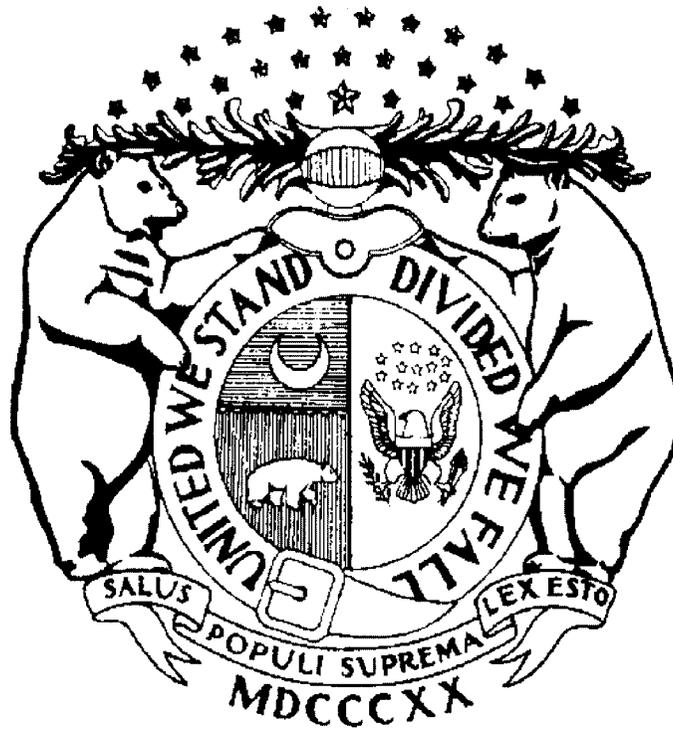


REPORT OF THE  
FINANCIAL EXAMINATION OF  
CAMERON CENTRAL MUTUAL INSURANCE  
COMPANY

AS OF  
DECEMBER 31, 2006



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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May 16, 2007  
Warrensburg, Missouri

Honorable Douglas M. Ommen, 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

### **CAMERON CENTRAL MUTUAL INSURANCE COMPANY**

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 506 North Maguire Suite G, Warrensburg, Missouri 64093, telephone number (660) 747-6166. This examination began on May 14, 2007, and was concluded on May 16, 2007, and is respectfully submitted.

### **SCOPE OF EXAMINATION**

#### **Period Covered**

The prior full-scope examination of the Company was made as of December 31, 2001, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2002, through December 31, 2006, 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 Missouri Department of Insurance 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, 2001, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

#### **Territory and Plan of Operations**

**Comment:** It was recommended the Company add provisions to its agent contracts requiring forms submitted to the home office to be completed in full.

**Company Response:** The Company will amend its agent contracts to include provisions requiring that forms be fully completed when submitted to the home office.

**Current Findings:** The Company amended its agent contracts to require that all forms submitted to the home office be completed in full.

#### **Financial Statements**

**Comment:** It was recommended the Company report its unpaid losses on a gross basis and report

any reinsurance recoverables associated with unpaid losses separately on the Annual Statement. In addition, the Company should ensure that amounts reported on the Annual Statement are accurate.

**Company Response:** The Company will report gross losses and reinsurance recoverables separately on future Annual Statements and will make every effort to ensure the Annual Statement amounts are accurate.

**Current Findings:** The Company appeared to report unpaid losses and reinsurance recoverables properly and accurately during the examination period.

## HISTORY

### General

The Company was originally organized in November 1896 and was incorporated on December 14, 1934, as Johnson County Mutual Insurance Company. In 1989, the Company changed its name to Cameron Central Mutual Insurance Company.

The Company has a Certificate of Authority dated July 1, 1991, 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 fourth Thursday in February at the home office of the Company or at such other place as may be designated by the Board of Directors. Special meetings of the members may be called by a majority vote of the Board of Directors at any time and shall be called upon petition of the lesser of five percent of the members or 500 members. Eight members shall constitute a quorum at any membership meeting. Proxy voting is permitted.

The management of the Company is vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter, and the directors receive a retainer of \$100 per quarter and \$200 per each attended meeting.

Members serving on the Board of Directors as of December 31, 2006, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Kent Osborn P.O. Box 184 Cameron, Missouri	Treasurer – Cameron Insurance Companies	2005-2008
James Joyner 137 SE 13 Highway Warrensburg, Missouri	Insurance Agent	2004-2007
Michael Godby 9393 NE Heritage Hills Cameron, Missouri	Vice President of Marketing Services – Cameron Country Mutual Insurance Company	2005-2008
Darwin G. Copeman 1202 Aerie Lane Cameron, Missouri	President/CEO – Cameron Insurance Companies	2006-2009

John Meehan 2870 Whitney Drive Sedalia, Missouri	Vice President – Third National Bank	2006-2009
David Wiedeman 4251 Eagle Drive Sedalia, Missouri	Realty Sales Broker	2004-2007
Phil Woods 465 SE 601 Warrensburg, Missouri	Feed Store Owner	2004-2007

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, 2006, were as follows:

Kent Osborn	President
James Joyner	Vice-President
Connie Costigan	Secretary/Treasurer
Michael Godby	Assistant Secretary/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. Potential conflicts disclosed included the disclosure of directors being officers of the Company’s reinsurer, and directors also acting as agents for the Company.

**Corporate Records**

A review was made of the Articles of Incorporation and the Bylaws of the Company. Neither the Articles of Incorporation nor the Bylaws of the Company were amended during the examination period.

The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect 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 \$100,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$100,000 and \$125,000 in coverage.

The Company carries directors and officers liability coverage with an aggregate limit of \$3,000,000 and a \$10,000 deductible in aggregate for each claim.

The Company utilizes only independent agents, who are required to furnish documentation of errors and omissions insurance coverage.

The Company rents its home office space and thus does not require building insurance. The Company has a business insurance policy which provides personal property and general liability coverage.

The insurance coverage appears adequate.

**EMPLOYEE BENEFITS**

The Company has eight full-time employees. The Company purchases health and life insurance for

its employees. The Company makes contributions to each employee's 401(k) retirement plan, including a set percentage of each employee's wage and an amount to match contributions made by the employee. The contribution percentage is approved by the Board of Directors on an annual basis. Employees receive one to three weeks of vacation per year, based on years of service, and one day of sick leave per month. The Company appears to have made 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 Missouri Department of Insurance as an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Companies). The Company is authorized to write fire, wind and liability insurance in all counties in the State of Missouri. The Company writes fire, wind and liability coverages. The Company's policies are sold by approximately 43 licensed independent agencies, who receive a commission of 15%.

### **Policy Forms and Underwriting Practices**

The Company uses AAIS policy forms. The policies are renewed annually. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections and adjusting services are performed by employees of the Company. Claims adjusting and inspections are also performed on occasion by independent adjusters and inspectors.

## **GROWTH AND LOSS EXPERIENCE OF THE COMPANY**

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Assessment</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2006	\$5,571,621	\$1,483,621	\$3,588,770	\$4,454,347	\$276,695	\$(1,081,861)	\$(581,763)
2005	5,585,008	1,495,318	3,385,766	1,660,072	256,235	43,171	341,000
2004	5,089,792	2,170,986	2,930,844	1,673,222	189,401	(124,036)	156,313
2003	4,874,339	2,275,629	2,511,938	2,157,740	184,111	(366,594)	(93,571)
2002	4,262,879	1,570,598	1,950,719	863,420	176,310	184,536	291,738

At year-end 2006, 6,244 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:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Direct	\$1,950,719	\$2,511,938	\$2,930,844	\$3,385,766	\$3,588,770
Assumed	0	0	0	0	0
Ceded	<u>(437,119)</u>	<u>(621,441)</u>	<u>(858,464)</u>	<u>(1,071,018)</u>	<u>(1,218,973)</u>
Net	<u>\$1,513,600</u>	<u>\$1,890,497</u>	<u>\$2,072,380</u>	<u>\$2,314,748</u>	<u>\$2,369,797</u>

### **Assumed**

The Company does not reinsure other companies.

### **Ceded**

The Company has all of its reinsurance through Cameron Country Mutual Insurance Company (the reinsurer) under a single reinsurance agreement for both property and casualty risks. The per risk excess of loss section of the agreement pertains to property risks and consists of two layers. Under the first layer, the Company retains \$100,000 per risk and the reinsurer's limit is \$100,000. The second layer

retention is \$200,000 and the reinsurer's limits are \$50,000 for commercial and confinement risks and \$250,000 for all other risks. The reinsurer's combined per occurrence limit for both layers is \$700,000. Risks ceded under the agreement are limited to \$250,000 for commercial and confinement risks and \$450,000 for all other risks. The 2006 premium rate, as a percentage of written premiums, equaled 3.25% for layer one coverage and 2% for layer two coverage.

The catastrophe excess of loss section of the agreement pertains to property risks and consists of two layers. Under the first layer, the Company's retention is \$930,000 per occurrence, and the reinsurer's limit is 95% of \$1,000,000 per occurrence. Under the second layer, the Company's retention is \$1,930,000, and the reinsurer's limit is 100% of \$3,000,000. The reinsurer's annual limits are 95% of \$2,000,000 for the first layer and 100% of \$6,000,000 for the second layer. The 2006 premium rate was \$.1393 and \$.1497 per \$1,000 total insurance in force for layers one and two, respectively.

The aggregate excess of loss section of the agreement pertains to property risks. The reinsurer is liable for 100% of losses in excess of 75% of the Company's net written premium, with no annual limit. The 2006 reinsurance rate was 7% of written premium.

The contract has a liability quota share section for liability risks. The Company cedes 100% of the liability risks and premium to the reinsurer and receives a 22% ceding 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. The Company prepares its annual statement and statutory filings. The firm of Marberry, Miller & Bales, CPAs, prepares the Company's tax filings.

#### **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2006, 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, 2006**

Bonds	\$ 4,521,079
Cash on Deposit	734,028
Reinsurance Recoverable on Paid Losses	4,511
Federal Income Tax Recoverable	209,418
Interest Due and Accrued	54,065
Other Assets	48,520
	-----
Total Assets	<u><u>\$ 5,571,621</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2006**

Net Losses Unpaid	\$ 135,972
Net Unpaid Loss Adjusting Expenses	14,000
Ceded Reinsurance Premium Payable	33,777
Unearned Premium	1,235,106
Premium Tax Payable	1,990
Commissions Payable	62,776
	-----
Total Liabilities	\$ 1,483,622
	-----
Guaranty Fund	\$ 692,200
Other Surplus	3,395,799
	-----
Total Surplus	4,087,999
	-----
Total Liabilities and Surplus	<u><u>\$ 5,571,621</u></u>

**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2006**

Premiums Earned	\$ 2,371,119
Other Insurance Income	234,057
Net Losses & Loss Adjustment Expenses Incurred	(2,606,154)
Other Underwriting Expenses Incurred	(1,080,884)
	-----
Net Underwriting Income (Loss)	\$ (1,081,861)
	-----
Investment Income	\$ 276,695
Other Income	223,403
	-----
Gross Profit (Loss)	\$ (581,764)
Federal Income Tax	(0)
	-----
Net Income (Loss)	\$ (581,764)
	=====

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2006**

Policyholders' Surplus, December 31, 2005	\$ 4,089,690
Net Income (Loss)	(581,764)
Policyholder Surplus From Merger	580,073
	-----
Policyholders' Surplus, December 31, 2006	\$ 4,087,999
	=====

**NOTES TO THE FINANCIAL STATEMENTS**

There were no notes to the financial statements.

**EXAMINATION CHANGES**

There were no examination changes.

**GENERAL COMMENTS AND RECOMMENDATIONS**

There were no general comments or recommendations.

**SUBSEQUENT EVENTS**

None.



# CAMERON CENTRAL MUTUAL INSURANCE COMPANY

506 N MAGUIRE  
PHONE: 660-747-6166

WARRENSBURG, MISSOURI 64093

PO BOX 597  
FAX: 660-747-6630

July 25, 2007

Frederick G. Heese, CFE, CPA  
Acting Chief Financial Examiner  
Department of Insurance  
PO Box 690  
Jefferson City, Mo. 65102-0690

Dear Mr. Heese,

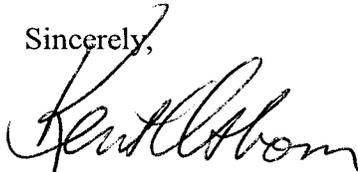
On behalf of Cameron Central Mutual Insurance Company, I thank you for the recent exam of our company. It was performed in an efficient and timely manner. Examiner Shannon Schmoeger was very pleasant and professional. It was a pleasure working with him.

The Examination Report has been received and reviewed. One minor correction needs to be made. The company phone number shown on page one of the exam is incorrect. It should read 660-747-6166.

The exam report did not contain any general comments or recommendations. There is no correction action to be taken.

This response may be included in the report as a public document.

Sincerely,



Kent Osborn, President  
Cameron Central Mutual Insurance Company  
506 N. Maguire  
PO Box 597  
Warrensburg, Mo. 64093

RECEIVED  
JUL 30 2007  
INSURANCE SOLVENCY  
&  
COMPANY REGULATION