

EXAMINATION REPORT
on
ROCKBRIDGE MUTUAL FIRE INSURANCE COMPANY
LEXINGTON, VIRGINIA
as of
DECEMBER 31, 2020

COMMONWEALTH OF VIRGINIA



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

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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 Rockbridge Mutual Fire Insurance Company as of December 31, 2020, 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 16th day of June 2021

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
April 29, 2021

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

Dear Sir:

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

ROCKBRIDGE MUTUAL FIRE INSURANCE COMPANY
Lexington, 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, 2017. The current examination covers the three-year period from January 1, 2018 through December 31, 2020.

The 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 chartered by the State Corporation Commission on October 26, 1911 and has been in continuous operation since that time. The articles of incorporation were restated in 1954 and 1972. The purpose for which the Company was organized according to its articles of incorporation is as follows:

“The conduct of a mutual assessment fire insurance business, within the widest definition of section 38.1-659, Code of Virginia of 1950, as amended from time to time.”

MANAGEMENT AND CONTROL

According to the Company’s bylaws, which were last restated in 2016, management is vested in a board of directors of five persons including the president and the vice president. Directors are elected at the annual meeting of the Company held in February of each year. The president is a director and is elected annually for a term of one year. Each director represents a district, two of whom are elected each year for a three-year term. The board elects the president and vice president and appoints the secretary-treasurer. At December 31, 2020, the directors and officers were as follows:

<u>Directors</u>	<u>Principal Occupation</u>
Sean J. Duncan	Teacher Fairfield, Virginia
Rebecca L. Flint	Retired Glasgow, Virginia
John R. Lewis	Retired Natural Bridge, Virginia
C. Michael Sandridge	Retired Raphine, Virginia
Justin L. Thompson	Sales Associate Goshen, Virginia

Officers

C. Michael Sandridge	President
Justin L. Thompson	Vice President
Amber Johnston	Secretary
Myrna C. Johnston	Treasurer

TERRITORY AND PLAN OF OPERATION

The Company is licensed to operate as a mutual assessment property and casualty insurer throughout the Commonwealth of Virginia. However, it confines its business to the counties of Rockbridge, Augusta, Alleghany, Amherst, Bath and Botetourt and the cities of Lexington and Buena Vista.

The Company writes a basic policy which includes fire, lightning and extended coverage, excluding the perils of windstorm and hail. If windstorm and hail coverage is desired, it is available for an additional assessment on dwellings and outbuildings with a \$1,000 deductible clause.

Insurance written is limited to a minimum of \$500 and a minimum period of six months. Coverage is limited only by the amount facultative reinsurers will accept.

Inquiries regarding insurance are generally referred to the district director who takes the application, inspects the property and makes his recommendation to the board. Policies to be issued require review by the entire board.

Assessments are made semi-annually, in advance, by the board of directors on the first of January and July. Policies are canceled for non-payment 15 days after the expiration date. Rates charged for insurance coverage are set by the board of directors and are based on 11 classifications of property. Generally, semi-annual rates charged for fire coverage range from \$0.15 per \$100 for masonry dwellings and their contents to \$0.65 per \$100 for frame commercial buildings. Rates for windstorm and hail coverage range from \$0.13 per \$100 on dwellings to \$0.53 per \$100 on trailers.

All claims are settled by review and approval of the board of directors. Normally, each director handles claims within his district. However, for larger losses, an independent adjuster may be hired.

REINSURANCE

The Company had the following reinsurance agreements in force at December 31, 2020:

Ceded:

<u>Type of Agreement</u>	<u>Business Covered</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Property First Surplus Reinsurance	Property	\$10,000	Five times the Company's net retention, up to \$50,000 on any one risk. In addition, the Company can submit a request for special acceptance for additional coverage outside the scope of this agreement.
Property Facultative Pro-Rata Reinsurance	Property	\$10,000	Maximum cession up to \$300,000 on any one risk. In addition, the Company can submit a request for special acceptance for additional coverage outside the scope of this agreement.
Aggregate Excess of Loss Reinsurance	Property	\$3.75 per \$1,000 of Average Net Fire Insurance in Force	100% of Ultimate Net Loss over and above initial Ultimate Net Loss equal to \$3.75 per \$1,000 of Average Net Fire Insurance in Force, subject to limit of liability to Reinsurer of 100% of \$86.00 per \$1,000 of Average Net Fire Insurance in Force.

All reinsurance agreements contain an insolvency clause.

GROWTH OF THE COMPANY

The following data, obtained from Annual Statements filed with the Bureau and previous examination reports, reflects the growth of the Company for the ten-year period ending December 31, 2020:

<u>Year</u>	<u>Net Assessments Received</u>	<u>Investment Income</u>	<u>Net Losses Paid</u>
2011	\$84,655	\$8,739	\$28,561
2012	82,069	7,016	17,234
2013	76,428	6,740	11,054
2014	81,294	7,385	10,451
2015	81,504	7,043	10,208
2016	83,989	7,113	3,853
2017	84,484	7,656	0
2018	84,448	8,465	25,900
2019	84,136	8,621	10,778
2020	81,708	6,973	1,002

<u>Year</u>	<u>Number of Policies</u>	<u>Insurance In Force</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus As Regards Policyholders</u>
2011	726	\$47,112,750	\$426,833	\$8,789	\$418,044
2012	706	46,401,100	422,721	8,226	414,495
2013	690	44,400,800	422,093	7,657	414,436
2014	681	44,668,400	428,709	8,269	420,440
2015	663	43,851,350	436,105	8,171	427,934
2016	651	44,211,100	447,004	8,325	438,679
2017	640	45,411,600	463,441	8,778	454,663
2018	621	43,370,000	454,095	10,244	443,851
2019	619	43,651,100	461,306	10,610	450,696
2020	590	42,645,500	465,256	10,612	454,644

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Company for the period ending December 31, 2020. An examination adjustment made to the statutory financial statements filed to the Bureau has been incorporated into these financial statements and is noted in the Examiners' Changes in Surplus statement. A description of the examination adjustment is included in the Recommendations for Corrective Action section of the report.

INCOME FOR THE PERIOD UNDER REVIEW

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net assessments received	\$84,448	\$84,136	\$81,708
Interest on cash deposits	8,465	8,621	6,973
Reconciling amounts			
Social security	4,162	4,171	4,690
Federal withholding	5,100	7,200	6,934
State withholding	600	600	1,160
Other income	<u>29</u>		
 Total Income	 \$102,804	 \$104,728	 \$101,465
 Deduct total disbursements for the year	 <u>112,150</u>	 <u>97,517</u>	 <u>97,589</u>
 Net Income	 (\$9,346)	 \$7,211	 \$3,876
 Add Ledger Assets December 31, previous year	 <u>463,441</u>	 <u>454,095</u>	 <u>461,306</u>
 Ledger Assets December 31, current year	 <u><u>\$454,095</u></u>	 <u><u>\$461,306</u></u>	 <u><u>\$465,182</u></u>

DISBURSEMENTS FOR THE PERIOD UNDER REVIEW

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net losses paid	\$25,900	\$10,778	\$1,002
Loss adjustment expense	96	58	104
Net commission and brokerage	3,568	5,225	5,013
Gross salaries	44,299	43,815	50,111
Directors' fees	6,183	5,332	6,032
Boards, bureaus and associations	400	398	379
Legal and auditing	1,050	1,000	950
Rent, office and equipment maintenance	5,080	5,816	6,901
Advertising	1,742	2,145	2,082
Postage, telephone and express	2,745	980	1,847
Insurance and fidelity bonds	2,875	2,854	2,884
Charitable contributions	100		
Personal property tax	15	15	15
Taxes, licenses and fees	3,907	2,792	2,763
Payroll items	<u>14,190</u>	<u>16,309</u>	<u>17,506</u>
 Total disbursements	 <u>\$112,150</u>	 <u>\$97,517</u>	 <u>\$97,589</u>

ASSETS

	<u>Ledger</u> <u>Assets</u>	<u>Non-</u> <u>Ledger</u> <u>Assets</u>	<u>Assets</u> <u>Not</u> <u>Admitted</u>	<u>Net</u> <u>Admitted</u> <u>Assets</u>
Cash in company's office	\$200			\$200
Cash on deposit	463,261			463,261
Ceded reinsurance recoverable		74		74
Federal tax recoverable	1,721			1,721
Totals	<u>\$465,182</u>	<u>\$74</u>	<u>\$0</u>	<u>\$465,256</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Payroll items due or accrued	\$177
Taxes, licenses and fees	2,679
Assessments unearned	<u>7,756</u>
Total liabilities	\$10,612
Excess of admitted assets over liabilities	<u>454,644</u>
Totals	<u>\$465,256</u>

EXAMINERS' CHANGES IN SURPLUS

	<u>Amount per Company</u>	<u>Amount per Examiners</u>	<u>Increase (Decrease) in Surplus</u>
<u>Liabilities</u>			
Unearned premiums	\$7,556	\$7,756	(\$200)
Examiners' net increase (decrease) in surplus			<u>(\$200)</u>
Surplus as regards policyholders per Examiners			\$454,644
Surplus as regards policyholders per Company			<u>454,844</u>
Examiners' net increase (decrease) in surplus			<u>(\$200)</u>

RECOMMENDATION FOR CORRECTIVE ACTIONUnearned Premiums\$ 7,756

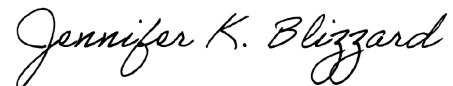
The above liability, as reported in the 2020 Annual Statement, has been increased by \$200. The Company records premiums at the beginning of the year and then again mid-year. The unearned amount is for premiums received prior to the next assessment invoice. The Examiners recommend that the Company ensure the premiums received in advance are recorded accurately.

ACKNOWLEDGEMENT

The courteous cooperation extended by the officers and employees of the Company during the course of the examination was sincerely appreciated.

In addition to the undersigned, Mario A. Cuellar, CFE, participated in the work of the examination.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jennifer K. Blizzard".

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

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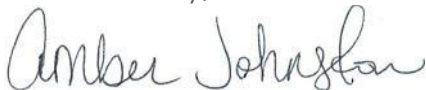
Recommendation for Corrective Action – Response

6/9/2021

Rockbridge Mutual Fire Insurance Company acknowledges that there was an error in the 2020 Annual Statement in the amount of \$200. It is my belief that this was written incorrectly.

As the Secretary/Treasurer of this company it is my responsibility to ensure that all numbers are reported correctly and I plan to use an excel spreadsheet to help me keep my records in order to the best of my abilities. Specifically, the “next assessment” amount where the mistake was made.

Thank you,
Amber Johnston
Secretary/Treasurer



C. Michael Sandridge
President

