

Report of Examination

Washington County Farmers Mutual Insurance Association
Marietta, Ohio

As of December 31, 2011

Table of Contents

Subject	Page
Salutation.....	1
Description of Company.....	1
Scope of Examination.....	1
Management and Control:	
Board of Directors.....	2
Officers.....	2
Insurance Holding Company System.....	2
Reinsurance:	
Ceded.....	3
Assumed.....	3
Territory and Plan of Operations.....	3
Significant operation ratios.....	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	5
Statement of Income and Expenses.....	6
Statement of Changes in the Capital and Surplus Account.....	6
Subsequent Events.....	7
Conclusion.....	7

Columbus, Ohio

November 16, 2012

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

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of

Washington County Farmers 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 435 Third Street, Marietta, Ohio 45750.

A report of this examination is hereby respectfully submitted.

The Department last examined the Company as of December 31, 2006. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2011.

Scope of Examination

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
Sandra Matthews	Retired County Commissioner
Rick Schramm	Farmer
Larry Schwendeman	Farmer
Charles Seaman	Retailer and Farmer
Emerson Shimp	Retired small business consultant

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Emerson Shimp	President
Rick Schramm	Vice President
Rita Wentz	Secretary and Treasurer

Insurance Holding Company System

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

Washington County Farmers Mutual Insurance Association
Washington County Farmers Mutual Insurance Agency, Inc.

Reinsurance

Ceded

The Company has a per risk excess of loss agreement that provides coverage of \$1,050,000 above the Company's retention of \$50,000 and an aggregate excess of loss agreement which covers all losses above a retention of \$626,801.

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

Assumed

The Company did not assume any reinsurance.

Territory and Plan of Operations

The Company is licensed to do business in the State of Ohio.

Significant Operating Results

The Company reported the following net underwriting results for the last 2 years.

	<u>2011</u>	<u>2010</u>
Net Premiums earned	<u>\$ 750,670</u>	<u>\$ 704,239</u>
Losses incurred	366,084	306,652
Loss adjustment exp. incurred	0	3,122
Underwriting expenses incurred	<u>407,783</u>	<u>358,129</u>
Total underwriting deductions	<u>773,867</u>	<u>667,903</u>
Net underwriting gain or (loss)	<u>\$ (23,197)</u>	<u>\$ 36,336</u>
Pure loss ratio	48.8	43.5
Loss adjustment expense ratio	<u>0.0</u>	<u>0.4</u>
Loss ratio	48.8	43.9
Underwriting expense ratio	<u>54.3</u>	<u>50.9</u>
Combined ratio	<u>103.1</u>	<u>94.8</u>

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 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, Surplus and Other Funds
As of December 31, 2011**

Bonds	\$411,554
Stocks	23,289
Real estate	84,886
Cash on deposit and checking	<u>963,194</u>
Cash and invested assets	<u>1,482,923</u>
Investment income due and accrued	5,750
Earned but unbilled premiums	133,481
Current federal income tax recoverable	<u>340</u>
Total net admitted assets	<u>\$1,622,494</u>
Liabilities and Surplus	
Unpaid losses	\$36,690
Other expenses	10,945
Unearned assessment/premium reserve	152,221
Ceded reinsurance premiums payable	17,346
Amounts withheld or retained by company for account of others	<u>34,694</u>
Total liabilities	<u>251,896</u>
Surplus	<u>1,370,598</u>
Total liabilities and surplus	<u>\$1,622,494</u>

**Statement of Income
As of December 31, 2011**

Premiums earned	<u>\$ 750,670</u>
Losses incurred	366,084
Other underwriting expenses incurred	<u>407,783</u>
Total underwriting deductions	<u>773,867</u>
Net underwriting loss	<u>(23,197)</u>
Net investment income earned	<u>43,243</u>
Net investment gain	<u>43,243</u>
Miscellaneous income	<u>2,166</u>
Total other income	<u>2,166</u>
Net income before federal income taxes	22,212
Federal income taxes incurred	<u>(1,592)</u>
Net income	<u>\$ 23,804</u>

Statement of Changes in the Capital and Surplus Account

	<u>2011</u>	<u>2010</u>
Capital and surplus, beginning of the year	<u>\$1,354,307</u>	<u>\$1,267,981</u>
Net income	23,804	86,064
Change in net unrealized gains or losses	1,363	(1,754)
Change in non-admitted assets	<u>(8,876)</u>	<u>2,016</u>
Change in surplus during the year	<u>16,291</u>	<u>86,326</u>
Capital and surplus, end of the year	<u>\$1,370,598</u>	<u>\$1,354,307</u>

Subsequent Events

There were no material subsequent events.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2011, and is summarized as follows:

Total Admitted Assets	\$ <u>1,622,494</u>
Liabilities	\$ 251,896
Surplus	<u>1,370,598</u>
Total Liabilities and Surplus	\$ <u>1,622,494</u>

Respectfully,



David A. Cook, CFE
Assistant Chief Examiner
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 of Washington County Farmers Mutual Insurance Association as of December 31, 2011.

David A. Cook 11/21/12
Assistant Chief Examiner 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 21 day of November, 2012.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires