

EXAMINATION REPORT
on
PULASKI AND GILES MUTUAL INSURANCE COMPANY
Rich Creek, Virginia
as of
December 31, 2020

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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 Pulaski and Giles Mutual 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 3rd day of August 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
June 21, 2021

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

PULASKI AND GILES MUTUAL INSURANCE COMPANY
Rich Creek, Virginia

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

SCOPE OF THE EXAMINATION

The Company was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2017. This examination covers the three-year period from January 1, 2018, through December 31, 2020.

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 is a mutual assessment property and casualty insurance company licensed under and subject to Chapter 25 of Title 38.2 of the Code of Virginia. The Company was organized on March 28, 1896, under the authority of a charter granted to the Mutual Association, which had the power to create divisions for the purpose of mutual insurance against loss by fire, wind, and lightning. The Company obtained a separate charter, which was approved by an Act of the General Assembly of Virginia on February 28, 1900. This charter was subsequently amended by an Act approved on March 2, 1900.

According to its charter, the purpose for which the Company was formed is as follows:

...to mutually insure such dwelling-houses, barns and other buildings, also household goods, live stock, and other personal property as it may prescribe, against loss by fire, wind, or lightning, upon such terms and under such conditions as are hereinafter mentioned or may be fixed by the By-Laws of this Company; for the government of said Company in the conduct of its business, not inconsistent with the laws of this State or the United States.

On September 29, 2016, the Company entered into an affiliation with Farmers and Mechanics Mutual Insurance Company of West Virginia (Farmers). As part of the agreement, Farmers performs all management, administrative, underwriting, claims and policyholder servicing duties on behalf of the Company in exchange for a management fee.

On December 31, 2017, the Company completed a merger with Dan River Mutual Fire Insurance Company (Dan River). Dan River was also a mutual assessment property and casualty insurance company licensed under and subject to Chapter 25 of Title 38.2 of the Code of Virginia. The Company remained as the surviving entity after the merger.

MANAGEMENT AND CONTROL

According to the bylaws, management of the Company is vested in a board of five directors. At each annual meeting the members elect up to two-fifths of the board. The directors are elected for a term of three years. The Company officers are the president, vice president, secretary, and treasurer. The president and vice president must be separate individuals, must be members, and are part of the board. However, the secretary and treasurer may be the same individual and need not be members or part of the Board. If the

secretary or treasurer are elected and are not board members, they will be considered non-voting, ex-officio members of the board. A board of directors meeting is held annually following the conclusion of the members meeting. Additional meetings may be called by the president, secretary, or two or more members of the board. At least three directors must be present at a meeting in order to constitute a quorum for the transaction of business. The bylaws were last revised in 2016.

At December 31, 2020, Company directors and officers were as follows:

<u>Director</u>	<u>Principal Occupation</u>
Foster L. Sirbaugh, Jr	President and Chief Executive Officer Farmers
Daniel R. Otto	Senior Vice President and Chief Financial Officer Farmers
James Patrick Whitacre	Self-employed Contractor Board of Director-Farmers
Michelle W. Delung	Executive Manager Rich Creek Development
Jason B. Buckland	Attorney and Owner Buckland Law Firm

<u>Officers</u>	<u>Title</u>
Foster L. Sirbaugh, Jr	President
Daniel R. Otto	Vice President
Michelle W. Delung	Secretary
Daniel R. Otto	Treasurer

TERRITORY AND PLAN OF OPERATION

The Company writes insurance throughout the State of Virginia and currently writes Homeowners, Mobile Homeowners, Farm Owners, Farm Fire, and Dwelling Fire policy forms.

New business is primarily solicited by independent agents who quote the insurance and submit applications to the Company for approval. A significant portion of the Company's older policies are still serviced by the Company directly. The Company cedes all property exposure over \$30,000 per risk and it cedes 100% of liability exposures. The Company also maintains reinsurance that cedes up to \$500,000 in losses in excess of a 65% loss ratio.

Claims adjustment is handled by Farmers through the affiliation agreement executed between the two companies.

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, 2020:

<u>Year</u>	Net <u>Admitted</u> <u>Assets</u>	<u>Liabilities</u>	Unassigned <u>Surplus</u>
2011	\$1,183,286	\$96,376	\$1,086,910
2012	1,194,671	93,444	1,101,227
2013	1,208,999	93,199	1,115,800
2014	1,174,410	92,812	1,081,598
2015	1,147,718	92,234	1,055,484
2016	1,146,110	99,091	1,047,019
2017 *	1,968,258	332,137	1,636,121
2018	1,730,983	147,472	1,583,511
2019	1,834,535	163,605	1,670,930
2020	2,022,690	221,174	1,801,516

<u>Year</u>	Net <u>Assessments</u>	Investment <u>Income</u>	Net Losses <u>Paid</u>	Number of <u>Policies</u>	Insurance <u>in Force</u>
2011	\$98,350	\$17,341	\$117,975	721	\$26,007,800
2012	96,027	13,638	39,513	696	25,407,800
2013	96,350	12,279	38,508	681	25,264,500
2014	95,661	10,010	770	668	25,441,700
2015	95,024	9,935	70,875	657	25,442,550
2016	90,989	11,121	23,598	621	24,434,450
2017 *	117,476	10,789	29,443	705	36,755,237
2018	94,982	30,653	17,453	650	42,627,006
2019	122,349	52,013	70,835	657	48,564,681
2020	161,707	130,052	18,532	682	65,405,656

*- Reflects merger of Dan River into Company results.

REINSURANCE

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

<u>Lines Covered</u>	<u>Type of Contract</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits</u>
Property	Property Per Risk Excess of Loss	\$30,000	\$470,000 per risk, \$1,410,000 per occurrence
Casualty	Casualty Quota Share of Loss	\$0	\$1,000,000 max for line
Property	Aggregate Excess of Loss	100% of Ultimate Net Loss amount equal to less than 65% of Gross Net Earned Premium Income	100% of 500,000 in Ultimate Net Loss in excess of 65% of Gross Net Earned Premium Income
Property (Facultative)	Property Facultative Per Risk Excess of Loss	100% of Ultimate Net Loss equal to less than \$300,000 each risk, each loss	100% of Ultimate Net Loss in excess of \$500,000 each loss, each risk, subject to a limit of \$1,000,000 each loss, each risk

All reinsurance is placed through Guy Carpenter & Company, LLC, a reinsurance intermediary.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the company for the period ending December 31, 2020. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending in December 31, 2020.

INCOME

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net assessments received	\$94,982	\$122,349	\$161,707
Interest on bonds	14,973	9,391	13,912
Interest on cash deposits	13,623	18,708	3,026
Dividends on stocks	2,057	8,394	18,837
Gain on sale of investments		15,520	94,277
Other income	<u>2,187</u>	<u>708</u>	<u>1,813</u>
 Total income	 \$127,822	 \$175,070	 \$293,572
 Deduct total disbursements for the year	 <u>331,390</u>	 <u>172,624</u>	 <u>151,314</u>
 Net income	 (\$203,568)	 \$2,446	 \$142,258
 Add ledger assets December 31, previous year	 <u>1,966,951</u>	 <u>1,763,383</u>	 <u>1,765,829</u>
 Ledger assets December 31, current year	 <u><u>\$1,763,383</u></u>	 <u><u>\$1,765,829</u></u>	 <u><u>\$1,908,087</u></u>

DISBURSEMENTS

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net losses paid	\$17,453	\$70,835	\$18,532
Loss adjustment expense	3,945	5,383	4,284
Commission and brokerage	4,067	8,338	15,377
Gross salaries	8,339	9,530	11,515
Directors' fees	42,375	21,000	21,000
Travel and travel items	2,560	432	359
Boards, bureaus and associations	3,740	9,036	10,025
Legal and auditing	8,149	2,500	
Outside inspection, loss prevention, and survey services	5,336	1,885	2,756
Furniture, fixtures and equipment	22	57	36
Rent, office and equipment maintenance	5,723	947	1,224
Advertising		1,451	275
Printing and stationery	1,208	188	1,236
Postage, telephone and express	692	856	743
Insurance and fidelity bonds	354	368	426
Data processing	217,633	31,212	51,164
Charitable contributions	600		
Taxes, licenses and fees	4,812	4,937	7,279
Payroll items	626	702	828
Other employee benefits	1,698	2,125	2,355
Decrease by adjustment in book value of ledger assets		225	322
Other	2,058	617	1,578
Total disbursements	<u>\$331,390</u>	<u>\$172,624</u>	<u>\$151,314</u>

ASSETS

	Ledger Assets	Non- Ledger Assets	Assets Not Admitted	Net Admitted Assets
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Bonds	\$575,736			\$575,736
Common stocks	773,542	110,091		883,633
Cash on deposit	539,699			539,699
Interest due and accrued		4,512		4,512
Assessments due	19,110			19,110
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$1,908,087</u>	<u>\$114,603</u>	<u>\$0</u>	<u>\$2,022,690</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Net unpaid losses	\$36,002
Loss adjustment expenses unpaid	500
Fees or commissions payable	4,361
Other expenses due or accrued	27,913
Taxes, licenses and fees	4,421
Ceded reinsurance balances payable	19,832
Assessments unearned	125,312
Advance premium	2,833
	<u> </u>
Total liabilities	\$221,174
Excess of admitted assets over liabilities (surplus)	1,801,516
	<u> </u>
Total liabilities and surplus	<u>\$2,022,690</u>

ACKNOWLEDGMENT

The courteous cooperation extended by the Secretary-Treasurer during the examination is gratefully acknowledged.

In addition to the undersigned, Jennifer K. Blizzard, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

Mario A Cuellar

Mario A. Cuellar, CFE
Senior Insurance Examiner



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July 29, 2021

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

RE: Acknowledgement of receipt of Pulaski and Giles Mutual Insurance Company Examination Report

Dear Mr. Smith,

Pulaski and Giles Mutual Insurance Company acknowledges receipt of the Pulaski and Giles Mutual Insurance Company Examination Report.

Thank you for your efforts in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Otto', is positioned above the typed name.

Daniel R. Otto,
Vice President/Treasurer
Pulaski and Giles Mutual Insurance Company