

**PROCEEDINGS BEFORE MICHAEL D. RILEY
INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA**

**IN RE: PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA
OF WEST VIRGINIA**

Administrative Proceeding No.: 14-AP-FINCON-02000

**AGREED ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION AND
DIRECTING ACTION**

COMES NOW Michael D. Riley, Insurance Commissioner of the State of West Virginia, and issues this Order which adopts the REPORT OF FINANCIAL EXAMINATION as of December 31, 2012, of PEOPLES MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA (hereinafter referred to as "Company") based upon the following findings, to wit:

JURISDICTION

1. Michael D. Riley 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 December 13, 1901 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 period beginning January 1, 2008 and ending December 31, 2012, was conducted in accordance with West Virginia Code §33-2-9(c) by the Insurance Commissioner.

2. On February 10, 2014, 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 February 10, 2014, a true and accurate copy of the REPORT OF FINANCIAL EXAMINATION was hand delivered to Company Treasurer and Secretary, James Perdue.

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. The Company did not make a submission, rebuttal, or objection concerning any matter within thirty (30) days after receipt of the REPORT OF FINANCIAL EXAMINATION.

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 PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA 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 PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA by certified mail, return receipt requested upon entry of this Order by the Insurance Commissioner.

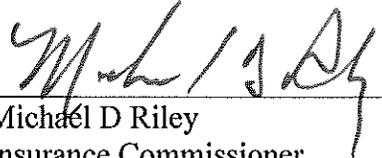
3. It is **ORDERED** that PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this ORDER, affidavits executed by each of its directors stating under oath that they have received a copy of the adopted REPORT OF FINANCIAL 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 PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA take whatever actions are required to comply with the recommendations set forth in the REPORT OF FINANCIAL EXAMINATION, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.

5. That PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA waives any right to any notice, administrative hearing or appeal therefrom for the actions taken by the Insurance Commissioner herein this Agreed Order Adopting Report of Financial Examination and Directing Action. PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA 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 8 day of April, 2014.



Michael D Riley
Insurance Commissioner

THE PARTIES DO SO AGREE:

OFFICES OF THE INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA

By: Erin K. Hunter
Erin Hunter, Associate Counsel

Date

4/8/14

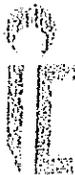
PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA

BY: DALE NIBERT
[Print Name]

Signed: Dale Nibert

Its: PRESIDENT

Dated: April 3, 2014



STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner

EARL RAY TOMBLIN
Governor

MICHAEL D. RILEY
Insurance Commissioner

February 10, 2014

Mr. Dale Nibert
Patrons Mutual Fire Insurance Company of West Virginia
P. O. Box 284
Point Pleasant, WV 25550

RE: Report of Financial Examination, as of December 31, 2012
NAIC #: 11056 WV File #: D022

Dear Mr. Nibert:

Please find enclosed a copy of the Report of Examination of Patrons Mutual Fire Insurance Company of West Virginia. This examination was performed in accordance with the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code of 1931, as amended. The Report reflects the financial affairs and condition of Patrons Mutual Fire Insurance Company of West Virginia, as of December 31, 2012.

You are hereby notified that you have thirty (30) days from receipt of this letter to make written submission or rebuttals with respect to any matter contained in the Report of Examination. If an exception is taken, it must be filed with this Department during the statutory time period.

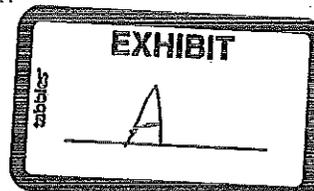
Sincerely,

Michael D. Riley
Insurance Commissioner

MDR/bg

cc: James Perdue

Enclosure: Copy of Report of Financial Examination



REPORT OF FINANCIAL EXAMINATION

OF

PATRONS MUTUAL FIRE INSURANCE COMPANY OF
WEST VIRGINIA

AS OF

DECEMBER 31, 2012

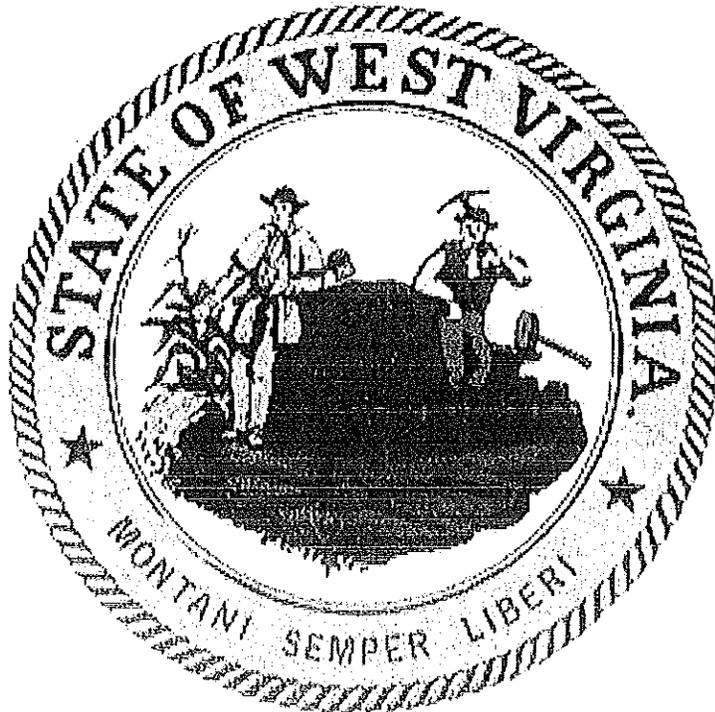


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February 3, 2014

Honorable Michael Riley
West Virginia Insurance Commissioner
1124 Smith Street, 4th Floor
Charleston, West Virginia 25301

Dear Commissioner:

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner, an examination has been made of the affairs and financial condition of:

PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA
3301 Jackson Avenue
Point Pleasant, West Virginia

Patrons Mutual Fire Insurance Company of West Virginia, hereinafter referred to as "the Company", is a West Virginia domiciled farmers' mutual fire insurance company. The financial examination was conducted at the office of Dennis M. Brumfield which also serves as the Company's home office in Point Pleasant, West Virginia. Mr. Brumfield is a Certified Public Accountant and member of the Company's Board of Directors.

The Report of Financial Examination, reflecting the status of the Company as of December 31, 2012, is hereby submitted.

Respectfully,

J Leah Cooper, CFE
Financial Conditions Division

SCOPE OF FINANCIAL EXAMINATION

The Company was last examined as of December 31, 2007, by representatives of the West Virginia Offices of the Insurance Commissioner, hereinafter referred to as "the WVOIC".

Presently a single-state examination was conducted by representatives of the WVOIC and covered the period from January 1, 2008, through December 31, 2012, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted pursuant to the instruction, procedures and guidelines prescribed by the WVOIC and in accordance with the National Association of Insurance Commissioners' Financial Examiners Handbook ("Handbook"). The Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the company by obtaining information about the company including corporate governance, identifying and assessing inherent risks within the company and evaluating system controls and procedures used to mitigate those risks. The 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 and required by West Virginia Code.

Initially all accounts and activities of the Company were considered in accordance to the risk-focused examination process. Due to the small size of the Company and the lack of segregation of duties, it was determined that controls would not be relied upon and that a substantive approach to the examination would be taken.

SUMMARY OF SIGNIFICANT FINDINGS

With permission of the WVOIC the annual statements filed during the exam period were not filed on the NAIC annual financial statement blank. The statements are not prepared in accordance with the NAIC annual statement instructions, nor follow the accounting practices and procedures prescribed by the NAIC accounting practices and procedures manual. WVOIC permits such filings since the Company is licensed only in West Virginia and organized as a small farmers' mutual fire insurer.

The prior Report of Examination and Order Adopting Report of Examination (Administrative Proceeding No.: 09-AP-FINCON-02002) contained the following recommendations:

The Company is required to obtain conflict of interest statements from its Directors and Officers each year and document in their minutes these statements were reviewed by the Board. The Company obtained conflict of interest statements each year of the examination period and appears the Board is reviewing these statements as recommended.

