

**EXAMINATION REPORT
ON
FARMERS MUTUAL FIRE INSURANCE COMPANY
OF
SCOTT, LEE AND RUSSELL COUNTY, VIRGINIA
Nickelsville, 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
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Farmers Mutual Fire Insurance Company of Scott, Lee, and Russell County, Virginia 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 10th day of December 2020

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
August 14, 2020

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

Dear Sir:

Pursuant to your instructions and by authority of Section 38.2-1317 of the Code of Virginia, a financial examination of the records and affairs of the

**FARMERS MUTUAL FIRE INSURANCE COMPANY OF SCOTT, LEE AND
RUSSELL COUNTY, VIRGINIA**
Nickelsville, Virginia

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

SCOPE

The last examination of the Company was made by representatives of the State Corporation Commission's Bureau of Insurance as of December 31, 2016. The examination covers the period from January 1, 2017 through December 31, 2019. Assets were verified and liabilities were established at December 31, 2019.

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.

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 is a mutual assessment property and casualty insurer. The Company was chartered by the State Corporation Commission on July 22, 1931, and has been in continuous operation since that time. According to the charter, the purpose for which the Company was formed is as follows:

...to insure its members against loss or damage to their property by fire, lightning or windstorm of any description, by assessment of its members in accordance with the statutes of the State of Virginia for such cases made and provided.

The policy form remains unchanged from the original. The bylaws were last amended in 2015 to reflect a salary increase of the Secretary-Treasurer.

MANAGEMENT AND CONTROL

The management of the Company is vested in a board of nine directors who must be members of the Company. Directors are elected for terms of one year by a majority of members present at the Company's annual meeting held the fourth Saturday in August. Directors are required by the bylaws to meet after the annual meeting of members and in March of each year, in addition to any special meetings.

The president, vice-president, and secretary-treasurer are elected annually by directors for terms of one year.

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

<u>Directors</u>	<u>Principal Occupation</u>
I. E. Horton	President of the Company/Farmer Blackwater, Virginia
Johnny Odle	Vice-President of the Company/Agent Nickelsville, Virginia
Gail McConnell	Teacher Fort Blackmore, Virginia

Teresa O. McMurray	Farmer Bristol, Virginia
Larry Horton	Farmer Blackwater, VA
Daris Hartsock	Retired Gate City, Virginia
Dwain Reed	Retired Gate City, VA
Phillip Lane	Police Officer Fort Blackmore, VA
Rita S. Perry	Retired Fort Blackmore, VA

Officers

I. E. Horton	President
Johnny Odle	Vice President
Lola Dean	Secretary-Treasurer

TERRITORY AND PLAN OF OPERATION

The Company is licensed as a mutual assessment fire insurance company and operates as such in the counties of Scott, Lee and Russell in Virginia. The bylaws limit coverage to two-thirds of the actual cash value of the property not to exceed \$30,000 per risk. There is a \$300 deductible applied to each loss. Rates are \$0.60 per \$100 of coverage for new policies and \$0.45 per \$100 of coverage for renewals.

Business is solicited by agents elected by the members of the Company. Underwriting of risks is conducted by the agents, who are responsible for inspection and appraisal of the property, in conjunction with the approval of the director nearest the location of the property. In approving the application the director assumes responsibility for suitability of the risk and fairness of the value of the property.

Assessments are ordered by the president. The rate of assessment was last changed in 1989. The Company does not classify risks and has no reinsurance coverage. Claims are handled by the Company's agents, a nearby director and/or the secretary-treasurer,

depending upon the extent of loss. All claim settlements are subject to approval of the president.

GROWTH OF THE COMPANY

The following data, obtained from annual statements filed with the Bureau and from examination reports, indicates the growth of the Company for the ten-year period ending December 31, 2019:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Unassigned Surplus</u>			
2010	\$505,822	\$11,298	\$494,524			
2011	524,027	12,001	512,026			
2012	501,978	10,155	491,823			
2013	540,835	10,694	530,141			
2014	524,616	10,047	514,569			
2015	526,218	9,205	517,013			
2016	513,827	8,924	504,903			
2017	501,975	9,019	492,956			
2018	509,126	9,685	499,441			
2019	519,752	9,284	510,468			

