



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

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

RE: Examination Report of Cameron Mutual Insurance Company for the period ended  
December 31, 2013

**ORDER**

After full consideration and review of the report of the financial examination of Cameron Mutual Insurance Company for the period ended December 31, 2013, 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 Mutual Insurance Company as of December 31, 2013 be and is hereby ADOPTED as filed and for Cameron 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 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.

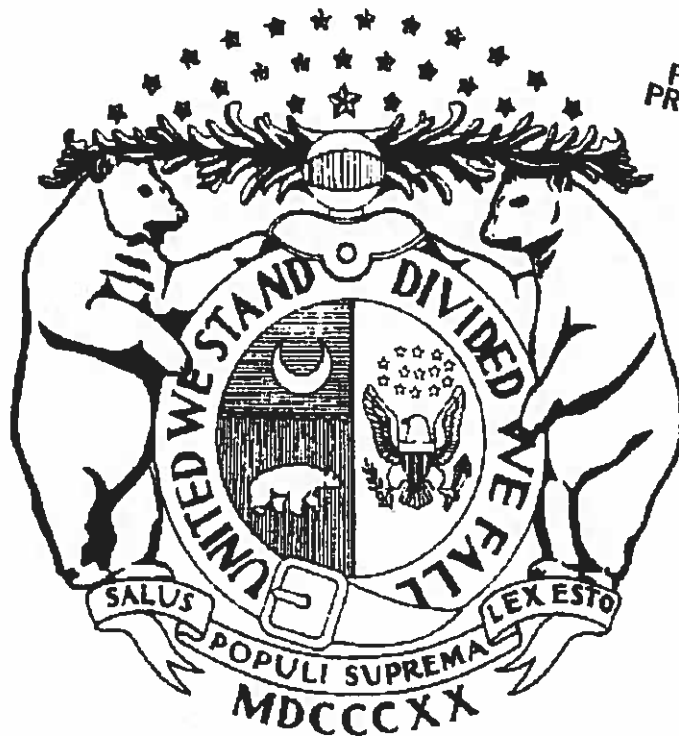
So ordered, signed and official seal affixed this 12<sup>th</sup> day of June, 2015.



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

REPORT OF THE  
FINANCIAL EXAMINATION OF  
**Cameron Mutual Insurance Company**

AS OF  
DECEMBER 31, 2013



**FILED**  
JUN 22 2015  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

STATE OF MISSOURI  
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND  
PROFESSIONAL REGISTRATION  
JEFFERSON CITY, MISSOURI

## TABLE OF CONTENTS

<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
PERIOD COVERED .....	1
PROCEDURES .....	1
RELIANCE UPON OTHERS .....	2
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	<b>2</b>
<b>SUBSEQUENT EVENTS</b> .....	<b>2</b>
<b>CORPORATE HISTORY</b> .....	<b>2</b>
GENERAL.....	2
CAPITAL CONTRIBUTIONS.....	2
DIVIDENDS .....	3
MERGERS AND ACQUISITION .....	3
<b>CORPORATE RECORDS</b> .....	<b>3</b>
<b>MANAGEMENT AND CONTROL</b> .....	<b>3</b>
BOARD OF DIRECTORS.....	3
COMMITTEES .....	4
OFFICERS.....	4
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES .....	5
ORGANIZATIONAL CHART .....	5
INTERCOMPANY TRANSACTIONS .....	6
INTERCOMPANY PAYMENTS .....	7
<b>FIDELITY BOND AND OTHER INSURANCE COVERAGES</b> .....	<b>7</b>
<b>PENSION, STOCK OWNERSHIP AND INSURANCE PLANS</b> .....	<b>7</b>
<b>INSURANCE PRODUCTS AND RELATED PRACTICES</b> .....	<b>8</b>

