the requirements of RCW 48.13 and that it is reviewed and approved by its Board of Directors on an annual basis.

2. The Company is instructed to comply with RCW 48.43.097 by filing its financial statements in accordance with the AP&P, and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and SSAP No. 43R.

Response: The Company has implemented a new process that is compliant with SSAP No. 43R.

Order No. 14-215
PEMCO Mutual Insurance Company
Exhibit B

William R. Michels
Deputy Insurance Commissioner
November 20, 2014
Page Two

3. The Company is instructed to comply with RCW 48.43.097 by filing its financial statements in accordance with AP&P, and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P.

Response: Management agrees with the findings. While the errors noted did not have a material impact on the Company's financial position, management has either corrected the errors on applicable reports or taken steps to ensure greater accuracy on future reports.

We appreciated the examiners' approach on the exam and were pleased with the process. If you have any questions or need further information, please do not hesitate to contact me.

Very truly yours,



Stan W. McNaughton
President & CEO