

**STATE OF NORTH DAKOTA  
BISMARCK, NORTH DAKOTA**

**REPORT OF EXAMINATION**

**OF**

**DAKOTA FIRE INSURANCE COMPANY  
BISMARCK, NORTH DAKOTA**

**AS OF  
DECEMBER 31, 2018**

STATE OF NORTH DAKOTA

INSURANCE DEPARTMENT

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

**Dakota Fire Insurance Company**

**Bismarck, North Dakota**

as of December 31, 2018, 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 24<sup>th</sup> day of

June, 2020.

A handwritten signature in black ink, appearing to read "Jon Godfred", written over a horizontal line. The signature is stylized and cursive.

Jon Godfred  
Insurance Commissioner

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Bismarck, North Dakota  
May 31, 2020

Honorable Jon Godfread  
Commissioner  
North Dakota Insurance Department  
600 East Boulevard Avenue  
Bismarck, ND 58505-0320

Dear Commissioner:

Pursuant to your instructions and statutory requirements, a financial examination has been made of the books, records and financial condition of

### **Dakota Fire Insurance Company**

Statutory Home Office  
1838 East Interstate Ave  
Bismarck, ND 58501

Administrative Offices  
717 Mulberry Street  
Des Moines, IA 50309-3872

hereinafter referred to as the "Company", was last examined as of December 31, 2013, by representatives of the North Dakota Insurance Department, hereinafter referred to as the "Department".

The present examination was conducted as of December 31, 2018, by representatives of the Department.

### **SCOPE OF EXAMINATION**

This examination was a multi-state, risk focused financial condition examination conducted in accordance with N.D.C.C. ("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 the corporate affairs and insurance operations. The last examination covered the period of January 1, 2009, to December 31, 2013. This examination covers the period of January 1, 2014 through December 31, 2018, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

The examination was conducted in accordance with examination policies and standards established by the Department and procedures recommended by the NAIC. In accordance with the NAIC Financial Condition Examiners Handbook, the examination was planned and performed 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. The examination also included 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 process. 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. Statements were prepared by management and are therefore the responsibility of management. 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 companies were examined at the same time during the above examination:

<u>Company</u>	<u>Domicile</u>
Dakota Fire Insurance Company	North Dakota
Employers Mutual Casualty Company	Iowa
EMC Property & Casualty Company	Iowa
EMC Reinsurance Company	Iowa
EMCASCO Insurance Company	Iowa
Hamilton Mutual Insurance Company	Iowa
Illinois EMCASCO Insurance Company	Iowa
Union Insurance Company of Providence	Iowa

## **STATUS OF PRIOR EXAM FINDINGS**

The prior examination noted no examination level findings.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings or material changes made to the financial statements.

## **SUBSEQUENT EVENTS**

EMC Insurance Companies exited personal lines April 2019 and all personal lines business is expected to roll off by April 2020 with the exception of auto in Idaho.

On September 19, 2019, Employers Mutual Casualty Company, "EMCC" purchased all outstanding shares of common stock of EMC Insurance Group, Inc.

Effective January 1, 2020, the reinsurance pooling arrangement was amended to reduce the participation of the affiliated companies to 0 percent with EMCC assuming 100% of the business written. Pursuant to this amendment, the Company issued a promissory note to transfer the pool-based reserves to EMCC. The note requires the Company to pay this balance plus interest over a ten-year term.

Effective January 1, 2020, the inter-company reinsurance program between Employers Mutual Casualty Company and subsidiaries EMCASCO Insurance Company, Illinois EMCASCO Insurance Company, and Dakota Fire Insurance Company was terminated concurrently with the amendment to the pooling arrangement.

## COMPANY HISTORY

### General

The Company was incorporated on August 23, 1957, as a stock insurance company under the provisions of Chapters 10-02 and 26-08 of the North Dakota Revised Code of 1943, and amendments thereto, as the "Dakota Fire Insurance Company" with its home office and principal place of business in the city of Bismarck, North Dakota. The Company commenced business on January 10, 1958. In 1973, Employers Mutual Casualty Company assumed control of the Company by acquiring 78 percent of outstanding shares. Through subsequent purchases of stock and a series of affiliated transactions, ownership of the Company was transferred to EMC Insurance Group, Inc. in 1981.

The Articles of Incorporation provide that the Company may carry the lines of insurance as authorized under N.D.C.C. § 26.1-05-02.

### Capital Stock

As of December 31, 2018, 1,500,000 shares of common stock were outstanding, and 100 percent of outstanding shares were held by EMC Insurance Group, Inc.

### Surplus Notes

Effective December 28, 2001, the Company issued a \$6,000,000 surplus note to EMCC in exchange for cash. The principal amount of the note and interest thereon shall be repaid only out of surplus earnings of the Company. Interest payments are due January 1 of each year upon approval of the North Dakota Insurance Department.

The following interest rates were in effect during the period examination:

February 1, 2008 through January 31, 2013	3.60%
February 1, 2013 through January 31, 2018	1.35%
February 1, 2018 through December 31, 2023*	2.73%

\*Subsequent to the examination period, on December 31, 2019, the Company paid off this surplus note.

### Dividends to Stockholders

During the period under examination, the following dividends were paid to the sole stockholder:

2015 - \$1,125,000
2016 - \$1,125,000
2017 - \$1,125,000
2018 - \$4,275,000

## MANAGEMENT AND CONTROL

### Shareholders

The regular annual meeting of the shareholders shall be held within the first six months of each year, at such date and time as shall be fixed by the Chief Executive Officer or the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

A majority of the outstanding shares of the Company entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the shareholders.

### Board of Directors

The Bylaws provide that the general control and management of the Company shall be vested in a Board of 6 directors. Each director shall hold office until the next annual meeting of the shareholders and until his or her successor shall have been elected and qualified.

A regular meeting of the Board of Directors shall be held without notice immediately after, and at the same place as, the annual meeting of shareholders.

A majority of the number of directors fixed by the Bylaws constitutes a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Duly elected members serving on the Board of Directors at December 31, 2018, were as follows:

<u>Name and Address</u>	<u>Business Affiliations</u>
Bradley J. Fredericks Des Moines, Iowa	Senior Vice President – Chief Investment Officer
Scott R. Jean Des Moines, Iowa	Executive Vice President – Finance & Strategy
Bruce G. Kelley Des Moines, Iowa	Chairman, President, CEO & Treasurer
Michael A. Lovell Des Moines, Iowa	Executive Vice President - Operations
Mark E. Reese Des Moines, Iowa	Senior Vice President - Chief Financial Officer and Assistant Treasurer
Lisa A. Simonetta Des Moines, Iowa	Senior Vice President – Chief Claims Officer

## **Officers**

The executive officers of the Company are a chairman, one or more vice chairmen, a president, one or more executive vice presidents, one or more senior vice presidents, one or more vice presidents, a secretary, a treasurer, and a general counsel, each of whom shall be elected annually by the Board of Directors at its regular annual meeting. The Board may also elect or appoint one or more resident vice presidents, an actuary, a controller, and any assistant officers it may deem necessary. Any executive office, except that of president, one vice president, treasurer, and secretary, may be left unfilled. Any two or more offices may be held by the same person except the offices of president and secretary.

Duly elected or appointed officers serving at December 31, 2018, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Bruce G. Kelley	Chairman and Chief Executive Officer
Marilyn R. Ternes	President, Treasurer and Chief Operating Officer
Scott R. Jean	Executive Vice President – Finance & Strategy
Mick A. Lovell	Executive Vice President – Operations
Bradley J. Fredericks	Senior Vice President – Chief Investment Officer
Meyer T. Lehman	Senior Vice President – Chief Actuarial Officer
Robert L. Link	Senior Vice President – Chief Administrative Officer and Assistant Secretary
Larry W. Phillips	Senior Vice President – Chief Field Officer
Mark E. Reese	Senior Vice President – Chief Financial Officer and Assistant Treasurer
Todd A. Strother	Senior Vice President – Chief Legal Officer and Secretary
James D. Clough	Vice President
Larry G. Hamling	Vice President and Controller
Kelvin B. Sederburg	Vice President and Appointed Actuary
Karey S. Anderson	Assistant Vice President
Lisa A. Arechavaleta	Assistant Vice President
Tammi M. Dickey	Assistant Secretary
Benjamin P. Herman	Assistant Secretary
Jill M. Joss	Assistant Secretary
John S. Osier	Assistant Secretary
Scott D. Whitaker	Assistant Secretary



## **Committees**

The Board of Directors at its regular annual meeting appoints an Executive Committee and may appoint such other committees as it may deem necessary. All committees shall consist of three or more directors. The chief executive officer of the Company shall be a member and chairman of the Executive Committee and may be a member of any other committee.

Appointed committees serving at December 31, 2018, were as follows:

### **Executive Committee**

Scott R. Jean  
Bruce G. Kelley (Chair)  
Mick A. Lovell

### **Investment Committee**

Bradley J. Fredericks  
Scott R. Jean  
Mark E. Reese

## **CORPORATE RECORDS**

### **Articles of Incorporation and Bylaws**

The Company made no changes to its Articles of Incorporation during the period under review. An amendment was made to the Bylaws on December 3, 2018, decreasing the number of directors on the Board from 10 members to 6.

### **Stockholder and Board of Directors Meetings**

The minutes of the Board of Directors, and shareholders meetings for the period under examination were read.

The minutes of the various meetings indicate that full Board meetings were well attended and were held in compliance with the Bylaws, Articles of Incorporation, and statutory requirements. The deliberations of the Board were adequately documented and supported the Company's transactions and events.

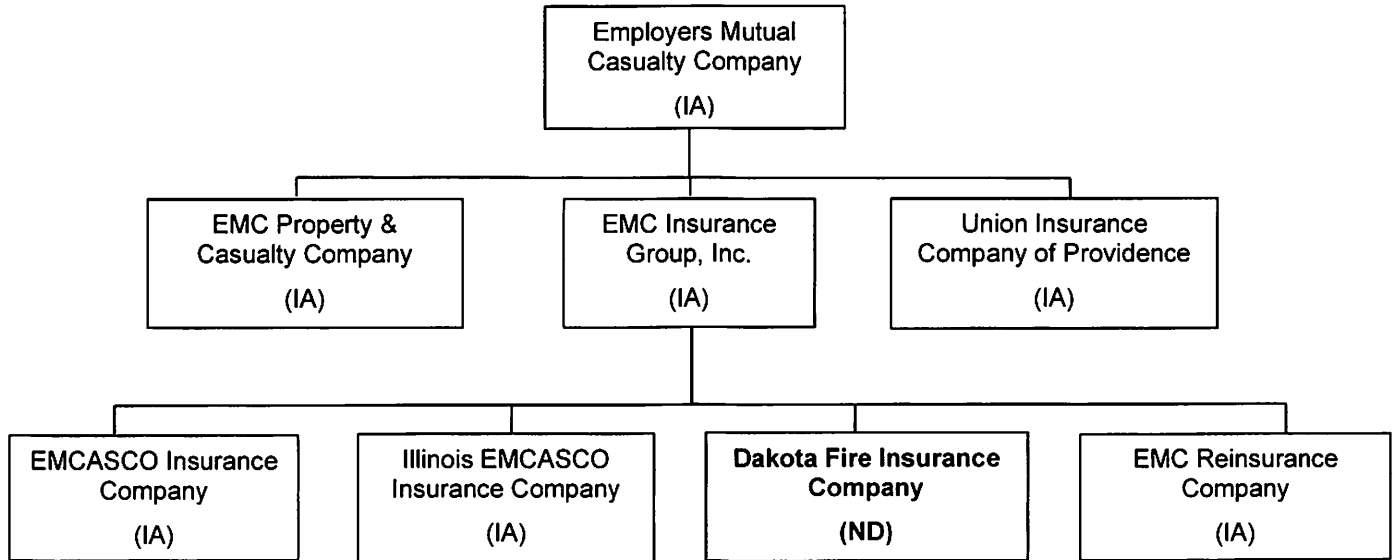
Investments made during the period covered by the examination were approved by the Company's Investment Committee and the full Board of Directors.

