

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Cameron Mutual Insurance Company for the period ended
December 31, 2010

ORDER

After full consideration and review of the report of the financial examination of Cameron Mutual Insurance Company for the period ended December 31, 2010, 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 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Cameron Mutual Insurance Company as of December 31, 2010, be and is hereby ADOPTED as filed and for Cameron 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 by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 12th day of March, 2012.



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

REPORT OF THE
FINANCIAL EXAMINATION OF
CAMERON MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2010



FILED
MAR 22 2012
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

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Cameron, MO
February 9, 2012

Honorable Joseph Torti, III, Deputy Director and
Superintendent of Banking and Insurance
Rhode Island Department of Business Regulation
Chair, NAIC Financial Condition (E) Committee

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Midwestern Zone Secretary

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Gentlemen:

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

Cameron Mutual Insurance Company

hereinafter referred to as such, as Cameron Mutual, as CMIC, or as the Company. Its administrative office is located at 214 McElwain Drive, Cameron, MO 64429, telephone number 816-632-6511. The fieldwork for this examination began on April 4, 2011, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed our full scope association financial examination of Cameron Mutual Insurance Company. The last examination was completed as of December 31, 2007 and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zone participating. This examination covers the period of January 1, 2008 through December 31, 2010 and was performed concurrently with the examination of the Company's subsidiary, Cameron National Insurance Company (Cameron National or CNIC). The examination also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report. The current examination was conducted by examiners from the State of Missouri representing the Midwestern Zone of the NAIC with no other zones participating.

Procedures

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (the MO DIFP) and statutes of the State of Missouri prevailed. 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, inherent risks within the Company, and system controls and procedures used to mitigate those risks. This examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. Key activities for Cameron Mutual included: Claims and Reserving, Investments, Premiums and Underwriting, Related Party Transactions, Reinsurance, Expenses, and Federal Income Taxes.

Reliance Upon Others

The examination relied heavily upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, Clifton Gunderson, LLP, of West Des Moines, Iowa for its audits covering the periods from January 1, 2009 through December 31, 2009 and January 1, 2010 through December 31, 2010. Information relied upon included fraud risk analysis, attorney letters, control and substantive testing, and narrative descriptions of processes and controls.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2010 through the date of this report.

COMPANY HISTORY

General

Cameron Mutual was incorporated on April 26, 1892, as The Farmers Mutual Tornado and Windstorm Association of the Third Congressional District of Missouri. At that time, the company was operating under Missouri Law at Chapter 380, as a county mutual insurance company. The present name was adopted on February 22, 1968. Effective March 22, 1984, Cameron Mutual was converted to a general mutual organization and operates under Chapter 379 RSMo. Cameron Mutual is a member of a holding company system of which it is the ultimate parent entity.

Capital Contributions

No capital contributions were received during the current examination period.

Dividends

Cameron Mutual is owned by its policyholders. There were no dividends declared or paid during the examination period.

Mergers and Acquisitions

Effective January 3, 2008, the Company merged with Cameron Country Mutual Insurance Company with Cameron Mutual being the surviving entity.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws for the examination period. The Articles of Incorporation were amended, effective March 11, 2010, to remove the age limitation for Board members and to provide for the mandatory indemnification of officers and directors in legal proceedings. The Bylaws were amended, effective June 15, 2010, to provide for the positions of Chief Financial Officer and a Senior Vice President.

The minutes of the Board of Directors' meetings, committee meetings, and policyholder meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board Directors which is appointed by the policyholders. The Company's Articles of Incorporation specify that the Board of Directors shall consist of nine members. The Board of Directors appointed and serving as of December 31, 2010 was as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Gary W. Black	Trenton, MO	Partner and Agent, Robbins and Black Agency Secretary, Grundy County Farmers Mutual
Gayle W. Cobb	Clever, MO	Agent, Fortner Insurance Services, Inc.
Robert L. Cummings	Springfield, MO	Certified Public Accountant and Partner, Roberts, McKenzie, Mangan & Cummings, P.C.
Paul E. Heacock	Overland Park, KS	Chief Information Officer, MutualAid eXchange
Gary D. Myers	Cameron, MO	President and Chief Executive Officer, CMIC
Doyle W. Nimmo	Buffalo, MO	President and Agent, Nimmo Insurance Agency
Neil G. Nuttall	Trenton, MO	President, North Central Missouri College
L. Kent Osborn ¹	Cameron, MO	Treasurer, Cameron Mutual
William R. Settles	Dexter, MO	Retired President, County Wide Insurance & Real Estate, Inc.

Principal Committees

The Bylaws allow the Board of Directors to appoint an Executive Committee and other committees as deemed appropriate. The following committees were appointed as of December 31, 2010:

Executive Committee

Gary D. Myers (Chairman)
Neil G. Nuttall
Robert L. Cummings
Gayle W. Cobb
Gary W. Black

Corporate Governance Committee

Paul Heacock (Chairman)
L. Kent Osborn
William R. Settles
Gary D. Myers (ex-officio)

¹ L. Kent Osborn retired from his position as Treasurer effective on March 9, 2011 but retained his position on the Board.

Audit Committee

Robert L. Cummings (Chairman)
 William R. Settles
 Paul E. Heacock
 Gary D. Myers (ex-officio)

Product/Pricing Committee

Gary W. Black (Chairman)
 Doyle W. Nimmo
 Gayle W. Cobb
 Gary D. Myers (ex-officio)

Compensation Committee

Neil G. Nuttall (Chairman)
 Gayle W. Cobb
 Doyle W. Nimmo
 Gary D. Myers (ex-officio)

Senior Officers

The officers elected by the Board of Directors and serving as of December 31, 2010 were as follows:

Officer

Gayle W. Cobb
 Gary D. Myers
 L. Kent Osborn²
 Ronald L. Koester
 Andrea L. Lockridge
 Dianne L. Priest
 C. Scott Massey
 Pat H. Eivins³
 Robert L. Winder
 Richard G. Hatten
 Douglas E. Paden
 Richard J. Kline
 Bradley M. Fowler
 Michael J. Godby³
 Randal L. Gould
 C. Dale Sowards
 Douglas E. Cunio

Position

Chairman of the Board
 President and Chief Executive Officer
 Treasurer
 Chief Financial Officer
 Corporate Secretary and General Counsel
 Assistant Secretary
 Vice President - Accounting
 Vice President - Information Systems
 Vice President - Research and Development
 Vice President - Personal Underwriting
 Vice President - Marketing
 Executive Vice President
 Senior Vice President
 Vice President - Farm Underwriting
 Vice President - Commercial Underwriting
 Assistant Vice President - Accounting
 Assistant Vice President - Claims

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by the parent company, CMIC, for each year of the examination period. Cameron Mutual does not have any stockholders or a controlling entity due to its formation as a mutual

²L. Kent Osborn retired effective March 9, 2011. Ronald Koester became Treasurer upon his retirement.

³ Michael Godby and Pat Eivins left the Company on January 14th and June 16th 2011, respectively.

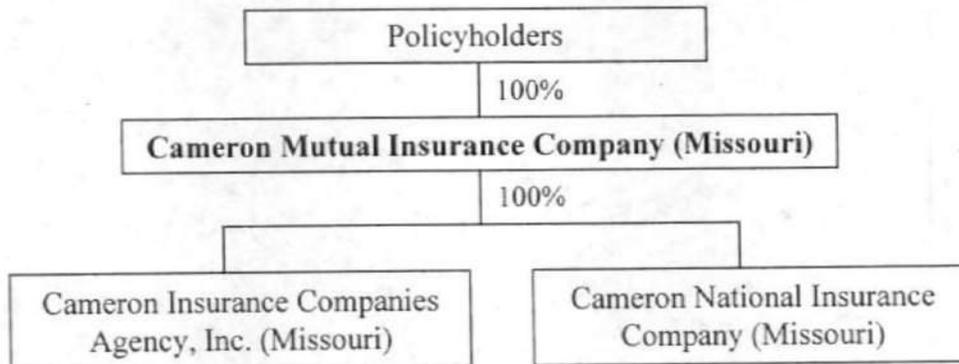
insurer. The Company is ultimately controlled by its policyholders, which elect the Board of Directors.

The Company has two subsidiaries, which are described below:

- Cameron National Insurance Company – A Missouri domiciled property and casualty insurer that was acquired in 1989. CNIC operates in Missouri, Arkansas, and Iowa. All of CNIC’s business is ceded to CMIC.
- Cameron Insurance Companies Agency, Inc. (CIC Agency) – A Missouri licensed insurance agency that assists the independent agents of Cameron Mutual and Cameron National by placing risks for products not offered by either company. CIC Agency also assists the marketing efforts for the agency force and manages some insurance policies for the Company’s employees.

Organizational Chart

The following chart depicts the ownership and affiliates of the Company as of December 31, 2010.



Intercompany Transactions

Intercompany agreements that were in effect as of December 31, 2010 are outlined below.

1. **Type:** Contract for Services
Parties: CMIC and Cameron National
Effective: January 1, 2009. Replaced July 2002 Agreement.
Terms: Cameron Mutual agrees to provide services, including but not limited to, underwriting, research and development, legal, data processing and reporting, accounting, marketing, claims adjusting, management, communications and other miscellaneous services and support necessary for the operations of Cameron National. Fees due to Cameron Mutual for services provided will be computed and assessed by taking the gross policy count of Cameron National

divided by the gross combined policy count of both companies for the same period and applying this percentage to the total costs of services and support. Invoicing will be on a retrospective monthly basis with payment due to Cameron Mutual within 15 business days following receipt of the statement of charges. Cameron National will be charged for inventory, supplies, and expense directly attributable to its operations on a cost basis.

2. **Type:** Tax Allocation Agreement
Parties: CMIC and Cameron National
Effective: December 31, 2002
Terms: The parties to the Agreement will annually file a consolidated federal income tax return commencing with the 2002 tax year. Each entity's share of the consolidated tax liability or refund shall be calculated as the amount that would have been incurred if each entity would have filed a separate tax return. Settlements are due within 10 days after receiving notice of the amount due from CMIC or receipt of any tax refunds from the Internal Revenue Service.

3. **Type:** Contract for Services
Parties: CMIC and Cameron Insurance Companies Agency, Inc
Effective: January 1, 2010. Replaced similar January 1, 2007 Agreement.
Terms: Cameron Mutual agrees to provide various services for the overall operation of CIC Agency including legal, electronic data processing, accounting, management support, and office space. CIC Agency will be assessed a charge for all communication services, equipment, general office supplies, and other miscellaneous services and supplies as may be needed, as well as salaries, benefits and other personnel expenses on a basis of cost incurred. Rent for use of space will be \$230.91 per month, based upon an analysis of expenses and square footage space used for the CIC Agency. Charges for all services will be billed each month, within 30 business days of the end of the month and CIC Agency is to pay within 30 business days of the receipt of a statement of charges. An annual review will be performed after each year to determine if the amounts paid by CIC Agency differ from the actual costs incurred to provide the services. If necessary, a true-up adjustment will be paid to either party, as applicable.

4. **Type:** Tax Allocation Agreement
Parties: CMIC and Cameron Insurance Companies Agency, Inc.
Effective: December 31, 2005
Terms: The parties to the Agreement will annually file a consolidated federal income tax return commencing with the 2005 tax year. Each entity's share of the consolidated tax liability or refund shall be calculated as the amount that would have been incurred if each entity would have filed a separate tax return. Settlements are due within 10 days after receiving notice of the amount due from CMIC or receipt of any tax refunds from the Internal Revenue Service.

In addition to the above listed agreements, Cameron Mutual has a reinsurance agreement with CNIC which is described in the Reinsurance section of this report.

The following table summarizes the amounts earned by CMIC from its subsidiaries during the examination period pursuant to the currently effective intercompany Contract for Services agreements.

<u>Affiliate</u>	<u>Agreement</u>	2008	2009	2010
Cameron National	Contract for Services	\$0	\$1,492,120	\$1,731,486
CIC Agency	Contract for Services	<u>36,545</u>	<u>36,054</u>	<u>89,572</u>
TOTAL		<u>\$36,545</u>	<u>\$1,528,174</u>	<u>\$1,821,058</u>

FIDELITY BOND AND OTHER INSURANCE

Cameron Mutual Insurance Company and other affiliated entities are named insureds on a standard financial institution bond providing fidelity and crime coverage with an aggregate liability limit of \$1 million and a \$10,000 deductible. This level of coverage exceeds the suggested minimum amount of fidelity insurance per NAIC guidelines.

The Company is also a named insured on a number of other insurance policies including property coverage, general liability, employee benefits liability, commercial auto, directors and officers liability, employment practices, umbrella liability, and workers compensation.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

A defined contribution pension plan is offered to eligible employees, under which the Company contributes 5% of an employee's annual compensation each year. The Company also offers a 401(k) savings plan to eligible employees under which the Company matches 25% of the first 10% of the compensation an employee contributes through salary deferral.

A special retirement/severance plan was offered to employees in 2010 in an effort to reduce personnel costs and improve productivity. The Voluntary Incentive Program (VIP) offered enhanced severance benefits for eligible employees. Fourteen individuals were approved and accepted this offer with their last working day on October 22, 2010. The Company has accrued a liability for these benefits.

The Company also offers a variety of standard employee benefits including the following insurance plans: health, dental, vision, life, cancer insurance, short-term disability, and long-term disability. Other benefits include vacation, sick leave, cafeteria plan savings, a Missouri 529 college saving plan, and a bonus compensation performance plan payable to all employees based upon achievement of Company performance objectives for the prior year.

It appears the Company has made adequate provisions in its financial statements for the above mentioned employee benefits.

TERRITORY AND PLAN OF OPERATIONS

Cameron Mutual is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other than Life). The Company is also licensed in Arkansas, Illinois, Iowa, and Kansas. However, CMIC only writes direct business in Missouri and Arkansas under the current business plan. Additional premiums are assumed from the Company's subsidiary, Cameron National, which writes business in Missouri, Arkansas, and Iowa.

Missouri accounted for 75% of direct written premiums in 2010 and Arkansas accounted for the remaining 25%. The major lines of business, based upon direct written premiums, are listed below:

<u>Line of Business</u>	<u>As a % of 2010 Direct Written Premiums</u>
Homeowners Multiple Peril	20.4%
Private Passenger Auto Liability	15.3%
Commercial Multiple Peril	14.5%
Private Passenger Auto-Damage	12.8%
Farmowners Multiple Peril	10.5%
All Other Lines	<u>26.5%</u>
Total	100.0%

Cameron Mutual and Cameron National have a combined network of approximately 382 insurance agencies that produce business. CIC Agency, a subsidiary, acts as an intermediary for agencies looking for life and health coverage from other companies and manages some policies for Cameron employees.

GROWTH OF THE COMPANY AND LOSS EXPERIENCE

Although the direct and gross (direct plus assumed) premiums written experienced only relatively minor fluctuations for the years under examination, net written premiums (after assumed and ceded reinsurance) have declined since 2008. The Company eliminated the writing of earthquake insurance at the end of 2007. Beginning April 1, 2009, the Company ceded business under a quota share reinsurance agreement which was the primary cause of the declines in net premium. Given the Company's stated goal to improve its leverage ratios, it is expected its net written premiums will continue to decrease. Loss ratios in 2008 and 2009 reflected high storm frequency and severity. With decreased storm activity, 2010 loss ratios improved; however, year-to-date 2011 loss ratios are again higher due to significant storm activity. Although the Company's combined loss ratio (net loss, loss adjustment expenses, and other

underwriting expenses incurred to premium earned) declined from 2008 to 2009 to 2010 due to decreasing storm activity, this was partially offset by a significant increase in other underwriting expenses in 2010, caused largely by an increase in ceded reinsurance premiums and an accrual stemming from retirements arising from a Voluntary Incentive Program.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross Written Business	70,308,805	72,518,726	71,352,192
Net Written Premiums	62,336,817	49,005,817	49,535,489
Net Income (Loss)	(12,217,143)	(664,370)	(295,994)
Net Loss & LAE Reserves	27,502,470	25,752,475	23,322,861
Total Capital and Surplus	32,272,352	29,847,514	30,127,320
Total Admitted Assets	92,633,773	83,222,330	81,446,135
Gross Written Premium to Surplus	217.9%	243.0%	236.8%
Net Written Premium to Surplus	193.2%	164.2%	164.4%
Net Loss & LAE Reserves to Surplus	85.2%	86.3%	77.4%
Net Loss & LAE Incurred to Premium Earned	92.8%	82.7%	67.3%
Other Underwriting Expenses to Premium	35.9%	35.2%	41.4%
Combined Ratio	128.6%	117.8%	108.7%

REINSURANCE

General

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Direct Business	\$63,083,461	\$62,551,353	\$60,158,855
Reinsurance Assumed			
Affiliates	7,225,344	9,111,649	10,368,087
Non-affiliates	0	855,724	825,250
Reinsurance Ceded:			
Affiliates	0	0	0
Non-affiliates	(7,971,988)	(23,512,909)	(21,816,703)
Net Premiums Written	<u>\$62,336,817</u>	<u>\$49,005,817</u>	<u>\$49,535,489</u>

Assumed

Cameron Mutual has a quota share reinsurance agreement, effective January 1, 2009 with Cameron National to assume 100% of the net premiums and losses from the various policies issued by Cameron National. Cameron National retains all loss adjustment expenses except direct cost and containment expenses. The assumed lines of business include homeowners, farmowners, businessowners, personal automobile, and business automobile. Cameron National receives a ceding commission of 39.5% (36.3% effective January 1, 2010) on all premiums assumed by Cameron Mutual.

In addition, Cameron Mutual assumes casualty business from twelve Missouri farm mutual insurers. This business began in 2008 and results from reinsurance agreements of the former Cameron Country Mutual Insurance Company. Cameron Country was merged into Cameron Mutual effective January 3, 2008. The Company has 100% quota share agreements with the farm mutual insurers to assume only casualty business which covers farm liability, personal liability, homeowner's liability and general liability.

Ceded - General

Cameron Mutual's reinsurance program consists mainly of excess of loss coverage for property and casualty risks, property catastrophe coverage on an excess and aggregate basis, and an all risk quota share cover. The risks to Cameron Mutual on an individual policyholder basis are large property or liability losses due to various perils. The main catastrophic risks are losses to a large number of policyholders that could result from severe storms producing high winds, hail, and tornadoes. The reinsurance coverages obtained in the Company's reinsurance agreements attempt to mitigate these risks.

The Company uses the intermediary, AON Benfield, Inc., to perform the brokerage services to place the risks within the reinsurance program. Most reinsurance agreements are executed each year for all coverages on a calendar year basis. All reinsurance agreements are joint agreements that include the policies assumed from the Company's subsidiary, Cameron National. Thus, the retentions and limits that are described below are the combined amounts for Cameron Mutual direct and the assumption of Cameron National's policies.

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

Ceded - Reinsurance Program

The Company has a three layer multi-line excess of loss reinsurance agreement as of December 31, 2010. The Company's retention is \$225,000 per risk for property business and \$225,000 per occurrence for casualty business. The three layers of reinsurance cover up to \$3,775,000 of losses in excess of the Company's retention and are as follows: first layer is \$275,000; second layer is \$500,000; and third layer is \$3,000,000. The property coverages have per occurrence

reinsurance limits of \$825,000 (three risks maximum) for the first layer; \$1,000,000 for the second layer (two risks maximum) and \$3,000,000 (one risk maximum) for the third layer.

Cameron Mutual has a three layer property catastrophe excess reinsurance agreement. Cameron Mutual's retention is \$3,000,000 per occurrence. The reinsurers shall provide three layers of reinsurance cover up to \$32,000,000 of losses in excess of the Company's retention, as follows: first layer is \$7,000,000; second layer is \$10,000,000; and third layer is \$15,000,000.

The Company has entered into a property catastrophe aggregate. The Company shall retain the first \$7,000,000 with the excess; up to \$10,000,000 being ceded to a pool of outside reinsurers.

The Company has a multi-line quota share agreement whereby the Company shall retain 80% of its net liability and the residual 20% is reinsured to one authorized reinsurer. The liability of the Reinsurer shall not exceed any of the following (exclusive of loss adjustment expense): As respects property business: \$45,000 any one risk, each loss; \$ 450,000 as respects all risks involved in any one loss occurrence. As respects casualty business: \$45,000 any one loss occurrence; as respects losses arising out of "acts of terrorism", \$450,000 in all occurrences during the term of this contract.

