

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

REPORT ON THE ORGANIZATION

OF THE

**DAKOTA CAPITAL LIFE INSURANCE COMPANY
BISMARCK, NORTH DAKOTA**

**AS OF
OCTOBER 31, 2011**

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 Organization of the

Dakota Capital Life Insurance Company

Bismarck, North Dakota

as of October 31, 2011, with the original on file in this Department and that the same is a correct transcript there from 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 20th day of
January, 2012.

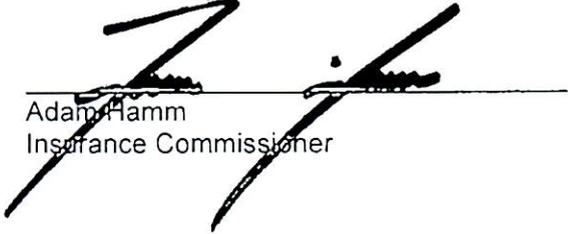

Adam Hamm
Insurance Commissioner



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Bismarck, North Dakota
December 16, 2011

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

Commissioner:

Pursuant to your instructions and statutory requirements, an organizational examination has been made of:

**Dakota Capital Life Insurance Company
Bismarck, North Dakota**

Wherever the designations “the Company” or “DCLIC” appear herein without qualification, they should be understood to indicate Dakota Capital Life Insurance Company.

SCOPE OF EXAMINATION

This examination comprised a complete verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of the Company's assets and liabilities. The records examined were the Company's Uniform Certificate of Authority Application (UCAA), its charter, by-laws, certificate of incorporation, corporate minutes, stock register and the inter-company and custodial agreements entered into by the Company as of the examination date.

INCORPORATION

Dakota Capital Life Insurance Company was incorporated under the laws of the State of North Dakota on July 15, 2011. The Company's office is located at 1300 Skyline Boulevard, Suite 104, Bismarck, North Dakota, 58503.

As of the examination date, the Company's Board of Directors was comprised of the following seven members:

Name and Address

Business Affiliations

Scott Engebritson
Lake Ozark, MO

Chairman
Northern Plains Capital Corporation

Glen Higley
Bismarck, ND

President
Northern Plains Capital Corporation

Rod Holth
Grand Forks, ND

Partner
KIP Farms

Jim Laducer
Mandan, ND

President and CEO
Laducer and Associates

Jim Poolman
Bismarck, ND

President
Jim Poolman Consulting

Earl Rennerfeldt

Farmer
Williston, ND

Steve Stenehjerm
Watford City, ND

CEO
First International Bank & Trust

Committees

Audit

Glen Higley
Earl Rennerfeldt
Steve Stenehjerm

Investment

Glen Higley
Jim Poolman
Steve Stenehjerm

Governance

Glen Higley
Jim Laducer
Steve Stenehjerm

Officers

The Bylaws provide that the elected officers of the Company shall be a Chairman of the Board of Directors, a President, a Treasurer, and a Secretary. Officers serving at October 31, 2011, were as follows:

Name

Scott Engebritson
Glen Higley
Rod Holth

Title

Chairman of the Board
President
Treasurer and Secretary

CAPITALIZATION AND SUBSCRIPTION

Dakota Capital Life Insurance Company is wholly owned by Northern Plains Capital Corporation, a privately held stock company. The Company has authorized 1,000,000 shares of \$1.00 par common stock of which 500,000 shares are issued and outstanding. On October 31, 2011, the Company issued 500,000 shares of common stock to Northern Plains Capital Corporation for consideration of \$1,500,000 of which \$500,000 represents common stock and \$1,000,000 paid in and contributed surplus.

AUTHORIZATION POWERS AND MINIMUM CAPITAL REQUIRED

The Company is seeking authorization to transact life and annuity lines of business as defined under N.D.C.C. § 26.1-05-02.

The minimum funding requirements of N.D.C.C. § 26.1-05-04(3) requires capital of \$500,000 and surplus of \$500,000. The Company's current capital and surplus meets the defined minimums under statute.

Conflict of Interest

The Company requires that all directors and key employees certify that they have read and abide by the Code of Conduct on an annual basis. A record is kept of the employee's certification.

Corporate Records

There were no amendments to the Bylaws or Articles of Incorporation during the period under examination.

Board of Directors and Stockholders

The minutes of the stockholder and Board of Directors actions for the period under examination were reviewed.

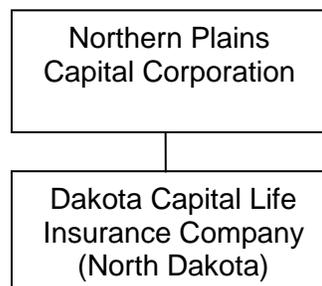
AFFILIATED COMPANIES

General

The Company is wholly owned by Northern Plains Capital Corporation.

Organizational Chart

An organizational chart listing the holding company system in which the Company is a member as of October 31, 2011, is as follows:



INTERCOMPANY AGREEMENTS

The Company does not have any direct employees. All services used by the Company are provided by Northern Plains Capital Corporation or through administration and management agreements with third parties. The agreements that were in force during the exam period are described below.

Cost Sharing Agreement

Effective January 1, 2012, the Company and Northern Plains Capital Corporation (NPCC) entered into a Cost Sharing Agreement whereby NPCC provides office space, office equipment and related services. As DCLIC has no direct employees, any service needed by the Company which is not provided under the third-party agreement with Investors Heritage Life Insurance Company (IHLIC), will be provided by NPCC. Office space and office equipment will be based on the fair value of the office space and equipment used by the Company and services will be allocated based on the actual cost of the services provided except in the first contract year where the costs of office space, office equipment, service and other items will be allocated 80% to the Company. At the end of each contract year the actual percentages will be calculated and a true-up will be made. Each year thereafter, the monthly charges will be based on the prior year actual amount. The agreement is renewable annually until canceled at any year end by either party with 60 days prior written notice.

Administrative Services Agreement

Effective November 1, 2008, NPCC and IHLIC entered into an Administrative Services Agreement that include services to be performed by IHLIC on behalf of DCLIC. Services provided include the following services for DCLIC:

1. Underwrite all applications for life insurance,
2. Provide actuarial services,
3. Issue all policies,
4. Assist in the development of life insurance and related products,
5. Maintain the policy and administrative forms and records,
6. Provide billing, collection, receipt, and accounting for premiums,
7. Furnish information necessary for 1099 reporting,
8. Investigate, adjudicate, settle and pay all claims,
9. Prepare monthly reports,
10. Provide maintenance and summary of accounting records,

11. Prepare all statutory files and actuarial certifications,
12. Respond to agent and policyholder inquiries,
13. Pay commissions reported on a monthly basis,
14. Submit all of the insurance forms for approval, and
15. Prepare the initial draft of the IRS Form 1120L.

DCLIC will be responsible for verifying that the agents are properly licensed and appointed and will be responsible for responding to complaints from the Insurance Department, or complaints or inquiries from any other state, federal or local government agency. In the event of termination of the agreement, records in the possession of IHLIC shall remain the property of DCLIC. The agreement is effective until November 2012 and may be terminated at any time by either party providing 180 days prior written notice of termination. Services performed by IHLIC for DCLIC are billed at a flat rate of \$4,000 per month until the first policy is sold; thereafter, fees are based on the greater of an annual minimum fee or a monthly per policy administration and new business fee. The annual base fee for the first year after the first policy is sold will be \$120,000.

Other Intercompany Agreements In Force During the Examination Period

Investments are handled by a committee of the Board of Directors. There are no external investment advisory services. The Company files a stand-alone tax return and does not, therefore, file a consolidated return with its parent.

FIDELITY BOND AND OTHER INSURANCE

Neither the Company, nor its parent, NPCC, has any blanket fidelity bond coverage. The coverage does not meet the National Association of Insurance Commissioners' recommended minimum amount of fidelity bond coverage for the Company.

The company does not maintain any other insurance coverage since it has no employees nor does it own any assets other than investments. All operations are performed by affiliates for which the company reimburses them in the form of management fees.

It is recommended that the Company, or its parent, obtain blanket fidelity bond coverage and any other insurance which would be considered necessary to conduct the business of life insurance in North Dakota.

