

Report of Examination of

Washington Mutual Insurance Association  
Lakeville, Ohio

As of December 31, 2007

## Table of Contents

<b>Subject</b>	<b>Page</b>
Salutation.....	1
Description of Company.....	1
Management and Control:	
Board of Directors.....	1
Officers.....	2
Insurance Holding Company System.....	2
Reinsurance:	
Ceded.....	2
Assumed.....	2
Territory and Plan of Operations.....	2
Scope of Examination.....	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	4
Statement of Income and Expenses.....	6
Subsequent Events.....	8
Conclusion.....	8
Acknowledgement.....	8

Columbus, Ohio

January 23, 2009

Honorable Mary Jo Hudson  
Director  
State of Ohio  
Department of Insurance (Department)  
50 West Town Street  
Suite 300  
Columbus, Ohio 43215

Dear Madam:

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

**Washington Mutual Insurance Association**

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 14042 County Road 100, Lakeville, Ohio 44638.

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:

<b>Name</b>	<b>Principal Occupation</b>
Charles Bauer	President, CAB Twist Inc.
Blaine E. Budd	President, The Company
Fred Cannon	Farmer
J. Thomas Rhamey	Retired
Harold D. Tate	Farmer

## **Officers**

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

<b>Name</b>	<b>Title</b>
Blaine E. Budd	President
Kathleen Cicconetti	Secretary and Treasurer

## **Insurance Holding Company System**

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The following organizational chart displays ownership of the Company and affiliated companies:

Washington Mutual Insurance Association  
Washington Mutual Insurance Agency

## **Reinsurance**

### **Ceded**

The Company has a per risk excess of loss agreement that provides coverage of \$930,000 above the Company's retention of \$70,000. A catastrophic excess of loss agreement provides coverage of \$3,500,000 above the Company's retention of \$250,000.

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.

### **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 are 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	
Bonds	\$2,172,675
Stocks	461,741
Real estate	180,713
Cash on hand	200
Cash on deposit and checking	1,334,678
Reinsurance refund from deposits	321,476
Assessments or premiums due: under 90 days old	573,014
Other assets	<u>91,938</u>
Total ledger assets	<u>5,136,435</u>
Non Ledger Assets	
Interest due and accrued on bonds	15,252
Interest due and accrued on cash	8,438
Deferred taxes	129,305
Reinsurance recoverable on paid losses	<u>299,533</u>
Total non ledger assets	<u>452,528</u>
Total net admitted assets	\$5,588,962

Liabilities and Surplus	
Unpaid losses	\$778,503
Unpaid loss adjustment expenses	20,000
Unearned assessment/premium reserve	2,601,688
Commissions due and payable to agents	122,808
Unpaid general expenses	177,270
Advance application premium	27,009
Advance reinsurance payments	<u>19,906</u>
Total liabilities	<u>3,747,184</u>
Surplus	<u>1,841,778</u>
Total liabilities and surplus	<u>\$5,588,962</u>

### Statement of Income and Expenses

Income	
Gross assessment or premium income	\$8,097,732
Less: return assessments or premiums	180,125
Total assessment or premiums	7,917,606
Deduct premiums for reinsurance ceded to other companies	<u>1,866,635</u>
Net assessment income	<u>6,050,972</u>
Interest on bonds	84,968
Dividends on stocks	15,060
Gross rent from Company's property	36,000
Interest on cash and cash equivalents	94,620
Other income	<u>1,705,739</u>
Total income receipts	<u>7,987,360</u>

Expenses	4,697,094
Net losses incurred	79,782
Claims adjustment expenses	1,550,027
Commissions paid to agents	37,790
Directors' fees and expenses	336,503
Salaries to employees	31,996
Printing, stationary and office supplies	36,000
Rent and rent items	19,170
Real estate expenses	3,955
Taxes on real estate	6,600
Insurance department license and fees	29,417
Payroll taxes	12,349
Legal fees and auditing	5,139
Travel and travel items	2,768
Advertising	14,783
Dues and donations	3,754
Equipment purchased	17,197
Insurance and bonds	56,762
Postage, telephone and bank charges	55,480
Employee relations and welfare	35,693
Data processing expenses	<u>1,542,083</u>
Miscellaneous expenses	<u>8,574,341</u>
Total Disbursements	

### **Subsequent Events**

The Company was required to re-file its annual statement based on finding as a result on this examination. The numbers included in this examination report are the numbers that were re-filed.

### **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>\$ 5,588,962</u>
Liabilities	\$ 3,747,184
Surplus	<u>1,841,778</u>
Total Liabilities and Surplus	<u>\$ 5,588,962</u>

### **Acknowledgement**

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

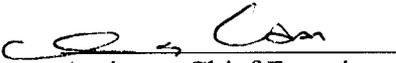
Respectfully,



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 Washington Mutual Insurance Association as of December 31, 2007.

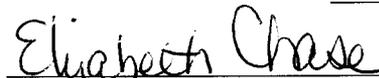
      4/23/09  
Assistant Chief Examiner      Date

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 January, 2009.

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