



NC DEPARTMENT
of INSURANCE
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

Tel 919.807.6602 Fax 919.807.6635

I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused Farmers Mutual Insurance Company of Granville Person Vance as of December 31, 2021 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 9th day of February, 2023.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE
Deputy Commissioner
Financial Examination Division

Farmers Mutual Insurance Company of Granville Person Vance

Oxford, NC

Report on Examination

As of December 31, 2021

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January 23, 2023

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 (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Farmers Mutual Insurance Company of Granville Person Vance

(hereinafter referred to as the “Company”), acknowledging that its main administrative and statutory home office are located at 126 Hillsboro Street, Oxford, North Carolina, 27565. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2017, to December 31, 2021, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2016.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Underwriting
Claims and Reserves
Investments
Reinsurance Ceding
Capital and Surplus

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58, and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Cobb Ezequiel Loy & Company, P.A. of Graham, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2021.

COMPANY HISTORY

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 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.

DIVIDENDS TO POLICYHOLDERS

Dividends are paid as declared by the Board of Directors (“Board”) of the Company. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Company may pay to policyholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. The Company paid no dividends in 2020 and 2021.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Policyholders

The bylaws of the Company provide that an annual meeting of the policyholders be held at such place as the Board may appoint on the last Thursday in January of each year. Special meetings of the policyholders may be called at any time by the president.

Board of Directors

The management and affairs of the Company are vested in the Board consisting of seven members. Directors are elected annually, at the annual meeting of policyholders, and each director is elected for three-year terms, which shall be staggered so that no more than three directors are up for election in any given year, unless there is an unexpired term to be filled.

The following individuals served as directors at December 31, 2021:

Name	Location	Principal Occupation
Steve C. Timberlake	Oxford, North Carolina	Company President, and Agent for Alamance Farmers’ Mutual Insurance Company
Danny Williams	Oxford, North Carolina	Self-employed Farmer
James W. Lumpkins	Oxford, North Carolina	Company Vice-President
Craig Husketh	Creedmoor, North Carolina	Retired
Channie Currin	Oxford, North Carolina	Farmer
Crawford Knott	Oxford, North Carolina	Certified Public Accountant
Scott Elliot	Creedmoor, North Carolina	Business Manager

The Board has established a Finance Committee and Compensation Committee to act on behalf of the Company. The following individuals served on committees at December 31, 2021:

Finance Committee

Crawford Knott
Danny Williams
Channie Currin

Compensation Committee

Crawford Knott
James Lumpkins
Danny Williams

Officers

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company consist of a president, a vice-president, a secretary-treasurer, and such other officers deemed necessary by the Board. All officers shall hold office for one year, until their successors are elected and qualified. Any vacancy among the officers shall be filled by the Board.

The following individuals served as officers of the Company at December 31, 2021:

Name	Title
Steve C. Timberlake	President
James W. Lumpkins	Vice President
Jennifer T. Boone	Secretary/Treasurer

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed the Company acted in accordance with its policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events, and that the directors approved these transactions and events.

The Company's Articles of Incorporation and Bylaws were reviewed for any changes during the period under examination. There were no changes during the period of examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2021 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state. The Company only maintains a statutory deposit in North Carolina.

FIDELITY BONDS AND OTHER INSURANCE

The Company has fidelity bond coverage totaling \$100,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook.

In addition, the Company is a named insured on various corporate property and liability policies, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company instituted a Salary Reduction Simplified Employee Pension Plan (“SARSEP”) in 1996 and contributes 3.5% of each employee’s compensation into the SARSEP annually. The SARSEP accounts are set up for each individual employee; therefore, the Company does not have ready access to the SARSEP fair market value. The Company’s contribution to the SARSEP accounts totaled \$4,901 and \$5,132 in 2021 and 2020, respectively.

TERRITORY AND PLAN OF OPERATION

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 offers Owner’s Liability and Theft Coverage, which is provided by Alamance Farmers’ Mutual Insurance Company. The Company’s products are serviced through two licensed agents and the marketing effort is the responsibility of the President, who is also a licensed producer for Alamance Farmers’ Mutual Insurance Company.

At December 31, 2021, the Company was authorized to write business in the following six North Carolina counties: Granville, Person, Vance, Warren, Wake, and Franklin.

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended 2021:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income
2021	\$7,150,270	\$6,619,654	\$427,272	\$250,776	\$285,010
2020	\$6,688,941	\$6,192,613	\$440,132	\$276,661	\$126,629
2019	\$6,124,643	\$5,781,979	\$449,320	\$289,857	\$53,712
2018	\$5,486,644	\$5,225,227	\$446,208	\$278,452	\$156,639
2017	\$5,747,575	\$5,470,950	\$479,661	\$293,299	\$141,386

ACTUARIAL OPINION

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 GS § 58-10-150 and GS § 58-10-155. The Company was granted an exemption from filing a Statement of Actuarial Opinion for each of the years under examination.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

The Company has a Property Per Risk Excess of Loss reinsurance contract with various reinsurers effective January 1, 2021, which provides property per risk excess of loss coverage for all lines of business that the Company writes. The contract provides coverage of 100% of \$100,000 in excess of \$50,000, net loss per risk to a loss occurrence limit of \$300,000.

The Company has an Aggregate Excess of Loss reinsurance contract with various reinsurers effective January 1, 2021, which provides excess of loss coverage for all lines of business that the Company writes. The aggregate excess of loss reinsurance covers 100% of 900% in excess of 100% of gross net earned premium income.

The Company has a Property Facultative Pro Rata reinsurance contract with various reinsurers effective January 1, 2021, which provides for a maximum cession of \$350,000 and a minimum retention of \$5,000. The Company ceded premiums totaling \$173,283 and \$174,554 in 2021 and 2020, respectively, under this contract.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2021. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2020, are unexamined and are presented for comparative purposes only.

Farmers Mutual Insurance Company of Granville Person Vance
Statutory Statement of Admitted Assets
December 31,

	2021	2020 <i>(unexamined)</i>
Bonds	\$3,368,305	\$2,636,697
Common stocks	3,665,332	3,869,740
Real estate	3,092	3,183
Cash and short-term investments	76,286	140,586
Total cash and invested assets	7,113,015	6,650,206
Investment income due and accrued	21,211	20,192
Premiums and agents' balances in course of collection	6,986	1,321
Reinsurance recoverable	-	97
Electronic data processing equipment and software	2,915	8,143
Commissions receivable	6,143	8,982
Total Admitted Assets	\$7,150,270	\$6,688,941

Farmers Mutual Insurance Company of Granville Person Vance
Statutory Statement of Liabilities and Surplus
December 31,

	2021	2020 <i>(unexamined)</i>
Losses	\$ 20,856	\$22,583
Loss adjustment expenses	9,139	11,130
Other expenses	10,172	10,762
Federal income tax liability	28,808	4,796
Net deferred tax liability	232,218	191,496
Unearned premiums	167,662	164,449
Advance premium	27,456	22,194
Ceded reinsurance premiums payable	3,282	26,911
Payable for securities	29,361	-
Due to Alamance Farmers Section II Escrow	1,662	1,217
Payroll protection program	-	35,500
Payables for capitalized assets	-	5,290
Total liabilities	530,616	496,328
Unassigned funds	6,619,654	6,192,613
Total surplus	6,619,654	6,192,613
Total Liabilities and Surplus	\$7,150,270	\$6,688,941

Farmers Mutual Insurance Company of Granville Person Vance
Statutory Statement of Operations
December 31,

	2021	2020 <i>(unexamined)</i>
Underwriting Income		
Premiums earned	\$250,776	\$276,661
Deductions		
Losses incurred	141,434	111,500
Loss adjustment expenses incurred	55,337	57,842
Other underwriting expenses incurred	231,860	214,974
Total underwriting deductions	428,631	384,316
Net underwriting loss	(177,855)	(107,655)
Investment Income		
Net investment income earned	164,814	93,800
Net realized capital gains	254,342	129,718
Net investment gain	419,156	223,518
Other Income		
Finance and service charges not included in premiums	285	-
Commissions Section II	7,889	10,570
Miscellaneous	35	196
Payroll Protection Program	35,500	-
Total other income	43,709	10,766
Net Income	\$285,010	\$126,629

Farmers Mutual Insurance Company of Granville Person Vance
Statutory Statement of Surplus
December 31,

	2021	2020 <i>(unexamined)</i>
Surplus, beginning of year	\$6,192,613	\$5,781,979
Surplus increases(decreases):		
Net income	285,010	126,629
Change in net unrealized capital gains or (losses)	112,533	270,453
Change in net deferred income tax	17,249	39,663
Change in non-admitted assets	12,249	(26,111)
Change in capital and surplus as regards policyholders for the year	427,041	410,634
Surplus, end of year	\$ 6,619,654	\$6,192,613

Farmers Mutual Insurance Company of Granville Person County
Statutory Statement of Cash Flow
December 31,

	2021	2020 <i>(unexamined)</i>
Cash From (Used By) Operations		
Premiums collected net of reinsurance	\$229,957	\$293,594
Net investment income	189,585	102,069
Miscellaneous income	43,709	10,766
Total	463,251	406,429
Benefit and loss related payments	143,064	101,595
Commissions, expenses paid and aggregate write-ins	289,778	268,671
Federal income taxes paid	32,153	-
Total	464,995	370,266
Net cash from (used by) operations	(1,744)	36,163
Cash From (Used By) Investments		
Proceeds from investments sold, matured, or repaid	1,973,045	1,752,001
Cost of investments acquired	2,015,572	1,923,866
Net cash (used by) investments	(42,527)	(171,865)
Cash From (Used By) Financing and Miscellaneous Sources		
Other cash (applied)	(20,029)	(523)
Net cash (used by) financing and miscellaneous sources	(20,029)	(523)
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	(64,300)	(136,225)
Cash and short-term investments, beginning of year	140,586	276,811
Cash and short-term investments, end of year	\$ 76,286	\$140,586

COMMENTS ON FINANCIAL STATEMENTS

There were no changes to the Company's financial statements and there were no proposed adjustments to surplus as a result of this examination.

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under equity method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Real estate investments: Properties occupied by the Company are carried at depreciated cost less encumbrances. Fair values of properties occupied by the Company will be measured only if circumstances indicate that the financial condition of the Company is in question.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses, are "non-admitted" and are charges against surplus.

Unpaid loss & loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The Company reported the following assets as non-admitted assets at December 31, 2021: electronic data processing equipment and software totaling \$47,084 and furniture and equipment totaling \$569.

Reinsurance Activity:

The Company has reinsurance contracts to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes Guy Carpenter & Company, LLC as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	2021	2020
Direct written	\$427,272	\$440,132
Ceded written	(173,283)	(174,554)
Net written	\$253,989	\$265,578
Direct earned	422,683	450,797
Ceded earned	(171,907)	(174,136)
Net earned	\$250,776	\$276,661

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described under the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	2021	2020
Reserve for losses and loss adjustment expenses, beginning of year	\$33,713	\$19,131
Add:		
Provision for losses and loss adjustment expenses, current year	208,000	176,000
Change in estimated losses and loss adjustment expenses, prior years	(11,229)	(6,658)
Total incurred	196,771	169,342
Deduct:		
Losses and loss adjustment expenses paid, current year	(192,000)	(154,000)
Losses and loss adjustment expenses paid, prior year	(8,489)	(760)
Total paid	200,489	154,760
Reserve for losses and loss adjustment expenses, end of year	29,995	33,713
Increase (decrease) in reserve for losses and loss adjustment expenses	(\$3,718)	\$14,582

The Company does not expect any salvage or subrogation to offset the loss and loss adjustment expense liabilities.

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2021, and 2020, the liability for losses and loss adjustment expenses was reduced by \$3,089 and \$8,805, respectively, for amounts to be recovered from reinsurers.

Surplus:

The following, in conjunction with the Statutory Statement of Surplus, represents the changes in the Company's surplus since the Department's last examination as of December 31, 2016:

	2019	2018	2017
Capital and surplus, beginning of year	\$5,225,227	\$5,470,950	\$5,053,198
Capital and surplus increases (decreases):			
Net income(loss)	53,712	156,639	141,386
Change in net unrealized capital gain (loss)	437,278	(310,126)	310,909
Change in net deferred income tax	81,366	(90,674)	(34,543)
Change in nonadmitted assets	(15,604)	(1,562)	
Change in provision for reinsurance	-	-	
Surplus adjustments to paid-in capital	-	-	
Dividends to stockholders	-	-	
Prior year adjustment	-	-	
Change in surplus as regards policyholders for the year	556,752	(245,723)	417,752
Capital and surplus, end of year	\$5,781,979	\$5,225,227	\$5,470,950

SUBSEQUENT EVENTS

Effective for the year 2022, the Company will start new agents at full commission, which are 14.5% for Section I, Property Loss Coverage, and 15% for Section II, Owner's Liability and Theft Coverage provided by Alamance Farmers' Mutual Insurance Company. No retirement plan will be available for new agents hired; however, the existing retirement plan will remain in effect for the retirees currently participating in the plan and existing agents hired prior to 2022.

Effective January 1, 2022, the Company increased its Property Per Risk Excess of Loss retention limit from \$50,000 to \$60,000.

Farmers Mutual Insurance Company of Granville Person Vance
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2021

Jennifer Boone, Secretary & Treasurer
126 Hillsboro Street
Oxford, North Carolina 27565

Steve C. Timberlake, President
126 Hillsboro Street
Oxford, North Carolina 27565

CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$120,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



Monique D. Smith, CPA, CFE
Deputy Commissioner
North Carolina Department of Insurance

January 23, 2023

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Dianaliz Toledo, Insurance Company Manager, 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: Dianaliz Toledo Date: January 23, 2023

Sworn and subscribed before me this 23 day of January, 2023.

Notary Public Signature: Samantha Tanck Notary Public Seal:

