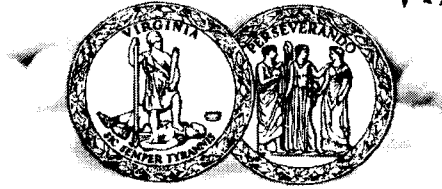


EXAMINATION REPORT
on
ROCKBRIDGE MUTUAL FIRE INSURANCE COMPANY
LEXINGTON, VIRGINIA
as of
DECEMBER 31, 2010

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF VIRGINIA

COMMONWEALTH OF VIRGINIA

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



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
<http://www.scc.virginia.gov/division/boi>

I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Rockbridge Mutual Fire Insurance Company 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 3rd day of June, 2011

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

TABLE OF CONTENTS

Description 1

History 1

Management and Control.....2

Fidelity Bond and Other Insurance3

Territory and Plan of Operation.....3

Reinsurance4

Growth of the Company.....5

Scope6

Financial Statements6

Conclusion10

Richmond, Virginia
March 11, 2011

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

Dear Madam:

Pursuant to your instructions and by authority of § 38.2-1317 of the Code of Virginia, an examination of the financial condition, records and affairs of the

ROCKBRIDGE MUTUAL FIRE INSURANCE COMPANY
Lexington, 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 pursuant 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, 2010. The current examination covers the three year period from January 1, 2008 through December 31, 2010.

HISTORY

The Company was chartered by the State Corporation Commission on October 26 1911, and has been in continuous operation since that time. The articles of incorporation were restated in 1954 and 1972. The purpose for which the Company was organized according to its articles of incorporation is as follows:

“The conduct of a mutual assessment fire insurance business, within the widest definition of section 38.1-659, Code of Virginia of 1950, as amended from time to time.”

MANAGEMENT AND CONTROL

According to the Company's bylaws, which were last restated in 2003, management is vested in a board of directors of five persons including the president and the vice president. Directors are elected at the annual meeting of the Company held in February of each year. The president is a director and is elected annually for a term of one year. Each director represents a particular district, two of whom are elected each year for a three year term. The board elects the president and vice president and appoints the secretary-treasurer.

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

Directors

Principal Occupation

John R. Lewis

Retired
Natural Bridge, Virginia

Malcolm B. Lotts

Undertaker
Natural Bridge, Virginia

John S. Rorer, Jr.

Retired
Goshen, Virginia

C. Michael Sandridge

Jailer
Raphine, Virginia

Sandra W. Claytor

Retired
Lexington, Virginia

Officers

John S. Rorer, Jr.

President

C. Michael Sandridge

Vice President

Myrna C. Johnston

Secretary-Treasurer

FIDELITY BOND AND OTHER INSURANCE

The Company had a fidelity bond in force at December 31, 2010. The policy provides for \$250,000 of coverage with a \$2,500 deductible. The policy covered the period from March 7, 2008 through March 7, 2011.

TERRITORY AND PLAN OF OPERATION

The Company is licensed by the State Corporation Commission to operate as a mutual assessment property and casualty insurer throughout the Commonwealth of Virginia. However, it confines its business to the counties of Rockbridge, Augusta, Bath and Botetourt as well as the City of Lexington.

The Company writes a basic policy which includes fire, lightning and extended coverage excluding the perils of windstorm and hail. If windstorm and hail coverage is desired, it is available for an additional assessment on dwellings and outbuildings with a \$1,000 deductible clause.

Insurance written is limited to a minimum of \$500 and a minimum period of six months. Coverage is limited only by the amount facultative reinsurers will accept.

Inquiries regarding insurance are generally referred to the district director who takes the application, inspects the property and makes his recommendation to the board. Policies to be issued require review by the entire board.

Assessments are made semi-annually, in advance, by the board of directors on the first of January and July. Policies are canceled for non-payment 15 days after the expiration date. Rates charged for insurance coverage are set by the board of directors and are based on 11 classifications of property. Generally, semi-annual rates charged for fire coverage range from \$0.14 per \$100 for masonry dwellings and their contents to \$0.64 per \$100 for frame commercial buildings. Rates for windstorm and hail coverage range from \$0.12 per \$100 on dwellings to \$0.32 per \$100 on outbuildings.

All claims are settled by review and approval of the board of directors. Normally, each director handles claims within his district. However, for larger losses, an independent adjuster may be hired.

REINSURANCE

The Company had the following reinsurance agreements in force at December 31, 2010:

Ceded:

<u>Type of Agreement</u>	<u>Business Covered</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Property First Surplus Reinsurance	Property	\$10,000	Five times the Company's net retention, up to \$50,000 on any one risk
Property Facultative Pro-Rata Reinsurance	Property	\$10,000	Four times the Company's net retention plus the amount ceded under the Property First Surplus Reinsurance agreement, up to \$300,000 on any one risk. In addition, the Company can submit a request for special acceptance for additional coverage outside the scope of this agreement
Aggregate Excess of Loss Reinsurance	Property	10% of Losses over and above the greater of \$57,500 or \$5.50 per \$1,000 of average net fire insurance in force	90% of Ultimate Net Loss over and above the greater of \$57,500 or \$5.50 per \$1,000 of average net fire insurance in force; Limit of liability of 90% of the lesser of \$408,100 or \$26.00 per \$1,000 of average net fire insurance in force
Supplemental Aggregate Excess of Loss Reinsurance	Property		100% of Ultimate Net Loss over and above the sum of its retention under the Aggregate Excess of Loss agreement plus the reinsurer's limit of liability under that agreement

All reinsurance agreements contain an insolvency clause.

GROWTH OF THE COMPANY

The following data, obtained taken from Annual Statements filed with the Bureau and the financial statements contained in examination reports, reflects the growth of the Company for the ten-year period ending December 31, 2010:

<u>Year</u>	<u>Net Assessments Received</u>	<u>Investment Income</u>	<u>Net Losses Paid</u>
2001	\$70,339	\$22,265	\$75,227
2002	89,302	17,676	31,107
2003	70,351	9,699	9,421
2004	84,708	6,935	19,162
2005	84,160	8,603	3,632
2006	97,058	14,514	27,164
2007	92,208	18,208	2,154
2008	90,878	14,841	26,065
2009	91,790	13,954	10,927
2010	89,981	10,531	19,391

<u>Year</u>	<u>Number of Policies</u>	<u>Insurance In force</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus As Regards Policyholders</u>
2001	961	\$42,812,550	\$379,952	\$20,716	\$359,236
2002	948	47,143,975	378,888	5,845	373,043
2003	913	46,951,175	375,118	10,248	364,870
2004	915	50,350,675	364,244	8,727	355,517
2005	877	49,434,625	370,707	8,105	362,602
2006	841	49,421,475	379,977	7,403	372,574
2007	816	50,013,475	413,211	7,465	405,746
2008	781	48,275,475	416,273	6,821	409,452
2009	774	49,521,900	435,512	7,530	427,982
2010	766	49,359,700	439,888	9,623	430,265

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	\$90,878	\$91,790	\$89,981
Interest on cash deposits	14,841	13,954	10,531
Reconciling amounts			
Social security	4,086	4,373	4,402
Federal withholding	2,640	2,640	2,880
State withholding	860	840	960
Other income			
Total Income	<u>\$113,305</u>	<u>\$113,597</u>	<u>\$108,754</u>
Deduct total disbursements for the year	<u>110,246</u>	<u>93,917</u>	<u>104,332</u>
Net Income	\$3,059	\$19,680	\$4,422
Add Ledger Assets December 31, previous year	<u>412,727</u>	<u>415,786</u>	<u>435,466</u>
Ledger Assets December 31, current year	<u><u>\$415,786</u></u>	<u><u>\$435,466</u></u>	<u><u>\$439,888</u></u>

DISBURSEMENTS FOR THE PERIOD UNDER REVIEW

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net losses paid	\$26,065	\$10,927	\$19,391
Loss adjustment expense	214	80	62
Net commission and brokerage	5,268	7,889	6,553
Gross salaries	41,208	42,688	44,308
Directors' fees	6,433	6,433	6,433
Boards, bureaus and associations	396	398	397
Legal and auditing, not in connections with losses	2,750	800	775
Rent, office and equipment maintenance	6,464	5,866	6,031
Advertising	1,022	933	1,161
Printing and stationery			
Postage, telephone and express	1,757	1,488	2,238
Insurance and fidelity bonds	2,710	992	1,026
Personal property tax	14	14	15
Taxes, licenses and fees:			
Fire Assessment	2,257	2,271	2,265
Assessment for maintenance of Bureau of Insurance	300	300	300
Other	1,518	299	298
Payroll items:			
Social security	8,172	8,745	8,804
Federal withholding	2,640	2,640	2,880
State withholding	800	840	960
State unemployment insurance	34	59	187
Federal unemployment insurance	224	255	248
Total disbursements	<u>\$110,246</u>	<u>\$93,917</u>	<u>\$104,332</u>

ASSETS

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Cash in company's office	\$115			\$115
Cash on deposit	439,773			439,773
Reinsurance recoverable				
Totals	<u>\$439,888</u>	<u>\$0</u>	<u>\$0</u>	<u>\$439,888</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

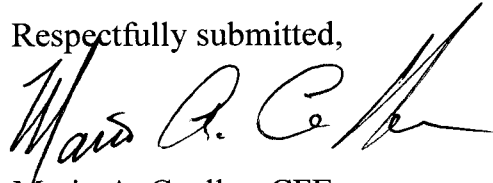
Taxes, licenses and fees:	
Fire assessment	\$2,265
Assessment for maintenance of	
Bureau of Insurance	300
Flood assessment	100
Fraud assessment	113
Ceded reinsurance balances payable	0
Assessments unearned	<u>6,845</u>
Total liabilities	\$9,623
Excess of admitted assets over liabilities (sur)	<u>430,265</u>
Totals	<u>\$439,888</u>

CONCLUSION

The courteous cooperation extended by the officers and employees of the Company during the course of the examination was sincerely appreciated.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mario A. Cuellar". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mario A. Cuellar, CFE
Senior Insurance Examiner
Commonwealth of Virginia

John S. Rorer, Jr., President

Myrna C. Johnston, Secretary-Treasurer

ROCKBRIDGE MUTUAL FIRE INSURANCE COMPANY

156 SOUTH MAIN STREET
LEXINGTON, VIRGINIA 24450

11 MAY 19 AM 7:59

May 16, 2011

State Corporation Commission
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

Attention: David H. Smith
Chief Examiner

RE: Rockbridge Mutual Fire Insurance Company
Examination Report as of December 31, 2010

Dear Mr. Smith:

We acknowledge receipt of your letter and two copies of the examination report for Rockbridge Mutual Fire Insurance Company as of December 31, 2010. Everything seems to be in order.

With regard to the number of copies of the examination report, I believe twelve (12) copies will be sufficient.

Sincerely



Myrna C. Johnston
Secretary-Treasurer