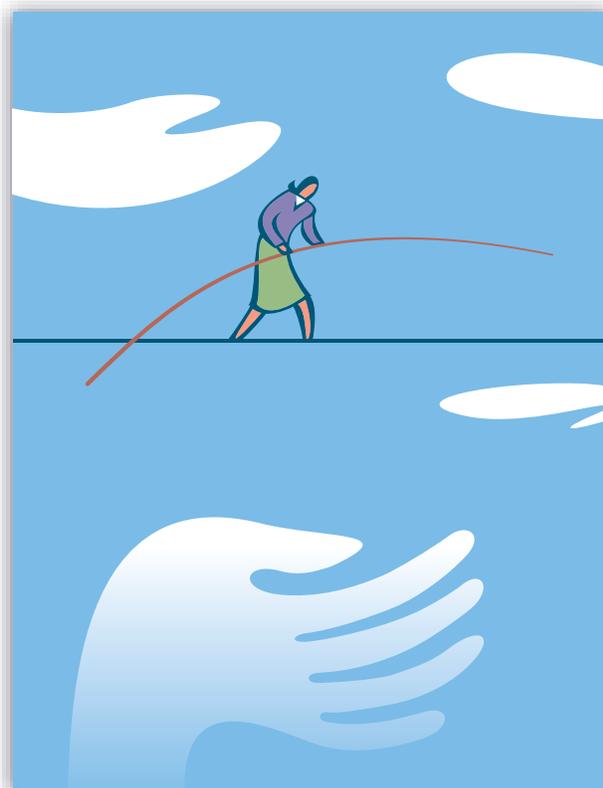


North Dakota Insurance Reserve Fund  
2006 Annual Report



# Protecting the Public Trust

## **Mission Statement**

To be a stable source  
of risk services  
to public entities using sound  
business practices.

Protecting the  
Public Trust



Steven L. Spilde  
Chief Executive Officer  
North Dakota Insurance Reserve Fund

Dear NDIRF Member:

The North Dakota Insurance Reserve Fund is providing this copy of its 2006 Annual Report to inform you of the Fund's activities and financial performance in the past year.

The NDIRF highly values the participation of its members and agents, working together with us to keep liability and property risk costs to North Dakota political subdivisions under control. As this report shows, the effort has been very successful over the entire history of the Fund.

On behalf of the NDIRF Board of Directors and Staff, I thank you for your support over the past 21 years and your continued participation as we meet the challenges of the future.

Sincerely,

A handwritten signature in black ink that reads "Steven L. Spilde". The signature is written in a cursive, flowing style.

Steven L. Spilde  
Chief Executive Officer  
North Dakota Insurance Reserve Fund

## Membership

The board of directors, management and staff of the North Dakota Insurance Reserve Fund (NDIRF) are pleased to present this report of 2006 business activity. We trust you will find this information to be clear evidence of your role in the NDIRF's success.

All political subdivisions in North Dakota are eligible for membership in the NDIRF and 2006 represented a continuation of the trend toward increasing participation. The total number of Fund participants grew to 2526 in 2006, up from 2516 last year. This means that approximately 90% of the entities eligible for membership have now become part-owners of the NDIRF through their purchase of coverage. (Fig. 1)

Distribution of NDIRF membership by entity-type is obviously very broad across all categories of local government and the relative premium distribution among them remained fairly stable in 2006, as it has historically. (Fig. 2)

## Conferment of Benefits

**The NDIRF is proud of its twenty-one year track record** and pleased to be able to share that success with our members through the Conferment of Benefits program. Over the past thirteen years, the Fund has paid out over \$43 million in benefits to members including a conferment of nearly \$3.6 million declared for 2006, to be paid in 2007.