<b>GROWTH OF THE COMPANY AND LOSS EXPERIENCE .....</b>	<b>8</b>
<b>REINSURANCE .....</b>	<b>10</b>
GENERAL .....	10
ASSUMED.....	10
CEDED .....	10
<b>ACCOUNTS AND RECORDS.....</b>	<b>11</b>
<b>STATUTORY DEPOSITS.....</b>	<b>12</b>
DEPOSITS WITH THE STATE OF MISSOURI .....	12
DEPOSITS WITH OTHER STATES .....	12
<b>FINANCIAL STATEMENTS.....</b>	<b>12</b>
ASSETS .....	13
LIABILITIES, SURPLUS AND OTHER FUNDS .....	14
STATEMENT OF INCOME.....	15
CAPITAL AND SURPLUS ACCOUNT .....	15
<b>FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION .....</b>	<b>16</b>
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS .....</b>	<b>16</b>
<b>SUMMARY OF RECOMMENDATIONS .....</b>	<b>16</b>
<b>ACKNOWLEDGMENT .....</b>	<b>17</b>
<b>VERIFICATION .....</b>	<b>17</b>
<b>SUPERVISION .....</b>	<b>18</b>

Cameron, MO  
April 16, 2015

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65102

Director Huff:

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

**Cameron Mutual Insurance Company**

hereinafter referred to as CMIC or as the Company. Its main administrative office is located at 214 McElwain Drive, Cameron, Missouri 64429. The fieldwork for this examination began on June 2, 2014, 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 Mutual Insurance Company. The last examination of the Company was also performed by the DIFP as of December 31, 2010. This current examination covers the period of January 1, 2011 through December 31, 2013.

This examination was performed concurrently with the examination of the Company's insurance subsidiary, Cameron National Insurance Company (CNIC), a Missouri property and casualty insurer.

The examination also includes the material transactions and/or events occurring subsequent to December 31, 2013.

**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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, inherent risks within the Company, 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. The key activities identified in the examination of CMIC were as follows:

- Investments
- Reserving
- Claims Handling
- Underwriting
- Premiums

### **Reliance Upon Others**

The examination relied 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, McGladrey, LLP, Certified Public Accountants, of Raleigh, North Carolina for its audit covering the period from January 1, 2013 through December 31, 2013. Information relied upon included aspects and parts of investments and cash confirmations, premium test of control, claims process narrative, claims test of control, claims substantive testing and information technology processing assessment narrative.

### **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, 2013 through the date of this report.

### **CORPORATE HISTORY**

#### **General**

Cameron Mutual Insurance Company was incorporated on April 26, 1892, as The Farmers Mutual Tornado and Windstorm Association of the Third Congressional District of Missouri. At that time, the Company was operating under Missouri Law at Chapter 380, as a county mutual insurance company. The present name was adopted on February 22, 1968. Effective March 22, 1984, CMIC was converted to a general mutual organization and operates under Chapter 379 RSMo (Insurance Other Than Life). Effective January 3, 2008, the Company merged with Cameron Country Mutual Insurance Company with CMIC being the surviving entity. The Company is a member of a holding company system of which it is the ultimate parent entity.

#### **Capital Contributions**

No surplus contributions were received during the current examination period.

**Dividends**

The Company is owned by its policyholders. There were no dividends declared or paid to the policyholders during the examination period.

**Mergers and Acquisition**

No mergers or acquisitions involving CMIC occurred during the examination period.

**CORPORATE RECORDS**

A review was made of the Articles of Incorporation and Bylaws for the examination period. The Bylaws were amended as follows: to provide for the position of Chief Underwriting Officer effective September 13, 2011, to add the position of the Chief Operating Officer to the list of officers with authority to execute instruments in the Company’s name effective December 3, 2013 and to change the position of Vice President of Personnel to Vice President of Human Resources effective March 13, 2014.

The minutes of the Board of Directors’ meetings, committee meetings, and policyholder 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 Directors which is appointed by the policyholders. 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, 2013, were as follows:

<b><u>Name</u></b>	<b><u>Address</u></b>	<b><u>Principal Occupation and Business Affiliation</u></b>
Gary W. Black	Trenton, MO	Partner and Agent, Robbins and Black Agency and Secretary, Grundy County Farmers Mutual
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	Overland Park, KS	Chief Information Officer, MutualAid eXchange
Gary D. Myers	Cameron, MO	President and Chief Executive Officer, Cameron Mutual Insurance Company
Doyle W. Nimmo	Buffalo, MO	President and Agent, Nimmo Insurance Agency
Neil G. Nuttall	Trenton, MO	President, North Central Missouri College
L. Kent Osborn	Cameron, MO	Retired Treasurer, Cameron Mutual Insurance Company
William R. Settles	Dexter, MO	Retired President, County Wide Insurance and Real Estate, Inc.

**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, 2013, were as follows:

**Executive Committee**

Gary D. Myers (Chairman)  
 Gary W. Black  
 Gayle W. Cobb  
 L. Kent Osborn  
 Doyle W. Nimmo

**Corporate Governance Committee**

Gary W. Black (Chairman)  
 Paul E. Heacock  
 Doyle W. Nimmo  
 Gary D. Myers (ex-officio)

**Audit Committee**

Robert L. Cummings (Chairman)  
 L. Kent Osborn  
 William R. Settles  
 Gary D. Myers (ex-officio)

**Product/Pricing Committee**

William R. Settles (Chairman)  
 Paul E. Heacock  
 Neil G. Nuttall  
 Gary D. Myers (ex-officio)

**Compensation Committee**

Neil G. Nuttall (Chairman)  
 Gayle W. Cobb  
 Robert L. Cummings

**Officers**

The officers elected by the Board of Directors and serving as of December 31, 2013, were as follows:

**Officer**

Gayle W. Cobb  
 Gary D. Myers  
 Bradley M. Fowler  
 Ronald L. Koester\*  
 Andrea L. Lockridge  
 Dianne L. Priest@  
 Charles S. Massey%  
 Ernest D. Carpenter  
 Philip A. Barnard  
 Douglas E. Paden  
 Robert L. Winder

**Position**

Chairman of the Board  
 President and Chief Executive Officer  
 Executive Vice President and Chief Operating Officer  
 Treasurer and Chief Financial Officer  
 Corporate Secretary and Vice President Human Resources  
 Vice President and Chief Underwriting Officer  
 Vice President Accounting and Assistant Treasurer  
 Vice President Claims  
 Vice President Information Systems  
 Vice President Marketing Services  
 Vice President Research and Development

\*Ronald L. Koester resigned his position effective July 16, 2014 and has been replaced by Peter A. Lindquist as Treasurer and Chief Financial Officer effective November 12, 2014.

@ Dianne L. Priest was appointed Executive Vice President and Assistant Secretary of the Company effective March 14, 2014.



%Charles S. Massey retired as Vice President of Accounting and Assistant Treasurer effective July 11, 2014. The Company has not appointed a replacement.

**Holding Company, Subsidiaries and Affiliates**

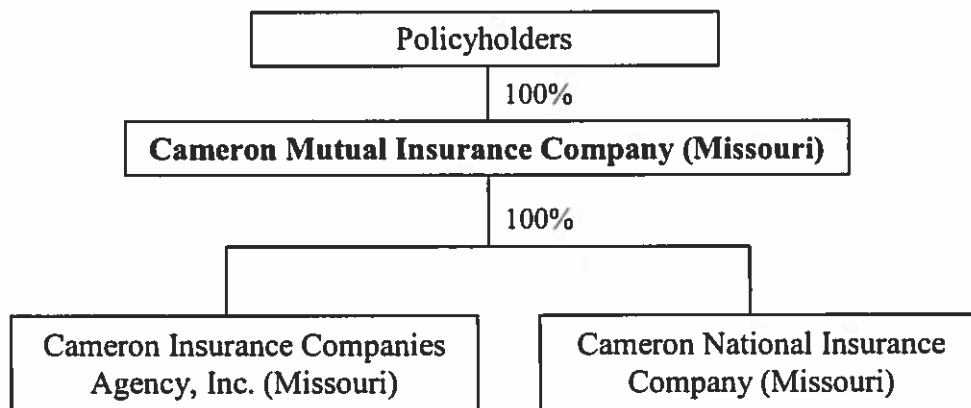
Cameron Mutual Insurance Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by CMIC for itself and its subsidiaries for each year of the examination. CMIC does not have any stockholders or a controlling entity due to its formation as a mutual insurer. The Company is ultimately controlled by its policyholders, which elect the Board of Directors.

The Company is the parent and wholly owns:

- Cameron National Insurance Company – A Missouri domiciled property and casualty insurer that was acquired in 1989. CNIC operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life). CNIC underwrites preferred auto business in Missouri and Arkansas and personal auto, business auto, homeowners, farmowners and commercial liability in Iowa. CNIC cedes 100% of its business to CMIC.
- Cameron Insurance Companies Agency, Inc. (CIC Agency), a Missouri corporation that was formed to provide insurance services for products not marketed by CMIC for independent agents and for CMIC employees. As of the examination date, the business operation of CIC Agency has become inactive.

**Organizational Chart**

The following chart depicts the ownership and affiliates of the Company, as of December 31, 2013.



**Intercompany Transactions**

The Company's intercompany agreements as of December 31, 2013 are summarized as follows:

**Contract for Services Agreement**

**Parties:** CMIC and CNIC

**Effective:** July 1, 2002, with the following amendments: January 1, 2009 and January 1, 2012

**Terms:** CMIC 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 CNIC. 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 CNIC. Inventory and supplies directly attributable to its operations are charged to CNIC on a cost basis. In no event will the fees charged exceed CMIC's cost incurred in providing the services. Invoicing to CNIC will be on a monthly basis with payment due to CMIC within 15 business days following receipt of the statement of charges.

**Contract for Services Agreement**

**Parties:** CMIC and CIC Agency

**Effective:** January 1, 2007, amended effective January 1, 2010

**Terms:** CMIC will provide CIC Agency with various services and support related to its overall operation. The agreement was amended to state that CMIC will provide office space to CIC Agency. In return, CIC Agency agreed to provide certain insurance services to employees of CMIC. Services will be provided on a cost basis. CIC Agency will be charged rent of \$230.91 per month. It should be noted that the business of CIC Agency became inactive during the examination period and no costs were allocated to it pursuant to this agreement during 2012 and 2013.

**Tax Allocation Agreement**

**Parties:** CMIC and CNIC

**Effective:** For tax year ended December 31, 2002

**Terms:** The parties 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 filed a separate tax return. The settlements of tax payments due from CNIC to CMIC are to be paid within 10 days after receiving notice of the amount due. Any tax refunds due to CNIC from CMIC are due within 10 days of receipt of the funds from the Internal Revenue Service.

**Tax Allocation Agreement**

Parties: CMIC and CIC Agency

Effective: For tax year ended December 31, 2005

Terms: The parties will annually file a consolidated federal income tax return each 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 filed a separate tax return. The settlements of tax payments due from CIC Agency to CMIC are to be paid within 10 days after receiving notice of the amount due. Any tax refunds due to CIC Agency from CMIC are due within 10 days of receipt of the funds from the Internal Revenue Service.

In addition to the above agreements, there is also an intercompany multiline quota-share reinsurance agreement whereby CNIC cedes 100% of its net liability under policies, contracts, and binders of reinsurance or reinsurance to CMIC. See the Reinsurance section of this report for further details.

**Intercompany Payments**

The table below summarizes the amounts incurred or earned during the examination period, between CMIC and its subsidiaries, pursuant to the above agreements.

Related Party	Agreement/Transaction Type	Net Incurred / (Earned)		
		2013	2012	2011
CNIC	Contract for Services Agreement	\$(2,372,671)	\$(2,091,175)	\$(1,939,282)
CNIC	Tax Allocation Agreement	(225,575)	125,242	(557,518)
CIC Agency	Contract for Services Agreement	0	0	(59,099)
CIC Agency	Tax Allocation Agreement	(4,327)	(6,133)	(1,304)
<b>TOTAL</b>		<b>\$(2,602,573)</b>	<b>\$(1,972,066)</b>	<b>\$(2,557,203)</b>

**FIDELITY BOND AND OTHER INSURANCE COVERAGES**

Cameron Mutual Insurance Company and subsidiary entities are named insureds on a standard financial institution bond providing fidelity 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 and subsidiary entities are also named insureds on a number of other insurance policies including property coverage, general liability, employee benefits liability, commercial auto, professional liability, directors and officers' liability, employers' liability, umbrella liability, and workers compensation.

**PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company offers a 401(k) defined contribution savings plan to eligible employees, under which the Company contributes 5% of an employee's annual compensation each year. The Company matches 25% of the first 10% of the compensation that the employee contributes through salary deferral.

The Company has bonus plans for the staff, management, President, Chief Operating Officer, and the Marketing Vice President based upon exceeding threshold objectives for the prior year.

The Company also offers a variety of standard employee benefits including the following insurance plans: health, dental, vision, life, cancer insurance, short-term disability, and long-term disability. Other benefits include vacation, sick leave, and a cafeteria plan.

### INSURANCE PRODUCTS AND RELATED PRACTICES

Cameron Mutual Insurance Company is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo. The Company is also licensed in Arkansas, Illinois, Iowa, and Kansas. However, CMIC only writes direct business in Missouri and Arkansas under the current business plan.

The Company operates as a Midwest regional insurance carrier offering a diverse blend of personal and commercial products, including standard auto, homeowners, commercial multiple peril, farmowners, other liability, fire, and allied lines, in Missouri and Arkansas. Additional premiums are assumed from the Company’s subsidiary, CNIC, which writes business in Missouri, Arkansas, and Iowa.

Missouri accounted for 75% of direct written premiums in 2013 and Arkansas accounted for the remaining 25%. The major lines of business, based upon direct written premiums, are listed below:

<u>Line of Business</u>	<u>As a % of 2013 Direct Written Premiums</u>
Homeowners Multiple Peril	20.6%
Private Passenger Auto Liability	13.9%
Commercial Multiple Peril	20.1%
Private Passenger Auto-Damage	11.9%
Farmowners Multiple Peril	12.4%
All other Lines	<u>21.1%</u>
Total	<u>100.0%</u>

CMIC’s target market is in rural areas and suburban communities. CMIC markets its products through independent insurance agents and agencies. During 2013, the Company and its wholly owned subsidiary, CNIC had a combined network of 351 insurance agents and agencies that produce business.

A Market Conduct examination was performed during the examination period with report number 1012-16-TGT dated September 29, 2014. The Company was assessed monetary fines, which are deemed immaterial relative to the Company’s financial position.

### GROWTH OF THE COMPANY AND LOSS EXPERIENCE

The Company’s gross written premiums (direct and assumed premiums) decreased significantly in 2012 compared to 2011. This decrease resulted mainly from a moratorium on writing new property business (personal, farm, or commercial) in 42 counties in Missouri effective June 20, 2011. The moratorium was implemented due to high insured property risk concentration in the

affected counties. The moratorium was subsequently lifted in the third quarter of 2012 based on improvements in leverage and policyholder surplus and reductions in the Company's total insured property value in the highly concentrated counties. Gross written premiums remained stable in 2013 relative to 2012. Fluctuations in net written premiums stemmed from the decrease in gross written premiums in 2012 and reductions in the percentage ceded to Swiss Reinsurance America Corporation under a quota share agreement between the parties.

The elevated loss ratio in 2011 reflects high severity and frequency of weather-related losses. During 2011, operations were negatively impacted by losses from a tornado that devastated Joplin, Missouri and hail storms that hit northern Missouri and Iowa. Underwriting operations essentially broke even in 2012 and 2013. Loss and combined ratios improved in these years due to decreased weather-related losses. The Company's efforts to tighten underwriting guidelines, limit total insured value in the highly concentrated counties, and control reinsurance costs also contributed to improved underwriting performance.

The growth and loss experience of the Company is summarized in the following schedule.

	2013	2012	2011
Gross Written Premiums	\$59,428,674	\$59,599,230	\$70,614,308
Net Written Premiums	47,208,511	42,884,756	48,874,401
Net Income (Loss)	2,925,908	3,340,219	(5,357,415)
Net Loss and LAE Reserves	19,459,544	19,648,485	22,181,990
Total Capital and Surplus	34,839,518	31,601,111	26,105,790
Total Admitted Assets	79,329,019	74,928,089	74,902,783
Gross Written Premium to Surplus	170.6%	188.6%	270.5%
Net Written Premium to Surplus	135.5%	135.7%	187.2%
Net Loss & LAE Reserves to Surplus	55.9%	62.2%	85.0%
Net Loss & LAE Incurred to Earned Premium	61.8%	61.6%	83.5%
Other Underwriting Expenses to Premium	38.0%	39.4%	37.0%
Combined Ratio	99.8%	101.0%	120.5%

## REINSURANCE

### General

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Direct Business	\$46,833,619	\$49,118,877	\$53,892,171
Reinsurance Assumed:			
Affiliates	11,732,549	9,640,575	15,939,782
Non-affiliates	862,506	839,778	782,355
Reinsurance Ceded:			
Affiliates	-	-	-
Non-affiliates	(12,220,163)	(16,714,474)	(21,739,907)
<b>Net Premiums Written</b>	<b><u>\$47,208,511</u></b>	<b><u>\$42,884,756</u></b>	<b><u>\$48,874,401</u></b>

### Assumed

Cameron Mutual Insurance Company has a quota share reinsurance agreement, effective January 1, 2009, with Cameron National Insurance Company, its subsidiary, to assume 100% of the net premiums and losses from the various policies issued by CNIC. Effective January 1, 2013, Addendum 4 to the agreement provided that CMIC will also assume all allocated loss adjustment expenses and loss adjustment expenses related to office expenses or salaries.

In addition, CMIC assumes casualty business from twelve Missouri farm mutual insurers. This business began in 2008 and results from reinsurance agreements of the former Cameron Country Mutual Insurance Company (Cameron Country). Cameron Country was merged into CMIC, effective January 3, 2008. The Company has 100% quota share agreements with the farm mutual insurers to assume only casualty business which covers farm liability, personal liability, homeowner's liability and general liability.

### Ceded

CMIC's reinsurance program consists mainly of excess of loss coverage for property and casualty risks, property catastrophe coverage on an excess and aggregate basis and all risk quota share coverage. The risks to CMIC on an individual policy basis are large property or liability losses due to various perils. The main catastrophic risks are losses to a large number of policyholders that could result from severe storms producing high winds, hail, and tornadoes. The reinsurance coverages contained in the Company's reinsurance program attempt to mitigate these risks.

The Company uses the intermediary, AON Benfield, Inc., to perform the brokerage services to place the risks within the reinsurance program. Most reinsurance agreements are executed each year for all coverages on a calendar year basis. All reinsurance agreements are joint agreements

that include the policies assumed from CNIC. Thus, the retentions and limits that are described below are the combined amounts for CMIC direct and the assumption of CNIC's policies.

The Company has a three layer multi-line excess of loss reinsurance agreement as of December 31, 2010. Effective January 1, 2013, participating reinsurers include AXIS Reinsurance Company, Hannover Rueckversicherungs-Aktiengesellschaft, Odyssey Reinsurance Company, SCOR Reinsurance Company, Swiss Reinsurance America Corporation, and The Toa Reinsurance Company of America. The Company's retention is \$300,000 per risk for property business and \$300,000 per occurrence for casualty business. The three layers of reinsurance cover property per risk losses and casualty per occurrence losses in excess of the retention, with the first layer covering \$200,000; the second, \$500,000; and the third, \$3,000,000. Property coverages have per occurrence reinsurance limits of \$600,000 for the first layer (with a three risk maximum); \$1,000,000 for the second layer (with a two risk maximum); and \$3,000,000 (with a one risk maximum) for the third layer.

CMIC has a three layer property catastrophe excess reinsurance agreement. CMIC's retention is \$3,000,000 per occurrence. The reinsurers shall provide three layers of reinsurance cover up to \$17,000,000 of losses in excess of the Company's \$3,000,000 retention, as follows: first layer is \$3,000,000; second layer is \$4,000,000; and the third layer is \$10,000,000.

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

CMIC significant business applications are accessed through various servers, either running Microsoft Windows Server 2003 R2 Enterprise or Windows Server 2008 Enterprise. The Company also has an IBM Z10 mainframe running the VSE 5.1 operating system. All servers are located in Cameron, Missouri.

The Company uses the following significant business applications: Freedom Financial Series F9 from StoneRiver Insurance Solutions for general ledger and accounting functions; eFreedom from StoneRiver Insurance Solutions for the preparation and filing of statutory financial statements; Sungard iWorks for tracking and preparing investment schedules; TFG Policy/Billing and PolicyStar, both products of StoneRiver, for policy management; and TFG Claims from StoneRiver for claims management. TFG Policy/Billing and TFG Claims were customized for the Company while the remaining applications were purchased but not modified. In addition, various versions of Microsoft Office are used and running on all workstations.

The Company's financial statements were audited by the CPA firm, Clifton Larson Allen, LLP of Des Moines, Iowa for the year ending December 31, 2011. The Company's financial statements were audited by the CPA firm, McGladrey LLP, of Raleigh, North Carolina for the years ending December 31, 2012 and 2013.

Loss and Loss Adjustment Expense reserves were opined by Alan J. Hapke, FCAS, MAAA, of Streff Insurance Services in Stilwell, Kansas, for all years under examination.

**STATUTORY DEPOSITS**

**Deposits with the State of Missouri**

The funds on deposit with the DIFP as of December 31, 2013, as reflected below, had sufficient market value to meet the capital deposit requirements for the State of Missouri per Section 379.098 RSMo (Securities to be Deposited). The funds on deposit were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Notes	\$1,550,000	\$1,777,765	\$1,647,084

**Deposits with Other States**

The Company does not have any funds on deposit with any other states.

**FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of Cameron Mutual Insurance Company for the period ending December 31, 2013. 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-Admitted Assets	Net Admitted Assets
Bonds	\$ 41,815,974	\$ -	\$ 41,815,974
Common Stocks	14,967,679	-	14,967,679
Real Estate	992,937	-	992,937
Cash, Cash Equivalents and Short-term Investments	7,946,157	-	7,946,157
Investment Income Due and Accrued	362,178	-	362,178
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in Course of Collection	823,453	-	823,453
Deferred Premiums and Agents' Accrued and Retrospective Premiums	8,444,626	-	8,444,626
Accrued and Retrospective Premiums	19,015	-	19,015
Amounts Recoverable from Reinsurers	476,050	-	476,050
Federal Income Tax Recoverable	365,222	-	365,222
Net Deferred Tax Assets	2,554,044	90,279	2,463,765
Electronic Data Processing Equipment	266,497	3,480	263,017
Furniture and Equipment	70,173	70,173	-
Receivable from Subsidiaries and Affiliates	226,341	-	226,341
Aggregate Write-ins for Other Assets	170,601	7,996	162,605
<b>TOTAL ASSETS</b>	<b>\$ 79,500,947</b>	<b>\$ 171,928</b>	<b>\$ 79,329,019</b>

**Liabilities, Surplus and Other Funds**

Losses	\$15,251,130
Reinsurance Payable on Paid Losses	887,775
Loss Adjustment Expenses	4,208,414
Commissions Payable, Contingent and Other Similar Charges	1,576,437
Other Expenses	635,139
Taxes, Licenses and Fees	79,401
Unearned Premiums	18,498,247
Advance Premium	443,501
Ceded Reinsurance Premiums Payable	461,654
Amounts Withheld or Retained by Company	126,437
Drafts Outstanding	1,500,803
Payable for Securities	357,270
Aggregate Write-ins for Liabilities	463,293
<b>TOTAL LIABILITIES</b>	<b>\$44,489,501</b>
Aggregate Write-Ins for Other Than Special Surplus Funds	1,600,000
Unassigned Funds (Surplus)	33,239,518
<b>TOTAL SURPLUS</b>	<b>\$34,839,518</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$79,329,019</b>

**Statement of Income****Underwriting Income**

Premiums Earned	\$46,807,384
Losses Incurred	24,814,664
Loss Adjustment Expenses Incurred	4,125,166
Other Underwriting Expenses Incurred	17,948,781
Total Underwriting Deductions	<u>\$46,888,611</u>
Net Underwriting Gain/(Loss)	\$ (81,227)

**Investment Income**

Net Investment Income Earned	1,639,419
Net Realized Capital Gains or (Losses)	143,284
Net Investment Gain or (Loss)	<u>\$ 1,782,703</u>

**Other Income**

Net Gain (Loss) from Agents' or Premium Balances Charged Off	(56,549)
Finance and Service Charges not Included in Premiums	1,051,757
Miscellaneous Other Income	68,261
Total Other Income	<u>\$ 1,063,469</u>
Net Income Before Dividends to Policyholders and Federal Income Taxes	<u>\$ 2,764,945</u>
Federal and Foreign Income Taxes Incurred	(160,963)
<b>Net Income</b>	<b><u>\$ 2,925,908</u></b>

**Capital and Surplus Account**

Capital and Surplus, December 31, 2012	\$ 31,601,111
Net Income	2,925,908
Change in Net Unrealized Capital Gains and (Losses)	1,318,863
Change in Net Deferred Income Tax	(1,055,440)
Change in Nonadmitted Assets	49,077
Net Change in Capital and Surplus	<u>\$ 3,238,408</u>
<b>Capital and Surplus at December 31, 2013</b>	<b><u>\$ 34,839,519</u></b>

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None

**SUMMARY OF RECOMMENDATIONS**

None

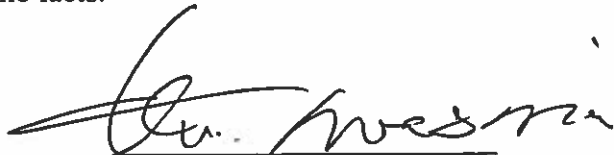
**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Cameron Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Steve Koonse, CFE; Karen Baldree, CFE, CPA and Emily Pennington, 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. The actuarial firm of Expert Actuarial Services, LLC of Wildwood, MO also participated as consulting actuaries.

**VERIFICATION**


State of Missouri )  
County of Jackson )

I, Levi N. Nwasoria, CPA, 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 Mutual 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.



Levi N. Nwasoria, CPA, CFE  
Examiner-In-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 16<sup>th</sup> day of April 2015,

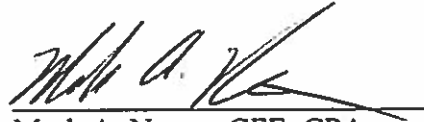
My commission expires: 04-14-2016   
Notary Public



BEVERLY M. WEBB  
My Commission Expires  
April 14, 2016  
Clay County  
Commission #12464070

**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.



Mark A. Nance, CFE, CPA  
Assistant Chief Financial Examiner  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration