PROCEEDINGS BEFORE JANE L. CLINE,
INSURANCE COMMISSIONER OF THE STATE OF WEST VIRGINIA

IN RE: WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION

Administrative Proceeding No.: 11-AP-FINCON-02005

AGREED ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION AND DIRECTING ACTION

COMES NOW Jane L. Cline, Insurance Commissioner of the State of West Virginia, and issues this Order which adopts the REPORT OF FINANCIAL EXAMINATION as of December 31, 2009, of WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION (hereinafter referred to as "Company") based upon the following findings, to wit:

JURISDICTION

1. Jane L. Cline is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.

2. The Company was incorporated on March 24, 1909 and authorized by the Insurance Commissioner to transact business in the State of West Virginia as permitted and authorized under Chapter 33, Article 22 of the West Virginia Code.

FINDINGS OF FACT

1. An examination of the financial condition and operational affairs of the Company for the (5) year period beginning January 1, 2004 and ending December 31, 2009, was conducted in accordance with West Virginia Code §33-2-9(c) by the Insurance Commissioner.

2. On March 25, 2011, the examiner filed a REPORT OF FINANCIAL EXAMINATION with the Insurance Commissioner pursuant to W.Va. Code § 33-2-9(j)(2). A copy of the REPORT OF FINANCIAL EXAMINATION is attached hereto as Exhibit A and incorporated herein as if set forth in full.

3. On or about May 13, 2011, a true and accurate copy of the REPORT OF FINANCIAL EXAMINATION was forwarded to the Company by certified mail, return receipt requested. On May 16, 2011, the Company received a copy of the REPORT OF FINANCIAL EXAMINATION.

4. Pursuant to W.Va. Code § 33-2-9(j)(2), the Company was notified and afforded a period of thirty (30) days after receipt of the REPORT OF FINANCIAL EXAMINATION within which to make a submission, rebuttal, or objection concerning any matter contained in the REPORT OF FINANCIAL EXAMINATION.

5. By letter dated June 2, 2011, management of the Company indicated that they had reviewed the REPORT OF FINANCIAL EXAMINATION and concurred with the findings of the examination with minor revisions to the

report. A copy of the Company's response letter of June 2, 2011, is attached hereto as Exhibit B. By the letter dated June 2, 2011 the Company acknowledges that all issues so disputed with OIC concerning this Report of Financial Examination were resolved.

CONCLUSIONS OF LAW

W.Va. Code § 33-2-9(j)(3)(A) provides that following a review of the REPORT OF FINANCIAL EXAMINATION, the examination work papers, and any written submission, rebuttal, or objection the Insurance Commissioner shall enter an ORDER adopting the REPORT OF FINANCIAL EXAMINATION as filed or with modifications or corrections.

ORDER

It is therefore AGREED by the Parties and ORDERED the following:

1. It is **ORDERED** that the REPORT OF FINANCIAL EXAMINATION of WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION, attached hereto as Exhibit A, is hereby ADOPTED and APPROVED by the Insurance Commissioner.

2. It is further **ORDERED** that a copy of this AGREED ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION AND DIRECTING ACTION and the adopted REPORT OF FINANCIAL EXAMINATION shall be mailed to WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION by certified mail, return receipt requested upon entry of this Order by the Insurance Commissioner.

3. It is **ORDERED** that WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this ORDER, affidavits executed by each of its directors stating under oath that they have received a copy of the adopted REPORT OF FINANCIAL EXAMINATION and a copy of this AGREED ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION and DIRECTING ACTION, in accordance with W.Va. Code § 33-2-9(j)(4).

4. It is **ORDERED** that WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION take whatever actions are required to comply with the recommendations set forth in the REPORT OF FINANCIAL EXAMINATION and shall demonstrate compliance to the satisfaction of the Insurance Commissioner.

5. That WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION, waives any right to any notice, administrative hearing or appeal there from for the actions taken by the Insurance Commissioner herein this Agreed Order Adopting Report of Financial Examination and Directing Action. WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION reserves herein its rights to notice, administrative hearing or appeal for any future enforcement actions taken by the Commissioner that might result from this Agreed Order, if any.

6. It is finally **ORDERED** that this administrative matter be hereby dismissed from the administrative docket of the Insurance Commissioner.

Entered this 27th day of June, 2011.

