STATE OF MISSOURI

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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 as of December 31, 2007

ORDER

After full consideration and review of the report of the financial examination of Cameron Mutual Insurance Company for the period ended December 31, 2007, 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 report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER 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 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.

So ordered, signed and official seal affixed this March 4, 2009.

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

REPORT OF THE

ASSOCIATION FINANCIAL EXAMINATION OF

CAMERON MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2007

FILED
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DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

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STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Cameron, Missouri
January 28, 2009

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman, Financial Condition (E) Committee

Honorable Merle Scheiber, Commissioner
South Dakota Division of Insurance
Secretary, Midwestern Zone, NAIC

Honorable Kip Stetzler, Acting Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 64429

Gentlemen:

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

Cameron Mutual Insurance Company

hereinafter referred to as such, as Cameron Mutual, CMIC, or as the Company. Its administrative office is located at 214 McElwain Drive, Cameron, Missouri, 64429, telephone number (816) 632-6511. This examination began on September 8, 2008, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Cameron Mutual was made as of December 31, 2004, and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC), with no other zones participating.

The current full scope association financial examination covered the period from January 1, 2005, through December 31, 2007, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the NAIC, with no other zones participating.

This examination was conducted concurrently with the examination of the Company's subsidiary, Cameron National Insurance Company (Cameron National or CNIC).

This examination also included the 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 Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed.

The examiners relied upon information supplied by the Company's independent auditor, Clifton Gunderson, LLP, of West Des Moines, Iowa, for its audit covering the period from January 1, 2007, through December 31, 2007. Information relied upon included fraud risk assessment, legal representation letters, bank confirmations, policy attribute testing, and income tax reconciliations.

Comments - Previous Examination

The previous financial examination of Cameron Mutual was conducted by the Missouri DIFP for the period ending December 31, 2004. There were no general comments or recommendations in the previous examination report. There also were no items disclosed in the Notes to the Financial Statements section of the previous examination report.

HISTORY

General

Cameron Mutual was incorporated and commenced business on April 26, 1892 as the Farmers Mutual Tornado, Cyclone and Windstorm Association of the Third Congressional District. The original offices were in Gentry County, Missouri and were moved to Cameron, Missouri in 1902. The name was changed to State Farmers Mutual Tornado Insurance Company of Missouri in January 1907. The current name of Cameron Mutual Insurance Company was adopted on February 22, 1968. The Company operates as a mutual property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life).

Capital Stock

The Company is organized as a mutual insurer and thus, there are no shares of capital stock issued or outstanding. The policyholders own 100% of Cameron Mutual.

Dividends

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

Management

The management of the Company is vested in a Board of Directors which is appointed by the policyholders. The Company's Articles of Incorporation specify that the Board of Directors shall consist of nine members. The Board of Directors appointed and serving, as of December 31, 2007, were as follows:

Name	Address	Principal Occupation and Business Affiliation
Gary W. Black	Trenton, MO	Secretary, Grundy County Farmers Mutual
Gayle W. Cobb	Clever, MO	Agent, Fortner Insurance Services, Inc.
Darwin G. Copeman	Cameron, MO	President and CEO, Cameron Mutual
Robert L. Cummings	Springfield, MO	Certified Public Accountant and Partner, Roberts, McKenzie, Mangan & Cummings, P.C.
Paul E. Heacock	Overland Park, KS	President, Human Dynamics, Inc.
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	Treasurer, Cameron Mutual
William R. Settles	Dexter, MO	President, County Wide Insurance & Real Estate, Inc.

Committees

The Articles of Incorporation and Bylaws do not require any committees, but the Bylaws do allow for committees to be appointed by the Board of Directors. The committees appointed and serving, as of December 31, 2007, were as follows:

Audit Committee	Corporate Governance Committee	Executive Committee
Robert L. Cummings	L. Kent Osborn	Darwin G. Copeman
Gary W. Black	Neil G. Nuttall	Gary W. Black
Gayle W. Cobb	Gayle W. Cobb	Gayle W. Cobb
Darwin G. Copeman	Darwin G. Copeman	Doyle W. Nimmo

Product Committee	Compensation Committee
Doyle W. Nimmo	Gayle W. Cobb
William R. Settles	Robert L. Cummings
Paul E. Heacock	Neil G. Nuttall
Darwin G. Copeman	Darwin G. Copeman

Officers

The officers elected by the Board of Directors and serving as of December 31, 2007, were as follows:

Officer	Position
Gayle W. Cobb	Chairman of the Board
Darwin G. Copeman	President and Chief Executive Officer
Richard J. Kline	Executive Vice President
L. Kent Osborn	Treasurer
Janet K. Stonum	Secretary
Andrea L. Lockridge	Assistant Secretary and General Counsel
C. Scotty Massey	Vice President – Accounting, Assistant Treasurer
Pat H. Eivins	Vice President – Information Systems
Douglas E. Paden	Vice President – Marketing Services
Richard G. Hatten	Vice President – Personal Lines Underwriting
Randal L. Gould	Vice President – Commercial Lines Underwriting
Michael J. Godby	Vice President – Farm Underwriting
Robert L. Winder	Vice President – Research and Development
Bradley M. Fowler	Vice President – Claims
Douglas E. Cunio	Assistant Vice President – Claims
C. Dale Sowards	Assistant Vice President – Accounting

Conflict of Interest

The Company has a policy that requires all officers, directors, and key employees to complete a conflict of interest statement each year. The responses to the conflict of interest statements were reviewed for the examination period. No significant exceptions were noted.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the examination period. There were no amendments or changes to the Bylaws during the period under examination. The Articles of Incorporation were amended, effective November 30, 2007, to establish a maximum age for its Board of Directors and to make other minor changes. No director may be elected or reelected that is 70 years of age or older. Other changes made with the amended Articles were for the following areas: voting procedures for policyholders, indemnification of directors and officers subject to legal proceedings, and notification requirements for amendments to the Articles and other notices.

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.

Acquisitions, Mergers and Major Corporate Events

The Company executed an Agreement and Plan of Merger with Cameron Country Mutual Insurance Company (Cameron Country) on October 29, 2007, from which Cameron Mutual was the surviving entity. Cameron Mutual had managed the business operations of Cameron Country since 1982 under various management agreements. The closing date for the merger was January 3, 2008. The transfer of Cameron Country's assets and liabilities to Cameron Mutual resulted in a net increase of $6.9 million to capital and surplus.

Surplus Debentures

CMIC had no surplus notes issued and outstanding, as of December 31, 2007.

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

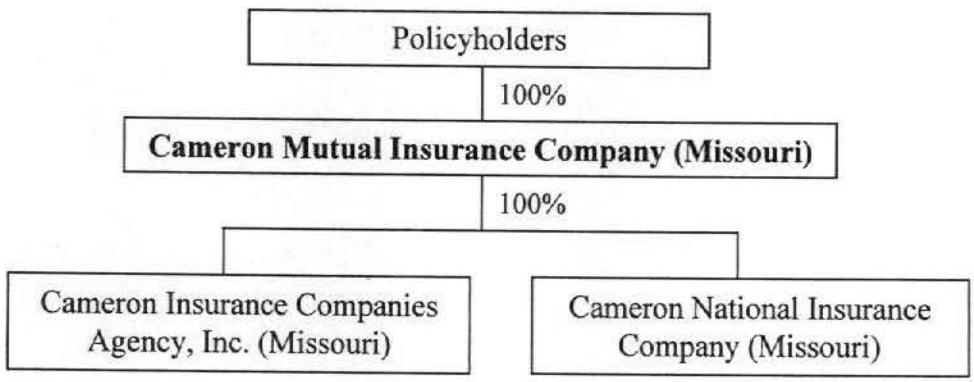
The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by CMIC for each year of the examination period. Cameron Mutual does not have any stockholders or a controlling entity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

The Company has two subsidiaries, which are described below:

- Cameron National Insurance Company – A Missouri domiciled property and casualty insurer that was acquired in 1989. CNIC operates in Missouri, Arkansas, and Iowa. Any business resulting from planned future expansion into new states will be written by CNIC. A description of the combined operating plan for CMIC and CNIC is described in the Insurance Products and Related Practices section of this report.
- Cameron Insurance Companies Agency, Inc. (CIC Agency) – A Missouri licensed insurance agency that assists the independent agents of Cameron Mutual and Cameron National by placing risks for products not offered by either company. CIC Agency also assists the marketing efforts for the agency force and handles the insurance policies for the Company's employees. Two employees of Cameron Mutual operate CIC Agency.

Organizational Chart

The following chart depicts the ownership and subsidiaries of the Company, as of December 31, 2007. Not shown is Cameron Country Mutual Insurance Company, which was merged into Cameron Mutual on January 3, 2008.



Intercompany Transactions

The Company's current intercompany agreements that were in effect, as of December 31, 2007, are outlined below. It should be noted that the Company also had several intercompany agreements with Cameron Country that were terminated on January 3, 2008, as a result of the merger that was completed on that date. The agreements with Cameron Country are not listed below.

1. **Type:** Contract for Services

   Affiliate: Cameron National Insurance Company

   Effective: July 1, 2002

   Terms: Cameron Mutual will provide various services for the overall operation of Cameron National. The Company's employees will provide services relative to the following functions: Underwriting, research and development, legal, data processing, accounting, claims adjusting, management support, marketing, and reinsurance. Allocation of salaries and benefits of CMIC employees to CNIC for the services provided are based upon the percentage of Cameron National's gross written premium to the total gross written premium of both entities. Cameron Mutual will also provide all communication services, business supplies, and any other services and supplies necessary to conduct the insurance operations of Cameron National. The Company will be reimbursed for the actual costs of these additional services.

   Exception: Cameron Mutual stopped allocating costs to Cameron National under the terms of this agreement, on January 1, 2005. However, the agreement was never formally terminated. Management explained that a Multiple Line Quota Share Reinsurance Contract, effective January 1, 2005, between the two parties, was supposed to have provisions for the various management services that had been provided to Cameron National under the Contract for Services. However, per a review of the Quota Share Contract, no such terms regarding management services were noted. Cameron National has not compensated Cameron Mutual for the management services that have been provided since January 1, 2005.

   Cameron Mutual is directed to resume allocating costs that will be compensated by Cameron National, as specified by the Contract for Services. Alternately, the Company could amend the terms of the Quota Share Contract to include language for the provision of management services to Cameron National and the method of compensation. Any such amendment would have to be submitted in a Form D filing to the Missouri DIFP for prior approval.

2. **Type:** Tax Allocation Agreement

   Affiliate: Cameron National Insurance Company

   Effective: December 31, 2002

   Terms: The parties to the Agreement 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 would have filed a separate tax return. The settlements of tax payments due from Cameron National to Cameron Mutual are to be paid within 10 days after receiving notice of the amount due. Any tax refunds due to Cameron National from Cameron Mutual are due within 10 days of receipt of the funds from the Internal Revenue Service.

3. **Type:** Tax Allocation Agreement

   Affiliate: Cameron Insurance Companies Agency, Inc.

   Effective: December 1, 2005

   Terms: The parties to the Agreement will annually file a consolidated federal income tax return commencing with the 2005 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 would have filed a separate tax return. The settlements of tax payments due from CIC Agency to Cameron Mutual are to be paid within 10 days after receiving notice of the amount due. Any tax refunds due to CIC Agency from Cameron Mutual are due within 10 days of receipt of the funds from the Internal Revenue Service.

4. **Type:** Contract for Services

   Affiliate: Cameron Insurance Companies Agency, Inc.

   Effective: January 1, 2007 [Note: This Contract replaced an nearly identical Contract for Services, effective September 1, 2005 with CIC Agency under its former name, Cameron Life Agency, Inc.]

   Terms: Cameron Mutual will provide various services for the overall operation of CIC Agency. The Company's employees will provide services relative to the following functions: Legal, data processing, accounting, and management support. Charges for salaries and benefits of CMIC employees to CIC Agency for the services provided are to be based upon actual costs. Charges will be billed each month and an annual review performed after each year to determine if the amounts paid by CIC Agency differ from the actual costs incurred to provide the services. If necessary, a true-up adjustment will be paid to either party, as applicable. Cameron Mutual will also provide all communication services, business supplies, and any other services and supplies necessary to conduct the operations of CIC Agency. The Company will be reimbursed for the actual costs for these additional services.

Intercompany Payments

The following table summarizes the payments made during the examination period, between CMIC and its subsidiaries, pursuant to currently effective intercompany agreements.

		Net Paid / (Received)		
Affiliate	Agreement	**2005**	**2006**	**2007**
Cameron National	Contract for Services [1]	($106,441)	($ 4,141)	($ 84,738)
Cameron National	Tax Allocation	(128,285)	10,650	(491,875)
Cameron National	Reinsurance [2]	(382,004)	(178,699)	(518,954)
CIC Agency	Tax Allocation	(8,325)	(10,901)	(5,000)
CIC Agency	Contract for Services	(9,707)	(29,105)	(34,231)
TOTAL		($634,762)	($212,196)	($1,134,798)

[1] Transactions represent reimbursements for accounts payable items only

[2] Net settlements include commissions paid by Cameron Mutual to Cameron National of $495,911 for 2005, $836,115 for 2006, and $1,535,762 for 2007

FIDELITY BOND AND OTHER INSURANCE

The Company and its two subsidiaries, Cameron National and CIC Agency, are named insureds on a fidelity bond that covers losses resulting from dishonest or fraudulent acts of employees. The bond has a liability limit of $1,000,000 with a $10,000 deductible, which meets the minimum coverage recommended by the NAIC. The Company is also a named insured on the following insurance policies: property, commercial general liability, commercial auto, umbrella liability, employment practices liability, worker's compensation and employers liability, directors and officers liability, and insurance company professional liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

As of June 30, 2008, the Company had 138 employees located in its home office in Cameron, Missouri. Another 17 employees were located in branch offices in Cape Girardeau, Missouri and Springfield, Missouri that process claims.

A variety of standard benefits are provided to the employees. These benefits include the following insurance plans: health, dental, life, short-term disability, and long-term disability. Other benefits include vacation, sick leave, cafeteria plan savings, tuition reimbursement, defined contribution pension plan, and a 401(k) savings plan. The Company contributes 5% of an employee's salary each year, under the terms of the pension plan. The Company matches 25% of employee contributions to the 401(k) savings plan up to 10% of the employee's salary.

Employees can receive additional compensation under a performance bonus plan. The Board of Directors approve company goals that are established each year for the performance bonus plan. Bonus payments earned can be up to 5% of the employee's salary, depending upon the number of objectives that are achieved. Officer bonus payments vary depending on the individual objectives established for each person. The maximum officer bonuses that could have been achieved for 2007 averaged 10% of annual officers salaries. The 2007 bonus objectives for officers were based mostly upon the combined ratio achieved for the year.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP, as of December 31, 2007, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 379.098 RSMo (Securities to be Deposited). The funds on deposit as of December 31, 2007, were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury STRIPS	\$1,875,000	\$1,710,937	\$1,676,869

Deposits with Other States

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

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

Cameron Mutual is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other than Life). 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. Additional premiums are assumed from the Company's subsidiary, Cameron National, which has business in Missouri, Arkansas, and Iowa. The Company is exploring the possibility of obtaining licenses in two additional states in 2009 for the purposes of diversifying the geographical locations of its risks. Management's intention is to use Cameron National for any future expansion into new territories.

Missouri accounted for 75% of direct written premiums in 2007 and Arkansas accounted for the remaining 25%. The major lines of business, based upon net written premiums, are listed below:

Line of Business	Percentage of 2007 Net Written Premiums
Auto Physical Damage	21.9%
Homeowners Multiple Peril	20.1%
Private Passenger Auto Liability	19.6%
Commercial Multiple Peril	15.1%
Farmowners Multiple Peril	6.3%
All Other Lines	17.0%
Total	100.0%

The Company's operating plan has Cameron National writing the preferred auto business in Missouri and Arkansas with Cameron Mutual writing the standard auto risks and all other lines of business in those two states. Cameron National writes business for all product lines in Iowa, which was a new territory starting in 2006. The Company stopped writing earthquake coverage during 2007 due to the high risk exposure and the inability to reasonably cover the risk through reinsurance. The last homeowners policies with earthquake coverage expired, as of October 31, 2008.

The Company's business has shown nominal growth during the exam period and subsequent periods, as shown in the table below:

Year	Net Premiums Written	Surplus as Regards Policyholders	Ratio of Premiums to Surplus
2004	$51,501,708	$26,955,348	1.91
2005	62,712,797	34,832,904	1.80
2006	60,646,853	32,698,466	1.85
2007	64,560,652	36,263,472	1.78
2008*	64,825,000*	32,291,251*	2.01*

* projected as of September 26, 2008

The increase in net written premiums in 2005 was due mostly to the elimination of a quota share reinsurance agreement that was utilized in prior years. This decreased ceded premiums by approximately $7 million in 2005. A projected net loss of over $10 million for 2008 has been offset mostly by a $7 million capital infusion from the merger with Cameron Country Mutual Insurance Company, effective January 3, 2008.

The Company has performed extensive analysis of its concentration of risks in response to the large underwriting loss and net loss that has been reported for 2008. Corrective actions implemented or planned include a moratorium on the issuance of new homeowners policies in the counties with the largest amount of total insured values. This will lessen the catastrophe losses from the severe storms that occur in the service territory. The Company is also planning a shift in its business mix to achieve a higher percentage of commercial premiums in comparison to homeowners premiums. Commercial buildings are less susceptible to damage from wind and hail.

Cameron Mutual and Cameron National have a combined network of 362 insurance agencies that produce business. CIC Agency, a subsidiary, manages the policies for employees only.

Policy Forms & Underwriting
Advertising & Sales Materials
Treatment of Policyholders

The Missouri DIFP has a market conduct staff that performs a review of these issues and generates a market conduct report. No market conduct examinations of the Company were performed by the Missouri DIFP or any other states during the examination period.

REINSURANCE

General

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

	2005	2006	2007
Direct Business	\$65,120,516	\$65,916,193	\$65,971,787
Reinsurance Assumed:			
Affiliates	2,235,911	3,473,127	6,056,823
Non-affiliates	0	0	0
Reinsurance Ceded:			
Affiliates	0	0	0
Non-affiliates	(4,643,630)	(8,742,467)	(7,467,958)
Net Premiums Written	**\$62,712,797**	**\$60,646,853**	**\$64,560,652**

Assumed

Cameron Mutual has a quota share reinsurance agreement, effective January 1, 2005, with Cameron National to assume 100% of the net premiums, losses and loss adjustment expenses from the various policies issued by CNIC. The assumed lines of business include homeowners, businessowners, personal automobile and business automobile. Cameron National receives a ceding commission of 26.5% on all premiums assumed by Cameron Mutual.

Cameron Mutual also assumes casualty business from fourteen Missouri farm mutual insurers. This business began in 2008 and results from agreements of the former Cameron Country Mutual Insurance Company. Cameron Country was merged into Cameron Mutual, effective January 3, 2008. The Company has 100% quota share agreements with the farm mutual insurers to assume casualty business only. The limits of reinsurance provided by Cameron Mutual range from \$50,000 up to \$1 million per occurrence. The casualty business assumed from the farm mutual insurers will amount to approximately \$1 million in assumed premiums in 2008.

Ceded - General

Cameron Mutual's reinsurance program consists of excess of loss coverage for property and casualty risks and property catastrophe coverage. The risks to Cameron Mutual on an individual policyholder 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 obtained in the Company's reinsurance agreements attempt to mitigate these risks.

The Company uses an intermediary, Benfield, Inc., to perform the brokerage services to place the risks with the various reinsurers in the reinsurance program. New 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 the Company's subsidiary, Cameron National. Thus, the retentions and limits that are described below are the combined amounts for Cameron Mutual direct and the assumed Cameron National policies.

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.

Ceded – 2007 Program

The Company has three layers of excess of loss coverage for 2007 included in two reinsurance agreements. The participating reinsurers for all three layers are as follows: Swiss Reinsurance America Corporation, Platinum Underwriters Reinsurance, Inc., and The Toa Reinsurance Company of America. The Company's retention is \$225,000 per risk for property business and \$225,000 per occurrence for casualty business. The three layers of reinsurance cover up to \$3,775,000 of losses in excess of the retention, as follows: first layer - \$275,000; second layer - \$500,000; and third layer - \$3,000,000. The property coverages have per occurrence reinsurance limits of \$825,000 (three risks maximum) for the first layer; \$1,000,000 for the second layer (two risks maximum) and \$3,000,000 (one risk maximum) for the third layer.

The property catastrophe coverage for 2007 was structured into four layers with the use of two reinsurance agreements. The participating reinsurers for each of the four catastrophe layers were comprised of six Bermuda domiciled entities with a 45% total share, eight Lloyd's Syndicates with a 50% total share, and the remaining 5% by Swiss Reinsurance America Corporation. Cameron Mutual's retention is \$3,000,000 per occurrence. The first three layers of reinsurance cover up to $22,000,000 of losses in excess of the retention, as follows: first layer - $2,000,000; second layer - $5,000,000; and third layer - $15,000,000. The fourth layer of the catastrophe coverage reinsures any losses up to $25,000,000 in excess of the $25,000,000 covered by the first three layers. However, the fourth layer only applies to losses caused by earthquake or wind. In the event of a covered loss for any of the four catastrophe layers, the agreements allow for a one time reinstatement of coverage with the payment of a reinstatement premium.

Cameron Mutual has a facultative quota share agreement, effective January 1, 2002, with Munich Reinsurance America, Inc. (Munich Re) to cede risks for umbrella liability policies. CMIC cedes 95% of the first $1,000,000 of policy limits and 100% of the next $1,000,000 of coverage. Munich Re may decline coverage for risks deemed unacceptable by providing written notice to the Company. Cameron Mutual also has a facultative excess of loss agreement, effective July 1, 2002, with Munich Re to cede large property risks. For risks accepted by Munich Re, CMIC cedes 100% of losses in excess of a $2,000,000 retention per policy, subject to a reinsurance limit of $2,000,000 per policy and $4,000,000 per occurrence.

The Company's reinsurance program has changed slightly since the prior examination, as of December 31, 2004. Notable changes are as follows.

- The per risk (property) and per occurrence (liability) retention in the excess of loss agreements has increased from $200,000 in 2004 to $225,000 in 2007.
- A casualty clash layer providing $2,000,000 in coverage in excess of $2,000,000 retention was eliminated after the 2005 program year.
- The third layer of the casualty excess of loss coverage was increased from $1,000,000 in 2005 to $3,000,000 in 2006.
- The property catastrophe retention increased from $2,000,000 per occurrence in 2004 to $3,000,000 in 2007.
- The reinsurance limit in the fourth layer of the property catastrophe coverage increased from $15,000,000 in 2004 to $25,000,000 in 2007.

Ceded – 2008 and 2009 Programs

There were no changes to the retentions or limits for the reinsurance coverages in 2008, in comparison to the 2007 amounts. However, the Company's reinsurance program in 2008 was enhanced by adding an aggregate property catastrophe cover. The sole participant in this agreement, effective from January 17, 2008 to December 31, 2008, was Catlin Insurance Company, Ltd. (Catlin Ltd.), a Bermuda entity. Aggregate property catastrophe losses up to $5,000,000 in excess of a retention of $6,500,000 are covered by the agreement. A loss occurrence is defined in the agreement as losses that occur within a 72 hour period from the same event, such as wind, hail or tornado. To qualify as a catastrophe loss, an event must have at least $750,000 in paid losses, subject to a per event limit of $3,000,000 in paid losses.

Cameron Mutual experienced a high frequency of severe storms in early 2008. The losses incurred from these storms exhausted the $5,000,000 coverage provided by the first aggregate property catastrophe agreement by early May 2008. A second aggregate property catastrophe agreement was obtained in May 2008 that provided coverage of $5,000,000 in excess of a $3,000,000 retention for the Company. Two participating reinsurers, Flagstone Reinsurance

Limited and Protective Insurance Company, signed for a total participation of 45% effective from May 9, 2008 to December 31, 2008. However, a large storm occurred on May 10, 2008 before the remaining participation could be placed with another reinsurer. A third aggregate property catastrophe agreement was signed, effective May 12, 2008 to December 31, 2008, that also provided $5,000,000 of reinsurance coverage in excess of a $3,000,000 retention. Catlin Ltd. was the only reinsurer for the third aggregate agreement with a 55% participation. The second and third aggregate catastrophe agreements for 2008 both had essentially the same terms, but with slightly different effective dates.

A fourth aggregate property catastrophe agreement, effective from June 2, 2008 to December 31, 2008 was obtained to provided coverage for $2,000,000 of losses in excess of a $6,000,000 retention. The coverage from this agreement was intended to replace the coverage exhausted from the second aggregate agreement from storm losses occurring on May 10, 2008.

The Company reported a large underwriting loss and net loss for the nine months ending September 30, 2008. The high frequency of storms in 2008 with lower severity of losses was the reason for the large losses and a resulting 33% decrease in capital and surplus. There have been nine storms (mostly tornado events) in 2008 with direct incurred losses between $750,000 and $3,600,000 for each storm and a total incurred loss of $17,400,000. Most of the losses were from homeowners policies.

The Company's per occurrence property catastrophe retention of $3,000,000 resulted in reinsurance recoveries of only approximately $1,000,000 for the nine severe storms in 2008. The aggregate property catastrophe agreements that were obtained in 2008 did provide approximately $5,300,000 in reinsurance recoveries to lessen the impact of the storm losses on the financial statements. However, the 2008 financial results are still on track to be one of the worst years in the Company's history.

The Company is planning changes to its reinsurance program for 2009 to address the large underwriting loss and net loss experienced in 2008. The most significant change is the plan to have an aggregate property catastrophe agreement that will provide $10,000,000 of coverage in excess of a $7,000,000 retention. If this coverage would have been effective in 2008, an additional $4,700,000 in reinsurance recoveries would have been achieved.

ACCOUNTS AND RECORDS

The CPA firm, Clifton Gunderson, LLP, of West Des Moines, issued audited statutory financial statements of the Company for all years in the examination period.

The actuarial opinion regarding the Company's reserves for losses and loss adjustment expenses (LAE) was issued by Alan J. Hapke, FCAS, MAAA, of Streff Insurance Services in Stilwell, Kansas, for all years in the examination period.

Deficiencies were noted in the capabilities of the Company's computer system to obtain information for the assets reported as uncollected premiums and deferred premiums. The Company was unable to provide a policy-by-policy listing with the effective dates and due dates associated with these premium receivable balances. The Company could only provide a list with policy numbers and the amount of premium receivable for each policy. Without effective dates, we were unable to verify that receivables were reported only for policies in effect, as of December 31, 2007. Without due dates, we were unable to age the premiums receivables to verify that amounts over 90 days past due were properly non-admitted, in accordance with the NAIC's Statement of Statutory Accounting Principle (SSAP) No. 6 (Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers).

Most insurance companies have the ability to provide numerous attributes associated with premium receivable balances, such as effective dates and due dates. Uncollected premiums and deferred premiums represented 35% of reported capital and surplus, as of December 31, 2007, and 46% of capital and surplus, as of September 30, 2008. More data should be available for these material assets not only for auditing and reporting purposes, but also for the monitoring and management of premium receivable balances and collections.

It is recommended that the Company devote computer programming resources to develop the ability to extract the effective dates and due dates for uncollected premiums and deferred premiums on an ongoing basis. Alternately, it is recommended that the Company research the possibility of obtaining a new billing system or software package for policy administration that will provide these attributes in a comprehensive listing for all policies.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Cameron Mutual Insurance Company for the period ending December 31, 2007. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to 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 additional 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, and therefore, were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

Assets
as of December 31, 2007

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$58,454,231	$ 0	$58,454,231
Common Stocks	9,511,839	0	9,511,839
Real Estate	668,294	0	668,294
Cash and Short-Term Investments	8,031,785	0	8,031,785
Investment Income Due and Accrued	792,596	0	792,596
Uncollected Premiums and Agents' Balances	552,682	0	552,682
Deferred Premiums	12,114,066	0	12,114,066
Amounts Recoverable from Reinsurers	90,243	0	90,243
Net Deferred Tax Asset	2,646,744	497,462	2,149,282
Guaranty Funds Receivable	234,000	0	234,000
EDP Equipment and Software	339,191	68,452	270,739
Furniture and Equipment	77,780	77,780	0
Receivable from Parent, Sub., and Affiliates	54,608	0	54,608
Agg. Write-In Assets: Automobiles	202,002	0	202,002
TOTAL ASSETS	**$93,770,061**	**$643,694**	**$93,126,367**

Liabilities, Surplus and Other Funds
as of December 31, 2007

Losses	$19,958,900
Loss Adjustment Expenses	3,255,754
Commissions Payable	1,779,392
Other Expenses	193,709
Taxes, Licenses and Fees	357,660
Federal Income Taxes Payable	273,015
Unearned Premiums	27,008,039
Advance Premium	918,203
Ceded Reinsurance Premiums Payable	196,061
Funds Held by Company Under Reins. Treaties	41,872
Amounts Withheld or Retained	33,529
Drafts Outstanding	2,017,799
Aggregate Write-In Liabilities:	
Pensions Payable	319,076
Unclaimed Drafts	349,715
Accrued Bonuses	90,649
Accrued Vacation	33,052
Unclaimed Checks	36,470
TOTAL LIABILITIES	**$56,862,895**
Aggregate Write-In for Special Surplus Funds	1,600,000
Common Capital Stock	0
Gross Paid In and Contributed Surplus	0
Unassigned Funds (Surplus)	34,663,472
Capital and Surplus	**$36,263,472**
TOTAL LIABILITIES AND SURPLUS	**$93,126,367**

Summary of Operations
For the Year Ended December 31, 2007

Premium Earned	**$64,234,126**
DEDUCTIONS:	
Losses Incurred	37,945,449
Loss Expenses Incurred	4,602,825
Other Underwriting Expenses Incurred	22,390,675
Total Underwriting Deductions	**$64,938,949**
Net Underwriting Loss	**($704,823)**
Net Investment Income Earned	3,366,548
Net Realized Capital Gains	430,388
Net Investment Gain	**$3,796,936**
Other Income	1,814,093
Federal Income Taxes Incurred	1,771,738
Net Income	**$3,134,468**
CAPITAL AND SURPLUS ACCOUNT:	
Surplus as Regards Policyholders, December 31, 2006	$32,698,466
Net Income	3,134,468
Change in Net Unrealized Capital Gains or (Losses)	367,404
Change in Net Deferred Income Tax	39,103
Change in Non-Admitted Assets	24,033
Surplus as Regards Policyholders, December 31, 2007	**$36,263,474**

Notes to the Financial Statements

None.

Examination Changes

None.

General Comments and/or Recommendations

Allocation of Costs to Cameron National (page 7)

Cameron Mutual stopped allocating costs to Cameron National under the terms of this Contract for Services agreement, on January 1, 2005. However, the agreement was never formally terminated. Management explained that a Multiple Line Quota Share Reinsurance Contract, effective January 1, 2005, between the two parties, was supposed to have provisions for the various management services that had been provided to Cameron National under the Contract for Services. However, per a review of the Quota Share Contract, no such terms regarding management services were noted. Cameron National has not compensated Cameron Mutual for the management services that have been provided since January 1, 2005.

Cameron Mutual is directed to resume allocating costs that will be compensated by Cameron National, as specified by the Contract for Services. Alternately, the Company could amend the terms of the Quota Share Contract to include language for the provision of management services to Cameron National and the method of compensation. Any such amendment would have to be submitted in a Form D filing to the Missouri DIFP for prior approval.

Premium Receivable Information (page 16)

Deficiencies were noted in the capabilities of the Company's computer system to obtain information for the assets reported as uncollected premiums and deferred premiums. The Company was unable to provide a policy-by-policy listing with the effective dates and due dates associated with these premium receivable balances. The Company could only provide a list with policy numbers and the amount of premium receivable for each policy. Without effective dates, we were unable to verify that receivables were reported only for policies in effect, as of December 31, 2007. Without due dates, we were unable to age the premiums receivables to verify that amounts over 90 days past due were properly non-admitted, in accordance with SSAP No. 6.

It is recommended that the Company devote computer programming resources to develop the ability to extract the effective dates and due dates for uncollected premiums and deferred premiums on an ongoing basis. Alternately, it is recommended that the Company research the possibility of obtaining a new billing system or software package for policy administration that will provide these attributes in a comprehensive listing for all policies.

SUBSEQUENT EVENTS

Cameron Mutual's Quarterly Statement, as of September 30, 2008, reported a net loss of \$12,741,104 for the first three quarters of 2008. An unrealized loss of \$1,495,287 on the common stock investments was also reported during the first three quarters of 2008. Overall, capital and surplus has decreased by \$14,192,069 or 33%, from \$43,185,018 on January 3, 2008, to \$28,992,949 on September 30, 2008.

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, Bernie Troop, CFE and Barbara Bartlett, CPA, CFE, examiners for the Missouri DIFP, participated in this examination. The firm of Expert Actuarial Services, LLC, also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of Coldwell)

I, Tim L. Tunks, 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.

Tim L. Tunks

Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri DIFP

Sworn to and subscribed before me this 18th day of December, 2008.

My commission expires: 6-2-11 Velma M. Ward
Notary Public

VELMA M WARD
Notary Public - Notary Seal
State of Missouri
Commissioned for Caldwell County
My Commission Expires: June 02, 2011
Commission Number: 07487949

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.

Vicki L. Denton

Vicki L. Denton, CFE
Audit Manager
Missouri DIFP