

BEFORE JAMES A. DODRILL, INSURANCE COMMISSIONER  
OF THE STATE OF WEST VIRGINIA

*In the Matter of:*

**INLAND MUTUAL INSURANCE COMPANY (NAIC #14281)**

ADMINISTRATIVE PROCEEDING NO. 21-IC-02127

ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION

NOW COMES, James A. Dodrill, Insurance Commissioner of the State of West Virginia (hereinafter, “Commissioner”), who, after consideration of the Report of Financial Examination (hereinafter, the “Examination Report”) of Inland Mutual Insurance Company (hereinafter referred to as “Company” or “IMIC”), as of December 31, 2019, made the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. The Company was incorporated on August 1, 1936, under the laws of the State of West Virginia, and commenced business on July 16, 1937. The Company is authorized to transact business as a mutual insurance company under the provisions of Article 5 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, 2019, was conducted in accordance with *West Virginia Code* §33-2-9(c) by the Insurance Commissioner.

3. On May 12, 2021, 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 May 24, 2021, a true and accurate copy of the Report of Financial Examination

was sent to, and received via email, J. Carter Norton. A copy of the Letter dated May 24, 2021, is attached hereto as Exhibit B.

5. Pursuant to *West Virginia Code* §33-2-9(j)(2), the Company, by letter dated May 24, 2021, 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 June 4, 2021, J. Carter Norton, acknowledged that he had reviewed the Report of Financial Examination and did not materially dispute the findings of the examination. A copy of the Company's letter of June 4, 2021, 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 5, 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.

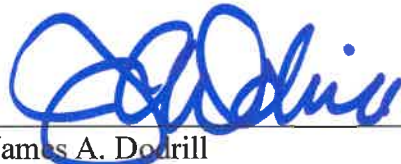
3. The Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Order, affidavits executed by each of its directors stating under oath that they have received a copy of the Report of Financial Examination and a copy of this *Order Adopting Report of Financial 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 8<sup>th</sup> day of June, 2021.



James A. Dodrill  
West Virginia Insurance Commissioner

REPORT OF EXAMINATION  
OF  
INLAND MUTUAL INSURANCE COMPANY  
HUNTINGTON, WV  
NAIC #14281  
AS OF DECEMBER 31, 2019



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**SALUTATION**

May 12, 2021  
Charleston, West Virginia

The Honorable James A. Dodrill  
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:

**Inland Mutual Insurance Company**  
1017 Sixth Avenue  
Huntington, WV 25701

hereinafter referred to as the "Company" or "Inland". 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 June 23, 2020 and is a multi-state, full scope, 3-year examination pursuant to W. Va. Code §33-2-9(a), as amended, covering the period from January 1, 2017 through December 31, 2019, 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, 2019.

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

As a result of the current examination period and review of the subsequent events, there were no material findings.



## HISTORY

The Company was incorporated on August 1, 1936 and commenced business on July 16, 1937 by writing personal automobile policies. The Company is organized pursuant to provisions of Chapter 33 of the W. Va. Code. On January 6, 1979, the Company established a working relationship with Safe Insurance Company (hereinafter "Safe") located in Harrisville, WV. Pursuant to the "Affiliation Agreement", Inland provided Safe with management services which were performed at Inland's home office in Huntington, WV. As a result, Safe moved its home office to Huntington, WV and became co-located with Inland. In 1990, the affiliation agreement was replaced with an expense sharing agreement.

### Capitalization

The Company is a mutual insurance company organized under the mutual statutes of the W. Va. Insurance Code, and as such has no capital stock outstanding.

### Dividends to Policyholder

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

### Mergers/Acquisitions

There were no mergers or acquisitions during the examination period.

### Name Change

The Company did not change the insurance company's name during the examination period.

### Significant Changes in Key Trends

The Company did not experience any significant changes during the examination period.

## MANAGEMENT AND CONTROL

### **BOARD OF DIRECTORS**

The affairs of the Company shall be managed by a Board of Directors consisting of not less than 5 nor more than 15 members in compliance with Article II, Section 1 of the Company's Bylaws. The individuals serving as members of the Board of Directors on December 31, 2019 were as follows:

<b>Name and Address</b>	<b>Business Affiliation</b>	<b>Board Member Since</b>
Michael A. Berlin Huntington, West Virginia	Secretary Inland Mutual Insurance Company	30+ years

James H. Morgan, Jr. Huntington, West Virginia	County Commissioner Cabell County, West Virginia	30+ years
Robert G. Morgan Huntington, West Virginia	Director of Marketing North America Technology International	2007
*Lewis F. Norton, Sr. Sarasota, Florida	Chief Legal Counsel Inland Mutual Insurance Company	40+ years
J. Carter Norton Goochland, Virginia	President Inland Mutual Insurance Company	2004
Joseph H. Wittkopf Richmond, Virginia	Director of Reinsurance, Compliance and Legal Genworth Financial	2005

\*Effective April 24, 2020, Lewis F. Norton, Sr. was appointed as Director Emeritus and replaced with Timothy Binner

## OFFICERS

The annual meeting of the Board shall be held immediately following the annual meeting of the members held on the fourth Friday in April each year. At this meeting, the Board is required to elect a President, Vice President, Secretary, and Treasurer. Officers elected at the April 26, 2019 Board of Directors Meeting and serving as of December 31, 2019, were as follows:

Name	Title
J. Carter Norton	Chairman/President
L. Frank Norton, Jr.	Vice President
Michael A. Berlin	Secretary
David A. Stump	Treasurer

## COMMITTEES

The Bylaws require a proxy committee to be appointed by the Board of Directors. The Proxy Committee also serves as the Company's Audit Committee (Proxy & Audit Committee). The Board of Directors also appointed an Investment Committee and Executive Committee as permitted within its bylaws.

### Proxy & Audit Committee

- James H. Morgan, Jr.
- Robert G Morgan
- Joseph H. Wittkopf

### Executive Committee

- James H Morgan, Jr.
- L. Frank Norton, Jr.
- J. Carter Norton
- Joseph H. Wittkopf

**Investment Committee**

- Michael A. Berlin
- James H. Morgan, Jr.
- J. Carter Norton
- Joseph H. Wittkopf

**AGREEMENTS**

The Company shares common operational management with Safe and maintains several working relationships with them. All shared employees are employed by Inland. The Company also has transactions with Associated Insurance Services, Inc. ("AIS"), a related party to both Inland and Safe. The following summarizes the related party agreements.

**Expense Sharing Agreement**

Effective September 1, 2007, the Company entered into an Expense Sharing Agreement with Safe whereby the companies agree to share certain administrative expenses as outlined in the agreement. Expenses are shared on a company equal percentage basis whenever sales, or policyholder members in force, or assets being invested, or regularly reporting are essentially equivalent. In the event of irregular or unexpected costs, sharing expenses on a sales relationship only basis is to be modified by reasonable judgement and mutual agreement of the companies.

Effective April 26, 2013, the agreement was amended to exclude potential bonuses to either officers or non-officer staff from consideration as a regular or common expense under the agreement. In the event the board of directors approve such bonuses, the percentage of participation by either company shall be based on a host of considerations in order to allocate such expenses as fairly and equitably as possible.

**Rental Agreement**

Effective January 1, 2019, the Company entered into a lease agreement with Safe whereby Safe leases interior office space on the building's first floor.

**Cost Sharing and Rental Agreement**

Effective January 1, 2018, the Company entered into a Cost Sharing and Rental Agreement with AIS where the Company provides AIS with office personnel, use of administrative equipment and office space. AIS agrees to reimburse the Company for the actual cost of wages, payroll taxes, and fringe benefits for the Inland employees utilized by AIS. Under the terms of the agreement, AIS also pays a flat charge of \$1,175 per month for use of equipment and office space.

### **General Agency Agreement**

Effective November 1, 2014, the Company entered into a General Agency Agreement with AIS whereby AIS will act as a general agent for the Company and receive and accept proposals for insurance in the territory of OH and WV for classes of risk authorized by the Company. Commissions are to be paid to AIS according to the terms of the schedule in the agreement.

### **TERRITORY AND PLAN OF OPERATION**

The Company writes homeowners multiple perils and fire coverage primarily in the property and casualty industry in West Virginia. The Company is also licensed in Indiana, Kentucky, Ohio, Tennessee, and Virginia, but did not write in Indiana, Kentucky, or Tennessee as of 12/31/2019. The Company began writing fire and homeowners multiple peril in the State of West Virginia and Ohio in excess of 30 years and in the State of Virginia in 2010.

### **REINSURANCE**

The Company's reinsurance agreements were obtained through a reinsurance intermediary and directly with insurers. It was determined that all reinsurers and the reinsurance intermediary were properly licensed or authorized to conduct business in the State of West Virginia.

## **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.

**ASSETS**  
**DECEMBER 31, 2019**

Assets	Per Company	Adjustments	Per Examination
Bonds	\$ 3,953,107	\$ -	\$ 3,953,107
Preferred Stocks	571,072	-	571,072
Common Stocks	1,790,840	-	1,790,840
Properties Occupied by the Company	96,495	-	96,495
Cash and Short-term Investments	733,391	-	733,391
Investment Income Due and Accrued	26,012	-	26,012
Uncollected and Deferred Premiums	25,067	-	25,067
Other Reinsurance Receivables	20,754	-	20,754
Current Federal Income Tax Recoverable	19,423	-	19,423
EDP equipment and software	3,230	-	3,230
<b>Total Assets</b>	<u>\$ 7,239,391</u>	<u>\$ -</u>	<u>\$ 7,239,391</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2019**

Liabilities	Per Company	Adjustments	Per Examination
Losses	\$ 163,960	\$ -	\$ 163,960
Loss Adjustment Expenses	61,016	-	61,016
Commissions Payable	7,858	-	7,858
Other Expenses Due or Accrued	81,087	-	81,087
Taxes, Licenses, and Fees	5,297	-	5,297
Net Deferred Tax Liability	60,051	-	60,051
Unearned Premiums	149,880	-	149,880
Advance Premiums	4,311	-	4,311
Ceded Reinsurance Payable	6,023	-	6,023
Other Payables	49,303	-	49,303
	<u>588,786</u>	<u>-</u>	<u>588,786</u>
<b>Total Liabilities</b>	<b>\$ 588,786</b>	<b>\$ -</b>	<b>\$ 588,786</b>
Unassigned Funds (Surplus)	<u>6,650,605</u>	<u>-</u>	<u>6,650,605</u>
Surplus as Regards Policyholders	<u>6,650,605</u>	<u>-</u>	<u>6,650,605</u>
<b>Total Liabilities, Surplus and Other Funds</b>	<b>\$ <u>7,239,391</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>7,239,391</u></b>

**STATEMENT OF INCOME  
DECEMBER 31, 2019**

**UNDERWRITING INCOME**

Premiums Earned	\$	344,803
Losses Incurred		56,369
Losses Expenses Incurred		131,280
Other Underwriting Expenses Incurred		210,256
Total Underwriting Deductions		<u>397,905</u>
Net Underwriting Gain (Loss)		<u>(53,102)</u>

**INVESTMENT INCOME**

Net Investment Income Earned		23,599
Net Realized Capital Gains		289,494
Net Investment Gains		<u>313,093</u>

**OTHER INCOME**

Net Loss From Balances Charged Off		(29)
Finance and Service Charges		2,622
Aggregate Writeins for Other Income		1,065
Total Other Income		<u>3,658</u>

Net Income Before Federal Income Tax		263,650
Federal Income Tax		39,609
Net Income	\$	<u>224,041</u>

**CAPITAL AND SURPLUS ACCOUNT**

Capital and Surplus, December 31, 2018	\$	6,200,494
Net Income		224,041
Change in Net Unrealized Gains		277,894
Change in Net Deferred Income Tax		(59,860)
Change in Nonadmitted Assets		8,036
Change in Accounts per Examination		-
Change In Surplus As Regards to Policyholders		<u>450,111</u>
Capital and Surplus as of December 31, 2019	\$	<u>6,650,605</u>



### **SUMMARY OF EXAMINATION CHANGES**

There were no adjustments made to the Company's financial statement as a result of this examination.

### **SUBSEQUENT EVENTS**

Beginning in December 2019 in China and progressing to the United States in March 2020, the coronavirus (SARS-CoV-2), also known as COVID-19, reached pandemic status on March 11, 2020 per the World Health Organization (WHO). In efforts to slow the spread of COVID-19, the Federal Government along with various state governments and local municipalities have strongly encouraged and/or mandated work, school and travel restrictions along with mass "non-essential" business shutdowns. These actions have brought the US economy to at or near a grinding halt. As a result, the US Stock Market has experienced significant fluctuation. At the exam report date, the extent of short and long-term detrimental impact upon insurers, particularly life and health insurers, as well as the US and global economy as a whole, remains unknown.

The Company began writing homeowners coverage in the State of Kentucky in early 2020.

### **SUMMARY OF EXAMINATION RECOMMENDATIONS**

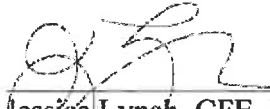
As a result of the current examination, there were no recommendations.

**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 Jessica Lynch, CFE, MCM, Adrienne Sulaiman, CFE, CPA, Lindsey Pittman, CFE, CPA, CISA, Ryan Davison, CFE, Charles Kreske, CFE, MCM, and Kate Bolbas, CFE, CPA, MCM of Lewis & Ellis, Inc. and by Deborah Zegeer, CPA, MBA, and Jamie Taylor, CFE, PIR, MCM of the West Virginia Offices of the Insurance Commissioner, performed an examination of Inland Mutual Insurance Company as of December 31, 2019.

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 Inland Mutual Insurance Company as of December 31, 2019 as determined by this examination

Respectfully Submitted,



Jessica Lynch, CFE, MCM

Examiner-in-Charge

Lewis & Ellis, Inc.

Representing the WV Offices of the Insurance Commissioner



Jamie Taylor, CFE, PIR, MCM

Director / Chief Financial Examiner

Company Analysis and Examination Division

Financial Conditions

WV Offices of the Insurance Commissioner



STATE OF WEST VIRGINIA  
*Offices of the Insurance Commissioner*

James A. Dodrill  
Insurance Commissioner

May 24, 2021

Mr. J. Carter Norton, President  
Inland Mutual Insurance Company  
1017 Sixth Avenue  
Huntington, WV 25721

RE: Report of Examination as of December 31, 2019  
Inland Mutual Insurance Company – NAIC #14281

Dear Mr. Norton:

Please find enclosed a copy of the **Report of Examination** of Inland Mutual Insurance Company ("IMIC"). This examination was performed in accordance with the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code of 1931, as amended. The **Report of Examination** reflects the financial affairs and condition of IMIC as of December 31, 2019.

You have ten (10) working days from receipt of this letter to make written submissions or rebuttals with respect to any matter contained in the **Report of Examination**.

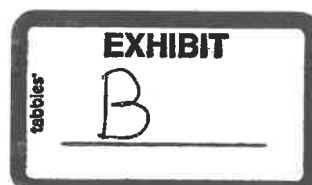
Very truly yours,



James Dodrill  
Insurance Commissioner

JAD/jot

Enclosure: Copy of Report of Examination





June 4, 2021

James Dodrill (Insurance Commissioner)  
Jamie Taylor (Chief Examiner)  
WV Offices of Insurance Commissioner (WVOIC)  
P.O. Box 50540  
Charleston, WV 25305-0540

Dear Commissioner Dodrill and Chief Examiner Taylor:

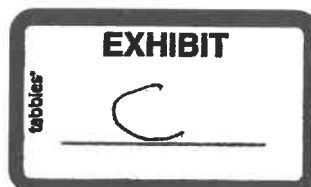
Inland Mutual Insurance Company is in receipt of the 05/24/2021-dated Report of Examination (ROE) reflecting the financial affairs and condition of the company as of December 31, 2019.

We are in agreement with the ROE and have no issues with the report.

Kind Regards,

A handwritten signature in black ink, appearing to read 'J. Carter Norton', is written over a light blue horizontal line.

J. Carter Norton  
President  
[cnorton@inlandmutual.com](mailto:cnorton@inlandmutual.com)



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