

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

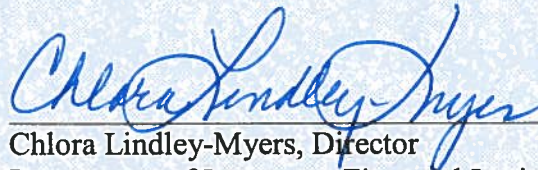
ORDER

After full consideration and review of the report of the financial examination of Cameron National Insurance Company for the period ended December 31, 2016, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the 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, company history, management and control, territory and plan of operations, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, subsequent events and summary of recommendations.

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, 2016 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) 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 23rd day of February, 2018.





Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF
CAMERON NATIONAL INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2016**

FILED
MAR 05 2018
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
January 3, 2018

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Lindley-Myers:

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

Cameron National Insurance Company

hereinafter referred to as Cameron National or as the Company. Its main administrative office is located at 214 McElwain Drive, Cameron, Missouri 64429, telephone number (816)-632-6511. The fieldwork for this examination began on May 15, 2017 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full scope financial examination of Cameron National Insurance Company. The last examination of the Company, also performed by the DIFP, covered the examination period of January 1, 2011 through December 31, 2013. The current examination covers the period of January 1, 2014 through December 31, 2016, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

This examination was performed concurrently with the examination of the Company's parent, Cameron Mutual Insurance Company (Cameron Mutual), a Missouri property and casualty insurer.

Procedures

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the DIFP and statutes of the State of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. This includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis. This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of

the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to Cameron National included investments, reinsurance, premiums and underwriting, and claims handling and reserving. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examination team relied heavily upon information provided by the Company and its management. Where the examiners deemed appropriate, this information was tested or verified with external sources.

The examiners also relied upon information supplied by the Company's independent auditor, CliftonLarsonAllen LLP (CLA), of Des Moines, Iowa from its annual statutory audits covering the periods of January 1, 2015 through December 31, 2015 and January 1, 2016 through December 31, 2016. CLA's audit workpapers were utilized to assist in the identification of risks, to gain an understanding of key processes and controls, and to reduce control and substantive testing procedures (to the extent deemed possible and appropriate).

Actuarial and Technical Solutions, Inc., an actuarial consulting firm specializing in property and casualty business lines from Bohemia, New York, was engaged by the DIFP to assist in a review of the Company's actuarially computed loss and loss adjustment expense (LAE) reserves. The consulting actuary also reviewed the assumptions, methodology, and conclusions of Cameron National's appointed actuary for appropriateness, reasonability, and compliance with actuarial standards.

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.

COMPANY HISTORY

General

Cameron National was incorporated as a stock insurer in Iowa on February 14, 1983, under the name of Eagle National Assurance Company (Eagle National). Cameron Mutual Insurance Company acquired Eagle National in 1989 and subsequently re-domiciled the Company to Missouri on December 8, 2000. The Company's present name, Cameron National Insurance Company, was formally changed on January 1, 2001.

On March 12, 2015, the Boards of Directors for Cameron National and Cameron Mutual unanimously voted to transfer the Cameron National book of business to Cameron Mutual, to cease writing business in Cameron National, and to continue to maintain the corporate shell of Cameron National. In accordance with Missouri statutes, a letter notifying policyholders of the transfer of coverage from Cameron National to Cameron Mutual was included with renewal notices mailed to policyholders. Policies were transferred to Cameron Mutual by business line at their renewal dates, and the process was completed on December 1, 2017. See additional details related to the transfer of business to Cameron Mutual under the Subsequent Events section of this report.

Capital Contributions

No surplus contributions were received during the current examination period.

Dividends

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

Mergers and Acquisitions

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

MANAGEMENT AND CONTROL

Board of Directors

The management of Cameron National is vested in a Board of Directors, which is appointed by the Company’s sole shareholder and parent, Cameron Mutual. The Company’s Articles of Incorporation specify that the Board of Directors shall consist of nine members. Members of the Board of Directors appointed and serving as of December 31, 2016, were 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 and Secretary, Farmers Mutual Insurance Company of Grundy County
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	Olathe, KS	President and Chief Executive Officer, 4Sight Business Intelligence, Inc.
Gary D. Myers	Cameron, MO	Retired President and Chief Executive Officer, Cameron Mutual Insurance Company
Bradley M. Fowler	St. Joseph, MO	President and Chief Executive Officer, Cameron Mutual Insurance Company
Neil G. Nuttall	Trenton, MO	Retired President, North Central Missouri College
Larry K. Osborn	Cameron, MO	Retired Treasurer, Cameron Mutual Insurance Company
William R. Settles	Dexter, MO	Retired President, County Wide Insurance and Real Estate, Inc.

*Denotes Board Chairman

Committees

The Bylaws allow for the appointment of an Executive Committee and other committees as determined appropriate by the Board of Directors. The appointed committees and the members serving as of December 31, 2016, were as follows:

Executive Committee

Bradley M. Fowler*
 Gary D. Myers
 Gayle W. Cobb
 Larry K. Osborn
 Gary W. Black

Governance Committee

Gary D. Myers*
 Gary W. Black
 William R. Settles
 Bradley M. Fowler (ex-officio)

Audit Committee

Robert L. Cummings*
 Paul E. Heacock
 Larry K. Osborn
 Bradley M. Fowler (ex-officio)

Product/Pricing Committee

William R. Settles*
 Paul E. Heacock
 Neil G. Nuttall
 Bradley M. Fowler (ex-officio)

Compensation Committee

Neil G. Nuttall*
 Gayle W. Cobb
 Robert L. Cummings
 Bradley M. Fowler (ex-officio)

*Denotes Committee Chairman

In 2016, the Board of Directors approved the establishment of a Risk Committee to monitor existing and emerging risks the Company faces in support of the Board and Management’s Enterprise Risk Management efforts. The Risk Committee’s inaugural meeting was held on June 19, 2017, with the following committee members appointed and serving: Paul E. Heacock (chairman), Neil G. Nuttall, Robert L. Cummings, and Bradley M. Fowler (ex-officio).

Officers

The officers elected by the Board of Directors and serving as of December 31, 2016, were as follows:

Officer

Gayle W. Cobb
 Bradley M. Fowler
 Joseph P. Conboy*
 Andrea L. Lockridge
 Dianne L. Priest
 Cary D. Sowards

Position

Chairman of the Board
 President and Chief Executive Officer
 Treasurer and Chief Financial Officer
 Corporate Secretary and Vice President Human Resources
 Executive Vice President and Assistant Secretary
 Assistant Treasurer

*Mr. Conboy joined the Company in October 2016 as a replacement for prior CFO Peter Lindquist, who left the Company in June 2016

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the period under examination. There were two amendments to the Bylaws during the period. The first amendment modified the amendment related to Officers to allow for the appointment of a Chief Operating Officer and to establish duties and authority related to this position. The second amendment established mandatory indemnification for all Directors and Officers and further clarified the policy on indemnification of Company employees and independent agents, producers, and brokers.

The minutes of the Board of Directors’ meetings, committee meetings, and shareholder 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.

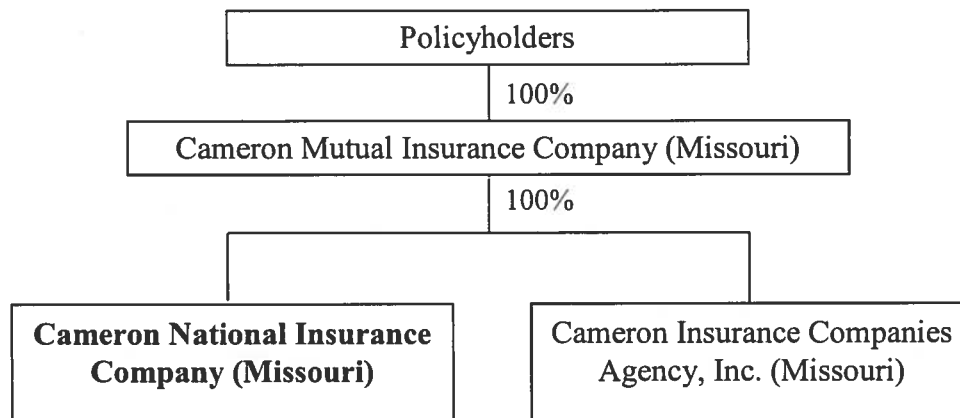
Holding Company, Subsidiaries and Affiliates

Cameron National Insurance Company is a member of an insurance holding company system as defined by Chapter 382.010 RSMo (Definitions). An insurance holding company system registration statement was filed by the ultimate controlling entity, Cameron Mutual, for each year of the examination. Cameron National is wholly owned by Cameron Mutual, which, as a mutual insurer, is owned by its policyholders.

The other entity within the holding company system is Cameron Insurance Companies Agency, Inc. (CIC Agency), a Missouri corporation that was formed to provide insurance services for products not marketed by Cameron Mutual for independent agents and for Cameron Mutual employees. As of the date of the examination, CIC Agency still receives monthly residual commission payments from life insurance business written in the past, but there are no plans for the agency to write new business in the future.

