

Report of Examination of

West and Knox Mutual Insurance Company  
Carrollton, Ohio

As of December 31, 2013

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Columbus, Ohio

August 22, 2014

Honorable Mary Taylor  
Lt. Governor/Director  
State of Ohio  
Department of Insurance (“Department”)  
50 West Town Street, 3<sup>rd</sup> 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

**West and Knox 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 355 Leatherberry Road, Carrollton, Ohio 44615.

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>
Charlotte Boord	Retired
John F. Capron, III	Retired
Joseph Coniglio	Farmer
Donna Detchon	Retired
Charles Kooser	Self-Employed Contractor
Sherman Oyer	Farmer
Tennile Puskarich	Secretary, Carroll County Parks District
Larry Romigh	Retired

### 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>
Sherman Oyer	President
Charles Kooser	Vice-President
Elizabeth Barber	Treasurer
Susan Brown	Secretary

### 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:

West and Knox Mutual Insurance Company  
West & Knox Insurance Agency, Inc.

## Reinsurance

### Ceded

The Company has an individual occurrence excess of loss that provides coverage of \$950,000 above the Company's retention of \$50,000. An aggregate excess of loss agreement provides unlimited coverage above a retention of \$196,539.

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 but writes mostly in Eastern Ohio. Most of the Company's business is produced by three exclusive agents.

## 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	\$ 243,417	\$ 289,197
Losses incurred	13,173	175,900
Loss expenses incurred	2,588	3,997
Other underwriting expenses incurred	<u>171,681</u>	<u>178,751</u>
Total underwriting deductions	<u>187,442</u>	<u>358,649</u>
Net underwriting gain or (loss)	<u>\$ 55,976</u>	<u>\$ (69,452)</u>
Pure loss ratio	5.4	60.8
Loss expense ratio	<u>1.1</u>	<u>1.4</u>
Loss ratio	6.5	62.2
Underwriting expense ratio	<u>70.5</u>	<u>61.8</u>
Combined ratio	<u>77.0</u>	<u>124.0</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**

Stocks	\$ 47,027
Real estate	79,552
Cash on deposit and checking	616,493
Aggregate write-ins for invested assets	<u>45,270</u>
Cash and invested assets	<u>788,342</u>
Receivables from parent, subsidiaries and affiliates	<u>13,457</u>
Total net admitted assets	<u>\$801,799</u>
<b>Liabilities and Surplus</b>	
Other expenses	\$906
Taxes, licenses and fees	1,604
Unearned assessment/premium reserve	82,608
Ceded reinsurance premiums payable	<u>9,704</u>
Total liabilities	<u>94,821</u>
Surplus	<u>706,978</u>
Total liabilities and surplus	<u>\$801,799</u>

**Statement of Income**  
**As of December 31, 2013**

Net Premiums earned	<u>\$ 243,417</u>
Losses incurred	13,173
Loss expenses incurred	2,588
Other underwriting expenses incurred	<u>171,681</u>
Total underwriting deductions	<u>187,442</u>
Net underwriting gain	<u>55,975</u>
Net investment income earned	<u>37,549</u>
Net investment gain	<u>37,549</u>
Miscellaneous income	<u>13,217</u>
Total other income	<u>13,217</u>
Net loss before federal income taxes	106,741
Federal income taxes incurred	<u>0</u>
Net income	<u>\$ 106,741</u>

### Statement of Changes in the Capital and Surplus Account

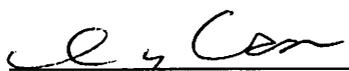
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus, beginning of the year	<u>\$673,249</u>	<u>\$706,947</u>	<u>\$634,517</u>
Net income (loss)	106,742	(45,141)	81,715
Change in net unrealized gains or losses	(29,235)	426	3,725
Change in non-admitted assets	<u>(43,777)</u>	<u>11,017</u>	<u>(13,010)</u>
Change in surplus during the year	<u>\$ 33,729</u>	<u>\$(33,698)</u>	<u>\$72,430</u>
Capital and surplus, end of the year	<u>\$706,978</u>	<u>\$673,249</u>	<u>\$706,947</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>\$ 801,799</u>
Liabilities	\$ 94,821
Surplus	<u>706,978</u>
Total Liabilities and Surplus	<u>\$ 801,799</u>

Respectfully,



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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 West and Knox Mutual Insurance Company as of December 31, 2013.

el n Coa      9/23/14  
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 23 day of September, 2014.

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