<u>Year</u>	<u>Net Assessments</u>	<u>Investment Income</u>	<u>Net Losses Paid</u>	<u>Number of Policies</u>	<u>Insurance In force</u>
2010	\$24,498	\$11,096	\$0	368	\$5,351,450
2011	24,612	9,900	0	401	4,889,050
2012	20,750	4,381	0	373	4,648,200
2013	20,720	3,276	0	351	4,327,700
2014	20,881	3,068	22,700	355	4,371,350
2015	18,064	3,367	2,000	335	4,165,350
2016	18,019	3,541	19,700	334	4,158,350
2017	17,992	3,925	19,700	327	4,123,050
2018	18,508	3,780	603	333	4,205,000
2019	18,311	8,946	0	313	4,042,000

FINANCIAL STATEMENTS

The following 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 THE PERIOD UNDER REVIEW

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net assessments received	\$17,992	\$18,508	\$18,311
Interest on cash deposits	3,925	3,780	8,946
Other income			380
	<u>21,917</u>	<u>22,288</u>	<u>27,637</u>
Total Income			
Deduct total disbursements for the year	<u>33,769</u>	<u>15,137</u>	<u>17,011</u>
Net Income	(\$11,852)	\$7,151	\$10,626
Add Ledger Assets December 31, previous year	<u>513,827</u>	<u>501,975</u>	<u>509,126</u>
Ledger Assets December 31, current year	<u><u>\$501,975</u></u>	<u><u>\$509,126</u></u>	<u><u>\$519,752</u></u>

DISBURSEMENTS FOR THE PERIOD UNDER REVIEW

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Losses Paid	\$19,700	\$603	\$0
Commission and brokerage	827	1,380	1,454
Gross salaries	4,100	4,100	4,100
Directors' fees	1,500	1,600	1,600
Travel and travel items	34	26	186
Boards, bureaus and associations	123		25
Legal and auditing	4,800	4,800	4,800
Outside inspection, loss prevention and survey			10
Rent, office and equipment maintenance	226	282	
Advertising	72	108	36
Postage, telephone and express	670	839	254
Insurance and fidelity bonds	525		
Data processing	30		
Telephone and miscellaneous			547
Taxes, licenses and fees	769	1,050	779
Premium Refund		48	
Other: Christmas dinner	224	241	290
Other: Safe Deposit Box		25	25
Other: Annual Corporate Fee		25	
Other: CD Early withdrawal penalty			2,905
Other : Agent Renewal Fee	169	10	
Total disbursements	<u>\$33,769</u>	<u>\$15,137</u>	<u>\$17,011</u>

ASSETS

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Cash on deposit	\$519,752			\$519,752
Total	<u>\$519,752</u>	<u>\$0</u>	<u>\$0</u>	<u>\$519,752</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Taxes, licenses and fees	\$183
Assessment for Maintenance of Bureau of Insurance	592
Assessments unearned	<u>8,509</u>
Total liabilities	\$9,284
Excess of admitted assets over liabilities (surplus)	<u>510,468</u>
Total	<u>\$519,752</u>

ACKNOWLEDGEMENT

The courteous cooperation extended by the secretary-treasurer during the examination is gratefully acknowledged.

Respectfully submitted,

Mario A Cuellar

Mario A. Cuellar, CFE
Senior Insurance Examiner

I.E. HORTON
President
276-940-2463

JOHNNY ODLE
Vice President
276-467-1396

Farmers Mutual Fire Insurance Company, Inc. Of Scott, Lee and Russell County, VA

LOLA DEAN
Secretary-Treasurer
P.O. Box 294
Gate City, VA 24251
276-690-2517

Mr. David H. Smith, CFE, CPA, CPCU
CHIEF EXAMINER
COMMONWEALTH OF VIRGINIA
BUREAU OF INSURANCE
P. O. BOX 1157
RICHMOND, VIRGINIA 23218

NOVEMBER 20, 2020

THANK YOU VERY MUCH FOR SENDING THE DRAFT OF THE EXAMINATION REPORT FOR THE FARMERS MUTUAL FIRE INSURANCE COMPANY OF SCOTT, LEE AND RUSSELL COUNTY, VIRGINIA FOR YEAR ENDING DECEMBER 31, 2019.

I HAVE PRINTED OFF TWO COPIES AND THIS WILL BE PRESENTED AT OUR MEETING THE FIRST FRIDAY IN DECEMBER, 2020.

THANK YOU,

LOLA M. DEAN
SECRETARY & TREASURER

CC. Mario.Cuellar@acc.virginia.gov.