This major advantage of membership in the NDIRF results in a significant reduction of the actual cost of financing liability and property risks for local government in North Dakota. (Fig. 3)

## Premiums and Losses

Unlike recent experience many of us have had personally or in private business with fluctuating insurance costs, the NDIRF's annual written premium has remained very stable. Addition of new members and the increasing value of covered property provided a modest rise in written premium for 2006, as in previous years. (Fig. 4)

Claim losses in 2006 increased significantly (24%) from the prior year (which was an exceptionally good loss year). Losses remained, however, in what has identified itself as the normal range over the past several years. General liability losses across a broad range of causes were the particular problem for a number of members over the past year. Employment practices litigation is a subject on which the NDIRF remains concerned and we want to be sure that Fund members are aware of actual and potential costs related to this risk. To assist in this effort in 2006, the NDIRF again presented or sponsored training opportunities and resources dealing with employment issues. (Figs. 5 and 6)

## Investments

The NDIRF's investment portfolio, as of December 31, 2006, was distributed 83% in fixed income securities; 11% in equity securities; 2% in cash or equivalents; and 4% in real estate (office building). The quality of the fixed income portfolio remained strong, with an average S&P rating exceeding AA+. The cash position maintained by the NDIRF is necessary to fund the Conferment of Benefits payable in 2007.

**Investment income was markedly higher in 2006 as compared to the prior year.** due to higher interest and dividend income and significantly reduced unrealized fixed income market value losses when compared to 2005. The unrealized market value losses in fixed income investments last year were also more than offset by very strong unrealized gains on the equity side. The NDIRF has been managing its fixed income investments for the past several years to shorten maturities in anticipation of rising interest rates.

Reporting the NDIRF's investment portfolio at market value (as has been required since 1998) rather than at cost can result in wide variations of investment income, particularly in years when interest rates move significantly. (Fig. 7) The strategy of adding a limited equity exposure in the NDIRF's investment portfolio has proven quite effective over time, as a relatively small equity position has tended to counterbalance significant unrealized fixed-income market losses caused by fluctuating interest rates.

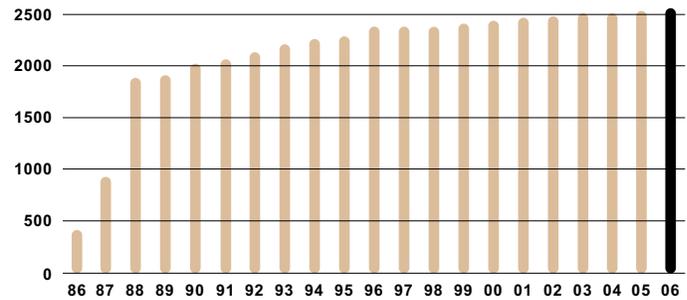


Fig. 1 NDIRF MEMBERSHIP

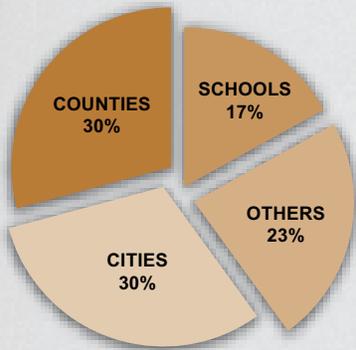


Fig. 2 MEMBER PREMIUM DISTRIBUTION

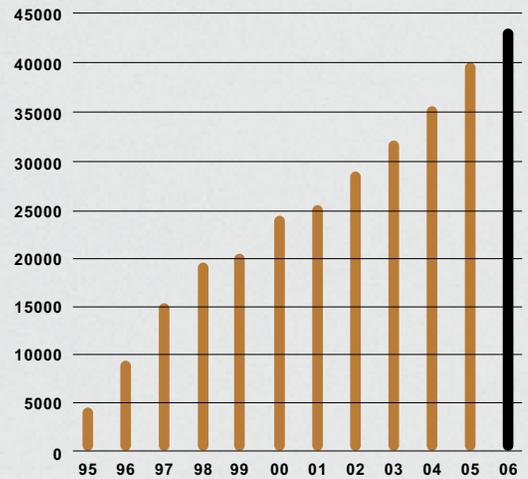


Fig. 3 TOTAL BENEFITS CONFERRED (in thousands)

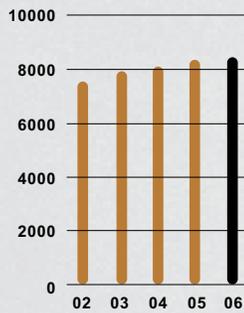


Fig. 4 WRITTEN PREMIUM (in thousands)

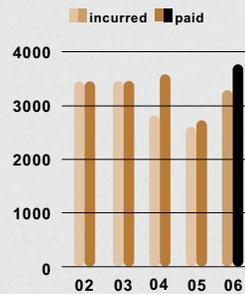


Fig. 5 LOSSES (in thousands)

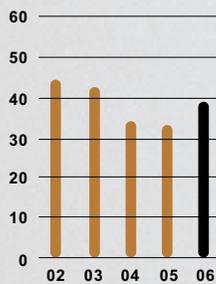


Fig. 6 LOSS RATIOS (in percent)

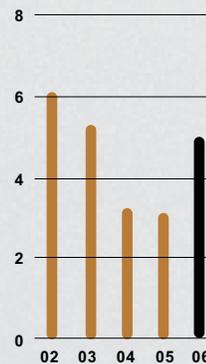


Fig. 7 INVESTMENT YIELD RATIOS (in percent)

## Earnings and Equity

Due to the relatively large increase in investment income, as previously described, net earnings increased slightly (\$200,000) in 2006, as compared to 2005, despite the increase in claim losses. (Fig. 8) This had the positive effect for NDIRF members of raising the Conferment of Benefits payable in 2007 by \$135,000 from the prior year.

Members' equity (surplus) was maintained at a strong level in 2006 and the fiscal policies of the Fund are designed to **provide continued stability of members' equity** in future years, even while NDIRF participants enjoy the outstanding returns of the Conferment of Benefits program.

The Fund's consulting actuaries indicate the current level of members' equity provides outstanding confidence (in excess of 90%) that all expected obligations can be met. (Fig. 9)

A review of the NDIRF's entire 21-year history regarding total revenues, net earnings, total assets and members' equity provides a graphic representation of the growth, maturity and success enjoyed by the NDIRF and its membership. (Figs. 10 and 11)

## Training

In 2006, the NDIRF continued its commitment to assist members in controlling their cost of risk through appropriate training opportunities. This effort was substantial and included providing information and assistance to thousands of officials and employees of Fund members on the following subjects:

- *Defensive driving*
- *Employment practices*
- *Road maintenance*
- *Law enforcement liability*
- *Playground safety*
- *Special coverage issues for cities, counties and schools*

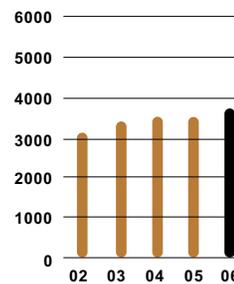


Fig. 8 NET EARNINGS  
(in thousands)

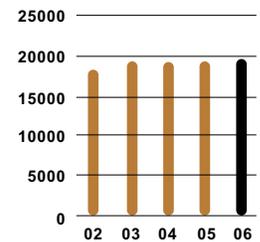


Fig. 9 MEMBERS' EQUITY  
(in thousands)

An updated Handbook for City Officials was developed and distributed, and **an online "Helpline" for NDIRF members with employment relations exposures was added to the Fund's website last year.** The NDIRF's library of training videos and DVD's, available for member use, was expanded and updated in 2006 along with access to content and check-out information via the Fund's redesigned website.

NDIRF sponsorship helped secure, in cooperation with the North Dakota Recreation and Parks Association and Bismarck Park District, a National Playground Safety Training Institute held in Bismarck. Locating the Institute here will make advanced training for playground safety personnel in North Dakota far easier to obtain in future years.

All of these tools are intended to provide NDIRF members with the resources to meet and deal successfully with challenges they encounter in the execution of their responsibilities.

## Conclusion

Since its founding in 1986, the NDIRF has become the premier provider of dependable risk services to local government in North Dakota. As we reflect on 21 years of remarkable success in meeting a critical need for our members, we also look forward to building on this tradition of excellence in the years to come.

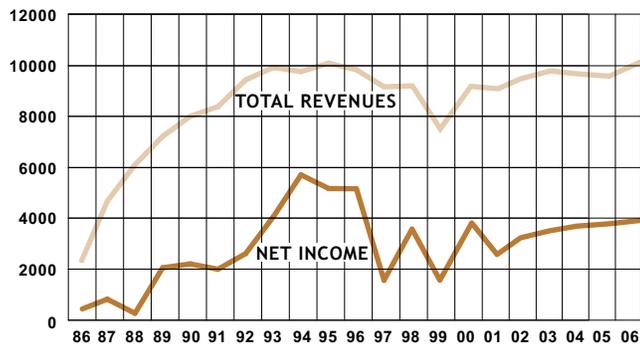


Fig. 10 21-YEAR REVENUES  
(in thousands)

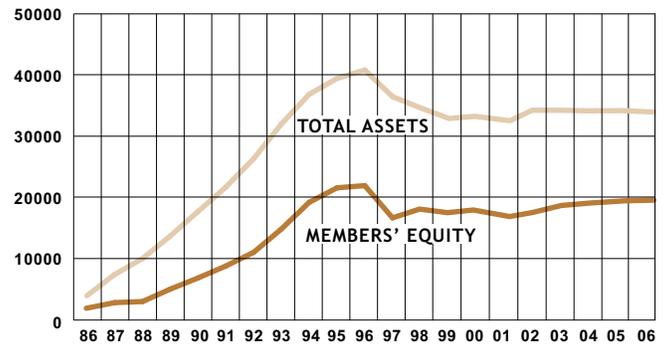


Fig. 11 21-YEAR BALANCE SHEET  
(in thousands)



*This whitetail buck was photographed in November 2006 from a window in the NDIRF office building. Earlier last year, does and fawns that are likely related to this guy enjoyed consuming some of the decorative plantings around our building. While the damage was annoying, it pales in comparison to the financial impact of deer/auto accidents. Last year, there were 3,766 reported deer hit accidents in North Dakota, approximately 80 of which involved NDIRF members. In the past 15 years, NDIRF has paid out nearly three-quarters of a million dollars on over 450 deer hits by Fund members.*

2006 was a milestone year for the NDIRF, marking the Fund's 20th anniversary. It also marked the retirement of Bob Frantsvog as Finance Director for the City of Minot and as an NDIRF Board Member. Mr. Frantsvog has the unique experience of having been a Board Member from the day NDIRF began operations through his retirement in 2006 and offered these perspectives in a recent interview:



Bob Frantsvog

**Bob, what did you see as the NDIRF'S mission when you joined the Board of Directors in 1986?**

Many of the public officials at that time will recall letters of non-renewal from traditional insurance companies. These became the inspiration for inception of the NDIRF, a risk pool for political subdivisions and state agencies.

I recall a special Minot City Council meeting on December 23, 1985. Then-Mayor Reiten opened the meeting advising the City Council they would resolve the insurance issue at that meeting or he would call another special meeting on Christmas Eve! The issue was resolved, and Minot became one of the original five members of the North Dakota Insurance Reserve Fund.

**How did your vision for the NDIRF change over the time you were a Board Member?**

In 1986, the members didn't know if this was a band-aid or long term solution. All we wanted then was to get over the crisis and move on. It didn't take long to see that NDIRF was here to stay. Membership was growing rapidly and one key to the growth was the fact that NDIRF was viewed as "our Fund" – it belonged to all of us. I think the initial success very quickly caused both Board and members, even though the Fund was just in its inception, to look at it as a long term solution.

The Fund has always used a conservative approach to risk and it seems to have paid off well. It has an excellent CEO and staff – that's an asset we don't want to lose.

**Do you have any advice for Fund members going forward?**

As far as the future, keep up the good work and do more of the same!

**NDIRF BOARD OF DIRECTORS AND MEMBER AFFILIATION**



**Steve Cichos**  
Chairperson  
Counties



**Corene Vaughn**  
Chairperson-Elect  
Counties



**Fred Bott**  
Cities



**Burdell Johnson**  
Schools



**Mark Johnson**  
Counties



**Shawn Kessel**  
Cities



**Rod Landblom**  
Others



**Steve Neu**  
Others



**Connie Sprynczynatyk**  
Cities



## INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
**North Dakota Insurance Reserve Fund**  
Bismarck, North Dakota

We have audited the accompanying balance sheets of the **North Dakota Insurance Reserve Fund** as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **North Dakota Insurance Reserve Fund** as of December 31, 2006 and 2005, and the results of its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "EideBailly LLP".

Bismarck, North Dakota  
March 1, 2007

**NORTH DAKOTA INSURANCE RESERVE FUND**  
**BALANCE SHEETS**  
**DECEMBER 31, 2006 AND 2005**  
**(Dollars in Thousands)**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents - Note 3	\$ 679	\$ 1,188
Investments - Note 4	30,826	30,402
Agents' balances	304	275
Interest receivable	328	315
Deferred policy acquisition costs - Note 5	385	367
Land, building and equipment, net - Note 6	1,126	1,194
Other assets	<u>21</u>	<u>35</u>
	<u>\$ 33,669</u>	<u>\$ 33,776</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 35	\$ 41
Conferment payable - Note 7	3,571	3,435
Accrued expenses	107	98
Unearned premiums	3,086	2,946
Losses and loss adjustment expenses	5,234	5,852
Incurred but not reported losses	<u>3,065</u>	<u>2,968</u>
	<u>15,098</u>	<u>15,340</u>
<b>NET ASSETS</b>		
Unrestricted	<u>18,571</u>	<u>18,436</u>
	<u>\$ 33,669</u>	<u>\$ 33,776</u>

See Notes to Financial Statement

**NORTH DAKOTA INSURANCE RESERVE FUND**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**  
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>		
Premiums earned	\$ <u>8,542</u>	\$ <u>8,290</u>
<b>EXPENSES</b>		
Losses and loss adjustment expenses	<u>3,340</u>	2,524
Underwriting and administrative	<u>3,155</u>	<u>3,023</u>
Total expenses	<u>6,495</u>	<u>5,547</u>
<b>REVENUES OVER EXPENSES</b>	<u>2,047</u>	<u>2,743</u>
<b>NONOPERATING REVENUES</b>		
Investment revenues, net of investment expenses of \$76 and \$65 in 2006 and 2005	<u>1,399</u>	1,392
Realized and unrealized gains and losses on investments	<u>260</u>	<u>(634)</u>
Total nonoperating revenues	<u>1,659</u>	<u>758</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>3,706</u>	<u>3,501</u>
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>18,436</u>	18,370
<b>CONFIRMATION DECLARED</b>	<u>(3,571)</u>	<u>(3,435)</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	\$ <u><u>18,571</u></u>	\$ <u><u>18,436</u></u>

See Notes to Financial Statement

**NORTH DAKOTA INSURANCE RESERVE FUND**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(Dollars in Thousands)**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,706	\$ 3,501
Adjustment to reconcile change in net assets to net cash from operating activities		
Depreciation	86	101
(Increase) decrease in fair value of investments	(260)	634
Gain on sale of equipment	(4)	(3)
Changes in assets and liabilities		
Agents' balances	(29)	(5)
Interest receivable	(13)	(10)
Deferred policy acquisition costs	(18)	(5)
Other assets	14	(16)
Losses and loss adjustment expenses	(618)	(216)
Incurred but not reported losses	97	(20)
Unearned premiums	140	46
Accounts payable	(6)	19
Accrued expenses	9	8
Net cash provided by operating activities	<u>3,104</u>	<u>4,034</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(16,949)	(9,256)
Proceeds from sale and maturities of investments	16,785	7,461
Purchase of property and equipment	(18)	(112)
Proceeds from sale of property	4	3
Net cash used in investing activities	<u>(178)</u>	<u>(1,904)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Conferment paid	<u>(3,435)</u>	<u>(3,369)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(509)</b>	<b>(1,239)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u><b>1,188</b></u>	<u><b>2,427</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u><b>\$ 679</b></u></u>	<u><u><b>\$ 1,188</b></u></u>
<b>SCHEDULE OF OTHER NONCASH ACTIVITIES</b>		
Conferment Payable	<u><u><b>\$ 3,571</b></u></u>	<u><u><b>\$ 3,435</b></u></u>

See Notes to Financial Statement

**NORTH DAKOTA INSURANCE RESERVE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(Dollars in Thousands)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principal Business Activity*

The North Dakota Insurance Reserve Fund (NDIRF) is a non-profit corporation engaged in the underwriting and insuring of property and casualty risks. NDIRF was organized January 1, 1986, and was incorporated on June 5, 1989. All political subdivisions in the State of North Dakota are eligible to participate in accordance with the North Dakota Century Code (Chapter 26.1- 23.1). The purpose of NDIRF is to establish a fund for self-insurance by the members against various types of property and casualty risks to which they are exposed in the ordinary course of their operations. Political subdivisions may terminate their membership at any time. Members include cities, counties, townships, school districts, fire districts, park districts, ambulance associations, soil conservation districts and water districts within the State of North Dakota. Total membership is 2,526.

*Basis of Presentation*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America that differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities.

*Concentration of Credit Risk*

The Fund's cash balances are maintained in various bank deposit accounts and typically the Fund has deposits in excess of federally insured limits.

Concentration of credit risk with respect to agents' balances is related principally to agents located within North Dakota. The Fund performs periodic credit evaluations of its agents' financial condition and generally does not require collateral. Receivables are generally due in 30 days.

*Investments*

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statement of activities.

*Agents' Balances and Credit Policy*

Agents' balances are uncollateralized obligations due under normal trade terms requiring payment within 30 days from the invoice date. The balances are non-interest bearing. Payments are applied to the earliest unpaid invoices. Management reviews agents' balances on a regular basis and charges operations for those considered uncollectible. All remaining agents' balances are considered collectible.

*Recognition of Premium Revenue and Related Expenses*

Premiums are earned principally on a pro-rata basis over the lives of the policies. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force. Related expenses associated with the unearned premiums are recognized as deferred policy acquisition costs and amortized over the lives of the policies.

(continued on next page)

## NOTES TO FINANCIAL STATEMENTS

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### *Land, Building and Equipment*

Equipment and building are stated at cost. The Fund capitalizes equipment and building purchases in excess of \$1,000. Depreciation is computed using the straight-line method over the following estimated useful lives:

Equipment	3-10 years
Building	3-30 years

### *Insurance Liabilities*

The liability for losses, loss-adjustment expenses and incurred but not reported losses includes an amount determined from loss reports and individual cases and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently. The reserve for losses and loss-adjustment expenses is reported net of receivables for salvage and subrogation.

### *Income Taxes*

A ruling was received from the Internal Revenue Service (IRS) stating the income of the Fund is excludable for tax purposes from gross income under Section 115 of the Internal Revenue Code. However, it should be noted that the IRS also stated that no opinion is expressed as to the federal income tax consequences or whether the Fund is an insurance company for federal tax purposes. As a result, no provision for income taxes has been provided for.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash Equivalents*

The Fund considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### *Advertising*

Marketing costs are expensed as incurred. Marketing expense was \$284 and \$258 for the years ended December 31, 2006 and 2005.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised entirely of membership equity surplus.

### NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Cash	\$ 418	\$ 512
Money market	<u>261</u>	<u>676</u>
	<u>\$ 679</u>	<u>\$ 1,188</u>

### NOTE 4 - INVESTMENTS

Cost and fair value of investments at December 31, 2006 and 2005, follows:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<b>FIXED MATURITIES</b>				
Corporate bonds	\$ 18,954	\$ 18,874	\$ 17,245	\$ 17,234
U.S. Government securities	<u>7,003</u>	<u>6,907</u>	<u>8,027</u>	<u>7,927</u>
	<u>25,957</u>	<u>25,781</u>	<u>25,272</u>	<u>25,161</u>
<b>MARKETABLE EQUITY SECURITIES</b>				
Mutual funds	1,264	1,521	2,679	2,401
Stocks	<u>1,485</u>	<u>1,929</u>	<u>1,487</u>	<u>1,707</u>
	<u>2,749</u>	<u>3,450</u>	<u>4,166</u>	<u>4,108</u>
<b>CERTIFICATES OF DEPOSIT</b>	<u>1,615</u>	<u>1,595</u>	<u>1,162</u>	<u>1,133</u>
	<u>\$ 30,321</u>	<u>\$ 30,826</u>	<u>\$ 30,600</u>	<u>\$ 30,402</u>

(continued on next page)

## NOTES TO FINANCIAL STATEMENTS

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Major categories of net investment income, follows:

	<u>2006</u>	<u>2005</u>
Fixed maturities	\$ 1,285	\$ 1,234
Marketable equity securities	68	142
Certificates of deposit	53	30
Cash and cash equivalents	69	51
	<u>1,475</u>	<u>1,457</u>
Investment expenses	(76)	(65)
(Loss) gain on sale and maturity of investments	(443)	424
Increase (decrease) in fair value of investments	703	(1,058)
	<u>\$ 1,659</u>	<u>\$ 758</u>

As of December 31, 2006 and 2005, investments with a fair value of approximately \$975,000 and \$978,000 were pledged to the North Dakota Insurance Department.

### NOTE 5 - DEFERRED POLICY ACQUISITION COSTS

Deferred policy acquisition costs consist of unearned commissions which have been paid to agents. These costs are amortized as a percent of unearned premiums in the same ratio as the percent of written premiums. Amortization in 2006 and 2005 was \$1,067 and \$1,036.

### NOTE 6 – LAND, BUILDING AND EQUIPMENT

Depreciation charged to operations was \$86 and \$101 in 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Equipment	\$ 564	\$ 555
Building	1,073	1,073
Land	215	215
	<u>1,852</u>	<u>1,843</u>
Less accumulated depreciation	(726)	(649)
	<u>\$ 1,126</u>	<u>\$ 1,194</u>

(continued on next page)

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 - CONFERMENT PAYABLE

During 2006 and 2005, the Board of Directors elected to confer benefits to the participating members of the Fund. The amount of benefits allocated to a specific member is based upon a pro-rata share of the total benefit to be conferred. The benefits conferred for the years ended December 31, 2006 and 2005, were \$3,571 and \$3,435.

### NOTE 8 - EMPLOYEE BENEFIT PLANS

#### *Profit Sharing Plan*

The Fund has a qualified profit-sharing plan which covers all employees who meet eligibility requirements. The Fund's contribution to the plan is at the sole discretion of the employer. The contributions become 100 percent vested once disbursed to the plan. The Fund's contributions for 2006 and 2005 were \$94 and \$89.

#### *Deferred Compensation Plan*

The Fund has an elective employees' deferred compensation plan for substantially all employees. The plan qualifies as a deferred arrangement under Section 457 of the Internal Revenue Code. The plan allows employees to contribute up to the maximum allowable by law per year. These contributions are not subject to federal income taxes. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Fund does not contribute to this plan.

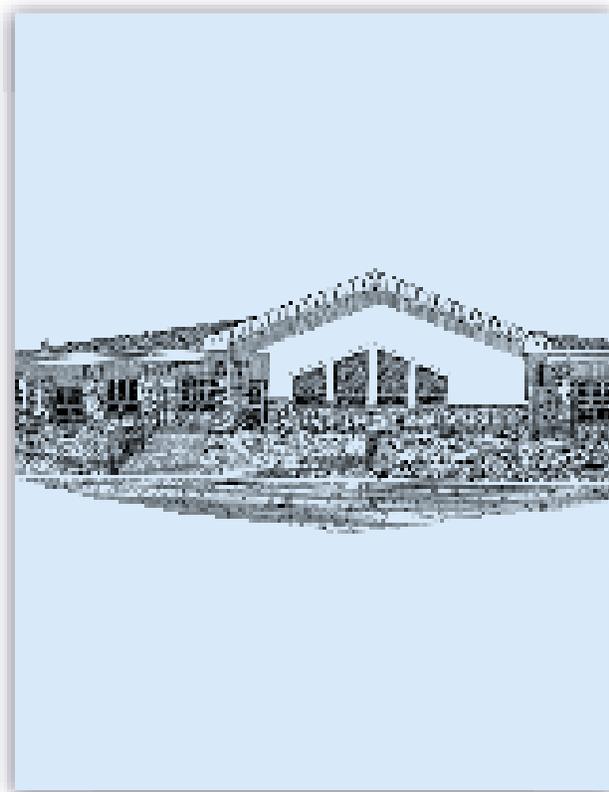
### NOTE 9 – RELATED PARTIES

The Fund sponsors seminars, special projects, and advertising for Associations whose members are eligible to participate in the Fund. Certain of these Associations' Executive Directors or Board members are members of the Fund's Board of Directors. This would include the North Dakota Association of Counties, North Dakota League of Cities, North Dakota Recreation and Parks Association, and North Dakota School Board Association. In 2006 and 2005 the total amount paid to the related parties for these types of services was \$135 and \$125.

### NOTE 10 - STATUTORY NET INCOME AND MEMBERSHIP EQUITY

Accounting principles generally accepted in the United States of America differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory basis). Statutory net income was \$3,029 and \$4,565 in 2006 and 2005, and statutory surplus was \$18,309 and \$18,105 at December 31, 2006 and 2005.

North Dakota Insurance Reserve Fund  
2006 Annual Report



Protecting the  
Public Trust



NORTH DAKOTA  
INSURANCE  
RESERVE FUND

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