

Report of Examination of

**Pike Mutual Insurance Company**  
Wooster, Ohio

As of December 31, 2010

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Columbus, Ohio

May 5, 2011

Honorable Mary Taylor  
Lt. Governor/Director  
State of Ohio  
Department of Insurance (“Department”)  
50 West Town Street  
Suite 300  
Columbus, Ohio 43215

Dear Ms. Taylor:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Department conducted an examination of

**Pike Mutual Insurance Company**

an Ohio domiciled, mutual protective property company, hereinafter referred to as the “Company.”

**Scope of Examination**

The Department last examined the Company as of December 31, 2005. The Department’s current examination covers the period of January 1, 2006 through and including December 31, 2010.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## **Management and Control**

### **Board of Directors**

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

<b>Name</b>	<b>Principal Occupation</b>
Thomas Andrews	Insurance Agent
Kenneth Brown	Insurance Agent and Farmer
Frank Chiurco	The Timken Company
Lou DiStefano	Insurance Agent
Larry Stoffer	Retired
David Tschantz	Wayne Mutual Insurance Company
Robert Wentling	Farmer

### **Officers**

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

<b>Name</b>	<b>Title</b>
Thomas Andrews	President
Frank Chiurco	Vice President
James Silver	Secretary and Treasurer

### **Insurance Holding Company System**

The Company is not a member of a holding company system.

### **Territory and Plan of Operations**

The Company is licensed to do business in the State of Ohio.

## **Reinsurance**

### **Ceded**

The Company has a per risk excess of loss reinsurance agreement that provides coverage of \$460,000 above the Company's retention of \$40,000. Property catastrophe agreements provide coverage of \$1.4 million per risk and \$1.8 million in the aggregate above a retention of \$100,000.

### **Assumed**

The Company did not assume any reinsurance.

## **Financial Statements**

The financial condition and the results of its operations for the year ending December 31, 2010 as reported and filed by the Company with the Department are reflected in the following:

- Statement of Assets, Liabilities, Surplus and Other Funds
- Statement of Income

### Statement of Assets, Liabilities, Surplus and Other Funds

Mutual funds	\$ 99,133
Cash	<u>2,382,402</u>
Subtotal, cash and invested assets	2,481,535
Investment income due and accrued	1,269
Assessments or premiums in the course of collection	(2,201)
Deferred premiums and agents' balances	183,235
Amounts recoverable from reinsurers	16,970
Current federal income tax	<u>10,441</u>
Total assets	<u>\$ 2,691,249</u>
Unpaid losses	\$ 80,114
Commissions due and payable to agents	37,483
Other expenses	13,628
Unearned assessment/premium reserve	<u>424,965</u>
Total liabilities	556,190
Surplus	<u>2,135,059</u>
Total liabilities and surplus	<u>\$ 2,691,249</u>

## Statement of Income

### Underwriting Income

Gross assessments/premiums earned	\$ 669,311
Less: return assessments/premiums	<u>29,907</u>
Direct assessments/premiums	639,404
Deduct premiums for reinsurance ceded	<u>152,707</u>
Net assessments/premiums earned	<u>486,697</u>

### Deductions

Losses incurred	365,950
Other underwriting expenses incurred	<u>408,116</u>
Total underwriting deductions	<u>774,066</u>
Net underwriting loss	<u>(287,369)</u>

### Investment Income

Net investment income earned	<u>35,305</u>
Net investment gain	35,305

### Other Income

Finance and service charges not included in premiums	7,930
Aggregate write-ins for miscellaneous income	<u>5,098</u>
Total other income	<u>13,028</u>
Federal income taxes incurred	<u>4,136</u>
Net loss	<u>\$ (243,172)</u>

### Surplus Account

Surplus as regards policyholders, December 31, 2009	<u>\$ 2,379,752</u>
Net income	(243,172)
Changes in net unrealized capital gains or losses	<u>(1,521)</u>
Change in surplus as regards policyholders for the year	<u>(244,693)</u>
Surplus as regards policyholders, December 31, 2010	<u>\$ 2,135,059</u>

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2010, and is summarized as follows:

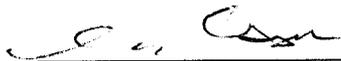
Total Admitted Assets	<u>\$ 2,691,249</u>
Liabilities	\$ 556,190
Surplus	<u>2,135,059</u>
Total Liabilities and Surplus	<u>\$ 2,691,249</u>

### Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, David T. Finkler, CPA of the Department participated in this examination.

Respectfully,



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David A. Cook, CFE  
Assistant Chief Examiner  
Ohio Department of Insurance

**Verification**

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2010.

*[Signature]*      5/5/11  
Assistant Chief Examiner      Date

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 5 day of May, 2011.

*Elizabeth Chase*  
(Notary Public)  
**ELIZABETH CHASE**  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2012  
My Commission Expires