



# NC DEPARTMENT of INSURANCE

MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP  
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of First Mutual Insurance Company as of December 31, 2024 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 12th day of March, 2026.



Mike Causey  
Commissioner of Insurance

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

**First Mutual Insurance Company**

Smithfield, North Carolina

**Report on Examination**

As of December 31, 2024

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February 17, 2026

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

### **First Mutual Insurance Company**

(hereinafter referred to as the “Company”), acknowledging that its main administrative and statutory home office is located at 614 East Market Street, Smithfield, North Carolina 27577. 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, 2020, to December 31, 2024, 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, 2019.

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:

Capital and Surplus  
Financial Reporting  
Investments  
Pricing/Underwriting  
Reinsurance Ceded  
Related Party  
Reserves/Claims Handling

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 facts 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). Strickland Hardee PLLC of Lexington, 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, 2024.

## REPORT ACRONYMS

Board of Directors	“Board”
Employment and Noncompetition Agreement	“Compensation Agreement”
Financial Condition Examiners Handbook	“Handbook”
First Mutual Insurance Company	“Company”
First Mutual Insurance Services, Inc.	“FMIS”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
Munich Reinsurance America, Inc.	“Munich Re”
NAIC Property and Casualty Annual Statement Instructions	“AS Instructions”
North Carolina Department of Insurance	“Department”
National Association of Insurance Commissioners	“NAIC”
Pitt Farmers Mutual Insurance Company	“PFMIC”

## SUMMARY OF SIGNIFICANT FINDINGS

### COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

- a. The Company was in violation of GS § 58-10-245(b) and GS § 58-10-245(g)(1), which requires the Company’s independent certified public accountant to report directly to the Board and the Audit Committee, respectively. The Company is directed to comply with GS § 58-10-245(b) and GS § 58-10-245(g)(1).
- b. The Company did not maintain meeting minutes approved by the Board of Directors (“Board”) in accordance with its Audit Committee Charter, which requires meetings to be held “prior to the regular scheduled Board meetings after the dates of June 30 and December 31 of each year and at other times determined by the Board.” The Company did not maintain any Audit Committee meeting minutes during the examination period from January 1, 2020, through December 31, 2024. The Company is directed to comply with its Audit Committee Charter. (Refer to Subsequent Events)
- c. The Company did not maintain meeting minutes approved by the Board in accordance with its Investment Committee Charter, which requires meetings to be held “on the same day as the quarterly Board meeting prior to the start of the Board meetings.” The Investment Committee’s meeting minutes and the investment report are to be submitted to the Board for review and approval; however, the Company did not maintain meeting minutes in the years 2020, 2023, or 2024 nor in the first quarter of 2021 or the first, third, and fourth quarters of 2022. The Company’s Board did not approve any Investment Committee meeting minutes during the examination period from January 1, 2020, through December 31, 2024. The Company is directed to comply with its Investment Committee Charter. (Refer to Subsequent Events)
- d. The Company was in violation of GS § 58-7-200(d), which states that “no director, officer, or controlling stockholder of any insurer shall receive any money or valuable thing...for negotiating, procuring, recommending or aiding in any purchase or sale of property from the insurer.” Effective January 1, 2021, the Company entered into an Employment and Noncompetition Agreement (“Compensation Agreement”) with Davidson Neville, who serves as the Company’s President and the Chairperson of the Board, the Audit Committee and the Investment Committee. Pursuant to the executed Compensation Agreement, the Company’s President received financial compensation to manage the Company’s investment portfolio, which included a management fee equal to 0.75% of the total value of funds held in brokerage accounts and a performance bonus equal to 5% of the

annual investment gains. For the year ended December 31, 2024, the Company's President received \$40,065 in investment management fees and \$34,999 in bonus compensation based on the Company's total realized and unrealized investment gains pursuant to the Compensation Agreement in addition to \$97,955 in salary. This constitutes a "monetary interest" in the purchase and sale of the Company's property held in brokerage accounts. The Company is directed to comply with GS § 58-7-200(d). (Refer to Subsequent Events)

- e. In its Annual Statement Supplemental Compensation Exhibit, the Company incorrectly classified amounts related to the President's investment management fee compensation as a "bonus" in column 4 for the years 2021 and 2022 and as "salary" in column 3 for the years 2023 and 2024. According to the 2024 NAIC Property and Casualty Annual Statement Instructions ("AS Instructions"), all other compensation not reportable in other columns must be reported in column 9 of the Supplemental Compensation Exhibit regardless of the amount. The Company is directed to comply with the AS Instructions pursuant to GS § 58-2-165(c) and to ensure accurate financial reporting in future filings with the Department.
- f. The Company's fidelity bond coverage totaling \$150,000 was less than the Handbook's recommended minimum coverage amounts totaling \$200,000 at December 31, 2024, and \$175,000 at December 31, 2023. The Company's fidelity bond coverage was adequate based on the Handbook's recommended minimum for 2020, 2021 and 2022. The Company is directed to maintain fidelity bond coverage for no less than the minimum amount recommended by the Handbook. (Refer to Fidelity Bonds and Other Insurance)
- g. The Company failed to disclose its contributions to a multiemployer benefit plan with two related party insurance agencies in Note 12 of its 2024 Annual Statement as required by the 2024 AS Instructions. The Company is directed to comply with the NAIC AS Instructions pursuant to GS § 58-2-165(c) and to ensure accurate financial reporting in future filings with the Department. (Refer to Employee Benefits Plan)

## COMPANY HISTORY

The Company was incorporated as a county farm mutual insurer on February 16, 1961, as Farmers County Mutual Fire Insurance Company of Johnston, Franklin, and Harnett Counties and was subject to the surplus requirements of GS § 58-7-75(5)(d).

The Company's charter was amended in June of 1969 to change its name to Farmers County Mutual Fire Insurance Company, Inc. The Company became one of several county farm mutual insurance companies to invest in Alliance Mutual Insurance Company in 1976. This investment allowed the Company to write homeowners, farmowners, and inland marine policies for its policyholders with Alliance Mutual Insurance Company writing perils coverage (other than fire), extended coverage and additional extended perils coverage.

On September 15, 1986, the Company's charter was amended to change its name to First Mutual Insurance Company and to extend its operating territory to include Sampson, Wake, and Wayne counties. On October 2, 1987, the Company was authorized to operate as a statewide property and casualty insurer in North Carolina. The Company became an assessable mutual insurance company effective October 19, 1997, subject to the surplus requirements of GS § 58-7-75(5)b. The Company's charter was amended again in 1998 to permit the writing of liability coverage under the homeowners, farmowners, mobile homeowners, and church protector package policies.

Effective January 1, 2010, the Company assumed the book of business from Pitt Farmers Mutual Insurance Company ("PFMIC"), a county farm mutual insurance company. The transaction included the Company

assuming all PFMIC's policies for a three-year period. In return, the Company received \$414,000 in premiums to provide coverage and a \$40,000 cash deposit to cover incurred but not reported claims related to the PFMIC policyholders at December 31, 2009. On July 1, 2010, the Company refunded the \$40,000 cash deposit for incurred but not reported claims, as no subsequent claims were reported for policyholders as of December 31, 2009.

On February 28, 2011, the Company's charter was amended to re-organize from a mutual insurance company pursuant to GS § 58-7-75(5)(b) and 58-7-75(7)(b) to a mutual insurance company pursuant to GS § 58-7-75(8)(a).

In 2013, the Company consolidated the business of Farmers Mutual Fire Insurance Company of Wilkes, Watauga, Ashe, Surry and Yadkin Counties, a county farm mutual insurance company, with its business. On April 1, 2013, the Company was licensed in Tennessee, and on July 1, 2013, the Company was licensed in South Carolina to expand business outside of North Carolina.

## **DIVIDENDS TO POLICYHOLDERS**

Dividends are paid to policyholders as declared by the Company's Board. Under the insurance regulations of North Carolina, the Company may pay dividends from its unassigned surplus that are in excess of any required minimum surplus requirements. The Company paid no dividends to policyholders during the examination period from January 1, 2020, to December 31, 2024.

# **MANAGEMENT AND CONTROL**

## **CORPORATE GOVERNANCE**

### **Members**

The Company's bylaws provide that each policyholder shall be a member of the Company. An annual meeting of the members shall be held on the last Monday in February, and such other meetings may be called by the President, Secretary or majority of directors upon ten (10) days written notice mailed to each member at the member's last known address. Each member shall have one vote for each current policy held in all matters of the Company.

### **Board of Directors**

The business of the Company is conducted by its management team and subject to review by the Board. The bylaws specify that the number of directors shall be no less than seven (7) and no more than nine (9). Directors are divided into three classes, each with three-year terms. There are no term limits for directors. Directors may be elected at the annual meeting of the members, or if in the interim, by appointment of the President and/or Secretary.

The following individuals served as directors as of December 31, 2024:

<b>Name</b>	<b>Location</b>	<b>Principal Occupation</b>
Davidson V. Neville	Smithfield, NC	President of the Company, First Mutual Insurance Services, and Triangle Insurance & Benefits
Graham R. Neville	Smithfield, NC	Secretary and Treasurer of the Company, First Mutual Insurance Services, and Triangle Insurance & Benefits
David F. Mills	Smithfield, NC	Attorney, Narron Wenzel, PA
Shannon Austin	Smithfield, NC	Wealth Consultant, KS Trust Bank
Dennie K. Parrish	Benson, NC	Vice President, First Mutual Insurance Company
Thurston A. Dickerson	Clayton, NC	Manager, Total Agribiz Insurance Group, Inc.
David L. Jackson	Smithfield, NC	Principal, Dees, Jackson, Jackson & Associates, PA

The Board established several committees including an Audit Committee and an Investment Committee to act on behalf of the Company.

The following individuals served on the Board's established committees as of December 31, 2024:

**Audit Committee**

Davidson V. Neville, Chair  
Graham R. Neville  
David L. Jackson

**Investment Committee**

Davidson V. Neville, Chair  
Graham R. Neville  
David L. Jackson

**Officers**

The bylaws provide that the Board elects the officers of the Company, which shall consist of a president, vice-president, secretary, and treasurer. Directors may serve as officers of the Company, and the office of secretary and treasurer may be filled by the same person. All officers shall hold offices for one year, subject to removal at any time by the Board, until their successors are elected and qualified.

The following individuals served as officers of the Company as of December 31, 2024:

<b>Name</b>	<b>Title</b>
Davidson V. Neville	President
Dennie K. Parrish	Vice President
Graham R. Neville	Secretary and 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 that the Company acted in accordance with its policies 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 Board meeting minutes documented the Company's significant transactions and events and that the directors approved these transactions and events; however, based on our review, it was noted that the Company did not maintain Audit Committee meeting minutes or Investment Committee meeting minutes in accordance with the Board's approved charters established for each committee. (Refer to the Summary of Significant Findings)

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. On May 14, 2020, the Company amended its restated bylaws to allow the Secretary and the Treasurer to be the same person and to remove any references to the Executive Vice-President position, which was eliminated.

## **STATUTORY DEPOSITS**

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2024 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state. At December 31, 2024, the Company maintained statutory deposits in North Carolina, South Carolina, and Tennessee totaling \$350,000, \$150,000, and \$316,325, respectively.

## **ACCOUNTS AND RECORDS**

The Company's books and records are located at the main administrative office at 614 East Market Street, Smithfield, North Carolina 27577.

## **INFORMATION TECHNOLOGY CONTROLS**

The Department performed a risk-based assessment and review of the Company's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs were derived from Exhibit C Part 1 – Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – Information Technology Work Program (collectively, "Exhibit C"). The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

- a. the Company had a process in place to effectively identify, mitigate and manage its IT risks;
- b. the Company's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- c. the Company was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Company's policies and procedures, testing key areas related to Exhibit C, interviewing the Company's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Strickland Hardee PLLC.

Based upon our risk-based assessment and review, the Company's ITGCs were determined to be effective.

## **FIDELITY BONDS AND OTHER INSURANCE**

The Company had fidelity bond coverage totaling \$150,000 for each year during the examination period from January 1, 2020, to December 31, 2024. The Company's fidelity bond coverage was adequate in 2020, 2021 and 2022; however, at December 31, 2023, and 2024, the Company's total coverage was below the minimum amount of coverage recommended by the Handbook. (Refer to the Summary of Significant Findings)

The Company is a named insured on various corporate property and liability policies including cyber and professional liability insurance, which appeared to be adequate to cover risks in the normal course of business.

## **EMPLOYEE BENEFITS PLAN**

The Company participates in a multiemployer defined contribution plan for eligible employees of the Company, First Mutual Insurance Services, Inc. ("FMIS"), and Triangle Insurance & Benefits. FMIS and Triangle Insurance & Benefits are related parties to the Company due to common management. Under the plan, eligible employees may contribute a percentage of their compensation up to the maximum amount allowed by law to the plan. The Company matches 100% of the first 3% and 50% of the next 2% of the employees' contribution. Matching contributions made by the Company totaled \$14,935 and \$12,014 in 2024 and 2023, respectively. (Refer to the Summary of Significant Findings)

## **RELATED PARTY AGREEMENTS**

The Company has an agency agreement with FMIS, a related party, effective November 1, 2012, and amended on November 1, 2021. The Company's President, Davidson Neville, and its Secretary and Treasurer, Graham Neville, each own 50% of FMIS, and the agreement provides FMIS exclusive authority to solicit business on behalf of the Company. FMIS provides the following services to the Company: 1) sells insurance policies; 2) collects premiums and fees; 3) receives and submits claims; 4) appoints additional agents on behalf of the Company; 5) compensates agents with commissions; and 6) provides the Company office space, utilities, and equipment. In exchange for the services provided by FMIS, the Company pays a 25% commission on all business written on a monthly basis. The Company incurred commission expenses totaling \$3,319,431 and \$2,637,790, in 2024 and 2023, respectively.

The Company has a bonus commission agreement with FMIS, effective November 15, 2021, which awards an annual discretionary bonus commission to FMIS based on its underwriting performance in a given year. The bonus commission awarded to FMIS cannot exceed the total of the Company's net underwriting gain plus other income. To qualify for the bonus commission, FMIS must meet the following criteria: 1) be in good standing as of December 31 of the performance year; 2) maintain no more than a 10% reduction in net written premiums from the prior year; and 3) the Company must show a positive amount for its net underwriting gain plus total other income. For the purposes of this agreement, the Company's loss ratio is defined as total claims incurred divided by gross premiums less cancellations earned during the calendar year. The bonus commission shall be calculated as a percentage of gross premiums less cancellations earned during the calendar year and the rate may range from 0.50% if the loss ratio is under 50% up to 1.50% if the loss ratio is under 25%. No bonus commission shall be awarded if the Company's loss ratio is over 50%. The Company awarded no discretionary bonus commissions to FMIS in 2024 or 2023.

## TERRITORY AND PLAN OF OPERATION

The Company primarily writes homeowners, farmowners, inland marine, personal umbrella, and boiler and machinery policies in the state of North Carolina. The Company utilizes independent agents for the distribution of its products and solicitation of business through its exclusive agency agreement with FMIS, a related party. The Company is licensed in North Carolina, Tennessee, and South Carolina.

### 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 ending December 31, 2024:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2024	\$9,904,182	\$6,392,855	\$13,724,322	\$1,926,730	\$ 768,024
2023	\$8,692,566	\$5,308,175	\$10,908,507	\$2,621,878	\$(281,710)
2022	\$8,287,445	\$5,268,630	\$ 9,230,983	\$1,946,645	\$(137,824)
2021	\$9,020,754	\$5,917,926	\$ 8,366,051	\$2,042,000	\$ 285,291
2020	\$7,743,319	\$5,458,130	\$ 7,272,432	\$1,908,953	\$ (1,074)

### 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 statutory reserves and related items for 2024 were reviewed and certified by the Company's Appointed Actuary, Robert W. Van Epps, FCAS, MAAA of Financial Risk Analysts, LLC. Actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses were issued by an Appointed Actuary for all years in the examination period. The Appointed Actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company's reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all losses and loss expense obligations of the Company.

# REINSURANCE PROGRAM OVERVIEW

## Property and Casualty Quota Share

The Company has a property and casualty quota share reinsurance contract with SCOR Reinsurance Company, effective January 1, 2024, which provides the following reinsurance coverage:

### **Property Business:**

The Company cedes 50% of up to \$100,000 for each loss, plus its proportionate share of loss expense, in respect to all business classified by the Company as fire, allied lines, inland marine and the property sections of commercial multiple peril, homeowners' multiple peril, and farmowners' multiple peril. In addition, the Company cedes a fixed 50% of the first \$100,000 of the net retained liability, plus its proportionate share of loss expense, in respect to all business classified by the Company as hog and poultry buildings, hog and poultry loss of income, inland marine, greenhouses and equipment breakdown on hog and poultry business. With respect to all property business as described, the contract stipulates a combined ceded occurrence limit of \$11,500,000.

The Company receives a provisional ceding commission of 36% on the net premium ceded, assuming a loss ratio of 59%. The ceding commission is subject to an annual adjustment, which includes an increase of 0.57692% for every 1.0% decrease in the loss ratio, resulting in a maximum ceding commission of 51% when the loss ratio is 33% or lower, or a decrease by 1.5% for every 1.0% increase in loss ratio, resulting in a minimum ceding commission of 27% at a loss ratio of 65%. If actual loss ratios exceed the minimum or maximum levels for determining ceding commissions in a given year, a credit or deficit can be carried forward and applied to the ceding commissions calculation in subsequent periods. Under this provision, the Company received commissions of approximately \$1,915,000 and \$2,599,000, respectively, in 2024 and 2023. At December 31, 2024, the Company had accumulated a loss credit carryforward of approximately \$2,300,000.

### **Casualty Business:**

The Company cedes 100% of up to \$100,000 for each loss, on each and every insured, plus its proportionate share of loss expense, in respect to all business classified by the Company as other liability and the casualty coverage under commercial multiple peril, homeowners' multiple peril, farmowners' multiple peril, and hog and poultry buildings. With respect to all casualty business as described, the contract stipulates that business ceded will be limited to \$2,000,000 of any one loss occurrence. The Company receives a flat ceding commission of 30% on the net premium ceded.

The Company ceded premiums totaling \$5,368,267 and \$4,250,875 in 2024 and 2023, respectively, under this contract.

### **Umbrella Quota Share**

The Company has a property and casualty quota share reinsurance contract with SCOR Reinsurance Company, effective January 1, 2024, whereby the Company cedes the following on all personal umbrella liability policies:

The Company cedes 95% of the first \$1,000,000 on each and every loss occurrence on each and every personal umbrella liability policy, plus its proportionate share of loss expense.

The Company cedes 100% of the next \$1,000,000 of each and every loss occurrence on each and every personal umbrella liability policy in excess of the first \$1,000,000 on each and every loss occurrence, plus its proportionate share of loss expense.

The Company receives a flat ceding commission of 25% on the net premium ceded. The Company ceded premiums totaling \$6,243 and \$5,984 in 2024 and 2023, respectively, under this contract.

### **Inland Flood Water Back-up Property Quota Share**

The Company has a property quota share reinsurance contract with Munich Reinsurance America, Inc. (“Munich Re”), effective January 1, 2024, whereby the Company cedes 100% of its liability on inland flood, water back-up, and sump discharge or overflow endorsements. Under the contract, Munich Re’s liability is limited to \$50,000 of the net loss on any one policy or any one occurrence subject to a maximum limit of liability of \$150,000 on any one policy. The Company receives a flat ceding commission of 40% on all premiums ceded. The Company ceded premiums totaling \$20,163 and \$20,903 in 2024 and 2023, respectively, under this contract.

### **Home Field Advantage Quota Share**

The Company has a multiple line reinsurance contract with The Hartford Steam Boiler Inspection and Insurance Company, effective February 1, 2014, whereby the Company cedes 100% of liability up to the reinsurer’s limit for the following insurance coverages:

<b>Insurance Coverage</b>	<b>Reinsurer’s Liability Limit</b>
Business Equipment Breakdown	\$5,000,000 per accident per policy
Employment Practices Liability	\$50,000 per policy
Farmowner’s Equipment Breakdown	\$5,000,000 per accident per policy
Home Systems Protection	\$100,000 per accident per policy
Identity Recovery	\$15,000 annual per insured
Service Line Liability	\$10,000 per service line failure per policy

The Company ceded premiums totaling \$29,204 and \$24,283 in 2024 and 2023, respectively, under this contract.

### **Equipment Breakdown Quota Share**

The Company has an equipment breakdown coverage quota share reinsurance contract with Factory Mutual Insurance Company, effective January 1, 2020, whereby the Company cedes 100% of its net retained liability on equipment breakdown coverage on all homeowners’ policies. The maximum liability ceded by the Company on any one risk shall not exceed \$100,000 without prior written agreement from Factory Mutual Insurance Company. The Company receives a flat ceding commission of 35% on all premiums ceded and a profit share equal to one-half of the difference between losses incurred and 30% of

premiums earned during each calendar year. The Company ceded premiums totaling \$132,888 and \$120,725 in 2024 and 2023, respectively, under this contract.

### **Property and Casualty Excess of Loss**

The Company has a three-layer property and casualty excess of loss reinsurance contract with various subscribing reinsurers, effective January 1, 2024, whereby the Company cedes all policies classified by the Company as property business including, but not limited to, fire and allied lines, inland marine (including hog and poultry), and property sections of homeowners' multiple peril, farmowners' multiple peril, commercial multiple peril, and hog and poultry equipment breakdown, and casualty business including, but not limited to, other liability (including hog and poultry) and the casualty sections of homeowners' multiple peril, farmowners' multiple peril, and commercial multiple peril.

The Company retains the first \$100,000 of its incurred losses under this contract, and various reinsurers provide the following layers of coverage:

<b>Layer</b>	<b>Reinsurance Coverage</b>
1st	losses in excess of \$100,000 up to a maximum occurrence limit of \$1,800,000 for property business and up to \$900,000 for casualty business
2nd	losses in excess of \$1,000,000 up to a maximum occurrence limit of \$2,000,000 for property business and up to \$1,000,000 for casualty business
3rd	losses in excess of \$2,000,000 up to a maximum occurrence limit of \$2,000,000 for property business

The Company receives a flat ceding commission of 40% on the net written premium ceded. The Company ceded premiums totaling \$4,028,481 and \$1,526,079 in 2024 and 2023, respectively, under this contract.

### **Property Catastrophe Excess of Loss**

The Company has a two-layer property catastrophe excess of loss reinsurance contract with various subscribing reinsurers, effective January 1, 2024, whereby the Company cedes all policies classified as fire and allied lines, inland marine (including hog and poultry), and the property covered under commercial multiple peril, homeowners' multiple peril, and farmowners' multiple peril. The Company retains the first \$500,000 of its incurred net losses under this contract, and various reinsurers are responsible for 100% of the net loss in excess of \$500,000 up to a maximum occurrence limit of \$2,000,000 on the first layer of coverage and 97.5% of the net loss in excess of \$2,500,000 up to a maximum occurrence limit of \$13,500,000 on the second layer of coverage. The Company ceded premiums totaling \$1,487,745 and \$941,142 in 2024 and 2023, respectively, under this contract.

The Company has a top layer property catastrophe excess of loss reinsurance contract with various subscribing reinsurers, effective May 1, 2024, which extends the property catastrophe coverage provided by the Company's two-layer property catastrophe excess of loss reinsurance contract on the same policy classifications, whereby various reinsurers are responsible for 85% of the net loss in excess of \$16,000,000 up to a maximum occurrence limit of \$13,000,000. The Company ceded premiums totaling \$315,987 and \$211,361 in 2024 and 2023, respectively, under this contract.

## **Property Catastrophe Reinstatement Premium Protection**

The Company has a property catastrophe reinstatement premium protection contract with various reinsurers, effective January 1, 2024, whereby the reinsurers will indemnify the Company for any reinstatement premium that the Company is required to pay during the term of the agreement for reinsurance coverage under its two-layer property catastrophe excess of loss reinsurance contract described above. According to the contract, the reinsurers will cover 55% of the reinstatement premium related to the first layer of coverage and 35% of the reinstatement premium related to the second layer coverage. The Company ceded premiums totaling \$97,970 and \$304,250 in 2024 and 2023, respectively, under this contract.

## **Property Facultative Excess of Loss**

The Company has an excess of loss reinsurance contract with Munich Re, effective January 1, 2024, which provides the following reinsurance coverage based on the Company's business classifications:

Munich Re will accept 100% of the loss liability for commercial farm properties including poultry and swine buildings, contents, associated pump houses, generators, loss of income and other related buildings and contents on an excess basis per policy and policies up to \$6,000,000 total insurable value per policy in excess of \$3,000,000. The maximum ceded under the contract will be \$6,000,000 per policy unless prior approval is received from Munich Re.

Munich Re will accept 100% of the loss liability for commercial farm properties including poultry and swine buildings, contents, associated pump houses, generators, loss of income and other related buildings and contents on an excess basis per building and risks up to \$1,000,000 per building excess of \$1,000,000 per building subject to a \$2,000,000 total insurable value ceded per policy. The maximum ceded under the contract will be \$2,000,000 per policy unless prior approval is received from Munich Re.

Munich Re will accept 100% of the loss liability for homeowners' property including homeowners' buildings, personal property, loss of use and property policy extensions on an excess basis per policy and risks up to \$500,000 per policy excess of \$3,000,000 per policy. The maximum amounts ceded under the contract will be \$500,000 per policy unless prior approval is received from Munich Re.

The Company ceded premiums totaling \$640,926 and \$875,740 in 2024 and 2023, 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, 2024. 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, 2023, are unexamined and are presented for comparative purposes only.

**First Mutual Insurance Company**  
**Statutory Statement of Admitted Assets**  
**December 31, 2024**

	<b>2024</b>	<b>2023</b> <i>(unexamined)</i>
Bonds	\$1,750,000	\$1,998,922
Preferred stocks	1,030,196	942,301
Common stocks	2,018,092	1,349,815
Cash, cash equivalents and short-term investments	2,242,798	1,569,783
Receivable for securities	-	400,000
<b>Total cash and invested assets</b>	<b>7,041,086</b>	<b>6,260,821</b>
Investment income due and accrued	25,154	32,281
Uncollected premiums and agents' balances in course of collection	2,551,192	2,055,120
Amounts recoverable from reinsurers	212,575	99,551
Current federal and foreign income tax recoverable and interest thereon	-	66,106
Net deferred tax asset	-	105,037
Cash surrender value of officer life insurance	74,175	73,650
<b>Total admitted assets</b>	<b>\$9,904,182</b>	<b>\$8,692,566</b>

**First Mutual Insurance Company**  
**Statutory Statement of Liabilities and Surplus**  
**December 31, 2024**

	<b>2024</b>	<b>2023</b> <i>(unexamined)</i>
Losses	\$ 610,033	\$ 440,887
Loss adjustment expenses	47,883	31,961
Commissions payable, contingent commissions and other similar charges	(502,685)	(372,340)
Other expenses	84,368	39,227
Taxes, licenses, and fees	93,295	47,526
Current federal and foreign income taxes	24,637	-
Net deferred tax liability	66,216	-
Unearned premiums	1,903,450	2,233,732
Advance premium	214,953	172,089
Ceded reinsurance premiums payable	961,229	777,032
Amounts withheld or retained by company for account of others	7,948	14,277
<b>Total liabilities</b>	<b>3,511,327</b>	<b>3,384,391</b>
Gross paid in and contributed surplus	25,000	25,000
Unassigned funds	6,367,855	5,283,175
<b>Total surplus</b>	<b>6,392,855</b>	<b>5,308,175</b>
<b>Total liabilities and surplus</b>	<b>\$9,904,182</b>	<b>\$8,692,566</b>

**First Mutual Insurance Company**  
**Statutory Statement of Operations**  
**December 31, 2024**

	<b>2024</b>	<b>2023</b> <i>(unexamined)</i>
<b>Underwriting income</b>		
Premiums earned	\$1,926,730	\$2,621,878
<b>Deductions</b>		
Losses incurred	1,199,459	1,316,437
Loss adjustment expenses incurred	415,496	331,488
Other underwriting expenses incurred	418,845	1,675,694
Total underwriting deductions	<b>2,033,800</b>	<b>3,323,619</b>
Net underwriting (loss)	<b>(107,070)</b>	<b>(701,741)</b>
<b>Investment income</b>		
Net investment income earned	144,243	52,656
Net realized capital gains	450,161	95,503
Net investment gain	<b>594,404</b>	<b>148,159</b>
<b>Other income</b>		
Finance and service charges not included in premiums	16,085	14,498
Policy/Catastrophe income	355,674	260,574
Total other income	<b>371,759</b>	<b>275,072</b>
Federal and foreign income taxes incurred	91,069	3,200
<b>Net income (loss)</b>	<b>\$ 768,024</b>	<b>\$ (281,710)</b>

**First Mutual Insurance Company**  
**Statutory Statement of Surplus**  
**December 31, 2024**

	<b>2024</b>	<b>2023</b> <i>(unexamined)</i>
<b>Surplus, beginning of year</b>	\$5,308,175	\$5,268,630
Capital and surplus increases (decreases):		
Net income (loss)	768,024	(281,710)
Change in net unrealized capital gains	391,680	245,345
Change in net deferred income tax	(101,743)	70,569
Change in non-admitted assets	26,719	5,341
<b>Net change in capital and surplus</b>	<b>1,084,680</b>	<b>39,545</b>
<b>Surplus, end of year</b>	<b>\$6,392,855</b>	<b>\$5,308,175</b>

**First Mutual Insurance Company**  
**Statutory Statement of Cash Flow**  
**December 31, 2024**

	2024	2023 <i>(unexamined)</i>
<b>Cash from (used by) operations</b>		
Premiums collected net of reinsurance	\$1,327,437	\$2,606,701
Net investment income	150,292	39,392
Miscellaneous income	371,759	275,072
<b>Total</b>	<b>1,849,488</b>	<b>2,921,165</b>
Benefit and loss related payments	1,143,337	1,152,932
Commissions, expenses paid and aggregate write-ins	857,854	1,995,691
Federal income taxes paid	326	3,200
<b>Total</b>	<b>2,001,517</b>	<b>3,151,823</b>
<b>Net cash from (used by) operations</b>	<b>(152,029)</b>	<b>(230,658)</b>
<b>Cash from (used by) investments</b>		
Proceeds from investments sold, matured, or repaid	4,302,290	2,721,480
Cost of investments acquired	(3,468,612)	(1,396,709)
<b>Net cash from (used by) investments</b>	<b>833,678</b>	<b>1,324,771</b>
<b>Cash from (used by) financing and miscellaneous sources</b>		
Other cash (applied) provided	(8,634)	(179,030)
<b>Net cash from (used by) financing and miscellaneous sources</b>	<b>(8,634)</b>	<b>(179,030)</b>
<b>Reconciliation of cash, cash equivalents, and short-term investments</b>		
Net change in cash and short-term investments	<b>673,015</b>	<b>915,083</b>
Cash and short-term investments, beginning of year	1,569,783	654,700
Cash and short-term investments, end of year	<b>\$2,242,798</b>	<b>\$1,569,783</b>

## COMMENTS ON FINANCIAL STATEMENTS

There were no proposed adjustments to the Company's financial statements 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:

**Short-Term:** Carried at amortized cost. Non-investment grade short-term investments are stated at the lower of amortized value or fair value.

**Bonds:** Investment grade bonds not backed by other loans are stated at amortized value using the interest method. The Company holds no non-investment grade bonds with NAIC designations of 3 through 6.

**Preferred stocks:** Investment grade redeemable preferred stocks are stated at amortized value. Investment grade perpetual preferred stocks are stated at fair value. Non-investment grade preferred stocks are stated at the lower of amortized value or fair value.

**Common stocks:** Carried at fair value.

**Derivatives:** Purchase call options and warrants used for effective hedges are covered by items at fair value (common stock) and, therefore, are valued at fair value.

**Losses and Loss Adjustment Expenses:** Losses and loss adjustment expenses include amounts determined by individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.

**Reinsurance:** Prospective reinsurance premiums, losses and loss adjustment expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums, losses, and loss adjustment expenses incurred, reserves for losses and loss adjustment expenses, and reserves for unearned premiums are reported net of reinsurance.

**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.

**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 methods for direct and ceded business.

### **Analysis of Assets:**

The Company reported non-admitted assets for electronic data processing equipment and software totaling \$81,000 as of December 31, 2024.

### **Reinsurance Activity:**

The Company has various 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 Acrisure Re 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:

	<b>2024</b>	<b>2023</b>
Direct written	\$ 13,724,322	\$ 10,908,507
Ceded written	(12,127,874)	(8,281,342)
<b>Net written</b>	<b>1,596,448</b>	<b>2,627,165</b>
Direct earned	12,319,916	10,030,539
Ceded earned	(10,393,186)	(7,408,661)
<b>Net earned</b>	<b>\$ 1,926,730</b>	<b>\$ 2,261,878</b>

The reinsurers share 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:

	<b>2024</b>	<b>2023</b>
<b>Reserves for losses and loss adjustment expenses, beginning of year</b>	<b>\$ 472,848</b>	<b>\$ 296,497</b>
<b>Add:</b>		
Provision for losses and loss adjustment expenses, current year	1,627,587	1,624,016
Change in estimated losses and loss adjustment expenses, prior years	(12,631)	23,909
<b>Total incurred</b>	<b>1,614,956</b>	<b>1,647,925</b>
<b>Deduct:</b>		
Losses and loss adjustment expenses paid, current year	1,058,177	1,161,239
Losses and loss adjustment expenses paid, prior year	371,711	310,335
<b>Total paid</b>	<b>1,429,888</b>	<b>1,471,574</b>
<b>Reserves for losses and loss adjustment expenses, end of year</b>	<b>657,916</b>	<b>472,848</b>
<b>Increase (decrease) in reserves for losses and loss adjustment expenses</b>	<b>\$ 185,068</b>	<b>\$ 176,351</b>

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, 2024, and 2023, the liability for unpaid losses and loss adjustment expenses was reduced by \$1,469,631 and \$1,067,903, 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, 2019:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Surplus, beginning of year</b>	<b>\$5,917,926</b>	<b>\$5,458,130</b>	<b>\$5,233,270</b>
Surplus increases (decreases):			
Net income (loss)	(137,824)	285,292	(1,074)
Change in net unrealized capital gain (loss)	(532,860)	195,970	230,856
Change in net deferred income tax	44,488	8,535	9,548
Change in nonadmitted assets	(23,060)	(30,000)	(14,470)
<b>Net change in surplus</b>	<b>(649,296)</b>	<b>459,796</b>	<b>224,860</b>
<b>Surplus, end of year</b>	<b>\$5,268,630</b>	<b>\$5,917,926</b>	<b>\$5,458,130</b>

## **SUBSEQUENT EVENTS**

On February 24, 2025, the Company amended its bylaws to clarify that directors will be considered present for Board meetings if attending in person or by phone and/or video conference medium for the purposes of establishing a quorum for the transaction of business.

On May 13, 2025, meetings were held by the Company's Audit Committee and its Investment Committee, and a copy of the meeting minutes were provided to the Department.

On August 13, 2025, meetings were held by the Company's Audit Committee and its Investment Committee, and a copy of the meeting minutes were provided to the Department.

On December 11, 2025, the Board approved an amended Compensation Agreement with Davidson Neville, the Company's President, effective January 1, 2025, which no longer includes compensation for management fees equal to 0.75% of the total value of funds held in the Company's brokerage accounts or a performance bonus equal to 5% of the Company's annual investment gains. The Company is in compliance with GS § 58-7-200(d) as a result of the amended Compensation Agreement, effective January 1, 2025. (Refer to the Summary of Significant Findings)

On December 11, 2025, the Board appointed David L. Jackson as the Chair of the Audit Committee.

**First Mutual Insurance Company**  
**DISTRIBUTION OF REPORT ON EXAMINATION**  
**December 31, 2024**

Davidson Neville, President  
614 East Market Street  
Smithfield, North Carolina 27577

Graham Neville, Secretary and Treasurer  
614 East Market Street  
Smithfield, North Carolina 27577

## CONCLUSION

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

We conclude that the Company complies with the minimum surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$700,000.

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

Respectfully submitted,



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

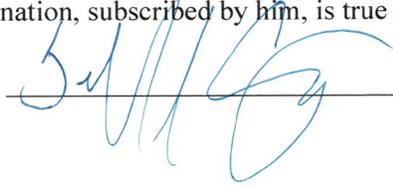
February 17, 2026

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Jeffrey Streyle, 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:



Date:

2/17/2026

Sworn and subscribed before me this 17<sup>th</sup> day of February, 2026.

Notary Public Signature: Isaiah N. Brown Notary Public Seal:

