

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of North Missouri Mutual Insurance Company as of December 31, 2008

ORDER

After full consideration and review of the report of the financial examination of North Missouri Mutual Insurance Company for the period ended December 31, 2008, 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 North Missouri 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 November 4, 2009.



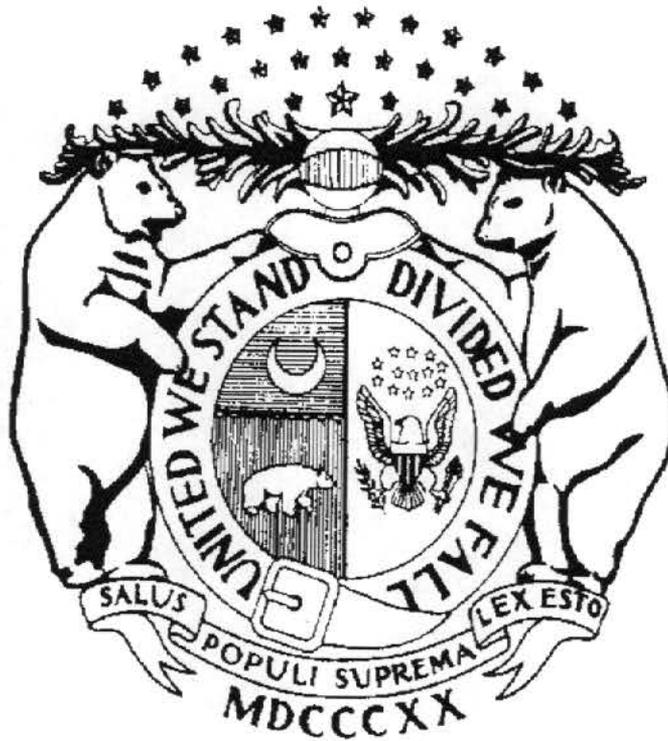
A handwritten signature in black ink, appearing to read "John M. Huff".

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

REPORT OF THE
FINANCIAL EXAMINATION OF
NORTH MISSOURI MUTUAL
INSURANCE COMPANY

AS OF
DECEMBER 31, 2008

FILED
NOV 04 2009
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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May 22, 2009
Princeton, 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

NORTH MISSOURI MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 701 East Main Street, Princeton, Missouri 64673, telephone number (660) 748-3415. This examination began on April 27, 2009, and concluded on May 1, 2009, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2003, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2004, through December 31, 2008, 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, recommendations, or notes from the previous examination report dated December 31, 2003.

HISTORY

General

The Company was originally established on June 21, 1894, and was incorporated on July 11, 1894, as Mercer County Mutual Fire Insurance Company. On April 10, 1998, the Company changed its name to North Missouri Mutual Insurance Company. The Company operates under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Insurance Companies).

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the second Tuesday in April, 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 or can 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 six members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every other month, and directors are compensated \$150 for each meeting.

Members serving on the Board of Directors as of December 31, 2008, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Larry Pollard Savannah, Missouri	Mutual Manager	2008-2011
Mark Higgins Princeton, Missouri	CPA	2008-2011
Tammy Hart Princeton, Missouri	Physician	2008-2011

Dean Henley Mercer, Missouri	Farm Implement Salesman	2007-2010
Marilyn Hardy Princeton, Missouri	Library Assistant	2006-2009
David Schooler Savannah, Missouri	Farmer	2006-2009

The Board of Directors elects for a term of one year the officers of the Company. The officers serving at December 31, 2008, were as follows:

Larry Pollard	President
Mark Higgins	Vice-President
Marilyn Hardy	Secretary
Dean Henley	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, and no potential material conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation, Certificate of Authority, and the Bylaws of the Company. On August 24, 2004, the Certificate of Authority was amended to provide the Company the authority to write liability coverage.

The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The membership approved amendments to the Articles of Incorporation at its 2009 membership meeting. The amendments included adding the authority to write liability business, changing the annual membership meeting date to the final Wednesday in February, and adding a description of the Company seal. In addition, the Company's policies for investments and underwriting were reviewed. 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 \$1,000,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries directors' and officers' liability coverage with an annual aggregate limit of \$2,000,000 and a \$2,500 loss deductible.

The Company requires its agents to purchase errors and omissions insurance with minimum aggregate limits of \$500,000.

Other insurance coverages carried by the Company include property insurance on the home office and contents, business liability and workers compensation.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has three full-time employees. The benefits package offered to the employees includes health insurance, paid time off and matching contributions of up to three percent of annual earnings to employee individual retirement accounts.

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 eleven licensed agents, who receive a commission of 15% on all policies.

Policy Forms and Underwriting Practices

The Company uses AAIS policy forms, as well as those from the Grinnell Mutual Reinsurance Company. The policies are renewed annually. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured. The Company's President performs the inspections. Adjusting services are performed by an independent adjuster.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2008	\$1,447,175	\$326,280	\$817,194	\$468,800	\$ (54,906)	(3,175)
2007	1,549,259	424,635	842,013	471,420	37,065	91,678
2006	1,140,966	374,020	808,600	351,687	32,474	91,970
2005	1,391,945	450,976	823,488	436,080	(50,673)	31,904
2004	1,417,728	494,642	746,548	861,143	25,804	77,626

At year-end 2008, 1,380 policies were in force.

REINSURANCE

General

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Direct	\$ 817,267	\$ 831,973	\$ 808,600	\$ 823,488	\$ 746,548
Assumed	9,927	10,040	0	0	0
Ceded	<u>(276,373)</u>	<u>(246,257)</u>	<u>(224,432)</u>	<u>(264,306)</u>	<u>(198,323)</u>
Net	<u>\$ 550,821</u>	<u>\$ 595,756</u>	<u>\$ 584,168</u>	<u>\$ 559,182</u>	<u>\$ 548,225</u>

Assumed

The Company participates in a reinsurance pool with MAMIC Mutual Insurance Company (MMIC). The agreement pertains to errors and omissions policies and director and officer liability policies written by MMIC. MMIC cedes to the pool 95% of the first \$2,000,000 each claim and in aggregate on all insurance agent and broker errors and omissions policies and 95% of the first \$3,000,000 each claim and in aggregate on all officer and director liability policies. MMIC receives a 35% ceding commission of net written premium ceded to the pool. The Company has a 2% share in the interests and liabilities of the pool.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an individual occurrence of loss with aggregate excess plan reinsurance agreement. The individual occurrence section of the agreement covers property risks. The Company retains \$100,000 for each individual loss occurrence and the reinsurer is liable for losses in excess of the retention, with a limit of \$1,000,000 per risk.

The aggregate excess section of the agreement also covers property risks. 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 loss ratio, plus a negotiated load, less a credit for the individual occurrence of loss premium rate. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2008 was \$300,185.

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 20% ceding commission.

Under the facultative reinsurance portion of the agreement, the Company may cede risks to the reinsurer that exceed the individual risk limits outlined in the agreement. Rates are determined by the reinsurer on an individual basis.

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 Company maintains its records on an accrual basis. The Company's accounting firm, Van de Ven, LLC, performs an annual review of the Company's financial statements and prepares the Company's Annual Statement and tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2008, 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, 2008

Bonds	\$ 24,575
Real Estate	13,091
Cash on Deposit	1,288,188
Other Investments	79,715
Premiums Uncollected	3,586
Reinsurance Recoverable on Paid Losses	20,852
Computer Equipment	7,246
Interest Due and Accrued	7,329
Prepaid Insurance	2,593

Total Assets	<u><u>\$ 1,447,175</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2008

Ceded Reinsurance Premium Payable	\$ 22,214
Unearned Premium	291,658
Federal Income Tax Payable	769
Accruals and Accounts Payable	20
Premiums Received in Advance	11,619

Total Liabilities	\$ 326,280

Guaranty Fund	\$ 150,000
Other Surplus	970,895

Total Surplus	1,120,895

Total Liabilities and Surplus	\$ 1,447,175
	=====

STATEMENT OF INCOME
For the Year Ending December 31, 2008

Net Assessments Earned	\$ 548,820
Other Insurance Income	30,874
Net Losses & Loss Adjustment Expenses Incurred	(316,626)
Other Underwriting Expenses Incurred	(317,974)

Net Underwriting Income (Loss)	\$ (54,906)

Investment Income	\$ 59,757
Other Income	343

Gross Profit (Loss)	\$ 5,194
Federal Income Tax	(8,369)

Net Income (Loss)	\$ (3,175)
	=====

CAPITAL AND SURPLUS ACCOUNT
December 31, 2008

Policyholders' Surplus, December 31, 2007	\$ 1,124,624
2007 Federal Income tax paid in 2008	(554)
Net Income (Loss)	(3,175)

Policyholders' Surplus, December 31, 2008	\$ 1,120,895
	=====

NOTES TO FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

North Missouri Mutual Insurance Company

701 East Main, Princeton, MO 64673
660-748-3415 phone
660-748-3514 fax

Email to: Tammy Rodieck, Exam Coordinator
Tammy.rodieck@insurance.mo.gov

October 22, 2009

Frederick G. Heese, CFE, CPA
Chief Financial Examiner & Division Director
301 West High Street, Room 530, P. O. Box 690
Jefferson City, MO 65102-0690

Dear Mr. Heese,

In response to your correspondence dated October 19, 2009 requesting response or rebuttal to the (DRAFT) Examination Report, no corrective actions are required of North Missouri Mutual Insurance Company as stated on page 11.

In review of the entire report, the following changes should be made.

- Page 2 Management should read “In accordance with the Articles of Incorporation, the annual meeting of the Company’s members shall be held the final Wednesday of February with the specific date and time being made no less than 30 days prior to that week of each year 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 on one-fourth of the members. Due notice of the time and place of such special meetings shall be given the membership. Each member shall be entitled to one vote on each question voted upon at any membership meeting. Eight (8) members shall constitute a quorum at any membership meeting. Proxy voting shall not be permitted.”

References:

Copy of Certificate of Amendment M00000067 dated 5/22/09
Certificate of Amendment of Articles File # M00000067 filed 5/22/09

Mr. Frederick G. Heese, CFE, CPA
Page 2

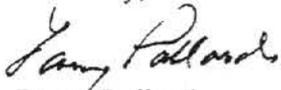
- Page 2 Name and Address should read:

Larry Pollard
Spickard, Missouri

David Schooler
Spickard, Missouri

No other discrepancies or actions are noted by North Missouri Mutual Insurance Company. Our response may be included in the report as a public document.

Sincerely,



Larry Pollard
President

Attachments: references

File Number:
M0000067
Date Filed: 05/22/2009
Robin Carnahan
Secretary of State

CERTIFICATE OF AMENDMENT OF ARTICLES
(to be executed in triplicate)

We, the undersigned president or vice president and secretary or assistant secretary, on our oaths swear and certify to the truth of the following statements:

(1) NAME OF THE INSURANCE COMPANY: North Missouri Mutual Insurance Company
IF THE NAME OF THE INSURANCE COMPANY CHANGED AS A RESULT OF THIS AMENDMENT, THE NAME OF THE INSURANCE COMPANY IMMEDIATELY BEFORE THIS AMENDMENT WAS _____

(2) THE DATE OF THE ADOPTION OF THE AMENDMENT BY THE SHAREHOLDERS, MEMBERS OR OTHER GROUP OF PERSONS ENTITLED TO VOTE ON THE AMENDMENT: February 18, 2009

(3) THE AMENDMENT ADOPTED (attach additional pages if necessary): _____
See attached.

(4) THE NUMBER OF SHARES, MEMBERS, OR OTHER GROUP OF PERSONS ENTITLED TO VOTE, OR IF A



STATE OF MISSOURI



Robin Carnahan
Secretary of State

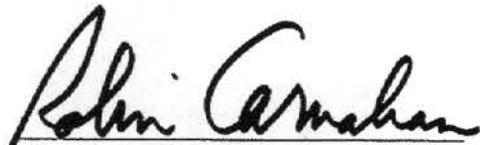
CERTIFICATE OF AMENDMENT

WHEREAS,

NORTH MISSOURI MUTUAL INSURANCE COMPANY
M00000067

a corporation organized under The General and Business Corporation Law has delivered to me a Certificate of Amendment of its Articles of Incorporation and has in all respects complied with the requirements of law governing the Amendment of Articles of Incorporation under The General Business Corporation Law, and that the Articles of Incorporation of said corporation are amended in accordance therewith.

IN TESTIMONY WHEREOF, I hereunto
set my hand and cause to be affixed the
GREAT SEAL of the State of Missouri.
Done at the City of Jefferson, this
22nd day of May, 2009.


Secretary of State



III. PURPOSE

The Purpose of the Company shall be to transact the following lines of business in the State of Missouri: Fire, Windstorm and Liability as defined in RSMo. 380.261 Sub-Section (1), (2), and (3) in the counties of Mercer, Grundy, Putnam, Sullivan, Livingston, Harrison and Daviess and all other counties of the State of Missouri as permitted by law.

VI. MEMBERSHIP MEETINGS

The annual meeting of the members shall be held the final Wednesday of February with the specific date and time being made no less than 30 days prior to that week of each year 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 on one-fourth of the members. Due notice of the time and place of such special meetings shall be given the membership. Each member shall be entitled to one vote on each question voted upon at any membership meeting. Eight (8) member shall constitute a quorum at any membership meeting. Proxy voting shall not be permitted.

XI. SEAL

The seal of the Company shall be circular in form bearing the following words: North Missouri Mutual Insurance Company.

MUTUAL, THE NUMBER OF THE MEMBERS PRESENT EITHER IN PERSON OR BY PROXY ENTITLED TO VOTE: 10

(5) THE NUMBER OF SHARES, MEMBERS OR OTHER GROUP OF PERSONS THAT VOTED FOR AND AGAINST SAID AMENDMENT RESPECTIVELY: For: 10 Against: 0

(6) IF THE AMENDMENT EFFECTS A CHANGE IN THE NUMBER OR PAR VALUE OF AUTHORIZED SHARES, THEN A STATEMENT SHOWING THE NUMBER OF SHARES AND PAR VALUE THEROF

PREVIOUSLY AUTHORIZED: _____

Tom Pallards
President or Vice President

PLACE CORPORATE SEAL HERE
(If no corporate seal, state "none".)

David Schroeder
Secretary or Assistant Secretary

State of Missouri

County of Mencer ^{SS}

Subscribed and sworn to before me this 22 day of April 2009

NOTARIAL SEAL

David Macomber
NOTARY PUBLIC
My Commission expires 1/6/2011

CERTIFICATE OF AMENDMENT OF THE DIRECTOR OF INSURANCE
(This certificate may be filled out only by the Director of Insurance)

I certify that I have examined the above Certificate of Amendment of Articles as executed by the insurance company and find that it conforms to law, that the proceedings were regular, that the condition and the assets of the company justify the amendment, and that the same will not be prejudicial to the interests of the policyholders, all as provided by law.

So Certified, Signed, and Official Seal Affixed on this date: May 15, 2009

John M. Huff

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