The Board of Directors has not adopted a written plan for acquiring and holding investments and for engaging in investment practices; does not evidence by formal resolution, at least annually, that it has determined whether all investments have been made in accordance with delegations, standards, limitations and investment objectives prescribed by the board; does not on at least a quarterly basis receive and review a summary report on the insurer's investment portfolio, its investment activities and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan; and review and revise, as appropriate, the written plan, in accordance to W. Va. Code § 33-8-4. The Company did not comply with this recommendation.

Per the minutes of the January 25, 2005 meeting a bylaw amendment to eliminate the Audit Committee was proposed and approved by the Board of Directors. Similar actions were voted upon by the Board in 1995 to amend the charter changing the day of the annual members meeting from the second Tuesday to the fourth Tuesday in January. This action is significant since the annual members meeting was held on the fourth Tuesday in January throughout this exam period. Section 24 of the Company's Bylaws requires amendment of the Company's charter and/or bylaws be voted upon by the members. W. Va. Code § 33-22-5(e) requires amendment of the Company's charter and/or bylaws be voted upon by the members. The amendments voted upon only by the Board of Directors appear in violation of statute and the Company's charter and thus voidable. The Company did not comply with this recommendation; in addition, the minutes of the January 26, 2010 meeting reflected that the Board of Directors voted to change the date of the annual members meeting to the fourth Tuesday in April without amending their charter and bylaws which violates the same statute listed above.

W. Va. Code § 33-22-5(e) requires that amendments of the Company's charter and/or bylaws be filed with and approved by the commissioner prior to becoming effective. Upon inquiry the Company responded that it possesses no documentation that the amended articles and/or bylaws were filed with the WVOIC. The Examiner reviewed the Company's WVOIC files and the prior two examinations' work papers. The only version of the articles and bylaws on file in this office were submitted to and approved by the WVOIC in 1983. During this examination period, no amendments were presented to the WVOIC for approval.

W. Va. Code § 33-22-7(b) states that "... no provision purporting to make any portion of the charter, bylaws or other documents a part of the policy shall be valid unless such portion is set forth in full in the policy." Upon inquiry the Company indicated that it had not published the amended articles and bylaws by making them a part of its policy forms. The Company did not formally amend their articles or bylaws by submitting for approval to the WVOIC during this examination.

W. Va. Code § 33-22-7(c) requires that the treasurer and secretary give bonds to the Company for the faithful performance of their duties. After review and inquiry it was determined that a bond was not maintained for the faithful performance of the Secretary/Treasurer's duties. The Company complied with this recommendation.

W. Va. Code § 33-22-5(a) and (e) contain language that allow members to vote in person or by proxy to elect directors and amend the Company's charter and/or bylaws. Article VIII of the Company's Constitution appears to establish that voting members present at the annual meeting constitute a quorum and that a majority vote of members present are necessary to make a choice. It appears that the Company's Constitution is non-compliant in that it does not allow for a member to vote by proxy. The Company did not comply with this recommendation.

COMPANY HISTORY

The Company originally incorporated in West Virginia as an assessable farmers' mutual fire insurance company on December 13, 1901. The Company is currently organized and operates pursuant to the provisions of Chapter 33, Article 22 of the West Virginia Code of 1931, as amended, and insures dwellings, farm property, churches and livestock for the perils of fire and lightning. The Company's maximum amount of liability on any one structure is \$15,000. The Company's home office is currently located in Point Pleasant, West Virginia.

Organized as a farmers' mutual fire insurer the Company does not issue capital stock. As such, the Company is not subject to minimum capital and/or surplus requirements applicable to other insurers as set forth in West Virginia Code § 33-3-5b. The Company issues perpetual assessable policies to its members. The members are subject to assessment adequate in amount to cover any deficiency in surplus required to meet the Company's insurance liabilities.

Historically the Company is not part of a Holding Company system. As a farmers' mutual fire insurer transacting business under Article 22, the Company is owned by its policyholder/members, 43 in number as of December 31, 2012 which is down from 67 at the end of the last examination.

CORPORATE RECORDS

The Constitution, Bylaws, and the recorded minutes of annual policyholder/members meetings and Board of Directors and its Committees meetings were examined for statutory compliance and support. Other than matters noted in the above Summary of Significant Findings section of this report, the Company appears to comply with all reviewed statutory requirements.

MANAGEMENT AND CONTROL

The Company's Constitution provides that the governing body of the Company shall be the Board of Directors. Examination indicates that administration of the Company's day to day operations is currently conducted under the direction of President Dale Nibert and Secretary/Treasurer James Perdue. Mr. Nibert and Mr. Perdue have served in their respective positions throughout the current and several previous examination periods.

Board of Directors

<u>Name and Address</u>	<u>Principal Occupation</u>
Dale Nibert Apple Grove, WV	Officer - Farmer
Daniel Foglesong Gallipolis Ferry, WV	Farmer
Dennis Brumfield Point Pleasant, WV	CPA
Earl Foglesong Gallipolis Ferry, WV	Retired
James Perdue Point Pleasant, WV	Officer - Insurance Agent
Carol J. Martin Apple Grove, WV	School Teacher

Officers

<u>Name</u>	<u>Position</u>
Dale Nibert	President
Dennis Brumfield	Vice President
James Perdue	Secretary/Treasurer

Organizational Chart

Historically the Company is not part of a Holding Company system. An organization chart is not required.

Cost Sharing Agreements

The Company's office space requirements are minimal. It leases space in Director Dennis Brumfield's CPA offices for holding annual members meetings, Board of Directors and Executive Committee meetings, telephone services for policyholder relations and equipment services such as copiers, faxes, etc. There is no formal lease agreement. The annual lease cost is minimal at \$900.00 per year and is established and reviewed by the Board of Directors.

FIDELITY BOND AND OTHER INSURANCE

Examination determined that a bond maintained for the faithful performance of the Treasurer's duties as required by § W. Va. Code § 33-22-7(c) and Section 15 of the Company's Bylaws was acceptable.

EMPLOYEE WELFARE

Examination determined that the Company employs three individuals on a part time basis. The Company does not provide pension, stock ownership or insurance plans to employees. Examination verified that tax payments and amounts due and accrued for federal and state payroll taxes are recorded in the Company's accounting system and reported in the annual financial statements without material exception.

TERRITORY AND PLAN OF OPERATION

The Company solely operates in the State of West Virginia. The Secretary/Treasurer is the only appointed producing agent. The Company does not currently write a significant amount of new or renewal business and has no formalized plans to increase its marketing levels. One hundred percent (100%) of all business written is produced through Mr. Perdue's agency.

GROWTH OF COMPANY

The following exhibit depicts the growth of the Company throughout the exam period.

Year	Net Admitted Assets	Policyholder Surplus	Net Premium Written	Net Income
2008	\$ 634,014	\$ 633,307	\$ 10,719	\$ 18,897
2009	\$ 648,161	\$ 647,620	\$ 11,725	\$ 14,313
2010	\$ 661,460	\$ 660,919	\$ 10,131	\$ 13,299
2011	\$ 670,689	\$ 670,211	\$ 9,191	\$ 11,227
2012	\$ 678,839	\$ 678,361	\$ 9,120	\$ 7,540

REINSURANCE

The Company retains the full amount of risk on all issued policies.

ACCOUNTS AND RECORDS

The Company maintains its books and records utilizing Quick Books accounting software as its basic accounting, accounts payable, general ledger, general journal, premium collection and claims management system. The Company's accounting procedures, practices and account records were reviewed and tested to the extent necessary. The trial balance prepared from the Company's general ledger and work papers for the year ended December 31, 2012, was agreed to the Annual Statement without material exception.

STATUTORY DEPOSITS

The Company is licensed and operates only in the State of West Virginia as an assessable farmers' mutual fire insurance company. As such the Company is not subject to statutory deposit requirements.

FINANCIAL STATEMENTS

The following pages contain financial statements showing the Company's financial position as of December 31, 2012, as determined by this examination. Any adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA

Assets

December 31, 2012

<u>Assets</u>	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Bonds	\$ 669,727	\$ -	\$ 669,727
Cash and Short-term investments (1)	7,753		7,753
Subtotals, Cash and Invested Assets	\$ 677,480	\$ -	\$ 677,480
Investment income due and accrued	52		52
Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	-		-
Prepaid Taxes	1,307		1,307
Totals	<u>\$ 678,839</u>	<u>\$ -</u>	<u>\$ 678,839</u>

PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA

Liabilities, Surplus and Other Funds

December 31, 2012

<u>Liabilities</u>	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Other expenses	\$ 478		\$ 478
Total Liabilities	\$ 478	\$ -	\$ 478
<u>Surplus as Regards Policyholders</u>			
Unassigned Surplus	\$ 678,361		\$ 678,361
Total Surplus as Regards Policyholders	\$ 678,361	\$ -	\$ 678,361
Total Liabilities, Surplus and Other Funds	<u>\$ 678,839</u>	<u>\$ -</u>	<u>\$ 678,839</u>

PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA
 Summary of Operations
 December 31, 2012

	Per Annual Statement	Examination Adjustments	Per Examination
Underwriting Income			
Premiums Earned	\$ 9,120	\$ -	\$ 9,120
Losses Incurred	\$ -		\$ -
Loss Expenses Incurred	-		-
Other Underwriting Expenses Incurred	18,542		18,542
Total Underwriting Deductions	\$ 18,542	\$ -	\$ 18,542
Net Underwriting Gain	\$ (9,422)	\$ -	\$ (9,422)
Investment Income			
Net Investment Income Earned	\$ 16,962		\$ 16,962
Net Realized Capital Gains			\$ -
Net Investment Income	\$ 16,962	\$ -	\$ 16,962
Other Income			
Total Other Income	\$ -	\$ -	\$ -
Net Income Before Dividends to Policyholders and Federal Income Taxes	\$ 7,540	\$ -	\$ 7,540
Federal Income Taxes Incurred	-		-
Net Income	\$ 7,540	\$ -	\$ 7,540

PATRONS MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA
Comparative Analysis of Changes in Surplus
December 31, 2012

The following is a reconciliation of surplus between the amount reported by the Company and as determined by examination:

Surplus as Regards Policyholders per December 31, 2012				\$	678,361
Annual Statement					
	Adjustments to Surplus	Adjustments to Surplus			
	Increase	Decrease			
<u>Item:</u>					
No adjustments proposed	\$ -	\$ -			
Totals	\$ -	\$ -			
Net Adjustments to Surplus as Regards Policyholders				\$	-
Surplus as Regards Policyholders per Examination				\$	678,361

SUMMARY OF RECOMMENDATIONS

It is recommended the Board of Directors adopt a written plan for acquiring and holding investments and for engaging in investment practices in accordance to W. Va. Code § 33-8-4; and they further evidence by formal resolution, at least annually, that the Board has determined whether all investments have been made in accordance with delegations, standards, limitations and investment objectives prescribed by the in the plan.

It is recommended that the Company take action to amend Article VIII of its Constitution to allow members to vote in person or by proxy in accordance to W. Va. Code §33-22-5(a).

It is recommended that the Company comply with Article VIII of its Constitution concerning the date the annual meeting is held or take action to amend Article VIII of its Constitution to reflect the correct date the annual meeting is held.

It is recommended that the Company comply with Section 12 of its Bylaws concerning the election of an Auditing Committee or take action to amend Section 12 of its Bylaws to eliminate the establishment of an Auditing Committee.

It is recommended the Company take action to comply with W. Va. Code § 33-22-5(e) and Section 24 of the Company's Bylaws which require that amendments of its charter and bylaws be voted upon by the members. W. Va. Code § 33-22-5(e) further requires that said votes are to be made at any regular or special meeting of the members upon written notice to all members of the intention to propose such amendments not less than thirty days prior to such meeting, and such amendments may be adopted by approval of a majority of the members present and voting in person or by proxy.

It is recommended the Company, after making the recommended changes to its Constitution & Bylaws and after receiving WVOIC approval, take action to comply with W. Va. Code § 33-22-7(b) which requires that "... no provision purporting to make any portion of the charter, bylaws or other documents a part of the policy shall be valid unless such portion is set forth in full in the policy."

EXAMINERS ACKNOWLEDGMENT AND SIGNATURE

The cooperation and assistance extended by the President and staff of the Company and Jamie Taylor and Justin Parr during the course of the financial examination is hereby acknowledged.

Respectfully submitted,

J. Leah Cooper, CPA, CFE

J. Leah Cooper, CPA, CFE
Director and Chief Examiner
Financial Conditions Division