Jane L. Cline
Insurance Commissioner
State of West Virginia

THE PARTIES DO SO AGREE:

OFFICES OF THE INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA

By: _____
Andrew R. Pauley, Associate Counsel
Attorney Supervisor, APIR

6/24/11
Date

WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION

BY: William W. Montgomery
[Print Name]

Signed: _____

Its: President

Dated: 6/23/11

REPORT OF EXAMINATION

AS TO THE FINANCIAL CONDITION

OF

WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION

CLARKSBURG, WEST VIRGINIA

AS OF DECEMBER 31, 2009

NAIC COMPANY CODE 15431

EXHIBIT

A

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March 25, 2011

The Honorable Jane L. Cline
West Virginia Offices of the
Insurance Commissioner
1124 Smith Street
Charleston, West Virginia 25301

Dear Commissioner Cline:

Pursuant to your instructions and in conformity with the provisions of the Insurance Laws and Rules of the State of West Virginia, an examination has been made of the books, records, and financial condition of

West Virginia Farmers Mutual Insurance Association
332 Wilson Street
Clarksburg, WV 26301

hereinafter referred to as the "Company". The examination was conducted at the Company's administrative office located at 1 Insurance Square, Celina, Ohio. The following Report of Examination is respectfully submitted.

INTRODUCTION

This financial condition examination of West Virginia Farmers Mutual Insurance Association was conducted as of December 31, 2009. The examination was conducted at 1 Insurance Square, Celina, Ohio 45822.

The Company was last examined as of December 31, 2004 and covered the three-year period from 2002 to 2004. This examination commenced on February 14, 2011 and covered the five-year period of operations ending December 31, 2009.

SCOPE OF EXAMINATION

With the Company being part of the Celina Insurance group with companies domiciled in Ohio, a concurrent examination was made with the Ohio Department of Insurance. Because the Company is within an insurance holding company system that has common management, similar information systems, and control processes, it was beneficial to rely on the work of the Ohio Department of Insurance.

The general procedures of the examination followed rules and standards as set forth in the National Association of Insurance Commissioners' (NAIC) Examiner's Handbook and West Virginia Laws, Regulations, and Directives of the West Virginia Insurance Commissioner.

The report is based on an assessment of the financial condition of the Company, as well as corporate governance, and set forth findings of fact with regard to any material adverse findings disclosed during the examination. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible Company officials during the course of the examination.

HISTORY

The Company was incorporated under the laws of the State of West Virginia on March 24, 1909 as a mutual assessment company and commenced writing business on the same date.

In 1961, the Bylaws were amended to make the Company a perpetual mutual. It is presently licensed to transact lines of business as defined in the West Virginia Code 33-22-8. It was previously named Harrison County Farmers Mutual Fire Insurance Association. The current name was adopted on January 17, 1991.

The Company is affiliated with a group of insurance companies, which are located in Celina, Ohio. The principal insuring members of the group of companies are:

The National Mutual Insurance Company (NMIC)
The Celina Mutual Insurance Company (CMIC)
Miami Mutual Insurance Company (MMIC)

The Company and the above companies collectively are known as the Celina Insurance Group (Group).

Management

In accordance with Article V of the Bylaws, the annual meeting of the members was held on the fourth Wednesday in March of each year under review. A proposed amendment to the Bylaws which changed the meeting place from Clarksburg, West Virginia to Harrison County West Virginia was adopted at a meeting of the members in accordance with the Bylaws on March 25, 2005. There were no amendments to the Articles of Incorporation during the period under review. A review of corporate minutes indicates that meetings were held in accordance with the Articles of Incorporation and Bylaws and document that an adequate review of the Company's activities by the Board of Directors is performed.

Board of Directors

The current Articles of Incorporation and Bylaws call for a board composed of not less than six nor more than fifteen members. Members of the Board may be divided into three classes, each class to consist of not less than two directors with each class to be elected for a term of three years. As of December 31, 2009 the board membership was composed of the following:

1. Michael Stanley Kleinhenz
   Secretary, Assistant Treasurer and Director of Farm Operations of the Celina Group Companies
   302 N. Elm Street
   Coldwater, OH 45822

2. Donald West Montgomery
   Chairman of the Board of the Celina Group Companies
   24131 Village
   Camarillo, CA 93012

3. Leland Elwood Propst
   Insurance Agent and County Magistrate for Franklin, WV
   PO Box 688
   Franklin, WV 26385

4. Lynn Tecumseh Sherman
   Retired
   Route 2 P.O. Box 268
   Lost Creek, WV 26385

5. Mildred Elaine Young
   Retired
   332 Wilson Street
   Clarksburg, WV 26301

6. William West Montgomery
   President, General Manager & Chief Executive Officer of the Celina Group Companies
   609 N. Main Street
   Celina, OH 45822

7. Donald George Robinson
   Vice President of Farm & Agribusiness
   546 N. Cherry Street
   Celina, OH 45822

Officers

Officers of the Company are elected by the Board of Directors. The directors have elected from among its members a President, a Treasurer, a Vice President and a Secretary. Any two offices except the President may be combined and held by the same person.

