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

IN RE: WEST VIRGINIA MUTUAL INSURANCE COMPANY

Administrative Proceeding No.: 14-AP-FINCON-02013

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, 2013, of WEST VIRGINIA MUTUAL INSURANCE COMPANY (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 August 29, 2003 under the name of West Virginia Physicians Mutual Insurance Company and commenced business on July 1, 2004. In June 2006 the company adopted its current name of WEST VIRGINIA MUTUAL INSURANCE COMPANY and has been authorized by the Insurance Commissioner to transact the business of insurance in the State of West Virginia as permitted and authorized by 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, 2009 and ending December 31, 2013, was conducted in accordance

with West Virginia Code §33-2-9(c) by the Insurance Commissioner.

2. On August 20, 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 August 20, 2014, a true and accurate copy of the REPORT OF FINANCIAL EXAMINATION was hand-delivered to the Company.

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 August 21, 2014, management of the Company indicated that they had reviewed the REPORT OF FINANCIAL EXAMINATION and concurred with the findings of the examination. A copy of the Company's letter of August 21, 2014, is attached hereto as Exhibit B.

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 MUTUAL INSURANCE COMPANY 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 MUTUAL INSURANCE COMPANY by certified mail, return receipt requested upon entry of this Order by the Insurance Commissioner.

3. It is **ORDERED** that WEST VIRGINIA MUTUAL INSURANCE COMPANY 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 MUTUAL INSURANCE COMPANY 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 WEST VIRGINIA MUTUAL INSURANCE COMPANY 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. WEST VIRGINIA MUTUAL INSURANCE COMPANY reserves herein its rights to

Commissioner herein this Agreed Order Adopting Report of Financial Examination and Directing Action. WEST VIRGINIA MUTUAL INSURANCE COMPANY 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 28th day of August, 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 K. Hunter, Associate Counsel
Attorney Supervisor

8/28/14
Date

WEST VIRGINIA MUTUAL INSURANCE COMPANY

BY: R. Austin Wallace, MD
[Print Name]

Signed: R. Austin Wallace MD

Its: Chairman of the Board, President, & CEO

Dated: 27 August 2014

REPORT OF EXAMINATION

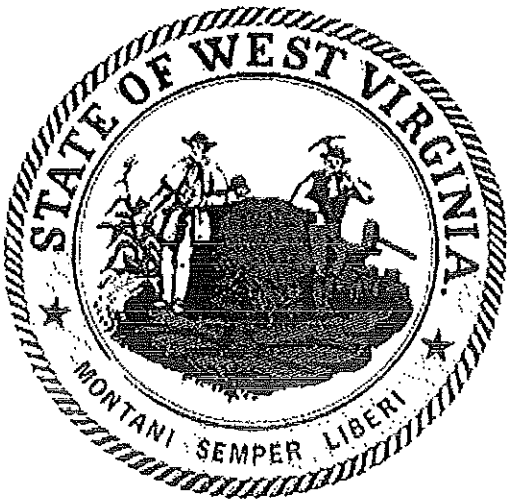
OF

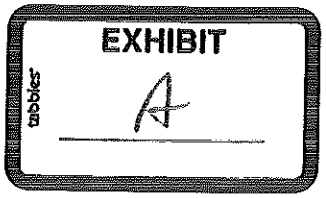
WEST VIRGINIA MUTUAL INSURANCE COMPANY

CHARLESTON, WV

NAIC #11972

AS OF DECEMBER 31, 2013





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SALUTATION

August 20, 2014
Charleston, West Virginia

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

Commissioner:

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner, as well as rules, regulations and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), an examination has been made of the administrative affairs, books, records, and financial condition of:

WEST VIRGINIA MUTUAL INSURANCE COMPANY
500 Virginia Street East, Suite 1200
Charleston, West Virginia 25301

hereinafter referred to as the "Company". The following Report of Financial Examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by the Examination

The prior financial examination of the Company by representatives of the West Virginia Offices of the Insurance Commissioner ("WVOIC") was for the period August 29, 2003 (date of incorporation) through December 31, 2008. This is a multi-state, full scope, five-year examination pursuant to W. Va. Code § 33-2-9 (a), as amended, covering the period from January 1, 2009 through December 31, 2013, including any material transactions or events occurring subsequent to the examination date and noted during the course of the examination. The purpose of this examination is to assess the financial condition of the Company and set forth findings of fact (together with citations of pertinent laws, regulations and rules) with regard to any material adverse findings disclosed by the examination.

The examination was conducted primarily at the Company's administrative office in Charleston, West Virginia, which is the primary location of the Company's books and records.

Examination Procedures Employed

In accordance with, but not limited to, W. Va. Code § 33-2-9 (a), as amended, guidelines and procedures adopted by the NAIC were employed to inspect and examine the Company's financial condition, ascertain its ability to fulfill its obligations, determine its compliance with statutory provisions and evaluate any other matters relevant to its business methods, management or equity of its dealings with policyholders.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook"). The Handbook requires that we plan and perform the examination 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. 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 statutes.

Workpapers of the Company's independent auditor were reviewed and relied upon whenever possible to assist in the completion of examination procedures.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process, including critical risks. Accordingly, planning materiality and tolerable error thresholds were based on professional judgment after considering the nature of the business written by the Company, operating results and related ratios for each year included in the examination period, and the Company's financial position as of December 31, 2013.

Key Activities of the Company

The following were determined to be Key Activities, as defined in the Handbook:

- Premiums & Underwriting
- Claims Handling
- Reserving
- Reinsurance
- Taxes

SUMMARY OF SIGNIFICANT FINDINGS FROM PRIOR EXAMINATION

There were no comments or recommendations made as a result of the prior examination.

See the *Summary of Comments and Recommendations* section for findings in the current examination.

SUBSEQUENT EVENTS

As of the date of this report, the Company was in the final stages of commuting its June 30, 2007 through July 1, 2010 first layer excess of loss reinsurance treaties. Given the swing nature of the treaties and known losses for these years, it was highly unlikely for the Company to have recoveries under these treaties. As such, to reduce administrative costs for both the Company and the reinsurers, both were agreeable to commutation. The Company is due approximately $67,000 upon closing of the commutation.

There were no other events, subsequent to the examination date and noted during the course of the examination, which require disclosure in this report.

COMPANY HISTORY

General

The Company was created through legislation, West Virginia House Bills 601 and 2122 of 2001 and 2003, respectively, to provide medical professional liability insurance ("MPLI") to physicians in West Virginia. The creation was in response to a market crisis in professional liability insurance for West Virginia physicians.

The Company was incorporated in West Virginia as a mutual insurer under the name West Virginia Physicians Mutual Insurance Company on August 29, 2003 and commenced business on July 1, 2004. The Company adopted its current name in June 2006. The Company assumed certain assets and liabilities of the Board of Risk Insurance Management ("BRIM"), which had previously provided MPLI to physicians. The company assumed all applicable policies previously carried by BRIM from 2002 going forward.

There were no amendments to the Articles of Incorporation or Bylaws during the period under examination.

Capitalization

West Virginia House Bills 601 and 2122 of 2001 and 2003, respectively, provided the Company with initial policyholders surplus of $31,000,000 through the issuance of a surplus note to the State of West Virginia and one-time assessments of insurance carriers and physicians licensed in West Virginia. The Company repaid the final $8,000,000 of the surplus note in January 2009.

Dividends to Policyholders

On October 10, 2013 the Company declared a dividend to policyholders of $7,538,163 in accordance with W. Va. Code § 33-5-18. The dividend did not require the approval of the WVOIC, however, the Company consulted with the WVOIC regarding the interpretation of applicable statutes and all parties ultimately determined such dividend was permissible. The dividend was distributed to policyholders prior to December 31, 2013 and was deductible for federal income taxes. Future dividends to policyholders, if any, will be determined based on future operating results, and will be paid as declared by the Board of Directors and notice given to the WVOIC.

Acquisitions and Mergers

There were no mergers or acquisitions during the examination period.

CORPORATE RECORDS

Minutes Review

The minutes of the meetings of the Board of Directors, committees thereof, and the annual meetings of the policyholders from January 1, 2009, through the completion of fieldwork were reviewed. The minutes adequately reflected the ratification, confirmation and approval of the transactions and events undertaken by the Board of Directors and the policyholders on behalf of the Company.

Conflict of Interest

The Company has an established policy for the identification and disclosure, to the Board of Directors, of any potential conflict of interest on the part of any director or officer. All directors, officers and responsible employees are required to disclose to the Board of Directors any employment, affiliation or substantial interest in any other business or enterprise which could conflict with the proper and faithful performance of their duties and responsibilities to the Company. Officers and Directors are required to complete and sign a conflict of interest statement annually.

MANAGEMENT AND CONTROL

The Company is a mutual corporation managed by its Board of Directors and officers. The Board of Directors is elected by the policyholders and the Company's executive officers are, in turn, elected by the Board of Directors.

Board of Directors

The Company's Amended and Restated Bylaws provide for a Board of Directors to be composed of not less than eleven persons and not more than thirteen persons. The Bylaws of the Company follow the requirements of W. Va. Code §33-20F-5. The statute provides that composition of the Board consist of:

- Five directors who are physicians licensed to practice medicine in this state by the Board of Medicine or the Board of Osteopathy, including at least one general practitioner and one specialist: Provided, That only physicians who have purchased medical professional liability coverage from the Board of Risk and Insurance Management are eligible to serve as physician representatives on the company's first board of directors;
- Three directors who have substantial experience as an officer or employee of a company in the insurance industry;
- Two directors with general knowledge and experience in business management who are officers and employees of the company and are responsible for the daily management of the company; and
- One director who is a dean of a West Virginia school of medicine or osteopathy or his or her designated physician representative (once the surplus notes were repaid to the State of West Virginia in January 2009, this requirement is no longer applicable).

Directors are elected at the annual meeting of the policyholders held on the first Wednesday in May and serve staggered, four year terms, or until their successor is elected and qualified. Mid-term vacancies are temporarily filled by the Board until the next annual meeting of the policyholders, at which time the policyholders elect an individual to fill the remaining portion of the term. The Board is required to elect a chairman who presides at the meetings of the Board of Directors and the policyholders.

Both the President/CEO and COO of the Company are voting members of the Board of Directors.

As of December 31, 2013 the following individuals were serving as directors of the Company:

Name	Primary Occupation	Address
R. Austin Wallace, M.D.	President, CEO, and Chairman of the Board	Charleston, West Virginia
MaryAnn Cater, D.O.	Anesthesiologist and Vice-Chair of the Board	Charleston, West Virginia
Robert L. Wheeler, M.D.	OBGYN and Secretary	Lewisburg, West Virginia
Michael A. Stewart, M.D.	Radiation Oncologist and Treasurer	Bridgeport, West Virginia
B. Frederick Becker	President of Clarity Group	Jupiter, Florida
Tamara D. Lively-Huffman	Executive Vice President and COO	Poca, West Virginia
Todd E. Tallman, M.D.	Surgeon	Morgantown, West Virginia
Bruce R. Martin	President and CEO of Wesbanco Ins. Services	Fairmont, West Virginia
Joseph V. Funderburk, III	Retired Insurance Executive	Charleston, West Virginia
John W. Neville, Jr., M.D.	General Practitioner	Hurricane, West Virginia
Robert L. Ghiz, M.D.	Retired Orthopedic Surgeon	Verona, Wisconsin

The composition of the Board during the period under examination was found to be in compliance with the requirements of the Bylaws and W. Va. Code §33-20F-5.

Committees

The Company's Bylaws allow for the designation of one or more committees with such duties and authority as determined by resolution of the Board of Directors. As of December 31, 2013, the Company had seven committees so designated with membership as indicated below:

Audit Committee
Bruce R. Martin, CIC, Chair
MaryAnn Cater, D.O.
Michael A. Stewart, M.D.
R. Austin Wallace, M.D., Ex Officio

Nominating Committee
Michael A. Stewart, M.D., Chair
MaryAnn Cater, D.O.
Robert L. Ghiz, M.D.

Claims Committee
Robert L. Ghiz, M.D., Chair
MaryAnn Cater, D.O.
Joseph V. Funderburk III
John W Neville, Jr., M.D.
Michael A. Stewart, M.D.
R. Austin Wallace, M.D.
Robert L. Wheeler, M.D.
Todd E. Tallman, M.D.

Underwriting Committee
MaryAnn Cater, D.O., Chair
Joseph V. Funderburk III
Robert L. Ghiz, M.D.
Bruce R. Martin
John W Neville, Jr., M.D.
Michael A. Stewart, M.D.
R. Austin Wallace, M.D.
Robert L. Wheeler, M.D.
Todd E. Tallman, M.D.

Compensation Committee
B. Frederick Becker, Chair
Joseph V. Funderburk III
Michael A. Stewart, M.D.
Robert L. Ghiz, M.D.

Risk Management Committee
Robert L. Wheeler, M.D., Chair
B. Frederick Becker
Robert L. Ghiz, M.D.
Tamara D. Lively-Huffman
John W. Neville, Jr., M.D.
R. Austin Wallace, M.D.
Todd E. Tallman, M.D.

Finance Committee
Michael A. Stewart, M.D., Chair
MaryAnn Cater, D.O.
Joseph V. Funderburk III
Robert L. Ghiz, M.D.
R. Austin Wallace, M.D.

Officers

The Company's Amended and Restated Bylaws provide for a slate of officers to be elected by the Board at its annual meeting, or as soon thereafter as is conveniently possible. The Board is to elect a Chair, Vice Chair, President, one or more Vice Presidents, Secretary, Treasurer, and other such officers or assistant officers as may be deemed necessary by the Board of Directors. Any two offices may be held by the same person except the offices of President and Secretary. Two officers who are employees of the Company are to be elected to the Board. Each officer holds office for a term of one year or until a successor is elected and qualified.

At December 31, 2013, the following individuals were serving as officers:

Name	Office
R. Austin Wallace, M.D.	President, CEO, and Chairman of the Board
MaryAnn Cater, D.O.	Anesthesiologist and Vice-Chair of the Board
Robert L. Wheeler, M.D.	Secretary
Michael A. Stewart, M.D.	Treasurer
Tamara D. Lively-Huffman	Executive Vice President and COO
Gary J. Schultz	Senior Vice President and CFO
Robert J. Ryan	Vice President of Claims
Scott A. Atkins	Vice President of Underwriting

Holding Company System

The Company is a mutual insurance company and is controlled by its policyholders. The Company had no affiliates or transactions with affiliates during the period under examination, thus the Company is not a member of a holding company system as defined in W. Va. Code § 33-27-2 (e).

FIDELITY BOND AND OTHER INSURANCE

Fidelity Bond

The Company is a named insured on a financial institution bond. The bond provided a single loss limit of liability of $2,000,000 subject to a per loss deductible of $25,000. Accordingly, the Company's fidelity coverage exceeds the minimum suggested by the NAIC.

Other Insurance

The Company was also a named insured under policies of insurance covering hazards incidental to the conduct of ordinary business operations. Coverage included directors and officers liability, insurance company professional liability, commercial property, commercial liability, commercial auto, commercial umbrella liability, workers compensation and employers liability. These policies appear to insure all hazards to which the Company could reasonably be exposed.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company maintains a qualified defined contribution (401k) plan covering all employees. The Company matches employee contributions up to 6% of employee salary and provides an annual discretionary contribution. All contributions totaled $312,383 in 2013 and $324,369 in 2012.

The Company also maintains a non-qualified supplemental retirement income plan for key employees which accumulate each year based upon Board of Directors approval. Benefits accrue no interest or other investment income and are only vested upon normal retirement. The cost of the plan was $551,420 in 2013 and $563,075 in 2012.

TERRITORY AND PLAN OF OPERATION

The Company specializes in providing MPLI to physicians of all specialties on a claims-made policy form. The majority of the policies issued provide limits of $1 million per occurrence / $3 million in aggregate, although $2 million per occurrence / $4 million in aggregate are written. In Virginia, limits of $2 million per occurrence / $6 million in aggregate are written also. Defense costs are outside of policy limits, therefore, policyholders are afforded unlimited defense. Extended reporting period coverage is available without charge via an endorsement in the case of death, permanent disability or retirement, or for an extra charge under other circumstances. The Company is the leading writer of MPLI in West Virginia where it controls approximately 37% of the market (including both licensed insurers, and excess and surplus writers). It writes a small amount of premium in Ohio and Virginia as an accommodation to existing West Virginia insureds, and is also licensed in Kentucky, although no business has been written in that state as of the date of this report.

All administrative, underwriting, and claims functions are performed by Company employees at the home office in Charleston, West Virginia.

The Company's products are marketed through a network of independent agents and agencies. Approximately 96% of the business is produced by 115 agents. Nearly 50% of the business is produced by three agencies. The Company has established relationships with its key agents.

GROWTH OF COMPANY

See the following table for key figures in evaluating the growth of the Company over the last five years.

(in thousands)	2013	2012	2011	2010	2009
Direct Premiums Written (DPW)	$ 26,463	$ 28,691	$ 32,770	$ 35,550	$ 39,770
DPW/PHS	25%	28%	36%	45%	59%
Ceded Premiums Written (CPW)	$ 4,161	$ 3,274	$ 7,457	$ 4,044	$ 4,357
CPW/PHS	4%	3%	8%	5%	6%
Net Premiums Written (NPW)	$ 22,302	$ 25,417	$ 25,313	$ 31,506	$ 35,413
NPW/PHS	21%	25%	28%	40%	52%
Policyholder Dividends	$ 7,538	$ -	$ -	$ -	$ -
Net Income	$ 431	$ 11,780	$ 11,917	$ 12,335	$ 6,909
Total Net Admitted Assets	$ 181,005	$ 183,348	$ 183,091	$ 182,237	$ 165,111
Total Liabilities	$ 75,900	$ 80,197	$ 91,513	$ 102,504	$ 97,473
Policyholders Surplus (PHS)	$ 105,105	$ 103,151	$ 91,578	$ 79,733	$ 67,638

LOSS EXPERIENCE

The Company engages an independent consulting actuary to perform a review of year-end reserves and opine thereon. For each year under examination, Arthur I. Cohen, ACAS, MAAA, of Ernst & Young, LLP, issued the associated actuarial opinion. Each actuarial opinion reported that the amounts carried in the balance sheet for reserves and related actuarial items are consistent with estimates computed in accordance with reserving standards and actuarial principles, reasonably provided for all unpaid loss and loss expense obligations of the Company, are computed on a basis similar to the general methods used in the prior year, and met the requirements of the insurance laws of the State of West Virginia.

The Company's loss and loss adjustment expense reserves as of December 31, 2013 were reviewed as part of the current examination. This review indicated no adjustment was required to the Company's loss and loss adjustment expense reserves for this examination report.

REINSURANCE

Assumed

The Company did not assume any insurance liabilities from other insurers pursuant to contracts of reinsurance during the current examination period.

Ceded

The Company has reinsured portions of its MPLI coverage to limit the amount of losses on individual claims. Reinsurance allows management to control exposure to potential losses arising from large risks and provide additional capacity for growth.

Excess of loss reinsurance is maintained on the MPLI risks in two layers. The first layer is a swing rated treaty that provides coverage of $500,000 excess of $500,000 for each loss with $2 million of coverage for extra contractual obligations/excess policy limits and clash coverage of $1.5 million excess of $750,000. The second layer provides excess coverage up to $2 million per loss/$4 million in the aggregate in WV, KY and OH. In VA, the aggregate is $6 million. A first awards made agreement is in place for $8 million excess of $2 million, with the Company retaining 5% participation. Extra contractual awards made coverage is maintained for $10 million excess of $10 million. The company's major reinsurers are Underwriters at Lloyds, Odyssey Re, Transatlantic Re, Hannover, Aspen, and Platinum Underwriters.

During the current examination period, the Company commuted the first layer treaties for 2004 through 2007. The Company is currently in the process of commuting the 2008 through 2010 first layer treaties. The reason for the commutation of these two treaties was the Company no longer considered them beneficial.

The treaties through June 30, 2013 were negotiated through a team of brokers at Willis Re, Inc., a reinsurance intermediary. The treaties commencing July 1, 2013 were negotiated through a team of brokers at BMS Intermediaries, Inc.

Material reinsurance contracts, including amendments, entered into during the current examination period were reviewed for authorization of reinsurer, transfer of risk, and insolvency, intermediary and cancellation provisions. No exceptions were noted.

ACCOUNTS AND RECORDS

The Company's books and records are fully automated. The accounting system produces a general ledger, subsidiary detail and other reports as required for the preparation of the financial statements and other regulatory reporting. Tests of the Company's accounts and records were determined based upon the examination procedures promulgated by the NAIC and applicable policies and directives issued by the WVOIC. The Company's systems appear to furnish a reliable audit trail.

The Company's statutory financial statements are subject to an annual audit conducted by independent certified public accountants. Buffamante Whipple Buttafaro, P.C., Jamestown, New

The Company's statutory financial statements are subject to an annual audit conducted by independent certified public accountants. Buffamante Whipple Buttafaro, P.C., Jamestown, New York, conducted the Company's statutory audits for the period under examination. All opinions issued during the examination period were unqualified.

An Information Technology ("IT") Specialist performed a review of the Company's IT system controls to assess these controls for purposes of reliance by the examiners. The IT Specialist prepared a separate assessment memorandum, which was incorporated into the examination workpapers. As a result of the IT review, recommendations were made to strengthen controls and a written summary was provided to the Company.

The Company's loss and LAE reserves as of December 31, 2013 contain $6 million resulting from an Order Granting Summary Judgment handed down by the Circuit Court of Kanawha County, West Virginia. This order has been appealed to the Supreme Court of Appeals of West Virginia and will be heard in September 2014.

The Company is routinely engaged in additional matters of litigation in the ordinary course of business, principally related to the defense of various liability and other claims related to its business as an insurer. Amounts are established by management to cover estimated losses and related expenses associated with these matters in settling the liability for losses and loss adjustment expenses. The Company's management believes that the resolution of these matters will note have a material effect on the Company's financial position or results of operations.

STATUTORY DEPOSITS

At December 31, 2013, the Company had securities on deposit and pledged to various state insurance departments for the protection of policyholders as follows:

State	Book/Adjusted Carrying Value	Fair Value
Virginia	$ 249,788	$ 254,141
West Virginia	1,000,000	1,000,000
Total statutory deposits	$ 1,249,788	$ 1,254,141

FINANCIAL STATEMENTS

The following financial statements were prepared in accordance with statutory accounting practices prescribed or permitted by the WVOIC and present the financial position of the Company as of December 31, 2013, and the results of its operations for the years then ended:

- Statement of Admitted Assets
- Statement of Liabilities, Surplus and Other Funds
- Statement of Income
- Statement of Changes in Surplus and Other Funds
- Analysis of Examination Adjustments

West Virginia Mutual Insurance Company
Statement of Admitted Assets
As of December 31, 2013

	Per Annual Statement	Examination Adjustments	Per Examination
Bonds	$ 151,134,605	$ -	$ 151,134,605
Common stocks	9,585,504	-	9,585,504
Cash and short-term investments	9,193,382	-	9,193,382
Cash and invested assets	169,913,491	-	169,913,491
Investment income due and accrued	1,780,264	-	1,780,264
Deferred premium not yet due	2,270,970	-	2,270,970
Reinsurance recoverable	1,116,651	-	1,116,651
Current federal income tax recoverable	3,579,357	-	3,579,357
Net deferred tax asset	2,262,062	-	2,262,062
EDP equipment and software	82,353	-	82,353
Total Assets	$ 181,005,148	$ -	$ 181,005,148

West Virginia Mutual Insurance Company
Statement of Liabilities, Surplus and Other Funds
As of December 31, 2013

	Per Annual Statement	Examination Adjustments	Per Examination
Losses	$ 33,422,480	$ -	$ 33,422,480
Loss adjustment expenses	13,685,757	-	13,685,757
Commissions payable	170,011	-	170,011
Other expenses	3,194,025	-	3,194,025
Taxes, licenses and fees	(54,586)	-	(54,586)
Federal income taxes payable	546,078	-	546,078
Unearned premium	17,617,590	-	17,617,590
Advance premium	2,146,263	-	2,146,263
Ceded reinsurance premiums payable	5,155,030	-	5,155,030
Reinsurance funds held by company	19,797	-	19,797
Amounts held for others	(2,111)	-	(2,111)
Total Liabilities	75,900,334	-	75,900,334
Gross paid-in and contributed surplus	7,651,150	-	7,651,150
Unassigned funds	97,453,664	-	97,453,664
Surplus as regards policyholders	105,104,814	-	105,104,814
Total Liabilities and Surplus	$ 181,005,148	$ -	$ 181,005,148

West Virginia Mutual Insurance Company
Statement of Income
For the Year Ended December 31, 2013

	Per Annual Statement	Examination Adjustments	Per Examination
Underwriting Income			
Premiums earned	$ 24,141,529	$ -	$ 24,141,529
Losses incurred	8,030,128	-	8,030,128
Loss expenses incurred	8,663,007	-	8,663,007
Other underwriting expenses incurred	7,500,912	-	7,500,912
Total underwriting deductions	24,194,047	-	24,194,047
Net underwriting loss	(52,518)	-	(52,518)
Investment Income			
Net investment income earned	5,144,878	-	5,144,878
Net realized capital gains (losses)	808,499	-	808,499
Net investment gain	5,953,377	-	5,953,377
Other Income			
Finance and service charges	54,273	-	54,273
Aggregate write-ins for misc. income	11,448	-	11,448
Total other income	65,721	-	65,721
Net income before policyholder dividends and taxes	5,966,580	-	5,966,580
Dividends to policyholders	7,538,163	-	7,538,163
Net income before taxes	(1,571,583)	-	(1,571,583)
Federal income taxes incurred	(2,002,702)	-	(2,002,702)
Net income	$ 431,119	$ -	$ 431,119

West Virginia Mutual Insurance Company
Statement of Changes in Surplus and Other Funds
December 31, 2013

	Per Annual Statement	Examination Adjustments	Per Examination
Surplus and other funds, beginning of year	$ 103,151,311	$ -	$ 103,151,311
Net income	431,119	-	431,119
Net unrealized gains	1,034,165	-	1,034,165
Change in net deferred income tax	(41,193)	-	(41,193)
Change in non-admitted assets	529,412	-	529,412
Aggregate write-ins	-	-	-
Net change in surplus	1,953,503	-	1,953,503
Surplus and other funds, end of year	$ 105,104,814	$ -	$ 105,104,814

West Virginia Mutual Insurance Company
Analysis of Examination Adjustments
As of December 31, 2013

	Per Annual Statement	Per Examination	Change in Surplus
Surplus as regards policyholders, December 31, 2013 per Company			$ 105,104,814
Assets:			
Total admitted assets	$ 181,005,148	$ 181,005,148	$ -
Liabilities:			
Total liabilities	$ 75,900,334	$ 75,900,334	$ -
Surplus as regards policyholders, December 31, 2013 per examination			$ 105,104,814

COMMENTS ON FINANCIAL STATEMENT ITEMS

There were no comments on financial statement items as a result of this examination.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

ACKNOWLEDGMENT

In addition to the undersigned, Scott Eady, CFE, CPA, and Alan Kaliski, FCAS, MAAA, as well as other representatives of AGI Services, were authorized by the Commissioner to represent the WVOIC and participated in this examination. The courtesy and cooperation of the Company's officers and employees are hereby gratefully acknowledged.

Respectfully submitted,

Eric M. Free, CFE
Examiner-In-Charge
State of West Virginia
Southeastern Zone II, NAIC

West Virginia Mutual Insurance Company

R. Austin Wallace, MD
Chairman of the Board
President & CEO

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AUG 26 2014
WV INSURANCE COMMISSION
FINANCIAL CONDITION

August 21, 2014

Michael Riley
Insurance Commissioner
State of West Virginia
Offices of the Insurance Commissioner
P.O. Box 50540
Charleston, WV 25305-0540

Re: Report of Examination as of December 31, 2013
NAIC # 11972

Dear Commissioner Riley:

We are in receipt of the Report of Examination of West Virginia Mutual Insurance Company as of December 31, 2013. Our review indicates that the facts and figures cited are accurate, and we are pleased to note that there were no significant findings resulting from the examination.

We wish to recognize the work done by Leah Cooper, Justin Parr and the examiners from AGI. They were courteous at all times and approached the examination in a professional manner.

The Report is acknowledged by the Company and we take no exceptions to the items contained therein.

Sincerely,

R. Austin Wallace, MD

R. Austin Wallace, MD
Chairman of the Board
President & CEO

EXHIBIT
B