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

IN RE: W. Va. INSURANCE COMPANY

Administrative Proceeding No.: 15-AP-FINCON-02007

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 Agreed Order which adopts the Report of Financial Examination as of December 31, 2014, of W. Va. Insurance Company (hereinafter sometimes 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 July 21, 1923 and commenced business operations on September 1, 1923. The Company is authorized by the Insurance Commissioner to transact the business of insurance as a Farmers' Mutual Fire Insurer under the provisions of 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, 2010 and ending December 31, 2014, was conducted in accordance with West Virginia Code §33-2-9(c) by the Insurance Commissioner.

2. On August 3, 2015, 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 3, 2015, a true and accurate copy of the Report of Financial Examination was forwarded to the Company via email and certified mail. The Company received the email copy of the Report of Financial Examination on August 3, 2015 and the certified mail copy of the Report of Financial Examination August 7, 2015.

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.

5. By letter dated August 25, 2015, received by the Insurance Commissioner on August 27, 2015, 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 25, 2015, 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

Accordingly, it is therefore AGREED by the Parties and ORDERED as follows:

1. That the Report of Financial Examination of the Company, attached hereto as Exhibit A, is ADOPTED and APPROVED by the Insurance Commissioner.

2. That a copy of this Agreed Order Adopting Report of Financial Examination and Directing Action and the Report of Financial Examination shall be mailed to the Company, via

certified mail, return receipt, upon entry by the Insurance Commissioner.

3. That the Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Agreed Order, affidavits executed by each of its directors stating under oath that they have received a copy of the 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. That the 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 the 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. The Company reserves 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. That this matter be dismissed from the administrative docket of the Insurance Commissioner.

Entered this 31st day of August, 2015.

Michael D. Riley, Insurance Commissioner
State of West Virginia

THE PARTIES DO SO AGREE:

State of West Virginia, Offices of the Insurance Commissioner

By: Erin K. Hunter

Erin K. Hunter, Associate Counsel

8/31/15

Date

W. Va. INSURANCE COMPANY

By: Lawrence B. Cokeley

[Print Name]

Signed: Lawrence B Cokeley

Its: Secretary/Tr. CEO

Date: 8/28/2015

STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner
REPORT OF EXAMINATION

OF

W. VA. INSURANCE COMPANY
HARRISVILLE, WV
NAIC CO. CODE 11003

As of

December 31, 2014

EXHIBIT
A

TABLE OF CONTENTS

SALUTATION 2
SCOPE OF EXAMINATION 3
SUMMARY OF SIGNIFICANT FINDINGS 3
HISTORY 3
CORPORATE RECORDS 3
- Articles of Incorporation 3
- Bylaws 3
- Minutes 3

MANAGEMENT AND CONTROL 4
- Board of Directors 4
- Officers 4

INSURANCE HOLDING COMPANY SYSTEM 4
TERRITORY AND PLAN OF OPERATION 4
GROWTH OF COMPANY 5
ACCOUNTS AND RECORDS 7
FINANCIAL STATEMENTS 7
SUMMARY OF EXAM CHANGES 11
NOTES ON THE FINANCIAL STATEMENTS 11
SUBSEQUENT EVENTS 11
CONCLUSION 11
ACKNOWLEDGEMENT AND SIGNATURE 12

SALUTATION

August 3, 2015

The Honorable Michael D. Riley
West Virginia Insurance Commissioner
1124 Smith Street
Charleston, West Virginia 25301

Pursuant to your instructions and in conformity with the provision 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

W. Va. Insurance Company
Route 16 North
Harrisville, WV 26362

hereinafter referred to as the "Company" or "WVIC" The examination was conducted at the corporate headquarters of the Company listed above. The following Report of Examination, reflecting the status of the Company as of December 31, 2014, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The last examination was conducted by the West Virginia Offices of the Insurance Commissioner ("WVOIC") and was completed as of December 31, 2009. This examination covers the period of January 1, 2010 through December 31, 2014. 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 regulations.

All accounts and activities of the company were considered in accordance with the risk-focused examination process.

SUMMARY OF SIGNIFICANT FINDINGS

As a result of the examination, there were no significant findings noted.

HISTORY

The Company was incorporated on July 21, 1923 and began business on September 1, 1923. WVIC is authorized to transact business as a Farmers' Mutual Fire Insurer under the provisions of Article 22 of the West Virginia Insurance Code.

CORPORATE RECORDS

Articles of Incorporation

There were no changes or amendments made to the Company's Articles of Incorporation during the period under examination.

Bylaws

There were no changes or amendments made to the Company's By-Laws during the period under examination.

Minutes

The minutes of the Board of Directors were recorded in sufficient detail to determine the actions taken by the Board. A review of the minutes for the period under examination revealed no acts inconsistent with the Company's ByLaws or Constitution. The Board approved all investments made by the Company for the period examined as required by the provisions of West Virginia Code §33-8-4. A

quorum was achieved at all meetings held and the minutes supported the transactions of the Company and the actions taken by its officers.

MANAGEMENT AND CONTROL

Board of Directors

The Company is governed by a nine member Board of Directors ("Board"), which was comprised of the following members as of December 31, 2014:

Name	Year First Elected	Principle Occupation
Bryan Cokeley	2013	Attorney – Steptoe and Johnson, PLLC
Warren Haught	1977	Oil and Gas Producer
Lawrence Cokeley	1988	Secretary/Treasurer/CEO of WVIC
Edward Cokeley	1991	CPA – owner of Cokeley and Associates
Raymond Jones	1993	Retired president of West Union bank
Mark Spiker	1989	Dentist
James Starr	1983	Owner of Starr Woodworking
Michael Krupa	1983	Pharmacist/Minister
Samuel Lambert	2014	Employee of FBI

Officers

As of December 31, 2014, the following officers were appointed and serving in accordance with the Company's By-Laws:

Name	Office
Edward R. Cokeley	President
Lawrence B. Cokeley	Treasurer/Secretary
Raymond W. Jones	Vice President

INSURANCE HOLDING COMPANY SYSTEM

The Company is not a member of an insurance holding company system.

TERRITORY AND PLAN OF OPERATION

WVIC is authorized to transact business as a Farmers' Mutual Fire Insurer under the provisions of Artilce 22 of the West Virginia Insurance Code. The Company only writes business in the State of West Virginia. It does not hold a certificate of authority in any other state. The Company writes Homeowners Multiple Peril, Fire and Allied Lines (extended coverage) policies. The dwelling portion of the policies is written on a cash value basis rather than a replacement cost basis.

WVIC markets all of its business through independent agents. As of December 31, 2014, there were 17 commission paid agents licensed to sell the Company's products.

GROWTH OF COMPANY

The growth of the Company since the last financial examination is reflected in the following schedule. The stated amounts were derived from Company's filed annual statements.

	2014	2013	2012	2011	2010
Admitted Assets	$ 48,078,877	$ 46,834,455	$ 45,050,254	$ 42,762,324	$40,410,933
Liabilities	$ 8,558,628	$ 8,598,963	$ 9,150,613	$ 8,464,320	$8,364,514
Surplus	$ 39,520,249	$ 38,235,492	$ 35,899,641	$ 34,298,004	$ 32,046,419
Net Premiums Written	$ 11,184,543	$ 11,127,451	$ 10,620,192	$ 11,334,006	$ 11,050,437
Net investment income	$ 1,025,690	$ 994,179	$ 986,804	$ 1,080,206	$ 1,075,823
Net Income	$ 1,250,911	$ 2,282,946	$ 1,687,613	$ 2,171,618	$ 1,717,813

Premiums written remained stagnant during the examination period due to slow economic growth and high unemployment levels in West Virginia. The Company was able to generate net income each year under examination due to a low combined ratio (See Loss Experience section which follows) and investment income. Overall, the Company has produced steady growth in its assets and surplus for the period covered by this examination.

LOSS EXPERIENCE

The following exhibit reflects the underwriting results of the Company since 2010. The amounts were compiled from the Company's filed annual statements:

Year	Premiums earned	Losses incurred	Expenses Incurred	Combined Ratio
2014	$11,106,395	$6,866,834	$3,567,586	93.9%
2013	$11,118,129	$5,243,726	$3,618,912	79.7%
2012	$10,645,488	$5,805,920	$3,436,867	86.8%
2011	$11,351,753	$6,002,560	$3,293,308	81.9%
2010	$11,124,269	$6,683,666	$3,064,251	87.6%

A combined loss and expenses incurred to premium earned ratio of less than 100% represents an underwriting profit. As indicated from the ratio column, the Company has produced underwriting profits in all of the years covered by this examination. The combined ratio is a result of many factors, one being that the Company writes only standard fire and homeowners policies on an actual cash basis. In addition,

the Company inspects all properties that is has insured which has improved the quality of risks being insured.

