

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

REPORT OF EXAMINATION

OF

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

**AS OF
DECEMBER 31, 2004**

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

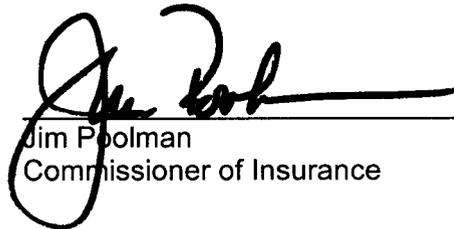
Old West Mutual Insurance Company

Minot, North Dakota

as of December 31, 2004, 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 8th day of December, 2005.



Jim Poolman
Commissioner of Insurance

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE OF STATUTORY EXAMINATION	1
HISTORY	2
Management and Control	2
Directors.....	3
Officers.....	3
CORPORATE RECORDS	3
Members	4
Directors.....	4
AFFILIATED COMPANIES	4
FIDELITY BONDS AND OTHER INSURANCE	4
TERRITORY AND PLAN OF OPERATION	4
SIGNIFICANT OPERATING RESULTS	4
Growth	4
Operating Ratios.....	5
INSURANCE PRODUCTS AND RELATED PRACTICES	5
ACCOUNTS AND RECORDS	6
FINANCIAL STATEMENTS.....	6
COMMENTS TO FINANCIAL STATEMENTS	9
CONCLUSION	9

Minot, North Dakota
September 19, 2005

Honorable Jim Poolman
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, 2004.

INTRODUCTION

Old West Mutual Insurance Company, Minot, North Dakota, hereinafter referred to as the Company, was last examined as of December 31, 1999, by representatives of the State of North Dakota.

SCOPE OF STATUTORY EXAMINATION

The current examination covers the period January 1, 2000, through December 31, 2004, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

This examination was made in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners with due regard to the statutory requirements of the insurance laws, rules, and regulations of the State of North Dakota.

Examination procedures included a verification and evaluation of assets, a determination of liabilities, and reviews of corporate records, claim files, and other records relating to Company operation practices. An executed letter of representation was received from management.

The previous examination report contained recommendations and comments, which have been addressed by the Company as follows:

Recommendations

Actions by the Company

That the Company comply with the provisions of the Bylaws requiring approval of salaries by the Board of Directors.

The Board of Directors approved employee salaries.

That the Company conform to the maximum single risk provisions of N.D. Cent. Code 26.1-03-01.

The Company has not complied with this recommendation.

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 five 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 five 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, 2004, were as follows:

Name and Address	Term Expires	Occupation
Larry D. Armstrong Minot, North Dakota	2005	Insurance
Coleen Armstrong Minot, North Dakota	2005	Insurance
Judy Ballantyne Minot, North Dakota	2005	Secretary-Treasurer
Darin Armstrong Minneapolis, Minnesota	2005	Agent
Danny Armstrong Minot, North Dakota	2005	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, 2004, were as follows:

<u>Officer</u>	<u>Title</u>
Larry Armstrong	President
Coleen Armstrong	Vice President, Assistant Secretary and Treasurer
Darin Armstrong	Vice President, Assistant Secretary and Treasurer
Danny Armstrong	Vice President, Assistant Secretary and Treasurer
Judy Ballantyne	Secretary-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.

Members

During the period under examination, the annual meetings of the membership were held on the following dates: June 19, 2000; June 18, 2001; June 17, 2002; June 16, 2003; and June 21, 2004.

Directors

During the period under examination, the Board of Directors held two meetings per year from 2000 through 2002 and one meeting in 2003 and 2004.

AFFILIATED COMPANIES

National Marketing is a North Dakota domiciled corporation operating as an insurance agency. The Company and National Marketing share office space and employees and have a common Board of Directors.

FIDELITY BONDS AND OTHER INSURANCE

On December 31, 2004, there was in force 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.

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. Cent. Code Chapter 26.1-12 within the entire State of North Dakota.

During the period under examination, the Company did not have any licensed agents.

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 2000-2003 is as compiled from home office copies of the filed annual statements. Data for the year 2004 reflects the results of this examination. The operating results are presented on a cash basis.

Year	Admitted Assets	Total Liabilities	Surplus as Regards Policyholders	Net Premiums Written
2000	\$64,690	\$20,839	\$43,851	\$9,698
2001	70,816	22,691	48,125	8,288
2002	75,077	24,906	50,171	9,158
2003	78,965	27,081	51,884	9,818
2004	82,895	28,259	54,636	9,578

Operating Ratios

The underwriting ratios presented below are on a cash basis and encompass the five-year period ending December 31, 2004:

	2000	2001	2002	2003	2004
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	146.9%	105.0%	123.5%	105.7%	94.7%
Total Deductions	146.9%	105.0%	123.5%	105.7%	94.7%
Net Underwriting Gain (Loss)	(46.9%)	(5.0%)	(23.5%)	(5.7%)	5.3%

INSURANCE PRODUCTS AND RELATED PRACTICES

Currently, only one policy form, Auto-Accident, is offered by the Company. The only policies issued are to five directors of the Company. Maximum coverage under the policy is \$250.

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 reinsurance for the \$7,500 notary bond coverage and consequently has exceeded the single risk exposure limitation of 10% of surplus specified under N.D. Cent. Code § 26.1-03-01. The examination determined 10% of surplus to be \$5,464 and the excess exposure at December 31, 2004, to be \$2,036 per single risk.

As provided in N.D. Cent. Code § 26.1-05-22, "(I)f the directors allow to be insured on a single risk a larger sum than that permitted under section 26.1-03-01, they are liable for any loss thereon above the amount the company might insure lawfully, unless the excess is reinsured as required by that section." The Directors of the Company have provided the Department with signed statements acknowledging the Company's noncompliance with the single risk limitation

and their personal liability for any potential risk of losses that would exceed the Company's ability to pay.

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 cash receipts journal, a cash disbursement journal, a general ledger, and a corporate minute book.

The Company provided a trial balance as of December 31, 2004, and the Examiner traced it to the 2004 Annual Statement with no differences noted.

FINANCIAL STATEMENTS

The following pages present the Company's financial statements as of December 31, 2004, in the following order:

Statement of Assets, Liabilities, and Surplus as of December 31, 2004
Underwriting and Investment Exhibit, Year 2004
Capital and Surplus Account, Year 2004
Reconciliation of Surplus Account, January 1, 2000, to December 31, 2004

**Old West Mutual Insurance Company
Statement of Assets, Liabilities, and Surplus
As of December 31, 2004**

	Ledger Assets	Non-Ledger Assets	Assets Not Admitted	Net Admitted Assets
ASSETS				
Cash on Deposit	\$82,752.67			\$82,752.67
Accrued Interest Income		\$ 142.67		142.67
TOTAL ASSETS	\$82,752.67	\$ 142.67		\$82,895.34
 LIABILITIES				
Taxes, Licenses, and Fees		\$ 105.00		
Unearned Premiums		28,153.85		
TOTAL LIABILITIES			\$28,258.85	
UNASSIGNED SURPLUS			54,636.49	
TOTAL LIABILITIES AND SURPLUS				\$82,895.34

**Old West Mutual Insurance Company
Underwriting and Investment Exhibit
For the Year Ended December 31, 2004**

UNDERWRITING INCOME			
Premiums Earned			\$8,400.10
Less: Losses Incurred			
Other Underwriting Expenses		\$ 7,955.30	
Total Underwriting Deductions			7,955.30
Net Underwriting Gain or (Loss)			\$ 444.80
 NET INVESTMENT INCOME			
Net Investment Income Earned		\$ 2,307.99	
Net Investment Gain or (Loss)			2,307.99
Net Income (Loss)			\$2,752.79

**Old West Mutual Insurance Company
Capital and Surplus Account
For the Year Ended December 31, 2004**

Surplus as Regards Policyholders, December 31, Previous Year	\$51,883.70
Net Income	2,752.79
Change in Non-Admitted Assets	
Change in Surplus as Regards Policyholders for the Year	\$ 2,752.79
Surplus as Regards Policyholders, December 31, Current Year	\$54,636.49

**Old West Mutual Insurance Company
Reconciliation of Surplus Account
January 1, 2000, through December 31, 2004**

	2000	2001	2002	2003	2004
Surplus as Regards Policyholders December 31, Previous Year	\$43,290.88	\$43,851.32	\$48,124.86	\$50,171.14	\$51,883.70
Net Income	203.29	3,511.51	274.74	1,712.56	2,752.79
Change in Non-Admitted Assets	357.15	762.03	1,771.54	0	0
Surplus as Regards Policyholders December 31, Current Year	\$43,851.32	\$48,124.86	\$50,171.14	\$51,883.70	\$54,636.49

COMMENTS TO FINANCIAL STATEMENTS

No financial changes, recommendations, or special explanations are considered necessary for the financial statement balances at December 31, 2004.

CONCLUSION

The financial condition of Old West Mutual Insurance Company, Minot, North Dakota, as determined by this examination as of December 31, 2004, is summarized as follows:

TOTAL ADMITTED ASSETS		<u>\$82,895.34</u>
Liabilities	\$28,258.85	
Surplus to Policyholders	<u>54,636.49</u>	
TOTAL LIABILITIES AND SURPLUS		<u>\$82,895.34</u>

During the five-year period under examination, admitted assets increased by \$22,580, liabilities increased by \$11,035, and surplus to policyholders increased by \$11,345.

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

Respectfully submitted,



Chad Myhre
Examiner
N.D. Insurance Department