

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

REPORT OF EXAMINATION

OF

**OLD WEST MUTUAL INSURANCE COMPANY
MINOT, NORTH DAKOTA**

**AS OF
DECEMBER 31, 2014**

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

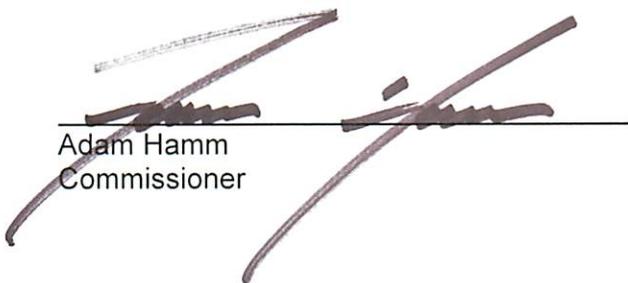
Old West Mutual Insurance Company

Minot, North Dakota

as of December 31, 2014, 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 26th day of May, 2016.





Adam Hamm
Commissioner

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Minot, North Dakota
March 4, 2016

Honorable Adam Hamm
Commissioner of Insurance
State of North Dakota
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Sir:

Pursuant to your instructions and in accordance with the North Dakota Insurance Code and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination was made of the books, records, and financial condition of

**Old West Mutual Insurance Company
Minot, North Dakota**

as of December 31, 2014.

INTRODUCTION

Old West Mutual Insurance Company, Minot, North Dakota, hereinafter referred to as the "Company," was last examined as of December 31, 2009, by representatives of the State of North Dakota.

SCOPE OF STATUTORY EXAMINATION

This examination was a 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, 2010, to December 31, 2014, 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

The December 31, 2009, examination report did not contain any recommendations or comments.

SUBSEQUENT EVENTS

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

HISTORY

The Company was incorporated on August 25, 1933, under the provisions of Chapter 18, Article 11-A of the Supplement to the Compiled Laws of 1913 and amendments thereto, under the corporate name of The Capital Mutual Surety and Fidelity Company, for the purpose of writing risks of insurance covering fidelity, surety, bid, and contract bonds on the mutual plan with its home office originally being at Bismarck, North Dakota.

At a special meeting of the membership held in 1941, the home office was moved to Fargo, North Dakota. Also, the Articles of Incorporation were amended to permit the Company to write other casualty lines of insurance permitted by law, except life insurance.

At a later meeting of the membership in 1942, the corporate name of the Company was changed to read Capital Mutual Casualty Insurance Company. In 1953, the home office and principal place of business of the Company was officially removed from Fargo to Wahpeton, North Dakota, as evidenced by the proper certificates issued by the Secretary of State.

At a special meeting of the membership held on April 20, 1969, the corporate name of the Company was changed to read Wells Fargo Mutual Insurance Company.

In 1962, the original Articles of Incorporation were amended to extend the corporate existence to 30 years from August 23, 1963.

At a special meeting of the membership held on February 1, 1980, the principal place of business and home office was removed from Wahpeton to Minot, North Dakota.

On June 13, 1988, the Articles of Incorporation were amended changing the name of the Company to read Old West Fargo Mutual Insurance Company. Article 5 was also amended which extended the corporate existence to 30 years from June 13, 1988. It is noted that there are no recorded minutes of a membership meeting having been held on this date; however, the name change is reflected in the June 20, 1988, annual membership meeting.

On September 1, 1988, the Articles of Incorporation were again amended changing the name to Old West Mutual Insurance Company.

MANAGEMENT AND CONTROL

The Company is controlled by its membership and the management of its affairs is vested in a Board of Directors consisting of three members who are elected for a one-year term. The Bylaws provide that the Board of Directors shall hold an organizational meeting immediately following the annual meeting of the membership for the purpose of electing officers and for the transaction of such other business as may be brought before the meeting.

Directors

The management of the Company's affairs, business, and property is vested in a Board of Directors composed of three members. 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, 2014, were as follows:

<u>Name and Address</u>	<u>Term Expires</u>	<u>Occupation</u>
Larry D. Armstrong Minot, North Dakota	2015	Insurance
Coleen Armstrong Minot, North Dakota	2015	Insurance
Danny Armstrong Minot, North Dakota	2015	Accountant

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, 2014, were as follows:

<u>Officer</u>	<u>Title</u>
Larry Armstrong	President
Coleen Armstrong	Vice President, Secretary and Treasurer
Danny Armstrong	Vice President, Assistant Secretary and Treasurer

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.

Articles of Incorporation and Bylaws

No amendments were made to the Articles or Bylaws during the period under examination.

Members

During the period under examination, the annual meetings of the membership were held on the following dates: June 21, 2010; June 17, 2011; June 18, 2012; June 17, 2013; and June 17, 2014.

Directors

During the period under examination, the Board of Directors held two meetings in 2014 and held one meeting per year in 2010, 2011, 2012 and 2013.

FIDELITY BONDS AND OTHER INSURANCE

On December 31, 2014, the Company had a policy insuring the Company against loss caused by employee dishonesty. The policy covers the position of Secretary-Treasurer to a limit of \$15,000. The coverage meets the minimum amount of fidelity insurance suggested in the NAIC's *Financial Examiners Handbook*.

No insurance is carried against loss or damage to records, valuable papers, securities, or equipment. However, all records are stored in fire files and are under lock and key after office hours.

TERRITORY AND PLAN OF OPERATION

The Company, by virtue of its Charter and Certificate of Compliance, is authorized to transact business as provided under N.D.C.C. Chapter 26.1-12 within the entire State of North Dakota.

During the period under examination, the Company had two licensed agents, Larry Armstrong, and Darin Armstrong.

SIGNIFICANT OPERATING RESULTS

Growth

The following exhibit reflects the growth of the Company over the five-year period under examination. Data with respect to the years 2010-2013 is as compiled from home office copies of the filed annual statements. Data for the year 2014 reflects the results of this examination. The operating results are presented on the modified cash basis.

Year	Admitted Assets	Total Liabilities	Surplus as Regards Policyholders	Net Premiums Earned
2010	\$ 105,085	\$ 28,914	\$ 76,171	\$ 9,240
2011	110,011	31,827	78,184	9,577
2012	115,774	33,987	81,787	10,166
2013	119,614	34,231	85,383	10,726
2014	124,690	35,006	89,684	11,427

Operating Ratios

The underwriting ratios presented below are the modified cash basis and encompass the five-year period ending December 31, 2014:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Premiums	100.0%	100.0%	100.0%	100.0%	100.0%
Deductions:					
Losses and Loss Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
Underwriting Expenses	77.3%	80.7%	74.9%	88.2%	90.1%
Total Deductions	77.3%	80.7%	74.9%	88.2%	90.1%
Net Underwriting Gain (Loss)	<u>22.7%</u>	<u>19.3%</u>	<u>25.1%</u>	<u>11.8%</u>	<u>9.9%</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

At the time of this examination, the Company was writing only one form of bond as follows:

<u>Type</u>	<u>Limit</u>
Notary Public	\$7,500

The Company does not carry any form of reinsurance.

Claims

No claims were filed with the Company during the period covered by this examination.

ACCOUNTS AND RECORDS

The general books of the Company are on a cash basis and consist of a bondholder list, a check register, and a corporate minute book.

The Examiner prepared a trial balance as of December 31, 2014, and traced it to the 2014 Annual Statement with no differences noted.

FINANCIAL STATEMENTS

The following statements reflect the financial condition of the Company as of December 31, 2014, as determined by this examination and its operating results for the year then ended.

**Old West Mutual Insurance Company
Statement of Assets, Liabilities, and Surplus
as of December 31, 2014**

ASSETS

Checking Accounts	\$ 24,690	
Cash on Deposit	<u>100,000</u>	
TOTAL ASSETS		<u>\$124,690</u>
TOTAL NET ADMITTED ASSETS		<u>\$124,690</u>

LIABILITIES

Unearned Premium Reserve	<u>\$ 35,006</u>	
TOTAL LIABILITIES		\$ 35,006
UNASSIGNED SURPLUS		<u>\$ 89,684</u>
TOTAL LIABILITIES AND SURPLUS		<u>\$124,690</u>

**Old West Mutual Insurance Company
Statement of Income and Disbursements
as of December 31, 2014**

INCOME:

Gross Premium Income	\$11,505	
Less: Return Premiums	78	
Premiums for Reinsurance Ceded	0	
NET PREMIUM INCOME	\$11,427	
Interest on Cash on Deposit	3,500	
FUTA Tax Reimbursement	199	
Service Fees	186	
TOTAL INCOME RECEIPTS	\$15,312	

DISBURSEMENTS:

Salaries to Employees	4,600	
Printing, Stationary, and Office Supplies	1,666	
Rent and Rent Items	2,400	
State and Local Insurance Taxes	188	
Insurance Department Licenses and Fees	314	
Payroll Taxes	125	
Insurance and Bonds	100	
Postage, Telephone and Bank Charges	901	
TOTAL FUNDS DISBURSED	10,294	
Net Gain		\$5,018

COMMENTS TO FINANCIAL STATEMENTS

No financial changes, recommendations, or special explanations are considered necessary for the financial statement balances at December 31, 2014.

CONCLUSION

The financial condition of Old West Mutual Insurance Company, Minot, North Dakota, as determined by this examination as of December 31, 2014, is summarized as follows:

TOTAL ADMITTED ASSETS		<u>\$124,690</u>
Liabilities	\$35,006	
Surplus to Policyholders	<u>89,684</u>	
TOTAL LIABILITIES AND SURPLUS		<u>\$124,690</u>

During the five-year period under examination, admitted assets increased by \$23,467, liabilities increased by \$7,030, and surplus to policyholders increased by \$16,437.

The Examiner expresses his appreciation for the courteous cooperation extended him during the course of this examination.

Respectfully submitted,



Matt Fischer, CFE
Examiner
N.D. Insurance Department