STATE OF NORTH DAKOTA

MARKET CONDUCT EXAMINATION REPORT

CENTER MUTUAL INSURANCE COMPANY

RUGBY, ND 58368

As of April 30, 2005

By Representatives of the
North Dakota Insurance Department

August 30, 2005

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 Market Conduct Examination Report of the

Center Mutual Insurance Company
Rugby, North Dakota

as of April 30, 2005, 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 23rd day of November, 2005.

Jim Poolman
Commissioner of Insurance

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Rugby, North Dakota
August 15, 2005

Honorable Jim Poolman
Commissioner
North Dakota Insurance Department
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Commissioner Poolman:

Pursuant to your authority delegated under the provisions of N.D. Cent. Code Chapter 26.1-03 and in accordance with your instructions, a market conduct examination of the business practices and affairs has been conducted on:

Center Mutual Insurance Company
1211 Third Avenue S.E.
Rugby, ND 58368

The examination was conducted at the Company home office at 2311 Third Avenue S.E., Rugby, ND 58368. The report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This market conduct examination commenced on June 6, 2005 and covered the period beginning January 1, 2004 and ending April 30, 2005. It was conducted by representatives from Huff, Thomas & Company as Examination Consultants for the North Dakota Insurance Department.

This examination was conducted pursuant to the provisions of N.D. Cent. Code Chapter 26.1-03 and in accordance with procedures and guidelines outlined in the Market Conduct Examiners Handbook as adopted by the National Association of Insurance Commissioners (NAIC).

The purpose of this market conduct examination was to determine the Company's ability to fulfill and the manner of fulfillment of its obligations, the nature of its operations, whether it has given proper treatment to policyholders and its compliance with specified sections of N.D. Cent. Code Title 26.1.

This market conduct examination included a review of the applicable records and files pertaining to the phases listed below. This examination was comprised of the following seven phases:

Operations and Management
Complaint Handling
Marketing and Sales
Producer Licensing
Policyholder Service
Underwriting and Rating
Claim Handling

A signed letter of representation was obtained during the course of this examination wherein, among other things, the management attested that the transactions and business affairs of the Company are conducted in compliance with the statutes, rules and regulations, and procedures of the State of North Dakota in all material respects. Additionally, attesting that they made available in their entirety all books, records, accounts, papers, documents, and computer and other recordings in the Company's possession, relating to its transactions and affairs with regard to its treatment of policyholders and other appropriate persons, as they pertain to all matters relating to the period under examination.

FORWARD

This report of examination is confined to comments on exceptions that involve departures from laws, regulations or bulletins and questionable business practices or patterns that are determined to be contrary or detrimental to the best interests of the insurance buying public and require special explanation or description. Standards as prescribed by the NAIC Market Conduct Examiners Handbook are only described in detail where the examiners concluded the Company was not meeting a specific standard. The failure to identify or criticize certain practices does not constitute acceptance by the examiners.

OPERATIONS AND MANAGEMENT

HISTORY

Center Mutual Insurance Company (hereinafter referred to as the "Company") is a mutual property and casualty insurer and was incorporated on August 29, 1917, as Publishers Mutual Fire Insurance Company of North Dakota. On December 9, 1968, Farmers Mutual Insurance Company of Rugby merged into the Company. At that time, the name of the Company was changed to Center Mutual Insurance Company derived from the fact that Company headquarters is located in Rugby, North Dakota, the geographic center of North America. On April 23, 1970, the Company entered into a reinsurance agreement with Farmers Mutual Insurance Company of Harvey, North Dakota, and assumed all business, assets and liabilities of the Farmers Mutual Insurance Company which was then dissolved.

The purpose, for which the Company was formed, according to the Articles of Incorporation, is to insure and make contracts of insurance in all forms now authorized or which may be authorized under the laws of the State of North Dakota relating to incorporated mutual insurance companies.

Operations

Company operations were reviewed and it was determined the Company had adequate procedures in place with regard to computer information, disaster recovery plans, antifraud initiatives and disclosure of personal information.

Management

The Company is managed by a Board of Directors. As of April 30, 2005, the board consisted of the following members:

Name & Address	Position Held Since	Business Affiliations
Arlen C. Blessum Rugby, North Dakota	10/23/1975	Retired Farmer
Jeffrey W. Campbell Bottineau, North Dakota	1/1/2005	Banker-Security State Bank
Arland W. Geiszler Rugby, North Dakota	12/12/1983	Company Vice President Agent and owner Rugby Insurance Agency
Robert J. Hovland Rugby, North Dakota	10/26/1995	Company President Agent and owner Rugby Insurance Agency
Chris T. Lamourex Minot, North Dakota	1/1/2003	Trust Officer, First Western Bank in Minot
Robert W. Moran Jamestown, North Dakota	10/22/1987	Retired insurance agent
Robert B. St. Michel Rugby, North Dakota	1/1/2002	Business owner
Rose M. Schneibel Rugby, North Dakota	8/21/1997	Company Secretary-Treasurer
Rodger S. Zurcher Glenburn, North Dakota	10/28/1982	Farmer

PREVIOUS EXAMINATION FINDINGS

This is the first market conduct examination performed on the Company by the North Dakota Insurance Department; thus there are no previous examination findings.

PERTINENT FACTUAL FINDINGS

COMPLAINT HANDLING

Complaint register; The Company was requested to provide a copy of their Insurance Department and internal complaint register to determine if the registers contained sufficient information and determine if all complaints were being recorded.

The Company maintains an Insurance Department complaint register with sufficient information and recorded all complaints for the exam period. No exceptions noted.

The Company does not maintain a register for internal complaints and thus did not record all complaints.

It is recommended the Company maintain a register for internal complaints. The register should provide a method of recording the disposition of written complaints and the timeliness of the response.

Complaint procedures; The Company was requested to provide a copy of their complaint handling procedures to determine if procedures were adequate and communicated to policyholders.

The Company indicated they have no written complaint handling procedures in place. Insurance Department complaints are received and reviewed by the President. These complaints are then forwarded to the individual involved in the transaction. That individual communicates directly with the Insurance Department. Internal complaints are handled directly by the individual or department where the complaint originated.

It is recommended the Company adopt formal written complaint handling procedures to ensure complaints are resolved timely and satisfactorily and in accordance with N.D Cent. Code 26.1-04-03(10). The procedures should provide a method for distribution of the complaint and obtaining and recording responses to complaints.

Complaint Response; The files for Insurance Department complaints were tested to determine if the Company responded timely and if the response addressed all issues raised. The Company addressed all issues raised in responding to complaints. The Company responded to the Department within 20 days or less in nine of 10 complaints. The Company failed to respond timely in one complaint.

It is recommended the Company adopt complaint handling procedures to ensure response to Insurance Department correspondence is within 20 days in accordance with 26.1-02-03.

MARKETING AND SALES

The Company provided advertising materials that included print ads, billboard ads, radio scripts, directory ads and community sponsorship fees.
The examiners reviewed the advertising material to determine compliance with applicable statutes, rules and regulations of the North Dakota Insurance Department and the guidelines contained in the NAIC Market Conduct Examiner's Handbook.

The Company's advertising consists of "invitation to inquire" ads designed to generate interest in insurance coverage and prompt prospective customers to contact the Company

or an agent for more information. The Company does no "invitation to contract" advertising. Specific references or identification of policy benefits, costs, exceptions or limitations are not included in the advertising used by the Company.

All advertising and marketing materials reviewed were in compliance with ND Cent. Code 26.1-04-03(1) & (2), pertaining to unfair methods of competition and unfair or deceptive acts.

Producer prepared advertising materials could not be reviewed for compliance with applicable statutes, rules and regulations because the Company does not maintain a log or copies of such advertising material.

So that the Company and regulatory agencies may monitor producer prepared advertising materials, it is recommended the Company maintain a log and copies of such materials.

PRODUCER LICENSING

Producer listing; Producer lists were obtained from the Company and the Department of Insurance. The Company list was reconciled with the DOI list to determine if all licensed agents were listed with the Department. The lists were sorted by Social Security number and then reconciled.

Two (2) Agents on the Company list were not found on the list provided by the Department. Six (6) agents were shown as terminated on the Company list and shown active on the Department of Insurance. One (1) agent was listed on the DOI list but not found on the Company list.

The difference in the two listings can be attributed to a change in the State reporting procedure during the exam period. No exceptions noted.

Producer license; A sample of property policy files and auto policy files were reviewed to determine if the producer was properly appointed and licensed. The producer license was then reviewed to determine if the producer was operating within the scope of their authority.

All sampled producers were writing business for which they were properly licensed. No exceptions noted.

Producer termination; A terminated producer file sample was tested to determine if the Company adequately documented termination reasons. The Company documented valid termination reasons in 19 of the 20 files reviewed. One file did not document a termination reason. Upon inquiry, the Company indicated the producer was terminated because he discontinued working for the agency.

It is recommended the Company document the reason for producer termination in the producer file.

The terminated producer sample was tested to determine if the Company notified the Department when producers were terminated. No producers in the sample were terminated for cause. The Company notified the Insurance Department and the producer of termination in 19 of 20 files tested. One file did not contain evidence of notification to the Insurance Department or the producer.

It is recommended the Company notify the Insurance Department of producer termination within 30 days as required by NDAC 45-02-02-06 (3) and (4).

It is recommended the Company notify the producer of termination in accordance with NDCC 26.1-26-34 per NDAC 45-02-02-06(3).

POLICYHOLDER SERVICE

Billing notice; A sample of property and auto renewal policies was selected to determine if premium notices and billing notices were sent out with an adequate amount of advance notice.

The Company mails renewal notices at least 30 days prior to the renewal date. The Company renews policies automatically. If premium is not received by renewal date the Company sends a cancellation notice out with a 10 day termination timeframe.

The Company procedures for handling renewals are in accordance with state guidelines.

Canceled policies; The sample of canceled and non-renewed policy files was reviewed to determine if insured requested cancellations were handled in a timely manner without excessive paperwork requirements. Insureds are required to execute a signed cancellation request/policy release, upon receipt the Company cancels or non-renews policies.

Cancellations requested by insureds did not require excessive paperwork and were canceled timely.

Policy issuance; A sample of new issue property and auto underwriting files was reviewed to determine the length of time the Company required to issue policies. The number of working days between the date all information was received and the date of issue was calculated. The Company issued 28 property policies in an average of 9.3 days. The Company issued 27 auto policies in an average of 15.3 days.

Policy issuance was made in a timely manner. There were no exceptions noted in the review of this area.

UNDERWRITING AND RATING

Underwriting files; A sample of 30 new issue property and 30 new issue auto underwriting files was reviewed along with the Company underwriting guidelines to determine if the Company was following its guidelines. The review of the underwriting files indicated the Company was following its underwriting guidelines and was not employing any unfair discriminatory practices.

The samples were then reviewed to determine the premium charged. The premium charged was then recalculated based on Company underwriting guidelines. Rates in the Company underwriting manual were then reconciled with those rates filed with the Insurance Department. Premium was recalculated and was determined to be in accordance with Company rate manual and with filed rates

Policy files were reviewed and it was determined declaration pages listed all forms and endorsements. All underwriting files contained adequate information for the Company to determine exposure.

Cancellations and non-renewals; The Company was requested to provide their procedures for cancellation and non-renewals. The Company uses the underwriting guidelines to determine cancellation and non-renewal and does not have specific procedures.

The Company was requested and did provide a list of canceled or non-renewed policies. Twenty five policies were selected randomly for testing. The files were reviewed to determine if the reason for cancellation or non-renewal was valid according to policy provisions and State law.

The Company cancelled or non-renewed policies included the following reasons:
Customer request
Nonpayment of premium
No supporting auto coverage
Rewritten with additional coverage

The reasons for cancellation in the files reviewed were valid.

The premium due to be refunded was recalculated by the examiner and compared to the canceled check copy in the policy files. The Company refunded the correct premium in all files.

Rejections and declinations; A sample of 25 rejected/declined applications was selected for review. The sample was reviewed to determine if the reason for refusal was valid and properly documented.

Applications reviewed were rejected for valid reasons such as underwriting guidelines, driving records, driver license, and claims experience.

Rescissions; The Company was requested to provide a listing of rescinded policies for the exam period. The Company indicated they do not rescind policies. If the Company discovers information that does not comply with its underwriting guidelines, after the policy is issued, a notice of cancellation is issued.

The examination noted no exceptions in this area.

CLAIM HANDLING

Paid Claims

Claim handling procedures; The Company's claims handling procedures, manuals, guidelines and internal communications were requested. According to the Company, it has no written guidelines or manuals for claims handling although it did provide a two-page overview of its claims handling process.

It is recommended the Company prepare and implement written claim handling procedures to address the following standards from the NAIC Market Conduct Examiner's Handbook and N.D. Cent. Code:

- The Company acknowledges with reasonable promptness pertinent communications with respect to claims in accordance with N.D. Cent. Code § 26.1-04-03(9)(b).

- Ensure investigations are initiated and concluded promptly in accordance with by N.D. Cent. Code § 26.1-04-03(9)(b).

