

**Examination Report
on
MUTUAL ASSURANCE SOCIETY OF VIRGINIA
Richmond, Virginia
as of
December 31, 2023**

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Mutual Assurance Society of Virginia as of December 31, 2023, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 12th day of November 2024

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
August 23, 2024

Honorable Scott A. White
Commonwealth of Virginia
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by authority of § 38.2-1317 of the Code of Virginia, an examination of the records and affairs of the

MUTUAL ASSURANCE SOCIETY OF VIRGINIA

Richmond, Virginia

hereinafter referred to as the Society, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The Society was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2018. The examination covers the period from January 1, 2019, through December 31, 2023.

The examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Society's financial condition, assess corporate 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 Society were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

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 other regulators and/or the Society.

HISTORY

The Society is a mutual assessment property and casualty insurer licensed under and subject to Chapter 25 of Title 38.2 of the Code of Virginia. It conducts its business under one or more of the following assumed names that have been recorded pursuant to Chapter 5 of Title 59.1 of the Code:

Mutual Assurance Society
The Old Mutual
Mutual Assurance

The Society was chartered on December 22, 1794, by a special act of the General Assembly of Virginia by which the Society was authorized to insure citizens of Virginia against losses by fire. Operations were confined to fire insurance until May 17, 1955, when the charter was amended to permit the issuance of miscellaneous property and water damage coverages. On June 3, 1965, the charter was further amended to permit the Society:

...to transact Fire Insurance and, when issued as a supplemental or comprehensive contract in connection with a fire insurance policy, to issue, to engage in, and to transact Miscellaneous Property Insurance, Water Damage Insurance, Burglary and Theft Insurance, Glass Insurance, Boiler and Machinery Insurance, Elevator Insurance, Animal Insurance, Collision Insurance, Personal Injury Liability Insurance, Property Damage Liability Insurance, Motor Vehicle and Aircraft Insurance, Marine Insurance and Contingent and Consequential Losses Insurance as classified and defined in Article 2 of Chapter 1 of Title 38.1 of the Code of Virginia, and such other classes of insurance which an insurance company other than life insurance companies and title insurance companies may transact under the insurance laws of the Commonwealth of Virginia,...

In December of 2023, the Society created an insurance agency called Mutual Assurance Agency LLC. The agency is a wholly owned subsidiary of the Society.

MANAGEMENT AND CONTROL

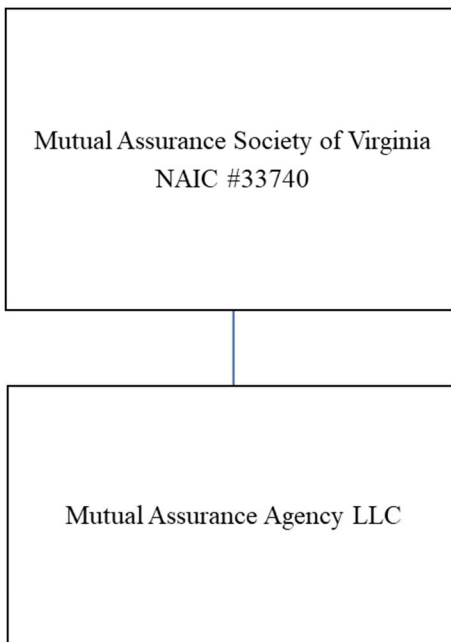
The management of the Society is vested in a board of directors consisting of nine individuals, all of whom shall be members of the Society. As provided in the Society's bylaws, directors are elected by the members at their annual meeting to serve for a period of three years. A majority of the directors constitutes a quorum for any meeting of the board. The board of directors shall elect a President, who shall be a director of the Society, a Secretary and a Treasurer, each to hold office for one year or until their successors have been elected and have qualified.

At December 31, 2023, the directors and officers of the Society were as follows:

<u>Director</u>	<u>Principal Occupation</u>
Farhad Aghdami	Managing Partner, Richmond, Office Williams Mullen Richmond, Virginia
Alexandra Adams Bayler	Managing Director New Republic Partners Richmond, Virginia
William Turkington Clarke, Jr.	Managing Director, Municipal Bonds Stifel Nicolaus Richmond, Virginia
Mary Cummins Doswell	Former Senior Vice President Dominion Energy Solutions Dominion Resources, Inc. Richmond, Virginia
George Clemon Freeman, III	Chairman, President, and Chief Executive Officer Universal Corporation Richmond, Virginia
William Ellet Hardy	Founding Partner Harris, Hardy & Johnstone, P.C. Richmond, Virginia
Edward West Valentine	Executive Managing Director Harris Williams Richmond, Virginia
Gregory Williams	Vice Chairman CCA Financial, LLC Richmond, Virginia
Jeffrey Scot Wrobel, Sr.	President Mutual Assurance Society of Virginia Richmond, Virginia

