

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

**REPORT OF EXAMINATION**

**OF**

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

**AS OF  
DECEMBER 31, 2011**

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

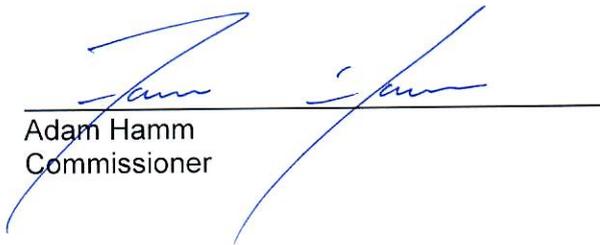
**American West Insurance Company**

**Fargo, North Dakota**

as of December 31, 2011, 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 20<sup>th</sup> day of  
February, 2013.



  
\_\_\_\_\_  
Adam Hamm  
Commissioner

## TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
STATUS OF PRIOR EXAMINATION FINDINGS .....	2
SUMMARY OF SIGNIFICANT FINDINGS .....	2
SUBSEQUENT EVENTS.....	2
HISTORY.....	2
General .....	2
Dividends.....	3
Capital Contributions .....	3
Mergers and Acquisitions .....	3
CORPORATE RECORDS .....	3
Articles of Incorporation and Bylaws .....	3
Board of Directors, Policyholders and Committee Minutes .....	3
Conflict of Interest Procedure .....	4
MANAGEMENT AND CONTROL .....	4
Management .....	4
AFFILIATED COMPANIES .....	5
AFFILIATED AGREEMENTS.....	6
Management Agreement .....	6
Tax Allocation Agreement.....	6
FIDELITY BOND AND OTHER INSURANCE .....	6
PENSION AND INSURANCE PLANS.....	6
TERRITORY AND PLAN OF OPERATION.....	7
GROWTH OF COMPANY .....	7
LOSS EXPERIENCE .....	7
STATUTORY DEPOSITS .....	8
REINSURANCE.....	8
Ceded Reinsurance.....	8
Assumed Reinsurance.....	11
ACCOUNTS AND RECORDS .....	11
FINANCIAL STATEMENTS .....	11
CONCLUSION.....	16
COMMENTS AND RECOMMENDATIONS.....	17

Fargo, North Dakota  
November 30, 2012

Honorable Adam Hamm  
Commissioner  
North Dakota Insurance Department  
600 East Boulevard Avenue, Dept. 401  
Bismarck, ND 58505-0320

Commissioner:

Pursuant to your instructions, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), an examination has been conducted as of December 31, 2011, of the financial condition and corporate affairs of:

**AMERICAN WEST INSURANCE COMPANY  
1101 FIRST AVENUE NORTH  
FARGO, NORTH DAKOTA**

American West Insurance Company, hereinafter referred to as the "AWIC" or "Company," was last examined as of December 31, 2006, by the North Dakota Insurance Department (Department).

**SCOPE OF EXAMINATION**

This examination was a 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. This statutory examination covers the period from January 1, 2007, to and including December 31, 2011, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination. This examination was conducted concurrently with the examination of the Company's parent company, Nodak Mutual Insurance Company (NMIC).

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 and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

Work papers provided by the Company's independent auditor, Meriwether, Wilson and Company, PLLC, were reviewed and, where deemed appropriate, certain procedures and conclusions documented in those work papers have been relied upon and copied for inclusion into the work papers for this examination.

This examination was conducted by examiners from the North Dakota Insurance Department, representing the Midwestern Zone.

## **STATUS OF PRIOR EXAMINATION FINDINGS**

There were no examination findings in the preceding Report on Examination which covered the period from January 1, 2003, to December 31, 2006.

## **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**

There were no significant subsequent events noted through the date of this report.

## **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. ch. 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 nonrenew 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 did not pay any dividends during the examination period.

### **Capital Contributions**

The Company had no capital contributions during the examination period.

### **Mergers and Acquisitions**

The Company did not have any mergers or acquisitions during the examination period.

## **CORPORATE RECORDS**

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

The Company did not amend or restate the Articles of Incorporation or Bylaws during the examination period.

### **Board of Directors, Policyholders, and Committee Minutes**

The recorded minutes of the Board of Directors (Board) 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.

The Company's directors reviewed the previous examination report.

### **Conflict of Interest Procedure**

The Company has adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the guidelines of the NAIC *Financial Condition Examiners Handbook*. No exceptions were noted during this examination period.

## **MANAGEMENT AND CONTROL**

### **Management**

As of December 31, 2011, the directors elected to serve at the annual policyholder meeting were as follows:

<b><u>Name and Location</u></b>	<b><u>Principal Occupation</u></b>
Eric Kent Aasmundstad Devils Lake, ND	Farmer
Mark Andrews Mapleton, ND	Owner Andrews Consulting Firm
John Alan Bollingberg Bremen, ND	Farmer/Rancher
Christopher Eric Brossart Wolford, ND	Farmer/Rancher Vice President of the ND Farm Bureau
Robert John Christman Bismarck, ND	Deputy Agriculture Commissioner
William Russell Devlin Finley, ND	Owner Devlin Publications, Inc
Duaine Carl Espegard Grand Forks, ND	Retired Bank Executive
Doyle Wayne Johannes Underwood, ND	Farmer/Rancher President of the ND Farm Bureau
Francis Patrick Keogh Williston, ND	President & Chief Executive Officer, American State Bank & Trust
John Robert McConnell Casselton, ND	Farmer/Rancher

Dennis Jerome Renner            Farmer/Rancher  
Mandan, ND

Terry Marvin Wanzek            Farmer  
Jamestown, ND

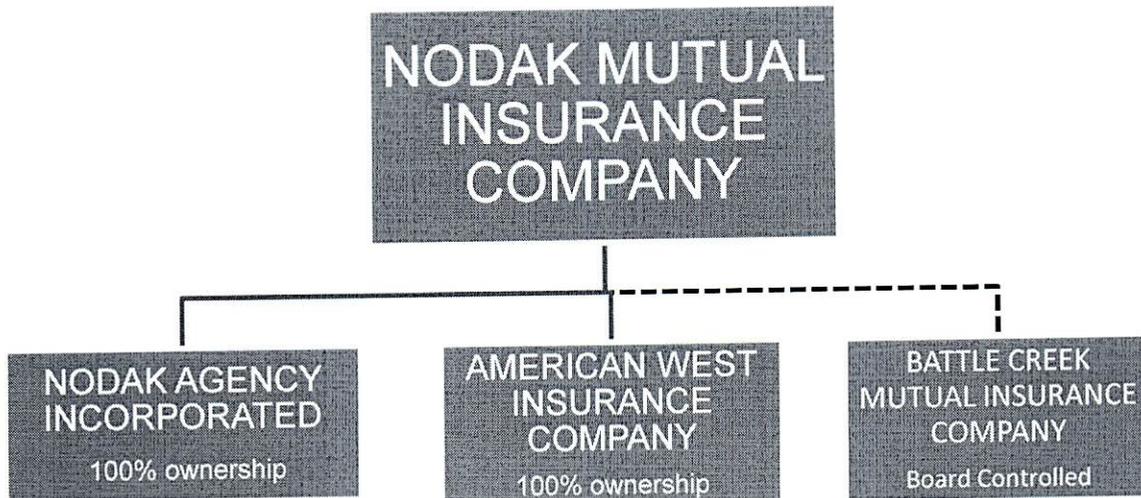
The Bylaws provide that the elected officers of the Company shall be a President, a Secretary, a Treasurer and such other officers, if any, as the Board of Directors from time to time may elect.

As of December 31, 2011, the senior officers elected were as follows:

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

## AFFILIATED COMPANIES

The Company is a stock insurance company, owned by NMIC. The Company is a member of an insurance holding company system. The organizational chart as of December 31, 2011, reflecting the holding company system, is shown below:



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

**Nodak Mutual Insurance Company (NMIC)** - NMIC is a North Dakota domiciled insurance company licensed to do business in two states. NMIC was incorporated on April 15, 1946, and provides coverage for Personal Auto, Farmowners, Homeowners, Crop Hail and Multiple Peril Crop Insurance. Direct written premium in 2011 was \$133,987,993 with surplus as regards policyholders of \$75,524,899.

**Battle Creek Mutual Insurance Company (BMIC)** - On March 4, 2011, NMIC entered into an affiliation agreement with BMIC, a Nebraska domiciled insurance company. As a part of the affiliation, BMIC entered into a quota share agreement with NMIC. Effective April 1, 2011, 100% of all premiums, losses, adjusting expenses and underwriting expense is ceded to NMIC.

At December 31, 2011, BMIC owed NMIC \$158,855. In addition, NMIC has provided a \$3,000,000 surplus note that bears a 1% interest rate and is due December 30, 2040. Through the affiliation agreement, NMIC appoints two-thirds of the directors to serve on the BMIC Board of Directors.

## **AFFILIATED AGREEMENTS**

### **Management Agreement**

Effective January 1, 2005, the Company entered into a management agreement with its parent, NMIC, to provide complete management services for all lines of business engaged in by the Company. Management fees include all direct incurred expenses, in addition to the allocated proportionate share of all general and overhead expenses incurred. Payments by the Company in 2011 totaled \$274,200 under this agreement.

### **Tax Allocation Agreement**

The Company files a consolidated federal income tax return with its parent and affiliate, pursuant to a written tax allocation agreement executed on March 7, 2002. Taxes incurred are allocated between the companies based upon separate return calculations, with current credit for net losses. The intercompany tax balances are to be settled annually in the first quarter of the year following the tax year.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company, along with its affiliates, was a covered participant in Financial Institution Bond coverage with single loss limit of liability up to \$1,000,000, with a deductible of \$25,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC *Financial Condition Examiners Handbook*.

The Company maintained other insurance coverage, which included Commercial Property, Commercial General Liability, Commercial Auto, Commercial Umbrella, Catastrophe Liability, Directors and Officers Coverage, Errors & Omission Coverage and Fiduciary Coverage.

## **PENSION AND INSURANCE PLANS**

The Company has no direct employees and all functions are performed by employees of its parent, NMIC. The Company then reimburses the parent for its proportionate share of expenses including those for health care and retirement benefits provided by the parent in accordance with the Management Agreement.

## TERRITORY AND PLAN OF OPERATION

The Company was licensed to transact business in the following eight states as of December 31, 2011:

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 approximately 92 exclusive agents in the State of North Dakota and approximately 65 independent agencies 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				
	2011	2010	2009	2008	2007
Direct	\$10,697,280	\$7,468,085	\$4,973,127	\$4,746,476	\$2,660,276
Assumed	0	0	0	59,383	1,258,235
Ceded	2,932,542	1,451,768	1,567,550	1,114,808	2,030,556
<b>Net Written Premiums</b>	<b>\$7,764,738</b>	<b>\$6,016,317</b>	<b>\$3,405,577</b>	<b>\$3,691,050</b>	<b>\$1,887,955</b>
<b>Surplus</b>	<b>\$9,845,866</b>	<b>\$9,665,928</b>	<b>\$8,968,003</b>	<b>\$8,319,180</b>	<b>\$8,236,371</b>
<b>Premium-to-Surplus Ratio</b>	78.9%	62.2%	38.0%	44.4%	22.9%

The Company's premium to surplus ratio increased 245% during the examination period as a result of the Company writing more business.

## LOSS EXPERIENCE

	2011	2010	2009	2008	2007
Loss Reserves	\$124,347	\$(21,751)	\$136,609	\$(174,628)	\$192,447
LAE Reserves	68,000	30,000	17,371	11,537	27,834
<b>Total Reserves</b>	<b>\$192,347</b>	<b>\$8,249</b>	<b>\$153,880</b>	<b>\$(163,091)</b>	<b>\$220,281</b>
<b>Losses and LAE Incurred</b>	<b>\$5,866,817</b>	<b>\$3,885,265</b>	<b>\$2,056,185</b>	<b>\$3,180,013</b>	<b>\$1,449,499</b>

The Company's loss reserves increased 305% during the examination period as a result of the Company writing more business.

## STATUTORY DEPOSITS

The following securities were reported as special deposits in the 2011 Annual Statement:

Location	Type of Asset	Statement Value	Fair Value
North Dakota	Bonds	\$ 1,568,594	\$ 1,924,383
Total Special Deposits		\$ 1,568,594	\$ 1,924,383

The bonds on deposit with the State of North Dakota were held for the protection of the policyholders.

## REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

### Ceded Reinsurance

The Company ceded 27.4% of its written premium totaling \$10,697,280 in 2011 and as of December 31, 2011, reported loss and loss adjustment expense reserve credits for ceded business totaling \$692,141 and unearned premium reserve credits of \$63,227.

1. Type: Multi-Line Excess of Loss  
 Reinsurer: Nodak Mutual Insurance Company  
 Scope: Multi-line  
 Coverage: Property \$250,000 excess of \$50,000  
               Liability \$550,000 excess of \$50,000  
 Termination: Any time on a cut-off basis by giving 30 days prior written notice based on certain conditions

The Company was a named insured along with its parent on the following ceding contracts:

1. Title: Multi-Line Excess of Loss  
 Reinsurer: American Agricultural Insurance Company  
 Scope: Fire, Allied Lines, Multi-peril Policies, Inland Marine, and Auto  
 Coverage: Property \$1,200,000 excess of \$300,000  
               Liability \$12,000,000 excess of \$600,000  
 Commissions: None  
 Termination: Either party at any calendar year end by providing not less than 90 days written notice
  
2. Title: Occurrence Property and 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: 1<sup>st</sup> Layer - \$10,000,000, 2<sup>nd</sup> Layer - \$11,300,000 excess \$2,500,000 retention  
 Commissions: None  
 Termination: Either party at any calendar year end by providing not less than 90 days written notice
3. Title: Occurrence Property Catastrophe (Terrorism)  
 Reinsurer: American Agricultural Insurance Company  
 Scope: Fire, Allied Lines, Farmowners (property perils), Homeowners (property perils), Commercial Multiple Peril (property perils), Inland Marine, Earthquake  
 Coverage: \$2,511,100 excess of \$1,255,550  
 Commissions: None  
 Termination: Either party at any calendar year end by providing not less than 30 days written notice
4. Title: Property Surplus Share  
 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: The Company cedes risks above \$1,500,000 retention to capacity of \$40,000,000  
 Commissions: 23.5% commission on the first, second and third surplus layer  
 Termination: Either party at any calendar year end by providing not less than 90 days written notice
5. Title: Over Other Protection (OOPS)  
 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: \$12,000,000 Each Occurrence and \$24,000,000 annually excess of \$23,800,000 retention  
 Commissions: None  
 Termination: Either party at any calendar year end by providing not less than 90 days written notice
6. Title: Farm Pollution Liability  
 Reinsurer: American Agricultural Insurance Company  
 Scope: Other Liability  
 Coverage: \$999,500 excess \$500  
 Commissions: 30%  
 Termination: Either party at any calendar year end by providing not less than 90 days written notice
7. Title: All Lines Aggregate  
 Reinsurer: American Agricultural Insurance Company  
 Scope: All lines of property and casualty business except those lines in A) Schedule P of the Annual Statement, Parts N

- and O – Reinsurance Assumed and B) all Schedule P parts of Company's 2009 Annual Statement for which the Company showed zero business
- Coverage: \$17,500,000 excess of 71.5% of Net Earned Premium  
 Commissions: None  
 Termination: Either party at any calendar year end by providing not less than 30 days written notice
8. Title: Crop Hail Insurance Aggregate Excess of Loss  
 Reinsurer: American Agricultural Insurance Company  
 Scope: Crop Hail Insurance  
 Coverage: First Layer - Lesser of 10% of Gross Net Premium or \$1,284,000 excess of 100% of Gross Net Premium Income  
 Second Layer – Lesser of 15% of Gross Net Premium Income or \$1,926,000 excess of 100% of Gross Net Premium Income plus the lesser of 10% of Gross Net Premium or \$1,284,000  
 Commissions: None  
 Termination: Either party at any calendar year end by providing not less than 30 days written notice
9. Title: Multiple Peril Crop Insurance (MPCI) Aggregate Excess of Loss  
 Reinsurer: American Agricultural Insurance Company  
 Scope: Policies classified by the Company as Multiple Peril Crop Insurance (MPCI) as approved and reinsured by the Federal Crop Insurance Corporation (FCIC) under the Standard Reinsurance Agreement for the 2011 crop season  
 Coverage: First Layer - Lesser of 15% of Subject Premium or \$7,196,427 excess of 110% of Subject Premium  
 Second Layer – Lesser of 30% of Subject Premium or \$14,392,854 excess of 110% of Subject Premium plus the lesser of 15% of Subject Premium or \$7,196,427  
 Commissions: None  
 Termination: Either party at any calendar year end by providing not less than 30 days written notice
10. Title: 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, and Auto Physical Damage (other than collision)  
 Coverage: \$10,000,000 Per Occurrence and \$20,000,000 annually excess of \$21,000,000 plus amount recoverable under Over Other Protection Agreement  
 Commissions: None  
 Termination: Either party at any calendar year end by providing not less than 90 days written notice

### **Assumed Reinsurance**

The Company does not assume reinsurance.

During the period under examination, the Company's Crop Hail Insurance Aggregate Excess of Loss agreement did not include a clause that stated the agreement shall constitute the entire contract between the parties and must provide no guarantee of profit, directly or indirectly, from the reinsurer to the ceding entity from the ceding entity to the reinsurer as required by SSAP No. 62R paragraph 8(c) — Property and Casualty Reinsurance.

**It is recommended that the Company amend the Crop Hail Insurance Aggregate Excess of Loss agreement to include language as required by SSAP No. 62R paragraph 8(c) — Property and Casualty Reinsurance.**

## **ACCOUNTS AND RECORDS**

The Company's accounting procedures, internal controls and transaction cycles were reviewed during the course of the examination. A trial balance as of December 31, 2011, was extracted from the general ledger and traced to the balance sheet and appropriate schedules of the Company's 2011 Annual Statement. Revenues and expenses were test checked to the extent deemed necessary. At December 31, 2011, the Company used Freedom software for general ledger and accounts payable processing, and used a FiServ program to process its policy administration transactions.

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

## **FINANCIAL STATEMENTS**

The following pages contain financial statements showing the Company's financial position as of December 31, 2011, and the results of its operations for the year then ended as determined by this examination. There were no adjustments made as a result of the examination.

**American West Insurance Company**  
**Assets**  
**December 31, 2011**

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$8,590,131		\$8,590,131
Cash	1,108,944		1,108,944
Investment Income Due and Accrued	100,359		100,359
Premiums and Considerations: Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Due	281,046		281,046
Net Deferred Tax Asset	33,140		33,140
Nonsufficient Funds Checks	6,473	6,473	0
Crop Insurance Notes	147,046	147,046	0
Receivable from American Farm Bureau Insurance Services	945,099		945,099
Totals	<u>\$11,212,239</u>	<u>\$153,519</u>	<u>\$11,058,720</u>

**American West Insurance Company**  
**Liabilities, Surplus & Other Funds**  
**December 31, 2011**

**Liabilities**

Losses		\$ 124,347
Loss Adjustment Expenses		68,000
Commissions Payable		43,328
Other Expenses		23,196
Taxes, Licenses and Fees		30,338
Unearned Premiums		479,401
Ceded Reinsurance Premiums Payable		59,830
Funds Held by Company Under Reinsurance		222,887
Remittances and Items Not Allocated		9,245
Payable to Parent, Subsidiaries and Affiliates		<u>152,282</u>
 Total Liabilities		 \$ 1,212,854
 Common Capital Stock	 \$ 3,000,000	
Gross Paid In and Contributed Surplus	3,001,000	
Unassigned Funds	<u>3,844,866</u>	
Surplus as Regards Policyholders		<u>9,845,866</u>
 Total Liabilities and Surplus		 <u>\$11,058,720</u>

**American West Insurance Company  
Statement of Income  
For the Year Ending December 31, 2011**

**Underwriting Income**

Premiums Earned		\$7,507,366
Less:		
Losses Incurred	\$5,492,665	
Loss Expenses Incurred	374,152	
Other Underwriting Expenses Incurred	<u>1,613,031</u>	
Total Underwriting Deductions		<u>7,479,849</u>
Net Underwriting Gain (Loss)		\$ 27,517

**Investment Income**

Net Investment Income Earned	\$ 301,258	
Net Realized Capital Gain (Loss)	<u>926</u>	
Net Investment Gain (Loss)		302,182

**Other Income**

Premium Balances Charged Off	\$ (246)	
Finance and Service Charges	11,617	
Miscellaneous Income	<u>7,444</u>	
Other Income		<u>18,816</u>
Net income Before Dividends to Policyholders and Federal Taxes		\$ 348,515
Federal Income Tax Incurred		<u>151,805</u>
Net Income (Loss)		<u>\$ 196,710</u>

**American West Insurance Company**  
**Reconciliation of Capital and Surplus Account**  
**January 1, 2007, through December 31, 2011**

	2011	2010	2009	2008	2007
Capital and Surplus December 31, Previous Year	\$9,665,928	\$8,968,003	\$8,319,180	\$8,236,371	\$8,046,375
Net Income	196,710	604,185	776,513	102,425	223,934
Change in Net Deferred Income Tax	19,791	11,084	2,765	(2,853)	5,267
Change in Non-Admitted Assets	(36,564)	82,657	(130,456)	(16,763)	(39,205)
Net Change in Capital and Surplus for the Year	\$179,937	\$697,926	\$648,822	\$82,809	\$189,996
Capital and Surplus December 31, Current Year	<u>\$9,845,866</u>	<u>\$9,665,928</u>	<u>\$8,968,003</u>	<u>\$8,319,180</u>	<u>\$8,236,371</u>

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American West Insurance Company** as of December 31, 2011, as determined by this examination as follows:

Admitted Assets		<u>\$11,058,720</u>
Total Liabilities	\$ 1,212,854	
Surplus as Regards Policyholders	<u>9,845,866</u>	
Liabilities, Surplus and Other Funds		<u>\$11,058,720</u>

No adjustments were made by this examination to the amounts reported by the Company in its 2011 Annual Statement.

Since the last examination conducted as of December 31, 2006, the Company's admitted assets have increased \$2,812,229, its total liabilities have increased \$1,012,738, and its surplus as regards policyholders has increased \$1,799,491.

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

In addition to the undersigned, Colton Schulz and Mary Raps, North Dakota Insurance Department Staff Examiners, Lisa Chanzit, FCAS, MAAA, ARM, Senior Consulting Actuary, Deborah M. Rosenberg, FCAS, MAAA, Consulting Actuary, and Jared Rubinstein, ACAS, Senior Actuarial Analyst of Risk & Regulatory Consulting, LLC, and Joseph W. Detrick, CPA, CISA, CFE, AES, Information Systems Auditor, Jennan Enterprises, LLC. participated in this examination.

Respectfully submitted,



Don Gaskill, CFE  
Contract Examiner representing the  
North Dakota Insurance Department

## **COMMENTS AND RECOMMENDATIONS**

It is recommended that the Company amend the Crop Hail Insurance Aggregate Excess of Loss agreement to include language as required by SSAP No. 62R paragraph 8(c) – Property and Casualty Reinsurance.