

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

REPORT OF EXAMINATION

OF

**AMERICAN WEST
INSURANCE COMPANY
FARGO, NORTH DAKOTA**

**AS OF
DECEMBER 31, 2016**

STATE OF NORTH DAKOTA
DEPARTMENT OF INSURANCE

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

American West Insurance Company

Fargo, North Dakota

as of December 31, 2016, 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 6th day of
March, 2018.



Jon Godfread
Insurance Commissioner

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Fargo, North Dakota
November 3, 2017

Honorable Jon Godfread
Commissioner of Insurance
North Dakota Insurance Department
600 East Boulevard Avenue, Dept. 401
Bismarck, ND 58505-0320

Dear Commissioner:

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

American West Insurance Company

Fargo, North Dakota

American West Insurance Company, hereinafter referred to as the Company, was last examined as of December 31, 2011, by the North Dakota Insurance Department.

SCOPE OF EXAMINATION

This examination was a multi-state, risk focused financial condition examination conducted in accordance with 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, 2007 through December 31, 2011. This examination covers the period of January 1, 2012 through December 31, 2016, 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 North Dakota Insurance 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 included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the

course of the examination an adjustment was identified, the impact of such adjustment was documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the N.D.C.C. § 26.1-03-19.3, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but are separately communicated to other regulators and/or the Company.

Concurrent examinations were made of the following Nodak affiliated companies:

<u>Affiliate</u>	<u>Domicile</u>
Nodak Mutual Insurance Company	North Dakota
Battle Creek Mutual Insurance Company	Nebraska
Primero Insurance Company	Nevada

STATUS OF PRIOR EXAMINATION FINDINGS

Our examination included a review to determine the current status of the one exception commented upon in our preceding Report on Examination which covered the period from January 1, 2007, to December 31, 2011. We determined that the Company had satisfactorily addressed this finding.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant noncompliance findings, or material changes in the financial statements noted during the examination.

SUBSEQUENT EVENTS

Effective March 7, 2017, the Company's parent formed a mutual holding company, Nodak Mutual Group, Inc. (MHC) and an intermediate holding company, NI Holdings, Inc (NIH). The Company's parent was then contributed to NIH and the Company was subsequently renamed Nodak Insurance Company. Forty-five percent of NIH common stock was sold in a public offering with the remaining 55 percent being retained by MHC.

HISTORY

General

The Company was originally incorporated on April 10, 1903, under the laws of North Dakota and commenced business on May 15, 1903, under the name of Implement Dealers Mutual Fire Insurance Company. In 1949, the Company changed its name to Implement Dealers Mutual Insurance Company. Effective June 1, 1986, the Company was converted from a mutual to a stock company, and the name was changed to American West Insurance Company. Effective July 1, 1991, all of the ongoing business was merged with an affiliated company, American

West Insurance Company of North Dakota, which incorporated and commenced business on December 27, 1990, under the provisions of N.D.C.C. § 26.1-05 as a stock property and casualty insurer. The surviving company of the merger was American West Insurance Company.

From its inception the Company was a member of the Berkley holding company system, as a wholly owned subsidiary of Tri-State Insurance Company of Minnesota, who was a wholly owned subsidiary of W.R. Berkley Corporation, the ultimate controlling company. In 1997, the Company moved its home office from Grand Forks, North Dakota, to Luverne, Minnesota, the offices of its parent, Tri-State Insurance Company. In 1999, the Company ceased writing any new business and began to non-renew or cancel policies, replacing such policies with either a Tri-State Insurance Company or Continental Western Insurance Company (affiliated entity) policy.

Pursuant to a Transfer and Assumption Agreement, effective March 31, 2001, and approved by the North Dakota Insurance Commissioner, Tri-State Insurance Company, the Company's former parent, assumed all of the Company's insurance business and other noninsurance liabilities in exchange for assets equal to the reserves on Company business. The Company also paid an extraordinary dividend to Tri-State, reducing capital and surplus, which resulted in a shell company with surplus of \$5,001,000.

On March 31, 2001, all of the Company's issued and outstanding shares of common stock were purchased by the Dakota Companies, LLC for \$5,691,000. The Dakota Companies was a wholly owned subsidiary of NMIC, a North Dakota domiciled insurer. The Dakota Companies obtained funding for the purchase from Community First Bank in Fargo, North Dakota, under an \$8,000,000 unsecured promissory note guaranteed by NMIC.

