

EXAMINATION REPORT
of the
FLOYD COUNTY MUTUAL FIRE
INSURANCE COMPANY, INCORPORATED
Floyd, Virginia
as of
December 31, 2014

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Floyd County Mutual Fire Insurance Company as of December 31, 2014, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 3rd day of June, 2015

A handwritten signature in cursive script that reads "Jacqueline K. Cunningham". The signature is written in black ink and is positioned above a horizontal line.

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
March 12, 2015

Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Commonwealth of Virginia
Richmond, Virginia

Dear Madam:

Pursuant to your instructions and by authority of § 38.2-1317 of the Code of Virginia, an examination of the affairs and financial condition of

**FLOYD COUNTY MUTUAL FIRE
INSURANCE COMPANY, INCORPORATED**

Floyd, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

DESCRIPTION

The Company is a mutual assessment property and casualty insurer licensed pursuant to Chapter 25 of Title 38.2 of the Code of Virginia. It was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2011. This examination covers the period from January 1, 2012, through December 31, 2014.

HISTORY

The Company was chartered on July 1, 1941. The purpose for which the Company was organized, as defined in its charter, is as follows:

To organize and conduct a mutual fire, lightning, or storm company, which shall have no capital stock, but which is organized and carried on for the benefit of its members, and which pays its losses solely from assessments upon its members without distributing any portion of its profits among its policyholders or members in the shape of dividends, and which confines its business to the State of Virginia.

MANAGEMENT AND CONTROL

Management of the Company is vested in a board of directors consisting of not less than five nor more than nine members of the Company. The bylaws provide for the election of directors at the annual meeting of members. Each director is elected for a term of one year. The bylaws were last revised in 2014.

Officers of the Company include a president, vice president and a secretary-treasurer. The bylaws provide for the election of other officers and agents as deemed necessary and require that the president and vice president be directors of the Company.

The directors and officers of the Company at December 31, 2014, were as follows:

<u>Director</u>	<u>Occupation</u>
Curtis R. Allen	Retired Floyd, Virginia
Lester D. Belcher	Preacher Floyd, Virginia
S. G. Bolt	Retired Willis, Virginia
Lelan R. Cockram	Farmer Roanoke, Virginia
Reece McPeak, Jr	Farmer Radford, Virginia
Kevin B. Phillips	Maintenance Worker Willis, Virginia
Winston R. Poff	Retired Copper Hill, Virginia

Officers

President	S. G. Bolt
Vice President	Reece McPeak, Jr
Secretary-Treasurer	Gina Rakestraw

The board of directors may also select an executive committee of five members, including the president, to possess and discharge all powers of the board of directors during intervals between its meetings. The following members comprised the executive committee at December 31, 2014:

Curtis R. Allen	Reece McPeak, Jr.
S. G. Bolt	Kevin B. Phillips
Lelan R. Cockram	

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2014, the Company had a fidelity bond in force for \$50,000 providing coverage against dishonest acts of the president, vice president and secretary-treasurer. Other insurance coverage included a policy covering home office real estate and contents with \$1,000,000 of business liability insurance.

TERRITORY AND PLAN OF OPERATION

The Company confines its operations to Floyd County, Virginia, with operations divided into six districts represented by five agents. The lines of coverage written include fire and extended coverage, with a combined limit on any one building and its contents not to exceed \$125,000. The Company has no reinsurance.

Rates charged for coverage are based on classifications of property, including residential, farm, church and small business properties. Rates are set by the board of directors and range from \$0.30 to \$0.45 per \$100 of coverage.

Underwriting of applications for insurance is handled by the agents and directors. Approval may be made by any one or more of the directors of the Company. Claims may be settled by an officer, director or agent of the Company subject to appeal to the board of directors by the claimant.

GROWTH OF THE COMPANY

The following data, obtained from annual statements filed with the Bureau of Insurance and from examination reports, indicates the growth of the Company for the ten-year period ending December 31, 2014:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Unassigned Surplus</u>
2005	\$2,140,230	\$98,841	\$2,041,389
2006	2,260,399	104,627	2,155,772
2007	2,372,071	107,819	2,264,252
2008	2,521,111	103,154	2,417,957
2009	2,650,656	102,461	2,548,195
2010	2,717,923	86,660	2,631,263
2011	2,756,888	104,617	2,652,271
2012	2,829,326	91,715	2,737,611
2013	2,886,399	76,711	2,809,688
2014	2,921,159	76,011	2,845,148

<u>Year</u>	<u>Net Assessments Received</u>	<u>Investment Income</u>	<u>Net Losses Paid</u>	<u>Number of Policies</u>	<u>Insurance in Force</u>
2005	\$120,676	\$50,124	\$18,806	1,168	\$31,257,634
2006	129,769	71,353	10,394	1,150	33,092,571
2007	132,658	91,812	46,110	1,133	33,257,046
2008	122,941	86,418	11,615	1,198	32,343,896
2009	122,746	74,907	14,500	1,181	31,933,846
2010	120,135	47,273	32,192	1,163	30,801,596
2011	124,472	39,436	43,068	1,144	31,723,016
2012	112,067	35,610	9,568	606	28,213,635
2013	115,652	39,064	40,615	619	28,956,385
2014	113,912	36,597	56,990	614	29,155,285

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2012, through December 31, 2014. Assets were verified and liabilities were established at December 31, 2014. A review of income and disbursements for the period was made to the extent deemed necessary.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook allows flexibility in the conduct of the examination based upon the nature and size of the entity being examined. This flexibility allows the examiners the ability to structure the examination in the manner best suited for each entity.

For this examination, all accounts and activities of the Company were considered in accordance with the risk-focused examination process.

FINANCIAL STATEMENTS

There follows a statement of income and disbursements for the period under review and a statement of financial condition as of December 31, 2014.

INCOME

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net assessments received	\$112,067	\$115,652	\$113,912
Interest on bonds	23,106	31,433	31,874
Interest on cash deposits	12,504	7,631	4,723
Amounts withheld from employees	3,455	3,189	3,107
Other income	<u>3,259</u>	<u>2,836</u>	<u>2,366</u>
 Total income	 \$154,391	 \$160,741	 \$155,982
 Deduct total disbursements for the year	 <u>82,626</u>	 <u>103,681</u>	 <u>122,057</u>
 Net income	 \$71,765	 \$57,060	 \$33,925
 Add ledger assets December 31, previous year	 <u>2,755,871</u>	 <u>2,827,636</u>	 <u>2,884,696</u>
 Ledger assets December 31, current year	 <u><u>\$2,827,636</u></u>	 <u><u>\$2,884,696</u></u>	 <u><u>\$2,918,621</u></u>

DISBURSEMENTS

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net losses paid	\$9,568	\$40,615	\$56,990
Loss adjustment expense	660	605	770
Commission and brokerage	10,214	8,215	6,936
Gross salaries	15,741	13,186	13,402
Directors' fees	10,445	10,920	11,395
Travel and travel items	2,944	2,649	2,728
Boards, bureaus and associations	928	959	983
Legal and auditing	2,536	1,570	70
Rent, office and equipment maintenance	3,094	3,591	3,601
Advertising	895	830	1,251
Printing and stationery	1,200	1,142	262
Postage, telephone and express	1,191	1,270	1,295
Insurance and fidelity bonds	959	829	2,302
Charitable contributions	7,500	7,500	7,500
Miscellaneous	1,477	1,220	931
Taxes, licenses and fees	1,777	1,577	1,614
Payroll items	9,396	4,937	4,655
Real estate	2,101	2,066	5,372
	<u> </u>	<u> </u>	<u> </u>
Total disbursements	<u>\$82,626</u>	<u>\$103,681</u>	<u>\$122,057</u>

ASSETS

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$2,405,239			\$2,405,239
Cash on deposit	474,869			474,869
Real estate	38,513			38,513
Interest due and accrued		2,538		2,538
Total assets	<u>\$2,918,621</u>	<u>\$2,538</u>	<u>\$0</u>	<u>\$2,921,159</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Payroll items due or accrued	\$817
Taxes, licenses and fees	1,596
Assessments unearned	73,432
Assessments overpaid	<u>166</u>
Total liabilities	\$76,011
Excess of admitted assets over liabilities (surplus)	<u>2,845,148</u>
Total liabilities and surplus	<u>\$2,921,159</u>

RECOMMENDATION FOR CORRECTIVE ACTION**Accounts and Records**

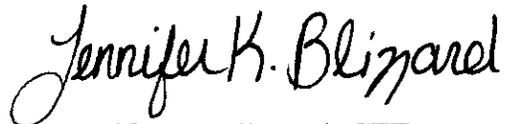
During a review of the 2014 Annual Statement, the Examiners noted the amount of the Company's insurance in force was incorrectly reported in the General Interrogatories. The Examiners recommend the Company ensure that its insurance in force is reported correctly in future filings with the Bureau. This is the third consecutive examination in which a similar recommendation was made.

CONCLUSION

The courteous cooperation extended by the Secretary-Treasurer is hereby acknowledged.

In addition to the undersigned, Allison L. Bohrer of the Bureau participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink that reads "Jennifer K. Blizzard". The signature is written in a cursive, flowing style.

Jennifer K. Blizzard, CFE
Senior Insurance Examiner

S. G. BOLT, PRESIDENT
REECE MCPEAK, JR., VICE PRESIDENT

GINA R. RAKESTRAW, SEC.-TREAS.
540-745-4882

FLOYD COUNTY MUTUAL FIRE INSURANCE COMPANY
P.O. BOX 3
FLOYD, VA 24091

STATE CORPORATION COMMISSION
BUREAU OF INSURANCE
15 MAY 19 AM 8:41

May 15, 2015

David H. Smith, CFE, CPA, CPCU
Chief Examiner
State Corporation Commission
PO Box 1157
Richmond, VA 23218

Dear Mr. Smith:

I would like to respond to the recommendation for corrective action on page 9 of the audit report.

1. The Company will make sure that the reporting of the insurance in force is correctly reported in the future.

I hope I have responded to this recommendation satisfactorily, if not please let me know.

Sincerely



Gina R. Rakestraw
Secretary – Treasurer