

REPORT OF  
EXAMINATION

**360 INSURANCE COMPANY**

AS OF

DECEMBER 31, 2014



STATE OF WYOMING  
DEPARTMENT OF INSURANCE  
CHEYENNE, WYOMING

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**SALUTATION**  
Cheyenne, Wyoming  
February 12, 2016

The Honorable Tom Glause  
Insurance Commissioner  
State of Wyoming  
106 East 6<sup>th</sup> Avenue  
Cheyenne, WY 82002

Dear Commissioner:

Pursuant to your instructions and in compliance with the provisions of the Wyoming Insurance Code and the rules and regulations promulgated by the National Association of Insurance Commissioners, hereinafter called "NAIC," an examination was made as of December 31, 2014, of the financial condition, management, and affairs of

**360 INSURANCE COMPANY**

hereinafter referred to as the "Company," at its home office located at 931 Boulder Drive, Laramie, Wyoming. The following report of the examination is herewith respectfully submitted.

## **SCOPE OF EXAMINATION**

We have performed our multi-state examination of the Company. The last examination covered the period of September 11, 2009 through December 31, 2010. The current examination covers the period of January 1, 2011 through December 31, 2014.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in Wyoming Statute § 26-2-116 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Previous Examination**

Except for the approval of the investment transactions noted below, all recommendations made in the prior report of examination have been adequately addressed by the Company.

### **Current Examination**

#### **1. Approval of Investment Transactions (Repeat finding from prior examination)**

The board of directors' meeting minutes do not reflect the approval of the investment transactions. Pursuant to W.S. § 26-7-105(a), "No insurer shall make any investment or loan, other than a policy loan or an annuity contract loan of a life insurer, unless the investment or loan is authorized by the insurer's board of directors or by a committee authorized by the board and charged with the supervision or making of the investment or loan. The minutes of any such committee shall be recorded and regular reports of the committee shall be submitted to the board of directors."

**Recommendation 1:** It is recommended that the Company’s board of directors comply with W.S. § 26-7-105(a) and approve all investment transactions and document the approval in the meeting minutes.

**2. Out-of-State Lock Box**

The “Bill It Now” lock box checking account is not located in Wyoming. W.S. § 26-24-129(a) states in part, “Any domestic insurer shall: (iii) Have and maintain its assets in this state . . .”

**Recommendation 2:** It is recommended that the Company move the funds in the “Bill It Now” lock box from the bank in Connecticut to a bank in Wyoming in order to comply with W.S. § 26-24-129(a) which requires the Company to maintain its assets in Wyoming.

**3. Reclassification of Asset**

The receivables for securities of \$502,500 should have been reclassified as cash on the Annual Statement. This condition resulted in cash being understated and the receivables for securities being overstated by \$502,500.

**Recommendation 3:** It is recommended that the Company properly report its cash and receivables for securities on the Annual Statement.

**4. Articles of Incorporation**

The Articles of Incorporation need to be amended in order to change the domestic state from Colorado to Wyoming. Also, the amended Articles of Incorporation dated July 8, 2011 need to be amended to change the registered office to a Wyoming address and the minimum surplus requirement from a Colorado statute to a Wyoming statute since the Company has re-domesticated back to Wyoming from Colorado. It is noted that the Company has started the process of amending the Articles of Incorporation.

**Recommendation 4:** It is recommended that the Company amend its Articles of Incorporation to change the registered office to a Wyoming address and the minimum surplus requirement from a Colorado statute to a Wyoming statute since the Company re-domesticated back to Wyoming in December 2014.

