

REPORT OF
EXAMINATION
360 INSURANCE COMPANY
AS OF
DECEMBER 31, 2010



STATE OF WYOMING
DEPARTMENT OF INSURANCE
CHEYENNE, WYOMING

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SALUTATION
Cheyenne, Wyoming
March 7, 2012

Honorable Joseph Torti III
Chairman, NAIC Financial Condition
(E) Committee
Insurance Division
Department of Business Regulation
State of Rhode Island
1511 Pontiac Avenue, Bldg. No. 69-2
Cranston, Rhode Island 02920

Honorable Kenneth G. Vines
Insurance Commissioner
State of Wyoming
106 East 6th Avenue
Cheyenne, WY 82002

Honorable Eleanor Kitzman
Western Zone Secretary
Texas Department of Insurance
Post Office Box 149104
Austin, Texas 78714

Chairman, Secretary, and 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, 2010, 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 single-state examination of the Company as called for by Wyoming Statute § 26-2-116(a). The Company was most recently examined as of September 11, 2009 (start-up exam). The current examination covers the period of September 11, 2009, through December 31, 2010.

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 and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state laws and regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

DESCRIPTION OF THE COMPANY

Prior Examination Findings:

There were no recommendations resulting from the previous start-up examination.

Subsequent Events:

The Company redomesticated to Colorado effective August 26, 2011.

History of the Company:

The Company's initial Articles of Incorporation were approved by the Wyoming Attorney General on July 25, 2008, and the Wyoming Insurance Department 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.

Corporate Records:

The minutes of the annual shareholders' meetings and meetings of the board of directors were reviewed in detail. In addition, the minutes of the executive and audit committees were reviewed.

It was not reflected in the minutes of the board of directors' meetings that investments are being approved. It was also not reflected in the board of directors' minutes that the investment policy has been approved.

Wyo. Stat. § 26-7-105(a) states, “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 board of directors approve all investment transactions and document the approval in the meeting minutes.

It is also recommended that the board of directors approve the investment policy and all future changes to the policy.

Management and Control:

The control and direction of the Company rests with its board of directors. The Company has twelve directors. Article IV of the by-laws provides that the number of directors of the Company shall not exceed a total of thirteen members, and have no less than five members.

As of December 31, 2010, the following directors were holding office:

Kevin Baars	Margaret Lester
David Garber	Perry Livingston
Robert Hanson	Hans McPherson
Jim Hefenieder	Tim Pexton
Ronda Johnston	Glen Reed
William Jones	Bruce Wright

The following were the officers of the Company as of December 31, 2010:

President – Perry Livingston
Vice President – Robert Hanson
Secretary – Ken Hamilton
Chief Executive Officer – Roy Schmett
CFO/Treasurer – Dave Perdue

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

Holding Company Structure:

The Company is owned 99.99913 percent by Mountain West Farm Bureau Mutual Insurance Company (MWFB) and 0.00087 percent by its board of directors. Each director is required to be a stockholder pursuant to W.S. §26-24-121.

There is a service agreement between MWFB and the Company where MWFB provides certain services, rent, supplies and postage incurred. The agreement provides that the Company reimburse MWFB on a quarterly basis.

Fidelity Bonds and Other Insurance:

The Company is included in the insurance coverage of its parent, MWFB. MWFB has fidelity insurance with Fidelity and Deposit Company of Maryland. The policy has an aggregate limit of liability of \$2,500,000, which meets the NAIC suggested minimum. Also, MWFB has \$10,000,000 of directors and officers liability insurance with Great American Insurance Company and \$10,000,000 of professional liability insurance with Great American E&S Insurance Company.

Officers', Employees', and Agents' Welfare and Pension Plans:

The Company does not have any retirement, deferred compensation, postemployment benefits or other postretirement benefit plans.

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.

Growth of the Company:

The Company's surplus increased \$481,353 from \$20,364,026 as of December 31, 2009, to \$20,845,379 (adjusted) as of December 31, 2010.

Business In Force by State:

The Company had not sold any policies as of the date of this examination.

Loss Experience:

The Company had not sold any policies as of the date of this examination. There is no loss experience as of the examination date.

Reinsurance:

The Company does not have any reinsurance contracts in place as of December 31, 2010.

Accounts and Records:

The Company's home office and books and records are located at 931 Boulder Drive, Laramie, Wyoming.

Amounts reported for investments on the 2010 financial statements do not match the supporting investment schedules. Amounts receivable for securities, investment income due and accrued, net investment income, and net realized capital gains were incorrect. These errors resulted in the Company's surplus being overstated by \$331,658.

Recommendation 2: It is recommended that the Company reconcile the amounts on the investment schedules prepared by the investment managers to the financial statements.

Statutory Trust Deposit:

The Company has a US Treasury Note with a book value of \$211,067 on deposit with the State of Wyoming for the protection of all policyholders and creditors as of December 31, 2010.

360 INSURANCE COMPANY
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
as of December 31, 2010

ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	\$19,140,919		\$19,140,919	
Cash, cash equivalents, and short-term investments	1,535,541		1,535,541	
Receivable for securities	0		0	1
Subtotal – cash and invested assets	20,676,460		20,676,460	
Investment income due and accrued	168,919		168,919	1
Total – all assets	<u>\$20,845,379</u>		<u>\$20,845,379</u>	1
LIABILITIES & SURPLUS				
SURPLUS				
Common capital stock			\$15,000,000	
Gross paid in and contributed surplus			4,963,636	
Unassigned funds (surplus)			881,743	1
Surplus as regards policyholders			20,845,379	
Total liabilities & surplus			<u>\$20,845,379</u>	1

360 INSURANCE COMPANY
STATEMENT OF INCOME
for the Year Ending December 31, 2010

		Notes
<u>Underwriting Income (loss)</u>		
Other underwriting expenses incurred	\$16,864	
Total underwriting deductions	16,864	
	Net underwriting gain (loss)	(16,864)
<u>Investment Income</u>		
Net investment income earned	599,721	1
Net realized capital gains (losses)	3,171	1
	Net investment gain	602,892
Net income (loss) before federal and foreign income taxes	586,028	
Federal and foreign income taxes	119,715	
	Net income	\$466,313

360 INSURANCE COMPANY
RECONCILIATION OF SURPLUS ACCOUNT
September 11, 2009 Through December 31, 2010

	****Per Annual Statement ****		Per Exam	Notes
	2009	2010	2010	
Surplus, December 31, of previous year	\$0	\$20,364,026		
Net income (loss)	399,231	466,313		1
Change in net unrealized capital gains or (losses)	46,872	15,040		
Capital paid in	15,000,000			
Surplus paid in	4,963,636			
Net remittances from or (to) home office	(45,713)			
Net change in surplus	20,364,026	481,353		1
Surplus, December 31, of current year	\$20,364,026	\$20,845,379		1

360 INSURANCE COMPANY
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION
December 31, 2010

	2010	Notes
Surplus as regards policyholders per 2010 Annual Statement	\$21,177,037	
Change in net investment income	(276,160)	1
Change in net realized capital gains	(55,498)	1
Total change in surplus as regards policyholders	(331,658)	
Surplus as regards policyholders per examination	<u>\$20,845,379</u>	

360 INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1: The amounts reported for investments on the 2010 financial statements do not match the supporting investment schedules. This caused the following adjustments: the amount receivable for securities was decreased from \$500,577 to \$0, investment income due and accrued increased from \$0 to \$168,919, net investment income earned decreased from \$875,881 to \$599,721, and net realized capital gains decreased from \$58,669 to \$3,171. This caused a decrease to net income from \$797,971 to \$466,313, a decrease to unassigned funds from \$1,213,401 to \$881,743, and a decrease to total liabilities and surplus and total assets from \$21,177,037 to \$20,845,379. See Recommendation No. 2.

SUMMARY OF RECOMMENDATIONS

Recommendation 1: It is recommended that the board of directors approve all investment transactions and document the approval in the meeting minutes.

It is also recommended that the board of directors approve the investment policy and all future changes to the policy.

Recommendation 2: It is recommended that the Company reconcile the amounts on the investment schedules prepared by the investment managers to the financial statements.

CONCLUSION

Jeff Braunschweig and Doug Melvin, examiners for the Wyoming Insurance Department, participated in the examination.

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, 2012.

Witness my hand and official seal.

Notary Public

My Commission Expires: _____