<u>Officer</u>	<u>Title</u>
Jeffrey Scot Wrobel, Sr.	President
Theresa Cash Lewis	Secretary and Treasurer
Curtis Lewis Marsh	Vice President – Investments
Paul Raymond Davis	Vice President – Claims
Jonathan Dalton Sisk	Vice President – Information Systems
Lisa Eckart	Vice President – Underwriting
Richard Mark Crutcher	Vice President – Marketing & Product Innovation

The following chart illustrates this insurance holding company system at December 31, 2023:



TERRITORY AND PLAN OF OPERATION

The Society is authorized to transact the business of a mutual assessment property and casualty insurance company in the Commonwealth of Virginia. Insurance is generally written throughout the Commonwealth provided the Society can adequately service the insurance needs of its members.

Business is produced by salaried employees and independent agents who take applications. If the home office approves the application, a perpetual dwelling property, homeowners or personal umbrella liability policy is issued with the usual endorsement forms available. Independent agents are paid a commission of 20% of the policy premiums for new business and 9-11% for continuing business, depending on the agency. No commissions are paid on premiums written directly by the home office.

Property is classified by type of construction and location of risk. Only dwellings that meet the Society's underwriting and eligibility requirements are insured as new risks. Dwelling property policy premium rates, adopted by the board of directors effective January 1, 2023, vary by location of risk and differ between masonry and frame construction, with frame construction carrying a higher rate. Homeowner policy premium rates are determined by the Society's independent research. Current homeowner rates were adopted effective January 1, 2023.

Historically, the Society charged premiums and assessments on a calendar year basis; however, all policyholders now pay a full twelve-month premium on the inception date of a policy and pay the annual assessment on a policy's billing anniversary date.

GROWTH OF THE SOCIETY

The following data, obtained from annual statements and examination reports, indicates the growth of the Society for the ten-year period ending December 31, 2023:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Unassigned Funds</u>
2014	\$268,635,756	\$39,553,625	\$229,082,131
2015	262,236,408	35,507,449	226,728,959
2016	270,422,043	40,104,442	230,317,601
2017	293,881,655	35,853,753	258,027,902
2018	271,322,909	29,258,271	242,064,638
2019	323,051,448	41,432,464	281,618,984
2020	355,369,511	50,471,545	304,897,966
2021	417,739,679	62,134,133	355,605,546
2022	352,951,953	52,051,999	300,899,954
2023	401,536,404	61,229,951	340,306,453

<u>Year</u>	<u>Premiums</u> <u>Earned</u>	<u>Loss and Loss</u> <u>Adjustment Expenses</u> <u>Incurred</u>	<u>Other</u> <u>Underwriting</u> <u>Expenses</u> <u>Incurred</u>	<u>Net</u> <u>Underwriting</u> <u>Gains or (Losses)</u>
2014	\$5,926,381	\$9,145,519	\$5,777,632	(\$8,996,770)
2015	5,813,970	11,250,766	6,367,704	(11,804,500)
2016	6,289,636	15,270,022	7,303,583	(16,283,969)
2017	6,744,917	18,493,699	6,623,847	(18,372,629)
2018	7,641,355	16,607,025	7,768,531	(16,734,201)
2019	9,460,536	9,507,606	8,592,180	(8,639,250)
2020	10,314,720	16,277,398	8,185,500	(14,148,178)
2021	9,777,054	10,753,648	8,882,098	(9,858,692)
2022	10,834,218	16,942,834	9,932,106	(16,040,722)
2023	9,612,325	14,153,282	11,451,323	(15,992,280)

REINSURANCE

The Society had the following reinsurance agreements in force at December 31, 2023:

Ceded:

<u>Type of Agreement</u>	<u>Line of Business</u>	<u>Society's Retention</u>	<u>Reinsurers' Limits</u>
Excess of Loss	Property	\$1,000,000	<u>First Excess Cover:</u> \$2,000,000 in excess of \$1,000,000 <u>Second Excess Cover:</u> \$2,000,000 in excess of \$3,000,000
Excess of Loss	Liability	\$500,000	\$600,000 in excess of \$500,000
Excess of Loss	Property Catastrophe	\$10,000,000	<u>First Layer:</u> 100% of \$10,000,000 ultimate net loss each and every loss occurrence in excess of \$10,000,000 of ultimate net loss each and every loss occurrence \$20,000,000 <u>Second Layer:</u> 100% of \$20,000,000 ultimate net loss each and every loss occurrence in excess of \$20,000,000 of ultimate net loss each and every loss occurrence \$40,000,000 <u>Third Layer:</u> 100% of \$70,000,000 ultimate net loss each and every loss occurrence in excess of \$40,000,000 ultimate net loss each and every loss occurrence*

<u>Type of Agreement</u>	<u>Line of Business</u>	<u>Society's Retention</u>	<u>Reinsurers' Limits</u>
Excess of Loss	Property Catastrophe	\$110,000,000	\$5,000,000 of ultimate net loss each and every loss occurrence in excess of \$110,000,000 ultimate net loss each and every loss occurrence
Excess of Loss	Property Catastrophe	\$115,000,000	\$15,000,000 of ultimate net loss each and every loss occurrence in excess of an initial ultimate net loss of \$115,000,000 each and every loss occurrence
Excess of Loss	Property Catastrophe	\$130,000,000	\$10,000,000 of ultimate net loss in excess of \$130,000,000 in any one loss occurrence.
Quota Share	Personal Umbrella	10% of \$1,000,000, each occurrence, each policy	90% of the first \$1,000,000 and 100% of the difference between \$1,000,000 and the policy limit not to exceed \$5,000,000 each occurrence.
Facultative Excess of Loss	Property	\$5,000,000	\$3,000,000 in excess of \$5,000,000

* - The Company retains an additional 11.05% of the liability in third layer of property catastrophe contract.

The Society receives a 35% ceding commission on its personal umbrella quota share. Reinsurance is placed directly by the Society and through the reinsurance intermediaries of Guy Carpenter & Company, LLC and General Reinsurance, Corp. All reinsurance agreements in force contain an insolvency clause.

Assumed:MRB

The Company participates in a reciprocal catastrophe pool administered by the Mutual Reinsurance Bureau (MRB). Rights and obligations associated with participation in this pool are set forth in a contract between MRB and insurers specified in the interests and liabilities agreements. Pool participants agree to reinsure MRB for losses under any of its aggregate and catastrophic excess contracts, known as "original agreements." The Company has assumed a 1.0% share of the interests and liabilities of the pool contract. MRB cedes to the Company its proportionate share of premiums received on each original agreement subject to the pool contract.

The Company is liable for its pro rata share of each and every loss occurring on the business covered by the pool agreement, not to exceed a maximum of \$52,500,000 on any one original agreement. The pool contract warrants that all original agreements are the top layers of each respective program. MRB's net liability on any one original agreement will not exceed \$52,500,000 any one occurrence when the original agreement is written on an occurrence basis or \$95,000,000 in the aggregate during any one agreement year when written on an aggregate basis.

NAMIC

The Society is part of a reinsurance pool with NAMIC Insurance Company, Inc., under a quota share/retrocessional reinsurance agreement. Pursuant to the agreement, the Society, as retrocessionaire, assumes a small percentage of the ceding insurer's liabilities associated with directors and officers liability, insurance company professional liability, agents errors and omissions, insurance company trustees and fiduciaries liability and professional liability for insurance company associations.

FINANCIAL STATEMENTS

The following statutory financial statements present the financial condition of the Society for the period ending December 31, 2023. No examination adjustments were made to the statutory financial statements filed by the Society with the Bureau for the period ending December 31, 2023.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$113,866,408		\$113,866,408
Common stocks	276,552,145		276,552,145
Real estate	1,751,748		1,751,748
Cash and cash equivalents	7,050,536		7,050,536
Investment income due and accrued	1,708,688		1,708,688
Uncollected premiums and agents' balances in course of collection	154,309	3,550	150,759
Amounts recoverable from reinsurers	34,588		34,588
Furniture and equipment	182,910	182,910	0
Aggregate write-ins for other than invested assets	1,046,620	625,088	\$421,532
Totals	<u>\$402,347,952</u>	<u>\$811,548</u>	<u>\$401,536,404</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		\$5,478,093
Loss adjustment expenses		1,210,089
Commissions payable, contingent commissions and other similar charges		1,169,109
Other expenses		547,592
Taxes, licenses and fees		187,189
Net deferred tax liability		39,933,724
Unearned premiums		9,276,769
Advance premium		500,193
Ceded reinsurance premiums payable		122,081
Provision for reinsurance		15,390
Aggregate write-ins for liabilities		<u>2,789,722</u>
 Total liabilities		 \$61,229,951
Unassigned funds	<u>340,306,453</u>	
Surplus as regards policyholders		<u>340,306,453</u>
Totals		<u><u>\$401,536,404</u></u>