### **Conflict of Interest**

The Company has an established procedure for disclosure to its Board of Directors of any material interest or affiliation on the part of any of its officers or key employees which is in or likely to, conflict with their official duties. Conflict of interest statements are circulated and reviewed annually. While conflicts were disclosed, none were identified that would materially impact the Company and all were addressed by the Audit Committee.

## HOLDING COMPANIES, SUBSIDIARIES, AND AFFILIATES

EMC Insurance Companies is comprised of eight property and casualty insurance companies ("Affiliates"). The group, led by EMCC, is a multi-regional, multiple lines property and casualty insurer. The organization chart for the EMC Insurance Companies Group is as follows:



EMCC owns approximately 54.5 percent of the voting stock of EMC Insurance Group, Inc. and the remainder is publicly owned. Although not pictured above, EMCC controls the Board of Directors of Hamilton Mutual Insurance Company. In addition, EMCC owns 49 percent of the voting stock of EMC National Life Company, which wholly owns EMC National Life Marketing Services, LLC. EMC National Life Company's voting stock is 51 percent owned by EMC National Life Mutual Holding Company.

## INTERCOMPANY AGREEMENTS

### Service Agreements

Effective December 31, 2010, the Company and its affiliates entered into a Services Agreement with EMCC. EMCC provides to the Affiliates the systems and employees necessary to conduct business, as the Affiliates do not have any systems or employees of their own. EMCC provides data processing, claims handling, financial services, legal services, actuarial services, audit services, marketing services, underwriting services and risk management services to the Company. Under the terms of the agreement, all expenses incurred by EMCC for the provision of employees and services set forth in the agreement that are not allocated to parties that do not participate in the reinsurance pooling agreement are allocated to the pool, and each pool participant shares in the total costs in accordance with its participation percentage as established under the terms of the reinsurance pooling agreement.

### **Inter-Company Loan Agreements**

Effective January 31, 2012, the Company and its Affiliates entered into a Loan Agreement that allows the EMC property and casualty companies to borrow or loan money to each other on short-term basis (up to 180 days) at market-based interest rates and sets loan repayment terms. No loans made pursuant to the Loan Agreement, in the aggregate, may exceed 5% of the lending party's admitted assets as of December 31 of the current preceding year.

### **Investment Management Agreement**

Effective December 31, 2007, the Company and its Affiliates entered into an investment management agreement with EMCC. EMCC serves as a centralized point for handling invested assets, establishing and overseeing the activities of external investment managers, and preparing reports for various internal committees. The Company reimburses EMCC for the cost of its investment management services which includes actual expenses incurred plus an allocation of other investment expenses incurred by EMCC, which is based on a weighted-average of total invested assets and number of investment transactions of the Company. Reimbursements are due to EMCC no later than forty-five (45) days after the end of the applicable quarter.

### **Agreements for Payment of Taxes**

Effective December 31, 2007, the Company and its Affiliates entered into an agreement for payment of taxes with EMCC. EMCC pays the federal and state tax liabilities on the Company's behalf and the Company agrees to reimburse EMCC for those payments. EMCC provides the Company with a quarterly accounting of the funds advanced on behalf of the Company. The Company reimburses EMCC for any advanced funds, with reimbursement being due to EMCC no later than forty-five (45) days after the end of the applicable quarter.

Effective December 31, 2010, the Company and its Affiliates entered into a Tax Allocation Agreement wherein federal taxes are allocated among the parties on the basis of the percentage of the total tax which the tax of an individual party if computed on a separate return would bear to the total amount of the taxes for all members of the group so computed.

## **FIDELITY BONDS AND OTHER INSURANCE**

At December 31, 2013, the Company was a named insured along with EMCC and its other affiliates on a Financial Institution Bond with a basic limit of \$20,000,000 and aggregate limit of \$40,000,000, which exceeds the minimum amount suggested by the N.A.I.C.

The Company has other types of insurance coverage including Directors and Officers Liability, Automobile, Property, Workers' Compensation, and Commercial General Liability which were considered adequate.

## **PENSION AND INSURANCE PLANS**

The Company has no employees; all employees are classified as employees of Employers Mutual Casualty Company (EMCC).

Employees of EMCC receive retirement benefits, group health and dental insurance, group life insurance, group long-term disability income, and group accidental death and dismemberment indemnity for qualified employees. The cost of retirement benefits, life insurance, and long-term disability income for the employees that are not allocated to parties that do not participate in the reinsurance pooling agreement are allocated to the pool, and each pool participant shares in the total costs in accordance with its participation percentage as established under the terms of the reinsurance pooling agreement. The employees may participate in a stock purchase plan utilizing EMC Insurance Group, Inc. stock and voluntarily contribute to a 401(k) savings plan wherein EMCC will match a portion of the employee's contribution. EMCC will match 50 percent of the first 6 percent of an employee's contribution. A nonqualified defined contribution plan provides deferred compensation benefits for highly-compensated employees who are limited by IRS regulations in their qualified defined contribution plan deferral percentage.

## **STATUTORY DEPOSITS**

The book value of securities held in a custodial account and vested in the North Dakota Insurance Commissioner for the benefit of all policyholders totaled \$998,283 at December 31, 2018.

## **TERRITORY AND PLAN OF OPERATION**

The Company is a multiple-line property and casualty insurance writer that is licensed to transact business at December 31, 2018, in the following states:

Idaho	Montana
North Dakota	Minnesota
South Dakota	

At December 31, 2018, the Company was operating on an excess and surplus lines basis in the following four states:

Illinois	Nebraska
Iowa	Rhode Island

At December 31, 2018, the Company was also a qualified or accredited reinsurer in North Carolina.

The majority of direct business is written in homeowners, auto physical damage, private passenger auto liability, and other liability lines of coverage. At December 31, 2018, the Company's business was produced by approximately 600 independent licensed producers who are appointed by the Company.

Beginning in 2014, the Company's personal lines business is renewing on EMCC's paper. This change is being instituted group wide so that the subsidiary companies can focus on commercial lines business which accounts for 90 percent of the group's net premiums written.

Dividends to policyholders are paid on an annual basis. A resolution adopted by the Board of Directors in each of the five years under review authorized the payment of reasonable dividends in those states where the Company issued policies at standard board or bureau rates. In other states, it is generally the practice to deviate from standard board rates on the basis of loss experience.

Dividends paid to policyholders reported in the Company's filed annual statements reflect the dividends allocated to the Company based on its pooling percentage under the reinsurance pooling agreement. The total dividends allocated to the Company during the exam period, is as follows:

2014	\$1,699,112
2015	\$1,979,506
2016	\$2,048,326
2017	\$2,310,806
2018	\$2,256,660

## REINSURANCE

The Company is a party to an intercompany reinsurance pooling agreement. Under the terms of the pooling agreement, the affiliated companies cede all of their gross insurance business to EMCC and assume from EMCC an amount equal to their participation in the pool. All losses, loss adjustment expenses and other underwriting and administrative expenses, excluding the voluntary reinsurance business assumed by EMCC from unaffiliated insurance companies, are prorated among the companies on the basis of participation in the pool. EMCC will make up any shortfall or difference resulting from an error in its systems and/or computational process that would otherwise result in the required restatement of the pool participants' financial statements. Intercompany balances related to pooling activities are settled no later than 45 days after the end of each month. The investment activities and income tax liabilities of the pool participants are not subject to the pooling agreement.