On November 9, 2004, Dakota Companies was dissolved and this agreement was no longer in effect, as all indebtedness was absorbed by NMIC. By the end of 2005, this note was paid in full.

Dividends

The Company paid no dividends during the examination period.

Capital Contributions

The Company had no capital contributions during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

At December 31, 2016, the directors elected to serve at the annual policyholder meeting were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Eric Aasmundstad Devils Lake, ND	Farmer
Christopher Brossart Wolford, ND	Farmer
Robert Christman Bismarck, ND	Chief of Staff, ND Department of Public Instruction
William Devlin Finley, ND	Retired newspaper publisher
Duaine Espesgard Grand Forks, ND	Retired Bank CEO
Francis Keogh Williston, ND	Retired Bank President & CEO
Dennis Renner Mandan, ND	Farmer/Rancher
Terry Wanzek Jamestown, ND	Farmer
Thomas Christensen Verona, ND	Farmer

The Company held a special shareholder meeting on October 19, 2016 to appoint a new slate of directors, which left three seats vacant. At the May 23, 2017 meeting, shareholders appointed Nathan Green and Dana Kaldor, both from the NDFB delegation, and CEO Michael Alexander to fill these three vacancies.

Officers

Elected officers serving with their respective duties as of December 31, 2016, were:

<u>Officer</u>	<u>Title</u>
Michael Alexander	President
Brian Doom	Secretary and Treasurer

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no changes to the Company's Articles of Incorporation or Bylaws during the examination period.

Board of Directors, Policyholders, and Committee Minutes

The recorded minutes of the Board of Directors for the Company and the annual policyholder meetings were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including the authorization of investments in accordance with its Bylaws, N.D.C.C. § 26.1-05-18 and N.D. Admin. Code § 45-03-12-05.

Conflict of Interest

The Company has adopted a policy requiring annual disclosure of conflicts of interest in accordance with the guidelines of the NAIC Financial Condition Examiners Handbook. Signed statements are reviewed annually by the Board of Directors. The conflict of interest statements for the years 2012 through 2016 were reviewed and no material undisclosed conflicts were noted.

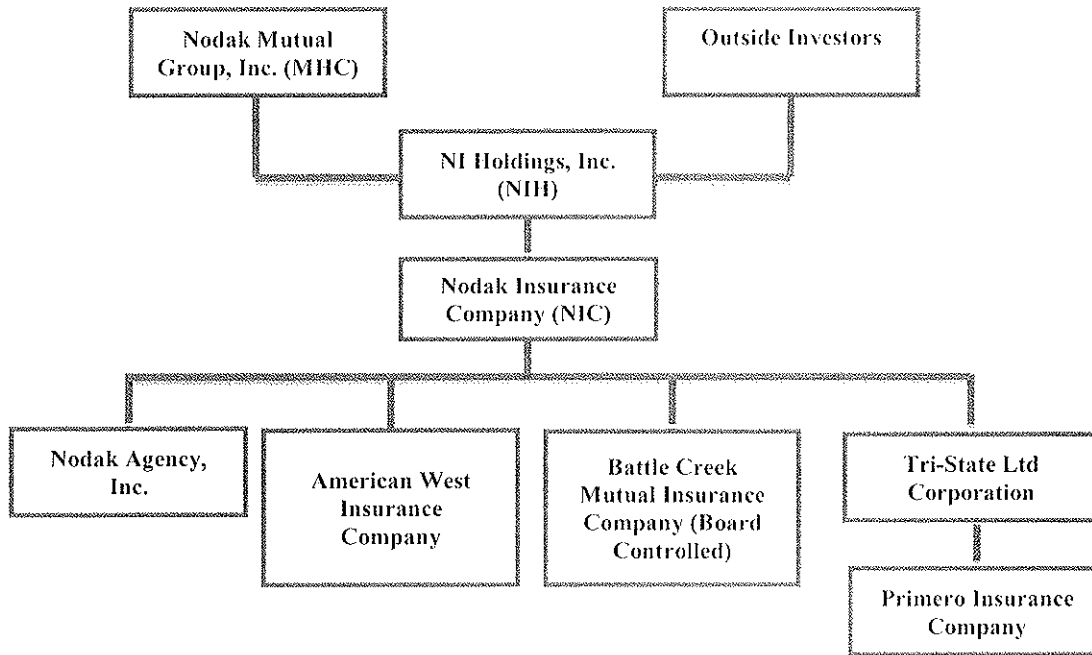
FIDELITY BOND AND OTHER INSURANCE

At December 31, 2016, the Company protected against fraudulent or dishonest acts of its employees by a financial institution bond. The bond, held by NMIC, names the Company as an additional insured for up to \$2,000,000, which is above the NAIC suggested minimum amount of fidelity insurance.

The Company has other types of coverage including: Cyber Liability, Professional Liability, Directors and Officers Liability, Employment Practices Liability and coverage for Errors and Omissions. The Company's subsidiaries (AWIC, BCMI, and PIC) are also named insureds on all policies.

AFFILIATED COMPANIES

The Company is a stock insurance company, owned by NMIC. The Company is a member of an insurance holding company system. The following organizational chart depicts the holding company structure as of March 7, 2017:



Nodak Mutual Group, Inc. (MHC) – Effective March 7, 2017, the Company now known as Nodak Insurance Company (NIC) formed a mutual holding company, Nodak Mutual Group, Inc. (MHC). The MHC owns 55 percent of the Company’s immediate parent NI Holdings, Inc.

NI Holdings, Inc (NIH) – Effective March 7, 2017, this company was formed as an intermediate holding company. NIH is 55 percent owned by MHC and 45 percent owned by outside investors. These shares trade on the NASDAQ under the symbol NODK.

Nodak Insurance Company (NIC) – NIC is a North Dakota domestic insurance company, licensed to do business in two states. NIC was incorporated on April 15, 1946, and provides coverage for personal auto, farmowners, homeowners, crop hail and multiple peril crop insurance.

Battle Creek Mutual Insurance Company (BCMIC) – On March 4, 2011, NMIC entered into an affiliation agreement with BCMIC, a Nebraska domestic insurance company. As a part of the affiliation, BMIC entered into a quota share agreement with NMIC. Effective April 1, 2011, 100 percent of all premiums, losses, adjusting expenses and underwriting expenses are ceded to NMIC. Through the affiliation agreement, NMIC appoints two-thirds of the directors to serve on the BMIC Board of Directors

Tri-State Limited Corporation – On December 8, 2014, the Nevada Insurance Commissioner approved the Company’s acquisition of Tri-State Limited, a South Dakota corporation which owns 100 percent of Primero Insurance Company.

Primero Insurance Company (PIC) – PIC is a Nevada domiciled private passenger auto insurance writer. PIC is licensed in Arizona, Nevada, North Dakota and South Dakota, and produces over 65 percent of its business in and around Las Vegas, Nevada.

Nodak Agency Incorporated (NAI) – Effective January 1, 2008, NAI no longer transacts business but is being retained by the parent for possible future use.

AFFILIATED AGREEMENTS

Tax Allocation Agreement

The Company files a consolidated federal income tax return with NMIC and PIC (Members), pursuant to a written tax allocation agreement executed on December 3, 2014. The Company elects to allocate the consolidated tax liability of the Group among the Members in accordance with the ratio which that portion of the consolidated taxable income attributable to each Member having taxable income bears to the consolidated taxable income. This calculation shall be made pursuant to Internal Revenue Code Section 1.1552-1(a)(1). Each Member shall pay such amount(s) to the Parent on the applicable due date or dates that said amount(s) would have been payable by the Member had it not been included in the Group's consolidated return, or as soon after that date as possible. In lieu of actual payments, adjustments to intercompany payables and receivables will be made.

Management Agreement with NMIC

Effective January 1, 2009, the Company entered into an agreement with its parent, NMIC, to receive complete management services for all lines of business in which the Company engages. The agreement states that all expenses incurred by the NMIC will be charged to the Company proportionately based on premium, policy counts, claim counts, claim payment amounts or time studies. Indirect expenses allocated to the Company in 2016 included salaries, employee relations, payroll taxes, director fees, travel, telephone, postage, advertising, equipment, printing and supplies, allowance to agents, rent, audit fees and actuarial services. The allocation base for each of these items, except printing and supplies, should have been net premiums written or 7.8 percent of the two Companies' total expense for each of these items. Printing and supplies should have been allocated based on policy count or 7.6 percent of the Company's total printing and supplies expense. NMIC allocated between 1.0 percent and 3.5 percent of these expense items to the Company. This divergence from the agreement caused an under allocation of expenses to the Company and an overstatement of expenses to NMIC in the amount of \$712,136. An exam adjustment was made as this amount exceeds the Company's materiality threshold.

It is recommended that the Company comply with the provisions of its inter-company agreements.

PENSION AND INSURANCE PLANS

The Company has no direct employees and all functions are performed by employees of its parent, NMIC. Per the Management Agreement, the Company is to reimburse its parent for its proportionate share of expenses, including healthcare and retirement benefits provided by the parent. The CFO reported that the Company made none of these reimbursements to NMIC for employee benefits in 2016. As previously noted in the Significant Findings section, NMIC did not allocate expenses in accordance with the terms of the Management Agreement, which caused a net understatement of expenses allocated to the Company in the amount of \$464,394.

TERRITORY AND PLAN OF OPERATION

The Company was licensed to transact business in the following eight states as of December 31, 2016:

Idaho	Montana	South Dakota
Minnesota	North Dakota	Wisconsin
Oregon	Washington	

The Company writes nonstandard auto, commercial auto, property and multiple peril crop insurance policies. Through its parent company's network of captive agents and independent agents in Minnesota and South Dakota.

GROWTH OF COMPANY

The following represents the Company's net written premium activity as it relates to surplus over the examination period:

	Premiums Written (in thousands)				
	2016	2015	2014	2013	2012
Direct	\$11,198	\$8,702	\$7,935	\$8,555	\$7,769
Assumed	1,317	0	0	0	0
Ceded	2,844	1,834	1,192	1,608	1,838
Net Written Premiums	\$9,671	\$6,867	\$6,743	\$6,947	\$5,930
Surplus	11,801	11,185	10,805	10,524	9,617
Premium to Surplus Ratio	82.0%	61.4%	62.4%	66.0%	61.7%

The Company's premium growth and premium to surplus ratio remained fairly consistent over the examination period but had a significant increase in 2016. Surplus remained relatively flat over the entire examination period.

LOSS EXPERIENCE

(in thousands)

	2016	2015	2014	2013	2012
Loss reserves	\$1,308	\$810	\$857	\$747	(\$18)
LAE reserves	283	185	199	121	103
Total Reserves	\$1,591	\$995	\$1,056	\$868	\$85
Losses and LAE Incurred	\$5,801	\$4,321	\$5,195	\$4,182	\$4,910

The Company's losses and loss adjusting expenses incurred remained relatively stable during the exam period.

REINSURANCE

Assumed

In 2016, the Company entered into a proportional retrocessional crop hail pool with parent NMIC and Rural Mutual Insurance Company of Wisconsin. Premiums and losses are pooled among the three companies and profits are retroceded on a proportional basis at the end of the crop year.

Ceded

The Company ceded reinsurance premiums totaling \$2.84 million in 2016 and as of December 31, 2016, reported loss and loss adjustment expense reserve credits totaled \$1.6 million.

The following is a summary of the significant reinsurance ceded contracts in force at December 31, 2016:

1. Type: Multi-Line Excess of Loss
 - Reinsurers: Nodak Mutual Insurance Company
 - Scope: Multi-line
 - Coverage:

Property	\$300,000	excess of \$50,000
Casualty	\$500,000	excess of \$50,000
 - Commissions: None
 - Termination: Any time on a cut-off basis by giving 30 days prior written notice based on certain conditions.

2. Type: Multi-Line Excess of Loss
- | | <u>1st</u> | <u>2nd</u> | <u>3rd</u> |
|---|-----------------------|-----------------------|-----------------------|
| Reinsurers: Aspen Re America | 12.0% | 12.0% | 12.0% |
| Maiden Re Insurance Services, LLC | 28.0% | 28.0% | 28.0% |
| SCOR Reinsurance Company | 5.0% | 5.0% | 5.0% |
| QBE Reinsurance Corporation | 20.0% | 20.0% | 20.0% |
| Partner Reinsurance Company of the U.S. | 15.0% | 15.0% | 15.0% |
| Hannover Rück SE | 20.0% | 20.0% | 20.0% |
- Scope: Casualty and Property business, including Umbrella
- Coverage: 1st Layer – \$1,500,000 (Property), \$1,400,000 (Casualty), 2nd Layer - \$3,000,000, 3rd Layer (Casualty only) - \$7,000,000 excess of \$500,000 retention
- Commissions: None
- Termination: Either party with 30 day prior written notice.
3. Type: Property & Auto Catastrophe
- Reinsurer: American Agricultural Insurance Company
- Scope: Fire, Allied Lines, Farmowners (property perils), Homeowners (property perils), Commercial Multiple Peril (property perils), Inland Marine, Auto Physical Damage, Earthquake
- Coverage: 1st Layer - \$7,000,000, 2nd Layer - \$12,000,000, 3rd Layer - \$12,000,000 excess \$5,000,000 retention
- Commissions: None
- Termination: Either party at any calendar year end by providing not less than 90 days written notice
4. Type: Over Other Protection (OOPS)
- Reinsurers: American Agricultural Insurance Company
- Scope: Fire, Allied Lines, Farmowners (property perils), Homeowners (property perils), Commercial Multiple Peril (property perils), Inland Marine, Auto Physical Damage, Earthquake
- Coverage: \$18,600,000 Occurrence, \$36,000,000 Annually excess \$5,000,000 CAT retention (see number 2 above)
- Commissions: None
- Termination: Either party at any calendar year end by providing not less than 90 days written notice

5. Type: Catastrophe Excess of Loss
- Reinsurer: Mutual Reinsurance Bureau (Various member companies)
- Scope: Fire, property sections of the following multiple peril policies: Homeowners, Farmowners (including Blanket Personal Property), and Commercial; and Allied Lines (including Extended Coverage), Inland Marine, Earthquake (subject to paragraph J. of the Exclusions Article), and Auto Physical Damage (other than collision).
- Coverage: \$25,000,000 excess \$5,000,000 (see numbers 2 and 3 above)
- Commissions: None
- Termination: Either party at any time by giving 90 days notice

All treaties contained an insolvency clause and entire agreement clause as required by N.D.C.C. § 26.1-02-21.

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, 2016, was traced to the appropriate schedules of the Company's 2016 Annual Statement. The Company's ledgers are maintained electronically. Revenues and expenses were test checked to the extent deemed necessary.

The Company is annually audited 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.

Safekeeping Agreement

During the period under examination, the Company's securities were held by Wells Fargo Bank, N.A. The safekeeping agreement contained all of the provisions required by N.D. Admin. Code § 45-03-23-02.

FINANCIAL STATEMENTS

The following pages present a Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2016. This statement is followed by supporting statements and reconciliations presented in the following order:

Statement of Assets, Liabilities, Surplus, and Other Funds, December 31, 2016
Summary of Income, Year 2016

Reconciliation of Capital and Surplus, January 1, 2012, through December 31, 2016

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, 2016. 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.

**American West Insurance Company
Statement of Assets
December 31, 2016**

	Ledger & Non-Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	\$12,166,627		\$12,166,627
Cash	1,503,181		1,503,181
Investment Income Due and Accrued	89,072		89,072
Deferred Premiums	1,007,857		1,007,857
Net Deferred Tax Asset	141,787		141,787
Non-Sufficient Funds	10,411	10,411	0
Crop Notes	514,542	514,542	0
Receivable from FCIC	1,275,040		1,275,040
Totals	<u>\$16,708,518</u>	<u>\$524,953</u>	<u>\$16,183,564</u>

**American West Insurance Company
Liabilities, Surplus, and Other Funds
December 31, 2016**

Losses		\$1,308,196
Loss Adjustment Expenses		283,000
Commissions Payable		143,286
Other Expenses		39,339
Taxes, Licenses, and Fees		63,175
Unearned Premiums		1,948,196
Ceded Reinsurance Premiums Payable		102,962
Remittances and Items Not Allocated		30,150
Payable to Parent, Subsidiaries or Affiliates		<u>927,282</u>
Total Liabilities		4,845,586
Common Capital Stock	\$3,000,000	
Gross Paid In and Contributed Surplus	3,001,000	
Unassigned Funds (Surplus)	<u>5,336,977</u>	
Surplus as Regards Policyholders		<u>11,337,977</u>
Total Liabilities and Surplus		<u>\$16,183,564</u>

