



**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 Columbia Mutual Insurance Company for the period ended December 31, 2017, 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, subsequent events, company history, management and control, territory and plan of operation, reinsurance, financial statements, comments on financial statement items, examination changes and general comments and/or recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Columbia Mutual Insurance Company as of December 31, 2017 be and is hereby ADOPTED as filed and for Columbia 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) 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 23<sup>rd</sup> day of January, 2019.



*Chlora Lindley-Myers*

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

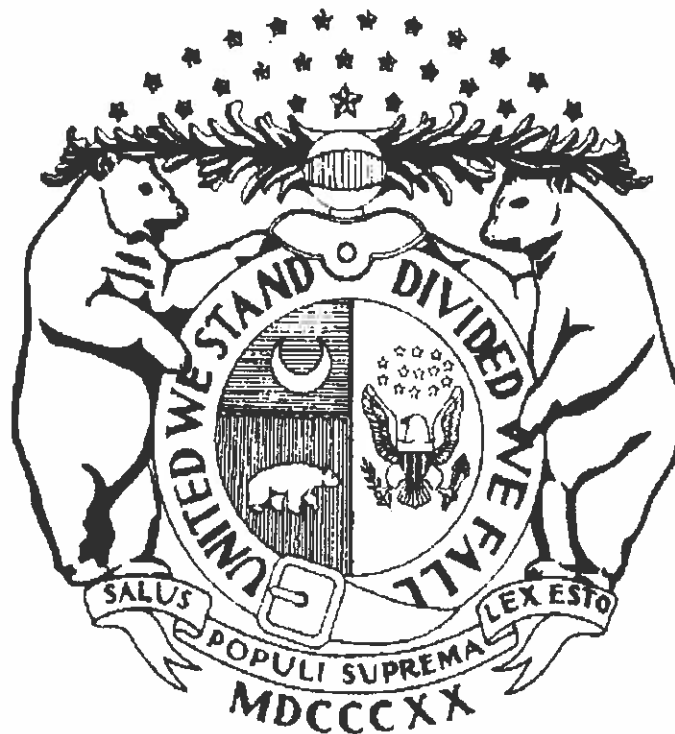
**REPORT OF THE  
FINANCIAL EXAMINATION OF  
COLUMBIA MUTUAL INSURANCE COMPANY**

**AS OF  
DECEMBER 31, 2017**

**FILED**

**FEB 04 2019**

**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
<b>SUMMARY OF SIGNIFICANT FINDINGS.....</b>	<b>2</b>
<b>SUBSEQUENT EVENTS.....</b>	<b>2</b>
<b>COMPANY HISTORY.....</b>	<b>3</b>
GENERAL .....	3
DIVIDENDS AND CAPITAL CONTRIBUTIONS.....	3
MERGERS AND ACQUISITIONS.....	3
<b>CORPORATE RECORDS.....</b>	<b>4</b>
<b>MANAGEMENT AND CONTROL.....</b>	<b>4</b>
CORPORATE GOVERNANCE.....	4
COMMITTEES.....	4
OFFICERS .....	5
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES.....	5
ORGANIZATIONAL CHART.....	6
INTERCOMPANY AGREEMENTS .....	7
<b>TERRITORY AND PLAN OF OPERATION.....</b>	<b>8</b>
<b>REINSURANCE .....</b>	<b>9</b>
GENERAL .....	9
ASSUMED.....	10
CEDED.....	10
<b>FINANCIAL STATEMENTS.....</b>	<b>11</b>
ASSETS .....	12

LIABILITIES, SURPLUS AND OTHER FUNDS.....	13
STATEMENT OF INCOME.....	14
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS.....</b>	<b>15</b>
<b>EXAMINATION CHANGES .....</b>	<b>15</b>
<b>GENERAL COMMENTS AND/OR RECOMMENDATIONS.....</b>	<b>15</b>
<b>ACKNOWLEDGMENT.....</b>	<b>16</b>
<b>VERIFICATION.....</b>	<b>16</b>
<b>SUPERVISION .....</b>	<b>17</b>

Columbia, Missouri  
November 27, 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

**Columbia Mutual Insurance Company**

hereinafter referred to as Columbia Mutual, CMIC, or as the Company. Its administrative office is located at 2102 White Gate Drive, Columbia, Missouri, 65202, telephone number (573) 474-6193. This examination began on April 2, 2018, 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 multi-state examination of CMIC. The last examination was completed as of December 31, 2013. This examination covers the period of January 1, 2014, through December 31, 2017. This examination also included the material transactions or events occurring subsequent to December 31, 2017.