Participation in the pooling agreement changed throughout the examination period. As of December 31, 2018, the interests in the agreement were as follows:

Employers Mutual Casualty Company	70.0%
EMCASCO Insurance Company	13.5
Illinois EMCASCO Insurance Company	10.0
Dakota Fire Insurance Company	6.5
EMC Property & Casualty Company	0.0
Union Insurance Company of Providence	0.0

The term of the agreement is continuous and unlimited as to duration but may be terminated as of the end of any calendar year by agreement of the parties. The agreement also contains an insolvency clause as required by N.D.C.C § 26.1-02-21.

Effective December 31, 2003, the pooling agreement was amended to provide that if the amounts produced by Employers Mutual Casualty Company's systems and/or computational processes, and relied upon by both EMCC and its affiliated companies in implementing the pooling agreement, subsequently prove to be inaccurate or overstated to the extent that a restatement of the financial statements of one or more of the affiliated companies would otherwise be required, EMCC guarantees to make up the shortfall or difference resulting from such error(s) in its systems

and/or computational processes so that no such restatement of the financial statements of any affiliated company is required.

Pooled net written premiums for 2018 totaled \$1,726,217,831. EMCC and pooling affiliates assumed written premiums from the pool of \$1,208,352,482 and \$517,865,349, respectively.

EMCC maintains two semi-annual aggregate catastrophe excess of loss agreements with subsidiaries EMCASCO Insurance Company, Illinois EMASCO Insurance Company, and Dakota Fire Insurance Company in order to reduce the volatility of the subscribers' quarterly results from the pooling agreement. This business is not subject to the reinsurance pooling agreement.

## **ACCOUNTS AND RECORDS**

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination.

The Company is audited annually by an outside firm of independent certified public accountants. The work papers of this firm were made available to the Examiners and were used to extent deemed appropriate for this examination.

## **FINANCIAL STATEMENTS**

The following pages present a Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2018. This statement is followed by supporting statements and reconciliations presented in the following order:

Statements of Assets, Liabilities, Surplus, and Other Funds, December 31, 2018  
Summary of Income, Year 2018  
Reconciliation of Capital and Surplus, January 1, 2014, through December 31, 2018

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, 2018. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered and integral part of the financial statements.

**Dakota Fire Insurance Company**  
**Statement of Assets**  
**December 31, 2018**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$198,966,857		\$198,966,857
Preferred stocks	2,751,845		2,751,845
Common stocks	24,392,339		24,392,339
Cash equivalents	1,260,606		1,260,606
Other invested assets (Schedule BA)	2,305,239		2,305,239
Investment Income Due and Accrued	1,571,077		1,571,077
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	6,276,803		6,276,803
Deferred premiums, agents' balances and installments booked but deferred and not yet due	267,064	\$ 26,707	240,357
Amounts recoverable from reinsurers	121,408		121,408
Current federal and foreign income tax recoverable and interest thereon	197,317		197,317
Net Deferred Tax Asset	2,173,465		2,173,465
Guaranty Funds Receivable or on Deposit	175,176		175,176
Other Prepaid Expenses	726,640	726,640	0
Postretirement Benefit Plans Prepaid Expenses	1,102,343	1,102,343	0
Qualified Pension Plan Prepaid Expenses	2,744,241	2,744,241	0
<b>Totals</b>	<b>\$245,032,420</b>	<b>\$4,599,931</b>	<b>\$240,432,489</b>