TERRITORY AND PLAN OF OPERATION

The Company anticipates that it will market traditional life insurance products in the individual market in the State of North Dakota through appointed independent agents. The products to be offered could include annuities and limited pay whole life, term and decreasing term life insurance.

STATUTORY DEPOSITS

The Company will be subject to the statutory deposit requirement under N.D.C.C. § 26.1-05-23 when licensed to transact insurance, but is not required to maintain any statutory deposits until it actually starts writing business.

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 October 31, 2011, was extracted from the general ledger and traced to the Company's 2011 financial statements. The Company's ledgers are maintained electronically by a third-party administrator. Revenues and expenses were tested to the extent deemed necessary.

FINANCIAL STATEMENTS

The following pages present the Company's financial statements as of October 31, 2011, and an analysis of examination changes in the following order:

Statement of Assets, Liabilities, Surplus and Other Funds, October 31, 2011

Summary of Operations, Period ended October 31, 2011

Dakota Capital Life Insurance Company
Statement of Assets, Liabilities, Surplus, and Other Funds
as of October 31, 2011

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds			
Cash and cash equivalents	\$ 1,500,000		\$1,500,000
Short-term investments			
Investment income due and accrued			
Uncollected premium and agents balances in the course of collection			
Amounts recoverable from reinsurers			
Federal income tax recoverable and interest thereon			
Net deferred tax asset			
Receivables from parent, subsidiaries and affiliates			
Total Assets	\$1,500,000	\$0	\$1,500,000

Dakota Capital Life Insurance Company
Statement of Assets, Liabilities, Surplus, and Other Funds
as of October 31, 2011

Aggregate reserve for life contracts		\$ 0
Liability for deposit type contracts		
Contract claims		
Provision for policyholder dividends		
Interest maintenance reserve		
Asset valuation reserve		
Payable to parent, subsidiaries, and affiliates		11,479
Total Liabilities		\$ 11,479
Common capital stock	\$ 500,000	
Gross paid-in and contributed surplus	1,000,000	
Unassigned funds (surplus)	(11,479)	
Surplus as regards policyholders		1,488,521
Total		\$1,500,000

**Dakota Capital Life Insurance Company
Summary of Operations
for the Period Ended October 31, 2011**

Premiums and Other Revenue

Premiums and annuity considerations	\$	0
Net investment income		0
Commissions and expense allowances on reinsurance ceded		0
		0
Total Premiums and Other Revenue	\$	0

Benefits Paid or Provided

Death benefits	\$	0
Surrender benefits		0
Increase in aggregate reserves		0
		0
Total Benefits Paid or Provided	\$	0

Insurance Expenses and Other Deductions

Commissions on premiums	\$	0
General insurance expenses		10,979
Insurance taxes, licenses and fees		500
		11,479
Total Expenses and Other Deductions		11,479
Loss from Operations		\$(11,479)
Net Realized Capital, Gains or (Losses)	\$	0
		\$(11,479)
Net Income (Loss) Before Federal Income Taxes		\$(11,479)
Federal Income Taxes Incurred		0
		0
Net Income		\$(11,479)

CONCLUSION

The financial condition of the Company, as of October 31, 2011, as determined by this examination is summarized as follows:

Admitted Assets		<u>\$1,500,000</u>
Total Liabilities	\$ 11,479	
Surplus as Regards Policyholders	<u>1,488,521</u>	
Liabilities, Surplus, and Other Funds		<u>\$1,500,000</u>

Based on this examination, it is concluded that the Company sold 500,000 shares of its common stock with a par value of \$1.00 per share. The shares represented half of the total authorized and all of the issued stock for which the Company received consideration of \$1,500,000, of which \$500,000 represents capital paid in and \$1,000,000 represents gross paid in and contributed surplus.

Respectfully submitted,



Edward Moody, CFE
Supervising Examiner
North Dakota Insurance Department

COMMENTS AND RECOMMENDATIONS

It is recommended that the Company, or its parent, obtain blanket fidelity bond coverage and any other insurance which would be considered necessary to conduct the business of life insurance in North Dakota.