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	\$9,612,325
Deductions:	
Losses incurred	10,916,334
Loss adjustment expenses incurred	3,236,948
Other underwriting expenses incurred	11,451,323
Total underwriting deductions	\$25,604,605
Net underwriting (loss)	<u>(\$15,992,280)</u>

INVESTMENT INCOME

Net investment income earned	\$8,524,449
Net realized capital gains	8,278,474
Net investment gain	<u>\$16,802,923</u>

OTHER INCOME

Finance and service charges not included in premiums	
Aggregate write-ins for miscellaneous income	(5,949)
Total other income	<u>(\$5,949)</u>
Net income before federal income taxes	\$804,694
Federal income taxes incurred	<u>(2,425,899)</u>
Net income	<u><u>\$3,230,593</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS
FOR PERIOD UNDER REVIEW

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus as regards policyholders, December 31, previous year	\$242,064,638	\$281,618,984	\$304,897,966	\$355,605,546	\$300,899,954
Net income	\$3,553,877	(\$1,471,554)	\$5,807,496	(\$1,107,862)	\$3,230,593
Change in net unrealized capital gains	36,966,508	25,332,767	45,343,987	(54,173,910)	36,417,672
Change in net deferred income tax	(642,491)	(24,290)	(1,080,188)	(150,645)	(538,584)
Change in nonadmitted assets	294,646	(136,325)	(385,569)	(112,460)	4,446
Change in provision for reinsurance					(15,390)
Cumulative effect of changes in accounting principles	(91,274)				
Aggregate write-ins for gains and losses in surplus	(526,920)	(421,616)	1,021,854	839,285	307,762
Change in surplus as regards policyholders for the year	\$39,554,346	\$23,278,982	\$50,707,580	(\$54,705,592)	\$39,406,499
Surplus as regards policyholders, December 31, current year	\$281,618,984	\$304,897,966	\$355,605,546	\$300,899,954	\$340,306,453

CASH FLOW**Cash From Operations**

Premiums collected net of reinsurance	\$10,185,512
Net investment income	8,212,169
Miscellaneous income	(5,949)
Total	<u>18,391,732</u>

Benefit and loss related payments	\$12,369,217
Commissions, expenses paid, and aggregate write-ins for deductions	<u>14,258,655</u>
Total	<u>\$26,627,872</u>
Net Cash From Operations	<u>(8,236,140)</u>

Cash From Investments

Proceeds from investments sold, matured, or repaid:	
Bonds	\$28,208,541
Stocks	25,093,147
Net gains or (losses) on cash, cash equivalents, and short-term investments	(14,659)
Miscellaneous proceeds	<u>23,491</u>
Total investment proceeds	<u>\$53,310,520</u>

Cost of Investments acquired:	
Bonds	\$45,235,546
Stocks	4,296,408
Real estate	699,214
Miscellaneous applications	<u>381,643</u>
Total investments acquired	<u>\$50,612,811</u>
Net cash from investments	<u>\$2,697,709</u>

Cash From Financing and Miscellaneous Sources

Cash provided (applied):	
Other cash provided (applied)	<u>\$356,113</u>
Net cash from financing and miscellaneous Sources	<u>356,113</u>
Net change in cash and short-term investments	<u>(\$5,182,318)</u>

Reconciliations of Cash and Short-Term Investments

Cash and short-term investments:	
Beginning of year	\$12,232,854
End of year	<u>7,050,536</u>
Net change in cash and short-term investments	<u>(\$5,182,318)</u>

ACKNOWLEDGMENT

The courteous cooperation extended by the Society's officers and employees during the examination is gratefully acknowledged.

In addition to the undersigned, Benjamin B. MacKercher, CFE, Gerald T. Hicks, II, CFE, and Danielle T. Ellis, APIR of the Bureau participated in the work of the examination.

Respectfully Submitted,

Mario A Cuellar

Mario A. Cuellar, CFE, PIR
BOI - Manager



October 30, 2024

Jennifer K. Blizzard
Chief Examiner
P.O. Box 1157
Richmond, Virginia 21218

Dear Mrs. Blizzard:

Please consider this letter an acknowledgement that we have received and reviewed the examination report for the year ending December 31, 2023. Once the report has been filed, we only need a final electronic copy for our files.

Thank you.

Sincerely,

Theresa C. Lewis, CPA, CFE , AIAF
Secretary-Treasurer