

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

In the Matter of:

WEST VIRGINIA INSURANCE COMPANY (NAIC #11003)

ADMINISTRATIVE PROCEEDING NO. 21-IC-02001

FINDINGS OF FACT, CONCLUSIONS OF LAW & ORDER
ADOPTING REPORT OF FINANCIAL EXAMINATION

COMES NOW James A. Dodrill, Insurance Commissioner of the State of West Virginia, (hereinafter the “Insurance Commissioner”) who, after consideration of the REPORT OF FINANCIAL EXAMINATION as of December 31, 2019, of WEST VIRGINIA INSURANCE COMPANY, (hereinafter referred to as “Company”) made the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. An examination of the financial condition and operational affairs of the Company for the period beginning January 1, 2015, and ending December 31, 2019, was conducted in accordance with *W.Va. Code §33-2-9(c)* by an examiner in the employ of the Insurance Commissioner.
2. On November 2, 2020, 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 December 16, 2020, a true and accurate copy of the Report of Financial Examination was sent to and received by Lawrence B. Cokeley. A copy of the transmittal letter

is attached hereto as Exhibit B.

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, to make a submission, rebuttal or objection concerning any matter contained in the Report.

5. By email dated January 5, 2021, management of the Company acknowledged that it had reviewed the Report of Financial Examination and concurred with the findings of the examination. A copy of the Company's email of January 5, 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 of Chapter 33 of the *West Virginia Code*.

3. The Company is authorized to transact business as a farmers' mutual fire insurance company under the provisions of Article 22 Chapter 33 of the *West Virginia Code*. The Company was organized on July 21, 1923 and commenced business on September 1, 1923.

4. *W.Va. 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.

5. *W.Va. 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

Based upon the foregoing findings of fact and conclusions of law, it is **ORDERED** as follows:

1. The Report of Financial Examination of the Company, attached hereto as Exhibit A, is hereby ADOPTED and APPROVED;
2. A copy of these FINDINGS OF FACT, CONCLUSIONS OF LAW & 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 FINDINGS OF FACT, CONCLUSIONS OF LAW & ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION in accordance with *W.Va. Code §33-2-9(j)(4)*;
4. The Company shall 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; and

5. Inasmuch as orders entered by the Insurance Commissioner are subject to judicial review in the Circuit Court of Kanawha County as set forth in *West Virginia Code* §33-2-14, any person aggrieved by any this ORDER may, within 30 days after it has been mailed or delivered to the persons entitled to receive the same, file an appeal.

ENTERED this 12th day of January, 2021.



James A. Dodrill
Insurance Commissioner

REPORT OF EXAMINATION
OF
WEST VIRGINIA INSURANCE COMPANY
HARRISVILLE, WV
NAIC #11003
AS OF DECEMBER 31, 2019

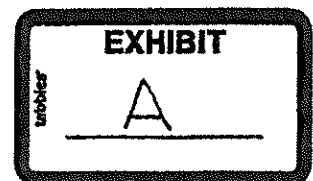
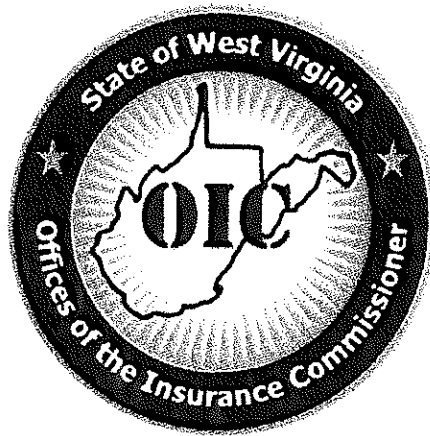


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SALUTATION

November 2, 2020
Harrisville, 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:

West Virginia Insurance Company
Route 16 North
Harrisville, WV 26362

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

SCOPE OF EXAMINATION

The examiners have performed a single-state financial examination of the Company. The last examination covered the five-year period from January 1, 2010 through December 31, 2014. The examination commenced on June 2, 2020 pursuant to W.Va. Code §33-2-9(a), as amended, and covers the five-year period from January 1, 2015 through December 31, 2019.

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

There are no significant findings, as a result of this examination.

HISTORY

The Company was incorporated on July 21, 1923, under the laws of the State of West Virginia, and commenced business on September 1, 1923. 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.

Dividends to Policyholders

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

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

The corporate powers of the Company are vested in the Board of Directors ("Board") consisting of nine members, one-third of whom shall be elected at each annual meeting for terms of three years, as stated in the Company's By-Laws and in compliance with W. Va. Code §33-22-5(a). The individuals serving as members of the Board on December 31, 2019 were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>	<u>Board Member Since</u>
Bryan Rex Cokeley Charleston, West Virginia	Attorney Steptoe and Johnson, PLLC	2013
Edward Robert Cokeley Harrisville, West Virginia	CPA and Owner Cokeley and Associates	1991
Lawrence Brice Cokeley Pensboro, West Virginia	Secretary, Treasurer & CEO West Virginia Insurance Co	1988
Warren Robert Haught Smithville, West Virginia	Oil and Gas Producer	1977

<u>Name and Address</u>	<u>Business Affiliation</u>	<u>Board Member Since</u>
Raymond Winford Jones Harrisville, West Virginia	Retired President West Union Bank	1993
Michael Joseph Krupa Nicholasville, Kentucky	Pharmacist and Minister	1983
Samuel Stephen Lambert Harrisville, West Virginia	Federal Bureau of Investigation	2014
Mark Alan Spiker Pennsboro, West Virginia	Dentist	1989
James Eddy Starr Harrisville, West Virginia	Owner Starr Woodworking Inc.	1983

OFFICERS

The annual meeting of the Board shall be held immediately following the annual meeting of members to elect from their number, for terms of one year, a President, Vice President, Treasurer, and Secretary as designated by the Board. Officers elected by the Board, and serving as of December 31, 2019, were as follows:

<u>Name</u>	<u>Title</u>
Edward Robert Cokeley	President
Lawrence Brice Cokeley	CEO, Secretary and Treasurer
Raymond Winford Jones	Vice President

It was observed that the Company's CEO, Secretary and Treasurer oversees the Company's daily operations.

TERRITORY AND PLAN OF OPERATION

The Company writes primarily homeowners multiple peril and fire coverages, as well as allied lines coverage. The Company writes business solely in the State of West Virginia through independent agents. Policies for dwellings are written on a cash value basis rather than replacement cost basis.

GROWTH OF COMPANY

The following amounts represent growth of the Company and key financial data for the year ended December 31, 2019 and for the period under examination:

	2019	2018	2017	2016	2015
Admitted					
Assets	\$ 57,992,667	\$ 56,376,651	\$ 53,702,240	\$ 51,786,615	\$ 50,214,534
Liabilities	\$ 8,120,849	\$ 8,086,420	\$ 8,430,123	\$ 8,827,112	\$ 8,560,868
Surplus as					
Regards					
Policyholder	\$ 49,871,818	\$ 48,290,231	\$ 45,272,117	\$ 42,959,503	\$ 41,653,666
Net					
Premiums					
Written	\$ 11,671,764	\$ 11,701,599	\$ 11,411,200	\$ 11,371,838	\$ 11,382,361
Net Income	\$ 1,685,645	\$ 3,005,003	\$ 2,470,209	\$ 1,412,133	\$ 2,073,193

The Company's operations were consistent during the examination period, reporting positive income in all years and maintaining a strong capital position.

REINSURANCE

The Company receives all of its reinsurance coverage through a joint reinsurance association, Mutual Reinsurance Bureau ("Mutual Re"), which is made up of the following participating member companies sharing equal participation of 20% each: Church Mutual Insurance Company, Employers Mutual Casualty Company, Farm Bureau Mutual Insurance Company of Michigan, Kentucky Farm Bureau Mutual Insurance Company, and Motorists Mutual Insurance Company.

Assumed Business

The Company assumes a minimal amount of non-proportionate property business as a participant to a regional reciprocal catastrophe pool managed by Mutual Re.

Ceded Business

The coverage is broken down between the following four agreements, which were renewed annually throughout the exam period. The only changes included small adjustments to limits and retention levels.

Property per Risk Excess of Loss

Under terms of the agreement, Mutual Re reinsures the Company for losses under any of its policies, contracts and binders of insurance in force at the effective date or issued or renewed on or after that date, and written and classified by the Company as Fire, Allied Lines, and Homeowners Multiple Peril Policies, as follows:

Coverage Layer	Limit	Retention or Underlying Limit
Section One	\$105,000 per risk \$315,000 per occurrence \$315,000 terrorism aggregate	\$95,000 per risk
Section Two	\$400,000 per risk \$800,000 per occurrence \$800,000 terrorism aggregate	\$200,000 per risk

Casualty Excess of Loss

Under the terms of the agreement, Mutual Re reinsures the Company for losses under any of its policies, contracts and binders of insurance in force at the effective date or issued or renewed on or after that date, and written and classified by the Company as Casualty including Homeowners Multiple Peril, as follows:

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

Catastrophe Excess of Loss

Under the terms of the agreement, Mutual Re reinsures the Company for losses under any of its policies, contracts and binders of insurance in force at the effective date or issued or renewed on or after that date, and written and classified by the Company as Fire, Allied Lines, and Homeowners Multiple Peril Policies, as follows:

Coverage Layer	Limit	Retention or Underlying Limit
Section One	\$800,000 per occurrence \$1,600,000 per contract year	\$800,000
Section Two	\$3,400,000 per occurrence \$6,800,000 per contract year	\$1,600,000
Section Three	\$4,000,000 per occurrence \$8,000,000 per contract year	\$5,000,000

ACCOUNTS AND RECORDS

The Company maintains its books and records at its home office in Harrisville, West Virginia. The Company's accounting and corporate records were maintained in a manner in which the financial condition was readily verifiable.

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, 2019.

**STATEMENT OF ASSETS
DECEMBER 31, 2019**

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted Assets</u>
Bonds	\$53,349,795		\$53,349,795
Common Stocks	38,083		38,083
Properties Occupied by the Company	425,845		425,845
Cash and Cash Equivalents	2,452,642		2,452,642
Miscellaneous Receivables	48,687		48,687
Subtotals	<u>\$56,315,052</u>		<u>\$56,315,052</u>
Investment Income Due and Accrued	331,352		331,352
Uncollected Premiums and Agents' Balances in the Course of Collection	18,585		18,585
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Yet Due	1,021,401		1,021,401
Net Deferred Tax Asset	306,277		306,277
Furniture and Equipment	196,705	196,705	
Total Assets	<u>\$58,189,372</u>	<u>\$196,705</u>	<u>\$57,992,667</u>

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

Losses	\$1,549,154
Loss Adjustment Expenses	277,903
Other Expenses	47,420
Current Federal and Foreign Income	
Taxes	(424,007)
Unearned Premiums	6,486,666
Advance Premium	183,713
Total Liabilities	<hr/> \$8,120,849
Unassigned Funds (Surplus)	49,871,818
Surplus as Regards Policyholders	<hr/> 49,871,818
TOTAL	<hr/> <hr/> \$57,992,667

**STATEMENT OF INCOME
DECEMBER 31, 2019**

Premiums Earned	\$11,651,819
Losses Incurred	6,937,373
Loss Adjustment Expenses Incurred	1,308,708
Other Underwriting Expenses Incurred	2,796,640
Total Underwriting Deductions	<u>11,042,721</u>
Net Underwriting Gain	<u>609,098</u>
Net Investment Income Earned	1,297,254
Net Investment Gain	<u>1,297,254</u>
Finance and Service Charges Not Included in Premiums	90,941
Aggregate Write-ins for Miscellaneous Income	96,492
Total Other Income	<u>187,433</u>
Net Income, After Capital Gains Tax and Before All Other Federal and Foreign Income Taxes	2,093,785
Federal and Foreign Income Taxes Incurred	408,140
Net Income	<u><u>\$1,685,645</u></u>

**RECONCILIATION OF SURPLUS
DECEMBER 31, 2019**

Surplus as of Prior Examination – 12/31/2014	\$39,520,249
Net Income	2,073,193
Change in Net Unrealized Capital Gains	62
Change in Net Deferred Income Tax	5,195
Change in Nonadmitted Assets	54,967
Change in Surplus as Regards Policyholders	<u>2,133,417</u>
Surplus at December 31, 2015	<u>\$41,653,666</u>
Net Income	1,412,133
Change in Net Unrealized Capital Gains	1,297
Change in Net Deferred Income Tax	5,025
Change in Nonadmitted Assets	(112,618)
Change in Surplus as Regards to Policyholders	<u>1,305,837</u>
Surplus at December 31, 2016	<u>\$42,959,503</u>
Net Income	2,470,209
Change in Net Unrealized Capital Gains	1,521
Change in Net Deferred Income Tax	(187,560)
Change in Nonadmitted Assets	28,444
Change in Surplus as Regards to Policyholders	<u>2,312,614</u>
Surplus at December 31, 2017	<u>\$45,272,117</u>
Net Income	3,005,003
Change in Net Unrealized Capital Gains	0
Change in Net Deferred Income Tax	(2,317)
Change in Nonadmitted Assets	15,428
Change in Surplus as Regards to Policyholders	<u>3,018,114</u>
Surplus at December 31, 2018	<u>\$48,290,231</u>
Net Income	1,685,645
Change in Net Unrealized Capital Gains	2,100
Change in Net Deferred Income Tax	8,276
Change in Nonadmitted Assets	(114,434)
Change in Surplus as Regards to Policyholders	<u>1,581,587</u>
Surplus at December 31, 2019	<u>\$49,871,818</u>

SUMMARY OF EXAMINATION CHANGES

There were no adjustments to the financial statements as a result of the examination.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The prior Report of Examination, as of December 31, 2014, contained no recommendations.

SUMMARY OF EXAMINATION RECOMMENDATIONS

There were no findings or recommendations as a result of the 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. In addition to the undersigned, **Jan Moenck**, CFE, CIA, CBA, CFSA, CISA, Examination Partner and Supervisor, **Kristina Gaddis**, CFE, CISA, AES, IT Specialist, **Andrew Chandler**, ACAS, MAAA, Actuarial Specialist, and **Dave Heppen**, FCAS, MAAA, Examination Partner and Actuarial Supervisor, of Risk & Regulatory Consulting, LLC, participated in the examination.

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 West Virginia Insurance Company as of December 31, 2019 as determined by this examination.

Respectfully Submitted,



Andy Jennings, CFE, ARM
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
Representing the WV Offices of the Insurance Commissioner



Jamie Taylor, CFE, PIR
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

December 16, 2020

Mr. Lawrence B. Cokeley, CEO, Secretary and Treasurer
West Virginia Insurance Company
Route 16 North
Harrisville, West Virginia 26362


RE: Report of Examination as of December 31, 2019
West Virginia Insurance Company – NAIC #11003

Dear Mr. Cokeley:

Please find enclosed a copy of the **Report of Examination** of West Virginia Insurance Company ("WVIC"). 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 WVIC 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**.

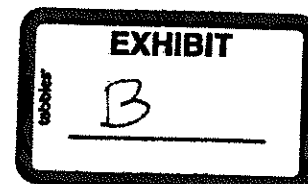
Very truly yours,



James A. Dodrill
Insurance Commissioner

JAD/dkz

Enclosure: Copy of Report of Examination



Wurts, Jayne L

From: Larry Cokeley <LarryCokeley@WVInsurance.com>
Sent: Tuesday, January 5, 2021 6:35 AM
To: Zegeer, Deborah K
Subject: [External] RE: Ten Day Examination Letter

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

DEBORAH,
NO, I DO NOT THINK SO. LOOKS OK
THANKS,
LARRY COKELEY
W.VA. INSURANCE COMPANY

From: Zegeer, Deborah K [mailto:Deborah.K.Zegeer@wv.gov]
Sent: Monday, January 04, 2021 1:41 PM
To: Larry Cokeley
Cc: Taylor, Jamie O
Subject: RE: Ten Day Examination Letter

Good afternoon,

I hope you had a good holiday.

I am following up on the email below. Do you have any additional information that you wish to provide regarding the Examination Report?

Thank you,
Debbie Zegeer



Deborah K. Zegeer, CPA, MBA, CGMA

Exam Manager

West Virginia Offices of the Insurance Commissioner
900 Pennsylvania Ave.
Charleston, WV 25302
Phone: 304-414-8012
Fax: 304-558-1365

