

EXAMINATION REPORT
of the
FLOYD COUNTY MUTUAL FIRE
INSURANCE COMPANY, INCORPORATED
Floyd, Virginia
as of
December 31, 2017

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 Floyd County Mutual Fire Insurance Company, Incorporated as of December 31, 2017, 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 28th day of January 2019

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

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
November 2, 2018

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 affairs and financial condition of

**FLOYD COUNTY MUTUAL FIRE
INSURANCE COMPANY, INCORPORATED**

Floyd, Virginia

hereinafter referred to as the Company, has been completed. 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, 2014. This examination covers the period from January 1, 2015 through December 31, 2017.

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 on July 1, 1941. The purpose for which the Company was organized, as defined in its charter, is as follows:

To organize and conduct a mutual fire, lightning, or storm company, which shall have no capital stock, but which is organized and carried on for the benefit of its members, and which pays its losses solely from assessments upon its members without distributing any portion of its profits among its policyholders or members in the shape of dividends, and which confines its business to the State of Virginia.

MANAGEMENT AND CONTROL

Management of the Company is vested in a board of directors consisting of not less than five nor more than nine members of the Company. The bylaws provide for the election of directors at the annual meeting of members. Each director is elected for a term of one year. The bylaws were last revised in 2014.

Officers of the Company include a president, vice president and a secretary-treasurer. The bylaws provide for the election of other officers and agents as deemed necessary and require that the president and vice president be directors of the Company.

The directors and officers of the Company at December 31, 2017, were as follows:

<u>Director</u>	<u>Occupation</u>
Curtis R. Allen	Retired Floyd, Virginia
Lester D. Belcher	Preacher Floyd, Virginia
S. G. Bolt	Retired Willis, Virginia

Lelan R. Cockram	Farmer Roanoke, Virginia
Reece McPeak, Jr	Farmer Radford, Virginia
Kevin B. Phillips	Maintenance Worker Willis, Virginia
Winston R. Poff	Retired Copper Hill, Virginia

Officers

President	S. G. Bolt
Vice President	Reece McPeak, Jr
Secretary-Treasurer	Gina Rakestraw

The board of directors may also select an executive committee of five members, including the president, to possess and discharge all powers of the board of directors during intervals between its meetings. The following members comprised the executive committee at December 31, 2017:

Curtis R. Allen	Reece McPeak, Jr.
S. G. Bolt	Kevin B. Phillips
Lelan R. Cockram	

TERRITORY AND PLAN OF OPERATION

The Company confines its operations to Floyd County, Virginia, with operations divided into six districts represented by six agents. The lines of coverage written include fire and extended coverage, with a combined limit on any one building and its contents not to exceed \$125,000. The Company has no reinsurance.

Rates charged for coverage are based on classifications of property, including residential, farm, church and small business properties. Rates are set by the board of directors and range from \$0.30 to \$0.45 per \$100 of coverage.

Underwriting of applications for insurance is handled by the agents and directors. Approval may be made by any one or more of the directors of the Company. Claims may be settled by an officer, director or agent of the Company subject to appeal to the board of directors by the claimant.

GROWTH OF THE COMPANY

The following data, obtained from annual statements filed with the Bureau of Insurance and from examination reports, indicates the growth of the Company for the ten-year period ending December 31, 2017:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Unassigned Surplus</u>
2008	\$2,521,111	\$103,154	\$2,417,957
2009	2,650,656	102,461	2,548,195
2010	2,717,923	86,660	2,631,263
2011	2,756,888	104,617	2,652,271
2012	2,829,326	91,715	2,737,611
2013	2,886,399	76,711	2,809,688
2014	2,921,159	76,011	2,845,148
2015	2,994,678	96,112	2,898,566
2016	3,077,564	97,004	2,980,560
2017	3,148,442	91,996	3,056,446

<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>
2008	\$122,941	\$86,418	\$11,615	1,198	\$32,343,896
2009	122,746	74,907	14,500	1,181	31,933,846
2010	120,135	47,273	32,192	1,163	30,801,596
2011	124,472	39,436	43,068	1,144	31,723,016
2012	112,067	35,610	9,568	606	28,213,635
2013	115,652	39,064	40,615	619	28,956,385
2014	113,912	36,597	56,990	614	29,155,285
2015	116,332	35,714	21,392	619	29,997,585
2016	116,857	37,462	6,283	606	30,279,183
2017	112,565	36,724	2,655	585	28,969,633

FINANCIAL STATEMENTS

There follows a statement of income and disbursements for the years 2015, 2016 and 2017, and a statement of financial condition at December 31, 2017. Examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2017.

INCOME

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net assessments received	\$116,332	\$116,857	\$112,565
Interest on bonds	34,670	36,368	35,687
Interest on cash deposits	1,044	1,094	1,037
Amounts withheld from employees	3,107	3,831	3,427
Other income	<u>3,328</u>	<u>3,406</u>	<u>3,476</u>
 Total income	 \$158,481	 \$161,556	 \$156,192
 Deduct total disbursements for the year	 <u>84,798</u>	 <u>78,733</u>	 <u>85,188</u>
 Net income	 \$73,683	 \$82,823	 \$71,004
 Add ledger assets December 31, previous year	 <u>2,918,621</u>	 <u>2,992,304</u>	 <u>3,075,127</u>
 Ledger assets December 31, current year	 <u><u>\$2,992,304</u></u>	 <u><u>\$3,075,127</u></u>	 <u><u>\$3,146,131</u></u>

DISBURSEMENTS

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net losses paid	\$21,392	\$6,283	\$2,655
Loss adjustment expense	605	440	330
Commission and brokerage	7,381	15,203	10,903
Gross salaries	13,330	13,648	13,490
Directors' fees	11,190	11,135	11,135
Travel and travel items	2,707	2,575	3,485
Boards, bureaus and associations	996	1,014	1,043
Legal and auditing	1,388	60	60
Outside inspection, loss prevention, and survey services	555	742	766
Rent, office and equipment maintenance	2,723	2,652	2,442
Advertising	1,141	1,215	1,232
Printing and stationery	1,267	1,397	587
Postage, telephone and express	1,373	1,383	1,403
Insurance and fidelity bonds	1,025	1,094	2,671
Charitable contributions	7,600	7,500	12,500
Miscellaneous	265	265	265
Taxes, licenses and fees	1,596	1,622	1,627
Payroll items	4,496	8,111	5,870
Real estate	3,626	2,380	12,724
Other	142	14	
	<u> </u>	<u> </u>	<u> </u>
Total disbursements	<u><u>\$84,798</u></u>	<u><u>\$78,733</u></u>	<u><u>\$85,188</u></u>

ASSETS

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$2,641,633			\$2,641,633
Cash on deposit	470,356			470,356
Real estate	34,142			34,142
Interest due and accrued		2,311		2,311
Total assets	<u>\$3,146,131</u>	<u>\$2,311</u>	<u>\$0</u>	<u>\$3,148,442</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Payroll items due or accrued	\$778
Taxes, licenses and fees	1,582
Assessments unearned	89,562
Assessments overpaid	<u>74</u>
Total liabilities	\$91,996
Excess of admitted assets over liabilities (surplus)	<u>3,056,446</u>
Total liabilities and surplus	<u>\$3,148,442</u>

RECOMMENDATIONS FOR CORRECTIVE ACTION**Accounts and Records**

1. During a review of the 2017 Annual Statement, the Examiners noted the amount of the Company's insurance in force was incorrectly reported in the General Interrogatories. The Examiners recommend the Company ensure that its insurance in force is reported correctly in future filings with the Bureau. This is the fourth consecutive examination in which a similar recommendation was made.
2. During a review of the 2017 Annual Statement, the Examiners noted the ledger assets reported on the income page did not reconcile to the ledger assets reported on the asset page. The Examiners noted several errors in the amounts reported as income and disbursements by the Company. The Examiners corrected the errors and the amounts reported in the financial statements of the examination report are accurate. There was no impact on surplus as a result of the changes. The Examiners recommend the Company properly reconcile its ledger assets in future filings with the Bureau.

ACKNOWLEDGMENT

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

Respectfully submitted,

A handwritten signature in black ink that reads "Jennifer K. Blizzard". The signature is written in a cursive style with a large initial "J".

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

S. G. BOLT, PRESIDENT
REECE MCPEAK, JR., VICE PRESIDENT

GINA R. RAKESTRAW, SEC.-TREAS.
540-745-4882

FLOYD COUNTY MUTUAL FIRE INSURANCE COMPANY, INC.
P.O. BOX 3
FLOYD, VA 24091

January 17, 2019

STATE CORPORATION COMMISSION
INSURANCE
BUREAU
9:43 AM 8:50

David H. Smith, CFE, CPA, CPCU
Chief Examiner
State Corporation Commission
P.O. Box 1157
Richmond, VA 23218

Dear Mr. Smith:

I would like to respond to the recommendation for corrective action on page 9 of the audit report.

1. The Company will make sure that the reporting of the insurance in force is correctly reported in the future
2. The Company will also make sure that the ledger assets are properly reconciled in future filings with the Bureau.

I hope I have responded to this recommendation satisfactorily, if not please let me know.

Sincerely



Gina R. Rakestraw
Secretary – Treasurer