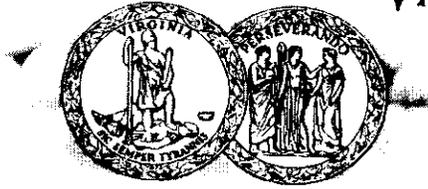


EXAMINATION REPORT
on
PULASKI AND GILES MUTUAL INSURANCE COMPANY
Rich Creek, Virginia
as of
December 31, 2014

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 Pulaski and Giles Mutual 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 22nd day of May, 2015

A handwritten signature in cursive script that reads "Jacqueline K. Cunningham".

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
March 13, 2015

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

Dear Madam:

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.

DESCRIPTION

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. 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 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-

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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.

MANAGEMENT AND CONTROL

According to the bylaws, management of the Company is vested in a board of not less than five, but no more than nine directors. Each director represents a district and is elected by the district members. At December 31, 2014, the board consisted of six directors, two from Pulaski County and four from Giles County. The directors are elected for a term of one year at the annual membership meeting. The Company officers are the president, vice president, and secretary-treasurer. The secretary-treasurer must be a director and may be from either of the two counties. A board of directors meeting is held yearly and at such other times as the president deems necessary. A majority of directors present constitutes a quorum for the transaction of business at board meetings. The bylaws were last revised in 2013.

At December 31, 2014, Company directors and officers were as follows:

<u>Director</u>	<u>Principal Occupation</u>
Michelle W. Delung	Homemaker
Rodney T. Shelburne	Farmer
Clate M. Dolinger	Barber
Jesse E. Wilson	Retired
J.B. Buckland	Farmer
John E. Beahm	Livestock Inspector
<u>Officers</u>	<u>Title</u>
Rodney T. Shelburne	President
Clate M. Dolinger	Vice President
J. B. Buckland	Secretary-Treasurer

FIDELITY BOND

The Company maintained fidelity insurance in force at year-end in the amount of \$100,000 providing coverage against losses resulting from fraudulent or dishonest acts of the company officers.

TERRITORY AND PLAN OF OPERATION

The Company operates exclusively in Pulaski and Giles Counties, where insurance is written against losses from fire, lighting, and wind.

Business is solicited by the directors, who are responsible for the inspection of the property. If the application is approved, a policy is issued bearing the signatures of the president and secretary-treasurer. No single risk is insured for more than 100% of its cash value or \$100,000, whichever is the lesser. The Company's bylaws require each applicant to pay an entrance fee. These fees are currently set at \$.50, \$.75, or \$1.00 per \$100 of insurance, depending upon the classification of risk. Subsequent assessments are levied annually in advance according to the classifications.

Claims are adjusted by the director in whose district the loss occurred. A provision in the Company's bylaws permits a director to adjust losses up to \$5,000. If any loss is over \$5,000 but not more than \$10,000, any two directors may make the adjustment. Three directors are necessary to adjust any loss in excess of \$10,000, subject to the approval of the secretary-treasurer. All claims 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, 2014:

<u>Year</u>	Net <u>Admitted</u> <u>Assets</u>	<u>Liabilities</u>	Unassigned <u>Surplus</u>
2005	\$1,101,952	\$100,072	\$1,001,880
2006	1,071,179	98,592	972,587
2007	1,132,646	98,372	1,034,274
2008	1,143,053	98,480	1,044,573
2009	1,199,165	97,394	1,101,771
2010	1,245,981	95,298	1,150,683
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

<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>
2005	\$103,049	\$25,995	\$39,667	877	\$26,954,700
2006	102,623	34,140	107,222	838	26,504,600
2007	102,171	40,455	25,010	800	26,448,600
2008	101,928	47,718	75,544	769	26,227,950
2009	101,415	37,407	19,580	753	26,288,400
2010	97,441	23,298	13,463	734	25,720,100
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	75,770	668	25,441,700

REINSURANCE

The Company had the following reinsurance agreement in force at December 31, 2014:

<u>Lines Covered</u>	<u>Type of Contract</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits</u>
Fire, Wind and Lightning	Aggregate Excess of Loss	10% of ultimate net loss equal or greater than \$113,200 or \$5.50 per \$1,000 of average net fire insurance in force	The lesser of 90% of \$617,600 or \$20 per \$1,000 of average net fire insurance in force

Pursuant to the reinsurance agreement, the Company warrants that it will not knowingly retain net liability as respects any one peril in excess of \$100,000 on any one risk. All reinsurance is placed through Guy Carpenter & Company, LLC, a reinsurance intermediary.

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 FOR THE PERIOD UNDER REVIEW

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net assessments received	\$96,027	\$96,350	\$95,661
Interest on investments	13,638	12,279	10,010
Amounts withheld from employees	2,574	2,926	2,914
Other income	<u>334</u>	<u>314</u>	<u>489</u>
 Total income	 \$112,573	 \$111,869	 \$109,074
 Deduct total disbursements	 <u>101,135</u>	 <u>97,664</u>	 <u>138,070</u>
 Net income	 \$11,438	 \$14,205	 (\$28,996)
 Add ledger assets December 31, previous year	 <u>1,182,261</u>	 <u>1,193,699</u>	 <u>1,207,904</u>
 Ledger assets December 31, current year	 <u><u>\$1,193,699</u></u>	 <u><u>\$1,207,904</u></u>	 <u><u>\$1,178,908</u></u>

DISBURSEMENTS FOR THE PERIOD UNDER REVIEW

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net losses paid	\$39,513	\$38,508	\$75,770
Loss adjustment expense	825	525	525
Commission and brokerage	15,000	15,000	18,000
Gross salaries	18,800	18,800	18,800
Directors' fees	4,050	4,725	3,450
Travel and travel items	2,065	1,104	1,230
Boards, bureaus and associations	1,445	1,522	1,641
Legal and auditing	3,365	3,465	3,915
Furniture, fixtures and equipment	100	80	260
Rent, office and equipment maintenance	4,800	4,800	4,800
Advertising	113	20	18
Postage, telephone and express	2,604	2,446	2,310
Insurance and fidelity bonds	326	326	326
Office expense	1,072	285	889
Taxes, licenses and fees	1,574	1,549	1,552
Payroll items	4,142	4,424	4,509
Other disbursements	1,341	85	75
	<u> </u>	<u> </u>	<u> </u>
Total disbursements for the year	<u>\$101,135</u>	<u>\$97,664</u>	<u>\$138,070</u>

ASSETS

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,135,854			\$1,135,854
Cash on deposit	37,544			37,544
Interest due and accrued		1,012		1,012
Equipment, furniture and supplies	<u>5,510</u>		<u>5,510</u>	
Total assets	<u><u>\$1,178,908</u></u>	<u><u>\$1,012</u></u>	<u><u>\$5,510</u></u>	<u><u>\$1,174,410</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Net unpaid losses	\$1,000
Taxes, licenses and fees	1,542
Assessments unearned	<u>90,270</u>
Total liabilities	\$92,812
Excess of admitted assets over liabilities (surplus)	<u>1,081,598</u>
Total	<u><u>\$1,174,410</u></u>

CONCLUSION

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

In addition to the undersigned, Chris J. Collins, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mario A. Cuellar". The signature is written in a cursive style with a large initial "M".

Mario A. Cuellar, CFE
Senior Insurance Examiner

Pulaski & Giles Mutual Insurance Company

P.O. Box 308
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(540) 726-2814

STATE CORP. COMMISSION
2015 MAY 14 AM 8:35
BUREAU OF INSURANCE

OFFICERS:

Rodney T. Shelburne
President

James B. Buckland
Secretary - Treasurer

Clate M. Dolinger
Vice President

DIRECTORS:

Rodney T. Shelburne
James B. Buckland

Clate M. Dolinger
John E. Beahm

Jesse E. Wilson
Michelle W. DeLung

May 11, 2015

David H. Smith, CFE, CPA, CPCU
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

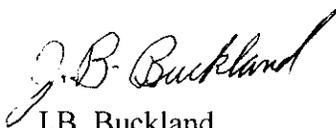
RE: Pulaski & Giles Mutual Insurance Company
Examination Report as of December 31, 2014

Dear Mr. Smith:

Please accept this letter as Pulaski & Giles Mutual Insurance Company's written acknowledgement that we have received the Examination Report for our company as of December 31, 2014. We take no issue with any information found in this report. As requested, please provide us with seven copies of this report.

I would also like to acknowledge my sincere thanks for each examiner's professional courteousness and the consideration extended to me and Michelle during this examination. With kindest regards, I am

Sincerely,



J.B. Buckland
Secretary-Treasurer