

Report of Examination of

Pike Mutual Insurance Company
Wooster, Ohio

As of December 31, 2013

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Columbus, Ohio

November 7, 2014

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

Pike Mutual Insurance Company

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 3873 Cleveland Road, Wooster, Ohio 44691.

A report of this examination is hereby respectfully submitted.

The Department last examined the Company as of December 31, 2010. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2013.

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:

<u>Name</u>	<u>Principal Occupation</u>
Thomas Andrews	Insurance Agent
Kenneth Brown	Retired
Frank Chiurco	Retired
Lou DiStefano	Insurance Agent
Larry Stoffer	Retired
David Tschantz	Vice President of Claims, Wayne Mutual Insurance Company
Robert Wentling	Farmer

Officers

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

<u>Name</u>	<u>Title</u>
Thomas Andrews	President
Frank Chiurco	Vice President
James Silver	Secretary and Treasurer

Insurance Holding Company System

The Company is a member of a holding company system as defined by ORC 3901.32. The corporate organizational chart is as follows:

Pike Mutual Insurance Company
Pike Mutual Insurance Agency Inc.

Reinsurance

Ceded

The Company has a per risk excess of loss reinsurance agreement that provides coverage of \$460,000 above the Company's retention of \$40,000. Property catastrophe agreements provide coverage of \$1,300,000 per occurrence above a retention limit of \$100,000.

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, providing property insurance products covering fire, lightning, and extended coverage in most of the eighty eight counties in Ohio.

Significant Operating Results

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

	<u>2013</u>	<u>2012</u>
Net Premiums earned	\$ 915,790	\$ 735,318
Losses incurred	323,820	456,330
Loss expenses incurred	15,563	15,281
Other underwriting expenses incurred	<u>569,266</u>	<u>473,390</u>
Total underwriting deductions	<u>908,649</u>	<u>945,001</u>
Net underwriting gain or (loss)	<u>\$ 7,141</u>	<u>\$ (209,683)</u>
Pure loss ratio	35.4	62.0
Loss expense ratio	<u>1.7</u>	<u>2.1</u>
Loss ratio	37.1	64.1
Underwriting expense ratio	<u>62.1</u>	<u>64.4</u>
Combined ratio	<u>99.2</u>	<u>128.5</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, 2013**

Assets

Bonds	\$ 39,553
Preferred stocks, common stocks and mutual funds	684,290
Cash	<u>2,058,263</u>
Cash and invested assets	<u>2,782,106</u>
Investment income due and accrued	754
Assessments or premiums in the course of collection	12,425
Deferred premiums, agents' balances and installments	213,621
Amounts recoverable from reinsurers	2,101
Current federal income tax recoverable and interest	<u>1,867</u>
Total net admitted assets	<u>\$ 3,012,874</u>

Liabilities and Surplus

Unpaid losses	\$ 118,616
Commissions due and payable to agents	101,124
Other expenses	21,633
Unearned assessment/premium reserve	719,906
Ceded reinsurance premiums payable	<u>39,133</u>
Total liabilities	<u>1,000,412</u>
Surplus	<u>2,012,462</u>
Total liabilities and surplus	<u>\$ 3,012,874</u>

Statement of Income
As of December 31, 2013

Net premiums earned	<u>\$ 915,790</u>
Losses incurred	323,820
Loss expenses incurred	15,563
Other underwriting expenses incurred	<u>569,266</u>
Total underwriting deductions	<u>908,649</u>
Net underwriting gain	<u>7,141</u>
Net investment income earned	38,691
Net realized capital losses	<u>(2,183)</u>
Net investment gain	<u>36,508</u>
Other income	<u>26,641</u>
Net loss before federal income taxes	<u>70,290</u>
Federal income taxes incurred	<u>2,157</u>
Net income	<u><u>\$ 68,133</u></u>

Statement of Changes in the Capital and Surplus Account

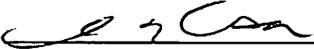
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus, beginning of the year	<u>\$1,969,702</u>	<u>\$2,095,399</u>	<u>\$2,135,059</u>
Net income (loss)	68,133	(145,723)	(28,412)
Change in net unrealized gains or losses	<u>(25,373)</u>	<u>20,026</u>	<u>(11,248)</u>
Change in surplus during the year	<u>42,760</u>	<u>(125,697)</u>	<u>(39,660)</u>
Capital and surplus, end of the year	<u>\$2,012,462</u>	<u>\$1,969,702</u>	<u>\$2,095,399</u>

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Admitted Assets	<u>\$ 3,012,874</u>
Liabilities	\$ 1,000,412
Surplus	<u>2,012,462</u>
Total Liabilities and Surplus	<u>\$ 3,012,874</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 Pike Mutual Insurance Company as of December 31, 2013.

[Signature] 11/21/14
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 18 day of November, 2014.

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