

OREGON FAIR PLAN ASSOCIATION

Financial Statements

For the Years Ended December 31, 2023 and 2022

OREGON FAIR PLAN ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023

BOARD OF DIRECTORS

TERM EXPIRES

Andrew Davies, Board Chair

2026

Linda Bombe

2025

Troy Uselman

2024

Jon Hedegard

2026

Fritz Chlanda

2024

ADMINISTRATION

Steve Steinbeck, Executive Director
8705 SW Nimbus Avenue, Suite 360
Beaverton, Oregon 97008

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Dougall Conradie LLC
Certified Public Accountants

Geoffrey Dougall, CPA
Heather Jackson, CPA
Richard Winkel, CPA
Members of AICPA & OSCPA

Independent Auditor's Report

**To the Board of Directors
Oregon FAIR Plan Association**

Opinion

We have audited the accompanying financial statements of Oregon FAIR Plan Association (a nonprofit organization), which comprise the statements of admitted assets, liabilities and members' surplus – statutory basis as of December 31, 2023 and 2022, and the related statements of revenues, expenses and changes in members' surplus – statutory basis and cash flows – statutory basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and members' surplus of Oregon FAIR Plan Association as of December 31, 2023 and 2022, and its revenues and expenses and its cash flows for the years then ended in accordance with the statutory basis of accounting as described in Note B.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Oregon FAIR Plan Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. As described in Note B to the financial statements, the financial statements are prepared by Oregon FAIR Plan Association in accordance with the financial reporting practices prescribed or permitted by the State of Oregon Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Oregon Insurance Division. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting practices prescribed or permitted by the State of Oregon Insurance Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness Oregon FAIR Plan Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon FAIR Plan Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of general and administrative expenses – statutory basis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the board of directors and management of Oregon FAIR Plan Association and the State of Oregon Insurance Division and is not intended to be and should not be used by anyone other than these specified parties.

Dougall Conradi LLC

Portland, Oregon
August 26, 2024

OREGON FAIR PLAN ASSOCIATION
STATEMENTS OF ADMITTED ASSETS, LIABILITIES
AND MEMBERS'S SURPLUS – STATUTORY BASIS
DECEMBER 31, 2023 and 2022

	2023	2022
ADMITTED ASSETS		
Cash and cash equivalents	\$ 981,727	\$ 556,546
Investments	2,482,900	2,392,771
Premium receivable	104,743	30,304
Total admitted assets	\$ 3,569,370	\$ 2,979,621
LIABILITIES AND MEMBERS' SURPLUS		
Policy liabilities:		
Unpaid claims and claim adjustment expense	\$ -	\$ 82,740
Agent's commission payable	74,849	44,918
Unearned premiums	964,269	674,269
Total policy liabilities	1,039,118	801,927
Accounts payable	12,773	19,641
Accrued payroll	34,409	64,617
Total liabilities	1,086,300	886,185
Members' surplus	2,483,070	2,093,436
Total liabilities and members' surplus	\$ 3,569,370	\$ 2,979,621

The accompanying notes are an integral part of these statutory basis financial statements

OREGON FAIR PLAN ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN MEMBERS' SURPLUS – STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	2023	2022
Premiums earned	\$ 1,821,448	\$ 1,028,539
Losses incurred	327,016	317,132
Loss adjustment expenses incurred	33,618	34,086
Agent commission	152,393	119,449
General and administrative expenses	1,008,916	648,763
 Total underwriting	 1,521,943	 1,119,430
 Net underwriting gain (loss)	 299,505	 (90,891)
 Interest income	 71,312	 61,933
 Net income (loss)	 \$ 370,817	 \$ (28,958)
 Members' surplus, beginning of year	 \$ 2,093,436	 \$ 2,291,155
 Net income (loss)	370,817	(28,958)
Change in net unrealized capital gains/(losses) on investments	18,817	(168,761)
 Net change in members' surplus	 389,634	 (197,719)
 Members' surplus, end of year	 \$ 2,483,070	 \$ 2,093,436

The accompanying notes are an integral part of these statutory basis financial statements

OREGON FAIR PLAN ASSOCIATION
 STATEMENTS OF CASH FLOWS – STATUTORY BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Premiums collected	\$ 2,037,009	\$ 1,026,789
Cash paid for claims and claim adjustment expenses	(443,374)	(290,478)
Cash paid to suppliers and employees	(1,168,454)	(711,497)
Net cash flows provided by operating activities	425,181	204,814
Net change in cash and cash equivalents	425,181	204,814
Cash and cash equivalents at beginning of year	556,546	351,732
Cash and cash equivalents at end of year	\$ 981,727	\$ 556,546

The accompanying notes are an integral part of these statutory basis financial statements

OREGON FAIR PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE A – ORGANIZATION

The Oregon FAIR Plan Association (the “Association”) was created by the State of Oregon to administer the FAIR (Fair Access to Insurance Requirements) Plan within Oregon and is regulated by the Oregon State Insurance Division. The purpose of the FAIR Plan is to assure that all eligible property can be insured for the basic coverage of fire, extended coverage and vandalism. All insurers engaged in writing essential property insurance in the State of Oregon are members of the Association. The Association receives revenues from policy premiums.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

Permitted Statutory Accounting Practices

The financial statements of the Association have been prepared on the statutory basis in accordance with accounting practices prescribed or permitted by the State of Oregon Insurance Division. Prescribed statutory accounting practices include a variety of publication of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all other accounting practices not so prescribed.

The accompanying financial statements have been prepared using statutory insurance accounting practices, which differ from generally accepted accounting principles as follows:

Premiums earned, losses incurred, loss adjustment expenses incurred and policy acquisition costs are recognized as revenue and expenses on a statutory basis rather than as a receivable or payable as required by generally accepted accounting principles;

Non-admitted assets consisting of office equipment, computer equipment and prepaid assets are excluded from the statement of admitted assets, liabilities and members’ equity – statutory basis.

Premium Revenue

Premium revenue is recognized over the policy term. Premiums applicable to the unexpired terms of the policies in force are reported as unearned premiums at year end.

Premium Receivable

Policy holders are permitted the option of paying their premiums in installments over the policy term. The Association determines past due status of premium receivables based on the effective date of the policy and the installment terms. Premiums that management believes to not be collectible are written off. Management has determined that no allowance for uncollectible premiums is necessary at December 31, 2023 or 2022.

OREGON FAIR PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unpaid Claims and Claim Adjustment Expenses

Unpaid claims and claim adjustment expenses are estimated using the case reserves basis method, whereby estimates are made for each open and unpaid claim, based on information supplied in loss notices and insurance adjusters' reports.

Operating Assessments

The Board of Directors is authorized to levy assessments on the members for operations. The maximum assessment on any individual member is 2% of the member's net direct premiums written in the state of Oregon during the second preceding calendar year. There were no assessments levied during the years ended December 31, 2023 and 2022.

Cash and Cash Equivalents

The Association considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reflected on the statement of admitted assets, liabilities and members' equity – statutory basis at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of revenues, expenses and changes in members' equity – statutory basis. Interest and dividend income is reported as earned.

Income Taxes

The Association is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(6). Management believes all activities of the association qualify for tax exempt status. Therefore, no provision has been made in the accompanying financial statements for income taxes. The Association's federal income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal income tax returns have a three year statute of limitations.

Use of Estimates

The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements. The liability for unpaid claims and claim adjustment expenses has been estimated. Accordingly, actual results could differ from those estimates.

OREGON FAIR PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at December 31:

	2023	2022
Checking accounts	\$ 981,577	\$ 556,396
Petty cash	150	150
	\$ 981,727	\$ 556,546

Cash balances and time certificates of deposit are maintained in several financial institutions in the Portland, Oregon area. Accounts in each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000 per customer. Funds in accounts that do not earn interest are fully insured by the FDIC. At December 31, 2023 and 2022 there were deposits of \$909,595 and \$424,749 exceeding the insured amounts, respectively.

NOTE D – FAIR VALUE OF INVESTMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent resources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level I: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level II: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level III: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Investments consist of amounts in an annuity and a fixed income fund and are carried at fair value based on quoted market prices (Level I investments). The fair value of the investments was \$2,482,900 and \$2,392,771 at December 31, 2023 and 2022, respectively.

OREGON FAIR PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE D – FAIR VALUE OF INVESTMENTS (Continued)

The following table summarizes the change in investments for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 2,392,771	\$ 2,499,599
Interest and dividends	71,312	61,933
Unrealized gains (losses)	39,332	(148,289)
Expenses	<u>(20,515)</u>	<u>(20,473)</u>
Net change in value	<u>90,129</u>	<u>(106,828)</u>
Balance at end of year	<u><u>\$ 2,482,900</u></u>	<u><u>\$ 2,392,771</u></u>

NOTE E – LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Unpaid claims and claim adjustment expenses consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Reported:		
Claims reserve	\$ -	\$ 77,240
Claim adjustment expenses	<u>-</u>	<u>5,500</u>
	<u><u>\$ -</u></u>	<u><u>\$ 82,740</u></u>

Activity in the liability for unpaid claims and claim adjustment expenses is as follows during the year ended December 31:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 82,740	\$ 22,000
Incurring for current and prior years	360,634	351,218
Claims and claim expenses paid	<u>(443,374)</u>	<u>(290,478)</u>
Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 82,740</u></u>

OREGON FAIR PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE F – RETIREMENT PLAN

All employees meeting minimum eligibility requirements are participants in a Simplified Employee Pension (“SEP”) retirement plan. Employees are fully vested when they become eligible to participate in the plan. Eligibility is based on the fulfillment of an initial probationary employment period. The SEP is funded by a discretionary contribution determined by the Board of Directors. Contributions to the plan are 15% of eligible employee compensation, which was \$47,240 and \$33,240, during the years ended December 31, 2023 and 2022, respectively.

NOTE G – RELATED PARTY TRANSACTIONS

The Association paid \$44,353 during the year ended December 31, 2022 for computer equipment and information technology consulting services to a company owned by the son of the former Executive Director.

NOTE H – OPERATING LEASE

The Association has entered into a lease for its office space. The lease calls for monthly rent payments and expires in July 2026.

Future minimum payments under the operating lease for the office space are as follows:

<u>Year ending December 31,</u>	
2024	\$ 46,816
2025	48,219
2026	<u>28,820</u>
	\$ <u><u>123,855</u></u>

Total office rent expense was \$47,126 and \$44,718 for the years ended December 31, 2023 and 2022, respectively.

NOTE I – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 26, 2024, which is the date the financial statements were available to be issued, noting no events requiring recording or disclosure in the financial statements for the year ended December 31, 2023.

SUPPLEMENTAL SCHEDULE

OREGON FAIR PLAN ASSOCIATION
STATEMENTS OF GENERAL AND ADMINISTRATIVE
EXPENSES – STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
EXPENSES:		
Salaries and wages	\$ 298,844	\$ 208,528
Payroll taxes	26,392	17,726
Employee benefits	85,722	62,850
Boards and bureaus	10,194	8,795
Computer expense	139,771	103,059
Insurance	12,349	11,042
Office supplies and expense	40,701	32,058
Office lease	47,126	44,718
PIPSO	9,148	6,100
Professional services	58,909	31,587
Faculative reinsurance	<u>279,760</u>	<u>122,300</u>
 Total general and administrative expenses	 <u>\$ 1,008,916</u>	 <u>\$ 648,763</u>