



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

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

RE: Examination Report of Freedom Mutual Insurance Company for the period ended
December 31, 2014

ORDER

After full consideration and review of the report of the financial examination of Freedom Mutual Insurance Company for the period ended December 31, 2014, 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 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 15th day of August, 2016.



A handwritten signature in blue ink, appearing to read "John M. Huff", is written over a horizontal line.

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

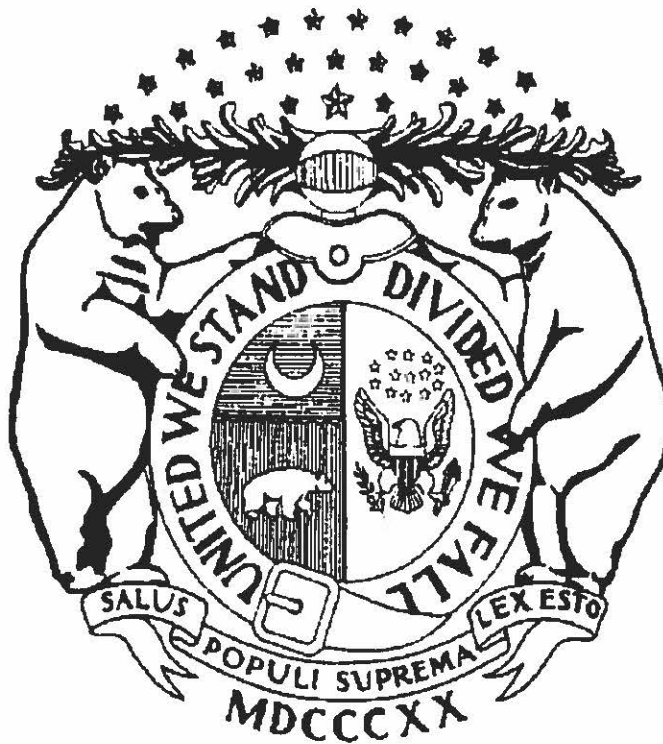
**REPORT OF THE
FINANCIAL EXAMINATION OF
FREEDOM MUTUAL
INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2014**

FILED

AUG 15 2016

**DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION**



STATE OF MISSOURI

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

JEFFERSON CITY, MISSOURI

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January 20, 2016
Linn, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Sir:

In accordance with your examination warrant, a full-scope 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." The Company's administrative office is located at 4349 Highway 50 East, Linn, Missouri 65051, telephone number (573) 943-2244. This examination began on January 19, 2016, and was concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2009, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2010, through December 31, 2014, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination also included 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 Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

Comments-Previous Examination Report

The comments, recommendations, and notes of the previous examination report dated December 31, 2009, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Fidelity Bond

Comment: It was recommended the Company increase its fidelity bond coverage to a minimum of \$50,000.

Company Response: The Company stated the Board accepted the finding and voted to increase the fidelity bond to \$50,000. The Company also attached a letter from Old Republic Surety Company dated March 10, 2011 which noted an increase to \$50,000.

Current Findings: The Company had \$50,000 in fidelity coverage as of December 31, 2014.

HISTORY

General

The Company was originally organized on March 1885 as Osage County Farmers' 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

In accordance with the Articles of Incorporation, 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 other 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 (5) five Directors, who are elected from the general membership. The Board of Directors meets approximately each month. Compensation per each meeting attended is \$60, with an annual meeting fee of \$300 for the President and \$240 for all other directors.

Members serving on the Board of Directors as of December 31, 2014, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Donald Brandt Linn, Missouri	President/Dairy Farmer	2016
Edgar Muenks Linn, Missouri	Vice President/Retired Farmer	2017
Ronald Baker Linn, Missouri	Treasurer/Carpenter/Farmer	2015
Dennis Hopke Linn, Missouri	Factory Employee/Farmer	2016
Jack Peters Linn, Missouri	Farmer	2017

The Board of Directors appoints for a term of one year, the officers of the Company. The officers of the Company serving at December 31, 2014, were as follows:

Donald Brandt	President
Edgar Muenks	Vice-President
Ronald Baker	Treasurer
Norman Buschmann	Secretary

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 and has its directors and officers sign conflict of interest statements on an annual basis.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect corporate transactions and events.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000. The fidelity bond coverage of the Company does not meet the minimum coverage of \$75,000 suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers and requires agents to carry errors and omissions coverage.

EMPLOYEE BENEFITS

The Company has two full-time employees. The Company provides a health insurance supplement of \$100 each per month for the employees. The employees receive no retirement benefits, paid vacation, paid holidays, or paid sick leave.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DIFP as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. The Company is authorized to write fire, wind and liability insurance in all counties in the State of Missouri and currently writes all three lines.

The Company's policies are sold by six captive agents, who receive an 11% commission.

Policy Forms and Underwriting Practices

The Company utilizes a combination of AAIS forms, MAMIC forms and forms provided by its reinsurer. The policies are written for three year renewals and are continuous. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured or mortgagee. Property inspections are performed by the agent at inception and prior to the three year renewal. Claim adjusting is performed by the agent or contracted to an outside adjuster through a contract with their reinsurer.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2014	\$1,930,088	\$0	\$1,870,098	\$677,164	\$ 54,943	\$ (65,453)	\$ (38,265)
2013	1,957,846	0	1,641,661	526,344	72,690	29,545	103,035
2012	1,883,799	0	1,423,943	950,560	60,166	(40,129)	7,477
2011	1,886,558	0	1,303,495	934,680	61,429	13,844	64,716
2010	1,824,470	0	1,136,495	369,689	58,594	(3,828)	47,373

At year-end 2014, 2,190 policies were in force.

REINSURANCE

General

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

	2014	2013	2012	2011	2010
Direct	\$1,870,098	\$1,641,661	\$1,423,943	\$1,303,495	\$1,136,373
Assumed	0	0	0	0	0
Ceded	944,294	904,626	731,947	646,000	688,392
Net	<u>\$ 925,804</u>	<u>\$ 737,035</u>	<u>\$ 691,996</u>	<u>\$ 657,495</u>	<u>\$ 447,981</u>

Assumed

The Company has no assumed reinsurance business.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an individual occurrence of loss with aggregate excess plan reinsurance agreement.

The individual occurrence section of the agreement covers property risks. The Company retains \$100,000 for each individual loss occurrence and the reinsurer is liable for losses in excess of the retention.

The aggregate excess section of the agreement also covers property risks. Under the aggregate excess section of the agreement, the Company's annual aggregate net retention, or attachment point, is based upon the Company's five-year average loss ratio, plus a negotiated load and 10 year gross fire loss ratio factor, less a credit for the individual occurrence of loss premium rate. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2014 was \$646,332.

The contract has a liability quota share section for liability risks. The Company cedes 100% of the liability risks and premium to the reinsurer and receives a 20% ceding commission.

The contract also has an earthquake reinsurance section. The Company cedes 100% of the risks to the reinsurer.

Under the facultative reinsurance portion of the agreement, the Company may cede risks to the reinsurer that exceeds the individual risk limits outlined in the agreement. Rates are determined by the reinsurer on an individual basis. The Company reported no facultative cessions as of year-end 2014.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a cash basis. The Company utilizes IMT Computer Services Company software for general ledger, claims reports and policy maintenance. The Company also maintains paper copies of its accounting and policy records. The CPA firm of Van De Ven, LLC prepares the Company's Annual Statement and tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2014, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow 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 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. Therefore, they were communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS
December 31, 2014

Bonds	\$ 1,033,040
Mutual Funds	559,701
Cash on Deposit	<u>337,347</u>
Total Assets	<u>\$ 1,930,088</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2014

Total Liabilities	<u>\$ 0</u>
Guaranty Fund	\$ 150,000
Other Surplus	<u>1,780,088</u>
Total Surplus	<u>1,930,088</u>
Total Liabilities and Surplus	<u>\$ 1,930,088</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2014

Net Premiums Earned	\$ 925,804
Other Insurance Income	35,553
Net Losses & Loss Adjusting Expenses Incurred	(680,225)
Other Underwriting Expenses Incurred	<u>(346,585)</u>
 Net Underwriting Income (Loss)	 (65,453)
Net Investment Income	54,943
Other Income	<u>0</u>
 Gross Profit (Loss)	 \$ (10,510)
Federal Income Tax	<u>(27,755)</u>
 Net Income (Loss)	 <u>\$ (38,265)</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2014

Policyholders' Surplus, December 31, 2013	\$ 1,957,846
Net Income (Loss)	(38,265)
Unrealized Market Value Decrease on Investments	(1,523)
Mutual Fund Adjustment	<u>12,030</u>
 Policyholders' Surplus, December 31, 2014	 <u>\$ 1,930,088</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

Fidelity Bond (Page 4)

It is recommended the Company increase its fidelity bond coverage to the minimum amount of \$75,000, which is the minimum coverage suggested in the guidelines promulgated by the NAIC for a company of its size.

SUBSEQUENT EVENTS

None.


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)
)
County of Cole)

I, Jay Buschmann 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 the facts appearing upon the books, records or other documents of the 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.


Jay Buschmann, AFE
Financial Examiner/Analyst
Missouri DIFP

Sworn to and subscribed before me this 13th day of May, 2016.

My commission expires:

01/07/2018


Notary Public



TAMMY MORALES
My Commission Expires
January 7, 2018
Clay County
Commission #14451086

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.


Mark Nance, CFE, CPA
Missouri DIFP