STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Caldwell County Mutual Insurance Company as of December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Caldwell County Mutual Insurance Company for the period ended December 31, 2011, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 380.061, RSMo [if Part I], or 380.491, RSMo [if Part II], adopt such report. After my consideration and review of such report are incorporated by reference and deemed to be my findings and conclusions to accompany this order.

Based on such findings and conclusions, I hereby ORDER Caldwell County Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations, if any, section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (3) submit a signed copy of the minutes of the meeting which reflect a corporate resolution to the effect the Examination Report has been reviewed and accepted.

So ordered, signed and official seal affixed this 24th day of September 2012.

John M. Huff, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF THE
FINANCIAL EXAMINATION OF

CALDWELL COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2011

FILED
SEP 24 2012
DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

Subject	Page
SALUTATION	1
SCOPE OF EXAMINATION:	
Period Covered	1
Procedures	1
Comments - Previous Examination Report	1
HISTORY:	
General	2
Management	2
Conflict of Interest	3
Corporate Records	4
FIDELITY BOND AND OTHER INSURANCE	4
EMPLOYEE BENEFITS	4
INSURANCE PRODUCTS AND RELATED PRACTICES:	
Territory and Plan of Operation	4
Policy Forms & Underwriting Practices	5
GROWTH AND LOSS EXPERIENCE OF THE COMPANY	5
REINSURANCE:	
General	5
Assumed	5
Ceded	5
ACCOUNTS AND RECORDS	6
FINANCIAL STATEMENTS:	
Analysis of Assets	7
Liabilities, Surplus and Other Funds	7
Statement of Income	8
Capital and Surplus Account	8
NOTES TO THE FINANCIAL STATEMENTS	9
EXAMINATION CHANGES	9
GENERAL COMMENTS AND/OR RECOMMENDATIONS	9
SUBSEQUENT EVENTS	9
ACKNOWLEDGMENT, VERIFICATION AND SUPERVISION	10

August 3, 2012
Kingston, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Sir:

In accordance with your examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

CALDWELL COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 96 Franklin Street (P.O. Box 55), Kingston, Missouri 64650, telephone number (816) 586-3531. This examination began on July 30, 2012, and was concluded on August 3, 2012, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2006, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2007, through December 31, 2011, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination also included material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

Comments-Previous Examination Report

The comments, recommendations, and notes of the previous examination report dated December 31, 2006, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Fidelity Bond and Other Insurance

Comment: It is recommended the Company increase its fidelity bond coverage to a minimum of $75,000.

Company Response: The Company's fidelity bond coverage has been increased to $75,000.

Current Findings: The Company increased its fidelity bond coverage to $75,000.

HISTORY

General

The Company was originally established and incorporated on February 5, 1895. The Company has a Certificate of Authority dated December 20, 2002, and is covered by Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Insurance Companies). The Company's Certificate of Authority is renewed annually.

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the third Wednesday in February at the home office of the Company or at such place designated by the Board of Directors. Special meetings may be called by the Board of Directors at any time and shall be called upon petition of one-fourth of the members. Ten members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

The management of the Company is vested in the Board of Directors elected from the general membership. The Board of Directors consists of nine members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter. Directors who are also agents of the Company receive $100 per each meeting attended, while directors who are not also agents of the Company receive $200 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2011, were as follows:

Name and Address	Occupation	Term
Kevin L. Stonum 9335 Southwest Highway 116 Lathrop, Missouri	Farmer/Agent	2011-2014
James E. Howell 4663 Southwest Mirabile Drive Polo, Missouri	Farmer/Agent	2011-2014

Richard J. Lee 408 North Ewing Street Hamilton, Missouri	Agent/Public Administrator	2011-2014
Christina A. Biggerstaff 8440 Northwest Caldwell Road Kidder, Missouri	Postmistress/Agent	2010-2013
Michael C. Strider P.O. Box 191 Lathrop, Missouri	Bank Executive	2010-2013
James E. Houseworth 17448 LIV 232 Chillicothe, Missouri	Retired	2010-2013
Kipper J. Kleeman 10715 County Road 160 Braymer, Missouri	Farmer/Agent	2009-2012
Walter D. Snyder 3190 Northwest Kendall Road Hamilton, Missouri	Farmer	2009-2012
W. W. Beckett, Jr. 1203 Park Avenue Cameron, Missouri	Businessman/Propane Company Employee	2009-2012

The Board of Directors appoints for a term of one year, the officers of the Company. The officers of the Company serving at December 31, 2011, were as follows:

Michael C. Strider	President
Kipper J. Kleeman	Vice-President
Gina K. Peoples	Secretary
James E. Howell	Treasurer

Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis. It was disclosed as potential conflicts of interest in the statements that five of the nine directors are also agents of the Company.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. On July 16, 2008, the Bylaws were amended to allow for the appointment of an Assistant Treasurer. The Company is following the guidelines established in the Articles of Incorporation and Bylaws.

The minutes of the membership and the Board of Directors' meeting were reviewed for the period under examination. The Board meeting minutes indicate the Board is adequately informed of the Company's operations. The Board formally acknowledged the previous examination report at the October 11, 2006 meeting. Attendance at the Board and annual meeting appeared satisfactory. The minutes and records of the Company appear to properly reflect the corporate transactions and events.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of $75,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between $75,000 and $100,000 in coverage.

The Company carries directors and officers liability coverage with an aggregate limit of $1,000,000 and a $5,000 deductible in aggregate for each claim. The Company requires its agents to purchase their own errors and omission coverage.

The Company carries property insurance on its home office and contents, as well as business liability insurance. The Company also carries workers' compensation coverage for their employees. The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has two full-time employees and one part-time employee. The employees are allowed paid vacation and sick leave. In addition, the Company contributes a percentage of each employee's annual salary into a Simplified Employee Pension account on behalf of each employee. The Company appears to have reported adequate provisions for the benefits in the financial statements.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the DIFP as an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire and wind insurance in all counties in the State of Missouri. The Company writes fire and wind coverages and markets liability coverage through an organizational agreement with its reinsurer. The Company's policies are sold through 6 licensed agents, who receive a 15% commission.

Policy Forms and Underwriting Practices

The Company uses Grinnell Mutual Reinsurance Company policy forms. The policies are written on a continuous period with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections and adjusting of claims are performed by the agents and independent adjusters.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	Admitted Assets	Liabilities	Gross Assessments	Gross Losses Incurred	Investment Income	Underwriting Income	Net Income
2011	$3,846,298	$633,710	$1,124,563	$558,017	$51,913	($9,516)	$34,023
2010	3,606,449	431,082	1,106,998	898,609	58,517	48,248	99,985
2009	3,501,137	425,926	1,080,521	745,754	91,770	27,133	100,345
2008	3,391,730	416,912	1,091,919	658,351	128,785	65,683	161,502
2007	3,240,275	426,778	1,108,716	383,161	143,203	286,313	396,995

At year-end 2011, 1,396 policies were in force.

REINSURANCE

General

The Company's reinsurance premium activity on a direct-written, assumed and ceded basis for the period under examination is shown below:

	2007	2008	2009	2010	2011
Direct	$1,108,716	$1,091,919	$1,080,521	$1,106,998	$1,124,563
Assumed	0	0	0	0	0
Ceded	(292,157)	(316,081)	(273,150)	(309,602)	(272,664)
Net	$816,559	$775,838	$807,371	$797,396	$851,899

Assumed

The Company does not reinsure other companies.

Ceded

The Company is reinsured by Grinnell Mutual Reinsurance Company (the reinsurer) under an individual occurrence of loss excess with aggregate excess plan reinsurance agreement.

The individual occurrence of loss section of the agreement covers fire and wind risks. The Company retains $100,000 per occurrence and the reinsurer's limits are $1,000,000 for

commercial and public property, livestock, poultry and horse operations, farm outbuildings, and dwellings. Risks in excess of these limits may be ceded to the reinsurer on a facultative basis per the agreement provisions. Rates and acceptability of risks ceded under the facultative provisions are determined by the reinsurer on an individual basis. The annual adjusted premium rate paid to the reinsurer for individual occurrence of loss coverage in 2011 was $0.4111 for fire and $0.0537 for wind per $1,000 of adjusted gross fire risks in force.

The aggregate excess section of the agreement covers fire and wind risks. The Company's annual aggregate net retention, or attachment point, is based upon the Company's ten-year average fire loss ratio plus a load, which is mutually agreed upon. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2011 was $546,888 and the annual premium paid was $0.5252 per $1,000 of adjusted gross fire risks in force.

The Company also has an agency organizational agreement with the reinsurer. Under the terms of the agreement, the Company markets liability policies for the reinsurer and receives a 20% commission.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on an accrual basis. Steven Grant, CPA, performs an annual audit of the financial statements and prepares the Company's Annual Statement and federal tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2011, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and noted in the workpapers for each individual annual statement item.

ANALYSIS OF ASSETS
December 31, 2011

Real Estate	$ 72,270
Cash on Deposit	3,665,758
Premium/Assessments/Agent's Balances Receivable	1,849
Reinsurance Recoverable on Paid Losses	95,450
Federal Income Tax Recoverable	341
Interest Due & Accrued	5,800
Prepaid Insurance	3,125
Commission Receivable	1,705
Total Assets	$ 3,846,298

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2011

Net Losses Unpaid	$ 215,191
Ceded Reinsurance Premium Payable	21,353
Unearned Premium	396,801
Payroll Tax Payable	217
Commission Payable	148
Total Liabilities	$ 633,710
Guaranty Fund	$ 100,000
Other Surplus	3,112,588
Total Surplus	3,212,588
Total Liabilities and Surplus	$ 3,846,298

STATEMENT OF INCOME
For the Year Ending December 31, 2011

Net Premiums Earned	$ 860,412
Other Insurance Income	28,984
Net Losses & Loss Adjustment Expenses Incurred	(543,570)
Other Underwriting Expenses Incurred	(355,342)
Net Underwriting Income (Loss)	$ (9,516)
Investment Income	51,913
Gross Profit (Loss)	$ 42,397
Federal Income Tax	(8,374)
Net Income (Loss)	$ 34,023

CAPITAL AND SURPLUS ACCOUNT
December 31, 2011

Policyholders' Surplus, December 31, 2010	$ 3,175,368
Net Income (Loss)	34,023
Change in Non-Admitted Assets	3,197
Policyholders' Surplus, December 31, 2011	$ 3,212,588

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

No subsequent events noted.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees Caldwell County Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) sr
County of Cole)

I, Scott L. Rennick on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Scott Rennick

Scott L. Rennick, CFE, MBA
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 16th day of August, 2012.

My commission expires:

June 29, 2014

Regina L Roberds
Notary Public

REGINA L. ROBERDS
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: June 29, 2014
Commission Number: 10399270

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Mark Nance

Mark Nance, CFE, CPA
Audit Manager
Missouri DIFP