**American West Insurance Company
Statement of Income
December 31, 2016**

Underwriting Income

Premiums Earned		\$9,134,772
Deductions:		
Losses Incurred	\$5,481,821	
Loss Adjustment Expenses Incurred	319,355	
Other Underwriting Expenses Incurred	<u>3,154,763</u>	
Total Underwriting Deductions		<u>8,955,939</u>
Net Underwriting Gain or (Loss)		<u><u>\$178,833</u></u>

Investment Income

Net Investment Income Earned	\$330,990	
Net Realized Capital Gains or (Losses)	<u>6,607</u>	
Net Investment Gain or (Loss)		<u><u>\$337,597</u></u>

Other Income

Net Loss From Agents' Balances Charged Off	(\$12,193)	
Service Charges Not Included in Premiums	19,843	
Miscellaneous Income	<u>6,600</u>	
Total Other Income		<u><u>\$14,250</u></u>

Net Income Before Federal Income Taxes		\$530,680
Federal Income Taxes Incurred		<u>211,742</u>
Net Income		<u><u>\$318,938</u></u>

**American West Insurance Company
Reconciliation of Capital and Surplus Account
January 1, 2012, Through December 31, 2016**

	2016	2015	2014	2013	2012
Surplus as Regards Policyholders, December 31, Prior Year	\$11,185,108	\$10,804,709	\$10,524,047	\$9,616,630	\$9,845,865
Net Income	318,938	457,999	349,696	938,525	(310,258)
Change in Net Unrealized Capital Gains or (Losses)	0	0	0	0	0
Change in Net Deferred Income Tax	39,646	21,190	(324)	24,281	23,854
Change in Nonadmitted Assets	(205,716)	(98,790)	(68,710)	(55,389)	57,169
Change in Surplus for the Year	152,868	380,399	280,662	907,417	(229,235)
Surplus as Regards Policyholders, December 31, Current Year	\$11,337,976	\$11,185,108	\$10,804,709	\$10,524,047	\$9,616,630

COMMENTS ON THE FINANCIAL STATEMENTS

Expenses

As noted in the affiliated agreements section of this report, the Company has expense allocation provisions delineated within the Management Agreement with its parent, NMIC. The Company's expense allocations under this agreement were found by this examination to be \$462,888 understated.

Other underwriting expense incurred as determined by this examination consisted of the following amounts:

<u>Description</u>	<u>Company</u>	<u>Examination</u>
Other Underwriting Expenses Incurred	\$2,442,628	\$3,154,763
Federal Income Tax	460,990	211,742
Total	<u>\$ 2,903,618</u>	<u>\$3,366,505</u>

Liabilities

Due to the under-allocation of expenses to the Company noted above, Payables to Parent were found by this examination to be \$462,888 too low.

Liabilities as determined by this examination consisted of the following amounts:

<u>Description</u>	<u>Company</u>	<u>Examination</u>
Payable to Parent	\$464,394	\$927,282
Total	<u>\$ 464,394</u>	<u>\$927,282</u>

Surplus to Policyholders

Surplus to policyholders was determined by this examination to be \$11,337,977 or \$462,888 less than the amount reported by the Company in its 2016 Annual Statement. Adjustments to surplus are shown in the following schedule:

Surplus as Regards Policyholders reported by Company	\$11,800,865
Increase (Decrease) to Surplus from above	<u>(462,888)</u>
Surplus as Regards Policyholders per Examination	<u>\$11,337,977</u>

CONCLUSION

The financial condition of the Company, as of December 31, 2016, as determined by this examination is summarized as follows:

ADMITTED ASSETS		<u>\$16,183,564</u>
Total Liabilities	\$4,845,586	
Surplus as Regards Policyholders	<u>11,337,977</u>	
LIABILITIES, SURPLUS, AND OTHER FUNDS		<u>\$16,183,564</u>

Since the last examination conducted as of December 31, 2011, the Company's admitted assets have increased \$5,124,844, its total liabilities have increased \$3,632,732, and its surplus as regards policyholders has increased \$1,492,111.

In addition to the undersigned, Joseph Detrick, CPA, CISA, CFE, AES and Jenny Jeffers, CISA, AES of Jennan Enterprises and North Dakota Insurance Department Staff including Ed Moody, CFE, CPA, Andrea Rebsom, Examiner, and Mike Andring, FCAS, MAAA participated in this examination.

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
Examiner In Charge
North Dakota Insurance Department

COMMENTS & RECOMMENDATIONS

It is recommended that the Company comply with the provisions of its inter-company agreements.