

Report of Examination of

Woodville Mutual Insurance Association
Woodville, Ohio

As of December 31, 2010

Table of Contents

Subject	Page
Salutation.....	1
Description of Company.....	1
Scope of Examination.....	1
Management and Control:	
Board of Directors.....	2
Officers.....	2
Insurance Holding Company System.....	3
Territory and Plan of Operations.....	3
Reinsurance.....	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	4
Statement of Income	5
Statement of Changes in the Capital and Surplus Account.....	6
Notes to the Financial Statements:	
Investments.....	6
Conclusion.....	6
Acknowledgement.....	7

Columbus, Ohio

October 18, 2011

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

Dear Lt. Governor/Director:

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

Woodville Mutual Insurance Association

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.

For all years under examination, the Certified Public Accounting firm of Combs & Company provided an unqualified opinion on the Company’s financial statements

based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

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:

Name	Principal Occupation
John Bergman	Farmer
Jeff Goetz	Senior Grain Buyer/Specialty Program Director, The Andersons, Inc.
Galen Koepke	Owner, Koepke Insurance Agency
Larry Mawhorr	Principal, Sloan Insurance Agency
Lewis Renollet	Executive Vice President, The Union Bank Company
Scott Rothweiler	Owner, HPJ Industries, Inc.
Jonathon Younker	President and Treasurer, The Company

Officers

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

Name	Title
Jonathon Younker	President and Treasurer
Galen Koepke	Vice President and Secretary

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. The Company owns 100% of Woodville Mutual Insurance Agency, Inc.

Territory and Plan of Operations

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

Reinsurance

The Company has a property per risk excess of loss reinsurance contract that provides coverage of \$400,000 above the Company's retention of \$100,000. A semiautomatic facultative excess of loss contract provides coverage up to \$1,000,000 in excess of \$500,000. Additional facultative reinsurance is available above the \$1,000,000 layer.

A property catastrophe excess of loss reinsurance contract provides coverage of \$3,000,000 above the company's retention of \$250,000.

An aggregate excess of loss reinsurance contract provides coverage limited to 25% of gross net earned premium income in excess of the company's retention of 74% of gross net earned premium income.

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 Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2010**

Bonds	\$ 1,945,923
Preferred stocks, common stocks, and mutual funds	911,145
Real estate	170,320
Cash	<u>519,479</u>
Subtotal, cash and invested assets	3,546,867
Investment income due and accrued	21,306
Assessments or premiums in the course of collection	27,810
Amounts recoverable from reinsurers	4,728
Current federal income tax recoverable	161,142
Due from investments sold	9,420
Deposits	96
Total assets	<u>\$ 3,771,369</u>
Unpaid losses	\$ 196,569
Commissions due and payable to agents	2,934
Other expenses	17,422
Taxes, licenses, and fees	5,075
Unearned assessment/premium reserve	1,058,429
Amounts withheld or retained on account of others	19,850
Amounts due on reinsurance recoveries in excess of contract	<u>151,941</u>
Total liabilities	1,452,220
Surplus	<u>2,319,149</u>
Total liabilities and surplus	<u>\$ 3,771,369</u>

**Statement of Income
For the Year Ending December 31, 2010**

Underwriting Income

Gross assessments/premiums earned	\$ 2,701,951
Deduct premiums for reinsurance ceded	<u>469,270</u>
Net assessments/premiums earned	<u>2,232,681</u>

Deductions

Losses incurred	1,816,961
Loss expenses incurred	162,282
Other underwriting expenses incurred	<u>866,109</u>
Total underwriting deductions	<u>2,845,352</u>
Net underwriting gain	<u>(612,671)</u>

Investment Income

Net investment income earned	165,991
Net realized capital gains	<u>65,091</u>
Net investment gain	231,082

Other Income

Commissions	<u>47,584</u>
Net income, before federal income taxes	(334,005)
Federal income tax benefit	<u>87,987</u>
Net loss	<u>\$ (246,018)</u>

Surplus Account

Surplus as regards policyholders, December 31, 2009	\$ 2,521,991
Net loss	(246,018)
Changes in net unrealized capital gains or losses	51,530
Change in nonadmitted assets	<u>(8,354)</u>
Change in surplus as regards policyholders for the year	<u>(202,842)</u>
Surplus as regards policyholders, December 31, 2010	<u>\$ 2,319,149</u>

Statement of Changes in the Capital and Surplus Account

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Capital and surplus, beginning of the year	\$2,521,991	\$2,104,993	\$2,130,983
Net income (loss)	(246,018)	249,640	76,729
Change in net unrealized cap. gains (losses)	51,530	171,071	(102,918)
Change in non-admitted assets	<u>(8,354)</u>	<u>(3,713)</u>	<u>198</u>
Change in surplus during the year	<u>(202,842)</u>	<u>416,998</u>	<u>(25,991)</u>
Capital and surplus, end of the year	<u>\$2,319,149</u>	<u>\$2,521,991</u>	<u>\$2,104,993</u>

Notes to Financial Statements

Investments

The Company's investments in Fremont Federal Credit Union were not in compliance with ORC Section 3939.01. In October 2011, the Company took the necessary steps to become compliant with ORC 3939.01. No gain or loss was recognized as a result of the transactions to become compliant with the investment statute.

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>3,771,369</u>
Liabilities	\$ 1,452,220
Surplus	<u>2,319,149</u>
Total Liabilities and Surplus	<u>\$ 3,771,369</u>

Acknowledgement

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

Respectfully,



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] 10/26/11
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 26 day of October, 2011.

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