Cameron Mutual entered into a Property Facultative Excess of Loss binding agreement. The Company's retention is \$2,000,000 each risk. The reinsurer's retention limit shall be \$4,000,000 each risk, each occurrence in excess of the Company's net and treaty retention on each risk, each occurrence. The maximum liability of the reinsurer for all risks, any one occurrence shall be \$8,000,000.

The Company has an Umbrellas Quota Share agreement whereby Cameron Mutual retains 5% of all umbrella policies up to \$1,000,000. Excess over the \$1,000,000, up to \$4,000,000 have been ceded to one authorized reinsurer.

As of January 1, 2011, the Company's basic reinsurance program has remained the same; however, various retention limits have changed as follows.

- On the three layer multi-line excess of loss cover, per risk (property) and per occurrence (liability) the Company's retention was increased from \$225,000 to \$300,000 in 2011. On the first layer, the reinsurer's retention has decreased from \$275,000 to \$200,000. All other layers remain the same.
- On the property catastrophe excess cover, the Company's retention of \$3,000,000 has remained the same, however, the reinsurers shall now provide three layers of reinsurance cover up to \$22,000,000 of losses in excess of the retention, as follows: first layer is \$5,000,000; second layer is \$7,000,000; and third layer is \$10,000,000.
- On the Multi-Line Net Quota Share, the Company now retains 85% of its net liability with the remaining 15% being ceded to one authorized reinsurer.

ACCOUNTS AND RECORDS

Cameron Mutual's significant business applications are accessed through various servers which run either Microsoft Window Server 2003 or Windows Server 2008 Enterprise. The Company also has an IBM Z10 mainframe with operating system z/VSE 4.2.1.

Financially significant software applications used by the Company include PTE Financial General Ledger, by StoneRiver Insurance Solutions, (formerly known as Fiserv Insurance Solutions) for general ledger and accounting functions. Also by StoneRiver is eFreedom used in the preparation and filing of statutory financial statements. Sungard iWorks EPS is used in the tracking and preparation of investment schedules and Sage FAS Software is used for Fixed Assets. Policy management is handled by TFG Policy/Billing from StoneRiver and AIM/v5.7.19 from Vertifore. Claims Management systems used are ImageRight by Vertifore and TFG Claims by StoneRiver. A Claims Query system was developed internally and pulls from the TFG Claims System. In addition, various versions of Microsoft Office are used and running on all workstations.

The CPA firm, Clifton Gunderson, LLP, of West Des Moines, Iowa issued audited statutory financial statements of the Company for all years in the examination period.

The actuarial opinion regarding the Company's reserves for losses and loss adjustment expenses was issued by Alan J. Hapke, FCAS, MAAA, of Streff Insurance Services in Stilwell, Kansas for all years in the examination period. This consulting actuary was appointed by the Board of Directors to render the opinion.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the MO DIFP as of December 31, 2010, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with RSMo Section 379.098 (Securities to be Deposited).

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Inflation Index Bond	\$1,200,000	\$1,225,443	\$1,318,685

Deposits with Other States

The Company was not required to deposit funds with any other state.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Cameron Mutual Insurance Company for the period ending December 31, 2010. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statement Items." The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual activity.

Assets

	<u>Assets</u>	<u>Non- Assets</u>	<u>Net Assets</u>
Bonds	\$45,153,054		\$45,153,054
Common Stocks	9,982,931		9,982,931
Real Estate: Properties Occupied by the Company	687,704		687,704
Cash and Short-term Investments	8,387,913		8,387,913
Investment Income Due and Accrued Uncollected Premiums and Agents' Balances in the Course of Collection	434,461		434,461
Deferred Premiums, Agent Balances, and Installments Booked and Not Yet Due	1,222,497		1,222,497
Amounts Recoverable from Reinsurers	11,383,961		11,383,961
Current Federal Income Tax Recoverable	806,895		806,895
Net Deferred Tax Asset	259,301	822,225	1,590,416
Guaranty Funds Receivable or on Deposit	2,412,641		234,000
EDP Equipment and Software	234,000	58,811	840,291
Furniture and Equipment	899,102	33,978	0
Receivable from Parent, Subsidiaries and Affiliates	33,978		252,676
Aggr. Write-Ins for Other than Invested Assets: Automobiles	252,676		210,035
TOTAL ASSETS	<u>\$82,361,149</u>	<u>\$915,014</u>	<u>\$81,446,135</u>

Liabilities, Surplus and Other Funds

Losses	\$19,821,256
Loss Adjustment Expenses	3,501,605
Commissions Payable, Contingent Commissions and Other Similar Charges	1,926,619
Other Expenses (Excluding Taxes, Licenses and Fees)	1,340,901
Taxes, Licenses and Fees (Excluding Federal and Foreign Income Taxes)	557,286
Unearned Premiums	19,945,399
Advance Premium	528,511
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	721,898
Funds Held by Company Under Reinsurance Treaties	3,544
Amounts Withheld or Retained by Company for Account of Others	173,243
Drafts Outstanding	2,150,603
Payable to Parent, Subsidiaries and Affiliates	734
Aggregate Write-Ins for Liabilities:	
Unclaimed Checks	74,240
Unclaimed Drafts	461,286
Earned but Unbilled Premium Credits	111,690
TOTAL LIABILITIES	51,318,815
Safety Fund	1,600,000
Unassigned Funds (Surplus)	28,527,320
Surplus as Regards Policyholders	30,127,320
TOTAL LIABILITIES AND SURPLUS	\$81,446,135

Statement of Income

Underwriting Income:	
Premiums Earned	\$50,496,422
Deductions:	
Losses Incurred	29,607,820
Loss Adjustment Expenses Incurred	4,396,750
Other Underwriting Expenses Incurred	20,881,473
Net Underwriting Gain or (Loss)	(4,389,621)
Investment Income:	
Net Investment Income Earned	2,289,711
Net Realized Capital Gains or (Losses)	49,086
Net Investment Gain or (Loss)	2,338,797
Other Income:	
Net Gain or (Loss) from Agents' or Premium Balances Charged Off	(127,575)
Finance and Service Charges Not Included in Premiums	1,614,180
Aggregate Write-ins for Miscellaneous Income	3,729
Total Other Income	1,490,334
Net Income Before Federal and Foreign Income Taxes	(560,490)
Federal and Foreign Income Taxes Incurred	(264,496)
NET INCOME	(\$295,994)

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2009	\$29,847,517
Net Income	(295,994)
Change in Net Unrealized Capital Gains or (Losses)	940,903
Change in Net Deferred Income Tax	(187,547)
Change in Nonadmitted Assets	(128,429)
Increased Surplus from Paragraph 10.e of SSAP 10R Election	(49,130)
Net Change in Surplus as Regards Policyholders for 2010	279,803
Surplus as Regards Policyholders, December 31, 2010	<u>\$30,127,320</u>

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF RECOMMENDATIONS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Cameron Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Karen Baldree, CFE, Timothy Carroll, Al Garon, CFE, Barbara Bartlett, CFE, and Valerie Hastings, AFE, examiners for the MO DIFP, participated in this examination. The firm, Expert Actuarial Services, LLC also participated as consulting actuaries.

VERIFICATION

State of Missouri)
County of)

I, Vicki L. Denton, CFE, 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 facts appearing upon the books, records or other documents of Cameron Mutual Insurance 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.

Vicki L. Denton
Vicki L. Denton, CFE
Examiner-In-Charge
MO DIFP

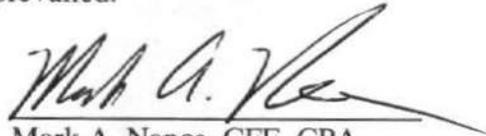
Sworn to and subscribed before me this 9th day of February, 2012.

My commission expires: 04/14/2012 Beverly M. Webb
Notary Public

BEVERLY M. WEBB
Notary Public - Notary Seal
STATE OF MISSOURI
County of Clay
My Commission Expires 4/14/2012
Commission # 08464070

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, except where practices, procedures and applicable regulations of the MO DIFP and statutes of the State of Missouri prevailed.



Mark A. Nance, CFE, CPA

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration