

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

**REPORT OF EXAMINATION**

**OF**

**HOME MUTUAL INSURANCE COMPANY**

**WAHPETON, NORTH DAKOTA**

**AS OF  
DECEMBER 31, 2019**

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

**Home Mutual Insurance Company**

**Wahpeton, North Dakota**

as of December 31, 2019, 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

July, 2022.

  
\_\_\_\_\_  
Jon Godfread  
Insurance Commissioner



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Wahpeton, North Dakota  
November 19, 2021

Honorable Jon Godfread  
Insurance Commissioner  
North Dakota Insurance Department  
600 East Boulevard Avenue  
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

**Home Mutual Insurance Company**

Statutory Home Office  
502 2<sup>nd</sup> Ave N  
Wahpeton, North Dakota 58075

Home Mutual Insurance Company hereinafter referred to as the ("Company"), was last examined as of December 31, 2014, by representatives of the North Dakota Insurance Department, hereinafter referred to as the ("Department").

**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 the statutes, and to review the corporate affairs and insurance operations. This statutory examination covers the period from January 1, 2015, to December 31, 2019, 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 6 exception conditions commented upon in our preceding Report on Examination which covered the period from January 1, 2010, to December 31, 2014. We determined that the Company had satisfactorily addressed all of these items, except the following:

### Recommendation

It is again recommended that the Company report premiums in course of collection net of liability and equipment breakdown premiums as an asset in accordance with the County Mutual Annual Statement Instructions.

It is again recommended that the Directors and officers disclose mitigation plan for conflicts and document its determination as to how these conflicts are to be addressed in the Board minutes.

Findings and recommendations related to the above areas are addressed under various captions below for the current period under examination.

### Response

The Manager did not report premiums in course of collection on its annual statement. Per the County Mutual Annual Statement Instructions, the Company is required to record these premiums as either a ledger asset or non-ledger asset and provide a proper documentation for examiner to verify the asset. The Manager could not provide requested documentation to confirm the correct amount that should have been reported on the December 31, 2019, Annual Statement so an exam adjustment could not be made. **It is again recommended that the Company report premiums in course of collection net of liability and equipment breakdown premiums as an asset in accordance with the County Mutual Annual Statement Instructions.**

The Company partially complied. Conflict of interest disclosures are signed annually, but numerous conflicts, such as agents serving on the Board of Directors, Directors inspecting risks and adjusting claims, were disclosed without any mitigation plans listed within these statements. **It is again recommended that the Directors and officers disclose all mitigation plan for conflicts and document its determination as to how these conflicts are to be addressed in the Board minutes.**

## **SUBSEQUENT EVENTS**

Subsequent to the examination period, the Company amended its Bylaws to remove language relating to policy assessments, to comply with revisions made N.D.C.C. § 26.1-13.

## **HISTORY**

The Company was incorporated June 16, 1886, as The Home Mutual Insurance Company of Richland County, Dakota Territory, under Chapter 70 of the 1885 Session Laws of the Dakota Territory and commenced business on July 3, 1886.

The Company's term of existence was originally established for 30 years. The Articles and Bylaws were subsequently amended in accordance with N.D.C.C. § 26.1-13-03 making the Company's existence perpetual.

The Company was organized for the specific purpose of mutually insuring the property of its members against any risk of hazard by fire, lightning, and limited extended coverage.

At the March 2, 1989, annual meeting of the membership, the Articles of Incorporation were amended changing the name of the Company to read "The Home Mutual Insurance Company."

## **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. No person who does not reside within such territorial limits shall become a director of the Company.

### **Directors**

The management of the Company's affairs, business, and property is vested in a Board of Directors composed of five members elected for staggered terms of three years each at the annual meeting of the membership. A majority of the entire Board of Directors constitutes a quorum for the transaction of business.

Directors duly elected and serving the Company at December 31, 2019, were as follows:

<b>Name and Residence</b>	<b>Term Expires</b>	<b>Occupation</b>
Francis Rubish Fairmount, ND	2020	Retired Farmer/Agent
Leon Bladow Wahpeton, ND	2022	Retired Banker/ Part-Time Farmer
Mark Huseth McLeod, ND	2022	Farmer/Agent
Keath Borchert Wahpeton, ND	2021	Retired College Administrator
Duane Akvik Walcott, ND	2021	Bus Driver/Agent

## Officers

Officers are elected at the organizational meeting of the Board of Directors by a majority vote for a period of one year or until their successors are elected and qualified. Officers serving at December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Francis Rubish	President
Keath Borchert	Vice President
Dorothy Dockter	Secretary-Treasurer

## Executive Committee

The Bylaws provide that the directors shall choose an Executive Committee which shall consist of the President and Vice President of the Company and one other director selected by the Board from its members. The Executive Committee shall have authority to act for the Company in emergency measures and to transact such business on behalf of the Company as it deems expedient and shall have the authority and duty to select and make investments of surplus funds held by the Company.

Members of the Executive Committee as of December 31, 2019, were as follows:

Francis Rubish  
Keath Borchert  
Duane Akvik

The Company has an investment account where its broker has discretionary trading authority within the bounds of an investment guidelines statement. Per N.D. Admin Code § 45-03-12-05(3):

Investments shall be acquired and held under the supervision and direction of the board of directors and the board shall 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.

The Company could not provide documentation evidencing this annual review and approval of the investment policy. **It is recommended that the Board of Directors annually approve the Investment Policy Statement.**

Also, per N.D. Admin Code § 45-03-12-05(4):

On no less than a quarterly basis, the board of directors or committee of the board of directors shall:

- a) 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 is consistent with its written plan.
- b) Review and revise, as appropriate, the written plan.

The Board minutes and specimen meeting records reviewed during the examination indicate the Board is provided investment balance information only, which is inadequate to confirm compliance with approved investment guidelines as required under N.D. Admin Code § 45-03- 12-05(4).

**It is recommended that the Manager provide a summary report on the insurer's investment portfolio, its investment transactions, and investment practices engaged in under delegated authority on no less than a quarterly basis, as required by N.D. Admin Code § 45-03-12-05(4).**

At December 31, 2019, the Company held securities from two issuers that had aggregate market values totaling \$ 129,476.89. Each of these issuers exceeded the Company's three percent per issuer concentration limit of \$ 55,928.24.

Per N.D.C.C. § 26.1-05-19(20)(a):

Investments in preferred, guaranteed, and common stocks issued or guaranteed by a single person may not exceed three percent of the insurance company's admitted assets.

**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).**

### **Audit Committee**

The Bylaws provide that the members of the Company shall elect at their annual meeting and from their membership at large an Audit Committee which shall consist of three members who shall conduct an annual audit of the affairs of the Company.

Members of the Audit Committee as of December 31, 2019, were as follows:

Lois Berndt  
Phil Glander  
Lynn Mickelson

The audit performed by this committee consists of a review of the Annual Statement, review of policyholder files, review of transactions from the checkbook and a review of claim files. After completing the audit, the committee signs a letter stating that the audit has been completed. The letter is then read at the next annual meeting of the policyholders.

## **CORPORATE RECORDS**

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.



### Amendments to Articles of Incorporation and Bylaws

The Company added Section 12 to its Bylaws to add a restriction on the Secretary/ Treasurer's ability to borrow money from the securities or intangible assets owned by the Company without prior knowledge and approval of the Executive Committee. All such transactions would need the signatures of the secretary/treasurer and the President of the Board of Directors.

### Members

During the period under examination, the annual meetings of the membership were held on the following dates: March 26, 2015; March 31, 2016; March 30, 2017; March 29, 2018, and March 29, 2019.

### Directors

During the period under examination, the Board of Directors held five meetings in each of the years 2015, four meeting in 2016, three meetings in 2017 and 2018 and six meetings in 2019.

### Conflict of Interest

The Company partially complied. Conflict of interest disclosures are signed annually, but numerous conflicts, such as agents serving on the Board of Directors, Directors inspecting risks and adjusting claims, were disclosed but no mitigation plans noted within these statements. It is again recommended that the Directors and officers disclose all mitigation plans for conflicts and document its determination as to how these conflicts are to be addressed in the Board minutes.

**It is again recommended that the Directors and Officers disclose mitigation plan for conflicts and document its determination as to how these conflicts are to be addressed in the Board minutes.**

## **AFFILIATED COMPANIES**

Home Insurance Agency, Inc. ("HIA") is a North Dakota domiciled corporation operating as an insurance agency. The owners of HIA also serve as directors for the Company. The Company and HIA share office space and the Manager performs the day-to-day operations of HIA. For these shared services, the Company received from HIA:

2016	\$2,600
2017	\$2,600
2018	\$2,600
2019	\$2,600

## FIDELITY BOND AND OTHER INSURANCE

The Company has blanket fidelity coverage in force which provides \$100,000 coverage for losses to business personal property and money and securities resulting from dishonest acts committed by any of the Company's employees. The coverage meets the minimum amount of fidelity insurance suggested in the NAIC Financial Examiners Handbook.

The Company has directors' and officers' liability coverage providing a \$2,000,000 limit, subject to a \$10,000 deductible per claim. The policy provides 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 Company has business personal property coverage and equipment breakdown coverage of \$11,582. The policy also provides general liability coverage of \$1,000,000 per occurrence and a \$2,000,000 aggregate limit.

The Company is the beneficiary on a \$50,000 twenty-year term life insurance policy on the life of the Secretary-Treasurer. This policy is intended to help with the training of a new Secretary-Treasurer in the event of premature death of the current Secretary-Treasurer.

## TERRITORY AND PLAN OF OPERATION

At December 31, 2019, the Company had 4 licensed agents, two licensed agencies and was authorized to transact business within the following counties:

Barnes	Cass	Dickey	Foster	Grand Forks
Griggs	LaMoure	Logan	McIntosh	Ransom
Richland	Sargent	Steele	Stutsman	Trail

At December 31, 2019, the Company did not report a number of counties in its Annual Statement listing of "Authorized Territory". Among the counties not listed were Grand Forks County. Examiner noted during testing that the Company wrote one policy in Grand Forks County and presumed it to be outside of the Company's authorized territory. Upon further review, it was noted that the Company was authorized in Grand Forks County, so the violation noted was the Annual Statement error which excluded authorized counties from the listing of authorized territory.

**It is recommended that company comply with County Mutual Annual Statement Instruction and list the Company's complete operating territory on Annual Statement Page 8.**

At December 31, 2019 and periods subsequent, the Company had the following agent producing business without an appointment:

- Duane Akvik

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.

Also, per N.D.C.C. § 26.1-26-13.1:

An insurance producer may not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer.

**It is 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 and 26.1-26-13.1.**

The Company did not have a formal, documented disaster recovery plan or business continuity plan.

**It is recommended that the Manager draft and the Board approve a formal, written Business Continuity/ Disaster Recovery Plan.**

## **MARKET CONDUCT ACTIVITY**

### **Treatment of Policyholders**

#### **Advertising**

The Company's advertising consists primarily of newspaper, sports booklets and give away items. The advertising material was reviewed and no violations of N.D.C.C. § 26.1-04-03(2) were noted.

#### **Claims**

Throughout the examination period, the Company's Microsoft-Excel based claims log was difficult to follow and did not reconcile to system data. The manager was able to provide documentation to clarify the errors noted, however, this fragmented system leaves open the potential for incorrectly reported information in the financial statements.

**It is recommended that the Company use an integrated claims software system (such as the IMT APPS claims module) to account for and document claim files to reduce errors.**

## **OPERATING AGREEMENTS**

### **Grinnell Adjusting Company**

On March 1, 2011, the Company entered a contract with Grinnell Advisory Company, a subsidiary of Grinnell Mutual Reinsurance Company, to perform claims adjusting and loss control inspection services.

For services provided in 2019, Grinnell Advisory Company billed the Company \$8,867.33. The fee charged is a flat rate for up to 30 claims. Any additional claims would be billed at \$450 per claim. The Company had 55 claims in 2019; Grinnell adjusted 31 of these claims. The remaining claims were adjusted by the Manager or Directors.

Company does not have a consistent method for paying out and denying claim. Some of the noted concerns include:

- A Board Director had 9 claims during the examination period. Typically, a policy with claims this frequent would be non-renewed.
- Lightning tracker reports are used to verify if lightning was in the area within 48 hours of the livestock's death. Examiner noted frequent claim denials due to lack of lightning strike. Losses that did have lightning on the report were paid, despite the fact that the lightning may have been coincidental to the animal's death, as no substantive evidence for the cause of death was typically noted within the claim files.
- Manager adjusted and paid her own claim at the direction of the Board of Directors.
- The Company does not have a formal process for reviewing and approving related party claims during Board meetings.
- Manager adjusted Director claims. Directors were in a position of authority to influence the adjustment decisions.
- Two individuals who adjusted claims for the Company did so without a formal contract.

**It is recommended that the Company only use qualified, independent, third-party claim adjusters for all claims.**

## REINSURANCE

The following is a summary of the Company's significant reinsurance contracts in force at December 31, 2019:

Nonaffiliated Ceding Contract:

Type:	Excess of Loss
Reinsurer:	Grinnell Mutual Reinsurance Company
Scope:	All policy forms and endorsements issued by the Company
	(A) Individual Occurrence of Loss Excess - covers up to \$20 million in losses from all risks written by the Company in excess of \$125,000 retention subject to the following limits:
	(B) Aggregate Excess - provides coverage 100 percent of the Company's aggregate net losses in excess of \$300,000.
Premium:	(A) Property Per Risk Excess of Loss — The 2019 annual premium rate was \$22,680.

(B) Aggregate Excess - The 2019 annual premium rate was \$60,768.

Termination Date: The agreement may be terminated only as of the last day of any calendar year by either party upon 90 days' notice in writing.

The contract contained the insolvency clause required by N.D.C.C. § 26.1-02-21 and all of the clauses required by the NAIC's *Accounting Practices and Procedures Manual*.

## ACCOUNTS AND RECORDS

The Company's accounting procedures, internal controls and transactions cycles were reviewed during the course of the examination and all balances in the Annual Statement were test checked to the extent deemed necessary.

The Company's accounting system consists of Quicken, which is used by the Company as a check register, and Microsoft Excel, which is used to track cash receipts and cash disbursements. The Company uses the IMT APPS core system for policy administration and billing functions.

The Company's Microsoft-Excel based cash disbursements and cash receipts worksheets did not fully-reconcile to the Annual Statement. The Manager did provide a separate "summary" cash disbursement and cash receipt Excel worksheet that did tie to the Annual Statement. Numerous sampled cash disbursements were not properly classified in the appropriate ledger accounts. Examiners were unable to definitively conclude if examination adjustments would be appropriate.

**It is recommended that the Company acquire and use the integrated accounting module within the IMT APPS system and discontinue using Microsoft Excel for its accounting records.**

### Custodial Agreements

During the exam period, the Company's securities are held under an agreement executed with Bell Bank Wealth Management. This agreement was reviewed and found to be in compliance with N.D. Admin Code § 45-03-23-02.

## FINANCIAL STATEMENTS

The following pages present a Statement of Assets, Liabilities, and Surplus as of December 31, 2019 and a Statement of Income and Disbursements for 2019.

These financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**Home Mutual Insurance Company  
Statement of Assets, Liabilities, and Surplus  
December 31, 2019**

**ASSETS**

LEDGER ASSETS:

Bonds	\$ 574,498
Stocks	194,618
Cash on deposit	<u>1,051,909</u>

TOTAL LEDGER ASSETS \$1,821,025

NON-LEDGER ASSETS

Interest due and accrued on bonds	\$ 8,236
Dividends due and accrued on stocks	253
Interest due and accrued on CDs and savings	7,312
Market value of stocks over book value	<u>27,449</u>

TOTAL NON-LEDGER ASSETS \$ 43,250

**TOTAL NET ADMITTED ASSETS** **\$1,864,275**

**LIABILITIES**

Unpaid losses	\$ 11,536
Unpaid loss adjustment expense	681
Unearned premium reserve	197,934
Unpaid taxes	3,568
Unpaid salaries	935
Unpaid general expenses	130
Reinsurance premiums due and payable	6,954
Premiums written for others	1,980
Investment management fee payable	<u>2,128</u>

**TOTAL LIABILITIES** **\$ 225,846**

**SURPLUS TO POLICYHOLDERS** **\$1,638,429**

**TOTAL LIABILITIES AND SURPLUS** **\$1,864,275**

**Home Mutual Insurance Company**  
**Statement of Income and Disbursements**  
**For the Year 2019**

**INCOME:**

Gross Premium Income	\$427,657
Less: Return Premiums	4,685
Premiums for Reinsurance Ceded	<u>83,312</u>

NET PREMIUM INCOME \$339,660

Interest on Bonds	19,366
Dividends on Stocks	4,101
Interest on Cash on Deposit	13,151
Profit on Sale or Maturity of Ledger Assets	13,431
Commissions Received on Premiums Written for Others	13,786
Home Agency Rent and Service Reimbursement	2,600
Contingency from GMRC	2,454
Unreconciled Difference	<u>275</u>

TOTAL INCOME RECEIPTS \$408,824

**DISBURSEMENTS:**

Gross Losses Paid and Incurred in 2019	\$234,121
Gross Losses Paid in 2019 but Incurred in Prior Years	3,648
Deduct: Reinsurance Recovered	<u>20,172</u>

NET LOSSES PAID \$217,597

Claim Adjustment Expenses	8,867
Commissions Paid to Agents	66,824
Directors' Fees and Expenses	4,403
Salaries to Employees	55,485
Printing, Stationery and Office Supplies	2,633
Rent and Rent Items	5,560
State and Local Insurance Taxes	7,312
Insurance Department Licenses and Fees	674
Payroll Taxes	4,531
Federal income taxes	974
Legal Fees and Auditing	150
Travel and Travel Items	1,037
Advertising	1,316
Dues and Donations	3,373
Insurance and Bonds	6,555
Postage, Telephone and Bank Charges	2,107
Employee Relations and Welfare	2,637
Data Processing Expenses	2,902
Risk Reviews and Other Underwriting Expenses	275
Miscellaneous Expenses	<u>10,272</u>

TOTAL FUNDS DISBURSED 405,484

NET INCOME \$ 3,340

## COMMENTS TO THE FINANCIAL STATEMENTS

Financial statement balances on December 31, 2019, are commented upon only if financial changes, recommendations, or special explanations are considered necessary.

### Assets

#### Furniture and Equipment

At December 31, 2019, the Manager entered its asset inventory in the wrong column on the Furniture, Fixtures and Equipment schedule of the Annual Statement, which resulted in a \$8,490.44 overstatement in the Company's non-admitted assets.

Per 26.1-05-19 (27) Authorized investment of funds of insurance companies:

Investments by loans or otherwise, in the purchase of electric or mechanical machines, including software, constituting a data processing system. The company may hold the system as an admitted asset for use in connection with the business of the company if its aggregate cost does not exceed three percent of the company's capital and surplus and the cost of the components constituting the system is fully amortized over a period of not to exceed five years. If a data processing system consists of separate components acquired at different times, then the cost of each component must be amortized over a period not to exceed five years commencing with the date of acquisition of each component.

**It is recommended that the Company ensure the depreciate rates used for furniture, fixtures and equipment comply with the minimum depreciation rates set forth within the Annual Statement Instructions as follows:**

- **Office Furniture - 10%**
- **Office Equipment - 20%**
- **Data Processing system and components - 20%**
- **Other - 10%**

#### Premiums in Course of Collection

The Manager did not report premiums in course of collection on its annual statement. Per the County Mutual Annual Statement Instructions, the Company is required to record these premiums as either a ledger asset or non-ledger asset and provide a proper documentation for examiner to verify the asset. The Manager could not provide requested documentation to confirm the correct amount that should have been reported on the December 31, 2019, Annual Statement so an exam adjustment could not be made.

**It is again recommended that the Company report premiums in course of collection net of liability and equipment breakdown premiums as an asset in accordance with the County Mutual Annual Statement Instructions.**



**Liabilities**

**Unpaid Claims**

Unpaid Claims as determined by this examination consisted of the following items and amounts:

<b>Description</b>	<b>Company</b>	<b>Examination</b>
Unpaid Claim	\$ 3,648	\$ 11,535
Total	\$ 3,648	\$ 11,535

At December 31, 209 the Company reported unpaid claims reserve of \$3,648.24. Subsequent reserve development and final claim payments thereon totaled \$11,535.44. This indicates a reserve deficiency of \$7,887.20.

**It is recommended that the Company review reserves, up to the date of closing out its books for year-end and make any necessary reserve adjustments based on the information at hand.**

**Unearned Premium Reserve**

Unearned Premium Reserve as determined by this examination consisted of the following items and amounts:

<b>Description</b>	<b>Company</b>	<b>Examination</b>
Unearned Premium Reserve	\$ 223,966	\$ 197,934
Total	\$ 223,966	\$ 197,934

At December 31, 2019, the Company's unearned premiums reserve (UPR) figure included amounts for Grinnell Mutual's liability premiums and Hartford Steam Boiler's equipment breakdown premiums.

**It is recommended that the Company exclude from its Annual Statement, UPR on premiums collected on behalf of other Companies, in accordance with the County Mutual Annual Statement Instructions.**

**Surplus to Policyholders**

Surplus to policyholders was determined by this examination to be \$1,638,429 or \$18,144 more than the amount reported by the Company. Adjustments to surplus are shown in the following schedule:

<b>Caption</b>	<b>Company</b>	<b>Examination</b>	<b>Increase or (Decrease)</b>
<b>Liabilities</b>			
Unearned Premium Reserve	223,966	197,934	26,031
Unpaid Loss	3,648	11,535	(7,887)
Net Change			<u>\$ 18,144</u>

Surplus to Policyholders as reported by the Company	\$1,620,285
Increase (Decrease) to Surplus from above	<u>18,144</u>
Surplus to Policyholders per Examination	\$1,638,429

## CONCLUSION

The financial condition of Home Mutual Insurance Company, Wahpeton, North Dakota, as determined by this examination as of December 31, 2019, is summarized as follows:

TOTAL ADMITTED ASSETS		<u>\$1,864,275</u>
Total Liabilities	\$ 225,846	
Surplus to Policyholders	<u>1,638,429</u>	
TOTAL LIABILITIES AND SURPLUS		<u>\$1,864,275</u>

Since the last examination conducted as of December 31, 2014, the Company's admitted assets have increased \$321,253, its total liabilities have decreased \$65,651, and its surplus as regards policyholders has increased by \$386,903.

The Examiners expresses their appreciation for the courteous cooperation extended them during the course of this examination.

In addition to the undersigned, Chief Examiner Matt Fischer, CFE, and Supervising Examiner Colton Schulz, CFE, CFE (Fraud) participated in this exam.

Respectfully submitted,



---

Shrijana Chapagain  
Examiner  
N.D. Insurance Department

## COMMENTS AND RECOMMENDATIONS

It is recommended that the Board of Directors annually approve the Investment Policy Statement.

It is recommended that the Manager provide a summary report on the insurer's investment portfolio, its investment activities, and investment practices engaged in under delegated authority on no less than a quarterly basis, as required by N.D. Admin Code § 45-03-12-05(4).

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).

It is again recommended that the Directors and officers disclose mitigation plan for conflicts and document its determination as to how these conflicts are to be addressed in the Board minutes.

It is recommended that company comply with County Mutual Annual Statement Instruction and list the company's complete operating territory on Annual Statement page 8.

It is 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 and N.D.C.C. § 26.1-26-13.1.

It is recommended that the Manager draft and the Board approve a formal, written Business Continuity/ Disaster Recovery Plan.

It is recommended that the Company use an integrated claims software system (such as the IMT APPS claims module) to account for and document claim files to reduce errors.

It is recommended that the Company only use third-party claim adjusters for all claims.

It is recommended that the Company acquire and use the integrated accounting module within the IMT APPS system and discontinue using Microsoft Excel for its accounting records.

It is recommended that the Company ensure it depreciate rates for furniture, fixtures and equipment comply with the minimum depreciation rates set forth within the Annual Statement Instructions as follows:

- Office Furniture - 10%
- Office Equipment - 20%
- Data Processing system and components - 20%
- Other - 10%

It is again recommended that the Company report premiums in course of collection net of liability and equipment breakdown premiums as an asset in accordance with the County Mutual Annual Statement Instructions.

It is recommended that the Company review reserves, up to the date of closing out its books for year-end and make any necessary reserve adjustments based on the information at hand.

It is recommended that the Company exclude from its Annual Statement, UPR on premiums collected on behalf of other Companies, in accordance with the County Mutual Annual Statement Instructions.