

**Farmers Mutual Insurance Company of Granville Person Vance**

Oxford, NC

**Report on Financial Examination**

As of December 31, 2016

# **Farmers Mutual Insurance Company of Granville Person Vance**

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**Farmers Mutual Insurance Company of Granville Person Vance  
Report on Financial Examination**

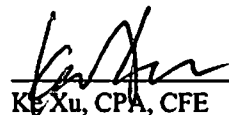
Honorable Mike Causey  
Commissioner of Insurance  
State of North Carolina  
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section 58-2-131 of the General Statutes of North Carolina ("G.S."), the North Carolina Department of Insurance ("Department") conducted a financial examination of Farmers Mutual Insurance Company of Granville Person Vance ("Company") as of December 31, 2016. The examination covered the period January 1, 2012, through December 31, 2016, and the period subsequent up to the date of this examination report. The Department's last full-scope examination was as of December 31, 2011.

This examination was performed using the Department's single-state, risk-focused examination approach. The primary purpose of a risk-focused examination is to review and to evaluate an insurer to assist in assessing and monitoring its financial condition. The scope of this examination, as specified on Page 4, includes a review, in coordination with the financial analysis process, of the Company's practices and procedures, its corporate and accounting records, details of certain transactions, which may include significant estimates made by the Company, and an evaluation of certain assets and liabilities reported in the Company's Annual Statement as of December 31, 2016. This report is not intended to communicate all matters of importance for an understanding of the Company's financial condition as of December 31, 2016. Therefore, the findings and conclusions contained within this report are based solely on the work performed on the specific areas provided in the Summary of Examination Objectives and Findings on Page 5.

Respectfully submitted,



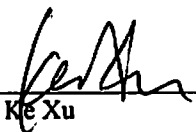
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Ke Xu, CPA, CFE  
Chief Financial Examiner  
Agile Enterprise Section  
Financial Evaluation Division  
North Carolina Department of Insurance


April 28, 2017

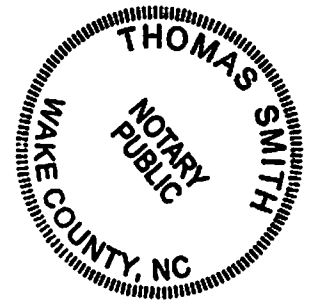
STATE OF NORTH CAROLINA  
COUNTY OF WAKE

Ke Xu, Chief Financial Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by her, is true and correct to the best of her knowledge and belief.

Signature:  Date: 5/19/2017  
Ke Xu

Sworn and subscribed before me this 19 day of May, 2017.

Notary Public Signature:  Notary Public Seal:



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**1. Company Background**

Farmers Mutual Insurance Company of Granville Person Vance was organized in 1898 in the name of Farmers Mutual Fire Insurance Association of North Carolina. The Company was incorporated in 1993 and changed its name to Farmers Mutual Insurance Company of Granville Person Vance. The Company is authorized to write fire and allied lines of property coverage in Granville, Person, Vance, Warren, Wake, and Franklin counties. The Company does not write liability coverage and is not authorized to operate in other counties of North Carolina. The Company was formed as a mutual insurance company under G.S. 58-7-75(5)(d) and is, therefore, owned by the policyholders. The Company has no shares authorized, issued or outstanding.

**2. Appointed Actuary**

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with G.S. 58-10-150 and G.S. 58-10-155. The Company was granted an exemption from filing a Statement of Actuarial Opinion for each of the years under examination.

**3. Scope of the Examination**

The scope of this examination includes a review the following areas relative to the 2016 Annual Statement:

- a) Cash and Investments
- b) Premiums and Underwriting
- c) Losses and Reserves
- d) Operations

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**4. Examination Procedures**

The examination procedures performed during this examination included the following:

- 1) Review and verification of supporting documentation for reported balances;
- 2) Substantive testing of underlying data and transactions;
- 3) Analytical procedures and recalculation of account balances;
- 4) Review of the Company's underwriting practices and procedures;
- 5) Review of the Company's contracts and agreements;
- 6) Actuarial review of the Company's reserves by the Department's Actuarial Services Division; and
- 7) Other examination procedures deemed necessary to meet the established objectives.

**5. Summary of Examination Objectives and Findings**

**a) Cash and Investments**

- 1) Examination Objective: To verify the accuracy and existence of cash, totaling \$183,428, as reported in the Company's Annual Statement as of December 31, 2016.

Findings: No adverse findings were noted.

- 2) Examination Objective: To verify the accuracy and existence of common stocks, totaling \$2,642,651, as reported in the Company's Annual Statement as of December 31, 2016.

Findings: No adverse findings were noted.

- 3) Examination Objective: To review whether the Board of Directors ("Board") demonstrates proper oversight over the Company's investments to ensure compliance with applicable laws and regulations.

Findings: No adverse findings were noted.

**b) Premiums and Underwriting**

- 1) Examination Objective: To verify the accuracy and completeness of direct written premiums, totaling \$481,543, as reported in the Company's Annual Statement as of December 31, 2016.

Findings: No adverse findings were noted.

- 2) Examination Objective: To verify the accuracy of unearned premiums, totaling \$193,258, as reported in the Company's Annual Statement as of December 31, 2016.

Findings: No adverse findings were noted.

- 3) Examination Objective: To verify the accuracy of advance premiums, totaling \$22,154, as reported in the Company's Annual Statement as of December 31, 2016.

Findings: No adverse findings were noted.

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- 4) Examination Objective: To review whether the Company's underwriting and pricing guidelines are appropriate, and premium rates are adequate.

Findings: No adverse findings were noted.

**c) Claims and Reserves**

- 1) Examination Objective: To verify the completeness and accuracy of losses paid, totaling \$370,538, as reported in the Company's Annual Statement as of December 31, 2016.

Findings: No adverse findings were noted.

- 2) Examination Objective: To review the reasonableness and adequacy of unpaid losses and loss adjustment expenses, totaling \$60,017 and \$6,829, respectively, as reported in the Company's Annual Statement as of December 31, 2016.

Findings: No adverse findings were noted.

- 3) Examination Objective: To verify that the Company's reserves for losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina and were consistent with reserves computed in accordance with accepted actuarial standards and principles.

Findings: No adverse findings were noted.

**d) Operations**

- 1) Examination Objective: To verify that the Company has a formal written Disaster Recovery Plan in place.

Findings: No adverse findings were noted.

- 2) Examination Objective: To verify that the Company has sufficient personnel in place to adequately segregate duties that would support an effective internal control system and that the Board demonstrates proper oversight.

Findings: No significant findings were noted.

- 3) Examination Objective: To verify that the Company has a succession plan in place to address the replacement of key staff positions.

Findings: No significant findings were noted.

- 4) Examination Objective: To verify that the Company has a formal business plan in place to address consecutive net underwriting losses.

Findings: No significant findings were noted.

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**Appendix A – Report Distribution**

**Bobby W. Young, President**  
**126 Hillsboro Street**  
**Oxford, NC 27565**