**COMPANY HISTORY**

The Company’s initial Articles of Incorporation were approved by the Wyoming Attorney General on July 25, 2008, and the Wyoming Department of Insurance on July 30, 2008. The Articles were filed with the Wyoming Secretary of State on July 31, 2008. The Company was granted a Certificate of Authority in Wyoming on September 11, 2009. The Company’s home office is located at 931 Boulder Drive in Laramie, Wyoming. The purpose for which the Company is organized is to engage in the property and casualty insurance business. The Company re-domesticated to Colorado in 2011. The Company was licensed in Montana in February 2012. The Company re-domesticated back to Wyoming in December 2014. **See Recommendation 4.**

## **MANAGEMENT AND CONTROL**

Control of the Company rests with its board of directors, which is elected by the Company's policyholders. The only persons eligible to be directors are the members of the boards of directors of the Wyoming and Montana Farm Bureau Federations. The directors of the Federations are elected by their respective memberships. As of December 31, 2014, the following directors were holding office:

Kevin Baars	Ken Johnson
Ed Bandel	Ronda Johnston
Justin Ellis	Perry Livingston
Todd Fornstrom	Hans McPherson
David Garber	Tim Pexton
Robert Hanson	Glen Reed

The president of the Company appoints the directors to various committees. The board committees are made up of the budget, investment, and audit committees.

The following were the officers of the Company as of December 31, 2014:

President – Perry Livingston  
Vice President – Robert Hanson  
Secretary – Ken Hamilton  
Chief Executive Officer – Jim Geesey  
CFO/Treasurer – Dave Perdue  
Assistant Secretary – Dan Bleak  
Assistant Treasurer – Jeff Suloff

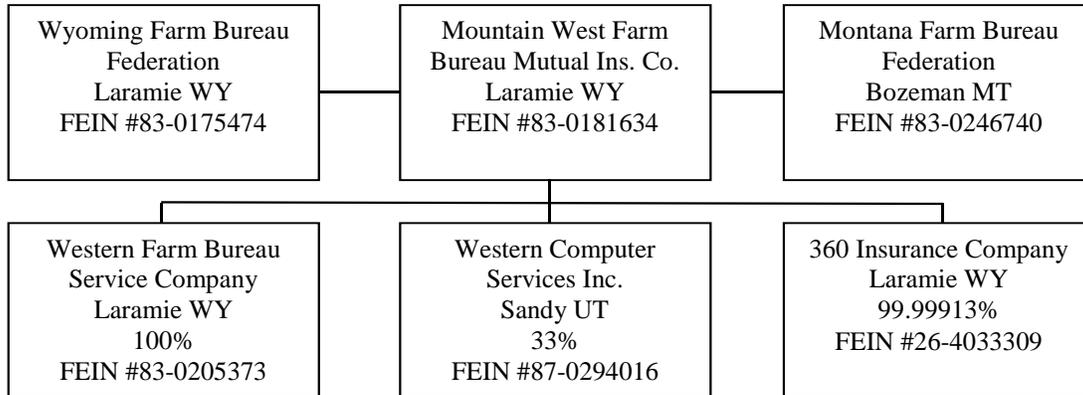
The daily operations of the Company are managed by Jim Geesey, Chief Executive Officer. Mr. Geesey is appointed by the board of directors.

### **Corporate Records**

The minutes of the meetings of the shareholders and the board of directors were reviewed in detail. In addition, the minutes of the budget, investment, and audit committees were reviewed. **See Recommendation 1.**

## Holding Company Structure

### Organizational Chart



The Company is a member of an insurance holding company system as defined in the Wyoming Statutes, Title 26, Chapter 44.

**Mountain West Farm Bureau Mutual Insurance Company (MWFB)** is the parent company in the group and has been located in Laramie, Wyoming, for its entire existence. The Company, formerly known as Wyoming Farm Bureau Mutual Insurance Company, was formed from the consolidation of Agricultural Indemnity Company of Wyoming and Agricultural Insurance Company of Wyoming, both stock companies, in 1956. At the time of the merger, the Company converted to mutual form. The current Company name was adopted in 1972. There is a management service agreement between the Company and MWFB where the charges for telephone, director's fees, management fees, supplies, equipment and legal costs are shared. Costs are allocated based on the percentage of the invested assets of the Company versus the invested assets of MWFB. Rent is also charged to the Company based on the floor space multiplied by the average rate in the Laramie area. The agreement provides that the Company reimburse MWFB on a quarterly basis. In addition, MWFB assumes business from the Company through a quota share reinsurance agreement.

**Western Computer Services, Inc. (WC)** is an affiliate of the Company that is located in Sandy, Utah, and provides electronic data processing services to the Company. The agreement governing the services rendered to the Company is a cost reimbursement agreement. MWFB filed the appropriate Form D with the Wyoming Department of Insurance for this agreement. Beginning on January 1, 2010, MWFB also assumed the administrative management of WC pursuant to a management services agreement that was approved by the Department in a Form D filing.

**Western Farm Bureau Service Company (WFBSC)** is an affiliate of the Company. Business activities include: leasing of property and equipment primarily to the parent company; financing purchases of real estate and personal property; providing savings accounts; and investing in

corporate bonds and stock. WFBS is licensed as a supervised lender by the Wyoming Department of Audit, Division of Banking.

## **TERRITORY AND PLAN OF OPERATION**

The Company is authorized to write the property and casualty lines of business in Wyoming. The Company became authorized to write general casualty, general property, motor vehicle (casualty) and motor vehicle (property) in Colorado on August 26, 2011. The Company was licensed in Montana in February 2012 to write property and casualty excluding workers compensation.

The Company markets its products through exclusive agents who are independent contractors. The Company only writes business in Colorado. No new lines of business are proposed at this time.

Revenues are generated by line of business in the following percentages for 2014:

<b>Line of business*</b>	<b>+ Colorado</b>
Other Private passenger auto liability	31
Homeowners multiple peril	29
Private passenger auto physical damage	21
Farmowners multiple peril	11
Other liability – occurrence	4
All other lines **	4
Totals	100

\* All figures are per the December 31, 2014, Annual Statement.

\*\* Inland marine, earthquake, and commercial multiple peril.

+ Percentages are calculated using direct premiums written.

## **REINSURANCE**

Starting in 2012, the Company entered into a quota share reinsurance agreement with its parent company, Mountain West Farm Mutual Insurance Company (MWFB).

Year	Ceding %	Ceding Commission %	Gross Premiums Written	Admitted Assets	Surplus
2012	90%	65%	1,064,158	23,408,148	21,806,720
2013	90%	65%	2,283,342	24,947,483	22,449,798
2014	80%	35%	3,507,276	27,586,829	23,153,530

The Company made the above changes to its quota share reinsurance program with MWFB during the exam period. Management has reduced the ceding percentage and commission as the Company's assets and surplus have grown and the Company can take on more risk. The

Company is also included as an additional insured on MWFB's reinsurance contracts with American Agricultural Insurance Company and the catastrophe reinsurance contracts brokered through Willis Re.

AGI Services, the Department's consulting actuary, reviewed the reinsurance agreement for proper risk transfer. No exceptions were noted.

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Wyoming Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the Annual Statement and should be considered an integral part of the financial statements. In addition, some minor rounding changes were added in order for the financial statements to balance.

**360 Insurance Company**  
**Statement of Assets, Liabilities, Surplus and Other Funds**  
as of December 31, 2014

ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$21,637,715		\$21,637,715
Cash, cash equivalents, and short-term investments	3,061,841		3,061,841
Receivable for securities	502,500		502,500
Subtotal – cash and invested assets	25,202,056		25,202,056
Investment income due and accrued	144,367		144,367
Uncollected premiums and agents’ balances in course of collection	1,019,082	5,630	1,013,452
Amounts recoverable from reinsurers	866,954		866,954
Aggregate write-ins for other than invested assets	360,000		360,000
Total – all assets	\$27,592,459	\$5,630	\$27,586,829
<b>LIABILITIES &amp; SURPLUS</b>			
Losses			\$203,535
Loss adjustment expenses			34,395
Current federal income taxes			197,635
Net deferred tax liability			29,182
Unearned premiums			391,961
Ceded reinsurance premiums payable			2,641,881
Funds held by company under reinsurance treaties			360,000
Aggregate write-ins for liabilities			574,712
Rounding			(2)
Total liabilities			4,433,299
<b>SURPLUS</b>			
Common capital stock			15,000,000
Gross paid in and contributed surplus			4,963,636
Unassigned funds (surplus)			3,189,894
Surplus as regards policyholders			23,153,530
Total liabilities & surplus			\$27,586,829

**360 Insurance Company**  
**Statement of Operations**  
for the Year Ending December 31, 2014

<u>Underwriting Income (Loss)</u>		
Premiums earned		\$439,659
Losses incurred		283,924
Loss adjustment expenses incurred		16,316
Other underwriting expenses incurred		40,536
Total underwriting deductions		340,776
	Net underwriting gain (loss)	98,883
<u>Investment Income</u>		
Net investment income earned		614,957
Net realized capital gains (losses)		6,534
	Net investment gain	621,491
<u>Other Income</u>		
Net gain (loss) from agents' or premium balances charged-off		553
Finance and service charges		10,362
Aggregate write-ins for miscellaneous income		201,965
	Total other income	212,880
Net income (loss) before federal and foreign income taxes		933,254
Federal and foreign income taxes		226,817
	Net income	\$706,437

**360 Insurance Company**  
**Reconciliation of Surplus**  
January 1, 2011 through December 31, 2014

	*****As Reported and Filed by the Company*****			
	2011	2012	2013	2014
Surplus, December 31, of previous year	\$21,177,037	\$21,188,005	\$21,806,724	\$22,449,801
Net income (loss)	10,968	618,718	734,432	706,437
Change in net deferred income tax			(88,429)	
Change in nonadmitted assets			(2,926)	(2,704)
Net change in surplus	10,968	618,718	643,077	703,733
Rounding		1		(4)
Surplus, December 31, of current year	\$21,188,005	\$21,806,724	\$22,449,801	\$23,153,530

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

<b>Summary of Reclassifications</b>				
Annual Statement Line Item	Balance per Annual Statement	Increase	Decrease	Adjusted Balance
Cash	3,061,841	502,500		3,564,341
Receivables for Securities	502,500		502,500	0

The receivables for securities of \$502,500 should have been reclassified as cash on the Annual Statement. This condition resulted in cash being understated and the receivables for securities being overstated by \$502,500. There was no change to surplus as a result of this reclassification. **See Recommendation 3.**

### **SUBSEQUENT EVENTS**

As of January 1, 2016, the quota share reinsurance agreement between the Company and Mountain West Farm Bureau Mutual Insurance Company was terminated.

## **SUMMARY OF RECOMMENDATIONS**

**Recommendation 1:** It is recommended that the Company's board of directors comply with W.S. § 26-7-105(a) and approve all investment transactions and document the approval in the meeting minutes.

**Recommendation 2:** It is recommended that the Company move the funds in the "Bill It Now" lock box from the bank in Connecticut to a bank in Wyoming in order to comply with W.S. § 26-24-129(a) which requires the Company to maintain its assets in Wyoming.

**Recommendation 3:** It is recommended that the Company properly report its cash and receivables for securities on the Annual Statement.

**Recommendation 4:** It is recommended that the Company amend its Articles of Incorporation to change the registered office to a Wyoming address and the minimum surplus requirement from a Colorado statute to a Wyoming statute since the Company re-domesticated back to Wyoming in December 2014.

**CONCLUSION**

Jeff Braunschweig, Doug Melvin and Katy Cotton, examiners for the Wyoming Department of Insurance, participated in the examination. Review of the Company's reserves was conducted by Alan Kaliski, FCAS, MAAA, of the firm AGI Services.

Appreciation is expressed for the cooperation and assistance extended by the officers and employees of the Company during the course of the examination.

I, the undersigned, hereby certify that an examination has been made of **360 INSURANCE COMPANY**, and the preceding report is true and correct to the best of my knowledge and information.

Respectfully submitted,

\_\_\_\_\_  
Jeff Braunschweig, CPA, CFE  
Examiner In-Charge  
Senior Examiner  
Department of Insurance  
State of Wyoming

This report has been reviewed and is true and correct to the best of my knowledge and information.

\_\_\_\_\_  
Linda Johnson, CPA, CFE  
Chief Financial Examiner  
Department of Insurance  
State of Wyoming

The foregoing instrument was acknowledged under oath before me this \_\_\_\_\_ day of March, 2016.

Witness my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_