- Ensure claims are resolved within a reasonable time after proof of loss has been completed in accordance with N.D. Cent. Code § 26.1-04-03(9)(j).

- Ensure the Company responds to claim correspondence in a timely manner in accordance with N.D. Cent. Code § 26.1-04-03(10).

- Ensure claim files are adequately documented and support the Company's position of the claim in accordance with N.D. Cent. Code § 26.1-04-03(9)(c).

- Ensure claims are handled and settled in accordance with policy provisions and applicable statutes, rules and regulations in accordance with N.D. Cent. Code § 26.1-04-02 and 26.1-04-03(9)(c).

- Ensure the Company uses the reservation of rights and excess of loss letters, when appropriate.

The Company provided an electronic listing of claims paid during the examination period. From this listing of paid claims, a sample of fifty (50) paid claims was selected and reviewed to determine compliance with the standards in this section.

Claim acknowledgement; The sample of fifty (50) paid claims was reviewed to determine whether the Company acknowledged claims with reasonable promptness in accordance with N.D. Cent. Code § 26.1-04-03(9)(b). In testing this standard, the examiner captured the date the claim was received and the date the Company first responded to the claim.

Following is a time study table of the acknowledgment times for the sample of paid claims reviewed:

No. of Business Days to Respond	No. of Sample Items	Percentage
0-2	33	66%
3-6	12	24%
7-10	2	4%
11-14	0	0%
15-18	0	0%
19-22	1	2%
Unknown	2	4%
Total	50	100%

The average number of business days to respond or acknowledge the paid claims was 2.2 business days.

The Company failed to document that it acknowledged timely three (3) of the fifty (50), or 6% of the paid claim files reviewed. -

It is recommended the Company implement procedures to document and thereby allow verification that the claims are acknowledged reasonably prompt in accordance with N.D. Cent. Code § 26.1-04-03(9)(b).

Timely investigation; The sample of paid claims was reviewed to determine whether investigations were initiated and concluded reasonably prompt. The Company failed to investigate timely two (2) of the fifty (50), or 4% of the claims reviewed.

It is recommended the Company adopt and implement procedures to ensure claims investigations are initiated and concluded promptly in accordance with N.D. Cent. Code § 26.1-04-03(9)(c).

Claim resolution; The sample of fifty (50) paid claims was reviewed to determine whether liability determinations and claim payments were proper and whether claims

were resolved within a reasonable time after the proof of loss was completed and all necessary information was received.

A time study was conducted to determine the number of business days required from the date all necessary information was received to the date the Company paid the claim. The results were as follows:

No. of Business Days to Resolve	No. of Sample Items	Percentage
0-5	31	62%
6-10	13	26%
11-15	2	4%
16-20	1	2%
21-25	0	0%
26-30	0	0%
30+	1	2%
Unknown	2	4%
Total	50	100%

The average number of business days to respond or acknowledge the paid claim was 5.34 business days. The Company paid the claim within ten (10) business days of receipt of all necessary information in 44 or 88% of the claim files reviewed.

The Company failed to document the reasons for the delay in resolving three (3) of the fifty (50), or 6% of the paid claims.

It is recommended the Company adopt and implement procedures to document the circumstances or reasons which delay the resolution of claims to allow verification that claims are settled promptly upon receipt of all necessary information in accordance with. N.D. Cent. Code § 26.1-04-03(9)(c)

Claim correspondence; The sample of paid claims was reviewed to determine whether the Company responded to claims correspondence promptly and in accordance with North Dakota Statutes.

No exceptions were noted in the review of the sample of paid claims

Claim documentation; The sample of paid claim files was reviewed to determine whether the documentation was sufficient to support the claim determination.

The Company failed to sufficiently document two (2) of the fifty (50) or 4% of the claim files reviewed.

It is recommended the Company implement procedures to ensure claim files are adequately documented and support the decisions made.

Policy provisions; The sample of paid claims was reviewed to determine whether claims were handled in accordance with policy provisions and applicable statutes, rules and regulations. The Company failed to process one (1) of the fifty (50), or 2% of the files in accordance with policy provisions. The Company applied the incorrect limit and deductible to a property claim.

It is recommended the Company implement procedures to ensure claims are processed in accordance with policy provisions and N.D. Cent. Code § 26.1-04-02 and 26.1-04-03(9)(c).

Claim forms; The sample of paid claims was reviewed to determine whether the claim forms included appropriate content and were used appropriately.

The following three (3) exceptions were noted in this review:

> Proof of Loss form - This form does not contain a section recording the date of the activity such as an inspection or estimate, nor does it include a date section next to the signature lines for the adjuster and the insured.
>
> Sworn Statement in Proof of Loss (Automobile) - This form does not contain a date section identifying the date it was prepared. The form contains a signature line for the insured but does not contain a section for the insured to indicate the date it was signed.
>
> Estimate of Repairs - This form does not include a section for the date the estimate was prepared.

The Company's practice of using claim forms which do not contain an area to record the date of the activity limits the Company's ability to track the progress of its claims and limited the examiners ability to reconstruct the claim files and determine compliance with North Dakota Statutes.

It is recommended the Company revise its claim forms to include date(s) of activity, as well as dates next to all signature areas.

Denied and Close Without Payment Claims

Claim acknowledgement; A sample of fifty (50) denied and closed without payment claims was reviewed to determine if the Company acknowledged the claims reasonably prompt. Twenty (20) business days was considered reasonably prompt for purposes of determining compliance with this standard.

The date the Company received the claim and the date the Company initially responded or acknowledged the claim was determined.

Following were the results of the time study of acknowledgment times:

Number of Business Days to Acknowledge	Number of Sample Items	Percentage
0 - 5	39	78%
6 – 10	3	6%
11-15	2	4%
16-20	0	0%
21-25	2	4%
26-30	0	0%
Unable to Determine	2	4%
No claim pursued	2	4%
Total	**50**	**100%**

Two files were opened for investigational purposes only. The Company failed to document that it acknowledged timely four (4) of the fifty (50), or 8% of the claim files reviewed.

It is recommended the Company implement procedures to document that claims have been acknowledged so that compliance with N.D. Cent. Code § 26.1-04-03(9)(b) can be verified.

Timely investigation; The sample of claims closed without payment was reviewed to determine if the Company conducted timely investigations.

The Company failed to document the timely investigation of three (3) of the fifty (50), or 6% of the files reviewed.

It is recommended the Company adopt and implement procedures to document the initiation and conclusion of investigations in order to allow verification that claim investigations are initiated and concluded promptly in accordance with N.D. Cent. Code § 26.1-04-03(9)(c).

Claim resolution; The sample claims closed without payment was reviewed to determine if the Company resolved the claims promptly upon receipt of all necessary information and settled claims appropriately. Twenty (20) business days was considered reasonably prompt for purposes of determining compliance with this standard.

The date the Company received all necessary information was identified and the settlement date. Following were the results of the time study of settlement or resolution times as measured in business days:

Number of Business Days to Resolve Claim	Number of Sample Items	Percentage
0 - 5	27	54%
6 - 10	7	14%
11-15	3	6%
16-20	1	2%
21-25	1	2%
26-30	1	2%
31+	0	0%
Unable to Determine	2	4%
No claim pursued	8	16%
Total	**50**	**100%**

Four (4) of the fifty (50) or 8% of the files reviewed were not settled timely.

There was no claim pursued in eight claim files, 2 of these files the Company opened for investigational purposes only. In the other six the claimant failed to provide necessary information. In three of these claims the Company failed to notify the claimant prior to closing due to lack of information.

It is recommended the Company, where applicable, document that it has notified the claimant that the Company requires additional information to process a claim and that no further action will be taken by the Company until the information is provided.

Those claims where the examiner was unable to determine when the Company received all of the information necessary to settle the claim were deemed errors. The examiner was unable to determine the date all necessary information was received because documents were not present, not date-stamped or activity or communications were not recorded.

It is recommended the Company implement procedures to ensure claims are settled promptly upon receipt of all necessary information.

Claim documentation; The sample of fifty (50) claims closed without payment was reviewed to determine if the documentation in the claim files was sufficient to support the ultimate claim determination.

The Company failed to document Four (4) of the fifty (50) or 8% of files reviewed.

It is recommended the Company implement procedures to ensure claim files are adequately documented and support the decisions made, including date stamping.

Claims Open and Pending

A sample of twenty-five (25) open and pending claims as of April 30, 2005 was reviewed to determine whether the Company timely acknowledged, investigated, resolved and properly documented the claims.

There were no exceptions noted in this review.

Litigated Claims

The entire population of 20 litigation files was reviewed to determine if the Company initiated and concluded investigations timely, properly documented the files and if the Company compelled litigation in order for claimants to collect amounts due under policies.

There were no exceptions noted in this review.

