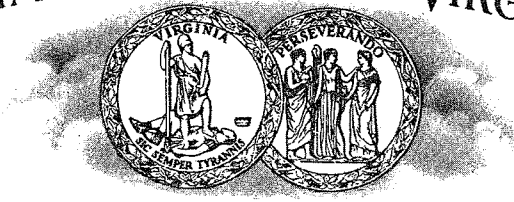


**EXAMINATION REPORT**  
**on**  
**PULASKI AND GILES MUTUAL INSURANCE COMPANY**  
**Rich Creek, Virginia**  
**as of**  
**December 31, 2008**

**COMMONWEALTH OF VIRGINIA**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

# COMMONWEALTH OF VIRGINIA

ALFRED W. GROSS  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



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I, Alfred W. Gross, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Pulaski and Giles Mutual Insurance Company as of December 31, 2008, is a true copy of the original report on file with this Bureau.

**IN WITNESS WHEREOF**, I have hereunto set my hand  
and affixed to the original the seal of the Bureau at the City  
of Richmond, Virginia this 28<sup>th</sup> day of May, 2009

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Alfred W. Gross  
Commissioner of Insurance

(SEAL)

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Richmond, Virginia  
March 6, 2009

Honorable Alfred W. Gross  
Commissioner of Insurance  
Commonwealth of Virginia  
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by authority of Section 38.2-1317 of the Code of Virginia, a financial examination of the records and affairs of the

**PULASKI AND GILES MUTUAL INSURANCE COMPANY**  
Rich Creek, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

**DESCRIPTION**

The Company is a mutual assessment property and casualty insurer licensed under and subject to Chapter 25 of Title 38.2 of the Code of Virginia. It was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2005. This examination covers the period from January 1, 2006 through December 31, 2008.

**HISTORY**

The Company was organized on March 28, 1896, under the authority of a charter granted to the Mutual Association, which had the power to create divisions for the purpose of mutual insurance against loss by fire, wind, and lightning. The Company obtained a separate charter, which was approved by an Act of the General Assembly of Virginia on February 28, 1900. This charter was subsequently amended by an Act approved on March 2, 1900.

According to its charter, the purpose for which the Company was formed is as follows:

...to mutually insure such dwelling-houses, barns and other buildings, also household goods, live stock, and other personal property as it may

prescribe, against loss by fire, wind, or lighting, upon such terms and under such conditions as are hereinafter mentioned or may be fixed by the By-Laws of this Company; for the government of said Company in the conduct of its business, not inconsistent with the laws of this State or the United States.

### MANAGEMENT AND CONTROL

According to the bylaws, management of the Company is vested in a board of not less than five, but no more than nine directors. Each director represents a district and is elected by the district members. At December 31, 2008, the board consisted of five directors, one from Pulaski County and four from Giles County. The directors are elected for a term of one year at the annual membership meeting. The Company officers are the president, vice-president, and secretary-treasurer. The secretary-treasurer must be a director and may be from either of the two counties. A board of directors meeting is held yearly and at such other times as the president deems necessary. A majority of directors present constitutes a quorum for the transaction of business at board meetings. The bylaws were last revised in 2006.

At December 31, 2008, Company directors and officers were as follows:

<u>Director</u>	<u>Principal Occupation</u>
Michelle W. Delung	Homemaker
Rodney T. Shelburne	Farmer
Clate M. Dolinger	Barber
Jesse E. Wilson	Retired
J.B. Buckland	Farmer
<u>Officers</u>	<u>Title</u>
Rodney T. Shelburne	President
Clate M. Dolinger	Vice President
J. B. Buckland	Secretary-Treasurer

**FIDELITY BOND**

The Company maintained fidelity insurance in force at year-end in the amount of \$100,000 providing coverage against losses resulting from fraudulent or dishonest acts of the company officers.

**TERRITORY AND PLAN OF OPERATION**

The Company operates exclusively in Pulaski and Giles Counties, where insurance is written against losses from fire, lighting, and wind.

Business is solicited by the directors, who are responsible for the inspection of the property. If the application is approved, a policy is issued bearing the signatures of the president and secretary-treasurer. No single risk is insured for more than 100% of its cash value or \$80,000, whichever is the lesser. The Company's bylaws require each applicant to pay an entrance fee. These fees are currently set at \$.50, \$.75, or \$1.00 per \$100 of insurance, depending upon the classification of risk. Subsequent assessments are levied annually in advance according to the classifications.

Claims are adjusted by the director in whose district the loss occurred. A provision in the Company's bylaws permits a director to adjust losses up to \$1,000. If any loss is over \$1,000 but not more than \$5,000, any two directors may make the adjustment. Three directors are necessary to adjust any loss in excess of \$5,000, subject to the approval of the secretary-treasurer. All claims settlements are subject to approval of the president.

### GROWTH OF THE COMPANY

The following data, obtained from annual statements filed with the Bureau and from examination reports, indicates the growth of the Company for the ten-year period ending December 31, 2008:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Unassigned Surplus</u>
1999	\$942,204	\$101,287	\$840,917
2000	950,291	101,598	848,693
2001	1,001,073	100,455	900,618
2002	964,496	100,876	863,620
2003	1,020,500	99,306	921,194
2004	1,065,638	100,406	965,232
2005	1,101,952	100,072	1,001,880
2006	1,071,179	98,592	972,587
2007	1,132,646	98,372	1,034,274
2008	1,143,053	98,480	1,044,573

<u>Year</u>	<u>Net Assessments</u>	<u>Investment Income</u>	<u>Net Losses Paid</u>	<u>Number of Policies</u>	<u>Insurance in Force</u>
1999	\$105,666	\$39,715	\$38,289	1,123	\$27,764,925
2000	104,229	42,340	80,438	1,074	27,291,275
2001	102,613	44,792	48,911	1,028	26,924,025
2002	102,608	27,586	117,309	974	26,424,275
2003	99,299	19,078	8,987	949	26,732,075
2004	101,447	16,274	15,343	912	26,809,000
2005	103,049	25,995	39,667	877	26,954,700
2006	102,623	34,140	107,222	838	26,504,600
2007	102,172	40,455	25,010	800	26,448,600
2008	101,928	47,718	75,544	769	26,227,950

REINSURANCE

The Company had the following reinsurance agreement in force at December 31, 2008:

<u>Lines Covered</u>	<u>Type of Contract</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits</u>
Fire, Wind and Lightning	Aggregate Excess of Loss	The greater of \$7.50 per \$1,000 of average net fire insurance in force or \$161,200; plus the remaining 10% of any excess loss recoverable hereunder	The lesser of 90% of \$20 per \$1,000 of average net fire insurance in force or 90% of \$644,800

Pursuant to the reinsurance agreement, the Company warrants that it will not knowingly retain net liability as respects any one peril in excess of \$80,000 on any one risk. All reinsurance is placed through Guy Carpenter & Company, Inc., a reinsurance intermediary.



## SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2006 through December 31, 2008. Assets were verified and liabilities were established at December 31, 2008. A review of income and disbursements for the period was made to the extent deemed necessary.

The items comprising the Balance Sheet had a medium or low risk assessment as determined from the principles of risk-based examination procedures contained in the *National Association of Insurance Commissioners Examiners Handbook*. Analytical review procedures were applied to non-material items.

In addition, the following items were reviewed, several of which are discussed separately under their respective captions in this report.

History  
Management and Control  
Territory and Plan of Operation  
Fidelity Bond and Other Insurance  
Conflict of Interest  
Growth of the Company  
Reinsurance  
Accounts and Records  
Financial Statements

## FINANCIAL STATEMENTS

There follows a statement of income and disbursements for the period under review and a statement of financial condition as of December 31, 2008.

**INCOME FOR THE PERIOD UNDER REVIEW**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net assessments received	\$102,623	\$102,172	\$101,928
Interest on cash deposits	34,140	40,455	47,718
Amounts withheld from employees	2,376	2,396	2,917
Other income	<u>254</u>	<u>68</u>	<u>512</u>
 Total income	 \$139,393	 \$145,091	 \$153,075
 Deduct total disbursements	 <u>172,847</u>	 <u>88,555</u>	 <u>140,151</u>
 Net income	 (\$33,454)	 \$56,536	 \$12,924
 Add ledger assets December 31, previous year	 <u>1,101,322</u>	 <u>1,067,868</u>	 <u>1,124,404</u>
 Ledger assets December 31, current year	 <u><u>\$1,067,868</u></u>	 <u><u>\$1,124,404</u></u>	 <u><u>\$1,137,328</u></u>

**DISBURSEMENTS FOR THE PERIOD UNDER REVIEW**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net losses paid	\$107,222	\$25,010	\$75,544
Loss adjustment expense	1,155	750	1,275
Commission and brokerage	10,650	10,800	10,000
Gross salaries	16,342	16,300	18,600
Directors' fees	7,500	8,625	8,475
Travel and travel items	4,029	1,420	1,153
Boards, bureaus and associations	1,103	1,125	1,194
Legal and auditing	4,300	4,400	4,500
Furniture, fixtures and equipment	888	888	767
Rent, office and equipment maintenance	4,800	4,800	4,800
Advertising	15	2,967	1,152
Printing and stationery	0	63	63
Postage, telephone and express	1,740	1,598	1,659
Insurance and fidelity bonds	2,620	2,595	2,453
Charitable contributions	1,500	0	1,500
Bank charges	44	20	0
Office expense	1,556	1,694	867
Taxes, licenses and fees	1,654	1,646	1,670
Payroll items	3,734	3,727	4,419
Other disbursements	1,995	127	60
Total disbursements for the year	<u>\$172,847</u>	<u>\$88,555</u>	<u>\$140,151</u>

**ASSETS**

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Cash on deposit	\$1,136,857			\$1,136,857
Interest due and accrued		6,196		6,196
Equipment, furniture and supplies	<u>471</u>		<u>471</u>	
Total assets	<u><u>\$1,137,328</u></u>	<u><u>\$6,196</u></u>	<u><u>\$471</u></u>	<u><u>\$1,143,053</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

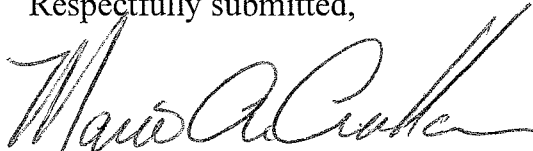
Net unpaid losses	\$1,000
Taxes, licenses and fees	1,620
Assessments unearned	<u>95,860</u>
Total liabilities	\$98,480
Excess of admtd assets over liabilities (surplus)	<u>1,044,573</u>
Total	<u><u>\$1,143,053</u></u>

**CONCLUSION**

The courteous cooperation extended by the Secretary-Treasurer during the examination is gratefully acknowledged.

In addition to the undersigned, T. Bradford Earley, Jr., CFE, and Theresa C. Lewis, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Mario A. Cuellar".

Mario A. Cuellar, CFE  
Senior Insurance Examiner

# Pulaski & Giles Mutual Insurance Company

P.O. Box 308  
Rich Creek, VA 24147  
(540) 726-2814

STATE CORP COMMISSION  
BUREAU OF INSURANCE  
09 MAY 18 AM 9:49

**OFFICERS:**

**Rodney T. Shelburne**  
President

**James B. Buckland**  
Secretary - Treasurer

**Clate M. Dolinger**  
Vice President

**DIRECTORS:**

**Rodney T. Shelburne**  
**James B. Buckland**

**Clate M. Dolinger**

**Jesse E. Wilson**  
**Michelle W. DeLung**

May12, 2009

David H. Smith, CFE, CPA, CPCU  
State Corporation Commission  
Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218

**RE: Pulaski & Giles Mutual Insurance Company  
Examination Report as of December 31, 2008**

Dear Mr. Smith:

Please be advised that Pulaski & Giles Mutual Insurance Company did receive the examination report for 2006, 2007 and 2008 dated March 6, 2009. Please accept this as my written acknowledgment of the receipt of the December 31, 2008 Examination Report. Please provide us with seven copies of the Examination Report.

Also, I would like to acknowledge my sincere thanks for each examiner's professional courtesousness and the consideration extended to me and Michelle during this examination. With kindest regards, I am

Sincerely,



J.B. Buckland  
Secretary-Treasurer

