

Report of Examination of

Lime City Mutual Insurance Association
Bowling Green, Ohio

As of December 31, 2010

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Columbus, Ohio
August 12, 2011

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Lime City Mutual Insurance Association

an Ohio domiciled, mutual protective property company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 21250 Caris Road, Bowling Green, Ohio 43402.

A report of this examination is hereby respectfully submitted.

Scope of Examination

The Department last examined the Company as of December 31, 2007. The Department’s current examination covers the period of January 1, 2008 through December 31, 2010.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Paul F. Brinker	Company Secretary and Treasurer, Independent Insurance Agent, and Farmer
Dale Brown	Farmer and Branch Manager of Lucky Farmers, Inc.
Matthew Hoffmann	Farmer and Perrysburg Township Employee
John Lintner	Branch Manager of Lucky Farmers, Inc.
John Russell	Farmer
Thomas Teet	Attorney, Private Practice

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
John Lintner	President
Dale Brown	Vice President
Paul F. Brinker	Secretary and Treasurer

Insurance Holding Company System

The Company is a member of a holding company as defined in Section 3901.32 of the ORC. The following organization chart displays ownership of the Company and affiliated companies:

Lime City Mutual Insurance Association
Lime City Mutual Insurance Agency, Inc

Territory and Plan of Operations

The Company is licensed to do business in the State of Ohio. The Company primarily writes fire, windstorm, hail, vandalism, falling and moving bodies, and overturn. The Company operates in the following Ohio counties: Allen, Clark, Crawford, Coshocton, Defiance, Erie, Franklin, Fulton, Henry, Hardin, Huron, Knox, Lake, Licking, Mercer, Ottawa, Putnam, Sandusky, Seneca, Shelby, Warren, Wood and Wyandot.

Reinsurance

Ceded

The Company has a per risk excess of loss agreement that provides coverage above \$100,000. An aggregate excess of loss agreements provides 100% coverage above incurred losses greater than \$522,590.

All reinsurance agreements appear to transfer risk and have the NAIC required clauses.

Assumed

The Company did not assume any reinsurance.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Income

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2010**

Preferred stocks, common stocks and mutual funds	\$ 185,897
Real estate	49,820
Cash	<u>888,722</u>
Subtotal, cash and invested assets	1,124,439
Investment due and accrued	683
Assessments in the course of collection	1,253
Amounts recoverable from reinsurers	<u>59,664</u>
Total admitted assets	<u>\$ 1,186,039</u>

Statement of Assets, Liabilities, Capital and Surplus

Liabilities:	
Commission due and payable to agents	\$ 11,477
Other expenses	250
Unearned assessments/premiums reserve	149,020
Ceded reinsurance payable	10,597
Amounts withheld or retained by company for account of others	<u>43,704</u>
Total liabilities	<u>215,048</u>
Capital and surplus:	
Surplus as regards policyholders	<u>970,991</u>
Total capital and surplus	<u>970,991</u>
Total liabilities, capital and surplus	<u>\$ 1,186,039</u>

Statement of Income
As of December 31, 2010

Income	
Total assessment or premium income	\$630,978
Deduct: Premiums for reinsurance ceded	126,148
Net assessments/premiums earned	<u>504,830</u>
 Deductions	
Losses incurred	463,132
Loss expenses incurred	37,003
Other underwriting expense incurred	254,853
Total underwriting deductions	<u>754,988</u>
 Net underwriting loss	 (250,158)
 Investment Income	
Net investment income	12,894
Net realized capital gains less capital gains tax	48,911
Net investment gain	<u>61,805</u>
 Aggregate write-ins for miscellaneous income	 <u>10,898</u>
Total other income	10,898
 Net income, after capital gains tax and before federal income	 (177,455)
Federal income taxes incurred	<u>-</u>
Net loss	<u><u>\$(177,455)</u></u>

Statement of Changes in the Capital and Surplus Account
(in thousands)

	2010	2009	2008
Capital and surplus, beginning of the year	\$ 1,189	\$ 1,274	\$ 1,691
Net income (loss)	(178)	(182)	(224)
Change in net unrealized capital gains (losses)	(40)	97	(193)
Change in surplus during the year	(218)	(85)	(417)
Capital and surplus, end of the year	\$971	\$1,189	\$1,274

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3939 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2010, and is summarized as follows:

Total Assets	<u>\$ 1,186,039</u>
Liabilities	215,048
Capital and Surplus	<u>970,991</u>
Total Liabilities, Capital and Surplus	<u>\$ 1,186,039</u>

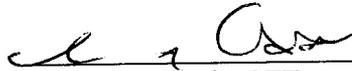
Subsequent Events

The Company is currently in negotiation with German Mutual Insurance Company for a possible merger. The Company has properly notified the Ohio Department of Insurance of the pending business affiliation with German Mutual Insurance Company. The Company anticipates the merger will be complete before the end of 2011.

Acknowledgement

In addition to the undersigned, the following representative of the Department participated in this examination: Methuselah E. Nyangoro, CFE, CPA.

Respectfully,



David A. Cook, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2010.

[Signature]
Assistant Chief Examiner

9/27/11
Date

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 27th day of September, 2011.

Elizabeth Chase

(Notary Public)

ELIZABETH CHASE

NOTARY PUBLIC, STATE OF OHIO

MY COMMISSION EXPIRES MAY 22, 2012

My Commission Expires