At the Board's discretion it can elect from among its members an Executive Committee, an Audit Committee, or an Investment Committee.

Officers elected and serving as of December 31, 2009 are as follows:

William West Montgomery	President
Michael Stanley Kleinhenz	Secretary and Assistant Treasurer
Philip Marion Fullenkamp	SVP, CFO & Treasurer

Nominal amounts are approved as salaries for the officers.

Executive Committee

Members appointed to the Executive Committee are as follows:

William W. Montgomery, Chairman
Michael S. Kleinhenz
Mildred E. Young

Conflict of Interest Procedures

The Company requires personnel in positions who influence decisions, to read the corporate conflict of interest policy and then disclose any conflict of interest on a signed conflict of interest statement. From a review of the completed conflict of interest questionnaires, it appeared that the affected personnel performed due diligence in completing the conflict of interest statements. No conflicts of interest were noted.

Corporate Records

Articles and Bylaws

A review was made of the Company's corporate records. There was an amendment to the Bylaws during the period under review. The proposed amendment to the Bylaws which changed the meeting place from Clarksburg, West Virginia to Harrison County West Virginia was approved on February 17, 2005, and adopted at a meeting of members of the Company in accordance with the Bylaws on March 23, 2005. A review of corporate minutes indicates that meetings were held in accordance with the Articles of Incorporation and Bylaws and document that an adequate review of the Company's activities by the Board of Directors and Policyholders is performed.

Board Minutes

Annual Consent by the Shareholder and the Board of Directors were recorded properly in addition to the Executive Committee minutes. It was noted that all documents were recorded in sufficient detail to determine the actions taken by the Board. A review of documents for the period under examination revealed no acts inconsistent with the Company's Articles of Incorporation or Bylaws. Investment guideline revisions and approval of investments are conducted by the Board of Directors pursuant to the provisions of West Virginia Code 33-8-4. A quorum was also achieved at all meetings held during the period under examination. Overall, the minutes supported the transactions of the Company and the actions taken by its officers.

GROWTH OF COMPANY

Comparative financial data, as reported in the Company's financial statements, was as follows:

Year	Net Admitted Assets	Capital and Surplus	Premium Revenue	Net Income
2005	3,707,183	2,894,010	926,910	329,506
2006	4,160,667	3,085,989	964,761	163,601
2007	4,398,034	3,479,143	923,208	395,741
2008	4,419,507	3,512,473	864,364	269,945
2009	4,763,167	3,903,927	789,664	278,010

AFFILIATED COMPANIES

Through a service agreement with National Mutual Insurance Company, the Company is part of an insurance holding company system. Certain directors and principal executive officers of the Company are also directors and or executive officers or officers of the ultimate controlling person, and other affiliated companies noted in the organizational structure below. All of the companies listed are corporations, and are either organized as a stock or mutual. The organizational structure is as follows:

The National Mutual Insurance Company (NMIC)
  First Ohio Financial Corporation (FOFC) (wholly-owned subsidiary NMIC)
    First Indiana Insurance Agency, Inc., (wholly-owned subsidiary of FOFC)
The Celina Mutual Insurance Company (CMIC)
Miami Mutual Insurance Company (MMIC)
  Protective General Agency (wholly-owned subsidiary of MMIC
West Virginia Farmers Mutual Insurance Association (the Company)

Intercompany Agreements

Agreement to Provide Services

There is a service contract between the National Mutual Insurance Company and the Company to furnish sales, underwriting, claims, accounting, and supervisory services and undertake and perform additional acts and responsibilities other than those customarily performed by the Board of Directors.

The Company has an excess of loss reinsurance contract with the Celina Mutual Insurance Company. Under this contract, the Company has a retention level at $25,000. The Company also has a quota share reinsurance contract with the Celina Mutual Insurance Company. Under the contract, the Company cedes 90% of certain lines of business to the CMIC.

FIDELITY BOND AND OTHER INSURANCE

Fidelity/Employee dishonesty policy issued by Travelers has a limit of $2,000,000 with a $25,000 deductible, exceeded the prescribed minimum coverage suggested by the NAIC.

TERRITORY AND PLAN OF OPERATION

The Company is a West Virginia domiciled farm mutual insurance company. The Company is licensed solely in the State of West Virginia writing primarily farmowners, and personal fire and allied lines policies.

REINSURANCE

Assumed

As of December 31, 2009, the Company had no assumed reinsurance.

Ceded

The Company has an excess loss reinsurance contract with the Celina Mutual Insurance Company. Under this contract, the Company has a retention level at $25,000.

The Company also has a quota share reinsurance contract with the Celina Mutual Insurance Company. Under the contract, the Company cedes 90% of certain lines of business to the Celina Mutual Insurance Company.

ACCOUNTS AND RECORDS

The Company maintains its main administrative office at 1 Insurance Square, Celina, Ohio, which is the primary location of its books and records. In general, the Company's accounting and corporate records were maintained in a manner in which the financial condition was readily verifiable.

FINANCIAL STATEMENTS

The statements on the following pages present the financial condition and operations of the Company for the period under examination. The amounts shown on the balance sheet are those determined by this examination.

ASSETS
DECEMBER 31, 2009

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	$ 3,610,439		$ 3,610,439
Common Stocks	377,815		377,815
Cash and Short-term Investments	147,110		147,110
Sub-total	$ 4,135,363		$ 4,135,363
Investment income due and accrued	$30,909		$30,909
Premiums and agents' balances in course of collection	121,370		121,370
Premiums, agents' balances and installments booked but deferred and not yet due	412,209		412,209
Amounts recoverable from re-insurers	13,622		13,622
Other amounts receivable under reinsurance contracts			
Federal and foreign income tax recoverable	6,345		6,345
Net deferred tax asset	69,098	25,749	43,349
Aggregate write-ins for other than Invested assets	12,066	12,066	0
Total	**$ 4,800,982**	**$ 37,815**	**$ 4,763,167**

LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2009

	Current Year
Losses	$ 32,124
Loss adjustment expenses	44,000
Commissions payable, contingent commissions	43,972
Other expenses	3,425
Taxes, licenses and fees	3,436
Unearned premiums	396,636
Advance premium	11,804
Ceded reinsurance premiums payable	144,871
Amounts withheld or retained by company for account of others	919
Remittances and items not allocated	1,362
Drafts outstanding	10
Payable to parent, subsidiaries and affiliates	176,681
Total Liabilities	859,240
Aggregate write-ins for other than special surplus funds	273
Unassigned funds	3,903,654
Surplus as regards policyholders	3,903,927
Totals	**$ 4,763,167**

UNDERWRITING AND INVESTMENT EXHIBIT
DECEMBER 31, 2009

	Current Year
Underwriting Income	
Premiums earned	$789,664
Deductions:	
Losses incurred	$296,506
Loss expenses incurred	92,850
Other underwriting expenses incurred	179,274
Total underwriting deductions	568,630
Net underwriting gain or (loss)	$221,034
Investment Income	
Net investment income earned	$155,797
Net realized capital gains or (losses)	(11,342)
Net investment gain (loss)	$144,455
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(1,537)
Finance and service charges not included in premiums	39,820
Aggregate write-ins for miscellaneous income	22
Total other income	$38,306
Net income before dividends to policyholders and before federal and foreign income taxes	403,794
Federal and foreign income taxes incurred	125,784
Net income	**$278,010**

ANALYSIS OF CAPITAL AND SURPLUS
YEARS ENDED DECEMBER 31, 2009

	2009	2008
Capital and Surplus, beginning of period	$ 3,512,473	$ 3,479,143
Net income (loss)	278,010	269,945
Change in net unrealized capital gains or (losses)	72,062	(159,103)
Change in net deferred income tax	(1,750)	(2,277)
Change in non-admitted assets	42,665	(75,041)
Change in provision for reinsurance	194	(194)
Dividends to stockholders		
Aggregate write-ins	273	
Net change	391,454	33,330
Capital and surplus, end of period	$ 3,903,927	$ 3,512,473

COMPLIANCE WITH RECOMMENDATIONS IN PRIOR REPORT OF EXAMINATION

Prior Recommendation - Safekeeping Agreement

The Examiner has reviewed the safekeeping agreement of the West Virginia Farmers Mutual Insurance Association for proper controls and safeguards. It was noted that the safekeeping agreement does not include all the necessary provisions as required by the West Virginia Code 33-8A-6. Therefore,

> It is recommended the Company initiate action to ensure the Safekeeping Agreement(s) be amended to comply with the West Virginia Code Statue 33-8A-6.

This issue was resolved during the examination of the Company. See the section for Subsequent Events.

SUMMARY OF EXAMINATION FINDINGS

No recommendations or comments were made as a result of the examination.

CONCLUSION

The customary examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in the verification and valuation of assets and the determination and/or estimation of liabilities reflected in the financial statements of this report, with due regard for the Insurance Laws of the State of West Virginia.

No changes were made to the financial statements as a result of this examination.

During the period covered by this examination, the admitted assets of the Company increased by $1,370,926 from $3,392,241 to $4,763,167 and surplus as regards to policyholders increased by $1,352,120 from $2,551,807 to $3,903,927.

The following is a five year summary of the financial highlights:

Balance Sheet	2009	2004	Changes
Admitted Assets	$ 4,763,167	$ 3,392,241	$ 1,370,926
Liabilities	859,240	840,434	18,806
Surplus as regards policyholders	3,903,927	2,551,807	1,352,120
Total Liabilities and Surplus	$ 4,763,167	3,392,241	$ 1,168,736

SUBSEQUENT EVENTS

As of March 24, 2011, the department has considered the Company's facts in the findings of the department's review of the safekeeping/custodial agreement between the Company and First Financial Bank. The department found the Company's response sufficient to address all recommendations. As such, the Company's agreement appears to meet all requirements for safekeeping/custodial agreements established in the West Virginia Code 33-8A-6.

EXAMINER'S ACKNOWLEDGMENT AND SIGNATURE

The cooperation and assistance extended by the Officers and Employees of the West Virginia Farmers Mutual Insurance Association are hereby acknowledged.

In addition to the aforementioned, a great appreciation is expressed for the assistance extended by the following representatives of the Ohio Department of Insurance who participated in this examination of the "Company" during the course of this examination: Mohammad A. Arif, AES, CFE, CIDM, CISA, CISSP; Aaron R. Hibbs, CPA, FLMI, ChFC; Floyd D. Meeks, AES, CFE, CIDM, CISA, CPA, MBA; Leroy J. Moster, CFE, CPA; Louis F. Radecky, CPA; Kevin Rupp, CFE, Examiner-In-Charge; and William C. Harrington, CFE, Chief Examiner

Respectfully Submitted,

_____

David E. Eley, CFE
Insurance Company Examiner, Senior
Offices of the Insurance Commissioner

1 Insurance Square • Celina, Ohio 45822 • 419.586.5181 • 800.552.5181 • Fax: 419.586.8997
www.celinainsurance.com

celina
INSURANCE GROUP

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

June 2, 2011

Jane L. Cline, Insurance Commissioner
West Virginia Offices of the Insurance Commissioner
Executive Office
1124 Smith Street
Charleston, West Virginia 25301

RE: Report of Examination as of December 31, 2009 for West Virginia Farmers Mutual Insurance Association; NAIC #15431; WV File #D016

Dear Commissioner Cline:

We have reviewed the exam report issued on May 13, 2011 and have several minor changes to suggest, as follows:

1. On page 6 of the report, we have a change to Don Robinson's address. This has been his address since October 2007. It should be:

   7. Donald George Robinson
      Retired
      Route 276
      Box 46
      Champlain, NY 12919

2. Also on page 6, the titles for two of the officers, Mike Kleinhenz and Phil Fullenkamp, are slightly different than those shown. My title is correct as shown. The titles shown for Mike and Phil are their correct titles for the other Celina Insurance Group companies. But, in the case of West Virginia Farmers Mutual Insurance Association, the titles should be:

Michael Stanley Kleinhenz	Secretary and Vice President
Philip Marion Fullenkamp	Treasurer

3. On page 9 is a description of the Reinsurance programs for West Virginia Farmers Mutual. While the information shown is correct, we believe it would be more complete to note that the Company is also named as an insured company in several other programs along with the other Celina Insurance Group Companies. Suggested additional wording would be:

EXHIBIT
tabbies
B

> "The Company is also a named insured, along with other members of the Celina Insurance Group, in two other reinsurance programs. The first is a multi-line excess of loss reinsurance contract having two layers with coverage up to $5.0 million in excess of $350,000 retention. The second is a property catastrophe program which provides protection in three layers up to $22.0 million in excess of $1.75 million retention."

Please let us know if you have any questions regarding our responses.

Sincerely,

WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION

William W. Montgomery
President

cc: J. Leah Cooper, Director/Chief Examiner