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JUN 28 2017 *PM*
Department of Insurance
State of Idaho

Attorneys for the Department of Insurance

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
OF THE STATE OF IDAHO**

In the Matter of:

WESTERN COMMUNITY INSURANCE
COMPANY

Certificate of Authority No. 1287
NAIC No. 39519

Docket No. 18-3337-17

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2015**

The State of Idaho, Department of Insurance (Department), having conducted an examination of the affairs, transactions, accounts, records, and assets of Western Community Insurance Company (Western Community), pursuant to Idaho Code § 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of Western Community Insurance Company as of December 31, 2015 (Report), as filed.

FINDINGS OF FACT

1. Western Community is an Idaho-domiciled insurance company licensed to transact casualty insurance, including workers' compensation; disability insurance, excluding

managed care; marine and transportation insurance; property insurance; and surety insurance in Idaho under Certificate of Authority No. 1287.

2. The Department completed an examination of Western Community pursuant to Idaho Code § 41-219(1) on or about May 24, 2017. The Department's findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was filed with the Department on May 24, 2017, and a copy of such verified Report was transmitted to Western Community on May 25, 2017. A copy of the verified Report is attached hereto as Exhibit "A."

4. On or about June 13, 2017, the Department received a Waiver signed by Jason Williams, Treasurer of Western Community. By execution of such Waiver, a copy of which is attached hereto as Exhibit "B," Western Community consented to the immediate entry of a final order by the Director of the Department (Director) adopting the Report without any modifications; waived its right to make a written submission or rebuttal to the Report; and waived its right to request a hearing and to seek reconsideration or appeal from the Director's final order.

5. No written submissions or rebuttals with respect to any matters contained in the Report were received by the Department from Western Community.

CONCLUSIONS OF LAW

6. Idaho Code § 41-227(5)(a) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant

portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections.

7. Having fully considered the Report, the Director concludes that Western Community meets the minimum capital and surplus requirements set forth in Idaho Code § 41-313(1).

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Western Community Insurance Company as of December 31, 2015, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall be exempt from the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, Western Community shall file with the Department's Deputy Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 27 day of June, 2017.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 28th day of June, 2017, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2015 to be served upon the following by the designated means:

Western Community Insurance Company
Attn: Paul Brent Roberts, Exec. Vice President & CEO
275 Terra Vista Drive
Pocatello, ID 83201
proberts@idfbins.com

☐ first class mail
☒ certified mail
☐ hand delivery
☒ email

Western Community Insurance Company
Attn: Jason Williams, Treasurer
275 Terra Vista Drive
Pocatello, ID 83201
jwilliams@idfbins.com

☐ first class mail
☐ certified mail
☐ hand delivery
☒ email

Hermoliva Abejar
Chief Deputy Examiner
Idaho Department of Insurance
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☒ hand delivery
☐ email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

of the

WESTERN COMMUNITY INSURANCE COMPANY

(NAIC Company Code: 39519)

as of

December 31, 2015

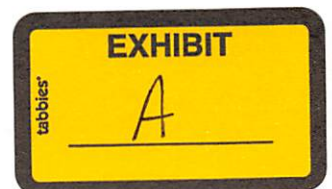


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Pocatello, Idaho
May 23, 2017

The Honorable Dean L. Cameron
Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Section 41-219 (1), Idaho Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2015, of the financial condition and corporate affairs of:

Western Community Insurance Company
275 Tierra Vista Drive
Pocatello, Idaho 83201

Hereinafter referred to as the "Company", at its offices in Pocatello, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our single-state examination of Western Community Insurance Company. The last examination was completed as of December 31, 2011. This examination covers the period of January 1, 2012 through December 31, 2015.

Examination Procedures Employed

Our examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook) to determine compliance with accounting practices and procedures in conformity with the applicable laws of the State of Idaho, and insurance rules promulgated by the Idaho Department of Insurance (Department). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles (SSAPs) and NAIC Annual Statement Instructions as governed and prescribed by Idaho law.

The Company retained the services of a certified public accounting firm, Deaton and Company, to audit its financial records for the years under examination. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The initial phase of the examination focused on evaluating the Company's corporate governance and control environment, as well as business approach, in order to develop an examination plan tailored to the Company's individual operating profile. A risk-focused approach was determined appropriate.

The examination determined the risks associated with identified key functional areas of the Company's operation and considered mitigating factors. Interviews were held with the senior management of the Company to gain an understanding of the entity's operating profile and control environment.

The examination relied on the findings of the actuarial firm contracted by the Department to verify pricing and reserves.

In addition to the Report of Examination, a Management Letter was issued to the Company by the Department which covered items that were not included in the Report due to materiality threshold, items that were related to proprietary/operational issues, as well as minor accounting and/or annual statement reporting corrections.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

Status of Prior Examination Findings

The prior financial examination was conducted by the Department covering the period January 1, 2008 through December 31, 2011. The prior examination did not disclose any findings or recommendations.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

SUBSEQUENT EVENTS

Frank Steven Priestley retired as President and Chairman of the Board subsequent to December 31, 2015. Bryan Lloyd Searle was elected President of the Company and Chairman of the Board subsequent to December 31, 2015.

COMPANY HISTORY

General

The Company was incorporated as a domestic stock insurance company on April 4, 1980 under the name of Western Community Insurance Company to write insurance for non-Farm Bureau members, and commenced operations on August 18, 1980.

On March 11, 1999, the Company was issued a Certificate of Authority to write business in the State of Oregon. The Company did not write any business in Oregon during the examination period.

On July 8, 1999, the Company was issued a Certificate of Authority to write business in the State of Washington. The Company wrote less than one percent of its total direct written premium in Washington during the examination period.

The Company operated under the provisions of Chapter 28, Title 41 of the Idaho Code, and provided coverage for the following lines of business: Commercial multiple peril, Other commercial auto liability, Commercial auto physical damage and Inland Marine.

Capital Stock

The Company had 5,000,000 authorized shares of \$4 par value common stock, of which 837,420 shares were issued and outstanding as of December 31, 2015.

Dividends and Capital Contributions

The Company did not declare or pay out any dividends during the examination period, nor receive any capital contributions.

Mergers and acquisitions

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the examination period.

Surplus Debentures

The Company had no surplus debentures during the examination period.

CORPORATE RECORDS

The meetings of the Board of Directors (Board) were conducted on a quarterly basis for all the years under examination. A review of the meeting minutes of the Board for the examination period, and subsequent thereto, indicated compliance with the bylaws and Articles of Incorporation with respect to the election of the Directors and Officers. The review of the minutes also indicated that a quorum was present at all Board meetings held during the examination period. Furthermore, the minutes reflected discussion of relevant operational performance, review and approval of independent auditors' reports, the prior Department statutory examination report and investment transactions.

The Board had an Audit Committee consisting of six members. The Audit Committee was responsible for reviewing and approving all audit services performed by the external auditors. Review of Audit Committee meeting minutes indicated compliance with the Audit Committee Charter and reflected discussions relevant to its responsibilities.

The Prior Examination Report as of December 31, 2011, was distributed to the Board reviewed at the Board of Directors meeting on April 16, 2013, in accordance with Idaho Code §41-227 (6) (a).

MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The bylaws of the Company indicated the number of directors may be between eleven and fifteen, all of whom must be members of the Idaho Farm Bureau Federation.

The following persons served as directors of the Company as of December 31, 2015:

<u>Name and Location</u>	<u>Position</u>
Richard Thomas Brune Hazelton, Idaho	Farmer
Cody Robert Chandler Weiser, Idaho	Rancher
Christopher Ralph Dalley Pingree, Idaho	Rancher
Thomas Michael Daniel Bonners Ferry, Idaho	Farmer
Danny Gene Ferguson Rigby, Idaho	Farmer/Rancher
Marjorie Ann French Princeton, Idaho	Farmer/Rancher
Mark Robert Harris Springs, Idaho	Rancher
Gerald Lyle Marchant Oakley, Idaho	Farmer/Rancher
Ricky William Pearson Buhl, Idaho	Farmer
Frank Steven Priestley* Franklin, Idaho	President and Chairman of the Board Farmer/Rancher
Dean Edwin Schwendiman Newdale, Idaho	Farmer/Rancher
Bryan Lloyd Searle** Shelley, Idaho	Farmer/Rancher

Howard Scott Steele
Idaho Falls, Idaho

Farmer

Mark Dennis Trupp
Driggs, Idaho

Audit Committee Chair
Farmer/Rancher

Tracy Walton
Emmett, Idaho

Farmer

* Frank Steven Priestley retired as President and Chairman of the Board subsequent to December 31, 2015

** Bryan Lloyd Searle was elected President of Western Community Insurance Company and Chairman of the Board subsequent to December 31, 2015

Officers

The Company's bylaws provide for principal officers to consist of an executive vice-president, a secretary, and a treasurer. The following persons served as officers of the Company as of December 31, 2015:

<u>Name</u>	<u>Position</u>
Frank Steven Priestley*	President
Paul Brent Roberts	CEO & Executive Vice President
Rick Dwain Keller	Secretary
Jason Todd Williams	Treasurer
David Jon Acevedo	Vice President of Operations
Richard Stephen Burgoyne	Vice President of Claims
Ronald Boyd Levitt	Vice President of Sales
Thomas Jason Lyons	Vice President of Legal Affairs
Timothy Summers Stronks	Vice President of Personal Lines
Ellen Van Hees	Vice President of Commercial Lines
Mark Dennis Trupp	First Vice President

* Frank Steven Priestley retired as President and Chairman of the Board subsequent to December 31, 2015

Committees

The Company's bylaws authorize the Board of Directors to establish one or more committees. The establishment of a committee and appointment of members to the committee must be approved by the greater of a majority of all directors in office or those required by section 4.9 of the bylaws or

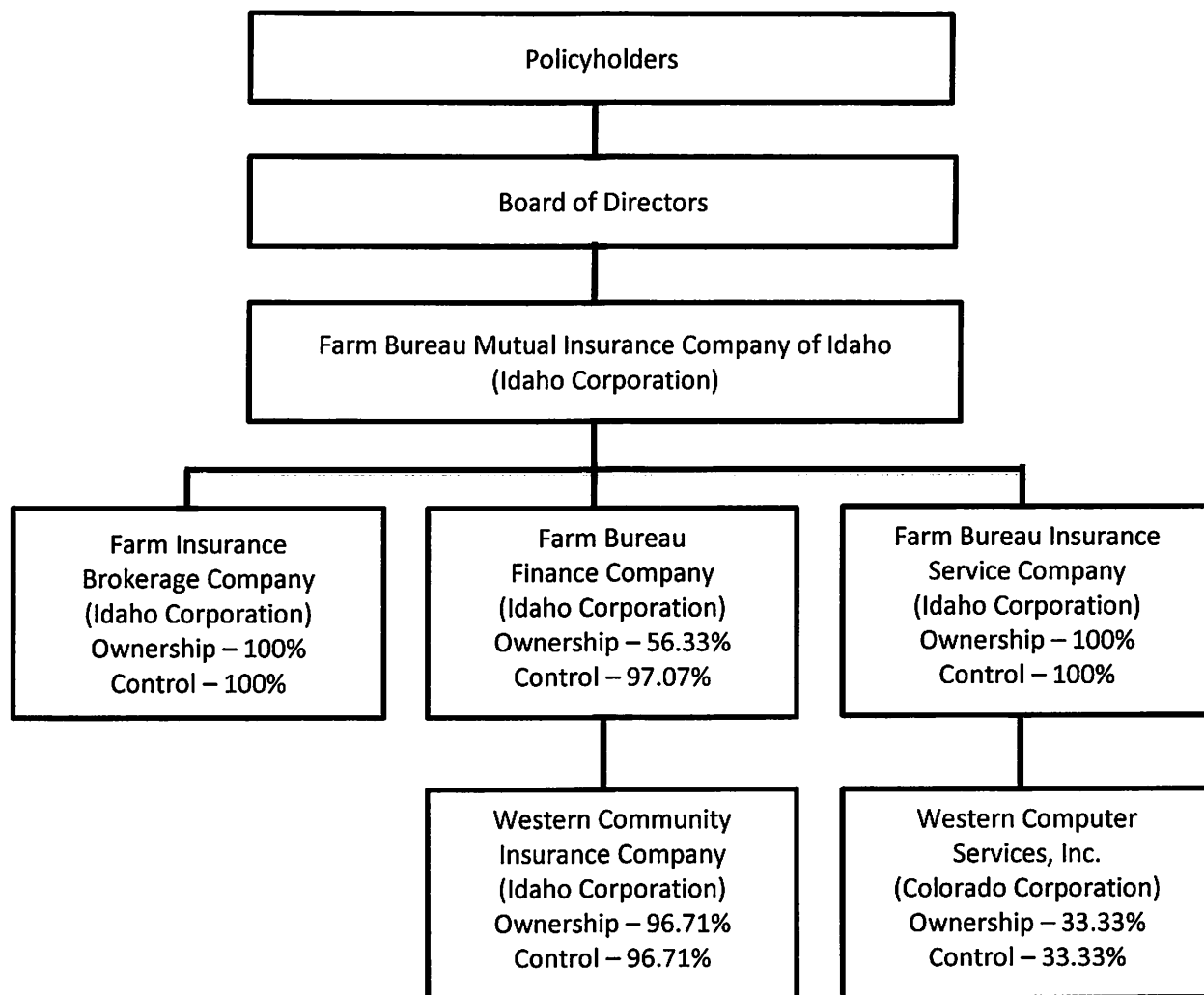
the Articles of Incorporation to take action. As of December 31, 2015, the Company's board of directors had authorized the following committee and members to serve:

Audit Committee

Frank Steven Priestley, Chairman	Christopher Ralph Dalley
Mark Dennis Trupp, Vice Chairman	Thomas Michael Daniel
Richard Thomas Brune	Danny Gene Ferguson
Cody Robert Chandler	

Holding Company System

The Company was a member of an insurance holding company system, as defined in Section 41-3801, Idaho Code. Indirect parent, Farm Bureau Mutual Insurance Company (Farm Bureau Mutual) was the designated "Ultimate Controlling Person" in the holding company system. An organizational chart of the holding company system is as follows:



Contracts and Agreements

The Company had the following agreements in force with its affiliates as of December 31, 2015:

Management Agreement

The Company was party to a management service agreement, effective January 1, 2015, with Farm Bureau Mutual. The services provided under the agreement included management, marketing, underwriting, processing, travel, home office rent, employee related expenses, personnel, data processing, equipment, actuarial, secretarial, accounting, collection of premiums, and adjusting and payment of claims. For these services, the Company paid management fees of 17 percent of its direct written premium to Farm Bureau Mutual.

The agreement with Farm Bureau Mutual also included a provision for the Company to pay an additional 2 percent of its direct written premium for use of Farm Bureau Mutual's county

office facilities. In this provision, Farm Bureau Mutual paid, and was reimbursed, for supplies, printing, telephone, postage, insurance, and other similar expenses on a cost basis. Furthermore, the agreement provided for Farm Bureau Mutual to arrange for excess reinsurance coverage facilities and to provide reinsurance reporting services for the Company on the business subject to this agreement. The Company and Farm Bureau Mutual shared the reinsurance costs in proportion to the respective retentions on the business.

Reinsurance Agreement

The Company was party to a reinsurance agreement with Farm Bureau Mutual, effective April 1, 2010, whereby the Company ceded 100 percent of its premium on all direct and assumed lines of business and class groups. In exchange, Farm Bureau Mutual agreed to pay the Company a ceding commission of 33 percent of the direct premium.

Consolidated Income Tax Allocation Agreement

The Company was party to a consolidated income tax allocation agreement with Farm Bureau Mutual, and other members of the holding company system, effective April 20, 2009, whereby the parties to the agreement mutually agreed to allocate the consolidated federal income tax liability for all years for which the consolidated group had filed or would file a consolidated income tax return by applying the liability method to each member of the group as if it were a separate taxpayer.

The parties made estimated tax payments based on their allocation of federal taxes for the previous year. Settlements of balances due or refunds receivable were determined by subtracting the estimated payments made for the year from the federal tax allocated to each party for that year.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for an insurer of the Company's size and premium volume is not less than \$1,000,000. As of December 31, 2016, the Company had sufficient fidelity bond coverage subject to a loss limit of \$2,000,000.

The Company was a named insured on a number of other insurance coverages related to commercial property, commercial crime, commercial general liability, professional liability, Director & Officer and employment practices liability, commercial automobile, commercial occurrence excess (umbrella) policy and workers' compensation.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any employees. Services were provided to the Company by Farm Bureau Mutual. Farm Bureau Mutual sponsored a defined benefit pension plan, an optional 401(k) plan providing for both employer and employee contributions, and an employee thrift plan with no Company participation available to all employees on an elective basis, a health care benefit plan for permanent, full time employees, and a post-retirement life and medical insurance plan for its retirees. The Company had no obligation for benefits under these plans.

In 2002, the Company established an incentive stock option plan for its officers and for key Farm Bureau employees providing services to the Company. The Board approved the stock option plan on February 15, 2002. On September 30, 2014, the Company granted to key officers and employees stock options to purchase 6,600 shares of the Company's common stock at \$33.90 per share, of which none had been exercised. The Company's liability on the outstanding 6,600 shares under option at December 31, 2015 was \$16,698.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2015, the Company was licensed in the states of Idaho, Oregon and Washington to transact the business of writing commercial package, business owners and umbrella policies as follows: Commercial multiple peril, Other commercial auto liability, Commercial auto physical damage and Inland marine.

Insurance products were marketed primarily through multi-line exclusive agents and a few appointed agents employed by contracted agents.

Operations of the Company were conducted from its main administrative office located in Pocatello, Idaho.

GROWTH OF THE COMPANY

The following represents the Company's Premium Activity and its relationship to surplus over the period of our examination:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Premiums and annuity considerations	\$7,112,601	\$6,490,560	\$6,089,717	\$5,517,923
Net gain from operations before dividends to policyholders and before federal income taxes	574,507	524,770	475,993	472,729
Net investment income	1,221,912	1,163,049	1,101,606	1,017,084
Net income	1,458,980	1,385,580	1,335,424	1,256,300
 Total admitted assets	 \$37,947,594	 \$35,826,532	 \$34,064,992	 \$31,848,153
Total liabilities	7,436,762	6,703,399	6,390,101	5,684,263
Surplus	30,510,832	29,123,133	27,674,891	26,163,890

The Company experienced moderate, but steady growth over the course of the examination period.

REINSURANCE

Assumed

The Company did not assume any business during the examination period.

Ceded

The Company entered into a reinsurance agreement with Farm Bureau Mutual, effective April 1, 2010, whereby the Company ceded 100 percent of its premium on all direct and assumed lines of business and class groups. In exchange, Farm Bureau Mutual agreed to pay the Company a ceding commission of 33 percent of the direct premium. Reporting and settlements of reinsurance transactions were made on a monthly basis.

The reinsurance agreement contained the clauses and termination provisions suggested in the *Handbook*. The reinsurance agreement also carried adequate transfer of risk and were in compliance with SSAP No. 62R.

ACCOUNTS AND RECORDS

The Company maintained its principal operational office in Pocatello, Idaho.

The Company used Western Computer System, Inc. (WCSI) as an interactive system on its mainframe computer using PCs connected to its Local Area Network (LAN) and Wide Area

Network (WAN). WCSI was used to capture data for policy management, claims management, accounts payable and accounts receivables, etc. Claims data was received from the Guidewire Claims Center application and integrated with the other policy information residing on WCSI. All of this information was then integrated with the SunGard iWorks EAS general ledger system.

The Company prepared its annual statements utilizing the SunGard iWorks statutory software package. The investment portfolio was maintained on SunGard's iWorks Investment Systems. The Company's independent auditors maintained the fixed assets records.

Independent Auditors

The annual independent audits of the Company for the years under examination were performed by Deaton & Company, Chartered, Pocatello, Idaho.

Deaton & Company's workpapers were made available for the examination. The financial statements of each audit report were on a statutory basis. There was some reliance on the 2015 audit report and workpapers in this examination of the Company.

STATUTORY DEPOSITS

Pursuant to Section 41-316A, Idaho Code, the Company was required to maintain a deposit in an amount equal to the minimum capital for a stock insurer and basic surplus of a mutual or reciprocal insurer as required in Section 41-313, Idaho Code. The Company's minimum capital requirement was \$1,000,000 at December 31, 2015. The examination confirmed the Company maintained a statutory deposit with the State of Idaho consisting of four securities with a total par value of \$1,500,000, which was adequate to cover the required deposit.

The special deposits maintained by or through regulatory agencies on the policyholder's behalf as of December 31, 2015, were as follows:

Description	Par Value	Statement Value	Fair Value
Clark Cnty Nv Ref Ser C, 4.125% Due 06/01/2020	\$ 100,000	\$ 99,940	\$ 103,424
Forsyth Mt Pollution Ctl Rev Ref, 4.650% Due 08/01/2023	100,000	98,742	102,268
Jordan UT Sch Dist UT Bd Gty Pg Bldg, 4.125% Due 06/15/2021	100,000	99,635	101,718
Kane Mc Henry Cook De Kalb Cntysil, 5.000% due 01/01/2028	100,000	100,696	107,767
Kent ST Univ Oh Univ Revs Gen Rcpts, 5.000% Due 05/01/2027	100,000	101,901	110,263
King Cnty Wa Swr Rev Ref Ser C, 5.000% Due 01/01/2035	100,000	108,439	114,309
Madison Cnty ID Sch Dist No 321, 4.000% Due 08/15/2018	100,000	100,239	103,725

Oregon ST Dept Transn Hwy User Tax, 4.250% Due 11/15/2023	100,000	99,403	105,812
Salina Ks Internal Impt Ser A, 4.500% Due 10/01/2019	100,000	100,366	105,969
Sugarcreek Oh Loc Sch Dist Ref Sch Impt, 4.500% Due 12/01/2022	<u>100,000</u>	<u>100,356</u>	<u>103,278</u>
Total	<u>\$ 1,000,000</u>	<u>\$1,009,717</u>	<u>\$1,058,533</u>

The following securities held by Wells Fargo Bank and approved by the State Treasurer for Workers' Compensation deposit requirements were confirmed with the State Industrial Commission. The deposit was held pursuant to Section 72-302, Idaho Code.

Description	Par Value	Statement Value	Fair Value
US Treasury N/B, 3.500% Due 02/15/2039	\$ 250,000	\$ 272,941	\$273,047
Westerly RI UTGO, 4.000% Due 07/01/2032	200,000	207,960	212,338
Illinois Fin Auth Uni of Chicago Rev, 5.500% Due 07/01/2028	<u>100,000</u>	<u>101,478</u>	<u>111,109</u>
Total	<u>\$ 550,000</u>	<u>\$ 582,379</u>	<u>\$596,494</u>

In addition, the following securities were held with US Bank of Oregon, pursuant to Section 731-624 of the Oregon Code:

Description	Par Value	Statement Value	Fair Value
Oregon St Dept Trans Rev, 5.000% Due 11/15/2033	\$ 100,000	\$ 106,853	\$ 112,876
Vincennes University In Ser Rev, 5.000% Due 12/01/2021	<u>100,000</u>	<u>100,000</u>	<u>100,180</u>
Total	<u>\$ 200,000</u>	<u>\$ 206,853</u>	<u>\$ 213,056</u>

FINANCIAL STATEMENTS

Balance Sheet as of December 31, 2015

ASSETS

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 27,882,566		\$ 27,882,566
Stocks:			
Common stocks	1,354,591		1,354,591
Cash, cash equivalents and short-term investments	1,256,606		1,256,606
Investment income due and accrued	333,607		333,607
Premiums and consideration:			
Uncollected premiums and agents'			
balances in the course of collection	831,653	30,494	801,159
Deferred premiums, agents' balances and			
installments booked but deferred and not yet due	6,311,442		6,311,442
Receivables from parent, subsidiaries and affiliates	5,477		5,477
Aggregate write-ins for other than invested assets:			
Other receivables	2,146		2,146
	<u>\$ 37,978,088</u>	<u>\$ 30,494</u>	<u>\$ 37,947,594</u>

LIABILITIES, CAPITAL AND SURPLUS

Losses (Note 1)	\$ -
Loss adjustment expenses (Note 1)	-
Other expenses	24,157
Taxes, licenses and fees	56,142
Current federal and foreign income taxes	26,908
Net deferred tax liability	155,824
Ceded reinsurance premiums payable	6,566,851
Payable to parent, subsidiaries and affiliates	606,799
Aggregate write-ins for liabilities:	
Miscellaneous payables	<u>80</u>
Total liabilities	<u>7,436,762</u>
 Common capital stock	 3,349,679
Gross paid in and contributed surplus	321,416
Unassigned funds (surplus)	<u>26,839,737</u>
Surplus as regards policyholders (Note 2)	30,510,832
 Total liabilities, capital and surplus	 <u><u>\$ 37,947,594</u></u>

Statement of Income
as of December 31, 2015

	Per Company and Per Examination
Premiums earned	\$ -
Losses incurred	-
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	(574,507)
Total Underwriting Deductions	(574,507)
Net underwriting gain or (loss)	574,507
Net investment income earned	1,147,165
Net realized capital gains (losses) less capital gains tax	74,747
Net investment gain or (loss)	1,221,912
Net gain or (loss) from agents' or premium balances charged off	(45,039)
Aggregate write-ins for miscellaneous income	2,580
Total Other Income	(42,459)
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,753,960
Federal and foreign income taxes incurred	294,980
Net Income	\$ 1,458,980

Reconciliation of Capital and Surplus
as of December 31, 2015

December 31, 2012 through December 31, 2015

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Capital and surplus				
December 31, previous year	<u>\$ 24,873,154</u>	<u>\$ 26,163,890</u>	<u>\$ 27,674,891</u>	<u>\$ 29,123,133</u>
Net income	\$ 1,256,300	\$ 1,335,424	\$ 1,385,580	\$ 1,458,980
Change in net unrealized capital gains	91,491	155,808	64,639	(67,136)
Change in net deferred income tax	(50,386)	14,436	(1,412)	516
Change in nonadmitted assets	(6,517)	5,333	(237)	(4,661)
Change in Paid in Capital	(20)		(40)	
Change in Paid in Surplus	(86)		(168)	
Aggregate write-ins for gains and losses in surplus	(48)		(121)	
Rounding	2		1	
Change in surplus as regards policyholders for the year	<u>\$ 1,290,736</u>	<u>\$ 1,511,001</u>	<u>\$ 1,448,242</u>	<u>\$ 1,387,699</u>
Surplus as regards policyholders, December 31	<u><u>\$ 26,163,890</u></u>	<u><u>\$ 27,674,891</u></u>	<u><u>\$ 29,123,133</u></u>	<u><u>\$ 30,510,832</u></u>

Analysis of Changes in Financial Statements Resulting From Examination

There were not adjustments to surplus resulting from the examination.

NOTES TO FINANCIAL STATEMENTS

Note 1

Losses	\$0
Loss adjustment expenses	\$0

Brent M. Sallay, FCAS, MAAA and Solomon L. Frazier, FSA, ACAS, MAAA of Taylor-Walker and Associates, Inc. were retained by the Department to perform the actuarial portion of the examination. The scope of Taylor-Walker's risk-focused examination addressed all actuarial areas assigned by the Department.

As previously reported, the Company ceded all of its direct business to Farm Bureau Mutual. Because of this, the Company's loss and loss adjustment expense reserves were zero. Taylor-Walker concluded that the ranges of loss and loss adjustment expense reserves estimated by the opining actuary were reasonable. Since the reserves booked by the Company fell within the opining actuary's range, Taylor-Walker also concluded that the reserves booked by the Company were reasonable. Therefore, no adjustments to the reserves reported in the 2015 Annual Statement were recommended.

Note 2

Surplus as regards policyholders	\$30,510,832
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The Company's total surplus as regards policyholders as of December 31, 2015 was \$30,510,832, which exceeded the \$2,000,000 minimum prescribed by Section 41,313, Idaho Code.

SUMMARY OF RECOMMENDATIONS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus or required any recommendations.

ACKNOWLEDGEMENT

Brent M. Sallay, FCAS, MAAA and Solomon L. Frazier, FSA, ACAS, MAAA of Taylor-Walker & Associates, Inc. performed the actuarial phases of the examination. Jenny L. Jeffers, CISA, AES and Joanna J. Latham, CPA, CFE, CISA, CRISC of Jennan Enterprises, LLC performed the Information Systems review, In addition to the undersigned, Shawn L. Hernandez, CFE of Risk & Regulatory Consulting, LLC, participated in the examination representing the Idaho Department of Insurance. Hermoliva Abejar, CFE, Deputy Chief Examiner of Idaho Department of Insurance supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

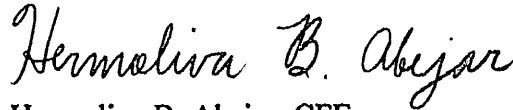
Respectfully submitted,

A handwritten signature in black ink, reading "Alea P. Talbert-Pence". The signature is fluid and cursive, with the first name "Alea" being prominent.

Alea P. Talbert-Pence, CFE, CIA

Examiner-in-Charge

Representing the Idaho Department of Insurance

A handwritten signature in black ink, reading "Hermoliva B. Abejar". The signature is cursive, with the first name "Hermoliva" being prominent.

Hermoliva B. Abejar, CFE

Supervising Examiner

Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

Idaho
Bannock County

Alea P. Talbert-Pence, being duly sworn, deposes and states as follows:

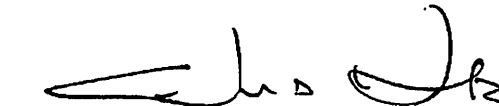
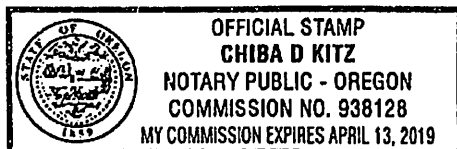
- 1.) I am a duly appointed Examiner for the Department of Insurance of the State of Idaho
- 2.) The Idaho Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
- 3.) I have made an examination of the affairs and financial condition of Western Community Insurance Company for the period from January 1, 2012 through December 31, 2015.
- 4.) The examination was performed in a manner consistent with the standards and procedures required by the Financial Condition Examiners' Handbook, the laws and regulations of the State of Idaho, and the Idaho Department of Insurance specific policies and procedures.
- 5.) The information contained in the report is true and correct to the best of my knowledge and belief; and that any conclusions and recommendations contained in the report are based on the facts disclosed during the course of the examination.

Affiant says nothing further.



Alea P. Talbert-Pence, CFE, CIA
Risk & Regulatory Consulting, LLC
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 24th day of May, 2017, at PORTLAND, OR
City State



Notary Public

My Commission Expires: 4/13/2019

C.L. "BUTCH" OTTER
Governor

State of Idaho
DEPARTMENT OF INSURANCE

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
Fax (208)334-4398
Website: <http://www.doi.idaho.gov>

DEAN L. CAMERON
Director

WAIVER

In the matter of the Report of Examination as of December 31, 2015, of the:

WESTERN COMMUNITY INSURANCE COMPANY (WCIC)
275 Tierra Vista Drive
Pocatello, ID 83205-4848

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 24th day of May 2017, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 13 day of June, 2017

**WESTERN COMMUNITY INSURANCE
COMPANY**

Jason Williams

Name (print)

Jason Williams

Name (signature)

Treasurer

Title

EXHIBIT

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