STATE OF MISSOURI

MDCCCXX

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Old Missouri Mutual Insurance Company for the period ended December 31, 2012

ORDER

After full consideration and review of the report of the financial examination of Old Missouri Mutual Insurance Company for the period ended December 31, 2012, 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 Old Missouri Mutual Insurance Companyto 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, if any, 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 15th day of August 2013.

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

REPORT OF THE
FINANCIAL EXAMINATION OF

OLD MISSOURI MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2012

FILED
AUG 15 2013
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 14, 2013
Nixa, 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

OLD MISSOURI MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 902 West Mount Vernon (P.O. Box 367), Nixa, Missouri 65714, telephone number (417) 725-3811. This examination began on May 13, 2013, and was concluded on May 14, 2013, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2007, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2008, through December 31, 2012, 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 prior examination report comments or recommendations.

HISTORY

General

The Company was originally organized and incorporated on August 12, 1922, as Farmers Mutual Insurance Company of Dallas County. In 1990, the Company changed its name to Old Missouri Mutual Insurance Company. In 2003, the Company was merged with Farmers Mutual Fire Insurance Company of Worth County, with the Company being the surviving entity. Effective March 1, 2010, Nixa Farmers Mutual Insurance Company was merged with the Company, with Old Missouri Mutual Insurance Company being the surviving entity.

The Company has a Certificate of Authority dated June 7, 2004, and is covered by Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company's Certificate of Authority is renewed annually.

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the fourth Tuesday in January 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 and absentee voting are not permitted.

The management of the Company is vested in the Board of Directors, who are elected from the general membership. The Articles of Incorporation require the Board of Directors to consist of seven members, serving staggered three-year terms. At December 31, 2012, the Company's Board of Directors consisted of five members, with two vacant positions. All directors must be policyholders of the Company. The Board of Directors meets approximately six to eight times per year, and each director is compensated $100 per meeting attended.

Members serving on the Board of Directors as of December 31, 2012, were as follows:

Name and Address	Occupation	Term
Judy Hadsall Nixa, Missouri	Credit Union President	2011-2014

Brenda Simms Nixa, Missouri	Insurance Agent	2011-2014
Greg Snyder Springfield, Missouri	Credit Union Chief Financial Officer	2011-2014
David Thornton Springfield, Missouri	Paralegal	2010-2013
Joe Flood Nixa, Missouri	Insurance Agent	2010-2013

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, 2012, were as follows:

Judy Hadsall	President
Brenda Simms	Vice-President
Rusty Dunning	Secretary
Greg Snyder	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 executed conflict of interest statements noted disclosure that two of the five directors are also agents of the Company. No other significant potential conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles were not amended during the examination period. The Bylaws were amended to be restated in their entirety on January 21, 2010, in order to reflect changes as a result of the merger with Nixa Farmers Mutual Insurance Company. 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 $500,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is $100,000.

The Company carries liability coverage for its directors and officers. The Company utilizes an independent agency force and requires its agents to carry errors and omissions insurance. The Company also carries business owner's coverage on its home office and contents, as well as general liability and workers compensation coverages.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has four full-time employees and one part-time employee. Full-time employees receive employer-subsidized health insurance coverage and paid time off. Two of the full time employees also participate in an SEP retirement plan to which the Company matches contributions to certain limits.

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 writes fire, wind, and liability coverages. The Company's policies are marketed by 54 independent agencies. Commission rates are 17% on fire and extended coverage property lines, 14% on homeowners and farmowners property lines, and 12% on liability and all other lines.

Policy Forms and Underwriting Practices

The Company utilizes primarily AAIS policy forms, but also utilizes some MAMIC and custom forms. Policies are renewed annually. Renewal billings are mailed directly to the insured. Property inspections and claims adjusting are performed by independent adjusters. Rates are determined by the Board of Directors.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2012	$2,197,552	$ 183,669	$3,801,458	$3,066,398	$ 1,208	$ 92,950	$ 117,710
2011	2,390,235	494,061	5,376,897	3,577,383	58,050	(1,180,431)	(1,081,859)
2010	3,797,924	3,271,281	6,304,209	4,228,428	100,944	(507,240)	(379,118)
2009	704,650	212,212	1,037,799	1,171,294	5,656	(62,520)	(69,955)
2008	562,394	0	1,098,305	1,218,146	16,775	(110,570)	(95,602)

At year-end 2012, 4,354 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:

	2008	2009	2010	2011	2012
Direct	$ 1,098,305	$ 1,037,799	$ 6,304,209	$ 5,376,897	$ 3,801,458
Assumed	14,890	0	0	17,039	0
Ceded	(179,524)	(215,862)	(1,858,732)	(2,404,758)	(1,562,688)
Net	$ 933,671	$ 821,937	$ 4,445,477	$ 2,989,178	$ 2,238,770

Assumed

The Company does not reinsure other companies.

Ceded

The Company had essentially two different reinsurance programs which covered different parts of calendar year 2012. One program was brokered through intermediary Axiom Re, Inc. (Axiom) with various participating reinsurers, and the other was placed directly with Wisconsin Reinsurance Corporation (Wisconsin Re).

The property and casualty excess of loss agreement placed through Axiom had a term of May 1, 2011 through May 1, 2012. The lead reinsurer on the agreement was SCOR Reinsurance Company, which participated at a 70% level. Under the property terms of the agreement, the

Company retains $50,000 each risk and the reinsurer is liable for the excess, limited to $950,000 per risk and $1,900,000 per occurrence. Under the casualty terms of the agreement, the Company retains $50,000 per occurrence, and the reinsurer is liable for the excess, limited to $1,900,000 per occurrence.

The two layer property catastrophe excess of loss agreement placed through Axiom had a term of January 1, 2012 through January 1, 2013. Major participating reinsurers included Allied World Reinsurance Company at 50% for layer one and 5% for layer two, and R+V Versicherung AG at 35% for layer one and 50% for layer two. Under the terms of the agreement, the Company retains $500,000 per occurrence, and the reinsurer is liable for the excess, limited to $500,000 under layer one and $2 million under layer two. Reinstatements are allowed under the agreement, but the liability of the reinsurer is limited to $1 million for layer one and $4 million for layer two for the contract period.

The property aggregate excess of loss reinsurance agreement placed through Axiom had a term of May 1, 2011 through May 1, 2012. SCOR Reinsurance Company was the sole reinsurer under the agreement with 100% participation. Under the terms of the agreement, the reinsurer is liable for 97.5% of $5,000,000 in excess of an attachment point equal to 80% of the Company's net earned premium income for the term of the agreement.

The reinsurance contract with Wisconsin Re consisted of per risk/occurrence and aggregate excess coverages with a term of May 1, 2012 through January 1, 2013. Under the casualty excess of loss provisions, the Company retains $10,000 per occurrence, and the reinsurer is liable for the excess, limited to $1 million per occurrence. Under the per risk property excess of loss provisions, the Company retains $50,000 per risk, and the reinsurer is liable for the excess, limited to $950,000 per risk. Under the aggregate excess of loss provisions, the reinsurer attachment point is equal to 70% of the Company's annual net written premium. Losses in excess of the attachment point, up to an amount equal to 55% of the Company's annual net written premium, are covered by the reinsurer at a rate of 97.5%. Excess losses above this amount, or 125% of the Company's annual net written premium, are covered 100% by the reinsurer, with no annual limit.

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

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on an accrual basis. The Company utilizes Rural Computer Consultants, Inc. accounting and policy maintenance software. The CPA firm of Van de Ven, LLC, performs an annual compilation of the Company's financial statements and prepares the 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, 2012, 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.

ASSETS
December 31, 2012

Stocks	$ 2,700
Real Estate	174,076
Cash on Deposit	1,590,610
Reinsurance Recoverable on Paid Losses	392,157
Computer Equipment	17,452
Federal Income Taxes Recoverable	13,742
Accounts Receivable - Agency	6,815
Total Assets	$ 2,197,552

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2012

Net Unpaid Losses	$ 70,064
Ceded Reinsurance Payable	113,605
Total Liabilities	$ 183,669
Guaranty Fund	$ 150,000
Other Surplus	1,863,883
Total Surplus	2,013,883
Total Liabilities and Surplus	$ 2,197,552

STATEMENT OF INCOME
For the Year Ending December 31, 2012

Net Premiums Earned	$ 2,238,770
Other Insurance Income	278,001
Net Losses & Loss Adjusting Expenses Incurred	(1,382,761)
Other Underwriting Expenses Incurred	(1,041,060)
Net Underwriting Income (Loss)	$ 92,950
Net Investment Income	1,208
Other Income	23,552
Gross Profit (Loss)	$ 117,710
Federal Income Tax	0
Net Income (Loss)	$ 117,710

CAPITAL AND SURPLUS ACCOUNT
December 31, 2012

Policyholders' Surplus, December 31, 2011	$ 1,896,173
Net Income (Loss)	117,710
Policyholders' Surplus, December 31, 2012	$ 2,013,883

NOTES TO THE FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

SUBSEQUENT EVENTS

At December 31, 2012, the Company had essentially all of its cash, approximately $1.6 million, on deposit in a single checking account. On December 31, 2012, the unlimited FDIC coverage on non-interest bearing accounts expired, and subsequent FDIC coverage is limited to $250,000 on all deposits in aggregate for a depositor in each FDIC-insured institution. As a result, a significant portion of the Company's cash balance was uninsured after December 31, 2012.

SUMMARY OF RECOMMENDATIONS

Management – Page 2

It is recommended the Company abide by the provisions of its Articles of Incorporation regarding the number of members on its Board of Directors.

Subsequent Events – Page 10

It is recommended the Company take necessary measures to ensure its cash deposits are adequately insured.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
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 26th day of June, 2013.

My commission expires:

March 5, 2017

Tammy S. Rodieck
Notary Public

TAMMY S. RODIECK
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: March 05, 2017
Commission Number: 13751697

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