**Dakota Fire Insurance Company**  
**Statement of Liabilities, Surplus, and Other Funds**  
**December 31, 2018**

Losses		\$ 89,305,167
Reinsurance Payable on Paid Loss and Loss Adjustment Expenses		4,569,576
Loss Adjustment Expenses		19,845,276
Commissions Payable, Contingent Commissions and Other Similar Charges		2,489,963
Other Expenses		3,200,758
Taxes, Licenses, and Fees		968,008
Unearned Premiums		52,146,704
Payable to Parent, Subsidiaries, and Affiliates		1,973,443
Postretirement benefit plans liability not recognized in income		(435,419)
Nonqualified Pension Plan Liability Not Recognized in Income		<u>318,770</u>
Total Liabilities		\$174,382,246
Common Capital Stock	\$ 1,500,000	
Surplus Notes	6,000,000	
Gross Paid in and Contributed Surplus	14,902,887	
Unassigned Funds (Surplus)	<u>43,647,356</u>	
Surplus as Regards Policyholders		<u>66,050,243</u>
Totals		<u>\$240,432,489</u>



**Dakota Fire Insurance Company  
Statement of Income  
December 31, 2018**

**Underwriting Income**

Premiums earned		\$107,346,725
Deductions:		
Losses incurred	\$61,029,515	
Loss expenses incurred	11,046,022	
Other underwriting expenses incurred	<u>36,302,894</u>	
Total Underwriting Deductions		<u>108,378,431</u>
Net Underwriting Gain (Loss)		\$(1,031,706)

**Investment Income**

Net Investment Income Earned	\$ 6,978,686	
Net Realized Capital Gains (Losses)	<u>(974,214)</u>	
Net Investment Gain (Loss)		6,004,472

**Other Income**

Net Gain (Loss) from Agents' or Premium Balances Charged Off	\$ (122,742)	
Finance and Service Charges not Included in Premiums	40,447	
Aggregate Write-ins for Miscellaneous Income	<u>49,317</u>	
Total other income		(32,978)
Net Income Before Dividends to Policyholders and Before Federal Income Taxes		\$ 4,939,788
Dividends to Policyholders		<u>2,256,660</u>
Net Income Before Federal Income Taxes		\$ 2,683,128
Federal Income Taxes Incurred		<u>761,974</u>
Net Income		<u>\$ 1,921,154</u>

**Dakota Fire Insurance Company**  
**Reconciliation of Capital and Surplus Accounts**  
**January 1, 2014, Through December 31, 2018**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Capital and Surplus, December 31, Previous Year	\$71,676,039	\$66,429,734	\$61,747,157	\$58,290,782	\$54,032,459
Net Income	1,921,154	6,151,717	5,971,438	6,083,001	4,083,771
Change in Net Unrealized Capital Gains or Losses	(2,915,815)	2,917,087	214,351	(1,159,665)	1,303,075
Change in Net Deferred Income Tax	416,009	(2,342,982)	78,290	(82,066)	(236,524)
Change in Nonadmitted Assets	579,683	(1,806,641)	(49,842)	1,227,467	1,212,199
Dividends to Stockholders	(4,275,000)	(1,125,000)	(1,125,000)	(1,125,000)	0
Aggregate Write-ins for Gains and Losses in Surplus	(1,351,827)	1,452,124	(406,660)	(1,487,362)	(2,104,198)
Net Change in Capital and Surplus for the Year	\$(5,627,796)	\$5,246,305	\$4,682,577	\$3,456,375	\$4,258,323
Capital and Surplus, December 31, Current Year	\$66,050,243	\$71,676,039	\$66,429,734	\$61,747,157	\$58,290,782

## CONCLUSION

The financial condition of the Company, as of December 31, 2018, as determined by this examination is summarized as follows:


Admitted Assets		<u>\$240,432,489</u>
Total Liabilities	\$174,382,246	
Surplus as Regards Policyholders	<u>66,050,243</u>	
Liabilities, Surplus, and Other Funds		<u>\$240,432,489</u>

No adjustments were made to the balance sheet or income statement amounts reported by the Company in its 2018 Annual Statement.

Since the last examination conducted as of December 31, 2013, the Company's admitted assets have increased \$45,985,716, its total liabilities have increased \$33,967,932, and its surplus as regards policyholders has increased \$12,017,784.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

Respectfully submitted,



Colton Schulz, CFE, CFE  
Supervising Examiner  
North Dakota Insurance Department