

Report of Examination of

The Perry County Mutual Fire Insurance Company
Somerset, Ohio

As of December 31, 2007

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Columbus, Ohio

December 15, 2008

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance (Department)
2100 Stella Court
Columbus, Ohio 43215-1067

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of

The Perry County Mutual Fire 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 106 Public Square, Somerset, Ohio 43783.

A report of this examination is hereby respectfully submitted.

The Department last examined the Company as of December 31, 2004. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2007.

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:

Name	Principal Occupation
James Bope	Independent Insurance Agent
Joseph Flautt	Prosecuting Attorney. Perry County
Richard Griggs	Employee, Ralston Foods
William Harvey	Real Estate Appraiser

Philip Horner	Truck Driver
Daniel McConnell	Not currently employed
Clifford Oliver	Retired
Jack Rhodes	Self-employed
Mary Jane Rogers	Secretary, The Company

Officers

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

Name	Title
James Bope	President
Daniel McConnell	Vice President
Mary Jane Rodgers	Secretary
Jack Rhodes	Treasurer

Insurance Holding Company System

The Company is not a member of a holding company.

Reinsurance

Ceded

The Company has a per risk excess of loss agreement that provides coverage of \$1,000,000 above \$50,000. An aggregate excess of loss agreement provides unlimited coverage above a retention of \$1,820,151.

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.

Scope of Examination

One of the purposes of the examination was to make an assessment of the financial condition of the Company as of December 31, 2007. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Company;
5. loss experience; and
6. pending litigation;

Financial Statements

The financial condition as reported and filed by the Company with the Department is reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds
Statement of cash receipts and disbursements

Statement of Assets, Liabilities, Surplus and Other Funds

Ledger Assets

Stocks	\$300
Real estate	24,644
Cash on hand	323
Cash on deposit and checking	<u>1,827,873</u>
Total ledger assets	<u>1,853,140</u>

Non Ledger Assets

Interest due and accrued on cash	7,326
Market value of stocks over book value	<u>5,891</u>
Total non ledger assets	<u>13,217</u>

Gross Assets 1,866,357

Total net admitted assets \$1,866,357

Liabilities and Surplus	
Unpaid losses	\$63,345
Commissions due and payable to agents	322
Unpaid taxes	7,371
Unpaid general expenses	971
Reinsurance premiums due and payable	<u>27,946</u>
Total liabilities	<u>99,955</u>
Surplus	<u>1,766,402</u>
Total liabilities and surplus	<u>\$1,866,357</u>

Statement of Income and Expenses

Income	
Gross assessment or premium income	\$2,384,968
Less: return assessments or premiums	12,555
Total assessment or premiums	2,372,413
Deduct premiums for reinsurance ceded to other companies	<u>358,048</u>
Net assessment income	<u>2,014,365</u>
Gross rent from Company's property	14,400
Interest on cash and cash equivalents	21,366
Profit on sale or maturity of ledger assets	
Commissions and service fees received	63,509
Other income	<u>6,635</u>
Total income receipts	<u>2,120,275</u>

Expenses

Net losses incurred	1,201,263
Claims adjustment expenses	22,564
Commissions paid to agents	211,369
Directors' fees and expenses	14,822
Salaries to employees	85,783
Printing, stationary and office supplies	8,322
Rent and rent items	14,400
Real estate expenses	32,333
Taxes on real estate	1,183
State and local income taxes	250
Payroll taxes	7,763
Federal income taxes	324,530
Legal fees and auditing	3,749
Advertising	19,488
Dues and donations	7,264
Insurance and bonds	15,822
Postage, telephone and bank charges	17,883
Employee relations and welfare	19,010
Data processing expenses	6,331
Miscellaneous expenses	<u>11,100</u>
Total Disbursements	<u>\$2,025,229</u>

Subsequent Events

There were no material subsequent events.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2007, and is summarized as follows:

Total Admitted Assets	\$ <u>1,866,357</u>
Liabilities	\$ 99,955
Surplus	<u>1,766,402</u>
Total Liabilities and Surplus	\$ <u>1,866,357</u>

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representative of the Department participated in this examination: Methuselah E. Nyangoro, CPA.

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 The Perry County Mutual Fire Insurance Company as of December 31, 2007.

David A. Cook 12/15/08
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 15 day of December, 2008.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires