

BEFORE ALLAN L. MCVEY, INSURANCE COMMISSIONER  
OF THE STATE OF WEST VIRGINIA

*In the Matter of:*

**PEOPLES MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA, INC.**  
(NAIC #11055)

ADMINISTRATIVE PROCEEDING NO. 23-IC-2000

ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION

NOW COMES, Allan L. McVey, Insurance Commissioner of the State of West Virginia (hereinafter, “Commissioner”), who, after consideration of the Report of Financial Examination (hereinafter, the “Examination Report”) of Peoples Mutual Fire Insurance Company of West Virginia, Inc. (hereinafter referred to as “Company”), as of December 31, 2021, made the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. The Company was incorporated on March 3, 1900, under the laws of the State of West Virginia, and commenced business on or about March 3, 1900. The Company is authorized to transact business as a farmers’ mutual fire insurance company under the provisions of Article 22 of Chapter 33 of the *West Virginia Code*.
2. An examination of the financial condition and operational affairs of the Company for period beginning January 1, 2017, and ending December 31, 2021, was conducted in accordance with *West Virginia Code* §33-2-9(c) by the Insurance Commissioner.
3. On December 30, 2022, the examiner filed a Report of Financial Examination with the Insurance Commissioner pursuant to *West Virginia 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.

4. On or about December 30, 2022, a true and accurate copy of the Report of Financial Examination was sent to, and received via email, Aaron Close. A copy of the Letter dated December 30, 2022, is attached hereto as Exhibit B.

5. Pursuant to *West Virginia Code* §33-2-9(j)(2), the Company, by letter dated December 30, 2022, Exhibit B, was notified and afforded a period of ten (10) days, after receipt of the Report of Financial Examination, to make a submission, rebuttal, or objection concerning any matter contained in the Report.

6. By letter dated December 30, 2022, Aaron Close acknowledged that he had reviewed and accepted the Report of Financial Examination and did not materially dispute the findings of the examination. A copy of the Company's letter of December 30, 2022, is attached hereto as Exhibit C.

#### CONCLUSIONS OF LAW

1. The Insurance Commissioner 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 is organized pursuant to provisions of Article 22, Chapter 33 of the *West Virginia Code*.

3. *West Virginia Code* § 33-2-9(j)(2) provides that no later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Insurance Commissioner a verified, written Report of Financial Examination under oath, and, upon receipt of the verified report, the Insurance Commissioner shall transmit the Report of Financial Examination to the Company with a notice that shall afford the Company a reasonable opportunity,

of not more than thirty (30) days, to make a written submission or rebuttal.

4. *West Virginia Code* § 33-2-9(j)(3) provides that within thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals the Insurance Commissioner shall fully consider and review the Report of Financial Examination, together with any written submissions or rebuttals, and shall enter an ORDER adopting the Report of Financial Examination as filed, or with modifications or corrections, enter an ORDER rejecting the Report of Financial Examination with directions to the examiners to reopen the examination or call for an investigatory hearing.

### ORDER

It is therefore **ORDERED** as follows:

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

2. A copy of this *Order Adopting Report of Financial Examination* and the Report of Financial Examination shall be mailed to the Company via certified mail, return receipt requested, upon entry by the Insurance Commissioner.


3. The 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 Report of Financial Examination and a copy of this *Order Adopting Report of Financial Examination* in accordance with *West Virginia Code* § 33-2-9(j)(4).

4. 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. Inasmuch as orders entered by the Insurance Commissioner are subject to judicial

review as set forth in *West Virginia Code* §33-2-14, any person aggrieved by any this order may, within 30 days after the order has been mailed or delivered to the persons entitled to receive the same, file an appeal in and with the Circuit Court of Kanawha County, West Virginia.

Entered this 4<sup>th</sup> day of January 2023.

  
Allan L. McVey  
CPCU, ARM, AAI, AAM, AIS  
West Virginia Insurance Commissioner

REPORT OF EXAMINATION  
OF  
PEOPLES MUTUAL FIRE INSURANCE COMPANY OF WEST VIRGINIA, INC.

BERKELEY SPRINGS, WV  
NAIC #11055

AS OF DECEMBER 31, 2021



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**SALUTATION**

December 30, 2022  
Charleston, West Virginia

The Honorable Allan L. McVey  
West Virginia Insurance Commissioner  
900 Pennsylvania Ave.  
Charleston, West Virginia 25302

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner (“WVOIC”), 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:

**Peoples Mutual Fire Insurance Company of West Virginia, Inc.**  
1680 Valley Road  
Berkeley Springs, West Virginia

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

## SCOPE OF EXAMINATION

The Company was last examined as of December 31, 2016. This examination commenced on August 30, 2022 and is a single-state, full scope, 5-year examination pursuant to W.Va. Code §33-2-9(a), as amended, covering the period from January 1, 2017 through December 31, 2021, 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 general procedures of the examination followed rules and standards as set forth in the NAIC Financial Condition Examiners Handbook (“Handbook”) and West Virginia Laws, Regulations, and Directives of the WVOIC. The examination was conducted 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 risk within the Company and evaluating system controls and procedures used to mitigate those risks. In addition, the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statements of Statutory Accounting Principles (“SSAP”) and annual statement instructions were assessed.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. 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 the Company's financial position as of December 31, 2021.

The report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible Company officials during the course of the examination.

## SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings noted during the examination.



## HISTORY

The Company was incorporated as an assessable farmers' mutual fire insurance company on March 3, 1900, with the home office located in Berkeley Springs, West Virginia. The Company operates under the provisions of Chapter 33, Article 22 of the West Virginia Insurance Laws. Chapter 33, Article 22, Section 17 provides that, upon liquidation, surplus funds belong to the policyholders.

Effective March 1, 2002, the Board of Directors appointed Timothy Close as Secretary/Treasurer and the Company's office and records were relocated to the offices of the Timothy B. Close Insurance Agency, LLC. On October 10, 2003, the Board of Directors elected Timothy Close as a Director retroactively effective to March 1, 2002.

On April 5, 2004, the Company submitted to the WVOIC an Operational Service Agreement to be entered into with the Timothy B. Close Insurance Agency, LLC ("Agency"). Pursuant to the agreement, the Agency is to "manage and conduct" the Company's affairs including "underwriting, rating, policy issue and cancellation, claims administration, marketing, billing, settlement of account and such other functions" that the Company deems necessary and reasonable.

### Capitalization

As a farmers' mutual fire insurance company, the Company's entire capitalization consisted of accumulated surplus funds.

### Dividends to Policyholders

The Company did not declare or pay dividends during the examination period.

### Mergers/Acquisitions

There were no mergers or acquisitions during the examination period.

### Name Change

The Company did not change its name during the examination period.

### Significant changes in key trends

There have been no significant changes in premium in the last five (5) years, as illustrated below:

<b>Direct Premiums Written</b>				
<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$214,475	\$207,534	\$194,645	\$196,739	\$202,060

## MANAGEMENT AND CONTROL

### **BOARD OF DIRECTORS**

The corporate powers of the Company are vested in the Board of Directors consisting of not less than six (6) nor more than fifteen (15) members in compliance with Article I, Section 1 of the Company's Bylaws and in compliance with W. Va. Code §33-22-5. The individuals serving as members of the Board of Directors on December 31, 2021 were as follows:

<b>Name and Address</b>	<b>Business Affiliation</b>
James R. Michael	Farmer
Timothy B. Close	Insurance Agent
Aaron T. Close	Insurance Agent
Scott K. Swaim	Loan Officer
Roger L. Michael	Farmer
Nancy Schilling	Retired
Amy E. Stull	Insurance Agent
Joseph W. Anderton	Commercial Business Manager

### **OFFICERS**

Officers of the Company are elected at the annual membership meeting. The Company's Bylaws state that the President, Vice President and Treasurer must all be board members. The Secretary position may be filled with someone who may or may not be a board member. Individuals serving as officers at December 31, 2021, were as follows:

<b>Name</b>	<b>Title</b>
James R. Michael	President
Aaron T. Close	Vice President
Timothy B. Close	Secretary/Treasurer

### **COMMITTEES**

The Bylaws require the election of an Executive Committee consisting of the President, Secretary, and two (2) appointed members. The Bylaws also grant authority to the President to appoint additional committees as deemed necessary. During the examination period, the only other Committee formed was the Finance Committee. During the period under examination, the Executive and Finance Committee met on an as needed basis. At December 31, 2021, the Company had elected the following committees and their members:

Executive Committee

James Michael  
Nancy Schilling  
Scott Swaim

Finance Committee

Aaron Close  
Nancy Schilling  
Scott Swaim

**ORGANIZATIONAL CHART**

At December 31, 2021, the Company was not a member of an insurance holding company system, nor did it have any affiliates.

**AGREEMENTS**

**Agency Operation Service Agreement**

On April 5, 2004, the Company submitted to the WVOIC an Operational Service Agreement to be entered into with the Timothy B. Close Insurance Agency, LLC (“Agency”). Pursuant to the agreement, the Agency is to “manage and conduct” the Company’s affairs including “underwriting, rating, policy issue and cancellation, claims administration, marketing, billing, settlement of account and such other functions” that the Company deems necessary and reasonable. In exchange for these services, the Company pays the Agency an Admin Fee. Throughout the examination period, the Admin Fee was fixed at \$2,500 per month which equates to \$30,000 annually. In addition to the Admin Fee, the Agency receives commissions on business written (15% of new business, and 10% on renewal business). The agreement also requires the Company to pay for all “direct costs and expenses”.

The Agreement was amended once during the examination period. At the January 10, 2020, Board meeting, the Board amended the agreement in regard to claims handling and settlement. The amendment removed this duty from the Agency and added language that clarified the Vice President of the Company (Aaron Close) will administer and adjust all claims in his capacity as officer of the Company and not the Agency.

**Investment Advisor Agreement**

In 2013, the Company entered into a written agreement with Thomas Close, of H.D. Vest Advisory Services, for Thomas Close to service as investment advisor to the Company. The agreement was executed on May 1, 2013. Thomas Close served as an investment advisor throughout the examination period.

## TERRITORY AND PLAN OF OPERATION

The Company operates in a three-county area that includes Morgan, Hampshire and Berkeley with an emphasis in Morgan County, West Virginia. The Company insures its members against loss from fire, extended and homeowners' coverage. The Company operates on a direct bill basis.

The Company was represented exclusively by the Timothy B. Close Insurance Agency, LLC during the examination period.

## REINSURANCE

### Assumed

The Company did not assume any reinsurance during the examination period.

### Ceded

The Company utilized Guy Carpenter & Company, LLC (Guy Carpenter) as its reinsurance intermediary. Guy Carpenter is authorized to do business in West Virginia under W. Va. Code §33-38-3(a)(2) as a reinsurance intermediary-broker.

Effective January 1, 2021, the Company entered into a Property First Surplus Reinsurance Contract providing coverage equal to 17.5 times the Company's net retention, subject to a minimum net retention of \$7,500 and to a maximum cession of \$350,000 on any one risk. The Company receives a 27.5% ceding commission on net premiums ceded and this contract also provides for a contingent commission equal to 30% of the reinsurer's earned premium less expenses including a reinsurer's expense allowance equal to 12.5 % of income.

Effective January 1, 2021, the Company entered into a Casualty Excess of Loss Reinsurance contract providing \$1,000,000 of casualty coverage for ultimate net loss over and above the Company's net retention of \$10,000 each casualty loss. The agreement covers bodily injury and property damage liability, including medical payments.

Effective January 1, 2021, the Company entered into an Aggregate Excess of Loss Reinsurance contract providing coverage of 100% of 1200% of gross net earned premium income in excess of an amount equal to 70% of gross net earned premium income.

Effective January 1, 2021, the Company entered into a Property Facultative Pro Rata Reinsurance Agreement providing up to a maximum cession of \$325,000 subject to the Company's minimal net retention of \$7,500.

The reinsurers for the above four (4) reinsurance contracts, and their respective participating percentages, are as follows:

<u>Participating Reinsurer</u>	<u>Percentage</u>
American Agricultural Insurance Company	18.50%
Aspen Insurance UK Limited	2.50%
Employers Mutual Casualty Company	20.00%
Farmers Mutual Hail Insurance Company of Iowa	8.75%
Hannover Rück SE	7.50%
Partner Reinsurance Company of the U.S.	3.00%
Renaissance Reinsurance U.S. Inc.	20.08%
Swiss Reinsurance America Corporation	18.50%
The Toa Reinsurance Company of America	1.17%

All of the reinsurance contracts properly transferred risk in accordance with guidelines prescribed by the NAIC Financial Condition Examiners Handbook. All of the reinsurance contracts contained the customary and required clauses. The Company met the statutory limit of risk provisions of W. Va. Code §33-22-12.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the WVOIC and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**ASSETS**  
**DECEMBER 31, 2021**

	<b>Per Annual Statement</b>	<b>Statutory Examination Adjustment</b>	<b>Per Statutory Examination</b>
Bonds	\$ 292,335	\$ 0	\$ 292,335
Common Stocks	618,924	0	618,924
Cash	384,657	0	384,657
Subtotal cash and invested assets	\$ 1,295,915	\$ 0	\$ 1,295,915
Investment income due and accrued	1,227	0	1,227
<b><i>Totals</i></b>	<b><u>\$ 1,297,142</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,297,142</u></b>

**LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2021**

	<u>Per Annual Statement</u>	<u>Statutory Examination Adjustment</u>	<u>Per Statutory Examination</u>
Unpaid losses and claims:			
Gross losses and claims reported, unpaid	\$ 0	\$ 0	\$ 0
Gross losses and claims incurred but not reported	5,000	0	5,000
Reinsurance recoverable on unpaid losses and claims	0	0	0
<u>Total unpaid claims and losses net of reinsurance</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ 5,000</u>
Unearned premiums	27,369	0	27,369
Ceded reinsurance premiums payable	(86,668)	86,668	0
<u>Total Liabilities</u>	<u>\$ (54,299)</u>	<u>\$ 86,668</u>	<u>\$ 32,369</u>
 Policyholders' Surplus	 \$ 1,351,441	 \$ (86,668)	 \$ 1,264,773
 <u>Total liabilities and Policyholders' surplus</u>	 <u>\$ 1,297,142</u>	 <u>\$ 0</u>	 <u>\$ 1,297,142</u>



**STATEMENT OF INCOME  
DECEMBER 31, 2021**

	<u>Per Annual Statement</u>	<u>Statutory Examination Adjustments</u>	<u>Per Statutory Examination</u>
Net premiums and assessments earned	\$ 51,922	\$ 0	\$ 51,922
Net losses incurred	18,276	0	18,276
Loss expenses incurred including claims adjustments expenses	292	0	292
Other underwriting expenses incurred	55,024	0	55,024
Net Underwriting Gain (Loss)	\$ (21,670)	\$ 0	\$ (21,670)
Net investment income earned	\$ 30,550	0	30,550
Net realized capital gains or (losses) from sale or maturity of assets	10,471	0	10,471
Net Investment Gain or (Loss)	\$ 41,021	\$ 0	\$ 41,021
Finance and service charges not included in premiums	\$ 15	\$ 0	\$ 15
Total Other Income	\$ 15	0	15
Federal Income Taxes Incurred	\$ 0	\$ 0	\$ 0
<b>Net Income</b>	<b>\$ 19,367</b>	<b>\$ 0</b>	<b>\$ 19,367</b>
Policyholders surplus, December 31 of previous year	1,312,087	0	1,312,087
Net income	19,367	0	19,367
Change in net unrealized capital gains or (losses)	20,187	0	20,187
Change in non-admitted assets from prior year	0	0	0
Cumulative effect of changes in accounting principles	(199)	0	(199)
Aggregate write-ins for gains and losses in surplus	0	(86,668)	(86,668)
<b>Policyholders surplus as of statement date</b>	<b>1,351,441</b>	<b>(86,668)</b>	<b>1,264,773</b>

### **SUMMARY OF EXAMINATION CHANGES**

The following adjustments were made to the Company's financial statements as a result of this examination:

1. The balance of "Ceded Reinsurance Premiums Payable" reported on Line 5 of the Liabilities & Policyholders' Surplus page of the filed 2021 Annual Statement was increased by \$86,668. This adjustment reduced the Company's Surplus and was recorded through an adjustment to "Aggregate Write-ins for Gains and Losses in Surplus"

### **SUBSEQUENT EVENTS**

There were no subsequent events noted for inclusion in this report.

### **SUMMARY OF EXAMINATION RECOMMENDATIONS**

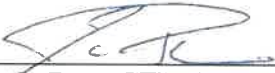
There were no significant findings or recommendations as a result of this examination.

**ACKNOWLEDGEMENT AND SIGNATURE**

This is to certify that the undersigned is a duly qualified Examiner appointed by the West Virginia Offices of the Insurance Commissioner. The undersigned, assisted by Neeraj Gupta, CFE, consulting supervising examiner of Lewis & Ellis, Inc. and by Mary Jo Lewis, CPA, of the West Virginia Offices of the Insurance Commissioner, performed an examination of Peoples Mutual Fire Insurance Company of West Virginia, Inc. as of December 31, 2021.

The examination was performed in accordance with those procedures authorized by the NAIC Financial Condition Examiner's Handbook and other procedures appropriate for this examination. The attached report of examination is a true and complete report of financial condition of Peoples Mutual Fire Insurance Company of West Virginia, Inc. as of December 31, 2021, as determined by this examination

Respectfully Submitted,



Justin Parr, CFE-A, ARM, MCM  
Examiner-in-Charge  
Lewis & Ellis, Inc.  
Representing the WV Offices of the Insurance Commissioner



Mary Jo Lewis, CPA  
Director / Chief Financial Examiner  
Financial Conditions Division  
WV Offices of the Insurance Commissioner



STATE OF WEST VIRGINIA  
*Offices of the Insurance Commissioner*

Allan L. McVey  
Insurance Commissioner

December 30, 2022

Mr. Aaron Close, Vice President  
Peoples Mutual Fire Insurance Company of WV  
P.O. Box 618  
Berkeley Springs, WV 25411

RE: Report of Financial Examination as of December 31, 2021  
Peoples Mutual Fire Insurance Company of WV ("Peoples")  
NAIC #11055

Dear Mr. Close:

Please find enclosed a copy of the Report of Examination of Peoples. This examination was performed in accordance with the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code, as amended. The Report of Examination reflects the financial affairs and condition of Peoples, as of December 31, 2021.

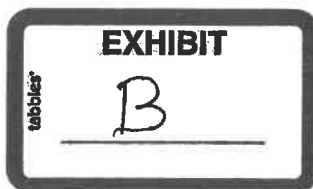
You are hereby notified that you have ten (10) working days from receipt of this letter to make written submission or rebuttals with respect to any matter contained in the Report of Examination. If no exception is taken, please respond accordingly by the end of the ten (10) day comment period.

Sincerely,

Allan L. McVey  
CPCU, ARM, AAI, AAM, AIS  
Insurance Commissioner

ALM/mjl

Enclosure: Copy of Report of Examination



# PEOPLES MUTUAL FIRE INSURANCE COMPANY

P.O. Box 618 • 1680 Valley Road • Berkeley Springs, WV 25411  
304-258-1466

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December 30, 2022

Ms. Mary Jo Lewis

Director/Chief Examiner

West Virginia Offices of the Insurance Commissioner

Re: Response to the 2021 Peoples Mutual Fire Ins. Co. of WV. Inc. Examination

To: West Virginia Offices of the Insurance Commissioner

The enclosed letter will serve as acknowledgement and response to the December 30<sup>th</sup>, 2022 'Report of Examination' for Peoples Mutual Fire Insurance Company of WV, Inc.

On page 14 of the report under Summary of Examination Changes the Company agrees with the recommended financial reporting adjustment regarding "Ceded Reinsurance Premium Payable". The Company is content with the knowledge that "There were no significant findings noted during the examination", and the Company's staff appreciates the flexibility and professionalism of the Examination Team during the extensive review of the Company.

Warm Regards



Aaron Close

Vice President Peoples Mutual

Fire Insurance Company of WV, Inc

304-258-1466