**Procedures**

We conducted our examination 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 the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. This may include assessing significant estimates made by management and evaluating 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. The following key activities were identified during the examination: Investments, Premiums, Underwriting, Claims Handling, Reserving, Reinsurance, and Taxes.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not communicated within the examination report but separately communicated to other regulators and/or the Company.

Missouri acted as the overall lead state in the coordinated examination. The examination was conducted concurrently with the DIFP's examination of Citizens Mutual Insurance Company. The examination was also coordinated with the Nebraska Department of Insurance examination of Columbia National Insurance Company and the Texas Department of Insurance examination of Association Casualty Insurance Company.

The examiners relied upon information supplied by the Company's independent auditor, BKD, LLP, of Kansas City, Missouri, for its audit covering the period from January 1, 2017 through December 31, 2017. Areas in which the testing and results from the CPA workpapers were relied upon in our examination included internal controls, paid claims data, claim approval authorization, intercompany pooling transactions, written premium and premium receivable attributes, mortgage loan confirmations, bank confirmations, and fraud assessment.

## **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**

Subsequent to the examination period, CMIC executed definitive agreements with Everett Cash Mutual Insurance Company (ECM), a Pennsylvania mutual insurance company specializing in farmowners business, whereby the parties announced their intentions for ECM to acquire the renewal rights of all farmowners business written by CMIC and its affiliates. As part of the transaction, the Company and its affiliates will cease writing new farmowners business in all states, and CMIC's affiliate Citizens Mutual Insurance Company will merge with and into ECM, with ECM being the surviving entity. Subject to receipt of all necessary policyholder and regulatory approvals, the transaction is targeted to take effect April 1, 2019.

## COMPANY HISTORY

### General

Columbia Mutual Insurance Company was incorporated and commenced business on June 3, 1940 and was originally named Missouri Farmers Mutual Hail Insurance Company. The name was changed to Midland Mutual Insurance Company on February 12, 1971 and changed to Columbia Mutual Casualty Insurance Company on March 12, 1981. The Company was the surviving entity in a merger with Home Mutual Insurance Company of Boone County on July 8, 1981 and subsequently was converted to a mutual insurance company under Missouri law. The Company was also the surviving entity in a merger with three affiliates, Columbia Mutual Insurance Company, Farmers Mutual Hail Insurance Company of Missouri, and Midland Farmers Mutual Insurance Company on December 1, 1989. The merged entity adopted the current name of Columbia Mutual Insurance Company. An affiliate, Great Plains Mutual Insurance Company, was merged into CMIC on August 1, 2001.

The Company operates as a mutual property and casualty insurer under the insurance laws of Chapter 379 Revised Statutes of Missouri (RSMo) (Insurance Other Than Life). The Company and its subsidiaries collectively operate under the brand name of Columbia Insurance Group (the Group).

### Dividends and Capital Contributions

As a mutual company, CMIC does not have any stockholders and therefore, no stockholder dividends were declared or paid during the period under examination. The Company's Bylaws allow for dividends to be paid to its policyholders. The Company paid dividends on participating workers' compensation policies in the following amounts during the examination period:

<u>Year</u>	<u>Amount</u>
2014	\$250,241
2015	247,818
2016	272,180
2017	359,926

The Company received dividends in 2014, 2015, and 2016 from its insurance subsidiaries. The amounts received were identical for each year, as follows: Columbia National Insurance Company (through Columbia Insurance Group, Inc.) – \$1,000,000, Association Casualty Insurance Company – \$500,000, Georgia Casualty and Surety Company – \$500,000. No dividends were received from the subsidiaries in 2017.

### Mergers and Acquisitions

Other than the planned merger described under the Subsequent Events section above, there were no mergers or acquisitions involving the Company or its subsidiaries during the examination period.

**CORPORATE RECORDS**

The Company’s Articles of Association and Bylaws were reviewed. There were no amendments or changes to the Articles of Association or Bylaws during the examination period.

The minutes of the Board of Directors’ meetings, committee meetings, and the policyholder meetings were reviewed for proper approval of corporate transactions. In general, the minutes and written consents appear to properly reflect and approve the Company’s major transactions and events for the period under examination.

**MANAGEMENT AND CONTROL**

**Corporate Governance**

The management of the Company is vested in a Board of Directors that are elected by the policyholders. The Company’s Articles of Association and Bylaws specify that there shall be a minimum of nine (9) and a maximum of thirteen (13) directors.

The Board of Directors appointed and serving as of December 31, 2017, were as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliation</u>
D. Christopher Belcher	Assistant Teaching Professor, University of Missouri
Bernard J. Fechtel	Owner and President, Fechtel Beverage & Sales, Inc.
Robert A. Gerding	Retired; former President, Gerding, Korte & Chitwood, CPAs
Jeffrey C. Greenwald	President and CEO, INSPRO, Inc.
William E. Gusenius	Attorney, Gusenius Law Firm
Laura K. Hinson	Retired; former CFO and Treasurer, QBE the Americas
Teresa R. Maledy	Retired; former Chairman / CEO, Commerce Bank
Betty J. Schuster	Agent, Principal Financial Group
Gary W. Thompson	President and CEO, Columbia Insurance Group

**Committees**

The Articles of Association and Bylaws do not require any committees, but the Bylaws allow for committees to be appointed or authorized by the Board of Directors. The members appointed and serving on the established committees as of December 31, 2017, were as follows:

<u>Audit Committee</u>	<u>Compensation Committee</u>
Laura K. Hinson (Chair)	Jeffrey C. Greenwald (Chair)
D. Christopher Belcher	Bernard J. Fechtel
William E. Gusenius	Laura K. Hinson
Teresa R. Maledy	Betty J. Schuster
Kelly J. Klug (non-voting)	Stephen B. Lubbering (non-voting)



Finance Committee

Teresa R. Maledy (Chair)  
 D. Christopher Belcher  
 Bernard J. Fechtel  
 Jeffrey C. Greenwald  
 Kelly J. Klug (non-voting)

Governance & Nominating Committee

Robert A. Gerding (Chair)  
 William E. Gusenius  
 Betty J. Schuster  
 Gary W. Thompson

The Company also has several informal committees that are staffed by senior management. The management committees are as follows: Executive Committee, Business Development Committee, Claims Committee, Enterprise Risk Management / Investment Committee, and the Technology Committee. Each of these committees provide reports to the Chief Executive Officer and any findings or issues are regularly reported to the Board of Directors.

**Officers**

The officers elected by the Board of Directors and serving as of December 31, 2017, were as follows:

<u>Name</u>	<u>Office</u>
Robert A. Gerding	Chairman of the Board
Gary W. Thompson	Vice Chairman, President and Chief Executive Officer
Kelly J. Klug	Senior Vice President, Treasurer and Chief Financial Officer
Scott D. Mackey	Senior Vice President and Chief Underwriting Officer
Gina B. Gervino	Senior Vice President, Secretary and General Counsel
Michael S. LeBlanc	Vice President – Claims
Stephen B. Lubbering	Vice President – Human Resources
Douglas A. Duncan	Vice President – Chief Information Officer
Elizabeth M. Dinnin	Vice President – Atlanta Branch Manager
Byron C. Smith	Vice President – Austin Branch Manager
Michele J. DeVore	Vice President – Columbia Branch Manager
Shane C. Martinez	Vice President – Omaha Branch Manager
Dwight P. Tully <sup>1</sup>	Vice President – Salina Branch Manager

<sup>1</sup> Retired in March 2018. His position was not replaced.

**Holding Company, Subsidiaries and Affiliates**

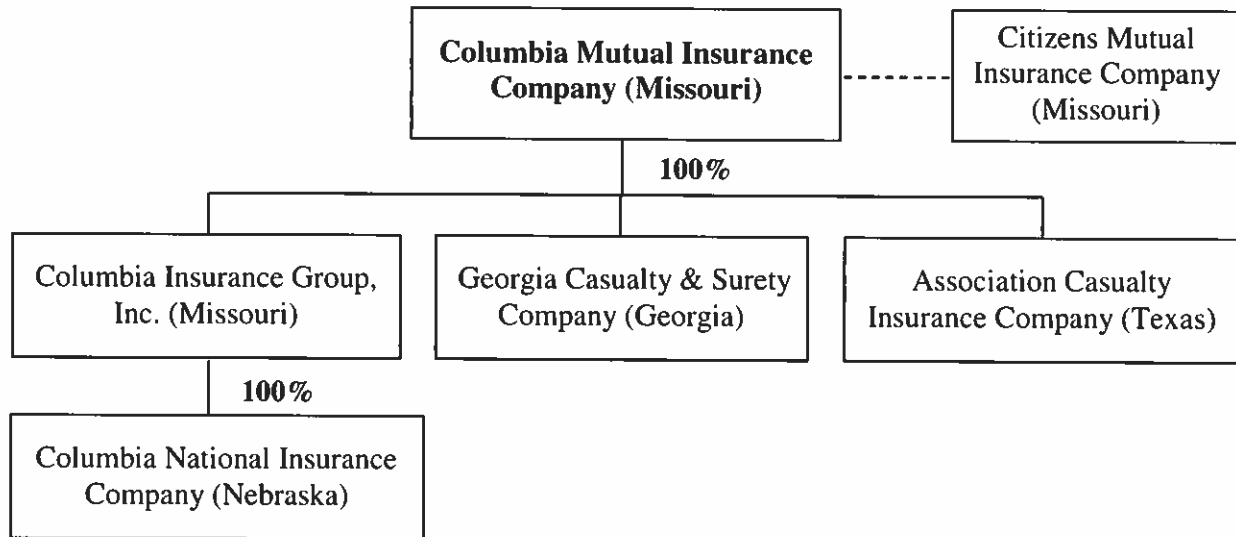
The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by Columbia Mutual for each year of the examination period. The Company does not have any stockholders or controlling entity due to its formation as a mutual insurer. CMIC is ultimately owned 100% by its policyholders.

Below is a description of the business operations of CMIC’s subsidiaries and affiliates.

- **Columbia Insurance Group, Inc. (CIG)** – A holding company for the Company’s insurance subsidiaries. CIG employees perform all functions of CMIC and its subsidiaries.
- **Columbia National Insurance Company (CNIC)** – A Nebraska property and casualty insurer that was formed in 1985 and acquired by Columbia Mutual in 1988. CNIC had \$68 million of direct written premiums in 2017. The four states of Nebraska, Georgia, Kansas, and Iowa accounted for 73% of CNIC’s 2017 direct written premiums.
- **Georgia Casualty & Surety Company (GCSC)** – A Georgia property and casualty insurer that was formed in 1947 and acquired by Columbia Mutual in 2008. GCSC had \$5.1 million of direct written premiums in 2017. Georgia, Tennessee, and Texas accounted for 90% of GCSC’s direct written premiums in 2017.
- **Association Casualty Insurance Company (ACIC)** – A Texas property and casualty insurer that was formed in 1978 and acquired by Columbia Mutual in 2008. ACIC had \$25 million of direct written premiums in 2017. Texas and Georgia accounted for 60% and 23%, respectively, of ACIC’s direct written premiums in 2017.
- **Citizens Mutual Insurance Company (CIT)** – A farm mutual insurer domiciled in Missouri. Direct written premiums in 2017 were \$1.74 million that was written only in Missouri. The Board of Directors of CIT consist mostly of CIG employees and common directors of CMIC. CIT has the same officers as CMIC.

**Organizational Chart**

Below is the organization chart of the Columbia Insurance Group, as of December 31, 2017:



----- Indicates affiliation through common officers and directors

**Intercompany Agreements**

The Company’s agreements with related parties that were in effect as of December 31, 2017 and subsequent periods are outlined below.

- 1. Type:** Tax Allocation Agreement

**Parties:** CIG, CNIC, GCSC, ACIC

**Effective:** October 15, 2008

**Terms:** CMIC will file a consolidated federal income tax return on behalf of itself and its subsidiaries. The tax liability for each entity shall be the ratio that each affiliate’s taxable income bears to the consolidated taxable income of the Group. The subsidiaries will pay their share of tax payments to CMIC within 90 days subsequent to the date the consolidated payment is due to the Internal Revenue Service. CMIC will refund any amounts due to the subsidiaries within 90 days after the refund is received or will apply a credit towards the next tax payment.
  
- 2. Type:** Intercompany Reinsurance Agreement

**Parties:** CNIC, GCSC, ACIC, CIT

**Effective:** January 1, 2009

**Terms:** The total net risks from CNIC, GCSC, ACIC, and CIT (the “Affiliated Companies”) shall be ceded 100% to CMIC. All premiums, losses, assets and liabilities pertaining to the policies reinsured will be assigned and transferred to CMIC. The business assumed from the Affiliated Companies is pooled with the direct business of Columbia Mutual. External reinsurance is obtained for the gross pooled business of the Group and the remaining net pooled risks will be assumed by the Affiliated Companies, based upon the following percentages: CMIC – 66%, CNIC – 17%, ACIC – 9%, GCSC – 7%, CIT – 1%. The settlement of all assumed and ceded transactions between CMIC and the Affiliated Companies will be made on a monthly basis within 90 days after the end of each month.
  
- 3. Type:** Personnel and Services Agreement

**Parties:** CIG, CNIC, GCSC, ACIC, CIT

**Effective:** January 1, 2011

**Terms:** CIG will provide the employees necessary or appropriate to conduct all business operations of CMIC, CNIC, GCSC, ACIC and CIT. CIG will be responsible for the wages, salaries, employee benefits, payroll taxes, and all other similar costs and expenses of the employees. Any employee and benefit costs that are directly attributable to an individual entity will be billed and reimbursed to CIG by the entity in which the cost is related. Any employee and benefit costs that are attributable to the Group, as a whole, will be allocated and reimbursed to CIG based upon each entity’s specific pooling percentage from the Intercompany Reinsurance Agreement.

- 4. Type:** Facilities and Services Agreement
- Parties:** CNIC, GCSC, ACIC, CIT
- Effective:** January 1, 2011
- Terms:** Columbia Mutual will provide various facilities and services necessary to conduct the business operations of CNIC, GCSC, ACIC and CIT. The business operations provided include: office space, equipment, supplies, data processing, telecommunications, IT services, investment services, and several other services. Any expense that is directly attributable to an entity will be billed and reimbursed to CMIC by the entity in which the cost is related. Any expense that is attributable to the Group, as a whole, will be allocated and reimbursed to CMIC based upon each entity's specific pooling percentage from the Intercompany Reinsurance Agreement.

### **TERRITORY AND PLAN OF OPERATION**

Columbia Mutual Insurance Company is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other Than Life). The Company is licensed in 28 states, but only writes direct business in 14 states.

The Company operates under the Columbia Insurance Group (the "Group") brand name, which consists of CMIC, its three insurance subsidiaries (CNIC, GCSC, ACIC), and an affiliate, CIT. The business operations of the Group are divided among the four branch offices. Business production, profits and losses, loss ratios, and other financial statistics are monitored and managed by branch office results, instead of a legal entity basis.

The pooled business of the five insurers in the Group is written directly in a 14 state territory that is concentrated mostly in the Midwest and Southeast regions. Small to medium sized businesses, (e.g., restaurants, contractors, auto repair shops) are the primary focus of the products that are marketed. The Group withdrew from the homeowners line of business beginning in 2013 and fully completed the withdrawal by the end of 2014. The states with the largest percentage of 2017 direct written premiums for CMIC and the Group were as follows:

<u>State</u>	CMIC		Pooled Group	
	2017 Direct <u>Written Premiums</u>	CMIC <u>% of Total</u>	2017 Direct <u>Written Premiums</u>	Group <u>% of Total</u>
Missouri	\$39,517,428	28.44%	\$43,613,842	18.20%
Arkansas	29,316,588	21.10%	30,182,139	12.60%
Oklahoma	18,071,247	13.00%	21,401,377	8.93%
Kansas	15,279,295	11.00%	21,833,367	9.11%
Texas	8,013,561	5.77%	24,266,265	10.13%
Nebraska	7,789,068	5.61%	31,721,436	13.24%
Illinois	7,767,648	5.59%	10,047,291	4.19%
Georgia	5,408,751	3.89%	26,836,893	11.20%
All Other	7,796,914	5.61%	29,710,113	12.40%
Total	<u>\$138,960,500</u>	<u>100.00%</u>	<u>\$239,612,723</u>	<u>100.00%</u>

The major lines of business for CMIC and for the total pooled business of the Group, based upon 2017 direct written premiums, are listed in the table below.

<u>Line of Business</u>	CMIC		Pooled Group	
	2017 Direct <u>Written Premiums</u>	CMIC <u>% of Total</u>	2017 Direct <u>Written Premiums</u>	Group <u>% of Total</u>
Commercial Multiple Peril	\$ 69,757,853	50.20%	\$111,531,289	46.55%
Private Pass. Auto Liability	22,362,585	16.09%	22,362,585	9.33%
Auto Physical Damage	24,078,418	17.33%	30,916,319	12.90%
Workers' Compensation	3,103,537	2.23%	19,952,070	8.33%
Commercial Auto Liability	8,277,121	5.96%	23,574,179	9.84%
All Other	<u>11,380,986</u>	<u>8.19%</u>	<u>31,276,281</u>	<u>13.05%</u>
Total	<u>\$138,960,500</u>	<u>100.00%</u>	<u>\$239,612,723</u>	<u>100.00%</u>

Business for the Group is produced by approximately 572 independent agencies. Production is evenly distributed across the network of agencies.

## REINSURANCE

### General

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Direct Business	\$130,978,781	\$128,174,084	\$131,500,901	\$138,960,500
Reinsurance Assumed:				
Affiliates	127,122,586	126,694,899	119,597,852	101,451,877
Non-affiliates	358,770	311,005	305,422	304,908
Reinsurance Ceded:				
Affiliates	(59,874,613)	(65,045,687)	(73,978,731)	(78,499,165)
Non-affiliates	<u>(82,358,336)</u>	<u>(63,869,169)</u>	<u>(33,819,681)</u>	<u>(9,837,397)</u>
Net Premiums Written	<u>\$116,227,188</u>	<u>\$126,265,132</u>	<u>\$143,605,763</u>	<u>\$152,380,723</u>

### **Assumed**

The Company assumes risks from its insurance subsidiaries and affiliate pursuant to an Intercompany Reinsurance Agreement as described in the “Intercompany Agreements” section of this report. The assumed business from this agreement accounted for 99.8% of total assumed premiums in 2017 and 99.8% of assumed case loss and loss adjustment expense reserves, as of December 31, 2017. Ceding of the pooled business back to the affiliates is discussed in the Ceded section below. The immaterial amounts of remaining business assumed by CMIC are from pools and associations.

### **Ceded**

The affiliated business assumed by CMIC, as described in the Assumed section above, is combined with CMIC’s direct and assumed business to form the gross pooled business for Columbia Insurance Group. After application of outside reinsurance, CMIC cedes back a percentage of the net pooled business to the affiliates, pursuant to the terms of the Intercompany Reinsurance Agreement. As of December 31, 2017 and currently, the pooling percentages of the affiliates for the net pooled business were 17% for CNIC, 9% for ACIC, 7% for GCSC, and 1% for CIT. The remaining 66% of net pooled business is retained by CMIC.

The Company’s external reinsurance program provides coverage on a per risk and a catastrophe basis. All of CMIC’s reinsurance agreements with unaffiliated reinsurers also cover the risks assumed under the Intercompany Reinsurance Agreement. The largest external reinsurers (in regards to ceded reserves) for CMIC were General Reinsurance Corporation and Munich Reinsurance America, Inc. (Munich Re), which accounted for 62% and 26%, respectively, of non-affiliated ceded reserves as of December 31, 2017.

The Company has reinsurance agreements that provide layered coverage on an excess of loss basis for property and casualty risks. Columbia Mutual has a \$1 million retention per property risk and per liability occurrence under agreements for 2017 and 2018 accident years. Losses in excess of the \$1 million retention are ceded 100% to the reinsurer, up to a reinsured limit of \$10 million per property risk or liability occurrence. There is an additional \$10 million layer of coverage for

workers' compensation and casualty clash occurrences (two or more policies involved), in excess of a \$10 million retention.

Quota share reinsurance agreements with Munich Re were in effect during the examination period that ceded all property and casualty risks as follows: 2014 – 25%, 2015 – 20%, and 2016 – 10%. The quota share agreement for the 2014 and 2015 accident years was commuted on February 8, 2017. No new quota share agreements have been in effect since January 1, 2017.

Property catastrophe coverage is provided through a three-layer property catastrophe program with several participating reinsurers. The property catastrophe coverages are intended to safeguard against losses from hurricanes, earthquakes, tornadoes, and other perils that are modeled to occur once every 250 years. The 2017 and 2018 catastrophe coverages for each layer are as follows:

<u>Layer</u>	<u>Subject Net Losses</u>	<u>Reinsurance %</u>
First	\$10 million excess of \$10 million	95%
Second	\$20 million excess of \$20 million	95%
Third	\$10 million excess of \$40 million	95%

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, with supporting exhibits, present the financial condition of Columbia Mutual Insurance Company for the period ending December 31, 2017. 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 Annual Statement item.

**ASSETS**  
as of December 31, 2017

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$199,936,240	\$ 0	\$199,936,240
Preferred Stocks	3,188,088	0	3,188,088
Common Stocks	104,223,061	0	104,223,061
Mortgage Loans on Real Estate	3,760,063	0	3,760,063
Real Estate	6,714,763	0	6,714,763
Cash, Cash Equivalents and Short-Term Investments	4,741,037	0	4,741,037
Other Invested Assets	608,080	0	608,080
Investment Income Due and Accrued	1,604,867	0	1,604,867
Uncollected Premiums and Agents' Balances	16,226,879	243,661	15,983,218
Deferred Premiums	23,964,592	38,440	23,926,152
Amounts Recoverable from Reinsurers	22,994	0	22,994
Funds Held by Reinsured Companies	10,975	0	10,975
Other Reinsurance Amounts Receivable	4,371,659	0	4,371,659
Federal Income Tax Recoverable	1,279,240	0	1,279,240
Net Deferred Tax Asset	8,969,312	0	8,969,312
Guaranty Funds Receivable	82,457	0	82,457
EDP Equipment and Software	1,947,761	1,403,394	544,367
Furniture and Equipment	394,149	394,149	0
Receivable from Parent, Sub., Affiliates	354,374	0	354,374
Aggregate Write-In Assets	<u>855,985</u>	<u>0</u>	<u>855,985</u>
<b>TOTAL ASSETS</b>	<b><u>\$383,256,576</u></b>	<b><u>\$2,079,644</u></b>	<b><u>\$381,176,932</u></b>



**LIABILITIES, SURPLUS AND OTHER FUNDS**  
as of December 31, 2017

Losses	\$ 98,390,382
Reinsurance Payable on Paid Losses	261,601
Loss Adjustment Expenses	26,188,284
Commissions Payable	4,929,026
Other Expenses	3,572,493
Taxes, Licenses and Fees	1,066,918
Borrowed Money	1,069,470
Unearned Premium	66,638,119
Advance Premium	1,533,595
Ceded Reinsurance Premiums Payable	582,843
Funds Held Under Reinsurance Treaties	586,711
Remittances and Items Not Allocated	64,432
Provision for Reinsurance	5,000
Payable to Parent, Subsidiaries and Affiliates	2,615,486
Payable for Securities	43,348
Aggregate Write-In Liabilities	<u>746,489</u>
<b>TOTAL LIABILITIES</b>	<b>\$208,294,197</b>
Surplus Notes	20,100,026
Unassigned Funds (Surplus)	<u>152,782,709</u>
Capital and Surplus	<u>\$172,882,735</u>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b><u>\$381,176,932</u></b>

**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2017**

<b>Premium Earned</b>	<b>\$148,175,543</b>
<b>DEDUCTIONS:</b>	
Losses Incurred	102,932,126
Loss Adjustment Expenses Incurred	18,893,329
Aggregate Write-Ins for Underwriting Deductions	(67,194)
Other Underwriting Expenses Incurred	<u>46,491,742</u>
Total Underwriting Deductions	<u>\$168,250,003</u>
<b>Net Underwriting Gain</b>	<b>(\$ 20,074,460)</b>
Net Investment Income Earned	4,856,450
Net Realized Capital Gains	<u>4,604,178</u>
<b>Net Investment Gain</b>	<b>\$ 9,460,628</b>
Other Income	1,095,418
Dividends to Policyholders	359,926
Federal Income Taxes Incurred	<u>(2,354,376)</u>
<b>Net Income</b>	<b><u>(\$ 7,523,964)</u></b>
<b>CAPITAL AND SURPLUS ACCOUNT:</b>	
Surplus as Regards Policyholders, December 31, 2016	\$188,250,069
Net Income	(7,523,964)
Change in Net Unrealized Capital Gains or (Losses)	(3,645,679)
Change in Net Deferred Income Tax	(3,844,753)
Change in Non-Admitted Assets	(238,110)
Change in Provision for Reinsurance	(5,000)
Change in Surplus Notes	9,697
Aggregate Write-In for Gains and Losses in Surplus	<u>(119,525)</u>
Net Change in Surplus as Regards Policyholders for 2017	<u>(\$15,367,334)</u>
<b>Surplus as Regards Policyholders, December 31, 2017</b>	<b><u>\$172,882,735</u></b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**EXAMINATION CHANGES**

None.

**GENERAL COMMENTS AND/OR RECOMMENDATIONS**

None.

**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Columbia Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Tim Tunks, CPA, CFE, Josh Nash, CPA, Brian Hammann, CPA, Anna Duncan, and Kim Dobbs, CFE, AES, examiners for the Missouri DIFP, participated in this examination. Kristine M. Fitzgerald, ACAS, MAAA, FCA, of Actuarial & Technical Solutions, Inc., also participated as a consulting actuary.

**VERIFICATION**

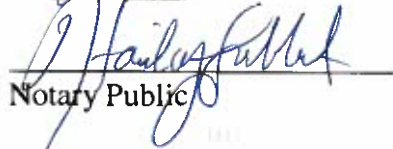
State of Missouri )  
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County of )

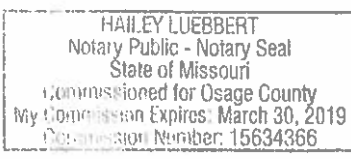
I, Marc Peterson, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Columbia Mutual Insurance Company its agents or other persons examined or as ascertained 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.



Marc Peterson, CFE  
Examiner-In-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

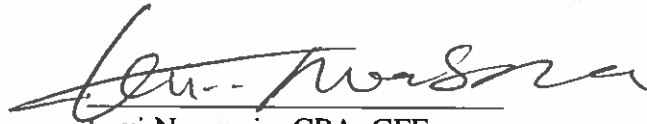
Sworn to and subscribed before me this 11<sup>th</sup> day of December 2018.

My commission expires: March 30, 2019   
Notary Public



**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.

A handwritten signature in black ink, appearing to read "Levi Nwasoria", written over a horizontal line.

Levi Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial  
Institutions and Professional Registration