

EXAMINATION REPORT
of
PATRICK COUNTY FARMERS MUTUAL
INSURANCE COMPANY
OF VIRGINIA, INCORPORATED
Meadows of Dan, Virginia
as of
December 31, 2019

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
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RICHMOND, VIRGINIA 23219
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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Patrick County Farmers Mutual Insurance Company of Virginia, Incorporated as of December 31, 2019, 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 9th day of September 2020

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
June 25, 2020

Honorable Scott A. White
Commissioner of Insurance
Commonwealth of Virginia
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and in accordance with § 38.2-1317 of the Code of Virginia, we have performed an examination of the financial condition, records and affairs of

**PATRICK COUNTY FARMERS MUTUAL INSURANCE COMPANY
OF VIRGINIA, INCORPORATED**
Meadows of Dan, Virginia,

hereinafter referred to as the Company. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The last examination of the Company was made by representatives of the State Corporation Commission's Bureau of Insurance ("Bureau") as of December 31, 2016. The current examination covers the three year period from January 1, 2017 through December 31, 2019.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook ("Handbook"). The Handbook requires that the Bureau plan and perform the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was granted a charter by the State Corporation Commission on November 3, 1911. The purposes for which it was formed, according to the charter, are as follows:

...to do a fire insurance business on the mutual and assessment plan, and to do any and all things incidental thereto and necessary to carry out the purposes of this incorporation, with all the powers and privileges conferred by and subject to all the conditions and restrictions imposed by the laws of Virginia.

MANAGEMENT AND CONTROL

According to the bylaws, the management of the Company is vested in a board of nine directors, three of whom are elected annually for terms of three years by a majority vote at the meeting of members. The bylaws provide that the board shall elect a president, a secretary and treasurer, an agent or agents, and such additional officers as are deemed necessary. Officers elected must be members of the board of directors and shall serve terms of one year.

Any vacancy on the board of directors may be filled for the unexpired term by the remaining directors. The annual meeting of the board of directors shall be held immediately following the annual meeting of the members.

At December 31, 2019, the directors and officers of the Company were as follows:

<u>Director</u>	<u>Principal Occupation</u>
Margaret S. Barkley	Bookkeeper
Reggie C. Brown	VDOT Worker
Sheila R. Brown	Patrick County Employee
Shannon R. Harrell	Teacher
Gurney H. Royall, II	VDOT Worker
Pamela B. Royall	Secretary/Treasurer

Wilson G. Royall, II	President
R. Blaine Stowe	Transportation
Steven W. Wood	Vice President

<u>Officers</u>	<u>Title</u>
Wilson G. Royall II	President
Steven W. Wood	Vice President
Pamela B. Royall	Secretary/Treasurer

TERRITORY AND PLAN OF OPERATION

The Company is licensed as a mutual assessment property and casualty insurer and operates in the counties of Carroll, Floyd, Franklin, Henry and Patrick and also in the city of Martinsville, Virginia.

Applications for insurance are solicited by the secretary-treasurer of the Company, who also functions as the sole general agent. If approved after review by two directors, a perpetual policy is issued covering the hazards of fire, lightning and wind. An annual premium ranging from \$0.49 to \$1.11 per \$100 of insurance is charged, according to its risk classification. Each policy issued is subject to a minimum annual premium of \$10.00 for maintaining the insurance in force. The maximum risk accepted is the lesser of \$25,000 or three-fourths of the actual cash value. Except for livestock, the Company is not liable for the first \$200 of damage on the insured property.

Insured property is classified in one of nine categories and assessments are levied annually beginning in January of each year. If a policy is issued subsequent to January, the assessment is prorated to the end of the year.

Losses are investigated by one or more directors who report their findings to the secretary-treasurer. The president and the secretary-treasurer, after reviewing the investigation, will then authorize a claims disbursement. Minor claims may be settled by the president and secretary-treasurer in the absence of an investigation by other directors. Directors are compensated \$50, plus a mileage allowance, for each loss investigated.

GROWTH OF THE COMPANY

The following data, obtained from the Company's Annual Statements filed with the Bureau and from examination reports, indicate the growth of the Company during the ten year period ending December 31, 2019:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>
2010	\$388,904	\$1,681	\$387,223
2011	394,835	2,323	392,512
2012	390,137	3,354	386,783
2013	387,287	2,160	385,127
2014	363,707	2,298	361,409
2015	363,800	1,605	362,195
2016	328,329	1,659	326,670
2017	318,773	2,540	316,233
2018	311,819	2,569	309,250
2019	306,952	1,518	305,434

<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>
2010	\$29,048	\$6,767	\$26,600	239	\$4,090,375
2011	30,083	5,074	379	212	4,364,355
2012	32,431	4,820	11,388	227	4,104,875
2013	29,887	3,200	5,100	207	3,813,875
2014	28,625	2,670	25,600	187	3,687,925
2015	27,662	2,673	0	174	3,540,825
2016	25,960	2,960	34,561	181	3,296,900
2017	24,089	3,281	9,800	170	3,123,225
2018	23,338	3,215	5,917	171	2,976,225
2019	19,679	4,833	0	167	2,611,725

FINANCIAL STATEMENTS

The following statutory financial statements present the financial condition of the Company for the period ending December 31, 2019. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2019.

INCOME FOR PERIOD UNDER REVIEW

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net assessments received	\$24,089	\$23,338	\$19,679
Interest on bonds	3,281	3,215	4,833
Reconciling amounts	<u>2,874</u>	<u>2,880</u>	<u>2,880</u>
 Total income	 \$30,244	 \$29,433	 \$27,392
 Deduct total disbursements	 <u>40,495</u>	 <u>37,810</u>	 <u>32,565</u>
 Net income	 (\$10,251)	 (\$8,377)	 (\$5,173)
 Add ledger assets December 31, previous year	 <u>327,695</u>	 <u>317,444</u>	 <u>309,067</u>
 Ledger assets December 31, current year	 <u><u>\$317,444</u></u>	 <u><u>\$309,067</u></u>	 <u><u>\$303,894</u></u>

DISBURSEMENTS FOR PERIOD UNDER REVIEW

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net losses paid	\$9,800	\$5,917	\$0
Commissions and brokerage	266	11	221
Gross salaries	20,000	20,000	20,000
Directors' fees	250	300	300
Boards, bureaus and associations	200	200	250
Legal and auditing, not in connection with losses	50	50	50
Rent, office and equipment maintenance	2,500	2,500	2,500
Advertising	50		50
Printing and stationery	160		32
Postage, telephone and express	1,567	1,593	1,729
Insurance and fidelity bonds	463	1,089	463
Miscellaneous	476	557	131
Taxes, licenses and fees	1,092	1,035	1,341
Payroll items	3,615	4,558	5,498
Decrease by adjustment in book value of ledger assets	<u>6</u>		
Total disbursements	<u><u>\$40,495</u></u>	<u><u>\$37,810</u></u>	<u><u>\$32,565</u></u>

ASSETS

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$296,958			\$296,958
Cash in office	70			70
Cash on deposit	6,866			6,866
Interest due and accrued on bonds		3,058		3,058
Total assets	<u>\$303,894</u>	<u>\$3,058</u>	<u>\$0</u>	<u>\$306,952</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Payroll items due or accrued	\$103
Other expenses due	50
Insurance & Fidelity Bond	464
Taxes, licenses and fees	<u>901</u>
Total liabilities	\$1,518
Excess of admitted assets over liabilities (surplus)	<u>305,434</u>
Total liabilities and surplus	<u>\$306,952</u>

EXAMINERS' CHANGES IN SURPLUS

	<u>Amount per Company</u>	<u>Amount per Examiners</u>	<u>Increase (Decrease) in Surplus</u>
<u>Liabilities</u>			
Taxes, licenses and fees	\$950	\$901	\$49
Examiners' net increase in surplus			<u><u>\$49</u></u>
Surplus as regards policyholders per Examiners			\$305,434
Surplus as regards policyholders per Company			<u>305,385</u>
Examiners' net increase in surplus			<u><u>\$49</u></u>

RECOMMENDATIONTaxes, Licenses and Fees\$901

The above liability is \$49 less than the amount reported in the Company's 2019 Annual Statement. As noted above, the decrease is the result of the Company including a premium assessment that was not applicable. The Examiners recommend that the Company correctly report Taxes, Licenses and Fees in future filings.

ACKNOWLEDGMENT

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

Respectfully submitted,

Jennifer K. Blizzard

Jennifer K. Blizzard, CFE, AIM, AIAF
Insurance Principal Financial Analyst

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THE PATRICK COUNTY FARMERS
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General Office
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August 22, 2020

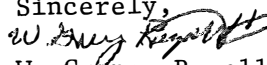
Bureau of Insurance
P O Box 1157
Richmond, VA 23218

RE: Written response of the examination report as of December 31, 2019.

Dear ~~Mr. David H. Smith, ACFE, CPA, CPCU~~

The Patrick County Farmers Mutual Insurance Company of VA, Inc. will correctly report Taxes, Licenses and Fees in future filings. The officers appreciate the dedication and helpfulness of the examiners and staff of the commission.

The company will need five copies for the directors. Thank-you for all of the help.

Sincerely,

W. Gurney Royall II, President
Patrick County Farmers Mutual Ins. of VA Inc.