

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

IN RE: MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA

Administrative Proceeding No.: 12-AP-FINCON-02010

**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, 2011, of MUNICIPAL MUTUAL 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 February 16, 1910 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, 2009 and ending December 31, 2011, was conducted in accordance with West Virginia Code §33-2-9(c) by the Insurance Commissioner.

2. On September 2, 2012, 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 September 12, 2012, a true and accurate copy of the REPORT OF FINANCIAL EXAMINATION was forwarded to the Company by certified mail, return receipt requested. On September 17, 2012, 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 September 27, 2012, 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 response letter of September 27, 2012, is attached hereto as Exhibit B. By the letter dated September 27, 2012, the Company concurs with the findings.

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 MUNICIPAL MUTUAL 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 MUNICIPAL MUTUAL 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 MUNICIPAL MUTUAL 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 MUNICIPAL MUTUAL 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 MUNICIPAL MUTUAL 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. MUNICIPAL MUTUAL 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.

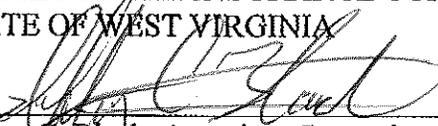
6. It is finally **ORDERED** that this administrative matter be hereby dismissed from the administrative docket of the Insurance Commissioner.

Entered this 9th day of October, 2012.


Michael D Riley
Insurance Commissioner

THE PARTIES DO SO AGREE:

OFFICES OF THE INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA

By: 
Jeffrey C. Black, Associate Counsel
Attorney Supervisor

10/9/12
Date

MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA

BY: Brian Taylor
[Print Name]

Signed: BT

Its: President C. LEO

Dated: 9/29/12



STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner

EARL RAY TOMBLIN
Governor

MICHAEL D. RILEY
Insurance Commissioner

Certified Mail: 7007 2680 0000 9509 1460

September 12, 2012

Municipal Mutual Insurance Company
Brian Michael Taylor, President/CEO
943 Charles St
Wellsburg, WV 26070

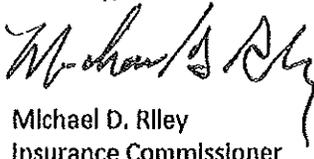
RE: Report of Examination as of December 31, 2011
NAIC #: 14656 WV File #: D019

Dear Mr. Taylor:

Please find enclosed a copy of the Report of Examination of Municipal Mutual Insurance Company. This examination was performed in accordance with the provision 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 Municipal Mutual Insurance Company, as of December 31, 2011.

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.

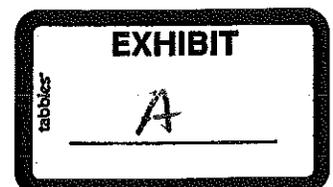
Sincerely,



Michael D. Riley
Insurance Commissioner

MDR/rch

Enclosure: Copy of Report of Financial Examination



REPORT ON EXAMINATION
OF
MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA

AS OF

DECEMBER 31, 2011

NAIC CODE 14656

BY THE
WEST VIRGINIA OFFICES OF THE INSURANCE COMMISSIONER

TABLE OF CONTENTS

Scope of Examination	2
Summary of Significant Findings	3
Current Examination Findings	3
Compliance with Prior Examination Findings	3
History	5
Dividends to Policyholders	5
Management and Control.....	5
Investment Policy.....	6
Corporate Governance	7
Conflict of Interest.....	7
Corporate Records	7
Board of Directors and Committee Minutes.....	8
Fidelity Bonds and Other Insurance	8
Pension and Insurance Plans.....	8
Defined Contribution Plan	8
Supplemental Retirement Plan	9
Custodial Agreement	9
Growth of the Company	9
Profitability of Company	9
Loss Experience	10
Territory and Plan of Operations.....	10
Information Technology Report	11
Statutory Deposits.....	11
Reinsurance.....	12
Reinsurance Ceded	12
Assumed Business	14
Accounts and Records.....	15
Financial Statements	15
Comments on the Financial Statements.....	19
Subsequent Events	19
Summary of Examination Recommendations	20
Conclusion	20

September 2, 2012

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

Dear Commissioner:

In compliance with your instructions and pursuant to the Order Number 14656-WV-2011-2 dated February 1, 2012, a comprehensive risk-focused examination and financial affairs examination was made of the books, records, and financial condition of

**MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA
943 CHARLES STREET
WELLSBURG, WEST VIRGINIA 26070**

hereinafter referred to as MMIC or the Company. The following Report of Examination is respectfully submitted.

Scope of Examination

The current examination was conducted at the Company's head office located at 943 Charles Street, Wellsburg, West Virginia. This examination covers the period of January 1, 2009 through December 31, 2011, including any material relevant transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition 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. 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, as applicable to the West Virginia Laws, Regulations, and Directives of the West Virginia Insurance Commissioner.

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

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

Summary of Significant Findings

Current Examination Findings

There were no adverse findings or significant non-compliance findings noted during the examination.

Compliance with Prior Examination Findings

The prior examination report covered the period of January 1, 2004 through December 31, 2008. Based upon testing performed during the current examination period, the Company was in compliance with prior examination findings. The following findings were identified in the prior examination report:

Non-Compliance with Bylaws

In accordance with W. Va. Code §33-22-5 (d), it is recommended that the Board of Directors notify all members of the time and place of the annual meeting of such members.

Resolution: Notification is given to policyholders of the time and place of the annual meetings on their policy declarations.

The Board of Directors shall meet and elect from their number a Chairman of the Board of Directors, a Vice Chairman of the Board of Directors, President, Treasurer, Secretary, and an Executive Committee of FIVE members. At the year end of 2008, the Executive Committee consisted of only four members, and only four were elected to serve in the coming year.

It is recommended that the Company take measures to correct its inconsistencies and come into compliance with W. Va. Code §33-22-5.

Resolution: During their meeting in May 2011, the Board of Directors elected a Chairman of the Board of Directors, a Vice Chairman of the Board of Directors, President, Treasurer and a Secretary. The Executive Committee was also elected with five members.

Board Minutes

The Board of Directors approved a change to the Company's investment policy at the March 2007 Board meeting; however, it was noted that the Company did not have an amended written plan in place.

Resolution: A revised investment policy, dated September 2010, was approved by the Board of Directors.

Directors

It was noted that a Vice Chairman was not elected at the May 2006 Board of Director meeting. It appears no officers were elected at the May 2007 and 2008 Board of Directors meetings. It is recommended that the Board of Directors come into compliance with W. Va. Code §33-22-5(b).

Resolution: During their meeting in May 2011, the Board of Directors elected a Chairman of the Board of Directors, a Vice Chairman of the Board of Directors, President, Treasurer and a Secretary.

Custodial Agreements

The Company maintained securities under a custodial agreement that did not contain the necessary indemnification clauses required by W. Va. Code §33-8A-6(11) and §33-8A-6 (12). Also, the agreement did not contain the provision required by W. Va. Code §33-8A-6(10) that states: "The custodian shall secure and maintain insurance protection in an adequate amount

covering the custodian's duties and activities as custodian for the insurer's assets and shall state in the custodial agreement that protection is in compliance with the requirements of the custodian's banking regulator."

Resolution: The Company executed a new custodial agreement with Wesbanco May 11, 2010, which contains the indemnification and insurance protection clauses as required by West Virginia Code.

History

The Company was incorporated on February 16, 1910, and began business on April 1, 1910. The Company is authorized to transact business as a farmers' mutual fire insurer under the provisions of Article 22 of the West Virginia Insurance Code. The Company's main administrative office and the books and records are located at 943 Charles Street, Wellsburg, West Virginia 26070.

Dividends to Policyholders

The Company did not pay any cash dividends to policyholders during the examination period.

Management and Control

The Company is a standalone company without affiliates. The Company is governed by a ten (10) member Board of Directors. The officers and directors for the Company as of December 31, 2011 are as follows:

Officers:

<u>Name</u>	<u>Title</u>
Brian Michael Taylor	President and CEO
Harold Joseph Sleime	Vice President of Underwriting
Jon David Meriwether	Secretary
Richard Foster McCreary	Treasurer

Directors:

<u>Name</u>	<u>Principal Residence</u>
Harold Bruce Burech	Wheeling, West Virginia
Anthony Joseph Cipriani, Jr.	Wellsburg, West Virginia
Jerry Allen Halverson	Parkersburg, West Virginia
Dickey Lee Laughlin	Wellsburg, West Virginia
James Park McMullen, Jr.	Wellsburg, West Virginia
Jon David Meriwether	Wellsburg, West Virginia
David Warren Rithner	Wellsburg, West Virginia
Thomas L. Thomas	Wheeling, West Virginia
Brian Michael Taylor	Wellsburg, West Virginia
Richard Foster McCreary	Wellsburg, West Virginia

Investment Policy

The most recent investment policy effective September 2010, which was approved by the Board of Directors, provides for investment limits of less than 35% in equities with no more than 5% in any individual equity and between 65-100% in fixed income securities with a limit of less than 3% in any single entity except federally guaranteed securities. All corporate and municipal bonds must have an A3 or higher rating by Moody's. The Company is in compliance with its written investment policy.

Corporate Governance

The Company is a mutual insurance company and, therefore, is not subject to the Sarbanes-Oxley Act of 2002.

Conflict of Interest

The Company requires its directors, officers, and key employees to sign conflict of interest questionnaires concerning items that could have an impact on the way they conduct the Company's business. The review of the conflict of interest questionnaires revealed that the Company is in compliance.

Corporate Records

The Articles of Incorporation, bylaws and all amendments thereto, and the minutes of the meetings of the Board of Directors (Board), Board committees, and policyholders were reviewed for the period under examination. The original Articles of Incorporation were filed with the Office of the Secretary on February 7, 1910. These Articles have not been amended since the Company's inception. Additionally, there were no amendments to the bylaws noted during the examination period.

Board of Directors and Committee Minutes

The recorded minutes of the meetings of the Board and the Executive Committee of the Board were reviewed for the period under examination. The recorded minutes of the Board and the Executive Committee of the Board adequately documented its meetings and approval of Company transactions and events. The Board and/or the Executive Committee regularly review purchases and sales of securities and compliance of the investments with the Company's investment policy, and the financial performance of the Company.

Fidelity Bonds and Other Insurance

The Company maintained fidelity bond coverage up to \$1,000,000 with a deductible of \$20,000, which reached the suggested minimum as recommended by the NAIC. The Company also maintained director's and officer's liability insurance up to \$1,000,000 with a deductible of \$25,000, employment practices liability insurance up to \$1,000,000 with a deductible of \$5,000, and insurance agents and brokers liability insurance up to \$500,000 with a deductible of \$2,500.

Pension and Insurance Plans

Defined Contribution Plan

The Company established a 401(k) profit sharing plan, effective January 1, 2006. Each eligible employee is permitted to contribute to the plan up to the maximum permitted by federal law. The Company contributed 3% of each eligible employee's

taxable wages to this plan in 2011. These contributions totaled \$26,076 and were expensed in 2011. All future Company contributions to the 401(k) are at the discretion of the Company.

Supplemental Retirement Plan

The Company has a supplemental retirement plan for two retired officers. The plan guarantees the participants a monthly benefit equal to 70 percent of their base salary reduced by normal retirement benefits and any social security benefits received by each. As of December 31, 2011, the Company's accrued liability for this supplemental retirement plan was \$334,571.

Custodial Agreement

The Company maintained a custodial agreement with the Wesbanco Bank, Inc. executed on May 11, 2010. The agreement was in compliance with W. Va. Code §33-8A-6.

Growth of the Company

Profitability of Company

The following table shows the growth and profitability trend (in dollars) of the Company for the period of examination, as reported in the filed annual statements.

	2011	2010	2009
Premiums Earned	11,307,759	11,507,544	11,968,988
Net Underwriting Gain/(Loss)	347,845	(1,220,190)	267,723

Net Income	859,339	56,334	855,084
Total Assets	27,337,516	26,886,310	26,250,173
Total Liabilities	7,457,879	7,830,923	8,221,482
Surplus As Regards Policyholders	19,879,637	19,035,387	18,028,691

Loss Experience

The Company has not experienced significant changes to its loss development for the period under review, with the exception of the year ended 2010, in which a CAT loss relating to a hail storm on March 22 and 23, 2010, occurred. Losses and loss expenses relating to the hail storm totaled \$1,439,539, with approximately \$700,000 recovered through reinsurance. In 2010, the Company's net loss ratio was 80%, which was a 12.5% increase from 2009. However, the net loss ratio for 2011 was 66.3%, which is within the normal range for the Company.

Territory and Plan of Operations

According to the Company's bylaws, its purpose is to "engage in a general fire, windstorm and hail insurance business and offer such additional coverages as are commonly covered by riders attached to the policies." The Company currently writes fire, allied lines, farmowners' multiple peril and homeowners' multiple peril. The Company's certificate of authority, granted by the West Virginia Insurance Commissioner, authorizes it to transact the business of insurance as defined in the W. Va. Code Chapter 33, Article 22 - Farmers Mutual Fire.

A majority of the Company's business is located in the geographic area known as the "northern panhandle" of West Virginia. In addition, the Company is licensed in the states of Ohio and Pennsylvania to write the business of property and casualty. The Company reported premiums written of \$11,980,370 during 2011. Approximately 83% of the direct written premium for 2011 was produced in West Virginia, 12% in Ohio and 5% in Pennsylvania. Homeowners' multiple peril policies comprise approximately 72% of the direct premiums written, fire 19%, farmowners' multiple peril 7%, and allied lines 2%. The Company utilizes independent agents to sell its business.

Information Technology Report

Claude Granese, CPA, IT Specialist of INS Services, Inc., performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

Statutory Deposits

The Company is not subject to the statutory deposit requirement of W. Va. Code §33-3-6. However, as of December 31, 2011, the Company maintained a special deposit of \$100,000 for the State of Ohio.

Reinsurance

The Company's reinsurance program, at December 31, 2011, is comprised of five contracts with Mutual Reinsurance Bureau (MRB), an Illinois company, as either the reinsurer or reinsured. Each of these contracts was entered into on January 1, 2011, effective for one year, ending December 31, 2011. The Company cedes insurance through four separate contracts, and assumes reinsurance through the fifth.

The Company's reinsurance contracts are made by and between "Various Assuming Member Companies" of MRB. The Company's ceded reinsurance contracts refer to these participating member companies collectively as "MRB." The assuming members are Employers Mutual Casualty Company, Farm Bureau Mutual Insurance Company of Michigan, Kentucky Farm Bureau Mutual Insurance Company and Motorists Mutual Insurance Company, and are all authorized reinsurers. Each assuming member participates equally (25%) on all reinsurance agreements written by MRB. An analysis of the financial stability of the member companies was performed. The assuming companies are financially stable, well capitalized and have A.M. Best ratings of between B++ and A. Similar contracts were subsequently executed with MRB at January 1, 2012, for the following year.

Reinsurance Ceded

Property Excess of Loss Reinsurance Agreement (1289/1290)

The Company entered into Contract #1289/1290 with MRB, covering fire, allied lines, and property sections of the following multiple peril policies: Farmowners' Multiple Peril, Homeowners' Multiple Peril, and Inland Marine. The agreement provided the following limits and retentions:

Coverage Layer	Limit	Retention or Underlying Limit
Contract 1289	\$120,000 per risk limit \$360,000 per occurrence limit	\$80,000
Contract 1290	\$350,000 per risk limit \$1,050,000 per occurrence limit	\$200,000

Catastrophe Excess of Loss Reinsurance Agreement (5884/5885)

The Company entered into Contract #5884/5885 with MRB, covering fire, allied lines, and property sections of the following multiple peril policies: Farmowners' Multiple Peril, Homeowners' Multiple Peril, Mobile Homeowners' Multiple Peril, and Inland Marine, subject to the terms and conditions of the agreement. The agreement provided the following limits and retention:

Coverage Layer	Limit	Retention or Underlying Limit
Contract 5884	\$525,000 per occurrence \$997,500 treaty limit	\$700,000
Contract 5885	\$5,000,000 per occurrence \$9,500,000 treaty limit	\$1,225,000

Catastrophe Excess of Loss Reinsurance Agreement (5886)

The Company entered into Contract #5886 with MRB, covering fire, allied lines, and property sections of the following multiple peril policies: Farmowners' Multiple Peril, Homeowners' Multiple Peril, Mobile Homeowners' Multiple Peril, and Inland Marine. Subject to the terms and conditions of this agreement, the Company will retain and be liable for \$6,225,000 of ultimate net loss as respect to any one loss occurrence. The reinsurer will be liable for the amount by which such ultimate net loss exceeds the Company's retention, but not to exceed \$2,000,000 per occurrence or the contract year treaty limit of \$4,000,000 of ultimate net loss during the term of this agreement.

Casualty Excess of Loss Reinsurance Agreement (1291)

The Company entered into Contract #1291 with MRB, covering casualty including Homeowners' Multiple Peril and Farmowners' Multiple Peril (casualty perils only). The Company will retain and be liable for \$80,000 of ultimate net loss arising out of each occurrence. The reinsurer is then liable for the amount by which such ultimate net loss exceeds the Company's retention, but the liability of MRB will not exceed \$580,000 per occurrence nor the terrorism limit of \$1,740,000.

Assumed Business

MRB agrees to cede and the Company agrees to accept it's pro rata share of MRB's net liability on original agreements ceded, as discussed above, to the Regional

Reciprocal Catastrophe Pool. The Company assumes a share in the interests and liabilities of the Company's maximum obligation under the Regional Reciprocal Catastrophe Pool percentage of the maximum liability of \$35,000,000.

Accounts and Records

The company maintained its principal operational offices in Wellsburg, West Virginia.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2009, 2010 and 2011. Supporting work papers were prepared by the CPA. There were no delays or issues in obtaining information from the independent CPA firm.

Financial Statements

The following pages contain financial statements showing the Company's financial position as of December 31, 2011, and the results of its operations for the year then ended as determined by this examination. There were no adjustments as a result of this examination.

Below are the financial statements of the Company:

- Assets
- Liabilities, Surplus, and Other Funds
- Summary of Operations

MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA

Assets

DECEMBER 31, 2011

	Per Company	Exam Adjustments	Per Examination
Bonds	\$16,692,837		\$16,692,837
Stocks:			
Common	8,135,383		8,135,383
Mortgage loans on real estate:			
First liens	194,752		194,752
Real Estate:			
Properties occupied by Company	162,616		162,616
Cash and short-term investments	1,401,358		1,401,358
Other investments			
Reinsurance:			
Amounts recoverable from reinsurers	4,100		4,100
Other amounts receivable under reinsurance contracts	25,000		25,000
Interest and dividend income due & accrued	125,663		125,663
Current federal and foreign income tax recoverable and interest thereon	364,323		364,323
Net deferred tax asset	21,089		21,089
Electronic data processing equipment and software	210,395		210,395
Totals	\$27,337,516	\$0	\$27,337,516

MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA

Liabilities, Surplus and Other Funds

DECEMBER 31, 2011

	Per Company	Exam Adjustments	Per Examination
Losses (Note 1)	\$2,271,514		\$2,271,514
Loss adjustment expenses (Note 1)	342,000		342,000
Commissions payable contingent commissions and other similar charges	81,987		81,987
Other expenses	31,802		31,802
Taxes, licenses and fees	50,678		50,678
Unearned premiums	4,154,556		4,154,556
Advance premium	190,771		190,771
Aggregate write-ins for liabilities	334,571		334,571
Total Liabilities	\$7,457,879	\$0	\$7,457,879
Unassigned funds (surplus)	19,879,637		19,879,637
Surplus as regards policyholders	\$19,879,637	\$0	\$19,879,637
Total liabilities, surplus and other funds	\$27,337,516	\$0	\$27,337,516

MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA

Summary of Operations

DECEMBER 31, 2011

Underwriting Income

Premiums earned		\$11,307,759
	Deductions:	
Losses incurred		\$6,901,961
Loss expenses incurred		592,758
Other underwriting expenses incurred		3,465,195
Total underwriting deductions		<u>\$10,959,914</u>
Net underwriting gain or (loss)		\$347,845

Investment Income

Net investment income earned		\$496,629
Net realized capital gains or (losses)		41,155
Net investment gain or (loss)		<u>\$537,784</u>

Other Income

Finance and service charges not included in premiums		\$126,913
Aggregate write-ins for miscellaneous income		41,970
Total other income		<u>\$168,883</u>

Net income before dividends to policyholders and before federal & foreign income taxes		\$1,054,512
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		<u>\$1,054,512</u>
Federal & foreign income taxes		195,173
Net Income		<u><u>\$859,339</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$19,035,387
Net Income		\$859,339
Net unrealized capital gains or losses		7,763
Change in non-admitted assets		8,994
Change in net deferred income tax		(31,846)
Change in surplus as regards policyholders for the year		<u>\$844,250</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$19,879,637</u></u>

Comments on the Financial Statements

Note 1 - Loss Reserves

Loss reserves	\$ 2,271,514
Loss adjustment expense reserves	<u>342,000</u>
	<u>\$ 2,613,514</u>

An independent review of aggregate reserves was performed by INS Consultants, Inc. (INS), Philadelphia, Pennsylvania.

Reserves were reviewed by INS for compliance with standard valuation laws, applicable National Association of Insurance Commissioners Actuarial Guidelines, and Model Regulations. The balance sheet items enumerated above appear to be calculated using valuation parameters, which appear to be free of any material error and valuation files that appear to be complete. Based on the above discussion and analysis, INS concluded that the December 31, 2011, balance sheet items covered in the examination scope appear fairly stated subject to the previously mentioned recommendations. They have been accepted for the purpose of this report.

Subsequent Events

The examiner assessed events occurring subsequent to December 31, 2011 through August 15, 2012, for potential recognition and disclosure in the examination report. On June 29, 2012, there was a "Derecho wind event" that occurred in West Virginia. The examiner reviewed the claims data relating to the event and noted that, net of

anticipated reinsurance reimbursements, a materially adverse effect is not anticipated.

Summary of Examination Recommendations

There were no adverse findings or significant non-compliance findings noted during the examination.

Conclusion

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Municipal Mutual Insurance Company of West Virginia, as of December 31, 2011, consistent with West Virginia Laws, Regulations, and Directives of the West Virginia Insurance Commissioner.

In addition to the undersigned, Jennifer Snow, Staff Examiner of the West Virginia Department of Insurance; and Patricia Casey Davis, CPA, CFE, Manager of INS Regulatory Insurance Services, Inc., participated in the examination. In addition, Claude Granese, CPA, IT Specialist, INS Services, Inc.; and Robert Gardner, FCAS, MAAA, consulting actuary of INS Consultants, Inc., participated in the examination.


Kelly Willison, CPA, CFE
Examiner-in-Charge



10th and Charles Street
Wellsburg, WV 26070
Phone (304) 737-3371 / Fax (304) 737-3391

September 27, 2012

Offices of the Insurance Commissioner
Financial Conditions
PO Box 50540
Charleston, WV 25305
ATTN: Leah Cooper

RE: Approval of Report on Examination
Exam Period: January 1, 2009 – December 31, 2011

Ms. Cooper,

This letter is in response to Mr. Riley's letter dated September 12, 2012 regarding the above-referenced matter. The company approves the Report of Examination as drafted and there are no rebuttals that we wish to present.

If you have any further questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Taylor", with a stylized flourish at the end.

Brian Taylor, AIC, AINS, PFMM
President & CEO
Municipal Mutual Ins. Co. of WV
(304) 737-3371 #112
(304) 737-3391 fax
btaylor@mmicins.com