Organizational Chart

The following chart depicts the ownership and affiliates of the Company, as of December 31, 2016:



Intercompany Transactions

The Company has the following agreements with affiliated companies:

- Type:** Contract for Services Agreement
Parties: Cameron Mutual and Cameron National
Effective: July 1, 2002, with the following amendments: January 1, 2009, January 1, 2012, and January 1, 2015
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.
Rates: Per the terms of the agreement, general expenses are allocated on the basis of policy count, investment management software expenses on the basis of percentage of total invested assets, and survey and underwriting expenses on the basis of new policy applications. Boards of Directors' fees are allocated 20% to Cameron National. Inventory and supplies directly attributable to its operations are charged to Cameron National on a cost basis.
- Type:** Tax Allocation Agreement
Parties: Cameron Mutual and Cameron National
Effective: Tax year-ended December 31, 2002
Terms: The parties will annually file a consolidated federal income tax return whereby 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 filed a separate tax return.

In addition to the above agreements, there is also an intercompany multi-line quota share reinsurance agreement whereby Cameron National cedes 100% of net liabilities under policies, contracts, and binders of reinsurance to Cameron National. See the Reinsurance section of this report for further details.

TERRITORY AND PLAN OF OPERATIONS

Cameron National Insurance Company is licensed as a property and casualty insurer by the DIFP under Chapter 379 RSMo (Insurance other than life). The Company is also licensed in Arkansas, Illinois, Iowa, Kansas, and Nebraska. However, Cameron National only writes direct business in Missouri, Arkansas, and Iowa under the current business plan.

A significant majority of Cameron National's business is generated from private passenger automobile liability and property damage policies underwritten in Missouri, Arkansas, and Iowa. In addition to private passenger automobile, Cameron National also writes a full line of personal and commercial products in Iowa. These products include homeowners, commercial multiple peril, farmowners, homeowners, fire and allied lines, inland marine, and other liability (which includes general casualty and umbrella liability policies for personal, farm, and commercial). The only business Cameron National writes in Missouri and Arkansas are the private passenger

automobile policies. The major lines of business, based upon direct written premiums, are listed below:

Line of Business	Percentage of 2016 Direct Written Premiums
Auto Physical Damage	48.9%
Private Passenger Auto Liability	41.8%
Homeowners Multiple Peril	1.5%
Farmowners Multiple Peril	1.7%
All other Lines	<u>6.1%</u>
Total	<u>100.0%</u>

Missouri accounted for 73% of direct written premiums in 2016, followed by Iowa at 22% and Arkansas with 5% of direct written premiums. Cameron National primarily markets its products to rural and suburban areas, through approximately 277 independent agencies operating within these areas.

As noted under the Company History section above, after 2017, Cameron National will no longer write new business and will exist as a shell corporation going forward.

REINSURANCE

General

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

	2014	2015	2016
Direct Business	\$ 12,710,239	\$ 13,668,278	\$ 13,704,754
Reinsurance Assumed	-	-	-
Reinsurance Ceded:			
Affiliates	(12,710,239)	(13,668,278)	(13,704,754)
Non-affiliates	-	-	-
Net Premiums Written	\$ -	\$ -	\$ -

Assumed

Cameron National does not assume any business.

Ceded

Under a multi-line quota share reinsurance agreement effective January 1, 2009, Cameron National cedes to Cameron Mutual 100% of its net retained liability on all inforce property and casualty insurance or reinsurance written or renewed thereafter. As Cameron National will only exist as a shell corporation going forward, the affiliated quota share agreement will be discontinued after 2017. Cameron Mutual and Cameron National (the Companies) plan on

executing a loss portfolio transfer effective year-end 2017. See Subsequent Events section for more details on this transaction.

Cameron National is also a named reinsured on several non-affiliated joint reinsurance agreements with its parent Cameron Mutual. Even though Cameron National is a named reinsured on these joint reinsurance agreements, all of the related reinsurance transactions are recorded on the books of Cameron Mutual, even for those policies directly underwritten by Cameron National.

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.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the DIFP and present the financial condition of Cameron National Insurance Company for the period ending December 31, 2016. The accompanying comments on financial statement items reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

	<u>Assets</u>		
	<u>Assets</u>	Non-Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$ 8,970,624	\$ -	\$ 8,970,624
Common stocks	265,593	-	265,593
Cash, cash equivalents and short-term investments	235,639	-	235,639
Investment income due and accrued	66,708	-	66,708
Uncollected premiums and agents' balances in course of collection	19,128	-	19,128
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,523,556	-	1,523,556
Amounts recoverable from reinsurers	1,152,568	-	1,152,568
Net deferred tax assets	73,998	58,735	15,263
Aggregate write-ins for other assets	12,390	-	12,390
TOTAL ASSETS	<u>\$ 12,320,204</u>	<u>\$ 58,735</u>	<u>\$ 12,261,469</u>

Liabilities, Surplus and Other Funds

Losses	\$ -
Reinsurance payable on paid losses	-
Loss adjustment expenses	-
Commissions payable, contingent and other similar charges	369,246
Other expenses	147,945
Taxes, licenses and fees	26,491
Current federal and foreign income taxes	196,356
Advance premium	139,363
Ceded reinsurance premiums payable	607,801
Amounts withheld or retained by company	5,622
Drafts outstanding	36,669
Payable to parent, subsidiaries and affiliates	226,853
Payable for securities	383
Aggregate write-ins for liabilities	6,510
TOTAL LIABILITIES	\$ 1,763,239
Common capital stock	1,420,000
Gross paid in and contributed surplus	3,809,290
Unassigned funds (surplus)	5,268,940
TOTAL SURPLUS	\$ 10,498,230
TOTAL LIABILITIES AND SURPLUS	\$ 12,261,469

Statement of Income

Underwriting Income	
Premiums earned	\$ -
Deductions:	
Losses incurred	-
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	(280,694)
Total underwriting deductions	<u>\$ (280,694)</u>
Net underwriting gain/(loss)	<u>\$ 280,694</u>
Investment Income	
Net investment income earned	202,303
Net realized capital gains or (losses)	15,444
Net investment gain or (loss)	<u>\$ 217,747</u>
Other Income	
Net gain (loss) from agents' or premium balances charged off	(947)
Finance and service charges not included in premiums	251,044
Miscellaneous other income	0
Total other income	<u>\$ 250,097</u>
Net income before dividends to policyholders and federal income taxes	<u>\$ 748,538</u>
Federal and foreign income taxes incurred	(193,778)
Net Income	<u><u>\$ 554,760</u></u>

Capital and Surplus Account

Capital and surplus, December 31, 2015	\$ 9,928,036
Net income	554,760
Change in net unrealized capital gains and (losses)	17,041
Change in net deferred income tax	(25,875)
Change in nonadmitted assets	24,267
Net change in capital and surplus	<u>\$ 570,193</u>
Capital and Surplus at December 31, 2016	<u><u>\$ 10,498,229</u></u>

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUBSEQUENT EVENTS

As noted under the Company History section above, the process of transferring Cameron National's policies to Cameron Mutual was completed on December 1, 2017. According to representations made by the Companies during the course of the examination, a loss portfolio transfer reinsurance agreement is contemplated, whereby any existing and future claims liabilities related to Cameron National's business will be fully assumed by Cameron Mutual. As a consequence of the planned loss portfolio transfer arrangement, the Companies also plan to terminate an existing intercompany service agreement, as it will no longer be necessary going forward. The Companies have indicated that, upon Board of Directors approval, Form D (Prior Notice of a Transaction) filings seeking DIFP approval of these transactions will be submitted to the DIFP during the first quarter of 2018. These filings will be reviewed by the DIFP in the normal course of its regulatory oversight.

Cameron National also notified the DIFP of its intent to transfer a majority of its investment balances to Cameron Mutual through the payment of an extraordinary dividend. As represented by management, Cameron National will retain only those investments necessary to cover Missouri minimum capital and surplus requirements and future tax liabilities. As a consequence of these transactions, management has stated that Cameron National will exist only as a shell corporation going forward. The Company will also seek exemption from independent audit requirements under Chapter 375.1030 RSMo (Annual audit required). As with the transactions described above, the Companies intend to submit Form D filings with the DIFP during the first quarter of 2018. These filings will be reviewed by the DIFP during the normal course of regulatory oversight.

SUMMARY OF RECOMMENDATIONS

None

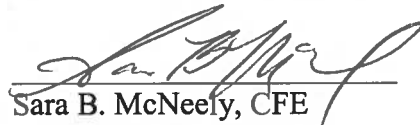
ACKNOWLEDGMENT

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, Laura Church, CFE and EIC for the DIFP, Emily Pennington, AFE and Ronald Musopole, examiners for the DIFP, participated in this examination. Kimberly Dobbs, CFE, AES, Information System Examiner for the DIFP performed a review of the information system environment. Kristine Fitzgerald, ACAS, MAAA, FCA, of Actuarial & Technical Solutions Inc., also participated as a consulting actuary.

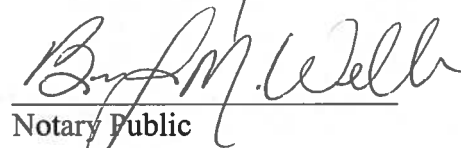
VERIFICATION

State of Missouri)
County of Jackson)

I, Sara B. McNeely, 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.


Sara B. McNeely, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 16th day of January, 2018.

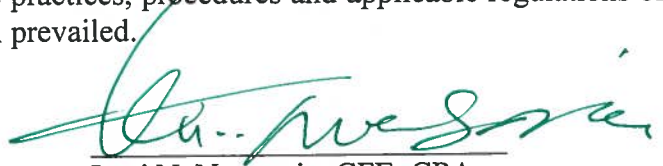
My commission expires: 04-14-2020 
Notary Public



BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12484070

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 DIFP and statutes of the State of Missouri prevailed.



Levi N. Nwasoria, CFE, CPA

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration