

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

In the Matter of:

FARMERS MUTUAL INSURANCE COMPANY (NAIC #40070)

ADMINISTRATIVE PROCEEDING NO. 21-IC-02094

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 Farmers Mutual Insurance Company (hereinafter referred to as "Company" or "FMIC"), 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 July 25, 1905, under the laws of the State of West Virginia, and commenced business on January 7, 1906. 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, 2015 and ending December 31, 2019, was conducted in accordance with *West Virginia Code* §33-2-9(c) by the Insurance Commissioner.

3. On April 16, 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 or about April 29, 2021, a true and accurate copy of the Report of Financial Examination was sent to, and received via email, David Lee Corsini, II. A copy of the Letter dated April 29, 2021, is attached hereto as Exhibit B.

5. Pursuant to *West Virginia Code* §33-2-9(j)(2), the Company, by letter dated April 29, 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 email dated May 10, 2021, David Lee Corsini, II 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 email of May 10, 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 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 24th day of May, 2021.



James A. Dodrill
West Virginia Insurance Commissioner

REPORT OF EXAMINATION
OF
Farmers Mutual Insurance Company
White Hall, WV
NAIC #40070
AS OF DECEMBER 31, 2019

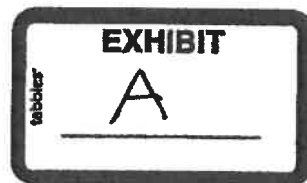


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SALUTATION

April 16, 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:

Farmers Mutual Insurance Company
40 Moran Circle
White Hall, West Virginia 26554

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

SCOPE OF EXAMINATION

The Company was last examined as of December 31, 2014. This examination commenced on September 2, 2020 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, 2015 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 under the laws of the state of West Virginia on July 25, 1905 as the Farmers Mutual Fire Association of West Virginia. Effective January 1, 1991, the current name was officially adopted.

On January 1, 1992, Grange Mutual Fire Insurance Company, Philippi, West Virginia, was merged into the Company. Effective July 1, 1994, Farmers Union Association and Fire Insurance Company, Bruceton Mills, West Virginia was merged with the Company. The Company operates under the provisions of Chapter 33, Article 22 of the West Virginia Insurance Code as a farmers mutual fire insurance company.

Capitalization

The Company is a non-stock farmers mutual insurance company organized under the farm mutual statutes of the West Virginia insurance Code, and as such has no capital stock outstanding.

Dividends to Stockholder

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 corporate powers of the Company are vested in the Board of Directors consisting of not less than six nor more than twelve members in compliance with Section III of the Company's Charter and in compliance with W. Va. Code §33-5-3. The individuals serving as members of the Board of Directors on December 31, 2019 were as follows:

Name and Address	Business Affiliation	Board Member Since
John Gilbert Conaway Fairmont, West Virginia	Retired Dean at Fairmont State	1986
Mary Beth Aliveto* Fairmont, West Virginia	SVP for MVB banking organization	1997
Conn Douglas Johnson Ripley, West Virginia	Manager, Johnson Insurance Agency	1989

David Lee Corsini Clarksburg, West Virginia	President, Farmers Mutual Insurance Company	2003
Fredrick Wilson Parsons II Kenna, West Virginia	VP, GM Metro News Radio and Television. Owner, Parsons Distributing	2011
Mary M. Hunt Clarksburg, West Virginia	Senior Program Officer, Benedum Foundation	2014

* Chairman

OFFICERS

The Directors shall hold a meeting within ten working days after the annual meeting of members for the purpose of electing from their number a Chairman of the Board of Directors, a Vice-Chairman of the Board of Directors, President, Treasurer, and a Secretary. Officers elected at the April 25, 2019 Board of Directors meeting and serving as of December 31, 2019, were as follows:

Name	Title
David Lee Corsini	President/Secretary
John Gilbert Conaway	Vice Chairman/Treasurer
Mary Beth Aliveto	Chairman
Conn Douglas Johnson	Executive Committee at Large

COMMITTEES

The Bylaws require an Executive Committee to be composed of the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, and two members appointed by the Board. The Executive Committee shall also operate and fulfill the responsibilities of the Audit Committee. In addition, the Board has established an Investment Committees to assist in discharging its responsibilities. The Executive and Investment committee members are nominated and voted upon during the April board meeting. Members as of December 31, 2019 were as follows:

Executive Committee:

- Mary Beth Aliveto
- John Gilbert Conaway
- Conn Douglas Johnson
- David Lee Corsini

Investment Committee:

- Mary Beth Aliveto
- John Gilbert Conaway
- Conn Douglas Johnson
- David Lee Corsini

TERRITORY AND PLAN OF OPERATION

The Company primarily writes fire, homeowners multiple perils, and commercial multiple perils. The Company also writes allied lines, farm-owners multiple peril, other liability, mobile homeowners and a small amount of mine subsidence business in the property and casualty industry in West Virginia. The Company is not licensed in any other state. The Company commenced business on January 7, 1906.

REINSURANCE

The Company's reinsurance was obtained through a reinsurance intermediary. 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	\$ 9,865,183	\$ -	\$ 9,865,183
Common Stocks	4,667,400	-	4,667,400
Real Estate	276,122	-	276,122
Cash and Short-term Investments	3,712,568	-	3,712,568
Investment Income Due and Accrued	117,501	-	117,501
Deferred Premiums	1,194,901	-	1,194,901
Current Federal Income Tax Recoverable	5,625	-	5,625
Net deferred tax asset	17,694	-	17,694
Electronic Data Processing Equipment	17,924	-	17,924
Total Assets	<u>\$ 19,874,918</u>	<u>\$ -</u>	<u>\$ 19,874,918</u>

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

Liabilities	Per Company	Adjustments	Per Examination
Losses	\$ 231,049	\$ -	\$ 231,049
Loss Adjustment Expenses	54,000	-	54,000
Commissions Payable	1,366,412	-	1,366,412
Other Expenses Due or Accrued	26,324	-	26,324
Taxes, Licenses and Fees	5,983	-	5,983.00
Unearned Premiums	3,573,694	-	3,573,694
Advance Premiums	142,484	-	142,484
Ceded Reinsurance Payable	(4,257)	-	(4,257)
Amounts withheld	49,982	-	49,982
Total Liabilities	\$ 5,445,671	\$ -	\$ 5,445,671
Unassigned Funds (Surplus)	<u>14,429,247</u>	<u>-</u>	<u>14,429,247</u>
Surplus as Regards Policyholders	<u>14,429,247</u>	<u>-</u>	<u>14,429,247</u>
Total Liabilities, Surplus and Other Funds	\$ 19,874,918	\$ -	\$ 19,874,918

**STATEMENT OF INCOME
DECEMBER 31, 2019**

UNDERWRITING INCOME

Premiums Earned	\$ 6,178,671
Losses Incurred	1,311,874
Losses Expenses Incurred	518,697
Other Underwriting Expenses Incurred	3,295,579
Total Underwriting Deductions	<u>5,126,150</u>
Net Underwriting Gain (Loss)	<u>1,052,521</u>

INVESTMENT INCOME

Net Investment Income Earned	182,076
Net Realized Capital Gains	48,927
Net Investment Gains	<u>231,003</u>

OTHER INCOME

Finance and Service Charges	36,092
Aggregate Writeins for Other Income	20,214
Total Other Income	<u>56,306</u>

Net Income Before Federal Income Tax	1,339,830
Federal Income Tax	240,197
Net Income	<u>\$ 1,099,633</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and Surplus, December 31, 2018	<u>\$ 12,704,104</u>
Net Income	1,099,633
Net Unrealized Gains or (Losses)	914,920
Change Non-admitted Assets	7,143
Change in Net Deferred Income Tax	(296,553)
Change in Accounts per Examination	-
Change In Surplus As Regards to Policyholders	<u>1,725,143</u>
Capital and Surplus as of December 31, 2019	<u>\$ 14,429,247</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.

SUMMARY OF EXAMINATION RECOMMENDATIONS

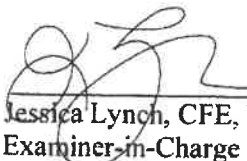
As a result of the current examination, there were no recommendations.

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, Ryne 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 Farmers 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 Farmers 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

Chief Financial Examiner

Company Analysis and Examination Division

WV Offices of the Insurance Commissioner



STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner

James A. Dodrill
Insurance Commissioner

April 29, 2021

Mr. David Lee Corsini, II
President/Secretary
Farmers Mutual Insurance Company
40 Moran Circle
White Hall, West Virginia 26554

RE: Report of Examination as of December 31, 2019
Farmers Mutual Insurance Company – NAIC #40070

Dear Mr. Corsini:

Please find enclosed a copy of the **Report of Examination** of Farmers Mutual Insurance Company ("FMIC"). 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 FMIC 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**.

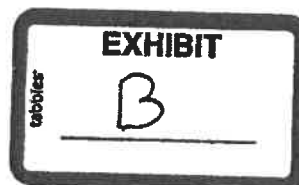
Very truly yours,



James A. Dodrill
Insurance Commissioner

JAD/jot

Enclosure: Copy of Report of Examination



Wurts, Jayne L

From: Taylor, Jamie O
Sent: Monday, May 10, 2021 9:44 AM
To: Wurts, Jayne L
Subject: FW: [External] RE: FMIC ROE as of 12-31-19

Company response.

From: Dave Corsini <dl_corsini@farmersmutual.com>
Sent: Monday, May 10, 2021 9:43 AM
To: Taylor, Jamie O <Jamie.O.Taylor@wv.gov>
Subject: [External] RE: FMIC ROE as of 12-31-19

CAUTION: External email. Do not click links or open attachments unless you verify sender.

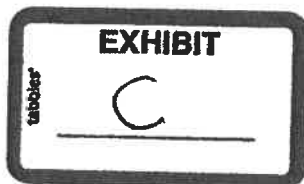
Good morning Jamie. Please be advised that after review of the final report, the Company agrees with the findings.

Best Regards,
Dave

"Exceeding Expectations Everyday"



Dave Corsini
Chief Executive Officer/President
Farmers Mutual Ins. Co.
800-654-0147 Ext 114
304-669-0957 ©



From: Taylor, Jamie O
Sent: Thursday, April 29, 2021 1:53 PM
To: David Corsini <dl_corsini@farmersmutual.com>
Cc: Jessica Lynch <JLynch@lewisellis.com>; rl_jones@farmersmutual.com
Subject: FMIC ROE as of 12-31-19

Good afternoon Dave,

The Department has completed the December 31, 2019 examination of Farmers Mutual Insurance Company. Please find attached the Report of Examination. Given that we are working remotely, we are providing the report via email as an alternative to Certified Mail.

If you have any questions, please do not hesitate to contact us.

Thank you and Ron for the assistance provided to the exam team in completing the examination.

Jamie



Jamie Taylor, CFE, PIR, MCM
Director/Chief Examiner

West Virginia Offices of the Insurance Commissioner
Company Analysis and Examination Division
900 Pennsylvania Ave., 7th Floor
Charleston, WV 25302
Phone: (304)414-8010
Mobile: (681)710-4196

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