SUMMARY OF RECOMMENDATIONS

1. *It is recommended the Company maintain a register for internal complaints. The register should provide a method of recording the disposition of complaints and the timeliness of the response. (See page 6)*

2. *It is recommended the Company adopt formal written complaint handling procedures to ensure complaints are resolved timely and satisfactorily and in accordance with N.D Cent. Code 26.1-04-03(10). The procedures should provide a method for distribution of the complaint and obtaining and recording responses to complaints. (See page 6)*

3. *It is recommended the Company adopt complaint handling procedures to ensure response to Insurance Department correspondence is within 20 days in accordance with 26.1-02-03. (See page 6)*

4. *So that the Company and regulatory agencies may monitor producer prepared advertising materials, it is recommended the Company maintain a log and copies of such materials. (See page 7)*

5. *It is recommended the Company document the reason for producer termination in the producer file. (See page 8)*

6. *It is recommended the Company notify the Insurance Department of producer termination within 30 days as required by NDAC 45-02-02-06 (3) and (4). (See page 8)*

7. *It is recommended the Company notify the producer of termination in accordance with NDCC 26.1-26-34 per NDAC 45-02-02-06(3). (See page 8)*

8. *It is recommended the Company prepare and implement written claim handling procedures to address the standards from the NAIC Market Conduct Examiner's Handbook and N.D. Cent. Code.. (See page 10)*

9. *It is recommended the Company implement procedures to document the claims have been acknowledged so that compliance with N.D. Cent. Code § 26.1-04-03(9)(b) can be verified. (See page 11 and 14)*

10. *It is recommended the Company adopt and implement procedures to document the initiation and conclusion of investigations in order to allow verification that claim investigations are initiated and concluded promptly in accordance with N.D. Cent. Code § 26.1-04-03(9)(c). (See page 11 and 14)*

11. *It is recommended the Company adopt and implement procedures including documentation of the circumstances or reasons which delay the resolution of*

claims to allow verification that claims are settled promptly upon receipt of all necessary information in accordance with N.D. Cent. Code § 26.1-04-03(9)(c). (See page 12 and 15)

12. *It is recommended the Company implement procedures to ensure claim files are adequately documented and support the decisions made, including date stamping. (See page 13 and 15)*

13. *It is recommended the Company implement procedures to ensure claims are processed in accordance with policy provisions and* N.D. Cent. Code § 26.1-04-02 and 26.1-04-03(9)(c). *(See page 13)*

14. *It is recommended the Company revise its claim forms to include date(s) of activity, as well as dates next to all signature areas. (See page 13)*

15. *It is recommended the Company, where applicable, document that it has notified the claimant that the Company requires additional information to process a claim and that no further action will be taken by the Company until the information is provided. (See page 15)*

ACKNOWLEDGMENT

The customary insurance examination practices and procedures as promulgated by the National Association of Insurance Commissioners have been followed in the performance of this Market Conduct Examination of **Center Mutual Insurance Company** as of April 30, 2005, consistent with the Insurance Laws of the State of North Dakota.

In addition to the undersigned, the following representatives of Huff, Thomas & Company and the North Dakota Insurance Department participated in the examination of Center Mutual Insurance Company:

Cecil W. Thomas, CIE, CFE	Supervising Examiner
James P. Benham, CIE	Participating Examiner
Craig Burns Esq.	Participating Examiner

Respectfully submitted,

Timothy R. Nutt, CIE
Examiner-In-Charge
Huff, Thomas & Company
For the State of North Dakota
Insurance Department

AFFIDAVIT

STATE OF MISSOURI }
} ss
COUNTY OF JACKSON }

Timothy R. Nutt, being duly sworn, upon his oath deposes and states:

That he is an examiner appointed by the Commissioner of the North Dakota Insurance Department;

That a market conduct examination was made of **Center Mutual Insurance Company** for the period from January 1, 2004 through April 30, 2005;

That the foregoing 19 pages constitute the report to the Commissioner of the North Dakota Insurance Department; and

The statements, exhibits and data therein contained are true and correct to the best of his knowledge and belief.

Timothy R. Nutt

Timothy R. Nutt, CIE
Examiner-In-Charge
Huff, Thomas & Company
For the State of North Dakota
Insurance Department

Subscribed and sworn to before me on the 28th day of October, 2005.

Lori L. Hildebrandt

Notary Public for the State of
My Commission Expires

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

LORI L. HILDEBRANDT
My Commission Expires
July 26, 2008
Platte County