

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

After full consideration and review of the report of the financial examination of Freedom Mutual Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Commerce and Insurance pursuant to section 380.491, RSMo, adopt such report. The findings and conclusions of the report are incorporated by reference herein and are deemed to be my findings and conclusions.

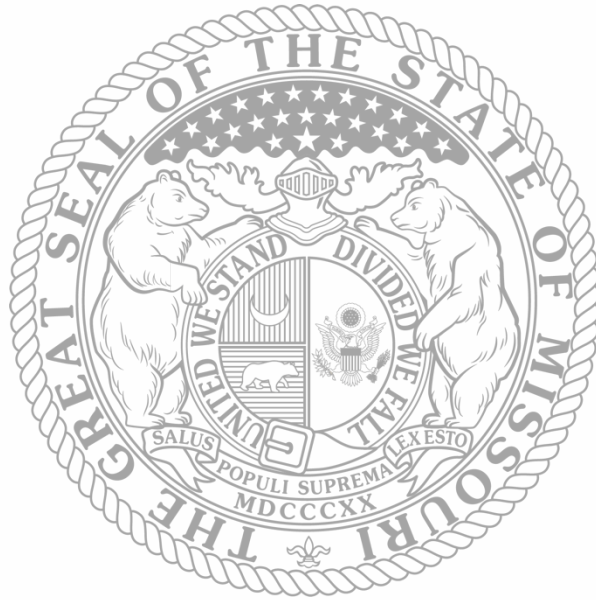
Based on such findings and conclusions, I hereby ORDER Freedom Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (2) submit a signed copy of the minutes of the meeting which reflect a corporate resolution to the effect the Examination Report has been reviewed and accepted.

So ordered, signed and official seal affixed this 02nd day of November, 2021.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

FREEDOM MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Linn, MO
September 7, 2021

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

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

FREEDOM MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. Its administrative office is located at 913 East Main Street (P.O. Box 674), Linn, Missouri 65051, telephone number (573) 799-4340. The fieldwork for this examination began on January 26, 2021, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Freedom Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

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 Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

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

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

The Company was originally organized in March 1885 as Osage County Farmer’s Mutual Aid Association and was incorporated in 1889. In 1971, the Company changed its name to Freedom Mutual Fire Insurance Company. In 1999, the Company changed its name to Freedom Mutual Insurance Company.

The Company has a Certificate of Authority dated April 12, 2000, and is covered by Sections 380.201 through 380.611, RSMo (Extended Missouri Mutual Insurance Companies). The Company’s Certificate of Authority is renewed annually.

MANAGEMENT AND CONTROL

Board of Directors

In accordance with the Articles of Incorporation (Articles), the annual meeting of the Company’s members is held on the first Saturday in February, at the home office of the Company or at such place as may be designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time and shall be called upon petition of one-fourth of the members. Eight members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

The management of the Company is vested in a Board of Directors, who are elected by the general membership. The Board of Directors consists of five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately each month.

Members serving on the Board of Directors as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Don Brandt Linn, Missouri	Dairy Farmer	2022
Edgar Muenks Linn, Missouri	Retired/ Farmer	2020
Ronald Baker Linn, Missouri	Carpenter/ Farmer	2021
Dennis Hopke Linn, Missouri	Factory Worker/ Farmer	2022
Jack Peters Linn, Missouri	Farmer	2020

Officers

The Board of Directors appoints the officers of the Company, who serve a term of one year. The officers serving as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Donald Brandt	President
Edgar Muenks	Vice-President
Norman Buschmann	Secretary
Ronald Baker	Treasurer

Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company's directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted one director disclosed being related to the Company's investment advisor and one officer disclosed being an agent for the Company.

Corporate Records

The Company's Articles and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has two full-time employees and one part-time employee. Employee benefits offered by the Company include a health insurance supplement.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$100,000 and no deductible. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$75,000 and \$100,000 in coverage.

The Company carries liability coverage for its directors and officers. The Company requires its agents to carry errors and omissions insurance and provide evidence of such coverage to Company.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Commerce and Insurance as an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611, RSMo (Extended Missouri Mutual Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company's policies are sold by eight agents, who receive an 11% commission on all new and renewal policies written.

Policy Forms and Underwriting Practices

The Company utilizes the policy forms of American Association of Insurance Services (AAIS), Missouri Association Mutual Insurance Companies (MAMIC), and the reinsurer. The policies are written for three-year renewal and are continuous. Property inspections are performed by the writing agent. Claims adjusting is performed by the Company's agents and by adjusters of the reinsurer. Rates are determined by the Board of Directors.

GROWTH OF COMPANY AND LOSS EXPERIENCE*(\$000s omitted)*

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2019	\$ 2,499	\$ -	\$ 2,823	\$ 1,232	\$ 49	\$ 54	\$ 81
2018	2,404	-	2,599	642	53	281	272
2017	2,225	-	2,482	729	34	244	278
2016	1,951	-	2,253	1,227	48	54	102
2015	1,937	94	2,126	1,037	49	(138)	(88)

At year-end 2019, there were 2,964 policies in force.

REINSURANCE**General**

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

(\$000s omitted)

Premium Type	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 2,126	\$ 2,253	\$ 2,482	\$ 2,599	\$ 2,823
Reinsurance Assumed	-	-	-	-	-
Reinsurance Ceded	(1,155)	(948)	(1,156)	(1,190)	(1,264)
Net Premiums Written	\$ 971	\$ 1,305	\$ 1,326	\$ 1,409	\$ 1,559

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess of loss coverage for property risks, as well as quota share coverage for liability risks.

Under the per risk excess of loss section of the agreement, the Company retains \$100,000 of property losses per risk, and the reinsurer's maximum limit is \$15 million per property risk. Under the aggregate excess of loss section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2019 was \$850,000.

For the liability coverage, the Company cedes 100% of the premiums and losses to the reinsurer and receives a 20% ceding commission. The reinsurer's maximum limit under the agreement is \$1,000,000 per loss occurrence.

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 contract.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a cash basis. The Certified Public Accounting firm of Van de Ven, LLC, of Cape Girardeau, Missouri, prepares the Company's annual statement and tax filings.

FINANCIAL STATEMENTS

The following financial statements are based on the financial statements filed by the Company with the Department and present the financial condition of Freedom Mutual Insurance Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

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 examination workpapers.

ASSETS

As of December 31, 2019

Bonds-Book Value	\$ 602,301
Mutual Funds	205,689
Cash on Deposit	1,575,790
Federal Income Tax Recoverable	105,391
Interest Due and Accrued	9,559
TOTAL ASSETS	<u>\$ 2,498,730</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

TOTAL LIABILITIES	<u>\$ -</u>
Guaranty Fund	150,000
Other Surplus	2,348,730
TOTAL POLICYHOLDER SURPLUS	<u>\$ 2,498,730</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 2,498,730</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 1,559,339
Other Insurance Income	43,197
Net Losses & Loss Adjustment Expense	(1,013,704)
Underwriting Expenses	(534,392)
Underwriting Income (Loss)	\$ 54,440
Investment Income	48,964
Investment Expenses	-
Net Investment Income	\$ 48,964
Other Income	522
Gross Profit or Loss	\$ 103,926
Federal Income Tax	22,650
NET PROFIT OR (LOSS)	\$ 81,276

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2015 to December 31, 2019

(\$000s omitted)

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 1,930	\$ 1,843	\$ 1,951	\$ 2,225	\$ 2,404
Net Profit or (Loss)	(88)	102	278	272	81
Change in Net Unrealized Gains or (Losses)	(7)	(1)	(3)	(9)	14
Prior Year Tax Refund or (Payment)	8	6	-	(85)	-
Ending Policyholder's Surplus	\$ 1,843	\$ 1,951	\$ 2,225	\$ 2,404	\$ 2,499

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. As of the date of this report, significant uncertainty remains regarding the effect that the pandemic will have on the economy and insurance industry at large, and on Freedom Mutual Insurance Company specifically. The examination team considered the potential impact of COVID-19 on the Company throughout examination testing and procedures. At this point, it does not appear that COVID-19 has had a significant impact on the Company. The Department is monitoring the impact of the pandemic on the Company and will take necessary actions if a solvency concern arises.

The Company purchased an office building on March 3, 2020, to serve as the new home office. The Company's new administrative office located at 913 East Main Street, Linn, Missouri 65051.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Brian D. Hammann, 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 Freedom 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.

Brian D. Hammann
Brian D. Hammann, CPA, CFE
Financial Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 12th day of October, 2021.

My commission expires: March 30, 2023 Halley Luebert
Notary Public



HALEY LUEBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366



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 Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance