STATE OF NORTH DAKOTA

BISMARCK, NORTH DAKOTA

REPORT OF EXAMINATION

OF

WALSH COUNTY MUTUAL INSURANCE COMPANY MINTO, NORTH DAKOTA

AS OF DECEMBER 31, 2024

STATE OF NORTH DAKOTA
INSURANCE DEPARTMENT

I, the undersigned, Insurance Commissioner of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

Walsh County Mutual Insurance Company
Minto, North Dakota

as of December 31, 2024, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the City of Bismarck, this 16th day of October, 20 26.

Jon Godfread
Insurance Commissioner

TABLE OF CONTENTS

SCOPE OF STATUTORY EXAMINATION 2
STATUS OF PRIOR EXAM FINDINGS 2
SUBSEQUENT EVENTS 4
HISTORY 4
MANAGEMENT AND CONTROL 4
Membership 4
Board of Directors 4
Officers 5
CORPORATE RECORDS 5
Articles of Incorporation and Bylaws 5
Board of Directors, Members and Committee Minutes 5
Members 6
Directors 6
CONFLICT OF INTEREST 6
FIDELITY BOND AND OTHER INSURANCE 6
TERRITORY AND PLAN OF OPERATION 7
SIGNIFICANT OPERATING RESULTS 8
Growth 8
Underwriting Ratios 8
MARKET CONDUCT ACTIVITY 8
Treatment of Policyholders 8
OPERATING AGREEMENTS 9
REINSURANCE 10
ACCOUNTS AND RECORDS 10
FINANCIAL STATEMENTS 11
CONCLUSION 14
COMMENTS AND RECOMMENDATIONS 15

Minto, North Dakota
September 21, 2026

Honorable Jon Godfread
Insurance Commissioner
North Dakota Insurance and Securities Department
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Commissioner:

Pursuant to your instructions and statutory requirements, an examination was made of the books, records and financial condition of

Walsh County Mutual Insurance Company
Minto, North Dakota

Walsh County Mutual Insurance Company, hereinafter referred to as the "Company," was last examined as of December 31, 2019, by representatives of the State of North Dakota.

SCOPE OF STATUTORY EXAMINATION

This examination was a financial condition examination conducted in accordance with North Dakota Century Code (N.D.C.C.) §26.1-03-19.3 and observed guidelines and procedures contained in the NAIC Financial Condition Examiners Handbook. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review its corporate affairs and insurance operations. This statutory examination covers the period from January 1, 2020 to December 31, 2024, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

STATUS OF PRIOR EXAM FINDINGS

This examination included a review to determine the current status of the exception conditions commented upon in the preceding Report of Examination which covered the period from January 1, 2015, to December 31, 2019. The status of each prior finding is summarized below:

Recommendation	Status
It is again recommended that the Directors and officers disclose all relevant conflicts and that the Board review any conflicts and document its determination as to how these conflicts are to be addressed in the Board minutes.	Resolved
It is again recommended that the Company and "Schanilec Insurance Agency" enter into a formal written agreement which includes a list of services that the Company and Agency share, the method used to allocate the cost of those services, and the dates the cost of those services will be paid.	Resolved
It is again recommended that the Company implement a procedure to ensure all of its producing agents and agencies are appropriately licensed and appointed.	Repeated

It is recommended that the Board evidence by formal resolution, at least annually, that it has determined whether all investments have been made in accordance with delegations, standards, limitations, and investment objectives prescribed by the Board or a committee of the Board charged with the responsibility to direct its investments, per N.D. Admin Code §45-03-12-05(3).	Resolved
It is recommended that the Board of Directors receive and review the investment custodian's statements in order to meet investment activity disclosure requirements of N.D. Admin Code §45-03-12-05(4).	Repeated
It is recommended that the Company classify the Manager as an employee.	Resolved
It is recommended that the Manager discontinue adjusting claims on policies for which he is the agent of record and adjust and settle all other claims pursuant to the Board approved claims manual documentation standards.	Resolved
It is recommended that the Company settle claims in compliance with approved policy provisions and limits.	Resolved
It is recommended that the Board approve and submit to the Department a policy detailing how related party claims are discussed and approved by the Board.	Resolved
It is recommended that the Company comply with Federal IRS laws related to independent contractors, including but not limited to the filing of 1099's for contractors receiving over $600 per year.	Resolved
It is recommended that the Board approve a formal employment arrangement or contract for training Russell Schanilec (subject to IRS Form SS-8 determination) and address his duties and authorities in regard to the Company.	Resolved
It is further recommended that the Manager follow SSAPs 25 and 70 and clearly bifurcate his Agency business operations and expenses from those of the Company as commingling these operations without proper classification poses a serious conflict of interest for the Company.	Resolved
It is recommended that the Company not accept business that is outside of its authorized territory, per N.D.C.C. §§26.1-13-02 and 26.1-13-15(1).	Resolved
It is recommended that the Company apply deductibles in compliance with approved policy language.	Resolved
It is recommended that the Company apply holdback depreciation in compliance with approved rates and forms.	Resolved
It is recommended that the Company correctly allocate Dakota Adjusting's contract fee between Risk Review & Other Underwriting and Claim Adjustment Expenses, based on actual time or number of policies/claims reviewed.	Resolved
It is recommended that the Company implement procedures for monitoring asset concentrations to maintain compliance with N.D.C.C. §26.1-05-19(20)(a).	Resolved
It is recommended that the Company remove the special assessment entries from its real estate asset schedule.	Resolved
It is recommended that the Company establish a procedure to identify and submit reinsurance recoverables on paid losses to its reinsurer in a timely manner.	Resolved

The Department determined that the Company satisfactorily addressed 17 of 19 prior findings; 2 findings are repeated in this examination.

SUBSEQUENT EVENTS

Walsh County Mutual Insurance Company submitted new Articles of Incorporation and Bylaws on January 26, 2026. Key changes include adding “Legacy Mutual Insurance Company” language, allowing proxy voting for policyholders, removal of nominating committee, increasing the board size from 5 to 5-10, setting age limit for a director (21-70), and the removal of assessments from Section 5 of the Bylaws.

HISTORY

The Company was incorporated and commenced business June 27, 1885, as the “Walsh County Farmers Mutual Hail and Fire Insurance Company,” with its home office and principal place of business at Minto, North Dakota.

At the annual meeting of the membership held June 21, 1968, the Articles of Incorporation and Bylaws were amended changing the name of the Company to read the “Walsh County Mutual Insurance Company,” with its territory to include all of Walsh, Grand Forks, Nelson, Ramsey, Cavalier, and Pembina Counties.

As of January 1, 2024, the Company merged with Griggs Nelson Mutual Insurance Company, with the Company being the surviving entity.

The Company is organized pursuant to the provisions of N.D.C.C. §26.1-13 to insure against all of the risks and to possess all of the powers and to be subject to all of the liabilities and duties of a county mutual insurance company as now provided in N.D.C.C. §26.1-13 and as the same may be from time to time amended in the future. The Company has perpetual existence as provided under N.D.C.C. §26.1-13-03.

MANAGEMENT AND CONTROL

Membership

The Company is controlled by its membership. Any person owning property within the limits of the territory within which the Company is authorized to transact business may become a member of the Company and be entitled to all the rights and privileges of membership. A person must reside within the Company’s territorial limits to be a director of the Company.

Board of Directors

The Bylaws provide that the number of directors shall be determined each year at the annual meeting of the membership and shall not be less than 5 nor more than 10, the majority of whom shall constitute a quorum to do business.

Directors serving as of December 31, 2024 were as follows:

Name	City, State	Term Expires	Occupation
Don Barclay	Grafton, ND	2026	Farmer
Louis A. Kadlec	Pisek, ND	2026	Farmer
Ben Suda	Grafton, ND	2027	Farmer
Cory Kouba	Lankin, ND	2028	Farmer
John Miller	Fordville, ND	2028	Farmer

Officers

Officers are elected at the organizational meeting of the Board of Directors by a majority vote for a period of one year. Officers serving at December 31, 2024 were as follows:

Officer	Title
Cory Kouba	President
John Miller	Vice President
Brad Schanilec	Manager, Secretary-Treasurer

CORPORATE RECORDS

Articles of Incorporation and Bylaws

During the examination period, the Company made no amendments or restatements to its Articles of Incorporation or Bylaws.

Board of Directors, Members and Committee Minutes

The minutes of the meetings held by the membership and directors during the years under examination were reviewed for compliance with the Articles of Incorporation, Bylaws, and statutory requirements.

During the examination period, the Board of Directors meeting minutes did not clearly indicate that an analysis of investment holdings was conducted at least quarterly to ensure that investments were made in accordance with delegations, standards, limitations, and objectives of the written investment policy. Per N.D. Admin Code §45-03-12-05(4)(a):

> On no less than a quarterly basis, the board of directors or committee of the board of directors shall:
>
> Receive and review a summary report on the insurer's investment portfolio, its investment activities, and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan.

It is again recommended that the Board of Directors receive, review and approve the investment custodian's statements in order to meet the investment activity disclosure requirements of N.D. Admin Code §45-03-12-05(4)(a).

During the examination period, the Board of Directors meeting minutes did not clearly indicate that the Board reviews the written investment policy on a quarterly basis. Per N.D. Admin Code §45-03-12-05(4)(b):

> On no less than a quarterly basis, the board of directors or committee of the board of directors shall:
>
> Review and revise, as appropriate, the written plan.

It is again recommended that the Board review and revise, as appropriate, the investment plan quarterly to comply with the requirements of N.D. Admin Code §45-03-12-05(4)(b).

Members

The Bylaws provide that the annual meeting of the Company shall be held on any day in the month of March, with the specific time and date set by the Board of Directors, in Minto, North Dakota. During the period under examination the annual meetings of the membership were held on the following dates:

July 30, 2020*
March 24, 2021
March 9, 2022
March 22, 2023
March 27, 2024

*The 2020 annual meeting was held on a day not in March due to the COVID-19 pandemic.

Directors

Excluding the reorganizational meetings held immediately following the Annual Meeting of the members, the Board of Directors held 4 meetings in 2020, 4 meetings in 2021, 4 meetings in 2022, 6 meetings in 2023 (2 special meetings to discuss merger with Griggs Nelson), and 4 meetings in 2024.

CONFLICT OF INTEREST

The Company's conflict of interest policy and annual conflict disclosures were reviewed for the period under examination. Disclosures and mitigation plans appeared appropriate. No material undisclosed conflicts were identified during the examination.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2024, the Company was a named insured on a fidelity bond insuring against loss sustained by the Company as a result of dishonest or fraudulent acts committed by an employee. The bond provides for a $100,000 single loss limit of liability for loss caused by each employee. The coverage does not meet the minimum amount of fidelity insurance recommended in the NAIC's Financial Condition Examiners Handbook which is set at $175,000-$200,000.

It is recommended that the Company increase its Employee Dishonesty and Forgery or Alteration coverage to meet or exceed the NAIC suggested minimum of $175,000 to $200,000 indicated for a company of its size.

The Company also had in force a directors and officers liability insurance policy providing a limit of liability of $1,000,000 per occurrence, subject to a $5,000 deductible and $2,000,000 aggregate. The policy provides coverage for the building, business personal property, and equipment breakdown as well as coverage for errors or omissions in the performance of professional services and wrongful acts of a director or officer while acting solely in their individual or collective capacities as directors and officers. The policy also provides commercial liability and cyber breach coverage.

TERRITORY AND PLAN OF OPERATION

At December 31, 2024, the Company was authorized to transact business in the following counties:

Barnes	Benson	Bottineau	Burleigh
Cass	Cavalier	Dickey	Eddy
Emmons	Foster	Grand Forks	Griggs
Kidder	LaMoure	Logan	McHenry
McLean	McIntosh	Nelson	Pembina
Pierce	Ramsey	Ransom	Richland
Sargent	Sheridan	Steele	Stutsman
Towner	Traill	Walsh	Wells

In 2024, the Company paid commissions to “Berg Insurance,” which was not appointed to produce its business. Per N.D.C.C. §26.1-26-06:

> An insurance producer who sells, solicits, or negotiates an application for insurance of any kind is, in any controversy between the insured or the insured’s beneficiary and the insurer, regarded as representing the insurer and not the insured or the insured’s beneficiary. An insurance producer may not act as an agent of an insurer unless the insurance producer becomes an appointed insurance producer of that insurer. This section does not affect the apparent authority of an agent.

It is again recommended that the Manager monitor the Company's agent and agency appointments to ensure business is only produced through appointed agents and agencies per N.D.C.C. §26.1-26-06.

The Company's Critical Incident Response Plan (CIRP) and/or Breach Notification Plan is very informal and not in compliance with N.D.C.C. §26.1-02.2 (insurance data security) and N.D.C.C. §51-30 (breach notification).

It is recommended that the Company develop a formal Critical Incident Response Plan (CIRP) and/or Breach Notification Plan that is in compliance with N.D.C.C. §26.1-02.2 (insurance data security) and N.D.C.C. §51-30 (breach notification).

At December 31, 2024, the Company's IT policy listed basic IT controls but did not include a formal information security program as required by N.D.C.C. §26.1-02.2-03.

It is recommended that the Company develop an information security program to ensure compliance with N.D.C.C. §26.1-02.2-03.

SIGNIFICANT OPERATING RESULTS

Growth

The following exhibit reflects the growth of the Company over the 5-year period ending December 31, 2024.

Year	Admitted Assets	Total Liabilities	Surplus	Net Premiums Written	Underwriting Deductions	Investment Income	Net Income
2020	7,084,877	2,109,614	4,975,263	2,442,178	1,948,569	338,836	832,444
2021	8,137,331	2,199,607	5,937,724	2,917,052	2,518,091	878,539	1,277,500
2022	7,865,817	2,709,676	5,156,141	3,233,769	3,209,842	(51,922)	(27,994)
2023	9,075,988	2,881,837	6,194,151	3,826,083	3,034,747	397,899	1,189,235
2024	13,788,164	4,277,218	9,510,945	4,472,373	3,839,795	847,405	1,479,984

Underwriting Ratios

The following table presents the Company's underwriting ratios for the examination period. Operations are presented on a modified cash basis.

	2024	2023	2022	2021	2020
Premiums	100%	100%	100%	100%	100%
Deductions:					
Losses and Loss Adjustment	39.8	47.8	49.6	40.5	42.9
Underwriting Expenses	46.1	31.5	49.6	45.9	36.9
Total Deductions (Combined Ratio)	85.9	79.3	99.2	86.3	79.8
Net Underwriting Gain (Loss)	14.1	20.7	0.8	13.7	20.2

MARKET CONDUCT ACTIVITY

Treatment of Policyholders

Claims

While reviewing claims, it was noted that risks had coverage limits in place that were significantly below either replacement cost or adjuster's valuations. Not properly insuring to value ("ITV") can prevent an insured from receiving full indemnification from a total loss. This also results in a shortfall of premiums relative to the risk the Company is assuming.

It is again recommended that the Company complete a detailed underwriting review of each of its policies every three years to ensure proper insurance to value.

At December 31, 2024, the Company did not maintain a complaint log. Under N.D.C.C. §26.1-04-03(10), companies commit an unfair or deceptive practice if they:

> Fail to adopt and implement reasonable standards for the prompt handling of written communications, primarily expressing grievances received by the insurance company from insureds or claimants.

It is recommended that the Company establish and maintain a complaint log that records each written complaint received as well as the Company's response to ensure compliance with N.D.C.C. §26.1-04-03(10).

Advertising
The majority of the Company's advertising expenses relate to the use of its logo in a sports arena and on give-away items.

OPERATING AGREEMENTS

Grinnell Adjusting Service

On January 1, 2016, the Company entered into a contract with FarMutual Insurance Services, LLC, a subsidiary of Grinnell Mutual Reinsurance Company ("Grinnell"), to perform claims adjusting services. This entity has changed names over the years and at December 31, 2024, was referred to as Claims Mutual Services.

For adjusting services provided in 2024, Grinnell was paid $73,290.00. The fee charged was a flat rate for up to 200 claims. If needed, additional adjustments are billed at $850 per claim.

Investment Service Agreements

The Company maintains investment accounts with UBS Financial Services Inc. (UBS) and Bell Bank Wealth Management (Bell Bank). The UBS account was established under Corporate Resolutions adopted in December 2011. These resolutions designate UBS as the Company's agent for holding securities and allow the Company to delegate investment discretion to UBS. Bell Bank acts as agent, custodian, and investment manager under an Investment Management Agency Agreement executed by the Company on April 18, 2024, and accepted by Bell Bank on April 19, 2024.

Neither document limits the Company's investments to those authorized under N.D.C.C. §26.1-05-19. The Bell Bank agreement gives Bell Bank full discretion to invest in stocks, bonds, mutual funds, hedge funds, and other investments "whether or not such investments are of the kind or class authorized by law." The UBS resolutions authorize trading in options, futures, and commodities, short selling, margin trading, and borrowing against or pledging Company assets.

It is recommended that the Company change the language of Bell Bank's Agent Agreement and UBS's Investment Policy to ensure compliance with N.D.C.C. 26.1-05-19.

REINSURANCE

The following table summarizes the Company's reinsurance contracts with Grinnell Mutual Reinsurance Company, in force on December 31, 2024:

Type	Coverage / Scope	Premium	Retention
Individual Occurrence Excess of Loss	Covers the Company's property net losses in excess of a $250,000 per risk retention, up to $10,000,000 per risk per loss.	$448,692	$250,000
Property Catastrophe Excess of Loss	Covers 100% of the Company's net losses arising from a single Loss Occurrence involving at least two insured risks, in excess of a $1,250,000 retention, up to $4,550,000 per occurrence and $9,100,000 in the aggregate during the contract term. The occurrence window for windstorm, hail, and tornado events is limited to 96 consecutive hours.	$418,668	$1,250,000
Aggregate Excess	Covers 100% of the Company's aggregate net losses incurred during the contract term in excess of a 72.2519% loss ratio, calculated against Subject Net Written Premium.	$1,072,992	Excess of 72.2519% Loss Ratio

The Reinsurer may terminate any contract upon 30 days' written notice to the Company upon the occurrence of specified events, including merger, assumption agreement, regulatory hazard determination, insolvency, or failure to pay premium when due. All contracts contained the clauses required by the NAIC's Accounting Practices and Procedures Manual.

On the invoice sent to the Company for the period December 1, 2024, to December 31, 2024, Grinnell stated that they will withdraw the money from the Company's account on or after January 26, 2025, for services provided in 2024 in which the Company should have booked a payable in 2024 for the amount due.

It is recommended that the Company record a liability for reinsurance premiums due in the subsequent year for coverage provided during the current year.

ACCOUNTS AND RECORDS

The Company’s accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination and a trial balance as of December 31, 2024, was obtained and traced to the appropriate schedules of the Company’s 2024 Annual Statement. Revenues and expenses were tested to the extent deemed necessary.

The Company does not prepare an annual expense budget or maintain written expense policies. Documentation reviewed during expense testing was generally inadequate to determine the nature and character of the expenses and did not meet the documentation standards of IRS Publication 463. At a minimum, the Company's expense policies should address the following:

- Dining limits (per diem or otherwise) and documentation requirements
- Convention-related expenses (attendees, auction item limits, dining and drink limits, and meal sponsorship limits)

- Guidelines for travel to Grinnell, Iowa
- Automobile expenses (fuel, mileage reimbursement rates, and other vehicle-related incidental expenses)
- Air travel (class and seat upgrades, travel insurance, and other add-ons)
- Rental car documentation and policies (including insurance and acceptable use)
- Documentation requirements for agent meetings, visits, parties, and gifts, distinguishing between marketing and commission expense
- Documentation and approval requirements for Manager and employee expense reimbursements
- Charitable contribution and donation limits (individual and aggregate)
- Advertising and marketing guidelines, methods, and limits

It is again recommended that the Board approve and the Manager follow an annual budget that addresses each bullet above.

As of December 31, 2024, during review of the independent confirmations, it was noted that the Manager was the sole authorized signer on certain accounts. It was also noted that a former employee remained as an authorized signer on some of the Company's accounts.

It is again recommended that the Company review its authorized signers and ensure that the board approves at least two current officers or employees as signers on each account.

At December 31, 2024, the Company does not use an acceptable methodology to calculate the IBNR estimate, as it is not based on the five-year rolling average called for in the County Mutual Annual Statement Instructions.

It is again recommended that the Company use a five-year rolling average for calculating its IBNR estimate in accordance with the Annual Statement instructions.

During review of the Company’s premium related balances, it was found that Uncollected Premium and Advance Premium accounts were reported incorrectly.

It is recommended that the Company implement procedures to ensure that amounts reported as Premiums in Course of Collection are correct and in compliance with the County Mutual Annual Statement Instructions.

It is recommended that the Company implement procedures to ensure amounts reported as Advance Premiums are correct and in compliance with the County Mutual Annual Statement Instructions.

FINANCIAL STATEMENTS

The following pages present a Statement of Assets, Liabilities, and Surplus as of December 31, 2024, and a Statement of Income for 2024.

These financial statements are based on the statutory financial statements filed by the Company with the North Dakota Insurance Department and present the financial condition of the Company for the period ending December 31, 2024.

Walsh County Mutual Insurance Company

Statement of Assets, Liabilities, and Surplus
as of December 31, 2024

ASSETS		
LEDGER ASSETS:		
Bonds	$3,826,300.42	
Stocks	5,537,361.83	
Real estate	448,588.47	
Cash on hand and checking account	537,348.24	
Cash on deposit	2,255,957.85	
Premiums in course of collection	634,730.53	
Furniture, fixtures, and equipment	28,437.88	
Total Ledger Assets		$13,268,725.22
NON-LEDGER ASSETS:		
Interest due and accrued on bonds	$55,966.26	
Interest due and accrued on cash on deposit	11,800.76	
Market value of stocks over book value	468,252.21	
Misc. non-ledger assets	11,857.00	
Total Non-ledger Assets		$547,876.23
DEDUCT ASSETS NOT ADMITTED:		
Furniture, fixtures, and equipment		$28,437.88
TOTAL NET ADMITTED ASSETS		$13,788,163.57
LIABILITIES		
Unpaid losses		$468,043.66
Incurred but not reported (IBNR) estimate		24,171.44
Unpaid loss adjustment expense		6,107.50
Advance premiums		68,323.91
Unearned premium reserve		3,535,867.89
Commissions due and payable to agents		8,892.37
Unpaid taxes		106,529.15
Premiums written for others		59,282.44
TOTAL LIABILITIES		$4,277,218.36
SURPLUS TO POLICYHOLDERS		$9,510,945.21
TOTAL LIABILITIES AND SURPLUS		$13,788,163.57

Walsh County Mutual Insurance Company

Statement of Income
For the Year 2024

INCOME		
Gross premium income	$6,835,585.64	
Less: Returned premiums	179,714.14	
Less: Premiums for reinsurance ceded	2,183,498.07	
Net Premium Income		$4,472,373.43
Interest on bonds	$104,318.36	
Dividends on stocks	143,822.92	
Gross rent from Company's property	10,800.00	
Interest on cash on deposit	63,736.31	
Profit on sale or maturity of ledger assets	388,772.62	
Commissions and service fees received	135,954.86	
TOTAL INCOME RECEIPTS		$5,319,778.50
DISBURSEMENTS		
Gross losses paid and incurred in current year	$1,021,259.62	
Gross losses paid in 2024 but incurred in prior years	708,683.35	
Deduct: Salvage and subrogation	9,037.76	
Deduct: Reinsurance recovered	94,156.80	
Net Losses Paid		$1,626,748.41
Claim adjustment expenses	152,039.28	
Commissions paid to agents	1,049,665.46	
Directors' fees and expenses	5,150.00	
Salaries to employees	350,652.78	
Printing, stationery, and office supplies	14,133.58	
Rent and rent items	6,000.00	
Real estate expenses	46,490.53	
Taxes on real estate	4,897.66	
State and local insurance taxes	93,930.00	
Insurance department licenses and fees	2,891.85	
Payroll taxes	27,679.87	
Federal income tax	159,029.00	
Legal fees and auditing	50,101.50	
Travel and travel items	10,152.07	
Advertising	18,958.65	
Dues and donations	21,718.60	
Equipment	4,036.95	
Insurance and bonds	19,885.31	
Postage, telephone, and bank charges	23,782.14	
Employee relations and welfare	8,156.07	
Data processing expenses	63,625.25	
Miscellaneous	80,069.89	
TOTAL FUNDS DISBURSED		$3,839,794.85
NET GAIN (LOSS)		$1,479,983.65

CONCLUSION

The financial condition of Walsh County Mutual Insurance Company, Minto, North Dakota, as determined by this examination as of December 31, 2024, is summarized as follows:

TOTAL ADMITTED ASSETS	$13,788,163.57
Liabilities	$4,277,218.36
Surplus to Policyholders	9,510,945.21
TOTAL LIABILITIES AND SURPLUS	$13,788,163.57

During the 5-year period under examination, admitted assets increased by $7,726,308.91, liabilities increased by $2,482,647.45, and surplus to policyholders increased by $5,243,661.46.

The Examiners express their appreciation for the courteous cooperation extended to them during the examination.

Respectfully submitted,

Cole Mork
Examiner-in-Charge
North Dakota Insurance and Securities Department

COMMENTS AND RECOMMENDATIONS

It is again recommended that the Board of Directors receive, review and approve the investment custodian's statements in order to meet the investment activity disclosure requirements of N.D. Admin Code §45-03-12-05(4)(a).

It is again recommended that the Board review and revise, as appropriate, the investment plan quarterly to comply with the requirements of N.D. Admin Code §45-03-12-05(4)(b).

It is recommended that the Company increase its Employee Dishonesty and Forgery or Alteration coverage to meet or exceed the NAIC suggested minimum of $175,000 to $200,000 indicated for a company of its size.

It is again recommended that the Manager monitor the Company's agent and agency appointments to ensure business is only produced through appointed agents and agencies per N.D.C.C. §26.1-26-06.

It is recommended that the Company develop a formal Critical Incident Response Plan (CIRP) and/or Breach Notification Plan that is in compliance with N.D.C.C. §26.1-02.2 (insurance data security) and N.D.C.C. §51-30 (breach notification).

It is recommended that the Company develop an information security program to ensure compliance with N.D.C.C. §26.1-02.2-03.

It is again recommended that the Company complete a detailed underwriting review of each of its policies every three years to ensure proper insurance to value.

It is recommended that the Company establish and maintain a complaint log that records each written complaint received as well as the Company's response to ensure compliance with N.D.C.C. §26.1-04-03(10).

It is recommended that the Company change the language of Bell Bank's Agent Agreement and UBS's Investment Policy to ensure compliance with N.D.C.C. §26.1-05-19.

It is recommended that the Company record a liability for reinsurance premiums due in the subsequent year for coverage provided during the current year.

It is again recommended that the Board approve and the Manager follow an annual budget that addresses each bullet above.

It is again recommended that the Company review its authorized signers and ensure that the board approves at least two current officers or employees as signers on each account.

It is again recommended that the Company use a five-year rolling average for calculating its IBNR estimate in accordance with the Annual Statement instructions.

It is recommended that the Company implement procedures to ensure that amounts reported as Premiums in Course of Collection are correct and in compliance with the County Mutual Annual Statement Instructions.

It is recommended that the Company implement procedures to ensure amounts reported as Advance Premiums are correct and in compliance with the County Mutual Annual Statement Instructions.