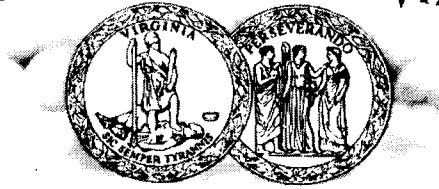


**EXAMINATION REPORT  
ON  
FARMERS MUTUAL FIRE INSURANCE COMPANY  
OF  
SCOTT, LEE AND RUSSELL COUNTY, VIRGINIA  
Nickelsville, Virginia  
as of  
December 31, 2010**

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

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



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RICHMOND, VIRGINIA 23218  
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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Farmers Mutual Fire Insurance Company of Scott, Lee and Russell County, Virginia as of December 31, 2010, 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 23rd day of August, 2011

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Jacqueline K. Cunningham  
Commissioner of Insurance

(SEAL)

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Richmond, Virginia  
May 26, 2011

Honorable Jacqueline K. Cunningham  
Commissioner of Insurance  
Commonwealth of Virginia  
Richmond, Virginia

Dear Madam:

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

**FARMERS MUTUAL FIRE INSURANCE COMPANY OF SCOTT, LEE AND  
RUSSELL COUNTY, VIRGINIA**  
Nickelsville, 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 fire insurance company 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, 2007. This examination covers the period from January 1, 2008 through December 31, 2010.

**HISTORY**

The Company was chartered by the State Corporation Commission on July 22, 1931, and has been in continuous operation since that time. According to the charter, the purpose for which the Company was formed is as follows:

...to insure its members against loss or damage to their property by fire, lightning or windstorm of any description, by assessment of its members in accordance with the statutes of the State of Virginia for such cases made and provided.

The policy form remains unchanged from the original. The bylaws were last amended in 2002 to reflect a salary increase of the Secretary-Treasurer.

**MANAGEMENT AND CONTROL**

The management of the Company is vested in a board of nine directors who must be members of the Company. Directors are elected for terms of one year by a majority of members present at the Company's annual meeting held the fourth Saturday in August. Directors are required by the bylaws to meet after the annual meeting of members and in March of each year, in addition to any special meetings.

The president, vice-president, and secretary-treasurer are elected annually by directors for terms of one year.

At December 31, 2010, directors and officers were as follows:

<u>Directors</u>	<u>Principal Occupation</u>
I. E. Horton	President of the Company/Farmer Blackwater, Virginia
Marie Anderson	Farmer Dungannon, Virginia
Emmett Dick Odle	Retired/Farmer Nickelsville, Virginia
Johnny Odle	Truck Driver/Agent for the Company Nickelsville, Virginia
Charles Saul, Jr.	Salesman Gate City, Virginia
Teresa O. McMurray	Farmer Bristol, Virginia
Angelea Wells	Retired Duffield, Virginia
Gail McConnell	Teacher Ft. Blackmore, Virginia
Daris Hartsock	Retired Gate City, Virginia

Officers

I. E. Horton  
 Johnny Odle  
 Velma Odle

President  
 Vice President  
 Secretary-Treasurer

**FIDELITY BOND**

At December 31, 2010, the Company had a fidelity bond in force for \$25,000 providing coverage against dishonest acts of the secretary-treasurer and the Company's agent.

**TERRITORY AND PLAN OF OPERATION**

The Company is licensed as a mutual assessment fire insurance company and operates as such in the counties of Scott, Lee and Russell in Virginia. The bylaws limit coverage to two-thirds of the actual cash value of the property not to exceed \$20,000 per risk. There is a \$300 deductible applied to each loss. Rates are \$0.60 per \$100 of coverage for new policies and \$0.45 per \$100 of coverage for renewals.

Business is solicited by agents elected by the members of the Company. Underwriting of risks is conducted by the agents, who are responsible for inspection and appraisal of the property, in conjunction with the approval of the director nearest the location of the property. In approving the application the director assumes responsibility for suitability of the risk and fairness of the value of the property.

Assessments are ordered by the president. The rate of assessment was last changed in 1989. The Company does not classify risks and has no reinsurance coverage. Claims are handled by the Company's agents, a nearby director and/or the secretary-treasurer, depending upon the extent of loss. All claim 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, 2010:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Unassigned Surplus</u>
2001	\$387,677	\$17,488	\$370,189
2002	386,799	18,291	368,508
2003	402,885	18,572	384,313
2004	415,939	15,777	400,162
2005	412,360	16,730	395,630
2006	434,434	14,423	420,011
2007	458,391	14,644	443,747
2008	477,040	12,822	464,218
2009	485,865	12,139	473,726
2010	505,822	11,298	494,524

<u>Year</u>	<u>Net Assessments</u>	<u>Investment Income</u>	<u>Other Income</u>	<u>Net Losses Paid</u>	<u>Number of Policies</u>	<u>Insurance In force</u>
2001	\$35,214	\$17,048	\$0	\$1,947	594	\$7,796,610
2002	34,078	10,100	0	27,479	440	7,109,800
2003	33,723	8,550	0	10,344	506	7,200,050
2004	32,268	8,682	67	12,900	505	7,154,610
2005	31,414	11,722	0	31,713	479	6,520,650
2006	29,595	14,554	0	4,848	451	6,300,556
2007	29,990	18,010	0	9,700	436	5,518,250
2008	27,293	16,907	0	9,700	422	5,177,750
2009	25,207	14,048	0	14,400	415	5,100,050
2010	24,498	11,096	0	0	368	5,351,450

## **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, 2008 through December 31, 2010. Assets were verified and liabilities were established at December 31, 2010. A review of income and disbursements for the period was made to the extent deemed necessary.

This examination was conducted in accordance with the NAIC Financial Condition *Examiners' Handbook* (Handbook). The Handbook allows flexibility in the conduct of the examination based upon the nature and size of the entity being examined. This flexibility allows the examiners the ability to structure the examination in the manner best suited for each entity.

For this examination, all accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## **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, 2010.



**INCOME FOR THE PERIOD UNDER REVIEW**

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net assessments received	\$27,293	\$25,207	\$24,498
Interest on cash deposits	<u>16,907</u>	<u>14,048</u>	<u>11,096</u>
Total Income	\$44,200	\$39,255	\$35,594
Deduct total disbursements for the year	<u>25,551</u>	<u>30,430</u>	<u>15,637</u>
Net Income	\$18,649	\$8,825	\$19,957
Add Ledger Assets December 31, previous year	<u>458,391</u>	<u>477,040</u>	<u>485,865</u>
Ledger Assets December 31, current year	<u><u>\$477,040</u></u>	<u><u>\$485,865</u></u>	<u><u>\$505,822</u></u>

**DISBURSEMENTS FOR THE PERIOD UNDER REVIEW**

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net losses paid	\$9,700	\$14,400	\$0
Commission and brokerage	719	868	878
Gross salaries	7,200	7,200	8,450
Directors' fees	1,800	1,700	1,500
Travel and travel items		47	50
Legal and auditing	266	1,500	
Outside inspection, loss prevention and survey			50
Rent, office and equipment maintenance	623	283	640
Advertising	466	524	503
Postage, telephone and express	2,193	2,030	1,861
Insurance and fidelity bonds	780		
Data processing		94	63
Miscellaneous	385	348	266
Taxes, licenses and fees	915	960	917
Payroll items	459	459	459
Loss on disposal of investments		17	
Interest paid on borrowed money	45		
	<u>          </u>	<u>          </u>	<u>          </u>
Total disbursements	<u><u>\$25,551</u></u>	<u><u>\$30,430</u></u>	<u><u>\$15,637</u></u>

**ASSETS**

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Cash on deposit	<u>\$505,822</u>			<u>\$505,822</u>
Total	<u><u>\$505,822</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$505,822</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

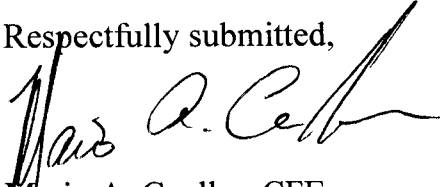
Taxes, licenses and fees	\$902
Assessments unearned	<u>10,396</u>
Total liabilities	\$11,298
Excess of admitted assets over liabilities (surplus)	<u>494,524</u>
Total	<u><u>\$505,822</u></u>

**CONCLUSION**

The courteous cooperation extended by the secretary-treasurer during the examination is gratefully acknowledged.

In addition to the undersigned, George E. Morgan, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mario A. Cuellar". The signature is written in a cursive style with a prominent vertical stroke on the left side.

Mario A. Cuellar, CFE  
Senior Insurance Examiner

I.E. HORTON  
President

JOHNNY ODLE  
Vice President

11 AUG -5 AM 9:40


# Farmers Mutual Fire Insurance Comany, Inc. Of Scott, Lee and Russell County, VA

MRS. DICK ODLE  
Secretary-Treasurer  
307 Arch Lane  
Nickelsville, VA 24271  
(276) 479-2632

August 2, 2011

Commonwealth of Virginia  
State Corporation Commission  
Bureau of Insurance  
Box 1157  
Richmond, Va. 23218

Recieved the report of the Audit July 29, 2011. Was very pleased to know that everything was O.K.



Velma Odle Sec./Treas.