



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 Rowan Mutual Fire Insurance Company 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 19th day of May, 2023.



Mike Causey
Commissioner of Insurance

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

Rowan Mutual Fire Insurance Company

Salisbury, North Carolina

Report on Examination

As of December 31, 2021

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May 15, 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

Rowan Mutual Fire Insurance Company

(hereinafter referred to as the “Company”), at its main administrative and statutory home office located at 426 South Main Street, Salisbury, North Carolina. 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, 2018, 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, 2017.

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:

Claims Handling and Reserving
Investments
Premiums and Underwriting
Reinsurance Ceding
Surplus Management

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 are 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). Strickland Hardee, PLLC of Lexington, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for years ended December 31, 2020, and December 31, 2021. Rives & Associates, LLP of Lexington, North Carolina, the former designated independent public accountant of the Company, issued an unmodified opinion each year subsequent to the Department's prior examination through the year ended December 31, 2019.

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

1. The Company's investment transactions were not reviewed and approved by its Board of Directors ("Board") as required by GS § 58-7-168. The Company is directed to comply with GS § 58-7-168 regarding Board review and approval of its investment transactions and to maintain meeting minutes documenting the Board's approval.
2. The Company did not comply with the terms of its excess of loss reinsurance agreement, which requires the Company to remit ceded reinsurance premiums to the reinsurance intermediary one month in arrears. A review of the payments indicated that the Company did not remit the October or November 2021 payments until 2022. The Company is directed to comply with the provisions of its executed reinsurance agreement.

COMPANY HISTORY

The Company was incorporated in January 1, 1902, as a county mutual insurance company under GS § 58-7-75(5)(d). The Company is an assessable mutual company owned by its policyholders.

DIVIDENDS TO POLICYHOLDERS

Dividends to policyholders are paid as declared by the 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 during the years under examination.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Members

The bylaws of the Company provide that every person who is insured by the Company is a member of the Company while its policy is in force.

The bylaws of the Company provide that an annual meeting of the members be held at such time and place as the Board may appoint. Special meetings of the members may be called at any time by the president, secretary or any member pursuant to the written request of not less than one-fifth of all the members entitled to vote at the meeting.

Board of Directors

The business of the Company is conducted by its management team and subject to review by the Board. The bylaws for the Company specify that the number of directors shall be twelve. Each director shall hold office for one year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified. Directors shall be members of the Company.

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

Name	Location	Principal Occupation
Jerry Sides	Salisbury, North Carolina	President
David Corriher	Mount. Ulla, North Carolina	Vice President/Truck driver
Rhonda Smith	Salisbury, North Carolina	Secretary/Treasurer
Patsy Sexton	Mount Ulla, North Carolina	Retired
Bill Medley	Salisbury, North Carolina	Retired
William Snider	Woodleaf, North Carolina	Retired
Mary Lou Howe	Mount Ulla, North Carolina	Retired
Phyllis Cornelison	Salisbury, North Carolina	Retired
Phillip Kepley	Salisbury, North Carolina	Retired
Jerry Waller	Woodleaf, North Carolina	Retired
Larry Poteat	Salisbury, North Carolina	Retired
Phillip Sloop	Mount Ulla, North Carolina	Retired
Daphne Atwood	Woodleaf, North Carolina	Retired

The Board has established a Planning Committee to act on its behalf, and the following individuals served on the Planning Committee as of December 31, 2021:

Planning Committee

Larry Poteat
Jerry Sides
Tom Snider
Rhonda Smith

Officers

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company consist of a president, a secretary, a treasurer, and any other officers deemed necessary by the Board. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person, except the offices of president and secretary.

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

Name	Title
Jerry Sides	President
David Corriher	Vice President
Rhonda Smith	Secretary/Treasurer
Kristy Wood	Assistant 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 did not approve all transactions and events. (See Summary of Significant Findings).

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. There were no changes to the insurer's articles of incorporation and bylaws.

FIDELITY BONDS AND OTHER INSURANCE

The Company has fidelity bond coverage totaling \$100,000 in aggregate, which exceeds the suggested minimum of \$50,000 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 employees are covered under a defined contribution plan. The Company contributes 10% of each employee's compensation. Contributions to the plan totaled \$12,543 and \$17,322 in 2021 and 2020, respectively.

TERRITORY AND PLAN OF OPERATION

The Company operates as a mutual fire insurance company that is authorized to write fire and allied lines coverages within the following North Carolina counties: Rowan, Iredell, Stanly, Davie, Cabarrus, and Davidson counties. The Company is not licensed to operate in other counties or states.

TRENDS OF THE COMPANY

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

Year	Net Admitted Assets	Surplus	Gross Premiums Written	Net Earned Premiums	Net (Loss)
2021	\$1,115,276	\$669,613	\$693,645	\$416,090	(\$115,284)
2020	\$1,309,002	\$791,664	\$704,631	\$401,138	(\$359,265)
2019	\$1,556,622	\$1,157,230	\$647,781	\$398,210	(\$122,000)
2018	\$1,632,002	\$1,307,401	\$658,485	\$425,546	(\$255,779)

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.

In accordance with the NAIC Annual Statement Instructions, the Company applied for and was granted an automatic exemption from the annual requirement to obtain a Statement of Actuarial Opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2021. The exemption is automatically granted if "an insurer has less than \$1,000,000 total direct plus assumed written premiums during a calendar year, and less than \$1,000,000 total direct plus assumed loss and loss adjustment expense reserves at year-end."

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

Property Per Risk Excess of Loss

The Company has an aggregate property per risk excess of loss reinsurance contract, which is effective January 1, 2021, with various subscribing reinsurers. Under this contract, the Company retains \$25,000 of each loss, each and every risk, for property business written. The reinsurers are liable for the losses in excess of the Company's retention up to \$975,000 for each loss, each and every risk, subject to an occurrence limitation of \$1,500,000. Retained losses under the Property Per Risk Excess of Loss Reinsurance contract are accumulated to satisfy the Aggregate Excess of Loss Reinsurance contract retention.

Aggregate Excess of Loss Reinsurance

The Company has an aggregate excess of loss reinsurance contract, which is effective January 1, 2021, with various subscribing reinsurers. Under this contract, the Company retains an aggregate ultimate net loss of 70% of gross net earned premiums for property business written. The reinsurers are liable for aggregate ultimate net loss in excess of the Company's retention up to 950% of gross net earned premiums. As of December 31, 2021, 70% of gross net earned premiums was \$291,263 and 950% of gross net earned premiums was \$3,952,855.

The Company ceded written premiums totaling \$281,134 and \$275,774 in 2021 and 2020, respectively, under these contracts.

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.

Rowan Mutual Fire Insurance Company
Statutory Statement of Admitted Assets
December 31,

	2021	2020 <i>(unexamined)</i>
Bonds	\$825,548	\$1,199,603
Real estate	30,412	32,114
Cash	212,754	16,759
Total cash and invested assets	\$1,068,714	\$1,248,476
Premiums and agents' balances in course of collection	4,810	2,580
Premiums and agents' balances booked but deferred and not yet due	29,976	31,790
Reinsurance recoverable	-	13,953
Net deferred tax asset	11,290	11,353
Electronic data processing system and software	486	850
Total Admitted Assets	\$1,115,276	\$1,309,002

Rowan Mutual Fire Insurance Company
Statutory Statement of Liabilities and Surplus
December 31,

	2021	2020 <i>(unexamined)</i>
Losses	\$57,763	\$66,646
Loss adjustment expenses	16,383	18,168
Commissions payable, contingent commissions and other similar charges	-	577
Other expenses	16,332	23,321
Unearned premiums	237,279	240,858
Advance premium	21,867	19,773
Ceded reinsurance premiums payable	84,420	109,120
Amounts withheld or retained by Company for account of others	4,588	4,834
Premium deficiency reserve	7,031	34,041
Total liabilities	\$445,663	\$517,338
Unassigned funds	669,613	791,664
Total surplus	\$669,613	\$791,664
Total Liabilities and Surplus	\$1,115,276	\$1,309,002

Rowan Mutual Fire Insurance Company
Statutory Statement of Operations
December 31,

	2021	2020 <i>(unexamined)</i>
Underwriting Income		
Premiums earned	\$416,090	\$ 401,138
Deductions		
Losses incurred	212,707	353,390
Loss adjustment expenses incurred	161,697	199,625
Change in premium deficiency reserve	(27,010)	11,253
Other underwriting expenses incurred	195,781	191,448
Total underwriting deductions	543,175	755,716
Net underwriting loss	(127,085)	(354,578)
Investment Income		
Net investment income earned	2,359	(9,824)
Net realized capital gains	5,732	1,698
Net investment gain (loss)	\$8,091	(\$8,126)
Other Income		
Finance and service charges not included in premiums	1,993	2,291
Miscellaneous income	1,717	788
Total other income	3,710	3,079
Net Loss	(\$115,284)	(\$359,625)

Rowan Mutual Fire Insurance Company
Statutory Statement of Surplus
December 31,

	2021	2020 <i>(unexamined)</i>
Surplus as regards policyholders, beginning of year	\$791,664	\$1,157,230
Surplus increases (decreases):		
Net loss	(115,284)	(359,625)
Change in net deferred income tax	26,465	68,041
Change in non-admitted assets	(33,232)	(73,982)
Change in surplus as regards policyholders for the year	(122,051)	(365,566)
Surplus as regards policyholders, end of year	\$669,613	\$791,664

Rowan Mutual Fire Insurance Company
Statutory Statement of Cash Flow
December 31,

	2021	2020 <i>(unexamined)</i>
Cash From (Used By) Operations		
Premiums collected net of reinsurance	\$382,785	\$ 463,669
Net investment income	4,061	(8,122)
Miscellaneous income	3,710	3,079
Total	390,556	458,626
Benefit and loss related payments	207,637	295,109
Commissions, expenses paid and aggregate write-ins	364,346	385,164
Total	571,983	680,273
Net cash used by operations	(181,427)	(221,647)
Cash From (Used By) Investments		
Proceeds from investments sold, matured, or repaid	629,792	528,748
Cost of investments acquired	(250,005)	(325,553)
Net cash from investments	379,787	203,195
Cash From (Used By) Financing and Miscellaneous Sources		
Other cash (applied) provided	(2,365)	13,323
Net cash from (used by) financing and miscellaneous sources	(2,365)	13,323
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	195,995	(5,129)
Cash, beginning of year	16,759	21,888
Cash, end of year	\$212,754	\$16,759

COMMENTS ON FINANCIAL STATEMENTS

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: Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. Bonds not backed by other loans are stated at amortized cost using the interest method.

Cash: Cash is carried at amortized cost.

Nonadmitted assets: Certain assets, such as premiums and agents' balances in the course of collection and premiums and agent's balances booked but not yet due over 90 days past due, are "nonadmitted" and are charges against surplus.

Premiums: Earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata method for direct business.

Real estate occupied by the Company: Land is reported at cost. Real estate is recorded at cost, net of accumulated depreciation. Depreciation on real estate is computed by the straight-line method over the useful lives of the properties.

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.

Unpaid loss & loss adjustment expense: Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported.

Analysis of Assets:

The Company reported the following as non-admitted assets at December 31, 2021: premiums and agents' balances in the course of collection totaling \$12,337, premiums and agents' balances booked but not yet due totaling \$27,164, and net deferred tax assets totaling \$175,397.

Reinsurance Activity:

The Company has excess of loss 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 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	\$693,645	\$ 704,631
Ceded written	281,134	275,774
Net written	412,511	428,857
Direct earned	693,071	669,281
Ceded earned	276,981	268,143
Net earned	\$416,090	\$401,138

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	\$84,814	\$57,333
Add:		
Provision for losses and loss adjustment expenses, current year	358,632	483,540
Change in estimated losses and loss adjustment expenses, prior years	\$15,772	\$69,475
Total incurred	374,404	553,015
Deduct:		
Losses and loss adjustment expenses paid, current year	333,209	433,353
Losses and loss adjustment expenses paid, prior year	51,864	92,181
Total paid	385,073	525,534
Reserve for losses and loss adjustment expenses, end of year	74,145	84,814
Increase in reserve for losses and loss adjustment expenses	(\$10,669)	\$27,481

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 \$6,666 and \$61,242, 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, 2017:

	2019	2018
Surplus, beginning of year	\$1,307,401	\$1,561,150
Net loss	(122,000)	(255,779)
Change in net deferred income tax	25,748	45,053
Miscellaneous	2	-
Change in nonadmitted assets	(53,921)	(43,023)
Change in surplus as regards policyholders for the year	(150,171)	(253,749)
Surplus, end of year	\$1,157,230	\$1,307,401

SUBSEQUENT EVENTS

On February 18, 2022, Board member Larry Poteat passed away. The Board nominated and elected Carolyn Poteat as his replacement effective February 2, 2023.

On January 15, 2022, Board member William Snider resigned. The Board nominated and elected Daphne Atwood as his replacement effective January 15, 2022.

On April 11, 2022, Rowan entered into a Dual Masthead Agreement with Alamance Farmers' Mutual Insurance Company that will allow the Company to issue homeowners insurance coverage.

Rowan Mutual Fire Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2021

Rhonda Smith, Secretary & Treasurer
426 South Main Street
Salisbury, North Carolina, 28144

Jerry Sides, President
426 South Main Street
Salisbury, North Carolina, 28144

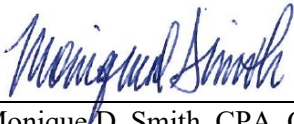
CONCLUSION

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

May 15, 2023

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Bill Keely, Supervising Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature: Bill Keely Date: 5/15/23

Sworn and subscribed before me this 15 day of May, 2023.

Notary Public Signature: Connie Howen Notary Public Seal:

my Commission expires:
August
9, 2027

