

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 National Insurance Company for the period ended
December 31, 2010

ORDER

After full consideration and review of the report of the financial examination of Cameron National 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 National Insurance Company as of December 31, 2010, be and is hereby ADOPTED as filed and for Cameron National 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.



A handwritten signature in black ink, appearing to read "John M. Huff".

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

REPORT OF THE
FINANCIAL EXAMINATION OF
CAMERON NATIONAL 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 National Insurance Company

hereinafter referred to as such, as Cameron National, as CNIC, 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 National 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 parent, Cameron Mutual Insurance Company (Cameron Mutual or CMIC). 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 National 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 National, formerly known as Eagle National Assurance Company, was organized on February 14, 1983, and was a part of the Iowa National Group. Cameron Mutual Insurance Company acquired Cameron National in 1989. In September of 1997, all agent contracts were cancelled and starting December of 1997, business was non-renewed. As of December 1998, there was no business left on the Company's books. On December 8, 2000, Cameron National redomiciled from the state of Iowa to Missouri. Cameron National operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life).

Capital Contributions

No capital contributions were received during the current examination period.

Dividends

There were no dividends paid or declared to the sole shareholder during the examination.

Mergers and Acquisitions

No mergers or acquisitions involving Cameron National occurred during the examination period.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws for the examination period. There were no amendments or changes to the Articles of Incorporation during the period under examination. The Bylaws were amended effective September 14, 2010 to remove the age limitation for Board members.

The minutes of the Board of Directors’ meetings, committee meetings, and stockholder 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 of Directors which is appointed by the shareholder. 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
Gayle W. Cobb	Clever, MO	Secretary, Grundy County Farmers Mutual
Robert L. Cummings	Springfield, MO	Agent, Fortner Insurance Services, Inc. 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, CNIC
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 National
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:

<u>Officer</u>	<u>Position</u>
Gayle W. Cobb	Chairman of the Board
Gary D. Myers	President and Chief Executive Officer
L. Kent Osborn ²	Treasurer
Andrea L. Lockridge	Corporate Secretary
Richard J. Kline	Executive Vice President

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.

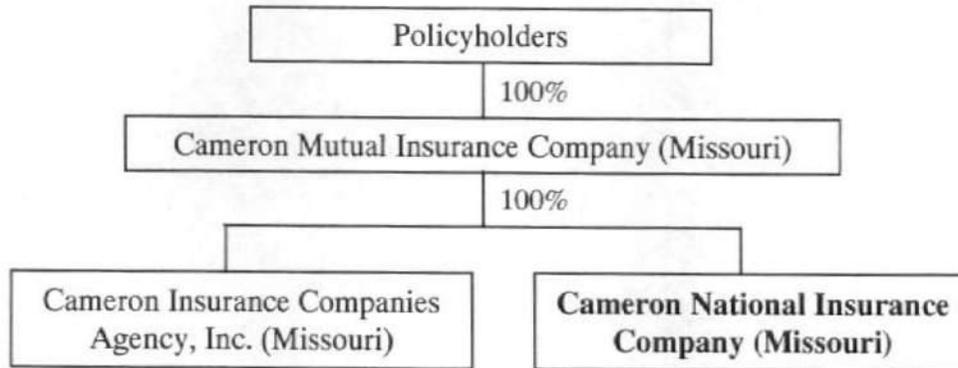
The common stock of Cameron National is wholly owned by Cameron Mutual, a Missouri domiciled property and casualty insurer incorporated in 1892. All personnel are employed by Cameron Mutual. The operating plan for CMIC and CNIC is described in the Insurance Products and Related Practices section of this report.

The other affiliated company in the holding company system is Cameron Insurance Companies Agency, Inc. (CIC Agency). CIC Agency is 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 CMIC employees.

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

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.

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

The following table summarizes the amounts incurred by CNIC during the examination period pursuant to the currently effective intercompany Contract for Services agreement with CMIC.

<u>Affiliate</u>	<u>Agreement</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cameron National	Contract for Services	\$0	\$1,492,120	\$1,731,486

FIDELITY BOND AND OTHER INSURANCE

Cameron National Insurance Company is a named insured along with other affiliated entities 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, and umbrella liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

CNIC does not have any direct employees. All employees are employed by the parent company, CMIC, with costs reimbursed under the Contract for Services Agreement.

CMIC offers the following retirement benefits to its employees: a defined contribution pension plan and a 401(k) savings plan with partial match. A special retirement/severance plan was offered to CMIC employees in 2010 in an effort to reduce personnel costs and improve productivity. CMIC also offers its employees a variety of standard employee benefits which include 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 National 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, Kansas, and Nebraska. However, CNIC only writes direct business in Missouri, Arkansas, and Iowa under the current business plan.

Missouri accounted for 76.6% of direct written premiums in 2010 with 18.9% written in Iowa and 4.5% in Arkansas. The major lines of business, based upon direct written premiums, are listed below:

<u>Line of Business</u>	<u>Percentage of 2010 Direct Written Premiums</u>
Auto Physical Damage	47.5%
Private Passenger Auto Liability	42.3%
Homeowners Multiple Peril	4.8%
All Other Lines	<u>5.4%</u>
Total	100.0%

The Company writes preferred auto business in Missouri and Arkansas. The parent company, Cameron Mutual, writes the standard auto risks and all other lines of business in those two states. Cameron National began writing business in Iowa in 2006. Product lines in Iowa include personal auto, business auto, homeowners, farm-owners and commercial. The Company cedes 100% of its direct written premiums to Cameron Mutual, pursuant to a reinsurance agreement that is described in the Reinsurance section of this report.

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

GROWTH OF THE COMPANY AND LOSS EXPERIENCE

The Company continued to grow during the current examination period in terms of Direct Premiums, Capital & Surplus, and Total Admitted Assets. This growth was due in part to its expansion into Iowa where it writes all lines of property and casualty business. The Company cedes 100% of its premiums to its parent, Cameron Mutual Insurance Company pursuant to a Quota Share Reinsurance Agreement. The Company showed modest net income for each year of the period under examination.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Direct Written Premiums	8,271,972	9,718,314	10,664,349
Net Income (Loss)	394,760	592,951	295,872
Total Capital and Surplus	5,676,343	6,270,126	6,694,572
Total Admitted Assets	11,272,088	12,656,700	13,861,188
Direct Written Premium to Surplus	145.7%	155.0%	159.3%

REINSURANCE

Cameron National does not assume any business.

Cameron National cedes 100% of the net premiums and losses from the various policies it issues to its parent, Cameron Mutual. Cameron National is also a named reinsured on several joint reinsurance agreements with its parent, Cameron Mutual. The risks of both entities are combined for the reinsurance agreements that are executed each year. A complete description of the joint reinsurance agreements is included in the examination report for Cameron Mutual.

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.

ACCOUNTS AND RECORDS

Cameron National'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. 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 Strips	\$1,430,000	\$1,278,706	\$1,306,160

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 National 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

	Assets	Non- Assets	Net Assets
Bonds	\$8,489,530		\$8,489,530
Common Stocks	14,850		14,850
Cash and Short-term Investments	1,313,261		1,313,261
Investment Income Due and Accrued	53,643		53,643
Uncollected Premiums and Agents' Balances in the Course of Collection	33,617		33,617
Deferred Premiums, Agent Balances, and Installments Booked and Not Yet Due	2,876,267		2,876,267
Amounts Recoverable from Reinsurers	530,384		530,384
Net Deferred Tax Asset	467,973	4,064	463,909
Aggr. Write-Ins for Other than Invested Assets: Premium Tax Recoverable	85,727		85,727
TOTAL ASSETS	\$13,865,252	\$4,064	\$13,861,188

Liabilities, Surplus and Other Funds

Losses	\$0
Loss Adjustment Expenses	115,217
Commissions Payable, Contingent Commissions and Other Similar Charges	257,162
Other Expenses (Excluding Taxes, Licenses and Fees)	177,368
Taxes, Licenses and Fees (Excluding Federal and Foreign Income Taxes)	20,223
Current Federal and Foreign Income Taxes	264,340
Unearned Premiums	5,058,302
Advance Premium	56,729
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	576,370
Amounts Withheld or Retained by Company for Account of Others	19,155
Drafts Outstanding	358,301
Payable to Parent, Subsidiaries and Affiliates	243,123
Aggregate Write-Ins for Liabilities:	
Unclaimed Checks and Drafts	20,326
TOTAL LIABILITIES	7,166,616
Common Capital Stock	1,420,000
Gross Paid In and Contributed Surplus	3,809,290
Unassigned Funds (Surplus)	1,465,282
Surplus as Regards Policyholders	6,694,572
TOTAL LIABILITIES AND SURPLUS	\$13,861,188

Statement of Income**Underwriting Income:**

Premiums Earned	\$0
Deductions:	
Losses Incurred	0
Loss Adjustment Expenses Incurred	500,491
Other Underwriting Expenses Incurred	(425,441)
Net Underwriting Gain or (Loss)	(75,050)

Investment Income:

Net Investment Income Earned	386,344
Net Realized Capital Gains or (Losses)	0
Net Investment Gain or (Loss)	386,344

Other Income:

Net Gain or (Loss) from Agents' or Premium Balances Charged Off	(5,940)
Finance and Service Charges Not Included in Premiums	260,646
Aggregate Write-ins for Miscellaneous Income	(591)
Total Other Income	254,115

Net Income Before Federal and Foreign Income Taxes

Net Income Before Federal and Foreign Income Taxes	565,409
Federal and Foreign Income Taxes Incurred	269,537
NET INCOME	\$295,872

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2009	\$6,270,126
Net Income	295,872
Change in Net Unrealized Capital Gains or (Losses)	59,766
Change in Net Deferred Income Tax	(52,539)
Change in Nonadmitted Assets	(2,918)
Increased Surplus from Paragraph 10.e of SSAP 10R Election	<u>124,265</u>
Net Change in Surplus as Regards Policyholders for 2010	<u>424,446</u>
Surplus as Regards Policyholders, December 31, 2010	<u>\$6,694,572</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 National 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 National 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

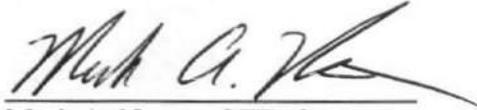
Sworn to and subscribed before me this 9th day of February, 2012.

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