

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Freedom Mutual Insurance Company as of December 31, 2009

ORDER

After full consideration and review of the report of the financial examination of Freedom Mutual Insurance Company for the period ended December 31, 2009, 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 Freedom 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 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 5th Day of April, 2011.



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

REPORT OF THE
FINANCIAL EXAMINATION OF
FREEDOM MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2009



FILED
APR 05 2011
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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December 2, 2010
Linn, 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

FREEDOM MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 4349 Highway 50 East, Linn, Missouri 65051, telephone number (573) 943-2244. This examination began on December 1, 2010, and concluded on December 2, 2010, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2004, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2005, through December 31, 2009, 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

There were no comments or recommendations in the previous examination report dated December 31, 2004.

HISTORY

General

The Company was originally organized in March 1885 as Osage County Farmers' Mutual Aid Association and was incorporated in 1889. In 1971, the Company changed its name to Freedom Mutual Fire Insurance Company. In 1999, the Company changed its name to Freedom Mutual Insurance Company.

The Company has a Certificate of Authority dated April 12, 2000, 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 first Saturday 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 the Board of Directors at any time, and shall be called upon petition of one-fourth of the members. Eight 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, who are elected from the general membership. The Board of Directors consists of five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every month, and the directors are compensated \$60 per meeting attended.

Members serving on the Board of Directors as of December 31, 2009, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Don Brandt Linn, Missouri	Dairy Farmer	2007-2010

Edgar Muenks Linn, Missouri	Retired/Farmer	2008-2011
Ron Baker Linn, Missouri	Carpenter/Farmer	2009-2012
Dennis Hopke Linn, Missouri	Factory Employee/Farmer	2007-2010
Ralph Hueste Linn, Missouri	Retired/Farmer	2008-2011

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, 2009, were as follows:

Don Brandt	President
Edgar Muenks	Vice-President
Norman Buschmann	Secretary
Ronald Baker	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. A review of the signed statements noted no significant conflict disclosures.

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 were amended during the period under examination.

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 \$25,000. The fidelity bond coverage of the Company does not meet the minimum amount suggested in the guidelines promulgated by the NAIC, which is \$50,000. The Company is directed to increase its fidelity bond coverage to a minimum limit of \$50,000.

The Company carries liability coverage for their directors and officers. The Company's agents are responsible for obtaining errors and omissions insurance.

The Company rents home office space and owns an insignificant amount of equipment. Therefore, the Company does not carry property insurance.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has two part-time employees. The Secretary/Manager receives a \$200 per month allowance for health insurance. No other employee benefits are provided by the Company.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DIFP as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance 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 five licensed director-agents, who receive an 11% commission.

Policy Forms and Underwriting Practices

The Company utilizes AAIS, MAMIC and Grinnell Mutual Reinsurance Company policy forms. The policies are renewed annually. Property inspections are performed by the agents. Adjusting is performed by the agents, the Secretary/Manager and independent adjusters. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Assessments	Gross Losses	Investment Income	Underwriting Income	Net Income
2009	\$1,782,456	\$1,544	\$1,028,366	\$ 617,361	\$77,525	\$ (11,970)	\$ 57,800
2008	1,722,889	0	986,513	745,389	59,439	6,553	56,570
2007	1,665,835	2,070	930,395	250,335	63,181	192,417	246,277
2006	1,419,440	1,952	416,868	732,014	51,494	(6,680)	36,744
2005	1,387,177	6,433	513,527	302,040	39,258	152,138	185,228

At year-end 2009, 1,487 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct	\$ 724,533	\$ 770,976	\$ 930,395	\$ 986,513	\$1,028,366
Assumed	0	0	0	0	0
Ceded	<u>(259,324)</u>	<u>(332,839)</u>	<u>(416,868)</u>	<u>(523,576)</u>	<u>(581,579)</u>
Net	<u>\$ 465,209</u>	<u>\$ 438,137</u>	<u>\$ 513,527</u>	<u>\$ 462,937</u>	<u>\$ 446,787</u>

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer). The first occurrence of loss, individual occurrence of loss and aggregate excess sections of the agreement cover property risks. Under the first occurrence and individual occurrence of loss section of the agreement, the Company retains \$25,000 per loss and the reinsurer is liable for the excess, limited to \$1,000,000 per risk. Under the aggregate excess section of the agreement, 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 2009 was \$253,825.

The agreement also provides quota share reinsurance coverage for liability risks. Under the terms of the agreement, the Company cedes 100% of the liability premiums and losses to the reinsurer and receives a 20% 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 a modified cash basis. The CPA firm of Van de Ven, LLC, prepares the Company's tax filings and Annual Statements.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2009, 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, 2009

Bonds	\$ 794,887
Cash on Deposit	987,569

Total Assets	\$ 1,782,456
	=====

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2009

Federal Income Tax Payable	\$ 1,544

Total Liabilities	\$ 1,544

Guaranty Fund	\$ 150,000
Other Surplus	1,630,912

Total Surplus	1,780,912

Total Liabilities and Surplus	\$ 1,782,456
	=====

STATEMENT OF INCOME
For the Year Ending December 31, 2009

Net Assessments Earned	\$ 446,787
Net Losses & Loss Adjustment Expenses Incurred	(257,269)
Other Underwriting Expenses Incurred	(201,488)

Net Underwriting Income (Loss)	\$ (11,970)
Investment Income	77,525
Other Income	3,629

Gross Profit (Loss)	\$ 69,184
Federal Income Tax	(11,384)

Net Income (Loss)	\$ 57,800
	=====

CAPITAL AND SURPLUS ACCOUNT
December 31, 2009

Policyholders' Surplus, December 31, 2008	\$ 1,722,889
Net Income (Loss)	57,800
Unrealized Gain on Marketable Securities	223

Policyholders' Surplus, December 31, 2009	\$ 1,780,912
	=====

NOTES TO THE FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

GENERAL COMMENTS AND RECOMMENDATIONS

Fidelity Bond (Page 4)

The Company should increase its fidelity bond coverage to a minimum limit of \$50,000.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

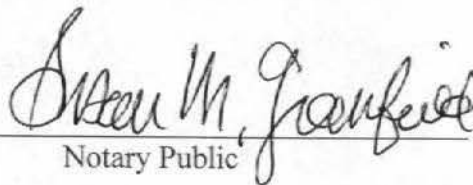
I, Shannon W. Schmoeger on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the 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.



Shannon W. Schmoeger, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 30th day of December 2010.

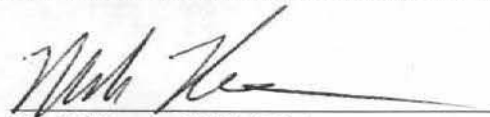
My commission expires:
SUSAN M. GREENFIELD
Notary Public - Notary Seal
State of Missouri, County of Boone
Commission # 08479801
~~My Commission Expires Oct. 2, 2012~~



Notary Public

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, CFE, CPA
Audit Manager – Kansas City
Missouri DIFP

Freedom Mutual Ins
4349 Hwy 50 East
NOTES TO THE FINANCIAL STATEMENTS
Linn, Mo 65051

There were no notes to the financial statements.

EXAMINATION CHANGES

Faxed
3-17-11

There were no examination changes.

GENERAL COMMENTS AND RECOMMENDATIONS

Fidelity Bond (Page 4)

The Company should increase its fidelity bond coverage to a minimum limit of \$50,000.

Examination Report of 12-1-10
SUBSEQUENT EVENTS

None.

Dept of Insurance: Tammy Rodieck

Board reviewed Examination Report
and Through Recommendations Edgar Muenks
moved Dennis Hopke seconded to accept
and Raise Fidelity bond coverage to \$50,000
motion passed

Norman Busch
sec/mca

OK for Public Record



OLD REPUBLIC SURETY COMPANY

1503 42nd St., Suite 100, West Des Moines, IA 50266
PO Box 1976, Des Moines, IA 50305
Phone (515) 221-1000 / FAX (515) 221-3900

March 10, 2011

FREEDOM MUTUAL INSURANCE COMPANY
ROUTE 1 BOX 48
LINN, MO 65051

Re: RNS0464865 \$50,000 NAME SCH-CRIME
FREEDOM MUTUAL INSURANCE COMPANY
Agency: 40-5696

Dear Sirs:

Please find enclosed the requested endorsement for your policy. Please attach this to you original bond for future reference.

If you have any questions, please contact our office at 800-247-2312.

Sincerely,

Processing Department

Old Republic Surety Company

POLICY NUMBER: RNS0464865 FREEDOM MUTUAL INSURANCE COMPANY

OLD REPUBLIC SURETY COMPANY
 THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.
 CR 10 59 04 97
 SCHEDULE CHANGE
 EMPLOYEE DISHONESTY COVERAGE FORM A - SCHEDULE
 (DISCOVERY FORM)

This endorsement applies only to the Employee Dishonesty Coverage Form A - Schedule.

A. SCHEDULE - CHANGE NO. 6 Effective Date: 03/15/2011

Item No.	Names of Covered Employees	Titles of Covered Positions	Location of Positions	No. of		Ded Amt
				Each Pos	Each Empl	
					Limit	
					Empl Ins	

ADD:

8	NORMAN BUSCHMANN				50,000	
9	RONALD BAKER				50,000	
10	BARBARA BUSCHMANN				50,000	

DELETE:

2	NORMAN BUSCHMANN				25,000	
6	RONALD BAKER				25,000	
7	BARBARA BUSCHMANN				25,000	

B. PROVISIONS

1. The item or items shown in the Schedule above are an addition to or a deletion from the item or items appearing in the schedule of the Employee Dishonesty Coverage Form A - Schedule, or a prior version of this endorsement CR 10 59.
2. Application of changes affected by this endorsement.
 - a. Addition of a Name or Title, Increase or Decrease in any Limit of Insurance, or Addition of or Increase or Decrease in Deductible Amount. This change applies to loss or damage resulting from acts committed at any time and discovered by you on or after the Effective Date of Change.
 - b. Deletion of a Name or Title: This change applies to loss or damage resulting from acts committed:
 - (1) On or after the Effective Date of change; and also
 - (2) Before the Effective Date of Change if discovered by you after 60 days from that date.
3. No Limit of Insurance during any period will be cumulative with any other amount applicable to the same coverage during any other period.