REINSURANCE

The Company did not change any of its reinsurance contracts during the examination period other than adjustments to limits and retention levels. All reinsurance coverage is obtained through Mutual Reinsurance Bureau (MRB), a reinsurance intermediary. The reinsurers (all MRB member companies) participating in the coverage at 20% each are Employers Mutual Casualty Company, Farm Bureau Mutual Insurance Company of Michigan, Kentucky Farm Bureau Mutual Insurance Company, Motorist Mutual Insurance Company and Church Mutual Insurance Company (added during examination period).

Assumed Business

The Company assumes non-proportionate property business as a participant to a Regional Reciprocal Catastrophe Pool managed by MRB. The Company's maximum obligation under the pool is $450,000 which is a 1% share of the total pool liability of $45,000,000.

Ceded Business

The Company's ceded reinsurance program as of December 31, 2014 consists of four agreements. A summary of these agreements follow:

Property Per Risk Excess of Loss

Company's property business (Fire, Allied Lines, Homeowners Multiple Peril) is reinsured through two layers of excess of loss coverage:

Coverage Layer	Limit	Retention or Underlying Limit
Section One	$115,000 per risk per occurrence $345,000 per occurrence $345,000 terrorism aggregate	$85,000 per risk
Section Two	$400,000 per risk per occurrence $800,000 per occurrence $800,000 terrorism aggregate	$200,000 per risk

Casualty Excess of Loss

Policies written as Homeowners Multiple Peril (Casualty Perils only) are reinsured as:

Coverage Layer	Limit	Retention or Underlying Limit
Section One	$525,000 per occurrence $1,575,000 terrorism aggregate	$75,000 per risk

Catastrophe Excess of loss

Three layers of catastrophe coverage is reinsured:

Coverage Layer	Limit	Retention or Underlying Limit
Section one	95% of $800,000 per occurrence 95% of $1,600,000 term of agreement	$800,000 per occurrence
Section Two	95% of $2,900,000 per occurrence 95% of $5,800,000 term of agreement	$1,600,000 per occurrence
Section Three	100% of $4,500,000 per occurrence 100% of $9,000,000 term of agreement	$4,500,000 per occurrence

ACCOUNTS AND RECORDS

The Company maintains its books and records at its home office in Harrisville, West Virginia. 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.

Comparative Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2014

	2014	2013	2012	2011	2010
Bonds	$ 42,201,754	$ 40,928,759	$ 38,927,633	$ 36,495,304	$ 34,196,187
Common Stocks	285,185	276,280	163,904	157,532	96,768
Real Estate – occupied	221,565	233,700	245,835	257,970	270,105
Cash and Short term investments	3,475,805	3,371,730	3,109,780	3,560,169	3,668,751
Subtotal, cash and Invested Assets	$ 46,184,309	$ 44,810,469	$ 42,447,152	$ 40,470,975	$ 38,231,811
Investment income due and accrued	186,704	175,903	200,399	238,444	246,964
Uncollected Premiums	54,623	36,458	34,467	30,102	43,115
Deferred Premiums	1,165,915	1,218,284	1,307,858	1,370,112	1,422,340
Amounts recoverable from reinsurers	0	0	579,362	28,550	0
Other amounts receivable under reinsurance	3,544	0	545	160,200	0
Current federal income tax recoverable	0	114,001	0	0	0
Net Deferred Tax Asset	477,657	477,569	476,877	463,029	458,985
Aggregate Write-in; Purchased interest	6,125	1,771	3,594	912	7,718
Total Assets	$ 48,078,877	$ 46,834,455	$ 45,050,254	$ 42,762,324	$ 40,410,933
Losses	$ 1,639,395	$ 1,828,819	$ 2,085,440	$ 1,534,127	$ 1,346,204
Loss Adjustment Expenses	298,461	328,630	293,899	283,398	276,298
Other Expenses	29,119	41,720	87,740	35,119	49,860
Current Federal Income Taxes	108,772	0	292,507	236,349	301,430
Borrowed Money	0	0	30,000	0	0
Unearned premiums	6,346,113	6,267,965	6,258,643	6,283,939	6,301,686
Advance Premium	136,768	95,840	102,384	91,388	89,036
Ceded reinsurance premium payable	0	35,989	0	0	0
TOTAL LIABILITIES	$ 8,558,628	$ 8,598,963	$ 9,150,613	$ 8,464,320	$ 8,364,514
Unassigned Funds	39,520,249	38,235,492	35,899,641	34,298,004	32,046,419
SURPLUS as regards policyholders	39,520,249	38,235,492	35,899,641	34,298,004	32,046,419
TOTAL	$ 48,078,877	$ 46,834,455	$ 45,050,254	$ 42,762,324	$ 40,410,419

Comparative Statement of Income
As of December 31, 2014

	2014	2013	2012	2011	2010
Premiums earned	$11,106,395	$11,118,129	$10,645,488	$11,351,753	$11,124,269
Losses incurred	6,866,834	5,243,726	5,805,920	6,002,560	6,683,666
Loss adjustment expenses incurred	1,202,084	1,218,853	1,162,372	1,088,813	1,052,367
Other underwriting expenses incurred	2,365,502	2,400,059	2,274,495	2,204,495	2,011,885
Total underwriting expenses	$10,434,420	$8,862,638	$9,242,787	$9,295,868	$9,747,918
Net underwriting gain	$ 671,975	$2,255,491	$1,402,701	$2,055,885	$1,376,351
Net investment income earned	1,025,690	955,971	969,707	1,023,582	1,075,823
Net realized capital gains	0	38,028	17,097	56,624	0
Net investment gain	1,025,690	994,179	986,804	1,080,206	1,075,823
Finance and service charges	110,509	120,105	129,485	136,395	142,420
Miscellaneous income	35,510	17,901	24,672	8,599	12,398
Total other income	146,019	138,006	154,157	144,994	154,818
Net income before taxes	1,843,684	3,387,676	2,543,662	3,281,085	2,606,992
Federal income taxes incurred	592,773	1,104,730	856,049	1,109,467	889,179
Net Income	$1,250,911	$2,282,946	$1,687,613	$2,171,618	$1,717,813

Comparative Statement of Capital and Surplus
As of December 31, 2014

	2014	2013	2012	2011	2010
Surplus as regards policyholders, December 31 prior year	$ 38,235,492	$ 35,899,641	$ 34,298,004	$ 32,046,419	$ 30,381,283
Net income	1,250,911	2,282,946	1,687,613	2,171,618	1,717,813
Change in net unrealized capital gains	8,904	(9,340)	6,372	10,611	(3,751)
Change in net deferred income tax	88	693	13,848	4,044	(24,479)
Change in nonadmitted assets	24,854	61,552	(106,196)	65,312	(24,447)
Change in surplus for the year	1,284,757	2,335,851	$ 1,601,637	$ 2,251,585	1,665,136
Surplus as regards policyholders, December 31 current year	$ 39,520,249	$ 38,235,492	$ 35,899,641	$ 34,298,004	$ 32,046,419

SUMMARY OF EXAM CHANGES

There were no examination changes made to the preceding financial statements as filed with regulatory authorities over the examination period.

NOTES ON THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in conformity to accounting practices prescribed or permitted by the West Virginia Offices of the Insurance Commissioner.

SUBSEQUENT EVENTS

No significant subsequent events were noted during the examination that would have a material impact on the examination report.

CONCLUSION

As a result of this examination, the financial condition of West Virginia Insurance Company, as of December 31, 2014, was determined to be as follows:

Admitted assets	$ 48,078,877
Liabilities	$ 8,558,628
Capital and surplus	$ 39,520,249

Since the previous examination, conducted as of December 31, 2009, the Company's assets increased by $9,086,927 its liabilities decreased by $52,039, and its surplus increased by $9,138,966.

ACKNOWLEDGEMENT AND SIGNATURE

In addition to the undersigned, Jan Moenck, CFE, Partner and Tom Hayden, CISA, AES, IT Specialist (both from Risk and Regulatory Consulting) participated in the examination.

Dean Cross, CFE
Examiner in Charge (Risk and Regulatory Consulting, LLC)
Representing the
West Virginia Offices of the Insurance Commissioner

W. Va. Insurance Company

P. O. Box 196 ● Harrisville, WV 26362 ● 304-643-2772

RECEIVED
AUG 27 2015
WV INSURANCE COMMISSION
FINANCIAL CONDITIONS

August 25, 2015

Jamie Taylor, CFE, APIR
Chief Financial Analyst
WV Offices of the Insurance Commissioner
1124 Smith Street
Charleston, WV 25301

Mr. Taylor,

I have reviewed the copy of the Exam Report that you sent to us and find that I concur with the report as was presented to us.

Thank you.

Sincerely yours,

Lawrence B. Cokeley, Sec'y/ CEO

copy:file

EXHIBIT
tabbies
B