

Report of Examination of

The Perry County Mutual Fire Insurance Company
Somerset, Ohio

As of December 31, 2013

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Columbus, Ohio
August 29, 2014

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Director:

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

The Perry County Mutual Fire Insurance Company

an Ohio domiciled, mutual protective property company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 106 Public Square, Somerset, Ohio 43783.

A report of this examination is hereby respectfully submitted.

Scope of Examination

The Department last examined the Company as of December 31, 2010. The Department’s current examination covers the period of January 1, 2011 through December 31, 2013.

The examination was conducted 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:

Name	Principal Occupation
James Bope	Independent Insurance Agent
Todd Childers	Accountant, 4 Star Investments
Joseph Flautt	Attorney, Flautt Law Office
William Harvey	Independent Property Appraiser
Phillip Horner	Truck Driver
Wanda McCloy	Retired
Daniel McConnell	Retired
Clifford M. Oliver	Retired
Jack Rhodes	Self Employed

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
James Bope	President
Daniel McConnell	Vice President
Mary Jane Rodgers	Secretary
Jack Rhodes	Treasurer

Insurance Holding Company System

The Company is not a member of a holding company as defined in Section 3901.32 of the ORC.

Territory and Plan of Operations

The Company is licensed to do business in the State of Ohio. The Company primarily writes fire, windstorm, hail, vandalism, falling and moving bodies, and overturn. The Company operates in the following Ohio counties: Adams, Athens, Coshocton, Fairfield, Fayette, Franklin, Gallia, Guernsey, Henry, Hocking, Jackson, Knox, Lawrence, Licking, Meigs, Monroe, Morgan, Morrow, Muskingum, Noble, Perry, Pickaway, Pike, Portage, Richland, Ross, Scioto, Stark, Vinton and Washington.

Reinsurance

Ceded

The Company has a per risk excess of loss agreement that provides coverage of \$950,000 above the Company's retention of \$50,000, subject to a policy limit of \$1,000,000 for livestock, commercial and public property, farm product storage structures, and dwelling; and policy limits of \$2,000,000 for farm machinery and equipment storage buildings. An aggregate excess of loss agreement provides 100% coverage above incurred losses greater than \$1,964,923. Additionally, the Company has a catastrophic agreement that covers 100% of the losses in excess of Company's retention of \$300,000.

All reinsurance agreements appear to transfer risk and have the NAIC required clauses.

Assumed

The Company did not assume any reinsurance.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department are reflected in the following:

- Statement of Assets, Liabilities, Capital and Surplus
- Statement of Income
- Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2013**

Preferred stocks, common stocks and mutual funds	\$ 7,251
Real estate	98,124
Cash	<u>1,400,521</u>
Subtotal, cash and invested assets	1,505,896
Assessments or premiums in the course of collection	66,619
Earned but unbilled premiums (post assessment)	502,688
Amounts recoverable from reinsurers	4,978
Current federal income tax recoverable and interest thereon	<u>112,000</u>
Total admitted assets	<u>\$ 2,192,181</u>
Liabilities:	
Unpaid claims	\$ 339,661
Commissions due and payable to agents	10,619
Other expenses	6,142
Taxes, licenses and fees	6,712
Unearned assessments/premium reserve	164,734
Ceded reinsurance premiums payable	<u>102,875</u>
Total liabilities	<u>630,743</u>
Capital and surplus:	
Surplus as regards policyholders	<u>1,561,438</u>
Total capital and surplus	<u>1,561,438</u>
Total liabilities, capital and surplus	<u>\$ 2,192,181</u>

**Statement of Income
As of December 31, 2013**

Income	
Total assessment or premium income	3,392,403
Less: Return assessment/premiums earned	<u>35,525</u>
Direct assessments/premiums earned	3,356,878
Deduct: Premiums for reinsurance ceded	<u>755,718</u>
Net assessments/premiums earned	2,601,160
 Deductions	
Losses incurred	1,815,148
Loss expenses incurred	18,302
Other underwriting expense incurred	<u>651,182</u>
Total underwriting deductions	<u>2,484,632</u>
 Net underwriting gain	 116,528
 Investment Income	
Net investment income	<u>21,762</u>
Net investment gain	21,762
 Aggregate write-ins for miscellaneous income	 <u>15,361</u>
Total other income	15,361
 Net income, after capital gains tax and before federal income	 153,651
Federal income taxes incurred	<u>115,562</u>
Net income	<u><u>38,089</u></u>

Statement of Changes in the Capital and Surplus Account
(in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus, beginning of the year	1,523	1,765	1,756
Net income (loss)	<u>38</u>	<u>(242)</u>	<u>8</u>
Change in net unrealized capital gains (losses)	-	-	1
Change in surplus during the year	<u>38</u>	<u>(242)</u>	<u>9</u>
Capital and surplus, end of the year	<u><u>\$1,561</u></u>	<u><u>\$1,523</u></u>	<u><u>\$1,765</u></u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC 3939 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Assets	<u>\$ 2,192,181</u>
Liabilities	630,743
Capital and Surplus	<u>1,561,438</u>
Total Liabilities, Capital and Surplus	<u><u>\$ 2,192,181</u></u>

Acknowledgement

In addition to the undersigned, the following representative of the Department participated in this examination: Methuselah E. Nyangoro, CFE, CPA.

Respectfully,



David A. Cook, CFE
Assistant Chief Examiner
Office of Risk Assessment
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, 2013.

David A. Cook 10/27/14
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 27 day of October, 2014.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires